

REVIEW OF HOPE VI PROGRAMS
HOUSING AUTHORITY OF WATERS CITY



DECEMBER, 2003

I. SCOPE OF REVIEW

The Waters City HUD Office of HUD began this HOPE VI Monitoring Review by holding an Opening Conference on February 23, 1999 with the Executive Director of the Housing Authority of Waters City (HAWC), HAWC's HOPE VI staff, and other Divisions from within HAWC that interface and work with the HOPE VI Program. The HUD Review Team, led by Sharon Scharf, Revitalization Specialist, included Bernard Shaw (Financial Analyst), Angela Roebling (Engineer), and the Army Corp of Engineers.

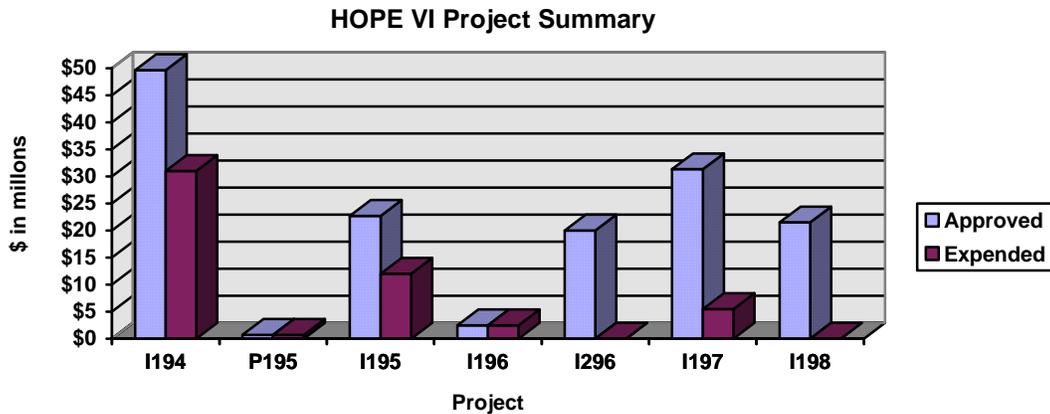
At this Opening Conference, HUD shared several objectives to this review:

- determine the progress of all HOPE VI activities
- determine whether the housing authority has adequate systems and controls in place to ensure compliance with program requirements during the implementation of program activities
- monitor the housing authority's adherence to the Partial Consent Decree, as it relates to the HOPE VI program
- ensure compliance with provisions of the HOPE VI Grant Agreement

In addition, the Opening Conference provided both HUD and HAWC an opportunity to discuss the proposed scope of this review, and allowed for HAWC to identify the appropriate housing authority staff that should be consulted, based upon the scope. Given that Waters City HOPE VI Programs are in various stages of planning and/or redevelopment, HUD's monitoring efforts were tailored to the activities taking place at each development; thus, the scope of the review is as follows:

- **Butterfly Gardens:** Section 3, MBE, supportive services, and physical inspection of units.
- **The Townhouses:** construction progress, relocation of residents, Section 3, MBE, 504/ADA (Note: It was anticipated that Total Development Costs (TDCs) would be reviewed, but was eliminated from the scope, given that HUD HQ addressed TDC with its approval of a higher TDC limit.)
- **George Gershwin Homes:** procurement/selection of joint venture team, relocation, resident consultation
- **Vimy Ridge:** contract administration of perimeter fence
- **Marble Town:** procurement of Best Developers team
- **Lawnfield:** procurement of demolition firm, inspection
- **Management of HOPE VI:** fiscal/internal controls, staff allocation, audits, matching requirements, etc.

II. EXECUTIVE SUMMARY



Graph Project Key:

- I194.....Implementation Grant for Butterfly Gardens (formerly Old Town)
- P195.....Planning Grant for Vimy Ridge
- I195.....Implementation Grant for The Townhouses (formerly Devine Hill)
- I196.....Demolition of Lawnfield Homes
- I296.....Implementation Grant for Vimy Ridge
- I197.....Implementation Grant for George Gershwin Homes (formerly Sandstone)
- I198.....Implementation Grant for Marble Town

This Executive Summary highlights the findings, errors, and observations resulting from the Waters City Hub Office of Public Housing’s monitoring review of the Housing Authority of Waters City’s (HAWC’s) administration of its HOPE VI Programs. For more detail, please refer to that section of the report that follows.

GENERAL MANAGEMENT

Findings:

- Three Locked Checkpoints were missed for Vimy Ridge.
- HUD approval was not sought for three subgrantees, engaged to provide services at Butterfly Gardens.
- HAWC failed to furnish, and seek HUD approval of, all subgrant agreements at Butterfly Gardens.
- HAWC did not furnish HUD with executed copies of Exhibit C, Certifications and Assurances, for these subgrant agreements.

Errors:

- HUD could not determine HAWC’s compliance with the 15% matching requirement at Butterfly Gardens, since Memoranda of Understandings or Agreements between

HAWC and other agencies were lacking either a dollar amount for contribution or value of in-kind services.

Observations:

- Most HOPE VI staff do not have e-mail, which limits their ability to transmit reports to HUD, and restricts direct communication with HUD and other agencies.
- HAWC should be commended for developing an Issues Log for each HOPE VI site, which serves as an invaluable tracking tool for all the partners at that site.
- HUD was unable to determine the adequacy of staffing levels for effective administration of HOPE VI, given that HAWC's Staffing and Allocation Plans are outdated.
- Budgets, financial reports, and cost certificates must be submitted to HUD to begin the close-out process of two completed HOPE VI grants.

FISCAL MANAGEMENT/INTERNAL CONTROLS

Findings:

- The Income and Expense salary charges could not be verified for accuracy, and could not be tied back to the latest budget.
- The Line of Credit Control System (LOCCS) documentation on drawdowns for Butterfly Gardens was poor.
- HAWC's HOPE VI office remains understaffed in the financial area.

