

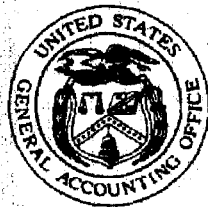
GAO

Fact Sheet for the Chairman,
Employment, Housing, and Aviation
Subcommittee, Committee on
Government Operations, House of
Representatives

July 1994

PUBLIC HOUSING

Information on Backlogged Modernization Funds



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United States
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Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-257330

July 15, 1994

The Honorable Collin C. Peterson
Chairman, Employment, Housing, and
Aviation Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In your letter of February 7, 1994, you expressed concern that funds appropriated for modernizing the nation's public housing are not being used in a timely manner, and you asked us to develop information about this problem. In response to your request, this fact sheet discusses the extent of, reasons for, and federal and local efforts to reduce the accumulation of unobligated modernization funds. These unobligated funds have been appropriated essentially for two public housing modernization programs—the Comprehensive Improvement Assistance Program and the Comprehensive Grant Program—operated by the Department of Housing and Urban Development (HUD).

These two programs are the primary modernization programs for funding routine repairs and rehabilitation for public housing. Inefficiency in these programs means that many public housing residents may continue to live in developments that have defects, such as insufficient insulation, defective roofs, and obsolete mechanical, electrical, and plumbing systems. Furthermore, failure to commit modernization funds in a timely manner means that vacant and deteriorated public housing remains unsuitable for habitation and that the program is not serving the needs of low-income families.

In summary, through fiscal year 1994 the Congress has appropriated approximately \$9.3 billion that either HUD has not approved for local use or public housing authorities (PHA) have not obligated (committed under contract) for modernization projects. HUD views this total in three segments:

- The first segment, almost \$1.4 billion, is the oldest portion of the approved funds, approved by HUD during fiscal years 1968 through 1991. Although HUD's guidelines give PHAs up to 2 years to complete all contractual arrangements or other tasks at the local level to effectively commit these

modernization funds to productive uses, PHAS have controlled this segment of the unobligated funds for more than the 2-year period.

- The second segment, about \$4.9 billion, has been approved by HUD for specific local uses, but the PHAS have not had time to commit these funds because HUD approved them in fiscal years 1992 and 1993, and the 2-year period has not yet expired.
- The third segment, approximately \$3 billion, was appropriated in fiscal year 1994. HUD needs to approve the use of this money before the PHAS can commit the funds.

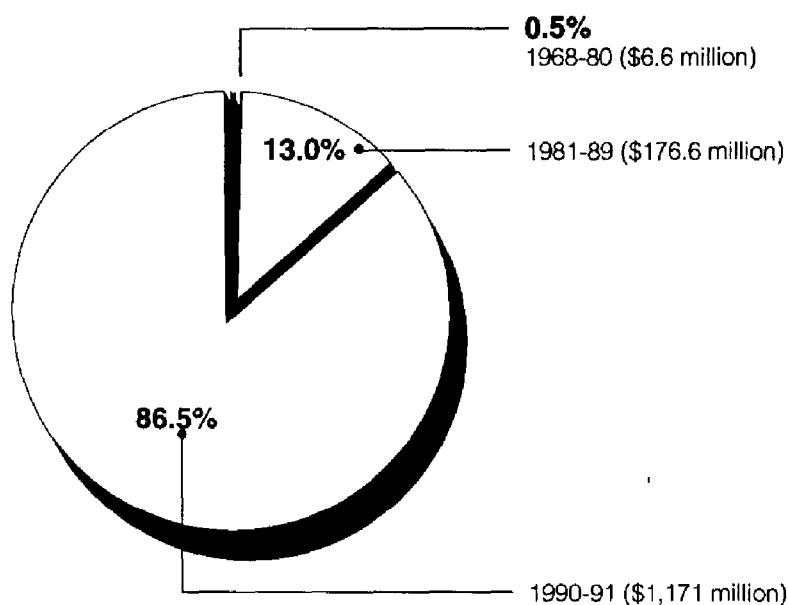
The first segment, totaling almost \$1.4 billion, is considered the "backlog" because housing authorities have had adequate time to obligate the funds but have not done so. The information in this fact sheet focuses on the backlogged portion of modernization funding. The first and second segments, totaling \$6.3 billion, are viewed as the "pipeline" of modernization funding because these funds are realistically available to housing authorities for use in public housing modernization projects.

