Issue Date February 20, 2008
Audit Report Number 2008-KC-1002

TO: Debra L. Lingwall, Coordinator, Omaha Public Housing Program Center, 7DPHO

Henry S. Czauski, Acting Director, Departmental Enforcement Center, CV

//**signed**//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, Kansas City Region, 7AGA

SUBJECT: The Schuyler Housing Authority, Schuyler, Nebraska, Improperly Used Public Housing Funds to Support a Non-HUD Assisted Living Program

HIGHLIGHTS

What We Audited and Why

We audited the Schuyler Housing Authority (Authority) because the U.S. Department of Housing and Urban Development (HUD) believed that the Authority was operating a nonfederal assisted living program to the detriment of its public housing program.

Our objective was to determine whether the Authority improperly spent public housing assets when developing and operating an assisted living program.

What We Found

The Authority inappropriately used more than $78,000 in public housing funds to pay expenses of a non-HUD assisted living program. In addition, the Authority improperly allowed the assisted living entity to collect more than $60,000 in public housing rent. Further, the Authority did not maintain tenant records or accurately report tenant data to HUD for assisted living participants.

What We Recommend

We recommend that HUD require the Authority to obtain from the non-HUD assisted living entity repayment of approximately $54,000 for expenses paid on its behalf as of July 2007. We also recommend that HUD require the Authority to collect about $25,000 in public housing tenant rents that the non-HUD entity had not transferred to the Authority as of October 2007. We further recommend that HUD require the Authority to implement controls to separate public housing revenues and expenses from those of the assisted living program. Finally, we recommend that HUD monitor the Authority to ensure that it does not continue to inappropriately support the assisted living program.

For each recommendation 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 the draft report to the Authority on January 31, 2008, and requested a response by February 15, 2008. It provided written comments on February 14, 2008. The Authority generally agreed with our findings and recommendations.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

BACKGROUND AND OBJECTIVES

The Schuyler Housing Authority (Authority) is a small public housing authority in Schuyler, Nebraska. It owns and operates a 49-unit high rise public housing building (known as Schuyler Manor) and 10 scattered site units. The Authority is funded almost exclusively by the U.S. Department of Housing and Urban Development (HUD). HUD provided operating and capital funds to the Authority totaling $385,000 for fiscal years 2004 through 2007.

To participate in HUD's public housing programs, the Authority entered into an annual contributions contract with HUD on November 6, 1995. The contract defines the terms and conditions under which the Authority agreed to develop and operate all projects under the agreement. A project is any public housing developed, acquired, or assisted by HUD under the United States Housing Act of 1937, as amended. Further, the contract describes the appropriate uses of HUD-provided operating and capital funds.

In accordance with its agency plan, a public housing agency may form and operate wholly owned or controlled subsidiaries or other affiliates. Such wholly owned or controlled subsidiaries or other affiliates may be directed, managed, or controlled by the same persons who constitute the board of directors or similar governing body of the public housing agency or who serve as employees or staff of the public housing agency but remain subject to other provision of law and conflict of interest requirements. Further, a public housing agency, in accordance with its agency plan, may enter into joint ventures, partnerships, or other business arrangements with or contract with any person, organization, entity, or governmental unit with respect to the administration of the programs of the public housing agency such as development housing or providing supportive/social services subject to either Title I of the United States Housing Act of 1937, as amended, or state law.

In 2004, HUD allowed the Authority to obtain a bank loan to modernize Schuyler Manor and set up a nonfederal assisted living program for qualified public housing tenants. The efforts included adding a kitchen and dining facility for the assisted living program and converting an apartment to office space for the program. The Authority completed the modernization efforts in late 2005 at a cost of more than $950,000. In addition to the loan proceeds of $429,000, the Authority used $401,000 in capital funds and $121,000 in operating reserves to complete the renovations.

The Authority's assisted living program, operated by Whispering Pines Inc. (Whispering Pines), opened in November 2005. Whispering Pines provides a variety of services to the public housing residents who require assisted living services. Some public housing residents may also qualify for benefits under Nebraska's Medicaid Waiver program. The assisted living services include

- Three meals per day,
- Adult day care/socialization activities,
- Escort assistance,
- Health maintenance activities,
- Assistance with housekeeping activities and laundry,
- Medication assistance,
- Making arrangements for transportation, and
- Various personal care activities.