Observations:

- HAWC's HOPE VI Budget Officer is not getting supporting documentation for all expenses charged against the HOPE VI Budgets.
- HAWC has insufficient experienced personnel capable of requisitioning funds through HUD's payment system (LOCCS).
- Given the magnitude of HOPE VI funding in Waters City, HAWC did not request their outside auditors to go beyond the "minimum requirements" when performing the 1998 audit.
- Supporting documentation for requisitions at The Townhouses could be improved.
- For requisitions, HAWC is commended for its internal process relative to "sign-offs" by agency officials.

RELOCATION

Finding:

- Many families relocated from Vimy Ridge were not afforded benefits required under the Uniform Relocation Act.

PROCUREMENT

Findings:

- Files documenting the procurement process of development services at Marble Town could not be produced while HUD was on-site.
- File for procurement of the developer services at Murphy Homes did not contain work papers of all individual scorers that evaluated all proposals.
- Above file also was lacking an independent cost estimate, a cost/price analysis, and a price negotiation memo.
- File for securing legal services at Vimy Ridge and Murphy did not contain evaluation notes and scoring of all panel members.
- Above file was also lacking copies of HAWC's letters requesting additional information from the two firms in the competitive range. File was also lacking an Independent Cost Estimate, a cost/price analysis, and a price negotiation memo.

Observations:

- HAWC does not maintain any log or register to ensure that sufficient unencumbered funds exist prior to the award of contracts.
- HAWC must seriously consider consolidating all agency procurement activity and assign full responsibility for HOPE VI procurement to the existing Chief of Procurement.

PHYSICAL INSPECTIONS

Observations:

- HAWC had postponed completion of some additional items related to the fencing contract at Vimy Ridge.
- The contractor at The Townhouses has yet to respond to safety precautions necessary to isolate unit occupants and pedestrians from adjacent construction and construction traffic.
- HAWC should insist that its on-site representative at The Townhouses prepare punchlists, ensure that deficiencies are corrected, and conduct a follow-up inspection *prior* to the final walkthrough by prospective homeowners.
- Time/Davids and/or HAWC should review compliance with mobility-impaired standards at The Townhouses' for-sale townhouse units.
- The Army Corp of Engineers recommended that HAWC consider a three-phase inspection process on future HOPE VI projects that would require contractor/subcontractor involvement.

II. GENERAL MANAGEMENT

A. Administrative Matters

Given the wealth of information available at various internet sites, such as the homepages of HUD and the Housing Research Foundation, this office was pleased to note that all HAWC employees, including its HOPE VI staff, now have internet access.

Observation: Most HOPE VI staff have not been assigned e-mail addresses as part of the agency's on-line service. It was noted that one staffperson, in particular, had to obtain an e-mail address through a free provider in order to electronically transmit the HOPE VI quarterly reports to HUD Headquarters. Unfortunately, there were some transmission problems that resulted from size limitations of files attached through the free provider.

Corrective Action: HAWC should assign agency e-mail addresses to several additional staff, who either are responsible for such reporting transmissions, and/or routinely communicate with HUD, at the local and national levels.

Observation: An Issues Log is maintained for each HOPE VI development, and is used to record and discuss topics germane to that site during regularly scheduled project meetings. A HUD staff person attended two of these meetings, one for Murphy Homes, and the other for Vimy Ridge. The Issues Log becomes an on-going historical document, in that it records not only current issues, but those which have been resolved and/or completed. The Log describes the issue, discusses follow-up, provides a due date, persons involved (could be from several entities, including the developer, management company, HAWC, HUD, etc.), and final resolution. The Issues Log becomes an invaluable tracking tool.

Observation: Other than the financial staffing shortage, noted in the financial section of this report, this office is unable to determine whether the staffing levels allocated to HOPE VI are sufficient to administer the volume of HOPE VI activities in Waters City. The Staffing and Allocation Plans for at least two of your projects need to be updated (again, noted in the financial section of this report). During this review, HUD was furnished with a listing of all personnel (as of June 1, 2003), although it is acknowledged that HAWC has recently undergone an organizational change. At that time, there were 31 persons charged to the HOPE VI Program.

Corrective Action Required: With six (6) HOPE VI Implementation Grants, it is imperative that HUD understand and agree to the staffing levels to ensure that appropriate resources are available for efficient implementation of these grants. Therefore, please provide this office with the following information, which, when concurred by HUD, will replace all existing HAWC Staffing and Allocation Plans on file at HUD:

- ◆ a complete organizational chart pertaining to the HOPE VI programs.
- ◆ a matrix that lists all employees, all HOPE VI grants, and the percentages of time per grant. If applicable, an additional column should be utilized to reflect any percentages of time charged to other programs.

B. Grant Agreement Matching and Subgrantee Requirements

Locked Checkpoint Review

1) *Article V of the Grant Agreement defines the period for expending grant funds. Article XVIII of the Grant Agreement states that HUD may impose special conditions or restrictions on the Housing Authority if HUD determines that the performance of the Housing Authority or its contractors is unsatisfactory.*

In 2002, HUD identified certain milestones (Grant Agreement Executed, Developer Agreement Executed, CSS Plan Finish, Mixed Finance Proposal Finish, Revitalization Plan Finish, Evidentiary Finish, Close-out Agreement Certification, Closing, Construction Start and Construction Finish), which are considered adequately measured satisfactory performance. The Housing Authority established dates for these milestones and they were “locked” (i.e., can not be revised). Locked checkpoints are self-imposed milestone dates established by the Housing Authority that HUD uses to determine if the Housing Authority is progressing in a timely manner towards completion of the grant.

