




Issue Date	September 30, 2011
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Audit Report Number	2011-CH-1017
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TO: Ray E. Willis, Director of Community Planning and Development, 5AD

FROM: 
Kelly Anderson, Regional Inspector General for Audit, 5AGA

SUBJECT: Pioneer Civic Services, Inc., Peoria, IL, Did Not Properly Administer Its Supportive Housing Program and Housing Opportunities for Persons With AIDS Grants

HIGHLIGHTS

What We Audited and Why

We audited Pioneer Civic Services, Inc's Supportive Housing Program and Housing Opportunities for Persons with AIDS (HOPWA) competitive grants. We selected Pioneer based on a request by the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development. Our audit objective was to determine whether Pioneer effectively administered its Program and HOPWA grants in accordance with HUD's and other Federal requirements.

What We Found

Pioneer did not effectively administer its Program and HOPWA grants in accordance with HUD's and other Federal requirements. Specifically, Pioneer did not ensure that (1) its housing units met HUD's habitability standards and local code, and (2) Riverside Apartments, a single-room occupancy rooming house for chronically homeless persons with HIV-AIDS, and its four-unit apartment building (Perry Street) met Federal and State accessibility requirements.

Pioneer inappropriately used funds from its Program and HOPWA grants to pay ineligible and unsupported expenses. However, it generally provided services to program participants who were homeless with two exceptions. As a result, HUD lacked assurance that more than \$483,000 in funds from its Program and HOPWA grants was used for eligible activities and to maintain its housing units in decent, safe, and sanitary condition.

What We Recommend

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to (1) certify that the applicable violations have been corrected for the 30 housing units cited, (2) reimburse HUD \$187,000 from non-Federal funds for the housing units that failed to meet HUD's habitability standards and local code, (3) implement adequate procedures and controls to ensure that all of its units meet local and HUD habitability standards to prevent funds from its Program and HOPWA grants from being spent over the next year on units that do not comply with applicable requirements, (4) ensure that its inspector is properly trained on HUD's habitability standards and local code, (5) discontinue funding for the operation of Riverside Apartments until Pioneer submits written confirmation that the applicable accessibility code violations cited have been corrected, and (6) implement adequate procedures and controls to ensure that the Perry Street building, including the one accessible housing unit, complies with applicable accessibility requirements.

We also recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to (1) provide documentation to support the eligibility of \$93,972 in Program and HOPWA grant expenditures and reimburse HUD \$202,604 from non-Federal funds for ineligible expenses, (2) develop and implement adequate procedures and controls to ensure that funds from its Program and HOPWA grants are only used for eligible activities, and (3) implement adequate procedures and controls to ensure that it serves participants who are eligible to receive benefits from the Program.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided our discussion draft audit report and supporting schedules to Pioneer's executive officer and HUD's staff during the audit. We held an exit conference with Pioneer's director on August 31, 2011.

We asked Pioneer's executive director to provide comments on our discussion draft audit report by September 2, 2011. The director provided written comments, dated August 29, 2011. The executive director generally disagreed with our findings and recommendations. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this audit report except for 40 pages of documentation that was not necessary for understanding Pioneer's documentation.

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BACKGROUND AND OBJECTIVES

The Program. Authorized under Title IV of the McKinney-Vento Homeless Assistance Act of 1987, as amended, the Supportive Housing Program is funded for the purpose of promoting the development of transition and permanent supportive housing and supportive services for homeless households. Program funds are available to State or local governmental entities, private nonprofit organizations, and public nonprofit community mental health associations for new construction, acquisition, rehabilitation, and leasing of buildings to provide transitional permanent supportive housing for homeless households, supportive services for homeless persons, operating costs, and technical assistance. Homeless households must qualify as disabled to be eligible for permanent supportive housing.

Authorized under the Aids Housing Opportunity Act of 1990, Housing Opportunities for Persons with AIDS (HOPWA) is funded to provide resources and incentives to recipient communities (program participants) to develop long-term, comprehensive plans for addressing the local housing needs of low-income persons living with HIV-AIDS and their families. Grants allocated under this chapter are available only for approved activities to carry out strategies designed to prevent homelessness among eligible persons. Approved activities include activities that (1) provide housing information and coordinate efforts to expand housing assistance, (2) facilitate the development and operation of shelter and services, (3) provide rental assistance, (4) facilitate (through project-based rental assistance or other means) the moderate rehabilitation of single-room-occupancy dwellings, and (5) facilitate the development of community residences.

Pioneer Civic Services, Inc. Incorporated in October 1994 as a nonprofit corporation under the laws of the State of Illinois, Pioneer Civic Services, Inc., is governed by a three-member board of directors. Pioneer's executive director manages its day-to-day operations. Pioneer's overall mission is to provide adequate, safe, and sanitary housing accommodations and civic services of all kinds for persons of low and moderate income. Pioneer's records are located at its administrative office at 1318 West Adams Street, Peoria, IL.

On October 31, 2001, Pioneer entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to participate in its Program. It received an initial grant of \$399,565 to purchase and rehabilitate its Perry Street building. One of the units in the building was designated as accessible for disabled persons. Pioneer received renewal grants from 2005 through 2011 for operating costs and to provide housing assistance.

In September 2007, HUD awarded Pioneer an initial HOPWA grant of \$930,596 for the rehabilitation, repair, and conversion of Riverside Apartments into 30 single-room-occupancy housing units for chronically homeless persons with HIV-AIDS. This grant was for operating costs, housing assistance, and supportive services.

The following table shows the amount of grant funds HUD awarded Pioneer for the period October 2000 through August 2011.

Program grant number	Program grant period	Type of program	Program funds
Program			
IL01B007003	October 2001 through August 2005	Initial	\$399,565
IL01B407004	September 2005 through August 2006	Renewal	112,513
IL01B507001	September 2006 through August 2007	Renewal	110,613
IL01B607002	September 2007 through August 2008	Renewal	112,911
IL01B707006	September 2008 through August 2009	Renewal	104,873
IL0072B5T07801	September 2009 through August 2010	Renewal	114,126
IL0072B5T07802	September 2009 through August 2011	Renewal	114,126
<u>Total Program</u>			<u>\$1,068,727</u>
HOPWA			
ILH990013	January 2000 through February 2003	Initial	\$515,592
ILH020002	March 2003 through March 2006	Renewal	440,166
ILH050011	April 2006 through March 2009	Renewal	406,413
ILH060014	September 2007 through August 2011	Initial	930,596
ILH080006	June 2008 through August 2011	Renewal	402,281
<u>Total HOPWA</u>			<u>2,695,048</u>
<u>Total Program and HOPWA grants</u>			<u>\$3,763,775</u>

HUD's monitoring review. HUD's Chicago Office of Community Planning and Development assessed Pioneer's performance under Program grant number IL01B707006 through a November 17-19, 2009, monitoring review. The monitoring review focused on its Program grant records and files, financial management, and supportive housing facilities. HUD identified six findings and two concerns.