The Authority is governed by a five-member board of commissioners, all of whom are also board members for Whispering Pines. The Authority's executive director manages the day-to-day operations of the Authority and is also the assisted living administrator for Whispering Pines.

Our audit objective was to determine whether the Authority improperly spent public housing assets when developing and operating an assisted living program.

RESULTS OF AUDIT

Finding 1: The Authority Inappropriately Used Public Housing Funds to Pay Expenses of a Non-HUD Assisted Living Program

The Authority inappropriately used more than $78,000 in public housing funds to pay expenses of a non-HUD assisted living program operated by Whispering Pines. This condition occurred because the Authority lacked policies and procedures to define the treatment of expenses common to the Authority and Whispering Pines. In addition, the Authority's board of commissioners believed that public housing funds could be used for the assisted living program until it was financially self-sustaining. As a result, the Authority did not have sufficient public housing funds to pay its routine operating expenses.

Improper Use of Authority Funds for Assisted Living Program

The Authority inappropriately used nearly $60,000 in public housing funds for direct costs of the assisted living program. Section 9 of the annual contributions contract between the Authority and HUD states that the Authority may use public housing funds only for the payment of the costs and operation of the projects covered by the annual contributions contract. The Authority's annual contributions contract with HUD did not cover the assisted living program; therefore, the Authority was not permitted to use public housing funds to pay expenses of that program. Further, HUD's approval letter for the assisted living program stated that the Authority could not use public housing funds to support the provision of assisted living services.

The following table describes the direct costs that the Authority paid on Whispering Pines' behalf from June 2005 through July 2007.

Direct costs		
Liability insurance	$	13,810
Workers compensation insurance	$	7,417
Employee health insurance	$	16,161
Employee salaries	$	14,650
Miscellaneous costs	$	7,767
Total direct costs	**$**	**59,805**

The Authority added Whispering Pines to its policies for liability, workers compensation, and employee health insurance. Consequently, the Authority was billed and paid for Whispering Pines' portion of the premiums. In addition, the Authority paid for employee salaries and other miscellaneous costs at the time that the assisted living program began in November 2005 because Whispering Pines did not have the resources to fund startup costs.

The Authority's executive director notified HUD in November 2006 that the Authority did not have sufficient public housing funds to pay for its operations. Upon further review, HUD became aware that the Authority had inappropriately used public housing funds to pay for Whispering Pines' expenses. HUD immediately notified the Authority that it must cease using public housing funds to pay for the assisted living program and that Whispering Pines must repay the Authority for any public housing funds used to support its program.

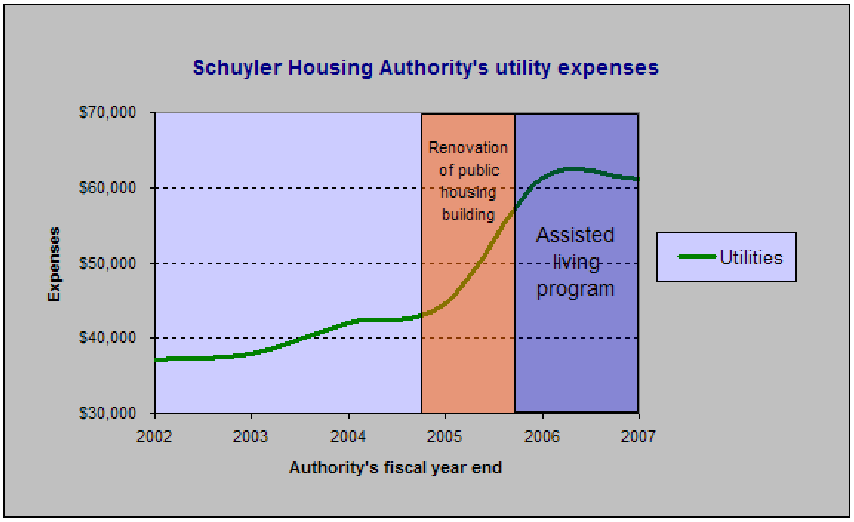
The Authority did not have detailed records showing what public housing funds that it had used to support the assisted living program. Although Whispering Pines subsequently began repaying the Authority in limited amounts, the Authority continued to use public housing funds to support the assisted living program. As of July 2007, Whispering Pines had repaid the Authority about $17,500 for the insurance premiums but still owed nearly $20,000. Whispering Pines had also reimbursed the Authority about $6,500 for employee salaries and other miscellaneous expenses, but still owed more than $15,500 as of July 2007.