A review of the Locked Checkpoints for each phase of each grant show that there are three missed Locked Checkpoints for Phase IV of the Vimy Ridge grant:

- ◆ Evidentiary Finish
- ◆ Closing
- ◆ Construction Start

Corrective Action: HAWC must thoroughly evaluate the Phase IV status and make necessary changes in order to comply with the missed Locked Checkpoint. Failure to address the delay could result in HUD taking steps to declare the grant in default.

To ensure HAWC’s compliance with terms of the HOPE VI Grant Agreement, this office chose to assess the Old Town (now Butterfly Gardens) project.

Old Town:

2) *Article VIII of the Grant Agreement for this project states in part that, “The Grantee will use best efforts to cause the City in which the Grantee is located to provide contributions for supportive services in an amount equal to 15%...of the HOPE VI grant funds awarded to the Grantee for supportive services under the Revitalization Plan.”*

In response to our request for assurances of HAWC’s compliance in this regard, this office was furnished with copies of the following Memoranda of Understanding or Agreements:

- ◆ HAWC and the City’s Office of Employment Development, to establish an employment development program (HAWC cost: \$350,000)
- ◆ HAWC and The Boys and Girls Clubs Central, Inc., to lease building space and provide a youth development program (cost and/or value, unknown)

- ◆ HAWC and The Family Tree (Positive Parenting Program), to deliver parent education and support (cost and/or value, unknown)
- ◆ HAWC and Department of Social Services, to provide temporary training positions (value: \$27,000)
- ◆ HAWC and Department of Social Services, to provide community service opportunities (cost and/or value, unknown)
- ◆ HAWC and Department of Human Resources, to provide necessary services to “at risk” families (cost and/or value, unknown)
- ◆ HAWC and Department of Social Services, to provide economic self-sufficiency services (cost and/or value, unknown)
- ◆ HAWC and Civic Works Inc., to provide skill training and support services (cost to HAWC: \$187,000 in original contract; \$189,120 in addendum...value of benefit to participants is \$4,725, but the benefit comes from the AmeriCorps Program, not the City).

Error: In most of the above instances, a dollar amount was not stated in the MOU and/or Agreement, or it did not appear that there was any in-kind or monetary contribution from the City; rather, there was a charge to the HAWC.

Correction Action: To ensure HAWC’s compliance with the provisions of the Grant Agreement, please provide this office with documentation that demonstrates that the City has fulfilled its 15% match.

2) *Article IV, paragraph 12(a) states in part that, “The Grantee is permitted to enter into subgrants for the performance of community service or supportive service activities under the Revitalization Plan...which were named in the HOPE VI Application, or are listed in Exhibit B hereto.....The Grantee must obtain HUD approval prior to entering into any other subgrants.”*

Finding: A comparison of the subgrantees listed above to those identified in Exhibit B of the Old Town Grant Agreement reveals that at least three (3) subgrantees (Office of Employment Development; The Boys and Girls Club Central; and The Parent Tree) were not listed at Exhibit B and prior HUD approval was not sought.

Corrective Action: No corrective action can be taken after the fact. However, HAWC must be reminded of these provisions of the Grant Agreement for future Memoranda of Understanding or Agreements.

3) *Article IV, paragraph 12(b) states in part that, “...the Grantee will submit to HUD for approval a copy of any Subgrant agreement executed between the Grantee and any subgrantee intended to receive HOPE VI implementation grant funds.” Further, Article IV, paragraph 12(c) requires that “The Grantee will submit to HUD an executed copy of Exhibit C to this Grant Agreement (“Subgrantee/Contractor/Subcontractor Certifications and Assurances”) at the time the Grantee executes any contract with any subgrantee or contractor...”*

Finding: HAWC failed to furnish (and seek HUD approval of) all subgrant agreements after execution. Further, HAWC had not submitted executed copies of Exhibit C, Certifications and Assurances, as required under the Grant Agreement.

Corrective Action: Given that all the agreements are in place and binding, no corrective action is expected at this time. However, HAWC is reminded of its obligations under the Grant Agreement in providing such documents in a timely manner, after execution.

C. Section 3 and Minority Business Enterprise Programs

HAWC's Office of Fair Housing and Equal Opportunity has put substantial efforts into obtaining positive results with the Section 3 and Minority Business Enterprise (MBE) programs. Felicia Johnson and Barbara Snow of your staff should be commended for their efforts in these areas. In the area of Section 3, the emphasis is on obtaining permanent employment. Many contractors do not initially know how to deal with Section 3, therefore HAWC's program begins with educating the contractor about Section 3. It is a requirement that contractors be detailed in their Section 3 submittal plans including number of positions, salary range, classification, full or part time status, qualifications (what the contractor is looking for), and the recruitment process. Contractors must identify a Section 3 Coordinator, present a systematic approach to hiring, and are encouraged to perform drug testing.

In addition to the work with contractors, HAWC also talks to resident councils about the Section 3 program and encourages those councils to bring potential qualified candidates to the attention of HAWC.

The current goal is that 50% of new hires are to be drawn from the Section 3 Program. The majority of new hires come from the project area. At the time this information was gathered (April 6), George Gershwin Homes had a total of 119 Section 3 new hires. The initial goal was 50. Total hires for all categories for Lexington Terrace are as follows: 34 from George Gershwin Homes, 23 from public housing, 23 from the community, 18 from the empowerment zone, and 21 of unknown origin. HAWC has also had similar success at Butterfly Gardens.

At Butterfly Gardens, HAWC has been involved in the development of resident-owned businesses. A total of five were developed there. Performance is monitored by the number of residents that are employed and for how long they are employed.