In addition, HUD's Chicago Office of Community Planning and Development assessed Pioneer's performance under HOPWA grant number ILH060014 through an August 24-26, 2010, monitoring review. HUD identified five findings and one concern.

Our audit objective was to determine whether Pioneer effectively administered its Program and HOPWA grants in accordance with HUD and other Federal requirements.

RESULTS OF AUDIT

Finding 1: Pioneer Did Not Adequately Enforce HUD's Habitability Standards and Other Applicable Requirements

Pioneer did not ensure that its housing units met HUD's habitability standards and the International Property Maintenance Code (local code) adopted by the City of Peoria, IL. All 30 housing units statistically selected for inspection failed to meet HUD's habitability standards and local code. Additionally, 29 of the 30 units had violations that predated Pioneer's inspections. The violations existed because Pioneer lacked adequate procedures and controls to ensure that its housing units met HUD's habitability standards and other applicable requirements. Additionally, it failed to exercise proper supervision and oversight of unit inspections. As a result, Pioneer spent approximately \$187,000 in funds from its Program and HOPWA grants for housing units that were not in good repair, order, and condition. Based on our results, we estimate that over the next year, HUD will spend approximately \$296,000 on housing units that are not decent, safe, and sanitary.

Pioneer Did Not Maintain Its Housing Units in Good Repair, Order, and Condition

Pioneer did not maintain its housing units in good condition. For the 33 housing units for which it received either housing assistance or operating subsidies, we inspected 30¹ for compliance with HUD's habitability standards and local code. Our appraiser inspected the 30 units during October 2010.

Pioneer did not adequately enforce HUD's habitability standards and local code. All 30 units inspected failed to meet HUD's habitability standards² and local code. In addition, 29 of the 30 units had violations that predated Pioneer's inspections. Collectively, the units contained 225 habitability standards and local code violations. The following table categorizes the 225 violations in the 30 units.

¹ At the time of our inspections, three units were not available for inspection.

² Our appraiser did not identify exigent health and safety violations that required Pioneer to make corrections within 24 hours.

Category of violations	Number of violations	Number of units
Electrical	49	18
Smoke detector	37	18
Window	32	13
Other interior	14	12
Heating equipment	12	12
Security	10	9
Water heater	9	5
Roof or gutter	8	7
Ceiling	7	5
Exterior surface	7	5
Other exterior	7	7
Wall	6	3
Range	6	6
Exterior stair, rail, or porch	5	3
Interior stair or rail	4	3
Floor	4	2
Ventilation	3	3
Toilet	2	2
Lead paint	1	1
Foundation	1	1
Garbage, debris, or refuse disposal	1	1
Total	225	

We provided our inspection results to the Director of HUD's Chicago Office of Community Planning and Development and Pioneer's executive director in October and November 2010.

Units Had Electrical Fixture and System Deficiencies

Forty-nine electrical violations were present in 18 of the units inspected. The following items are examples of the electrical violations listed in the table: outlets with open ground, non-ground-fault circuit interrupter outlets near kitchen or bathroom sinks, disconnect boxes with exposed electrical contacts, ground-fault circuit interrupters that did not turn off once tripped, exposed electrical outlets, and holes or gaps in a breaker box. The following pictures are examples of some of the electrical-related violations.

Household 08: Non-GFCI outlet above the kitchen sink.



Household 21: Old, active, unsecured fuse box.



Units Had Smoke Detector Violations

Thirty-seven smoke detector violations were present in 18 of the units Pioneer inspected. The following items are examples of the smoke detector violations listed in the table: smoke detectors missing because they were removed or never installed as required by local code. Violations also included missing batteries that were removed by the tenant.³

³ This information was obtained through our interview with the tenant.

Units Had Window Violations

Thirty-two window violations were present in 13 of the units Pioneer inspected. The following items are examples of window violations listed in the table: windows that did not stay up, windows that did not lock, rotted sashes and frames, broken panes, and windows that would not open. The following pictures are examples of the exterior window violations identified.

Household 03: First floor window that does not stay open and does not lock.



Household #22: Damaged and poorly repaired drafty bedroom window.



Other Interior Violations Were Identified

Fourteen other interior violations were present in 12 of the units Pioneer inspected. The following items are examples of other interior violations listed in the table: broken interior doors and doorknobs, interior door leaning against wall where small children are present, tripping hazards in common area stairway, and latches removed from stairway doors.

Household #01: Broken doorknob on door to 2nd floor.



Household #05: A laundry closet door removed from the frame resting against a corridor wall, endangering the young children living there if it should fall.



Conclusion

Pioneer did not ensure that its housing units met HUD's habitability standards and local code. The violations existed because Pioneer lacked adequate procedures and controls to ensure that its housing units complied with applicable requirements. Additionally, it failed to exercise proper supervision and oversight of unit inspections. Pioneer's housing inspector said that he was not aware that housing units had to meet local code and had not received training before performing the inspections.

Pioneer receives housing assistance for 18 of the 30 units and receives operating subsidies for the remaining 12. As a result, Pioneer spent \$187,000 in funds from its Program and HOPWA grants, \$124,000 in operating subsidies, and \$63,000 in rental assistance for the 30 housing units that were not in good repair, order, and condition. Therefore, if Pioneer implements adequate procedures and controls regarding its unit inspections to ensure compliance with HUD's habitability standards and local code, we estimate that it can avoid spending more than \$296,000⁴ in future funds from its Program and HOPWA grants on housing units that are not decent, safe, and sanitary over the next year.