According to HUD officials, HUD's expectation that PHAS should be able to commit their funds within 2 years of HUD's approval is based on the national average of the time it takes PHAS to obligate their funds. However, HUD officials also stated that they find it acceptable for PHAS to take 3 years to obligate the funds. On the basis of a 3-year obligation period, HUD has calculated the backlog to be \$434.5 million, as of September 30, 1993. The difference between HUD's amount and the almost \$1.4 billion backlog that we calculated is that HUD's backlog does not include the unobligated balance of about \$920 million approved in fiscal year 1991.

Although the backlog consists of unobligated funds from fiscal years 1968 through 1991, a major portion of the modernization funds includes the funds that HUD approved in fiscal years 1990 and 1991.¹ (See fig. 1.) The backlog amount represents about 7 percent of the almost \$18.5 billion in modernization funds approved by HUD for fiscal years 1968 through 1991.

¹We did not assess why the unobligated funding for fiscal years 1990 through 1991 is such a large portion of the backlog.

Figure 1: Age of the \$1.4 Billion Backlog of Unobligated Modernization Funds



The larger PHAs carry a major portion of the backlog. As of September 30, 1993, each of 22 large PHAs² that received modernization funds had unobligated balances of \$10 million or more, representing 60 percent of the backlog, or \$807 million.

However, PHAs of all sizes had backlogs, and many factors contributed to them. The reasons HUD and PHA officials gave for the backlog generally were related to (1) the time needed to comply with federal and local laws, (2) public housing policies and procedures, and (3) insufficient management resources. Moreover, PHAs often cited multiple reasons for backlogged funds rather than a single overall cause. Although we did not assess the validity of the reasons that HUD and public housing officials gave us, we note that some appear to be the result of necessary but time-consuming processes, while others might have been avoided through better management practices. Factors that led to the backlog include the following:

²PHAs with 1,250 or more dwelling units.

- PHAS need time to test for and eliminate asbestos and lead-based paint before proceeding with modernization work. One PHA experienced a 1-year delay in order to complete the abatement of lead-based paint.
- Some PHAS' staffs lack certain technical skills required to efficiently execute and manage large modernization efforts. Some PHAS delay awarding contracts for new modernization work until ongoing projects are completed. Others do not have staff of their own with the architectural and engineering skills that some projects require.
- Some PHAS are city agencies—as opposed to independent housing authorities—and as such are required to obtain multiple city approvals before they can award contracts. For example, it took one PHA about 3 months to obtain the city's approval of a contract for a new roof.

In response to congressional concern about the large balance of unobligated modernization funds, HUD and many PHAS initiated actions in 1993 to speed up the obligation of funds. These efforts generally involved increased HUD and PHA management attention to and resources for the program as well as HUD's making operational and regulatory changes to speed up the obligation process. We did not assess the effect, if any, that these actions had on reducing the funding backlog. These actions included the following:

- HUD proposed changes intended to simplify and speed up the obligation of modernization funds for smaller PHAS.
- HUD contracted with the U.S. Army Corps of Engineers to inspect the modernization work in progress and review contract administration.
- HUD has provided additional program and budgeting guidance to the PHAS and has given more management attention to the backlog problem by adding new financial reporting information on PHAS. This information should make it easier for HUD to track the obligation of funds.
- Four of the 11 PHAS we contacted hired management companies to run their modernization programs.

Finally, as a last resort, HUD has taken back over \$59 million of unobligated funds from PHAS since fiscal year 1982.

This fact sheet contains four sections. Section 1 provides background; section 2 presents the extent of the modernization fund backlog; section 3 describes reasons for the backlog; and section 4 discusses efforts to reduce the backlog.

We obtained the information in this fact sheet from HUD's headquarters, regional offices, and field offices. In addition, we contacted 11 PHAS throughout the country that had backlogs of modernization funds. We also solicited the views of three national associations representing public housing interests. HUD developed all the funding data used in this fact sheet, which presents the status of the modernization program as of September 30, 1993.

HUD officials reviewed a draft of this fact sheet and generally agreed with the facts presented. However, these officials felt that it could be reasonable for a PHA to take 3 years to obligate funds, and they calculated a smaller backlog using this time frame. We chose not to recalculate the size of the backlog because (1) HUD's guidelines in place at the time of our review stated that, barring substantial reasons to the contrary, PHAS should obligate approved modernization funds within 2 years and (2) as we note in section 4, HUD is proposing to codify its guidance and make it a requirement that PHAS obligate these funds within 2 years.

We have incorporated the HUD officials' other comments and suggested changes into this fact sheet where appropriate. As requested, we did not obtain written agency comments on this fact sheet.