In the area of MBE, the goal is a minimum of 20% participation. HAWC accepts the certifications of Waters City or the Department of Transportation in determining whether a contractor is a certified MBE. The 20% participation rate has not been a problem to obtain in the HOPE VI area. Vimy Ridge has attracted 28% of its contractors from MBE categories, while The Townhouses has a 34% participation rate.

D. Status of Completed Grants

(MD06URD002P195 - planning grant for The Townhouses): HAWC must send a Termination of Disbursements letter to HUD's Office of Public Housing Investments (OPHI), Washington, DC, that states the following:

- a. The Grantee has completed all activities to be performed using HOPE VI planning grant funds.
- b. All requirements of the Grant Agreement have been met.
- c. All obligated HOPE VI grant funds have been disbursed.
- d. The Grantee will abide by any continuing Federal requirements.
- e. The Grantee will submit all required Closeout documentation.

Upon receipt of this Termination of Disbursements letter, OPHI will consider the date of the letter as the Pre-Audit End Date in LOCCS. This action will prevent any further disbursements, and will stop LOCCS from automatically sending Quarterly Report reminder letters to the Grantee.

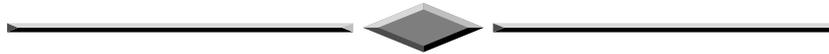
The above letter be submitted within **30 calendar days** after completion of all HOPE VI funded activities; and that additional documentation (noted below) be submitted within **90 calendar days** after completion. To expedite the close-out process, the authority is encouraged to submit all information under one transmittal.

Additional documentation includes:

- Form HUD 52825 (HOPE VI budget), marked “final”, that shows all expenditures by budget line item.
- Form SF-269-A, Final Financial Report, containing a cumulative summary of expenditures to date.
- Form HUD-53001-A, Actual HOPE VI Cost Certificate. This form serves as the document that officially closes out the grant.

Because the goal of planning grants is to prepare housing authorities to implement HOPE VI activities, there is a requirement for submission of a Revitalization Concept. However, since the authority subsequently submitted and received approval of HOPE VI Implementation Grants for the projects included in the planning grant, this requirement will not be applicable to this close-out.

(MD06URD002I196 - demolition grant for Lawnfield Homes): Close-out procedures for this demolition grant are identical to the above procedures, with one exception. All of the close-out documentation for demolition grants are submitted *only* to the HUD field office, for direct processing. Again, the authority is encouraged to submit all documentation under one cover, to expedite the close-out process.



IV. FISCAL MANAGEMENT/INTERNAL CONTROLS

Given their status and level of activity, this office chose the Butterfly Gardens’ and The Townhouses’ HOPE VI programs to test the internal controls and assess the fiscal management component of HAWC’s HOPE VI operation.

Fiscal responsibilities for the HOPE VI Program rest with the HOPE VI Budget Officer, who ensures contract and budget compliance. In this capacity, the Budget Officer oversees all charges to the respective HOPE VI Budget, as they compare to contract and change order documents, and conducts an accounting review of each payment request submitted by vendors or contractors, to ensure the reasonableness and eligibility of all items. Once a requisition has been reviewed and any adjustments so noted, the Budget Officer circulates each requisition through the Wage Compliance Officer, the On-Site Representative; the Coordinating Architect, the Associate Deputy Director; with final approval for payment being granted by the Executive Director.

In turn, The HOPE VI Budget Officer sends a request to HAWC's Finance and Accounting Office to requisition these dollars from the Line of Credit Control System (LOCCS) and subsequently make direct payment to the vendor or contractor. The Finance and Accounting Office may also conduct accounting reviews of the requisitions, as necessary.

A. Findings

Finding #1: Pursuant to Article XXI, Paragraph Six, of the Grant Agreements for Butterfly Gardens and The Townhouses, the staff allocation plan must ensure proper allocation between HOPE VI and other funding sources. The current staff allocation plan is inaccurate and has not been updated for Butterfly Gardens and The Townhouses since March 1998. The staff allocation plan could not be tied back to the latest budget. The Income and Expense (I and E) salary charges could not be verified for accuracy. Lack of staff has precluded HAWC's HOPE VI Office from being able to update the Staff Allocation Plan.

Required Corrective Action: The HAWC must update its Staff Allocation Plan and provide copies to this office. The plan will also provide the basis needed for HAWC to verify and correct the appropriateness of salary charges on the monthly "I and E" reports.

Finding #2: The LOCCS documentation for Butterfly Gardens' draws was poor. Beginning in December 1994 and continuing through March 1999, the PHA had drawn down \$31,015,600 of this \$49,663,600 grant, leaving a balance of \$18,648,000, which is set-aside for homeownership activities, pursuant to the Partial Consent Decree. Many of the draws were based on "I and E" reports with no supporting documentation to support the "I and E" charges.

Additionally, there were (1) several requisitions for \$2.4 million (the maximum that could be drawn at one time without being flagged) to "catch-up" for past invoices instead of draws being based on actual bills, (2) no copies of requests for payment to contractors (even though they have been prepared by HAWC's HOPE VI office in coordination with Finance and Accounting since 1996), and (3) no signature approving LOCCS requisitions.

It should be noted, however, that the HAWC did have a LOCCS payment voucher to support every draw, and the detailed ledgers of contractor payments were reconciled between the HOPE VI Office and the Finance and Accounting Office on an on-going basis.

The basis of the draws were "I and E" reports that had no supporting documentation. Also, The Townhouses' requisition, dated 3/4/99 (for \$85,507.10) did not have any supporting documentation. This Office could not determine if the HAWC complied with cost principles described in OMB Circular A-87 (pursuant to Article IV, paragraph 11, of the Grant Agreement) during the completion of Butterfly Gardens.