⁴ Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

Recommendations

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to

- 1A. Certify that the applicable violations have been corrected for the 30 units cited.
- 1B. Reimburse HUD \$187,000 (\$43,200 for its Program and \$143,800 for the HOPWA grants) for the 30 units that failed to meet HUD's habitability standards and local code.
- 1C. Implement adequate procedures and controls to ensure that all of its units meet local and HUD habitability standards to prevent more than \$296,000 in funds from its Program and HOPWA grants from being spent over the next year on units that do not comply with applicable requirements.
- 1D. Ensure that its inspector is properly trained on HUD's habitability standards and local code and can apply them appropriately when performing unit inspections.

Finding 2: Pioneer Did Not Ensure That Riverside Apartments and Its Perry Street Apartment Building Complied With Accessibility Requirements

Pioneer did not ensure that Riverside Apartments and its Perry Street building met Federal and State accessibility requirements. Specifically, Riverside Apartments, including nine rehabilitated housing units, and its four-unit building, including one accessible housing unit, were not accessible for physically disabled persons. The violations occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with applicable requirements for accessible housing. Additionally, Pioneer did not get the funding needed to make Riverside Apartments accessible. As a result, it excluded physically disabled persons from opportunities for accessible housing.

Pioneer's Riverside Apartments Did Not Meet Accessibility Requirements

Pioneer's Riverside Apartments did not comply with HUD's requirements and Illinois Accessibility Code. We inspected the nine rehabilitated units and the common areas of the building, and determined that the units and the building failed to meet Code.

Pioneer stated in its application for funding Riverside that it would request from HUD operating funds and a small portion of funds for the installment of an elevator and other Americans with Disability Act (ADA) related modifications providing accessibility and visit ability to all areas of the building. Pioneer anticipated obtaining the balance of the \$2,207,800 needed to make the necessary repairs to Riverside Apartments from Low-Income Housing Tax Credits, State Trust Funds, and deferred development fees.

Our appraiser inspected Riverside Apartments in October 2010 and identified 13 accessibility deficiencies. The following table categorizes the 13 identified violations.

Area of violations	Number of violations
Accessible building and units	5
Common bathroom	4
Common kitchen	4
Total	13

The building had no features to allow wheelchair users to enter or make use of the building. Specifically, the building entrance had steps and no ramp. The

management office was a full flight of stairs above the entrance. The single rooms were on the third floor and accessible only by a stairway. A doorway in the corridor was less than the required 32-inch width, measuring 30¾ inches, and the resident room doors had less than the required 32-inch clearance, ranging from 30 to 31 inches. The following picture is an example of an accessibility-related violation in the building.

The building entrance has steps and no ramps.



Common Kitchen and Bathroom Violations Were Identified

In the common kitchen area, the kitchen range had controls in the back requiring individuals to reach over the cooking surface to turn them on and off, there was no clearance under the countertop for wheelchair-bound residents for food preparation, and the refrigerator was not accessible with a top freezer. The kitchen had no sink or water source; dishes were washed in a sink located in the laundry room. The following picture is an example of the accessibility-related violation identified in the common kitchen.

There is no clearance under the countertop for wheelchair-bound residents.



The common bathroom had no accessible features. Examples of the accessible - related deficiencies were as follows: toilet stalls were too narrow and had 16-inch-tall water closets and no grab bars. According to Code, the water closet seats are required to be between 17 and 19 inches from the floor. Additionally, the urinals were not accessibility compliant; shower stalls had a 6-inch step-up at the entrance of each shower stall; there were no shower seats, hand-held showers, or grab bars; and the mixing valves were located too high and directly under the showerheads.

Pioneer Certified That It Would Comply With Federal Requirements

Pioneer’s application for the HOPWA Riverside grant stated that if HOPWA funds were used for rehabilitation or new construction activities for housing projects, the grantee was required to agree to begin the rehabilitation or construction within 18 months, and all rehabilitation or construction work was required to be completed within the terms of the grant agreement with HUD. Such activities trigger certain accessibility requirements of Section 504 of the Rehabilitation Act of 1973 and the design and construction requirements of the Fair Housing Act of 1988.

Pioneer certified in its application for its HOPWA Riverside grant that it would comply with the Americans with Disabilities Act of 1990, Section 504 of the Rehabilitation Act of 1973, and HUD’s requirements at 24 CFR (Code of Federal Regulations) 8.1, which prohibit discrimination based on disability in federally assisted programs and activities and, where applicable, the design and construction requirements of the Fair Housing Act.

Pioneer's Four-Unit Building Was Not Accessible

We identified 14 accessibility deficiencies when our appraiser inspected Pioneer's Perry Street building and the one accessible housing unit. The following table categorizes the 1 violation identified with the building and 13 violations of the accessible unit. The HUD Office of Inspector General (OIG) appraiser used the Illinois 2007 Accessible Code Standards in determining accessibility code deficiencies.

Area of violations	Number of violations
Bathroom	6
Kitchen	5
Pantry room	1
Ramp	1
Living room	1
Total	14

We provided our inspection results to Pioneer's executive director and HUD's Chicago Office of Community Planning and Development in October and November 2010.

Pioneer's Housing Unit Had Bathroom and Kitchen- Accessibility Deficiencies

The bathroom in Pioneer's housing unit had six deficiencies, including (1) the door did not have the required clearance of 18 inches on the pull side and 12 inches on the push side of the door on the latch set side, (2) the floor did not have the required 60 inches of turnaround clearances, (3) the toilet did not have the required grab bars, (4) the wash basin was not accessible, (5) the wash basin mirror was installed higher than the 40-inch above the floor maximum to be usable by person in a wheelchair, and (6) the bathtub was not accessible. The Illinois Accessibility Code requires that bathtubs be equipped with three grab bars, have a hand-held shower head, and have a seat in the bathtub. The following pictures are examples of some of the accessibility-related violations.

The door did not have the required clearances and proper hardware, and the floor did not have the required turnaround clearances.



The kitchen had accessibility deficiencies, including that a kitchen electrical outlet was not within the reach limit of 9 inches above the floor, the door was not accessible, and the refrigerator and the sink were not accessible for physically disabled persons. In addition, space for the storage, preparation, and serving food was not provided. The Illinois Accessibility Code requires that a section of the counter be at 34 inches and have a 30-foot-wide clearance below it to provide workspace access for a wheelchair. The following pictures are examples of some of the accessibility-related violations.

The sink was not handicap accessible.



The living room had one accessibility code deficiency. The doorway clearance was only 30 inches, and Illinois Accessibility Code requires a 32-inch clearance. The pantry room was not accessible for physically disabled persons because there was no turnaround space. The access ramp to the unit was without curbs, and there was a 1-inch gap at ramp bottom.