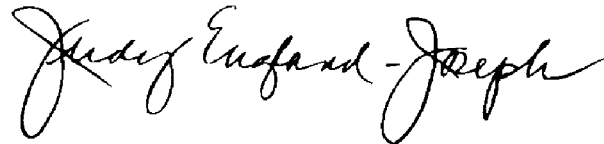
Representatives of the public housing industry associations with whom we consulted during the course of our work also reviewed a draft of this fact sheet and generally agreed with the facts presented. However, they did express concern that HUD's expectation that modernization funds be obligated within 2 years may not be reasonable for those larger modernization projects that are essentially capital repair and replacement programs. Thus, showing individual PHAS' backlogs as we do in table 2.2 (see section 2) does not reflect the unique circumstances surrounding each project or each PHA.

While we recognize that HUD is flexible in holding PHAS to the 2-year guideline when a project reasonably will take longer to complete, table 2.2 is meant only to illustrate the status of these funds in terms of the guidelines that HUD applies to the nearly 3,300 PHAS it funds. HUD does not necessarily penalize PHAS for taking more than 2 years to obligate funds, but it can use the information in table 2.2 to determine when increased oversight is needed to ensure that a PHA is making satisfactory progress toward using its modernization funds.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 7 days after the date of this letter. At that time, we will send copies of this fact sheet to the appropriate Senate and House committees; the Secretary of Housing and Urban Development; and the Director, Office of Management and Budget. We will make copies available to other interested parties on request.

Should you have questions or need additional information, please call me on (202) 512-7631. Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,

A handwritten signature in cursive script that reads "Judy A. England-Joseph". The signature is written in black ink and is positioned above the typed name.

Judy A. England-Joseph
Director, Housing and Community
Development Issues

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Abbreviations

CGP	Comprehensive Grant Program
CIAP	Comprehensive Improvement Assistance Program
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
PHA	public housing authority

Background

Since 1937, the Public Housing Program has been the primary federal mechanism for housing low-income families. The program's purpose is to help public housing authorities (PHA) provide decent, safe, and sanitary housing. The program encompasses a network of about 3,300 PHAs³ that provide housing for 1.3 million households.

The Department of Housing and Urban Development (HUD) first provided funding in fiscal year 1968 specifically for the modernization of the nation's public housing stock. Subsequently, in fiscal years 1981 and 1992, respectively, the Congress funded two public housing modernization programs, the Comprehensive Improvement Assistance Program (CIAP) and the Comprehensive Grant Program (CGP), in response to the large number of public housing projects that required rehabilitation.⁴

The purpose of both modernization programs is to improve the physical condition of existing public housing projects and upgrade the management and operation of such projects to ensure that they continue to be available to low-income families. The CGP and CIAP fund activities such as making alterations or additions, rehabilitating existing structures, replacing equipment, and improving the management and operation of housing projects.

First funded in fiscal year 1981, under CIAP, PHAs apply for annual funding on a competitive basis and must work according to an individual 5-year plan. The plan encompasses comprehensive, emergency, and special purpose modernization. Since fiscal year 1993, only PHAs with fewer than 250 dwelling units have been eligible for CIAP funding. According to HUD, out of 2,512 eligible PHAs, about 1,100 received approximately \$325 million in fiscal year 1993 CIAP funds. The Congress appropriated about \$317 million for fiscal year 1994, although HUD has not yet approved these funds for use by the PHAs.

The CGP was first funded in 1992 after congressional approval of the formula used to allocate the funds for PHAs with 500 or more units. Starting in fiscal year 1993, this eligibility requirement was reduced to 250 or more units. HUD uses a formula to allocate CGP funds. The funding formula factors in estimated modernization needs, which HUD determines by on-site inspections of a sample of public housing projects. CGP provides

³According to HUD officials, included in the about 3,300 PHAs are approximately 125 Indian housing authorities. For this fact sheet, we refer to all the housing authorities as public housing authorities.

⁴Both grant programs are authorized under section 14 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437 *et seq.*).

Section 1
Background

PHAS with more control, including resident participation, than allowed by CIAP in planning and implementing modernization activities. It also allows greater flexibility in the amounts of funds that PHAS may use for planning. According to HUD's records, in fiscal year 1993, 881 of 888 large PHAS received a total of about \$2.6 billion in CGP funds. The grant program received an appropriation of \$2.7 billion for fiscal year 1994. On February 28, 1994, HUD notified 897 PHAS of their estimated allocated funding for fiscal year 1994, but HUD has not yet approved these funds for use by the PHAS.