Required Corrective Action: HAWC's HOPE VI office must review Butterfly Gardens' grant activity in its entirety, audit each LOCCS requisition, and obtain supporting documentation in the form of specific invoices and Labor Distribution reports. However, before any Labor Distribution reports can be verified for accuracy, the HAWC must update its Staff Allocation

Plan. Updating the Plan, as mentioned earlier, will provide the HAWC's HOPE VI Office the basis to correct salary and benefits allocations.

Finding #3: HAWC's HOPE VI office is grossly understaffed in the financial area. At the time of the visit, HAWC's HOPE VI program, one of the largest in the United States with almost \$100 million in awards, had only one fiscal officer overseeing all financial activities. As a result of the recent reorganizations, this Office has learned that a Budget Analyst has been added to the fiscal operations.

Required Corrective Action: HAWC's HOPE VI financial staff needs additional resources. Given the magnitude of the HOPE VI program at the HAWC, and the OMB Circular A-87 problems discussed above, the need for more full-time accountants is critical. The number of additional staff should be predicated on HAWC's evaluation of whether an increased role by the Office of Finance and Accounting is appropriate, efficient, and cost-effective to the HOPE VI Program.

B. Observations

Observation #1: HAWC's HOPE VI Budget Officer is not getting supporting documentation for all expenses charged against HOPE VI programs.

Recommendation: HAWC's HOPE VI Budget Officer needs to get copies of: (1) **all** invoices involving both contractual and non-contractual charges, (2) the monthly "I and E" report **before** any disbursements are made off of it, and (3) the monthly Labor Distribution report that is recorded on the "I and E" report. Once additional resources and staff are allocated to HAWC's HOPE VI financial area, each item on the "I and E" report should be reconciled with Finance and Accounting on a monthly basis.

Observation #2: The HAWC has only one person that routinely accesses LOCCS. There is a second individual with LOCCS authorization, but does not have the experience and knowledge to independently requisition funds. This is a serious situation. If that one person is on vacation or out on leave, generally the HOPE VI contractor bills must wait until that individual comes back. Also, with this situation, the HOPE VI Budget Officer, not having access to LOCCS, never knows how much money is remaining in a grant or if a bill was properly charged.

Recommendation: The HAWC needs to maintain more than one person with aptitude in accessing LOCCS. In addition, the HOPE VI Budget Officer should have at least query capability to LOCCS and, at a minimum; one other person needs to be able to draw HOPE VI funds. This would eliminate the situation of having to depend on a sole individual to pay contractors on a timely basis.

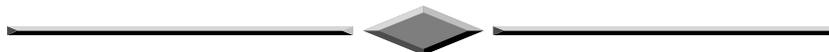
Observation #3: Based on conversations with the HAWC's staff, the PHA's outside auditors, ABC and Company, did not go beyond the "minimum requirements" when looking at the HOPE VI program while performing the FY 1998 audit.

Recommendation: It is recommended that ABC and Company expand its HOPE VI audit procedures in FY 2004. Given the magnitude of the HOPE VI program, additional audit work in this area would be appropriate.

Observation #5: The supporting documentation for The Townhouses draws could be improved.

Recommendation: Even though The Townhouses' documentation was, for the most part, supported by check requests, attaching invoice copies to the requests would strengthen internal controls.

Observation #6: The HAWC should be commended for its internal process relative to drawdowns; specifically, each requisition is accompanied by a cover sheet, requiring sign-offs by the following individuals associated with the HOPE VI program: Wage Compliance Officer; Budget Officer; On-Site Representative; Coordinating Architect; Associate Deputy Director; and finally the Executive Director.



V. COMMUNITY AND SUPPORTIVE SERVICES

Given that HAWC's first-funded HOPE VI project, Butterfly Gardens, has been fully occupied for more than a year, this office chose to focus its review of community and supportive services to that community.

HUD staff visited the Community Center at Pleasant View and witnessed, first-hand, some of the on-going activities provided to the residents of Pleasant View. An HAWC employee, functioning as the Community Capacity Builder, oversees the community and supportive services aspect at this development. Staffing includes a resident aide and four case-management counselors. Of these four counselors, one is assigned to work with residents of the senior building and residents participating in the Intergenerational Program, an interactive model designed to provide intensive social support and assistance to 12 single parents and their children, while forging relationships with 12 elderly residents from the mid-rise building. Two other counselors are assigned to handle the caseload of the rental townhouses, and the final counselor deals with residents providing substance abuse counseling.

A Family Self-Sufficiency (FSS) Program is mandatory for all public housing residents. HAWC staff conducted needs assessments (social; health; educational) of all families to tailor the FSS program specifically to the family. A file is maintained for each household. As part of HUD's on-site visit, several files were pulled to assess the extent of case management activity. Of the 3 files sampled, 2 were for families enrolled in the FSS Program, and contained completed needs assessment forms, and fully executed Individual Training and Service Plans that outlined specific goals targeted to the needs of that family. One file sampled contained a signed "refusal of FSS", based on that individual's disability and retirement. Numerous programs are in place and functioning at Pleasant View, such as the following:

Family Support Center: Located in the Greater Waters City Medical Center's (BCA's) new facility, BCA has partnered with Friends of the Family to provide a support system for parents with children under the age of 3.

Adult Basic Education/GED/Computer Classes: Located in the Community and Support Center, there is a Book Bank, a computer learning lab and basic educational classes offered.

People Accessing Continued Employment (PACE): An initiative to empower residents to become gainfully employed, and is targeted to residents that have a long history of unemployment. PACE provides residents with intensive Job-Readiness Preparation and Job Placement Workshops.

Step-Up: A one-year program that trains public housing residents in construction skills, by having them participate in the rehabilitation of public housing developments.

Council of Economic Business Opportunities (CEBO) Entrepreneurship Program: Provides technical assistance to residents interested in starting/owning their own businesses.

Civic Works: Provides service-learning opportunities, built on the AmeriCorp concept.

