

October 9, 2003

Mr. S.M. Rushdie, Chairperson
Board of Commissioners, The Housing
Authority of the City of Pixley
306 LaLiberte Street
Pixley, ZA 19530

Dear Mr. Rushdie:

On September 8-12, 2003, the annual HOPE VI Monitoring Review was conducted at the Pixley Housing Authority (PHA) by Lisa Gabor and Oliver Wendell Douglas, Public Housing Revitalization Specialists. Veronica Lake, Oliver Wendell Douglas, and Lisa Gabor conducted a follow-up visit on September 29-30, 2003. The purpose of this review was to determine if the PHA has met the HOPE VI Program requirements in accordance with the HOPE VI Grant Agreement for Yewall Homes/September Lake (ZA26URD005I100). In addition to talking with Clyde Haney, the Executive Director, this review included discussions with PHA staff members Sam Drucker, Director of Administration; Barney Phyphe, HOPE VI Coordinator; Fred Ziffell, HOPE VI Case Worker; Arnold Zyphele, Purchasing Manager; and Hank Kimbel, HOPE VI Development Consultant.

The review report contains 13 findings that require corrective action and were discussed in a close-out conference with Mr. Haney, Executive Director, and his staff. A report detailing the deficiencies found during the review is enclosed. Your response addressing the findings in this report should be provided to this office within 45 days of the date of this letter. The Authority's response may clearly state agreement/disagreement with the report's finding and recommendations for corrective action. You are reminded that this report may contain information that is of a personal and confidential nature and should not be revealed except in the course of official business.

Please note that since this report was written, there have been several letters between the PHA and the Office of Public Housing Investments in Washington regarding the Missed Locked Checkpoints in the Quarterly Reporting System. Therefore, the information contained on page 2 of the report does not reflect the new Checkpoints.

Please express our appreciation to Mr. Haney and his staff for their assistance and cooperation during the review. If you need to discuss any of the findings, observations, or corrective actions prior to preparing your written response, please feel free to contact Lisa Gabor at (555) 555-4700 extension 2744 or Oliver Wendell Douglas at extension 2740.

Sincerely,

Veronica Lake
Program Center Coordinator

Pixley Housing Authority
Annual HOPE VI Monitoring Review Report
ZA26URD005I100
September 8-12 and 29-30, 2003

I. Scope of Review

The Zaneston Office of Public Housing Program Center completed an annual, on-site Monitoring Review of the Pixley Housing Authority's (PHA's) \$35,000,000 Fiscal Year 2000 HOPE VI Grant on September 8-12, 2003, with follow-up on September 29-30, 2003. An entrance conference was held at the PHA's main office on September 8, 2003, with the following persons in attendance:

Pixley Housing Authority

Clyde Haney, Executive Director
Jennifer Windom, Executive Secretary
Sam Drucker, Director of Administration
Barney Pyphe, HOPE VI Coordinator
Arnold Zyphele, Purchasing Manager

Zaneston Office of Public Housing Program Center

Oliver Wendell Douglas, Public Housing Revitalization Specialist
Lisa Gabor, Public Housing Revitalization Specialist

Objectives:

- Compliance with the provisions of the HOPE VI Grant Agreement
- Compliance with procurement regulations (24 CFR Part 85.36, Part 941, and HUD Handbook 7460.8)
- Determine progress of community and supportive service activities
- Determine whether the housing authority has adequate internal systems and controls in place

II. Executive Summary

The September Lake Public Housing Development was constructed in 1942 and contained 96 units with additions of 49 units in 1952 and 50 units in 1964 for a total of 195 units. The September Lake units were approved for demolition on May 31, 2001; and the PHA certified that demolition was substantially complete on October 18, 2001. The Yewall Development was also constructed in 1942 and contained 96 units with the addition of 31 units in 1952 for a total of 127 units. Demolition was approved November 5, 1999, and was certified by the PHA

as substantially complete on April 27, 2000. As of the dates of our review, no construction under the HOPE VI Grant had taken place on the September Lake/Yewall site.

Impediments to the HOPE VI Grant

Finding #1: As of the date of this review, the following locked checkpoints in the Quarterly Reporting System have been missed. This is a violation of Article V of the Grant Agreement, which defines the period for expending grant funds and Article XVIII of the Grant Agreement which 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. The PHA has been in close contact with HUD Headquarters to develop revised Locked Checkpoint dates in response to HUD's Notice of Default.

