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**AUDIT MEMORANDUM**  
**2002-CH-1802**

September 24, 2002

**MEMORANDUM FOR:** Charles H. Williams, Director of Multifamily Housing Assistance  
Restructuring, HY

**FROM:** Heath Wolfe, Regional Inspector General for Audit, Region V

**SUBJECT:** Congressionally Requested Audit of Section 514 Outreach and Training  
Assistance Grants Awarded to Coalition on Homelessness and Housing in Ohio;  
Columbus, Ohio; Grant Numbers FFOT00031OH and FFOT98023OH

**INTRODUCTION**

We completed an audit of Coalition on Homelessness and Housing in Ohio's Section 514 Outreach and Training Assistance Grants awarded under the Multifamily Assisted Housing Reform and Affordability Act of 1997. The objectives of the audit were to determine whether the Coalition had: management controls in place to ensure that Section 514 Grant funds were used for eligible activities; and expended the Grant funds for any lobbying activities.

**METHODOLOGY AND SCOPE**

We reviewed Coalition on Homelessness and Housing in Ohio's policies and procedures as they pertained to our audit objectives for the period October 1, 1998 through April 1, 2002. We accomplished the objectives by reviewing and evaluating the Coalition's: management controls over the Outreach and Training Assistance Grants; reliability of computer-processed data; organizational structure; Board of Directors and the Outreach and Training Assistance Grant Advisory Committee's meeting minutes; property and stakeholder files; independent audit reports for the Grant years reviewed; and the method used for allocating costs. In addition, we reviewed bank statements, cancelled checks, and cash receipts and disbursements journals. Using computer-assisted auditing techniques, we tested a sample of 151 from the 598 property and stakeholder files serviced by the Coalition. We also tested all 380 transactions totaling \$131,531 of the Coalition's telephone, conference, travel, and consultant expenditures. We

reviewed the Coalition's audited financial reports for 1998, 1999, and 2000.

We reviewed Coalition on Homelessness and Housing in Ohio's records, and HUD's records and files for the Coalition. We interviewed the Coalition's staff and key staff from HUD's Office of Multifamily Housing Assistance Restructuring. We performed our on-site audit work between April and June 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

### **BACKGROUND**

The Multifamily Assisted Housing Reform and Affordability Act of 1997 authorized HUD's Secretary to establish procedures to provide an opportunity for tenants of projects and other affected parties to participate effectively and on a timely basis in the restructuring process established by the Act. Section 514(f)(3)(A) of Multifamily Assisted Housing Reform and Affordability Act of 1997 states in part that the Secretary may make obligations to tenant groups, nonprofit organizations, and public entities for building the capacity of tenant organizations for technical assistance in furthering any of the purposes of the Act and for tenant services.

The Multifamily Assisted Housing Reform and Affordability Act of 1997 established HUD's Office of Multifamily Housing Assistance Restructuring to administer the Mark-to-Market Program. The Office of Multifamily Housing Assistance Restructuring works with property owners, participating administrative entities, tenants, lenders, and others with a stake in the future of affordable housing.

HUD issued Notices of Funding Availability in Fiscal Years 1998 and 2000 to provide opportunities for nonprofit organizations to participate in the Section 514 Grants program. HUD provided two types of Grants—the Intermediary Technical Assistance Grant and the Outreach and Training Assistance Grant. The Notice of Funding Availability for the Intermediary Technical Assistance Grant program states that the program provides funds through intermediaries to sub-recipients consisting of: (1) resident groups or tenant affiliated community-based nonprofit organizations in properties that are eligible under the Mark-to-Market Program to help tenants participate meaningfully in the Mark-to-Market process, and have input into and set priorities for project repairs; or (2) public entities to carry out Mark-to-Market related activities for eligible projects throughout its jurisdiction. The Notices of Funding Availability for the Outreach and Training Assistance Grant program states that the program is to provide technical assistance to tenants of eligible Mark-to-Market properties so that tenants can: (1) participate meaningfully in the Mark-to-Market program; and (2) affect decisions about the future of their housing.