Conclusion

Pioneer did not ensure that Riverside Apartments and its Perry Street building met Federal and State accessibility requirements. The problems occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with the applicable requirements. For Riverside Apartments, Pioneer anticipated receiving low-income housing tax credits, State trust funds, and deferred development fees to assist with financing the conversion of the property into accessible housing. However, it did not receive the funding. Therefore, Pioneer did not make the necessary modifications to the building and housing units to ensure that they were accessible. Additionally, for its Perry Street building, for which it receives Program funds, Pioneer's executive director stated that he was unaware of all of the requirements for accessible housing. As a result, Pioneer excluded physically disabled persons from opportunities for accessible housing.

HUD's regulations at 24 CFR 8.1 state that no otherwise qualified individual with handicaps in the United States shall, solely by reason of his or her handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance from HUD.

Recommendations

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to

- 2A. Discontinue funding for the operation of the Riverside Apartments until Pioneer submits written confirmation that the cited accessibility deficiencies have been corrected.
- 2B. Implement adequate procedures and controls to ensure that the Perry Street building, including the one accessible housing unit, complies with accessibility requirements.

Finding 3: Pioneer Used \$223,000 in Funds From Its HOPWA Riverside Grant To Pay Ineligible and Unsupported Costs

Pioneer used more than \$223,000 from its HOPWA Riverside grant to pay ineligible and unsupported costs. This condition occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with Federal requirements regarding the use of grant funds. As a result, more than \$142,000 in grant funds was used on costs that were not eligible, and HUD lacked assurance that more than \$81,000 was used for its intended purposes.

Pioneer Used Grant Funds for Ineligible Costs

On May 25, 2000, Pioneer obtained a \$250,000 loan from National City Bank to purchase property from Pioneer Properties, Inc. The loan agreement required 119 monthly principal and interest payments of \$2,747 from June 25, 2000, until May 25, 2010. In May 2000, Pioneer obtained a \$245,000 loan from the Illinois Facility Fund to purchase Riverside Apartments (see finding 2). The loan agreement required monthly principal and interest installments of \$2,383 from July 1, 2000, until August 2005, then \$2,160 from September 2005 until August 1, 2010.

From September 1, 2007, to August 31, 2010, Pioneer used more than \$67,000 in funds from its HOPWA grant, which was budgeted as operating costs for Riverside Apartments, to pay the principal and interest on the two loans. Pioneer stated in its grant application that its operating costs would include expenses such as wages for one full-time administrative director, a part-time assistant manager, and two maintenance staff; utilities; taxes; insurance; and maintenance. However, the funds were not used for the intended purposes.

Further, Pioneer used another \$26,000 from its operating funding to pay other ineligible costs such as a limited partnership fee, training costs, management fees, a fine for a falling wall, utilities, and costs for other properties.

Pioneer Paid for an Idle Facility

Riverside Apartments is located in a 35,865-square-foot building. It is comprised of housing units, located on the third floor, that consist of approximately 6,500 square feet and administrative offices that consist of approximately 3,400 square feet. Therefore, only approximately 9,900 square feet of the 35,865-square-foot (28 percent) property were occupied, and the remaining 25,965 square feet were vacant (72 percent). However, from September 1, 2007, to August 31, 2010, Pioneer used more than \$87,000 from its HOPWA grant to pay the utilities,

insurance, and property taxes for the entire building. Except for its HOPWA clients' housing units and the administrative office space, the building was vacant. According to Office of Management and Budget (OMB) Circular A-122, costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed 1 year, depending on the initiative taken to use, lease, or dispose of such facilities. Therefore, excluding the costs from the first year, we determined that the costs were \$68,300 (87,000 minus 18,700) and approximately 72 percent of the costs were ineligible (\$49,176). The following schedule lists the operating costs for Riverside Apartments from September 2007 through August 2010.

Grant period	Utilities	Taxes and insurance	Totals	Percentage vacant	Total ineligible
9-1-07 through 8-31-08	\$6,100	\$12,700	\$18,700	N/A	
9-1-08 through 8-31-09	18,600	4,100	22,800	72%	\$16,416
9-1-09 through 8-31-10	19,800	25,700	45,500	72%	32,760
Total	<u>\$44,500</u>	<u>\$42,500</u>	<u>\$87,000</u>		<u>\$49,176</u>

Pioneer Was Unable To Sufficiently Support Incurred Expenses

Between September 1, 2007, and August 31, 2010, Pioneer spent a total of \$81,500 for expenses such as administrative fees, wages, the construction of an elevator that had not been constructed, telephone charges for the executive director, contracted services, and other miscellaneous items. However, Pioneer was unable to provide support for these expenses paid from its HOPWA Riverside grant.

Conclusion

Pioneer spent more than \$223,000 from its HOPWA Riverside grant to pay ineligible and unsupported costs. This condition occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with Federal requirements regarding the use of grant funds. As a result, it used more than \$142,000 for ineligible costs and was unable to support its use of more than \$81,000 in program funds. Pioneer lacked adequate procedures and controls to ensure that Federal requirements were appropriately followed.

Recommendations

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to

- 3A. Reimburse HUD \$67,000 (\$52,000 paid to National City Bank and \$15,000 paid to the Illinois Facility Fund) from non-Federal funds for the mortgage payments.
- 3B. Reimburse HUD \$26,000 from non-Federal funds for the ineligible payments cited in this finding.
- 3C. Provide supporting documentation or reimburse HUD from non-Federal funds for the \$81,536 in unsupported costs cited in this finding.
- 3D. Reimburse HUD \$49,176 for ineligible utilities, taxes, and insurance paid for idle space.

Finding 4: Pioneer Inappropriately Used \$53,200 in Funds From Its Program and HOPWA Grant To Pay Ineligible Expenses

Pioneer inappropriately used funds from its Program and HOPWA grants to pay ineligible expenses. Specifically, it used grant funds to pay the mortgage for its Perry Street property and expenses for a company owned by the former executive director. This condition occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with HUD's requirements. As a result, more than \$53,000 in funds from its Program and HOPWA grants was not available to support eligible activities.