Corrective Action Required: The PHA must complete all required Locked Checkpoint actions in a timely manner.

Phase Name	Outstanding Locked Checkpoint	Planned Date In HOPE VI GMS	Number of Days Outstanding	Date Upon Which Activity Must Be Completed
25 Ownership Units	Evidentiaries Finish	1/16/2003	293	2/3/2004
25 Ownership Units	Mixed Finance Proposal Finish	12/2/2002	338	2/3/2004
25 Ownership Units	Closing	3/3/2003	247	2/3/2004
25 Ownership Units	Construction Start	4/3/2003	216	2/3/2004
Yewall Estates	Evidentiaries Finish	1/16/2003	293	2/3/2004
Yewall Estates	Closing	3/3/2003	247	2/3/2004
Yewall Estates	Construction Start	4/3/2003	216	2/3/2004
Community Center	Construction Start	9/4/2003	62	2/3/2004
Pixley Plaza	Developer Agreement Executed	6/1/2003	157	2/3/2004
Garfunkle Village	Evidentiaries Finish	9/30/2003	36	2/3/2004
Garfunkle Village	Mixed Finance Proposal Finish	8/31/2003	66	2/3/2004

The following situations have contributed to the PHA's lack of progress in meeting the deadlines that were established and locked in the Quarterly Reporting System on June 30, 2002.

Fair Housing and Equal Opportunity Compliance Review in August 1997

The PHA was the subject of an intensive Fair Housing and Equal Opportunity (FHEO) Compliance Review in 1997, which resulted in a Voluntary Compliance Agreement (VCA) between HUD and the PHA. The VCA was amended effective September 21, 1999, and will

remain in effect until September 2004 (5 years from the effective date of the amendment). The VCA required one-for-one replacement of units demolished at September Lake, Yewall, and West Side Developments for a total replacement of 400 units of low-income housing subject to an Annual Contributions Contract (ACC) between HUD and the PHA. In addition, those units had to be located in non-impacted areas and all sites have to be approved by FHEO. In response to requests from the PHA to FHEO on February 24, March 26, and June 11, 2003, FHEO finally approved replacement of 76 elderly units and 25 single-family duplex/townhouse units on the West Side site as part of the HOPE VI Revitalization Project on August 6, 2003, FHEO. In addition, the PHA received 111 replacement housing choice vouchers for the units demolished at West Side and 58 relocation vouchers for September Lake. According to FHEO in HUD Headquarters, the vouchers can be used as part of the replacement housing under the VCA, as long as the recipients rent housing in non-impacted areas.

Loss of HOPE VI Program Manager

In August 2002 by mutual agreement, the contract with Ralph Elph of Ralph and Ralph Development Corporation was terminated due to “irreconcilable differences” among Mr. Elph, the PHA, and the project’s private development team, Ralph/Sapphire d/b/a the Pixley Partnership for Community Revitalization, LLC. The PHA then contracted with the A Team Development Partners as Program Manager. HUD approved the A Team Development Partners as Program Manager on May 9, 2003.

Termination of Developer

On May 29, 2003, the PHA notified HUD that the developer, Pixley Partnership for Community Revitalization, LLC, was exercising their right to terminate the Developer’s Agreement with them subsequent to the PHA’s partial termination notice to the developer dated May 15, 2003. HUD approved the PHA’s negotiated settlement of the Developer’s fee earned to date (\$1,300,000) and legitimate project-related and documented expenses not to exceed \$600,000 on July 29, 2003. At that same time, HUD gave the PHA approval to proceed as the Developer utilizing all plans, approvals and contractors procured by the Pixley Partnership for Community Revitalization (Ralph/Sapphire), subject to the conditions outlined in the July 29, 2003, letter.

Changes in PHA Staff

On September 29, 2002, the PHA Board of Commissioners accepted Gomer Pyle’s resignation as Executive Director. The PHA had an Acting Executive Director until the Board hired Clyde Haney as the Executive Director on May 1, 2003.

In addition to the change in Executive Director, the PHA has undergone numerous changes in their financial department and HOPE VI team.

Lack of Approval for 9 percent Low-Income Housing Tax Credits (LIHTC)

The PHA has been unsuccessful in the last two competitive rounds for the 9 percent LIHTC. Mixed finance funding was an integral part of the PHA’s HOPE VI application and

Revitalization Plan. The Non-Public Housing Leveraged Resource List in the application showed \$2,975,000 for “Lend Lease” (LIHTC equity), as well as the PHA’s intention to build 150 single-family LIHTC/ACC units and 25 LIHTC units on the Yewall/September Lake site. (Please note that the number of units has changed with each Revised Revitalization Plan submission.)