Girrrl's Academy: Assists at-risk girls in their academic and personal development.

Other programs available include:

Child Care Teacher's Certification Program

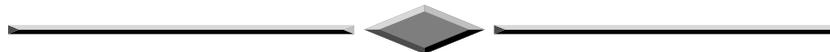
The Positive Parenting Program

Family Self-Sufficiency Program

Boys and Girls Clubs Central

Comprehensive Child Care Plan

While HAWC does maintain records on attendance, participation and completion, time did not permit HUD to assess the effectiveness and success of each of the above-mentioned programs. However, given that there are numerous other partners providing in-kind and financial resources to these programs, HAWC should begin to develop data that will support the continuation of these programs.



VI. RESIDENT CONSULTATION

To assess HAWC's efforts in resident consultation, and compliance with requirements for the formation of a Community Task Force, this office monitored such activities at, now called Vimy Ridge.

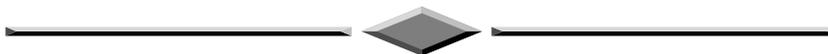
HAWC maintains 2 binders, one for 1998 and one for 1999, which contain flyers announcing upcoming meetings and charettes, as well as the sign-in sheets for these events. In most cases, an agenda is also included in the binder.

As required by both Article XVIII of the Grant Agreement and Section 6.2 of the Partial Consent Decree, a Community Task Force has been assembled, and the binders document the meetings.

In order to obtain demographics on the resident population, as well as the job and training needs, HAWC conducted a survey (in May 1997) of 229 residents (or 52% of the total population at that time). The survey was broken down into 4 primary categories: Jobs and Small Business Development; Resident Background Information; Child Care Use; and Rehousing Preference Information. The results of the survey not only gave a picture of the businesses and services that residents wanted to see in their new neighborhood, but identified the types of employment that residents wanted to pursue. To address all the needs of the resident population at Murphy Homes, the results of the survey are being utilized as the Community Task Force develops the Community and Supportive Services Plan.

Resident involvement has been on-going, starting with an on-site meeting in October 1995 that discussed the planning grant and demolition application. Documentation has been maintained that includes the dates of all meetings, their locations, and purposes of the meetings. Unfortunately, minutes of these meetings are often not included in the binder. It was noted that the Vimy Ridge Tenant Council Meetings were discontinued for a period of time, since most families had relocated from the site. In April 1999, at the recommendation of the Housing Authority, the Tenant Council Meetings were reconvened to update residents and invite their input. At the April 26, 1999 meeting, for example, the developer and architect met with over 30 former residents to show them the revised site plan, unit configurations, and elevations. However, the Community Task Force continues to be the primary mechanism to ensure that residents are kept apprised and allowed opportunities for input. Additionally, the Tenant Council President and the RAB Board Representative are invited to the regularly scheduled Update Meetings, held every Thursday at 2:00 p.m.

Based on the above observations, it appears that HAWC continues to embrace the importance of residents being critical partners in the revitalization process, and the files sufficiently document the resident consultation process.



VII. RELOCATION

A. George Gershwin Homes

The Vimy Ridge revitalization effort was chosen to assess HAWC's compliance with its Relocation Plan, HUD Handbook 1378 (Tenant Assistance, Relocation and Real Property Acquisition), the Uniform Relocation Act (URA), and terms of the Partial Consent Decree.

A HUD staffperson visited the Schubert Homes senior housing project, which houses one of the two "remote" Relocation Offices. It was at this site that the records are maintained for relocation efforts at George Gershwin Homes.

As of October 6, 2000, the date HUD approved the George Gershwin Homes HOPE VI application, 438 families remained in the project, out of a total of 781 units. The revitalization plan for George Gershwin Homes includes construction of 260 townhouses to be built back on-site, with only 75 of those as public housing rental units. Because of the great reduction in family rental units, the relocation effort has involved displacement of families where there will be "no right of return". In addition to public housing, Section 8 was utilized as an available relocation resource.

For the George Gershwin Homes relocation, HAWC utilized October 6, 2002, as the "cut-off" or threshold date, that determined whether a family was eligible for assistance under the URA. Further, it should be noted that the Authority exercised the provision of the Relocation Plan dealing with emergency temporary moves on approximately 60 families that remained in the development. The Authority determined that continued occupancy constituted a substantial danger to the health and safety of the occupants.

In conducting this phase of our monitoring, six (6) randomly-selected tenant files were pulled and reviewed. It is noted that our random file review did not include any of the remaining 60+ families, discussed above. Primarily, each file was reviewed to determine if there was documented evidence that:

- ◆ residents received the requisite notices, in a timely manner, as required by 24 CFR 970
- ◆ residents received a timely offer to lease a suitable dwelling
- ◆ residents were temporary relocated or moved permanently to another unit
- ◆ residents were afforded the appropriate relocation rates, pursuant to the Department of Transportation's Fixed Allowance Schedule for the State

For the most part, all files were in order, and there were no findings resulting from the above file sampling. Several of the files did not contain a copy of **both** the March and June general notices, and in one file, an agency signature was missing from the Claims Form.

HAWC issued its first General Notice on March 26, 1998, and issued a second "general" notice on June 15, 1998. While not confirmed, it appears that the second notice was issued because some required information was missing from the March notification. Some files

contained signed “receipts”, by the family, of such notices. It was learned that HAWC hand-delivered these notices, and only obtained signatures, verifying receipt, if the family was home to receive the notice. Otherwise, the notice was slipped under the door of the unit.

In the March Notice, families were afforded the opportunity to choose whether they would be reimbursed based on actual costs incurred, or based on the published fixed allowance schedule. Fixed rates ranged from \$650 to \$1300. All the families in the sampling opted for the fixed rate. Pursuant to Handbook 1378, all files contained approved copies of Form HUD 40054, Claim for Moving and Related Expenses - Families and Individuals.