Overhead Costs of Assisted Living Program Incurred by Authority

The Authority inappropriately incurred overhead costs of the assisted living program when it allowed Whispering Pines to use the Authority's space, equipment, and utilities free of charge. Although Whispering Pines' articles of incorporation stated that it would lease the Authority's property to implement the assisted living program, the Authority did not execute a lease agreement with Whispering Pines.

Beginning in November 2005, the Authority provided Whispering Pines a fully furnished office, kitchen, and dining facility but did not require Whispering Pines to pay for using the space or equipment. In addition, the Authority incurred at least $18,000 in increased utility expenses attributable to Whispering Pines' operations from November 2005 through July 2007.

The graph below shows the Authority's utility expenses for fiscal years 2002 through 2007, including the periods in which the Authority renovated the public housing building and Whispering Pines implemented the assisted living program. The Authority incurred a significant rise in utility costs while renovating the public housing building. After renovations were complete, the utility expenses remained significantly higher than in past years, mainly due to the assisted living program beginning in November 2005.



In November 2006, HUD notified the Authority that it needed to establish and collect a reasonable monthly rent from Whispering Pines. However, as of September 2007, Whispering Pines had not paid rent or otherwise reimbursed the Authority for its use of public housing space, equipment, or utilities.

Authority's Inadequate Controls

The Authority had not developed written policies and procedures that defined the treatment of expenses that were common to the Authority and Whispering Pines. Further, the Authority's board of commissioners believed that HUD's restriction against using public housing funds to support the assisted living program did not apply until the program was financially self-sustaining.

Authority's Financial Problems

Because the Authority paid more than $78,000 of Whispering Pines' expenses, it did not have sufficient funds to pay its own routine operating expenses. The Authority's operating account had a negative cash balance from January to July 2007. As a result of cash shortages, the Authority incurred nearly $5,000 in penalties and finance charges. These charges included insufficient funds charges, overdraft penalties, and late fees and finance charges from vendors. Further, the $78,000 is equivalent to more than six months of public housing funding for the Authority .

In July 2007, the Authority had to use $10,000 of its capital funds to sustain operations and recover from a negative cash position. Capital funds are generally intended to be used for development, financing, and modernization of public housing. Therefore, these funds were not available to the Authority for these purposes .

If the Authority continues to pay Whispering Pines' expenses, it will risk not being able to sustain its own operations and mission to provide decent and safe housing for low-income families, the elderly, and persons with disabilities.

Recommendations

We recommend that the Coordinator of the Omaha Public Housing Program Center

1A. Ensure that the Authority implements adequate policies and procedures to segregate its direct and overhead expenses from those of Whispering Pines. This will ensure that an estimated $102,000 that HUD will provide to the Authority for its operations in the next year will be put to better use.

1B. Require the Authority to obtain repayment from Whispering Pines for the expenses paid on Whispering Pines' behalf, including the $35,521 for direct costs of the assisted living program and approximately $18,711 for its share of utility expenses that had not been repaid to the Authority as of July 2007. Repayments should be deposited into the Authority's public housing program account.

1C. Require the Authority to obtain repayment from Whispering Pines or other nonfederal sources for penalties and finance charges, including $4,901 identified as of July 2007. Repayments should be deposited into the Authority's public housing program account.

1D. Ensure that the Authority executes an acceptable lease agreement with Whispering Pines for its use of the public housing space, equipment, and utilities.

1E. Ensure that the Authority collects rent retroactively from Whispering Pines for the period from November 2005 to the present and in doing so, consider the amount collected for utilities during this same period as recommended in recommendation 1B.