Extent of the Backlog

HUD expects PHAS to obligate their modernization funds within 2 years after it approves the PHAS' proposed use of the funds. Hence, any funds a PHA has failed to obligate after 2 years is part of the funding "backlog." To the extent that HUD and PHAS are able to move funds out of the backlog, they will be better able to meet the goals of the program—providing clean, decent, safe housing to low-income families—with resources the Congress has already provided. HUD officials could not estimate how many units the backlogged modernization funding could potentially make habitable, nor could they estimate the number of additional individuals or families that could be housed if backlogged funds were put to use.

Size of Backlog

The backlog of unobligated modernization funds for public housing was almost \$1.4 billion on September 30, 1993. This amount represents funds that HUD approved through fiscal year 1991 for public housing modernization projects but that PHAS have not committed. Although the backlog includes funds approved from fiscal years 1968 to 1991, most of it—almost \$1.2 billion, or 86.5 percent—comes from fiscal years 1990-91. (See table 2.1.)

Table 2.1: Status of the Modernization Funding Backlog on September 30, 1993

Dollars in millions

Funded in fiscal years	Total funds approved by HUD	Funds obligated by PHAs	Funds unobligated by PHAs (backlog)	Unobligated funds as a percentage of total backlog
1968-80 ^a	\$3,619.0	\$3,612.4	\$6.6	0.5
1981-89 ^b	10,399.0	10,222.5	176.6	13.0
1990-91	4,469.9	3,298.9	1,171.0	86.5
Total	\$18,487.9	\$17,133.8	\$1,354.2	100.0

^aAccording to HUD, these funds were not specifically appropriated for public housing modernization, but HUD used public housing funds for that purpose.

^bThe Congress started funding CIAP in fiscal year 1981.

The backlog represents modernization funds that PHAS have neither obligated to contractors by awarding contracts nor used to pay their own workers for rehabilitation work on public housing projects within HUD's 2-year time frame. The calculation of the present funding backlog ends with fiscal year 1991 because HUD's guidance states that PHAS should obligate all funds within 2 fiscal years of HUD's approval of the PHAS' modernization plans. According to HUD officials, the approval process,

Section 2
Extent of the Backlog

which involves HUD and each individual PHA's agreeing to the terms of annual contribution contracts, typically takes about 1 year.⁵

This time sequence means that all modernization funds approved in fiscal year 1991 and before should have been obligated no later than September 30, 1993. However, according to HUD officials, in some instances HUD allows PHAS more than the 2-year period to obligate the funds if the PHAS' modernization program implementation plan shows that more than 2 years are needed to contract for the rehabilitation work. In the event of unforeseen circumstances, HUD has also given some PHAS extensions beyond the 2 years to obligate their funds, after it has approved their implementation plan. According to HUD's documentation, HUD has granted extensions to PHAS for various reasons, including to eliminate underground oil contamination, to make the public housing project accessible to handicapped persons as units become vacant, and to handle unforeseen delays in contracting due to inclement weather.

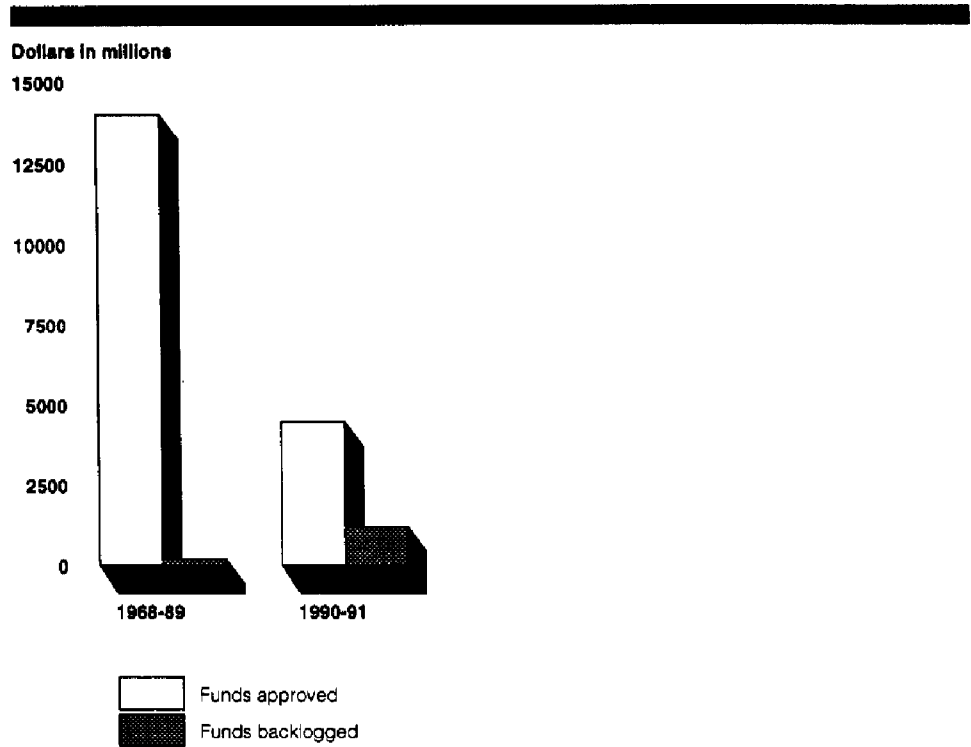
Nearly all of the backlog—99.5 percent—consists of CIAP funds. The remaining one-half of 1 percent represents funds HUD approved for the rehabilitation of public housing projects before fiscal year 1981, when the Congress first funded CIAP. CGP funds are not included in the funding backlog because the program was first funded in fiscal year 1992. As a result of HUD's 2-year guidance, the PHAS have until the end of fiscal year 1994 to obligate these CGP funds.