Coalition on Homelessness and Housing in Ohio was formed in 1994 as the result of a merger between the Ohio Housing Coalition, which was founded in the 1970's, and the Ohio Coalition for the Homeless founded in 1984. The Coalition is an alliance of organizations and individuals committed to ending homelessness and promoting decent,

safe, fair, and affordable housing for all with a focus on assisting low-income people and those with special needs. The Coalition is a non-profit advocacy organization. William Faith is the Coalition's Executive Director. The Coalition is located at 35 East Gay Street, Suite 210, Columbus, Ohio.

There are about 1,300 properties with approximately 83,000 units providing affordable housing for some of the State of Ohio's lowest income households. The 20-year Section 8 Program contracts on these properties began to expire or will expire over the next few years. Most of these properties are owned by for-profit businesses and have few incentives to renew their Section 8 contracts. These owners may opt-out of the Section 8 Program and rent their units at market rates or choose to sell the properties. The Coalition is educating diverse populations including tenants, community groups, financial institutions, State and local government officials, and property owners about this issue. The Outreach and Training Assistance Grant program provides for outreach and training in the area of those properties with expiring Section 8 Program contracts in which rents are above the fair market rent, and therefore eligible for the Mark-to-Market Program.

Coalition on Homelessness and Housing in Ohio: (1) identifies and advocates immediate and long-term solutions to homelessness and effective housing policy and production at the State, local, and national levels; (2) informs and raises the awareness of policy makers and public makers about homelessness and the State of Ohio's housing needs; (3) fosters communication, builds local alliances, and develops collaborative partnerships among homeless service providers, housing providers, advocates, low-income and homeless people, funding agencies, and governmental agencies; (4) assures the availability of funding; (5) provides training and technical assistance to local organizations in the field; and (6) works with other organizations for systematic change to end poverty.

The Outreach and Training Assistance Grant Agreement for Fiscal Years 1998 and 1999, between Coalition on Homelessness and Housing in Ohio and HUD, for \$400,000 was signed on October 6, 1998. On January 9, 2001, the Outreach and Training Assistance Grant Agreement for Fiscal Years 2000 and 2001 in the amount of \$450,000 was signed. On March 18, 2002, HUD's Office of Multifamily Housing Assistance Restructuring notified the Coalition that the authorized amount for the Fiscal Years 2000 and 2001 Grant was reduced from \$450,000 to \$261,680. As of April 1, 2002, the Coalition expended all of the Fiscal Years 1998 and 1999 Grant and \$35,252 of the Fiscal Years 2000 and 2001 Grant. The Coalition's 1998, 1999, and 2000 financial audits, which were prepared according to Office of Management and Budget Circular A-133, reported no deficiencies that related to our audit objectives.

### **RESULTS OF REVIEW**

We found no material reportable conditions based upon our audit objectives. The Coalition properly managed the two Outreach and Training Assistance Grants and assured that Grant funds were used for eligible purposes. The Coalition had adequate controls in place to preclude paying lobbying expenses with Grant monies. The Coalition

used American Fundware software system to track each employee's time spent on each activity, including lobbying. The system was set up so that each Grant had its own account number detailing how the funds were spent.

We discussed our audit results with the key staff from HUD's Office of Multifamily Housing Assistance Restructuring on September 20, 2002. A copy of this memorandum was provided to the Coalition's Executive Director. We appreciate the courtesies and assistance extended by the Coalition's personnel during our audit.

Should you or your staff have any questions, please have them contact Thomas Towers, Assistant Regional Inspector General for Audit, at (313) 226-6280 extension 8062 or me at (312) 353-7832.

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- Kay Gibbs, Committee on Financial Services, 2129 Rayburn House Office Building, United States House of Representatives, Washington DC 20515
- George Reeb, Assistant Inspector General for Health Care Financing Audits
- William Faith, Executive Director of Coalition on Homelessness and Housing in Ohio