II. Revitalization Plan

On June 11, 2001, the Office of Public Housing Investments approved the PHA’s Revitalization Plan for Yewall Homes/September Lake public housing developments and the surrounding community. Since that time, the PHA has submitted revisions dated August 29, 2002, April 9, 2003, and September 5, 2003. HUD had not approved the Revised Revitalization Plan as of the date of this review.

III. Procurement and Contract Administration

A. PROCUREMENT: As a result of procurement findings in the PHA’s September 30, 2002, independent public accountant (IPA) audit, HUD contracted with The Army Corps of Engineers (Corps) to perform a portion of the HOPE VI Procurement Review. The Corps’ Review Report dated August 22, 2003, is enclosed with this review, as the findings made in their report are incorporated into this review and a separate response to the Corps’ Review is not required. The review examined the procurement process and contract administration for the contracts listed below:

Contract	Service	Procurement Method
Ralph Elph Enterprises (REE)	HOPE VI Program Manager	Competitive Proposal
Ralph/Sapphire & Company	Developer	RFQ
A Team Development Partners	Interim HOPE VI Program Manager	Small Purchases
A Team Development Partners	HOPE VI Program Manager	Competitive Proposal
Dewey and Howe	Legal Services	Competitive Proposal
Community First	Community Services Evaluator/Monitor	Request for Proposals
Build Fast Associates, LLC	Development Manager	(See note under Finding 5)

Procurement Policy: The current Procurement Policy was approved by the PHA Board of Commissioners and revised on March 21, 2000. The PHA’s Procurement Policy is an acceptable policy from the standpoint of an overall procurement policy. However, as called for under Part C of the PHA Procurement Policy, Procurement Authority and Administration, the PHA does not have written operational procedures or the required written standards of conduct for employees engaged in awarding of contracts and contract administration. The Executive Director is the appointed Chief Procurement Officer. Although an official procurement policy exists and is in place, the PHA does not comply with this official procurement policy and has not implemented the required procurement and contract administration procedures as directed.

Finding # 2: PHA does not have operational procedures in place to implement this policy. The PHA could not demonstrate it has the appropriate written Delegations of Authority in place

to allow the PHA staff to act as a Contracting Officer in the absence of the Executive Director and did not have a written statement as to who has the authority to initiate a procurement request [24 CFR Part 85.36, (a), (b), (c) and HUD Handbook 7460.8 REV 1, paragraph 3-2 and C 1 of the PHA Procurement Policy].

Corrective Action Required: The PHA must develop and implement operational procedures and execute the required procurement policies, currently in effect at the PHA and provide the required Delegations of Authority, in written form and in accordance with Part C of the PHA procurement policy. This will officially allow the current HA staff performing contracting officer duties, to officially perform as a lawful contracting officer [24 CFR 85.36, (a), (b), (c) and Handbook 7460.8 REV 1, paragraphs 3-2 A & B].

Procurement Standards of Conduct: Grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or sub-grantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved [24 CFR 85.36(b)(3)].

Finding # 3: The PHA's Procurement Policy is incomplete. It does not provide for the required written standards of conduct regarding the conduct of personnel engaged in procurement and, therefore, does not provide for penalties, sanctions, or other disciplinary actions for violations of such standards [24 CFR Part 85.36(b)(3)].

Corrective Action Required: The PHA must implement and execute its required procurement policies, in written form, as approved by the Board of Commissioners. The PHA must develop the required written standards of conduct concerning personnel engaged in procurement and by proper Delegation of Authority, authorize by letter, the appointment of the HA staff which are to engage in procurement and the signing of contracts [24 CFR 85.36(b)(3)].

Procurement Planning and Analysis: A PHA must perform cost or price analysis in connection with every procurement action, including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, a PHA must make independent estimates before receiving bids or proposals [24 CFR 85.36(f), and Handbook 7460.8 REV 1, Pages 3-10 & 3-11 and Section 6 on pages 4-31 through 4-39].