1F. Monitor the Authority and its use of public housing funds to ensure that it provides no additional HUD funds for Whispering Pines' operations. If HUD identifies additional use of HUD funds, it should take appropriate actions, which may include requiring the Authority to cease the assisted living program if it cannot sustain its operations without HUD financial assistance.

1G. Take appropriate administrative actions against the Authority for violating the annual contributions contract with HUD and refer to finding 2 for additional support for administrative actions.

We recommend that the Director of the Departmental Enforcement Center

1H. Impose appropriate administrative sanctions against the Authority's executive director and members of its board of commissioners for violating HUD rules. Also refer to finding 2 for additional support for administrative sanctions.

Finding 2: The Authority Inappropriately Allowed a Non-HUD Assisted Living Entity to Collect Public Housing Rents

The Authority inappropriately allowed Whispering Pines to collect more than $60,000 of public housing rent from assisted living participants. This condition occurred because the Authority's board of commissioners allowed its executive director to also serve as Whispering Pines' administrator without providing adequate oversight of her actions. As a result, the Authority's public housing program did not have use of all of its rent revenue for more than 19 months and Whispering Pines owed more than $25,000 in public housing rent to the Authority as of October 2007.

Non-HUD Entity Collected Public Housing Rents

The Authority inappropriately allowed Whispering Pines to collect more than $60,000 in public housing rent from November 2005 through October 2007. The Authority's annual contributions contract provides that the Authority is to deposit all public housing operating receipts, including tenant rents, for the Authority to use in conducting its public housing program.

The Authority's executive director, who also served as the assisted living administrator for Whispering Pines, told us that it was too complicated for tenants to write separate checks for public housing rent and assisted living services. Therefore, she allowed tenants to write one check to Whispering Pines that included both costs. Consequently, Whispering Pines collected public housing rents and deposited them into its account. However, the Authority did not ensure that Whispering Pines transferred the rents to the public housing program.

No Separation of Duties

Each housing authority's board of commissioners is responsible for the operations of the authority. In this capacity, the Authority's board of commissioners allowed its executive director to also serve as Whispering Pines' administrator without providing adequate oversight of her actions. Therefore, the executive director solely controlled the financial activities of both organizations for nearly the entire period of Whispering Pines' operations.

Lost Use of Tenant Rent Revenue

The Authority's public housing program did not have use of all of its rent revenue for more than 19 months. Further, Whispering Pines owed more than $25,000 in public housing rent to the Authority's public housing program as of October 2007.

As reported in finding 1, the Authority experienced financial difficulties due to cash shortages, which could have been alleviated if it had collected the public housing rents from Whispering Pines. If the Authority continues to allow Whispering Pines to collect public housing rents, the Authority will continue to risk its public housing revenues and ability to meet its own financial responsibilities.

Recommendations

We recommend that the Coordinator of the Omaha Public Housing Program Center

2A. Require the Authority to immediately discontinue the practice of allowing Whispering Pines to collect public housing rents.

2B. Ensure that the Authority implements policies and procedures to segregate its public housing revenues from the assisted living program. The policies and procedures should require tenants to pay public housing rents separately from assisted living services, or for the Authority to collect the rents and assisted living service fees and then transfer the service fees to Whispering Pines.

2C. Require the Authority to collect the correct amount of public housing rents owed by Whispering Pines (including approximately $25,000 owed as of October 2007). Repayments should be deposited into the Authority's public housing program account.

2D. Monitor the Authority to ensure that the board of commissioners provides adequate oversight of the executive director's actions or provide for separate management of the two organizations.

2E. Monitor the Authority's collection of rent from the assisted living participants to ensure that these funds are deposited into the public housing program account.

Finding 3: The Authority Did Not Maintain Tenant Records or Report Tenant Data to HUD for All Assisted Living Participants

The Authority did not maintain tenant records or accurately report tenant data to HUD for 6 of 15 assisted living participants. This condition occurred because the Authority's board of commissioners allowed its executive director to also serve as Whispering Pines' administrator without providing adequate oversight of her actions. As a result, HUD's ability to make appropriate funding decisions or to detect fraud, waste, and abuse in the public housing program may have been negatively affected.