Although the backlog encompasses fiscal years 1968-91, most of it consists of funds HUD approved in fiscal years 1990 and 1991. Specifically, as of September 30, 1993, \$1.2 billion in fiscal years 1990 and 1991 funds and \$183.2 million in fiscal years 1968 through 1989 funds had not been obligated (see fig. 2.1). Expressed in comparison to the total amount of funds approved by HUD, just over 1 percent of fiscal years 1968-89 funds remain unobligated; 26 percent of fiscal years 1990 and 1991 funds are unobligated.

⁵HUD plans to implement a new system to distribute modernization funds to the PHAs within 60 days of appropriations.

Section 2
Extent of the Backlog

Figure 2.1: Comparison of Backlogged Funds to Approved Modernization Funds, as of September 30, 1993



Large-sized PHAs have greater backlogs than do medium-sized or small PHAs; also, a majority of the backlog is concentrated among a relatively few PHAs. As of September 30, 1993, each of 22⁶ large PHAs had unobligated balances of \$10 million or more, representing 60 percent (\$807 million) of the backlog. Three housing authorities alone—those in New York City, Philadelphia, and Washington, D.C.—accounted for nearly a third (almost \$436 million) of the backlog. (See table 2.2.)

⁶Between fiscal years 1985 and 1991, HUD has awarded CIAP funds to an average of 133 large PHAs annually.

Section 2
Extent of the Backlog

**Table 2.2: Twenty-Two Large PHAs
 With \$10 Million or More in Backlogged
 Modernization Funds, as of
 September 30, 1993**

Dollars in millions			
PHAs	1991 and prior years' approved funds	1991 and prior years' unobligated balances	Percentage of unobligated balance to approved funds
New York City	\$1,220.1	\$247.7	20.3
Philadelphia	314.4	114.6	36.4
Washington, D.C.	212.2	73.5	34.6
Birmingham	55.5	38.8	69.9
Atlanta	116.0	31.0	26.7
Jersey City	150.8	30.2	20.0
Dallas	49.2	26.6	54.1
Virgin Islands	210.2	24.0	11.4
Boston	140.7	23.3	16.5
New Orleans	130.7	21.0	16.1
Camden	95.6	20.9	21.8
East St. Louis	76.5	19.4	25.4
Chicago	472.5	19.2	4.0
Newark	273.3	17.3	6.3
Los Angeles City	137.4	14.0	10.2
Kansas City	25.9	13.9	53.6
San Francisco	144.6	13.4	9.2
Dayton	36.8	13.2	36.0
Buffalo	91.1	11.9	13.0
Syracuse	75.7	11.6	15.3
Oakland	41.7	11.3	27.1
Puerto Rico	681.4	10.9	1.6
Total	\$4,752.3	\$807.7	17.0

Reasons for the Backlog

Although large PHAs account for a major portion of the backlog, PHAs of all sizes have backlogs that they attribute to (1) the time needed to comply with federal laws, regulations, and procedures; (2) the time needed to comply with local laws, policies, and procedures; and (3) insufficient management resources. Furthermore, in many instances PHAs gave multiple reasons for not obligating the funds within the expected 2 years.