Finding # 4: The PHA does not develop independent cost estimates for procurements prior to contract solicitation or issuance of a task order. The PHA could not provide independent cost estimates concerning this procurement requirement. Cost estimates must be developed before soliciting proposals and task orders. Cost estimates assist in defining budgetary requirements, assist in determining the acquisition method, and is a major element in the analysis of offers. Cost estimates are also used as benchmarks in establishing the required "fair and reasonable" prices [24 CFR 85.36(f), and Handbook 7460.8 REV 1, Pages 3-10 & 3-11 and Section 6 on pages 4-31 through 4-39].

Comment: There was no price analysis for any of the seven contracts reviewed except for contract number BC-58, A Team Development Partners. This one independent cost estimate, however, was not signed and dated.

Corrective Action Required: The PHA must establish a contracting cost or price analysis system assuring proper methods and procedures are employed. This system must ensure that the PHA meets the regulatory and handbook requirements concerning the performance of physical analysis are in-fact performed on all contract costing and pricing for every PHA procurement action [24 CFR 85.36(f), and Handbook 7460.8 REV 1, pages 3-10 & 3-11 and Section 6 on pages 4-31 through 4-39].

Competitive Proposals: The technique of procurement through the use of competitive proposals is conducted when more than one source is submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. A PHA generally uses it when conditions are not appropriate for the use of sealed bids (24 CFR 85.36 and Handbook 7460.8 REV 1).

Finding # 5: The PHA expended HOPE VI funds for services in an inefficient manner in the procurement of the Community First Community Services Evaluator/Monitor Contract. This procurement is deemed an irregular procurement practice resulting in this finding.

The PHA's lack of administrative oversight of the procurement regulations and the PHA's Procurement Policy in this case weakened the integrity of the procurement process by affording this contractor an advantage that was not afforded other offerors. The PHA did not follow proper procurement procedures and failed to execute the required competitive procurement process and/or procurement by noncompetitive proposals. In this case, the file contained a copy of a Request for Proposals (RFP) dated June 12, 2003, for a Community and Supportive Services (CSS) Evaluator/Monitor; Community First's June 16, 2003, response to the RFP; and a letter dated June 20, 2003, retaining the services of Community First. There was no contract in the file.

Comment: Even if the PHA considered this procurement a "small purchase", the file should have contained documentation so show that at least 3 quotes had been obtained.

Corrective Action Required: The PHA must develop, implement and execute an effective procurement process and conduct the required administrative oversight of contracts and purchase orders for goods and services to ensure the integrity of the procurement process and foster the public's trust as required [24 CFR 85.36(c)(1)].

In the case of the Community First improper procurement and improper contract administration, we request that the PHA immediately stop work. If the PHA still needs the services of a Community Services Evaluator/Monitor, such services must be properly procured following 24 CFR 85.36 providing open and wide competition.

Determination of Contractor Responsibility: The PHA does not perform Determinations of Contractor Responsibility to ensure that the PHA will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of

proposed procurements. Relative to such Determinations are such matters as contractor integrity, compliance with public policy, records of past performance, and financial and technical resources [24 CFR 85.36(b)(8)(9), and Handbook 7460.8 REV 1, page 3-16 and appendix 30].

Contract Clauses: Grantees and sub-grantee contracts must contain certain mandatory contract provisions and clauses mandated (24 CFR 85.36 (i) and Handbook 7460.8, REV 1, Chapter 6). Such mandatory contract clauses require agencies to include in all contracts, clauses concerning changes, remedies, changed conditions, access and records retention, suspension of work, and other required clauses approved and required by the Office of Federal Procurement Policy. Mandatory clauses can be found at Appendixes 12, 13, 14, & 15 of Handbook 7460.8 REV 1.

Finding #6: The PHA did not comply with Procurement Policy requirements regarding mandatory contract clauses, specifically, by not including these mandatory clauses in the case of the Community First procurement or the Build Fast, LLC contract [24 CFR Part 85.36 (i) and Handbook 7460.8 REV 1, Chapter 6].

Corrective Action Required: The PHA shall correct this finding by executing these mandated contract provisions and clauses and make them an official part of all contracts where such contract provisions and clauses are missing as mandated at 24 CFR 85.36 (i) and Handbook 7460.8 REV 1, Paragraph 2-10. The PHA must ensure that the required contract clauses are included in all future HOPE VI Program procurements and must ensure that these type contract clause omissions are not repeated when performing the administration of future contracts.