No Public Housing Records for Assisted Living Participants

The Authority did not maintain tenant records for 6 of 15 assisted living participants. Federal regulations require public housing agencies to maintain complete and accurate records for at least three years. All assisted living participants were also public housing tenants. Therefore, the Authority should have maintained tenant records, including eligibility determinations and tenant leases, for all assisted living participants.

In addition, the Authority did not report required tenant data to HUD for the same six assisted living participants residing in the public housing building. Therefore, HUD was not aware that the six tenants and their families were occupying public housing units. Federal regulations require public housing agencies to report 100 percent of their tenant data to HUD.

The Authority's executive director said that she did not know why she did not have certain tenant records for the six assisted living participants, or why she did not report the required tenant information to HUD.

Inadequate Oversight by Board of Commissioners

As previously explained, housing authorities' boards of commissioners are responsible for their operations. In this capacity, the Authority's board of commissioners allowed its executive director to also serve as Whispering Pines' administrator without providing adequate oversight of her actions. The executive director was responsible for maintaining records for both organizations for nearly the entire period of Whispering Pine's operations.

HUD Oversight of Authority Hindered

Inaccurate or incomplete information submitted to HUD affected its ability to make appropriate funding decisions or to detect fraud, waste, and abuse in the public housing program.

Recommendations

We recommend that the Coordinator of the Omaha Public Housing Program Center

3A. Require the Authority to document that all assisted living participants are eligible public housing tenants and have entered into public housing lease agreements for the appropriate rent amount.

3B. Ensure that the Authority reports required tenant information to HUD for all assisted living tenants.

SCOPE AND METHODOLOGY

Our review generally covered the period from January 2004 through October 2007. To achieve our audit objective, we conducted interviews with the Authority's current and former executive directors and its development consultant and former fee accountant. We also interviewed HUD staff in the Omaha, Nebraska, and Kansas City, Kansas, Offices of Public Housing. In addition, we interviewed assisted living participants and/or their responsible parties.

We reviewed the Authority's policies and procedures, general ledgers, audited financial statements, construction budgets, invoices, check registers, rent registers, and construction progress reports. We also reviewed the Authority's five-year administrative plan, board of commissioners meeting minutes, correspondence with HUD, annual contributions contracts, and bank loan documents. Further, we reviewed Whispering Pines' articles of incorporation, bylaws, board of directors meeting minutes, line of credit documents, general ledgers, and bank statements. In addition, we reviewed federal and state regulations.

We analyzed the Authority's historical utility costs for its fiscal years 2002 through 2005. Using its historical average annual increase of 6.3 percent, we estimated the Authority's utility costs for fiscal years 2006 and 2007 if it had not added significant building space and a commercial kitchen to the public housing property for the purposes of the assisted living program. We estimated that the Authority incurred about $18,000 in increased utility expenses due to adding the assisted living program to the Authority's public housing building.

We reviewed reports generated by the Authority's computerized accounting system for evidence of expending public housing assets without prior HUD approval. We used the computerized data for background information purposes only. We did not conduct tests of the data or controls governing the data. We did not use the data to support audit conclusions but used only original source documents to reach our conclusions.

We assigned a value to the potential savings to the Authority if HUD implements recommendation 1A. If HUD implements this recommendation requiring HUD to ensure that the Authority implements adequate policies and procedures to segregate its expenses from those of the non-HUD assisted living program, it will protect an estimated $102,000 that HUD will provide to the Authority for its operations in the next year. The estimate will be a recurring benefit; however, our estimate reflects only the initial year of this benefit. We performed on-site work from April through November 2007 at the Authority's office located at 712 F Street in Schuyler, Nebraska.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit 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 of 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 significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following item is a significant weakness:

- The Authority lacked adequate controls to ensure compliance with federal regulations and its annual contributions contract with HUD (see findings 1, 2, and 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unreasonable or unnecessary 2/	Funds to be put to better use 3/
1A			$102,000
1B	$54,232		
1C		$4,901	
2C	$25,000		

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 polices or regulations.

2/ Unreasonable/unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified.