For families that chose Section 8 as their replacement housing, HAWC paid any and all utility and security deposits (on the family’s behalf), with the written understanding that HAWC would receive any return on these deposits, upon move-out.

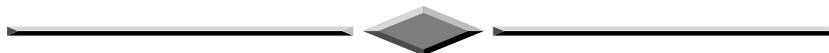
Many of the families had been residents of the building for greater than 20 years and obviously needed more than the offered 8 hours of “tenant readiness” training. To this end, each family was visited by a relocation staff person, who (1) assisted the family in completing a Site Family Survey, that included the family’s priority of choices for replacement housing, (2) explained the relocation payments and the process to obtain these monies, (3) described other affordable housing options; and (4) described available transportation to prospective units, as well as assistance in becoming familiar with services in those neighborhoods.

B. Vimy Ridge

Please note that while this office only monitored the relocation activities for Vimy Ridge, this office later became aware that HAWC established the “cut-off” or “trigger” date for Vimy Ridge, as of March 1999.

Finding: HAWC chose to use March 1999 as the “trigger” date, even though the project was approved for funding in October 1996. In accordance with paragraph 1-8 of Handbook 1378, HUD hereby determines that a move before HAWC’s “assumed cut-off” date **qualifies** that family for assistance as a “displaced person”, since the family moved as a direct result of acquisition, rehabilitation, or demolition for the project.

Corrective Action Required: For all families that moved from Vimy Ridge between October 1996 and the “trigger date” of March 1999, HAWC must advise that family of its eligibility for assistance under the URA, and afford that family with the same entitlements as those families that were still in occupancy as of March 1999. Please provide an update to this office on the actions taken by the authority.



VIII. PROCUREMENT

To assess HAWC's compliance with procurement regulations contained in 24 CFR Part 85, this office chose to evaluate the procurement process of HAWC's selections of the Joint Venture teams for both the Marble Town and Murphy Homes revitalizations. Additionally, from an HAWC listing of HOPE VI vendors, this office chose to review the procurement for legal services.

A. Marble Town

By letter dated February 5, 1999, HUD Headquarters approved the Request for Qualifications (RFQ) used to procure development services for the redevelopment of Marble Town Courts. Since that letter expressly noted that HQ did not review subsequent activities of the procurement process, i.e., how the responses were evaluated, composition of the evaluation team, and the fee negotiation process, this office intended to review those activities during our monitoring visit.

Finding: It should be noted that the file(s) documenting the procurement process needed to be "pulled" and "assembled" by the Associate Deputy Director, and HUD was advised that the materials would be available on another visit to the authority. This office did make a second inquiry to determine the files' availability, to no avail, and time did not permit this office to revisit the authority an additional time.

Corrective Action Required: Please make these files available for review. We will offer any comments resulting from that inspection under separate cover.

B. Lawnfield

HAWC issued a Request for Qualifications (RFQ) on July 1, 1996, with proposals due July 22, 1996. The purpose of the RFQ was to seek professional services to develop and implement a revitalization plan for Lawnfield and the surrounding community. The advertisement ran in several publications: The Waters City Times, The Guardian, and The Daily Planet. Additionally, the RFQ was mailed/hand-delivered to 89 firms. A pre-submittal meeting was held on July 10, 1996.

HAWC received responses from six (6) firms, which were reviewed and rated by a panel, comprised of eight (8) individuals, which included representatives from the housing authority, the Tenant Council and a local church. An attorney with a local law firm served as Panel Monitor, but did not review or rate the proposals.

Finding: The file did not contain the work papers of the individual scorers. Only composite information was on file, with scores of each of the 8 reviewers.

Corrective Action Required: Please furnish this office with the scoring work papers prepared by each panel member.

Since the authority utilized a qualifications-based selection process, price/cost was not one of the selection criteria. Once all scores had been tallied, two firms fell within a

competitive range. In accordance with the RFQ, negotiations were then held with the highest ranked responder in an effort to agree on a fair and reasonable price.

Finding: File did not contain an independent cost estimate, as required by 24 CFR Part 85.36, paragraph (f)(1).

Corrective Action Required: Please indicate steps to be taken to ensure that procurement files contains the requisite independent cost estimate.

Finding: File did not contain a cost or price analysis, as required by 24 CFR Part 85.36, paragraph (f)(1).

Corrective Action Required: Please indicate steps to be taken to ensure that procurement files contains the requisite cost or price analysis.

Finding: File did not contain a price negotiation memo, as required by 24 CFR Part 85.36, paragraph (b)(9), and further described in paragraph 4-24D, of the Procurement Handbook 7460.8, Rev-1.

Corrective Action Required: While no action can be taken after the fact, please provide steps taken by HAWC to prevent this finding in the future.

C. Legal Services

HAWC issued a Request for Proposals (RFP) on March 25, 1998, with responses due April 24, 1998. The purpose of this RFP was to seek legal services relative to the revitalization efforts at Vimy Ridge and Murphy and future development activities.

Finding: The file did not contain evaluation notes and scoring for all panel members. Only the Associate Deputy Director's review sheets were in the file.

Corrective Action Required: Please provide this office with the other panel members' evaluations.

There were four firms that responded to the RFP; two firms were considered to be in a competitive range. The file contained the Best and Final Offers from these two firms.

Error: The file did not contain the HAWC letters (that the two firms responded to) requesting additional information to be included in the Best and Final Offer

Corrective Action Required: Please provide the letters to this office.

Finding: the file did not contain an Independent Cost Estimate; a Price/Cost Analysis; or a Price Negotiation Memo.