B. CONTRACT ADMINISTRATION: A Contract Administration system must be in place to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Administration: The PHA does not have a Contract Administration system in place. The Procurement Policy makes reference to operational procedures to implement a system, however no procedures have been physically established or consistently followed by the PHA [24 CFR 85.36(b)(2) and (9), and Handbook 7460.8 REV 1, paragraph 2-11 on page 2-5].

Finding # 7: The PHA does not have a contract administration system in place that provides a formalized process to identify contracts through a standard numerical system and for issuing Task Orders under indefinite delivery type contracts.

Corrective Action Required: The PHA shall implement and execute a contract administration system that provides for a contract numbering system and ensures a formalized process and procedures to issue Contracts and Task Orders under indefinite delivery type contracting [24 CFR 85.36 (b) (2), (9) and Handbook 7460.8 REV 1, Chapter 2].

Records and Files: A Grantee will maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the procurement rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Grantees will maintain a contract administration

system, which ensures that contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders [24 CFR 85.36 (b)(9) and Handbook 7460.8 REV1].

Finding #8: The PHA HOPE VI program records and files are deficient. The procurement and contract administration files were found to be incomplete and not reflective of the requirements in the FY 2000 Grant Agreement, and are not in compliance with the requirements at 24 CFR Part 85.36 (b) (2) (9) and Handbook 7460.8 REV 1, 1-3, 2-11, and 3-12. Inconsistencies are evident in the documentation of the procurements. The rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price should be included in the contract files for each procurement, as well as a copy of the contract.

Corrective Action Required: The PHA must comply with all requirements for establishing and maintaining official records and files as directed in the Grant Agreement, the regulatory requirements at 24 CFR Part 85.36 (b) (2) (9) and Handbook 7460.8 REV 1, Paragraphs 1-3 and 2-1. The PHA must maintain records sufficient to detail significant history of all procurement. Such documentation is particularly important in the event a protest is lodged against the PHA [24 CFR Part 85.36 (b) (1), (9) and Handbook 7460.8 REV 1, Paragraph 1-3, 2-11, and 3-12].

Monitoring Contractor Performance: The PHA shall ensure the receipt of quality goods and services having a material impact on the HA operations as well as the lives of the residents. A PHA must also perform the proper contract administration and employ a formal process and procedure to ensure the proper conduct in contract administration and meeting those requirements. Consequently, it is a critical duty of an HA to ensure it receives quality products and services. A PHA must also assure that all contracts and purchase orders are not awarded having “loopholes” favoring any one contractor. A PHA shall ensure the inspection of proposed contract work is provided and that the PHA will monitor contractor performance for contract compliance (24 CFR Part 85.36 (b), (2), and HUD Handbook 7460.8 REV 1, 2-11).

Finding #9: The PHA does not provide for a comprehensive review of payment requests. In addition, there were no reviews or approvals of contractor performance when payments were made.

Invoice for site visits, consulting services, and reimbursable expenses for the months of June and July 2003, pursuant to tasks 1 and 2: This invoice was paid in full with check number 001345 dated August 29, 2003, without any record of regard for allowability or reasonableness.

The Request for Proposals (RFP) stated that PHA would pay expenses not to exceed the Federal Standard for the Pixley, Zaneston area. While the Per Diem is \$42.00 per day and lodging is \$61.00 per night, the Community First proposal submitted pursuant to the RFP stated a lodging amount of \$85.00 per night, which exceeds the Federal Standard of \$61.00 per night. The invoice referenced above bills for \$109.99 per night for two nights and \$98.99 per night for three nights. In addition, it appears that Community First claims actual expenses for mileage and gas. The Federal rate for mileage/gas is \$.36 per mile. These expenses were stated on the invoice and PHA paid the invoice without consideration for allowability or reasonableness.

Corrective Action Required: The PHA shall establish a system to ensure comprehensive reviews are performed by the PHA, of contractor, contract performance concerning contractor payment requests and ensuring that the payment requests are proper and qualify for payment within the parameters of authorized payment and expenditure of Federal funds (24 CFR 85.36 (b) (2), (8), and Handbook 7460.8 REV 1, 2-11 and 3-17).

The PHA must recalculate all lodging costs billed by Community First and furnish a detailed accounting and proof that the HOPE VI account has been reimbursed for all unallowable costs (lodging rates in excess for the Federal Standard of \$61 per night).