Pioneer Inappropriately Used Grant Funds for Mortgage Payments

Pioneer used grant funds from its Program to pay the mortgage on the Perry Street property instead of the costs of operating its Program. From September 1, 2006, through August 31, 2010, Pioneer paid a total of \$39,000 (\$24,000 from tenant rents and \$15,000 from the grant) for mortgage payments to National City Bank. The funds were drawn down from its operating budget line item.

HUD's Supportive Housing Program Desk Guide describes operating costs as those costs associated with the day-to-day physical operation of supportive housing facilities. Also, included in operating costs are the actual expenses that a recipient incurs for conducting ongoing assessments of the supportive services needed by residents and the availability of these services. Grantees may not consider mortgage payments as an operational cost because the Program allows grantees to repay outstanding debt on a loan to purchase the structure under the acquisition activity.

Pioneer Made Excess DrawDown Requests

In August of 2008, Pioneer requested from HUD's Line of Credit Control System \$7,000 in Program funds that were budgeted to pay leasing costs. Pioneer wanted to use the funds to pay \$2,800 for supportive service costs and \$4,200 for operating costs. The requested amount was above the allowable \$9,468 that was budgeted for operating costs. Pioneer did not adjust the budget line item in HUD's System to reflect the change.

Pioneer Used Grant Funds for Conflict-of-Interest Activities

Pioneer violated HUD requirements when it made payments to a company owned by its former executive director, thus creating a conflict of interest. Between September 1, 2004, and August 31, 2008, Pioneer paid a total of \$38,200 to the company for the remodeling of two of its buildings, Perry Street and a building located on Martin Luther King Jr. Drive. Pioneer did not request a waiver from HUD to engage in the conflict-of-interest activity.

HUD's regulations at 24 CFR 574.625 state that no person, who is an employee, agent, consultant, officer, or elected or appointed official of the recipient and who exercises or has exercised any functions or responsibilities with respect to assisted activities or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity or have an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for himself or herself or for those with whom he or she has family or business ties during his or her tenure or for 1 year thereafter.

Conclusion

Pioneer inappropriately used funds from its Program and HOPWA grants to pay ineligible expenses. This condition occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with HUD's requirements. As a result, more than \$53,000 in funds from its grants was not available to support eligible activities.

Recommendations

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to

- 4A. Reimburse HUD \$15,000 from non-Federal funds for the ineligible mortgage payments.
- 4B. Reimburse HUD \$38,200 (\$17,600 for its Program and \$20,600 for its HOPWA grant) from non-Federal funds for the ineligible payments to the company owned by the prior executive director.
- 4C. Develop and implement adequate procedures and controls to ensure that grant funds are only used for eligible activities.

Finding 5: Pioneer Generally Provided Services to Program Participants Who Were Homeless With Two Exceptions

Of the 13 persons served, Pioneer was unable to provide sufficient documentation to determine that two were homeless. The deficiency occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with HUD's requirements for serving the homeless. As a result, HUD lacked assurance that nearly \$20,000 in Program funds was used for clients who were eligible to receive assistance.

Pioneer Served One Person Who Was Not Homeless

Pioneer provided services to one Program participant who was living with relatives but was being evicted by family members. Pioneer allowed the participant to rent the unit from a family member. HUD does not consider a person living with relatives or friends as homeless. According to HUD's Supportive Housing Program Desk Guide, a homeless person is someone who is living on the street or in an emergency shelter or who would be living on the street or in an emergency shelter without supportive housing assistance.

According to HUD's Supportive Housing Program Desk Guide, if the person's family is evicting him or her, a statement describing the reason for eviction must be signed by the family member and dated. The grantee and project sponsor must make efforts to confirm that these circumstances are true and have written verification describing the efforts and attesting to their validity. The verification must be signed and dated. The grantee and project sponsor must also have information on the income of the participant and what efforts were made to obtain housing and why, without the Program assistance, the participant would be living on the street or in an emergency shelter.

Pioneer Lacked Documentation To Support That One Person Served Was Homeless

Pioneer was unable to provide adequate documentation to support whether one Program participant met HUD's homeless requirement. For example, this participant who was living on the street, participant's file did not contain a signed certification from Pioneer's staff to confirm that the person served resided on the street.

According to HUD's Supportive Housing Program Desk Guide, recipients must maintain adequate documentation to demonstrate the eligibility of persons served using Program funds.

Conclusion

Pioneer did not always ensure that it provided services to Program participants who were homeless. The deficiencies occurred because Pioneer lacked adequate procedures and controls to ensure that it complied with HUD's requirements. According to Pioneer's executive director, the staff did not know HUD's requirements for providing services to homeless individuals. As a result, Pioneer used more than \$7,200 in Program funds for one participant that was not eligible for participation and was unable to support more than \$12,400 in supportive services provided for another participant.

Recommendations

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require Pioneer to

- 5A. Reimburse HUD \$7,228 from non-Federal funds for ineligible supportive service costs paid for one person who was not homeless.
- 5B. Provide sufficient supporting documentation or reimburse HUD \$12,436 from non-Federal funds for supportive services provided to one participant whose eligibility had not been determined.
- 5C. Implement adequate procedures and controls to ensure that it serves participants who are eligible to receive benefits from the Program.

SCOPE AND METHODOLOGY

We performed our onsite audit work from February through January 2010 at Pioneer's Office located at 1318 S. W. Adams Street, Peoria, IL. The audit covered the period September 1, 2008, through April 30, 2010, and was expanded as determined necessary.

To accomplish our objective, we reviewed

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 8, 84, 574, and 583; HUD's notice of funding availability; Office of Community Planning and Development notices, OMB Circulars A-110 and A-122; HUD's HOPWA Grantee Oversight Resource Guide and Supportive Housing Program Desk Guide; the International Property Maintenance Code, 2003; and the Illinois Accessibility Code.
- Pioneer's accounting records, annual audited financial statements for 2008, Program grant agreements and technical submissions, data from HUD's System, Program files, computerized databases, and reviews for its Program grants.

We also interviewed Pioneer's employees, HUD's staff and the University of Illinois College of Medicine at Peoria Staff.

Finding 1

From a universe of 33 units, we inspected 30 units (clients were not home in three units) for habitability and local code violations. We inspected 10 units and 2 buildings that were required to be accessible for disabled persons for accessibility.

To determine the estimated amount of future payments for units that did not meet habitability standards and local code, we annualized the amount of funding Pioneer received under its HOPWA and Program for housing. Pioneer received funding for the operating costs of units owned by Pioneer that were rented to program participants and rental subsidy to help program participants obtain permanent housing in the private rental housing market.