The $102,000 represents the estimated amount of operating and capital funds that will be available to the Authority within the next year. If HUD ensures that the Authority implements appropriate policies and procedures to segregate public housing expenses from those of the assisted living program, HUD funds will be used for their intended purposes.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

Housing Agency

712 F. Street **Schuyler, Nebraska 68661**
402-352-2431

February 14, 2008

Mr. Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Gateway Tower - 5th Floor
400 State Avenue
Kansas City, Kansas 661012406

Dear Mr. Hosking:

Before we address the audit of the Schuyler Housing Agency's efforts to develop and operate an onsite assisted living facility, I would like to begin by stating that the David Zaiser, Kim Randall, Dan Tipton, and Rachel Calvert were very professional and courteous during the audit process and it was a pleasure to work with them throughout this process.

Below are the comments from the Schuyler Housing Agency regarding the audit of our efforts to develop and operate an onsite assisted living facility:

Finding 1: The Authority inappropriately used public housing funds to pay expenses of a non-HUD assisted living program.

1A. The Authority will develop and implement policies and procedures that provide for segregation of direct and overhead expenses of the assisted living facility.

1B. The Authority will obtain repayment of expenses paid on behalf of the assisted living facility. These funds will be deposited into the Authority's public housing program account. These expenses include $35,521 of direct costs and approximately $18,711 of utility expense. These costs and expenses will be tracked in an accounts receivable account on the Authority's books.

1C. The Authority will obtain repayment of $4,901 in penalties and finance charges from either non-federal sources or the assisted living. This cost will also be tracked in accounts receivable account on the Authority's books.

1D. The Authority has developed and executed a lease agreement with the assisted living facility for the use of public housing space, equipment and utilities.

1E. The Authority will retroactively collect rent from the assisted living.

1F. The Authority will work with HUD to assure that no additional funds from the Authority are used for the assisted living facility operations.

1G. No response.

1H. No response.

Finding 2: The Authority inappropriately allowed a non-HUD assisted living entity to collect public housing rents.

2A. The Authority will immediately discontinue the practice of allowing the assisted living to collect public housing rents for those tenants that participate in the assisted living program.

2B. The Authority will implement policies and procedures to segregate public housing revenues from the assisted living program. These policies and procedures will require the tenants to pay public housing rents and assisted living service fees separately.

2C. The Authority will collect public housing rents owed by the assisted living facility which is approximately $25,000. This repayment will be deposited into the Authority's public housing program account. The amounts owed will be tracked in an accounts receivable account on the Authority's books.

2D. The Authority will develop policies and procedures to ensure there is adequate oversight of administrative actions in both the Authority and assisted living program. The Authority will also work with HUD regarding the monitoring of this oversight.

2E. The Authority will work with HUD regarding the monitoring of rent collections to ensure they are deposited in the Authority's public housing program account.

Finding 3: The Authority did not maintain tenant records or report tenant data to HUD on all assisted living participants.

3A. The Authority will document all assisted living participants are eligible for public housing and have entered into lease agreements with the Authority for the appropriate rent amount.

3B. The Authority will assure that all assisted living tenant's tenant information is reported to HUD.

Comment 1

The Schuyler Housing Authority maintains that it did not knowingly or intentionally violate the Annual Contributions Contract with HUD in developing and operating an onsite assisted living facility. The intentions of the Schuyler Housing Agency were to provide services to the tenants of the Authority which would assist them in remaining in their 'home' longer.

Respectfully yours;

Patricia F. Reick
Executive Director

OIG Evaluation of Auditee Comments

Comment 1 The Authority's board of commissioners and its executive director are responsible for the Authority's operations, including ensuring that the Authority does not violate federal requirements. As explained in the report, the Authority violated federal requirements when it improperly spent public housing funds on the assisted living program and caused the Authority to encounter significant financial difficulties. Further, it continued to use federal funds to support the assisted living program after HUD instructed it to cease using federal funds for the nonfederal program.

In addition, the board of commissioners and executive director inappropriately allowed the assisted living entity to collect and maintain control of the public housing rents. This violated federal requirements and contributed to the Authority's financial problems because the Authority did not have use of the rent funds to meet its own obligations. Therefore, we believe that administrative actions and sanctions are warranted.