HOPE VI GRANT AGREEMENT – ZA26-URD-005-I-100: HOPE VI Grant Agreements require the recipient (Article XI of Grant Agreement: Record-keeping/Access Requirements/Audits) to keep records in accordance with 24 CFR 85.20 that facilitate an effective audit to determine compliance with the HOPE VI Program. The PHA entered into the PHA's HOPE VI Grant Agreement on November 27, 2000, and HUD signed the Agreement on December 8, 2000. 24 CFR 85.36 requires a PHA to ensure, when procuring property and services, that every purchase order or any other form of contracting, includes all clauses required by Federal statutes and executive orders and their implementing instructions. The grantee is required to make proper procurements through procurement standards and procedures, provided that the procurements conform to applicable Federal law and the required standards (24 CFR 85.36 (a) (b)). The Grantee shall implement and maintain a contract administration system which ensures that contractors perform in accordance with the required terms, conditions, and specifications of their contracts or purchase orders (24 CFR 85.36 (b) (2), (8), and (9)).

Finding # 10: The PHA was not in compliance with various Grant Agreement record-keeping requirements and operational procurement procedures concerning procurement, contracts and contract administration using Federal funds. The PHA did not meet several of the basic obligations under the HOPE VI Grant Agreement from which the PHA is required to develop purchasing procedures that will ensure that the best quality products and services are obtained in the most economical manner, while promoting serviceability, efficiency and stability [24 CFR 85.20, .36 (b) (2), (8), and (9), and Handbook 7460.8 REV 1, 2-11].

The PHA must comply with the December 8, 2000, HOPE VI Grant Agreement, the regulatory procurement requirements set forth in 24 CFR, Part 85.36, and HUD Handbook 7460.8 REV 1. The PHA's procurement function was not conducted in compliance with 24 CFR 85.36 and HUD Handbook 7460.8 REV 1. The procurement function also has systemic weaknesses in its procurement operations. The systemic weaknesses in the procurement process are found in the pre-award activities, and in contract administration (post-award activities). The procurement process and the administration of contracts by the PHA have serious deficiencies as revealed in findings 1 through 8 above.

Corrective Action Required:

1. Establish a centralized procurement function.
2. Implement procurement policies and procedures to ensure proper procurement, contract administration, and effective monitoring.

3. Provide procurement training to appropriate personnel that covers contract administration, contract solicitations, cost estimates, price analysis and file documentation. In addition, the PHA must document to this office the number of employees trained, how many hours of training each employee received, and who provided the training.
4. **Pursuant to 24 CFR 85.36(g), Awarding Agency Review and effective upon receipt of this letter, all HOPE VI procurement actions must be reviewed and approved by this office. HUD's procurement review will continue until the next annual HOPE VI Monitoring Review or such time as HUD determines the PHA has satisfactorily demonstrated to this office that they are complying with 24 CFR 85.36, HUD Handbook 7460.8 REV 1, and the PHA's Procurement Policy.**

HUD will review all procurement actions within seven calendar days. If HUD has not responded within the seven calendar days with an approval or disapproval letter, the PHA may consider the procurement action approved and move forward.

IV. Relocation

This office approved the PHA's Relocation Plan on March 28, 2001. During our last HOPE VI monitoring review May 21- 24, 2001, this office conducted a review of the PHA's relocation activities. At the time the HOPE VI Grant Agreement was executed, there were 56 units occupied at the September Lake site (the Yewall Homes site had already been demolished). During that review, we determined that the PHA had followed the approved Relocation Plan as they had provided general information/ notification of eligibility for relocation notices to the remaining residents and held information sessions for those residents. Of those 56 residents, 10 received Housing Choice Vouchers, 10 moved to the private market, and 36 had relocated to other public housing units. The PHA maintains a file for each relocated resident. Since no dwelling units have been constructed since the last review, we could not review relocation activities to the HOPE VI site.

V. Homeownership

At the time of our review, the PHA had not submitted a Homeownership Plan to this office for approval. At our follow-up visit September 29-30, 2003, this office discussed the possibility of using the "fee simple" method instead of "lease/ purchase" in order to generate more income up-front in the HOPE VI development.