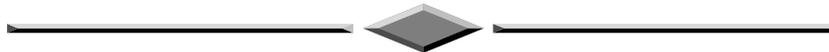
Corrective Action Required: Please determine if these documents were prepared for this procurement activity and submit to this office.

Observation: HAWC does not maintain a contract log or register to ensure that there are sufficient unencumbered funds prior to the award of any contract.

Corrective Action Required: Please explain how HAWC ensures that funding is available prior to any contract award.

Summary Observation: Given the number of findings noted during this sampling of procurement activity, not to mention that many of these findings were similar to those noted in our 1998 Procurement Review, the HAWC must seriously consider consolidating all procurement activity and assign the responsibility solely to the Chief of Procurement.

Correction Action Required: In your reply, please provide the actions to be taken that will ensure that findings and errors are not repeated with future procurement activity, including whether the HAWC plans to consolidate the functions, as recommended above.



IX. PHYSICAL INSPECTIONS

A. VIMY RIDGE FENCE

A tour of the Vimy Ridge Fence was conducted on March 2, 1999. At that time, installation of the fence was substantially complete. Although work items still needed to be completed, because Vimy Ridge was expected to be vacated as of October 1, 1999, HAWC decided to postpone completion of these additional items pending a decision as to the exact nature of the new construction.

Action Required: In your reply, please provide this office with the current status of this contract.

There was approximately 10,000 feet of green fencing surrounding Vimy Ridge. This fencing was hollow on the side facing Ferndale and solid along the length of Route I-202. The contractor for the fence was Best Fence Company, Inc. It should be pointed out that the contractor has been very responsive to the needs of those affected by the fence, going to the effort of meeting with all the residents on the Ferndale side whose yards the fence bordered.

A review of the contract files showed them to be extensive, complete, and in order. The total contract amount for the fence was \$1,303,672, and of this amount about one quarter was contributed by Waters City County and one quarter by the State. There was a single change

order to the contract in the amount of \$1,800. The fact that there was only a single change order and in the relatively small amount of \$1,800 is commendable.

- **DEMOLITION OF LAWNFIELD HOMES**

The site of the demolition of Lawnfield Homes was visited on March 26, 1999. Contract files pertaining to that demolition were reviewed on that same date. Demolition began in December of 1996 and was substantially complete in July of 1997. As the demolition had been completed approximately two years prior to our visit, there were no remnants of public housing to be seen at the site. Contract files were found to be complete and in order.

- **BUTTERFLY GARDENS**

The grounds, as well as a total of six individual units, were visited at Butterfly Gardens on April 9, 1999. Immediately evident was the fact that the grounds were free of litter and well maintained. Units visited typically had a small fenced-in back yard. Some of the more desirable features noted within the units included air conditioning, a sprinkler system, gas heating, and range hoods that were vented to the outside. Unfortunately it was noticed that there were no overhead lights in either the living room, front bedroom, nor rear bedroom in the units visited.

Of special note was the upstairs unit at 1100 Ajax Street. This unit was very nicely decorated and exceptionally well maintained.

- **THE TOWNHOUSES**

As you know, in the spring of 1999, The Townhouses served as a pilot site for HUD to select the vendor that would ultimately be contracted to conduct inspections of all HOPE VI construction activity around the country. Beginning October 1, 1999, the Army Corp of Engineers (ACE) has been under contract with the Department of HUD to conduct inspections of the construction activities at HOPE VI sites. In the case of inspection services in Waters City, the ACE is now under contract to perform **monthly** inspections only at The Townhouses, although it is anticipated that, once The Townhouses are at or near completion, this office will amend the work order with ACE to begin inspections once activity begins at Murphy Homes. The purpose of these reviews is to evaluate the quality and progress of physical construction, and to assess certain contract administration functions performed during construction.

HAWC and their on-site representative, Time Inc., are thanks for their cooperation, time, and assistance extended in support of the ACE effort.

Attached to this report, please find three reports, in their entirety, issued by the Army Corp of Engineers (reports dated April 9, 1999; October 15, 1999; and December 16, 1999). In the interest of time, it should be noted that the Waters City HUD Office requested that HAWC be furnished with an informal courtesy copy, as each report had been finalized; therefore, the contents of these inspection reports should be familiar to many of the staff involved with the construction progress at The Townhouses.

However, for readers unfamiliar with the contents of these reports, some of the more recent recommendations and comments from these inspections include:

- ◆ Safety precautions should be taken to isolate unit occupants and pedestrians from adjacent construction and construction traffic. **(Note: The contractor has yet to respond to or satisfactorily resolve these safety concerns, despite repeated requests made by Time, Iand HAWC to do so.)**
- ◆ HAWC should insist upon punch list development by its on-site representative, deficiency correction by contractor and subsequent follow-up inspection at the for-sale townhouse units prior to the final walkthrough by prospective homeowners.
- ◆ A review of compliance with mobility-impaired standards at the for-sale townhouse units should be performed by Time and/or HAWC.
- ◆ Given the magnitude of and the repetitive nature of the work being performed under the HOPE VI projects, HAWC implementation of a three-phase inspection process for each phase of construction (form work, concrete, framing, masonry, etc.) is recommended for future projects. This three-phase inspection process, which is employed by the ACE on its construction contracts, would require contractor/subcontractor involvement. The preliminary inspection with contractor personnel would occur prior to the commencement of each phase of construction and ensure the following: approved submittals/shop drawings are on file, material and equipment compliance with approved submittals, review of installation requirements and of common repetitive deficiencies for the type of work being performed. The initial inspection would occur soon after the commencement of each phase of construction and focus primarily on field implementation of installation requirements. Follow-up inspections during each phase of construction would ensure representative installations throughout. This inspection process would also benefit contractor's quality control function.

Corrective Action Required: In your reply to the Waters City HUD Office, please respond to all areas of the ACE report(s) where such a reply is expected.