Finding 3

We obtained reports from HUD's System to identify the amount of each voucher submitted by Pioneer from September 1, 2007, through August 31, 2010. Each voucher represented a drawdown request from Pioneer against HOPWA grant ILH060014. We analyzed the data and concluded that the data were sufficiently reliable for our purposes. Pioneer submitted 79 draws totaling more than \$436,600.

We reviewed the supporting documentation for each of the 79 paid vouchers. We determined whether each item included in the draw was supported by proper documentation and whether each item was an allowable expense under the HOPWA program.

We obtained Pioneer's electronic bank activity reports to identify the amount of each disbursement against the HOPWA grant from September 1, 2007, through August 31, 2010. We analyzed the data and concluded that the data were sufficiently reliable for our purposes. Pioneer disbursed 662 checks totaling more than \$426,800.

Finding 5

We reviewed for eligibility the files of all 13 clients (100 percent) who participated in the Program.

We performed our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- Pioneer did not have adequate controls in place to ensure that units met habitability standards and local code (see finding 1).
- Pioneer did not have adequate controls in place to ensure that buildings and units met accessibility standards (see finding 2).
- Pioneer did not establish or implement adequate procedures and controls to ensure compliance with laws and regulations, including the requirement of its HOPWA Riverside grant and applicable Federal regulations to ensure that expenses were eligible and properly supported (see finding 3).
- Pioneer did not establish or implement internal controls to ensure compliance with laws and regulations, including the requirement of its Program and HOPWA grants and applicable Federal regulations to ensure that expenses were eligible and properly supported (see finding 4).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/	FTBPTBU 3/
1B	\$187,000		
1C			\$296,000
3A	67,000		
3B	26,000		
3C		\$81,536	
3D	49,176		
4A	15,000		
4B	38,200		
5A	7,228		
5B		12,436	
Totals	<u>\$389,604</u>	<u>\$93,972</u>	<u>\$296,000</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendation, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds in accordance with HUD's requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Pioneer Civic Services, Inc.

P.O. Box 5647 • 1318 SW Adams Street • Peoria, IL 61601-5647
Phone: 309.674.2200 • FAX: 309.674.0559 • Email: pioneerics@sbcglobal.net

August 29, 2011

Patrick V. McNamara Federal Building
Attention: Mr. Anthony Smith
HUD-Office of Inspector General, Room 1780
Detroit, MI. 48226-2592

Reference: Response to discussion draft

Dear Mr. Smith,

Please find enclosed my response to the discussion draft audit report.

Finding 1: Pioneer Did Not Adequately Enforce HUD's Habitability Standards and Other Applicable Requirements

Rebuttal: Pioneer Civic Services did maintain its housing units in good condition, the violations noted by the Inspector are minor at best and in some cases are information on the inspection is inaccurate and or unfounded. Furthermore, the inspector did not identify any health or safety violations that required Pioneer to take immediate action.

Comment 1

Comment 2

1A: Applicable violations have been corrected.

Comment 1

1B: Pioneer Civic Services should not be required to reimburse HUD for the units cited. The property does pass the guidelines as stated in the ref handbook 7420.8 form HUD-52580-A. Pioneer did in fact provide housing in good repair, order and condition and therefore the funds spent for rent on this property on behalf of the client's are justified. At no time did the inspector identify health or safety violations that required immediate attention. A large majority of the violations noted where in fact created by the tenant.

Comment 3

1C: Pioneer Civic Services has adequate procedures and controls in place to serve the needs of the grant. The result of not providing housing for these individuals would result in over 40 individuals and families facing homelessness.

Comment 4

1D: Pioneer Civic Services inspector will now use both HUD Habitability standards as well as local code.



Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 5



Pioneer Civic Services, Inc.

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Finding 2: Pioneer did not ensure that Riverside Apartments and its Perry Street Building Complied with Accessibility Requirements.

Rebuttal: Riverside Apartments currently provides single room occupancy housing for twelve adult males. I can find no record nor has the current management ever received a housing referral from an individual that is physically disabled. Officials from HUD-Chicago have toured the facility on numerous occasions and have never notified Pioneer Civic Services of a finding or concern regarding accessibility. Steve Clark and Associates acted as consultants during the writing of the grant and subsequent decisions relative to the grant. The current Executive Director was not part of that decision making process and therefore will not rebut the conclusions stated.

The Perry Street Apartments currently house 4 individuals. I can find no record nor has the current management ever received a housing referral from an individual that is physically disabled. Officials from HUD-Chicago have toured the facility on numerous occasions and have never notified Pioneer Civic Services of a finding or concern regarding accessibility. Steve Clark and Associates acted as consultants during the writing of the grant and subsequent decisions relative to the grant. The current Executive Director was not part of that decision making process and therefore will not rebut the conclusions stated.

Finally, the chief concern is that by discontinuing funding of the aforementioned properties, this will return 16 individuals to a homeless state. Pioneer Civic Services has no available funding to make the necessary corrections regarding accessibility, therefore we respectfully request that a waiver be granted or a plan to re-house these individuals be put into place and funding continue until all of these individuals have been housed.

Finding 3: Pioneer used \$223,000 in funds from its HOPWA Riverside Grant to pay ineligible and unsupported costs.

3A: The decision to make mortgage payments from grant funds was made by Steven Clark and Associates as the consultant to the organization. The current Executive Director was not part of that decision making process and therefore will not rebut the conclusions stated.

3B: Pioneer is not aware of all the charges noted in this finding, it would request an opportunity to refute some of these charges. Further documentation should be considered prior to declaring all of these payments ineligible.

3C: Pioneer can provide further documentation to support the costs cited in this finding.

3D: Pioneer Civic Services has used the grant to pay utilities, insurance and property taxes for the building to insure that the occupants of Riverside have a safe, decent and affordable housing opportunity in lieu of remaining homeless. HUD-Chicago during past inspections and audit has been aware of this practice and has brought no findings to the organization. Pioneer should not be required to reimburse HUD for the idle space.

Comment 6

Comment 7

Comment 8



Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Pioneer Civic Services, Inc.

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Comment 9

Finding 4: Pioneer Inappropriately Used \$53,200 in Funds From Its Program and HOPWA Grant To Pay Ineligible Expenses.