In reviewing the Community and Supportive Services area, we noted that there is a lack of supportive services being provided to residents to become credit worthy by the time the homeownership units are ready for sale. The Pixley Visions of Hope (\$75,000) and Gold Coast Community Action Agency (\$2,721,000) were used as leveraging resources in the PHA's HOPE VI application. Both of these agencies pledged in-kind resources in the areas of homebuyer training; counseling services; credit and budget counseling; pre-purchase, post-purchase, and follow-up consultations, etc., for PHA residents interested in becoming homebuyers. At the time of our review, it did not appear that the PHA was utilizing these services. Therefore, since these resources were used as leveraging in the application, the PHA

should follow-up on these commitments in order to ensure that residents will be a position to qualify as homebuyers once the units are ready for purchase.

VI. Community and Supportive Services

The Office of Public Housing Investments (OPHI) approved the PHA's Community and Supportive Services (CSS) Plan for Yewall/September Lake on June 25, 2001. HUD OPHI approved the CSS budget line item (BLI) for CSS of \$3,250,000 on June 11, 2001. The PHA also requested \$1,535,000 for an Endowment Fund for CSS but OPHI was not able to approve this at that time, as guidelines for establishing Endowment Trusts had not been developed by HUD. HUD OPHI approved a revision to the total funds authorized in LOCCS for BLI 1408 for CSS of \$641,852 on August 29, 2003.

Although the CSS function is monitored primarily by HUD Headquarters, this office conducted a cursory assessment of the PHA's progress in providing services designed to help the original Yewall/September Lake residents become self-sufficient.

The PHA has entered into a Subgrant Agreement with the University of Southern Zaneston (USZ) to design and implement an evaluation system to track performance and cost of services, determine if service providers are meeting program objectives, and assist the PHA in the evaluation of the overall performance of the HOPE VI Program in developing sustainable community resources, increasing resident self-sufficiency, providing recommendations for future improvements, and assisting the PHA in the evaluation of compliance with the HUD-approved CSS Workplan. The last review conducted by USZ was provided to the PHA on July 29, 2002. Subsequent to the issuance of that report, USZ informed the PHA that they will not provide another report/evaluation until changes have been made in the CSS HOPE VI area. This is a result of the PHA opting not to renew the Subgrant Agreement with the Gold Coast Community Action Agency (GCCAA) on December 4, 2002, bringing the case management in-house. It should be noted that the PHA is in the process of procuring a CSS Coordinator/Manager with experience in the social service area.

As a result of this review, the following findings are being made:

Finding #11: The PHA does not have a system in place to track leveraged resources. Article IX of the Grant Agreement states that the Grantee should aggressively pursue and enforce any commitment (including commitments for services) obtained from any public or private entity for any contribution or commitment to the development or surrounding area, as included in its HOPE VI Application.

The table shown below lists the non-public housing leveraged resources for the community and supportive service portion of the PHA's application for the Fiscal Year 2000 Notice of Funding Availability for the HOPE VI Program. The PHA received 3 points out of a possible 4 on this factor.

Service Provider	Leveraged Amount
Pixley School District	\$329,760
Gold Coast Business Services Corporation	144,445

Gold Coast Business Technology Center	20,000
Gold Coast Community Action Agency	2,721,000
Community Bridges	400,000
Pixley Community House	98,000
Pixley Children's Club	592,000
Pixley Family Health Center	300,000
Pixley Healthy Families Alliance	13,200
Bay Side Mission	600,000
OFA Society	150,000
Pixley Center for Nonviolence	64,800
Pixley Visions of Hope	75,000
Pixley Police Department	300,000
Total Resources	*\$5,808,205

*As noted in the PHA's application the Total Resources for non-public housing leveraged resources are for the term of the HOPE VI Program (approximately 4 years), not an annual amount.

The table listed below contains the written agreements/Memorandums of Understanding (MOUs) the PHA has actually entered into with the resource providers listed above.

Service Provider	Date of Agreement	In-Kind Agreements
Pixley Family Health Center (letter)	5/5/03	\$49,205 x 4 = \$196,820
Gold Coast Business Technology Center (Working Agreement)	10/1/01	\$5,000 x 4 = \$20,000
Community Bridges (MOU)	11/27/01	\$99,884 x 4 = \$399,536
Pixley Community House, Inc. (MOU)	11/27/01	\$93,139 x 4 = \$372,556
Pixley Community College (Linkage Agreement)	11/27/01	No \$ amount given
Pixley Center for Nonviolence, Inc. (Non Binding Working Agreement -)	11/27/01	\$32,400
Gold Coast Workforce Investment Area (MOU) –not signed by provider	11/28/01	No \$ amount given
Bay Side Mission (Working Agreement)	9/14/01	\$150,000 x 4 = \$600,000
Total In-Kind Resources		\$1,621,312

Corrective Action Required: The PHA must immediately establish a system to monitor leveraged amounts received from service providers and actively pursue those commitments listed in their HOPE VI Application. In addition, the PHA must provide this office with documentation to show that a system has been established.

Finding #12: The PHA's Community and Supportive Services Program has not moved forward and is not in compliance with the HUD-approved CSS Workplan. Even though the current Executive Director immediately recognized this problem and hired a known expert in

the CSS field, Community First, CSS Consultant, this is still being made a finding (also see Finding #4 regarding procurement of these services). Since Community First has spent considerable time on-site working with the CSS Specialist, we concur with the written recommendations they have made to the housing authority.

Corrective Action Required: The PHA must revise their CSS Workplan to reflect more realistic goals. Since the PHA has an active CSS Community Task Force, they should be involved in this process. In addition, the Task Force should take a more active role in identifying providers for the services needed by the former residents and future residents of the HOPE VI developments. The PHA must identify what services are needed and work with the community in providing these services. In addition, the PHA must work together as a unit – the PHA’s community services division should work with the HOPE VI Caseworker to provide the services the same services to HOPE VI former residents as are being provided to the general PHA residents.

VII. Section 3

The Fair Housing and Equal Opportunity Office of Economic Opportunity (OEO) conducted an on-site Section 3 monitoring review at the PHA on February 3-5, 2003. Section 3 of the Housing and Urban Development Act of 1968 stipulates that economic opportunities are to be provided for low and very low-income residents of government-assisted housing by requiring that, wherever certain HUD financial assistance is given for housing and community development, economic opportunities are to be given, to the greatest extent feasible, those residents and businesses that provide opportunities for those persons.

Observation: The OEO issued a report dated April 4, 2003, that recommended that certain actions be taken by the PHA. The PHA responded on April 16, 2003, to the OEO report that the authority concurred with all recommendations and would implement the recommendations as quickly as possible. When asked if these recommendations had been implemented, the PHA HOPE VI Coordinator stated that he had not seen the report.

Recommended Corrective Action: The PHA should immediately implement the recommendations contained in the OEO Report dated April 4, 2003.

Observation: It should be noted that the PHA has a Section 3 Plan for the HOPE VI project that was included in their Revised Revitalization Plan dated August 29, 2003. However, Ralph/Sapphire, the previous developers, developed this Section 3 Plan.

Recommended Corrective Action: Since the PHA is now acting as its own developer, the Section 3 Plan should be revised accordingly. In addition, the PHA should advise this office as to what actions they have undertaken regarding the recommendations in OEO’s letter dated April 4, 2003.

VIII. Financial Management and Accounting

As of September 5, 2003, the following information was obtained from the Line of Credit Control System (LOCCS):

Program	Obligated Amount	Disbursed Amount	Balance
ZAURD005I100	\$35,000,000	\$3,950,520.17	\$31,049,479.83

The reviewers attempted to reconcile the last Financial Summary Report from the Quarterly Reporting System with the information on file at the PHA and were unable to do so. This was due in part to the different reporting periods utilized by the Quarterly Reporting System and LOCCS.

Documentation supporting the eLOCCS payment vouchers was reviewed and each voucher was supported with adequate documentation to support the money expended (the eLOCCS Disbursement History for February 27, 2001, through July 12, 2003 was used). The PHA is reminded that funds are not to be held for more than three days after receipt.

Finding #13: Although there is a staffing allocation plan that shows the percentage of time allocated to the HOPE VI Grant, the PHA does not have any documentation on file as required to support how they arrived at these percentages. Although salaries are considered to be a direct cost if an individual's duties require them to work in several program areas, the salary costs must be prorated based on a time study of the actual time spent in the program area (reference OMB Circular A-87). This, and the methodology used, must be included in the indirect cost rate proposal. This was also made a finding in the IPA Audit for the Fiscal Year Ending September 30, 2002.

Required Corrective Action: The PHA must conduct a time study as described above and forward the indirect cost rate proposal to this office for approval.

IX. Quarterly Reporting System

Subsequent to the on-site portion of this review, HUD issued a default letter dated November 5, 2003, which notified PHA that it is in default of the HOPE VI Grant Agreement. The letter listed eleven locked checkpoints representing critical program schedule milestones that have been missed as of September 30, 2003, and required PHA to cure the default by February 3, 2004.