4A: The decision to make mortgage payments from grant funds was made by Steven Clark and Associates as the consult to the organization. The current Executive Director was not part of that decision making process and therefore will not rebut the conclusions stated.

4B: The decision to make mortgage payments from grant funds was made by Steven Clark and Associates as the consult to the organization. The current Executive Director was not part of that decision making process and therefore will not rebut the conclusions stated.

4C: Procedures are now in place.

Comment 10

Finding 5: Pioneer Did Not Ensure That It Provided Services to Program Participants Who Were Homeless.

5A: Pioneer has included additional documentation that will verify these individuals were homeless.

Comment 11

5B: Pioneer has included additional documentation that will verify these individuals were homeless.

5C: Pioneer with the assistance of the University of Illinois College of Medicine ensure that all participants will be eligible to receive benefits from the program.

Sincerely,

A handwritten signature in black ink that reads "Chris Bickett". The signature is written in a cursive, slightly slanted style.

Chris Bickett
Responding on behalf of the Board of Directors



OIG's Evaluation of Auditee Comments

- Comment 1** The appraiser performed the inspections using Habitability Standards and Local Code. Pioneer did not provide documentation indicating which inspections it considered as inaccurate, unfounded or created by the tenant; therefore, we did not make any changes to the finding. The report acknowledges that we did not identify any health and safety violations. However, the inspection did identify violations that predated Pioneer's inspections.
- Comment 2** Pioneer did not provide documentation certifying that the violations have been corrected; therefore the recommendation remains in the report.
- Comment 3** Pioneer did not provide documentation identifying the procedures and controls that are currently in place to serve the needs of the grant; therefore we did not make a change to the recommendation in the report.
- Comment 4** Pioneer states that its inspector will now use both HUD's habitability standards as well as local code. We acknowledge its commitment; however, the recommendation in the report is to ensure that its inspector is properly trained on HUD's habitability standards and local code and can apply them appropriately when performing unit inspections.
- Comment 5** The applications for funding for Riverside and Perry Street under its Program and HOPWA programs was approved based on the Riverside building and the one unit on Perry Street would be accessible for physically disabled persons. We acknowledge Pioneer Civic Services' concern regarding the clients that currently reside at Riverside Apartments and it should consult with HUD regarding a waiver and a re-house plan for the individuals currently being housed.
- Comment 6** We provided support documentation to Pioneer before the issuance of the discussion draft audit report of all items identified in the report.
- Comment 7** Pioneer did not provide documentation therefore; we did not make any changes to recommendation 3C in the report.
- Comment 8** Pioneer stated that it used the grant to pay the utilities, insurance and property taxes for the building, and HUD was aware of this practice. OMB Circular A-122 states that under the exception, costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed 1 year, depending on the initiative taken to use, lease, or dispose of such facilities. Therefore; we did not make any changes to recommendation 3D in the report.

OIG's Evaluation of Auditee Comments

Comment 9 Pioneer did not provide documentation identifying the procedures and controls that are currently in place; therefore we did not make a change to the recommendation in the report.

Comment 10 We reviewed the documentation provided by Pioneer and adjusted the finding and recommendations, as appropriate.

Comment 11 We reviewed the documentation by Pioneer and adjusted the finding and recommendations, as appropriate.

Appendix C

FEDERAL, STATE, AND CITY REQUIREMENTS

Finding 1

HUD's HOPWA Grantee Oversight Resource Guide states that each unit subsidized with HOPWA assistance must pass a housing quality inspection to ensure that the housing provided is safe and sanitary and complies with local and State housing codes, licensing standards, and any other jurisdictional requirements and the HOPWA program habitability standards as outlined in 24 CFR 574.310(b).

HUD's regulations at 24 CFR 574.310 state that all housing assisted under section 574.300(b)(3), (4), (5), and (8) must meet the applicable housing quality standards. It also states that each recipient of assistance under this part must provide safe and sanitary housing that complies with all applicable State and local housing codes, licensing requirements, and any other requirements in the jurisdiction in which the housing is located regarding the condition of the structure and the operation of the housing.

International Property Maintenance Code, 2003, applies to all existing residential and nonresidential structures and all existing premises and constitutes minimum requirements and standards for premises, structures, equipment, and facilities for light, ventilation, space, heating, sanitation, protection from the elements, life safety, safety from fire, and other hazards and for safe and sanitary maintenance; the responsibility of owners, operators, and occupants; the occupancy of existing structures and premises; and administration, enforcement, and penalties.

According to HUD's Supportive Housing Program Desk Guide each recipient of HUD funding must ensure compliance with all State and local housing codes, licensing requirements, and any other standards regarding the condition of a structure and the operation of the housing and/or services. Specifically, each grantee or project sponsor must follow proper standards regarding accessibility, sanitation, security, illumination, electricity, and fire safety. The habitability standards are described in the program regulations at 24 CFR 583.300(b). Any variations from those standards proposed by the grantee/project sponsor must be approved by HUD.

HUD's regulations at 24 CFR 583.300(b) state that each recipient of assistance under this part must provide housing or services that comply with all applicable State and local housing codes, licensing requirements, and any other requirements in the jurisdiction in which the project is located regarding the condition of the structure and the operation of the housing or services.

Finding 2.

HUD's regulations at 24 CFR 8.1 state that the purpose of this part is to effectuate Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C (United States Code) 794), to the end that no otherwise qualified individual with handicaps in the United States shall, solely by reason of his or her handicap, be excluded from the participation in, be denied the benefits of, or be

subjected to discrimination under any program or activity receiving Federal financial assistance from HUD.

If the project involves fewer than 15 units or the cost of alterations is less than 75 percent of the replacement cost of the completed facility and the recipient has not made 5 percent of its units in the development accessible to and usable by individuals with disabilities, then the requirements of 24 CFR 8.23(b), Other Alterations, apply. Under this section, alterations to dwelling units shall, to the maximum extent feasible, be made readily accessible to and usable by individuals with disabilities. If alterations to single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire unit shall be made accessible.

Alteration of an entire unit is considered to be when all of the following individual elements are accomplished: renovation of whole kitchens or at least replacement of kitchen cabinets and renovation of the bathroom if at least a bathtub or shower is replaced or added or a toilet and flooring are replaced and replacement of entrance door jambs.

HUD's regulations at 24 CFR 574.603 state that a grantee or project sponsor must adopt procedures to ensure that all persons who qualify for the assistance, regardless of their race, color, religion, sex, age, national origin, familial status, or handicap, know of the availability of the HOPWA program, including facilities and services accessible to persons with a handicap, and maintain evidence of implementation of the procedures.

HUD's regulations at 24 CFR 583.325 state that notwithstanding the permissibility of proposals that serve designated populations of disabled homeless persons, recipients serving a designated population of disabled homeless persons are required, within the designated population, to comply with these requirements for nondiscrimination on the basis of race, color, religion, sex, national origin, age, familial status, and disability.

If the procedures that the recipient intends to use to make known the availability of the supportive housing are unlikely to reach persons of any particular race, color, religion, sex, age, national origin, familial status, or handicap who may qualify for admission to the housing, the recipient must establish additional procedures to ensure that such persons can obtain information concerning availability of the housing. The recipient must adopt procedures to make available information on the existence and locations of facilities and services that are accessible to persons with a handicap and maintain evidence of implementation of the procedures.

Illinois Accessibility Code, 1997, states that the purpose of this Illinois Accessibility Code is to ensure that the built environment, including all spaces and elements of all applicable buildings and facilities in the State of Illinois, is so designed, constructed, and/or altered to ensure the safety and welfare of all members of society and to be readily accessible to and usable by environmentally limited persons.

The Code was also intended to resolve areas of difference between the Federal accessibility standards; Americans with Disabilities Act Accessibility Guidelines, which are applicable to buildings and facilities covered by the Americans with Disabilities Act of 1990; and the Illinois accessibility standards, which are applicable to buildings and facilities in the State of Illinois

covered by the Environmental Barriers Act. The Code, together with the Environmental Barriers Act and the standards incorporated by reference identified in Section 400.120, has the force of a building code and, as such, is law in the State of Illinois.

Finding 3

HUD's regulations at 24 CFR 574.3 define administrative costs as costs for general management, oversight, coordination, evaluation, and reporting on eligible activities.

HUD's regulations at 24 CFR 574.300(b) list the following eligible activities, such as
(8) Operating costs for housing including maintenance, security, operation, insurance, utilities, furnishings, equipment, supplies, and other incidental costs;

(9) Technical assistance.

(10) Administrative expenses:

(i) Each grantee may use not more than 3 percent of the grant amount for its own administrative costs relating to administering grant amounts and allocating such amounts to project sponsors; and (ii) Each project sponsor receiving amounts from grants made under this program may use not more than 7 percent of the amounts received for administrative costs.

OMB Circular A-122 states that the costs of idle facilities are unallowable except to the extent that (1) they are necessary to meet fluctuations in workload or (2) although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed 1 year, depending on the initiative taken to use, lease, or dispose of such facilities.

Pioneer's 2006 HOPWA Performance Grant application states that operating cost would include usual expenses for 1 administrative director, .50 assistant manager, 2 maintenance staff, utilities of \$25,715, taxes and insurance of \$13,032, and maintenance expenses of approximately \$40,000.

Finding 4

HUD's Supportive Housing Program Desk Guide, 2008, describes operating costs as those costs associated with the day-to-day physical operation of supportive housing facilities. They also include the actual expense that a recipient incurs for conducting ongoing assessments of the supportive services needed by residents and the availability of these services. Operating costs differ from supportive services costs in that operating costs support the function and the operation of the housing project while supportive services costs cover the actual costs of new or increased services. Only operating costs for a new project or the expanded portion of an existing project are eligible for Program funding. Program funds may not be used for the cost of operating a supportive service's only facility.

Grantees may not consider mortgage payments as an operational costs because the Program allows grantees to repay outstanding debt on a loan to purchase the structure under the acquisition activity. This means that when the operating budget is calculated, mortgage payments should not be included. Grantees should consider this provision when planning their budgets.

Beginning with grants made in the fiscal year 2000 competition, Program funds can be used to pay up to 75 percent of the operating costs in each year of the grant term. Resident rent and fees may be used to meet the cash match requirement for transitional housing, safe haven, and permanent housing providers (24 CFR 583.315(b)). However, match requirements must be met by funds used to cover costs associated with eligible Program activities. If resident rents are used to fund ineligible Program costs, then other sources must be used to meet the annual Program match obligations.

If the program match obligation is met through other means, then resident rents can be used for other program costs and may cover activities that are not eligible under Program. For example, funds could be used to support administrative costs beyond those eligible under Program. Note that resident rents are considered program income and must be accounted for and reported appropriately on annual reports.

HUD's regulations at 24 CFR 583.330 state that in addition to the conflict-of-interest requirements in 24 CFR Part 85, no person, who is an employee, agent, consultant, officer, or elected or appointed official of the recipient and who exercises or has exercised any functions or responsibilities with respect to assisted activities or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity or have an interest in any contract, subcontract, or agreement with respect thereto or the proceeds there under, either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for 1 year thereafter.

Finding 5

HUD's regulations at 24 CFR 583 describe a homeless person as an individual or family that is described in Section 103 of the McKinney Act (42 U.S.C. 11302).

The McKinney-Vento Homeless Assistance Act of 1987, 42 U.S.C. 11302(a), states that the term homeless or homeless person includes (1) a person who lacks a fixed, regular, and adequate nighttime residence and (2) a person who has a primary nighttime residence that is a supervised publicly or privately operated shelter designed to provide temporary living accommodation (including welfare hotels, congregate shelter, and transitional housing for the mentally ill), an institution that provides a temporary residence for persons intended to be institutionalized, or a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings.

HUD's Supportive Housing Program Desk Guide, 2008, states that a person is considered homeless only when he or she resides in one of three places: (1) places not meant for human

habitation, such as cars, parks, sidewalks, and abandoned buildings; (2) an emergency shelter; or (3) transitional housing for homeless persons.

Persons who are not homeless may not receive assistance under the Program. Examples of people who are not homeless are those who are in housing, even though they are paying an excessive amount for their housing, the housing is substandard and in need of repair, or the housing is crowded; incarcerated; living with relatives or friends; or living in a board and care, adult congregate living facility, or similar place.

Persons Living on the Street

For persons who reside on the street, it may not be feasible to require the homeless persons to document that they reside on the street. It is sufficient for the outreach staff to certify that the persons served reside on the street. The outreach or service worker should sign and date a general certification verifying that services are going to homeless persons and indicating where the persons reside.