The findings of a 1993 HUD study on the modernization program's pipeline also identified numerous federal and local-level factors that contributed to the backlog.⁷ For example, at the federal level, a HUD-sponsored lead-based paint demonstration program tied up funds at two PHAs. At the local level, some PHAs lacked capable staff to manage the program efficiently.

The following two segments summarize the reasons HUD and PHA officials gave us, as well as those cited in the HUD study, for the modernization funding backlog. For this fact sheet, we did not assess the validity of the reasons that HUD and PHA officials gave for the backlog of modernization funds.

Federal Factors in the Funding Backlog

Federal laws: HUD and PHA officials cited section 504 of the Rehabilitation Act of 1973 as one example of a federal law that contributes to the modernization funding backlog. Section 504 requires that 5 percent of a PHA's housing units should be accessible to the handicapped. To comply with section 504, architects working for the PHAs must determine whether entrances and exits in each building are easily accessible to handicapped persons. Meeting this requirement, according to PHA officials, slows the obligation of funds because the PHAs must comply before they can award contracts for modernization work.

HUD and PHA officials cited federal environmental laws as another contributor to the modernization funding backlog. The completion of one public housing modernization project was delayed for 18 months because the site was contaminated with toxic waste. For another project, the approval for modernization work took an extra 2 years because of federal officials' concerns about inadequate drainage and possible flooding.

Hazard abatement regulations: Another legal requirement that HUD and PHA officials claimed hinders the timely obligation of funds is that PHAs must

⁷Report on Revisions to Modernization Program and Pipeline Analysis, HUD, 1993. This study, using funding data for fiscal years 1990 and before, focused on PHAs that had unobligated balances of \$1 million or more. The report only briefly discusses reasons for or problems the PHAs experienced that contributed to the accumulation of unobligated modernization funds.

Section 3
Reasons for the Backlog

test for and remove lead-based paint and asbestos in conjunction with starting any modernization work. Eight of the 11 PHAS we contacted stated that HUD's testing and requirements added to the time they needed to obligate modernization funds because the testing phase had to be finished before the PHAS could finalize the modernization plans, which included the removal of hazards. For example, one PHA official said that compliance with the rules for abating lead-based paint adds about 1 year to the obligation process before rehabilitation work can begin. The 1993 HUD study also cited lead-based paint and asbestos abatement as a common reason why PHAS take a long time to award contracts for modernization work.

HUD's approval process for determining participation in federal programs: PHA officials stated that HUD's approval process to determine whether specific contractors can participate in federal programs can take 6 to 8 weeks. The process requires that PHAS assure HUD that contractors are eligible and capable to work on federally funded projects before they can begin the modernization work. Some of the factors considered are whether contractors, through previous participation with the federal government, have defaulted on other contracts or been convicted of fraud. One PHA industry association believes that the approval process should take no longer than 5 days.

HUD's approval process for troubled PHAS: PHAS that HUD has designated as "troubled" (those with a history of financial or other operating problems) face a restriction on their authority to award contracts without previous HUD approval. Several PHA and HUD officials with whom we spoke said this restriction contributes to the backlog. One PHA official claimed that this approval process adds 1 to 3 months to the obligation process.

PHAS do not finalize architectural and engineering plans until after HUD approves funding: PHA officials have expressed frustration with one aspect of the CIAP program that causes them to wait until HUD has approved funds before they can develop architectural and engineering plans. Unlike CGP, which is formula-driven, CIAP is funded on a competitive basis; consequently, PHAS have no assurance that they will obtain funds for their modernization project proposals until HUD announces the awards. Hence, the PHAS are reluctant to expend resources needed to develop the architectural and engineering plans without first getting a commitment from HUD.

Local Factors in the Funding Backlog

State and local procurement requirements: PHA officials also cited state or local procurement requirements as another reason for the backlog. For instance, one state requires a four-part bidding process on construction projects and formal advertising for all contracts involving more than \$10,000.

Contract litigation: Contractors may sue PHAS if they fail to win a contract, or PHAS may sue contractors who default before completing work for which they are under contract. This delays the use of funds.

PHAS that are city agencies—as opposed to independent authorities—face additional municipal government review processes: Four of the PHAS we contacted were city agencies that must get the same approval(s) as any other part of the municipal government seeking to procure goods and services. Thus, in addition to obtaining HUD's approval, some PHAS have had to go through several layers of municipal review and approval (such as from the city council and/or the mayor's office). One PHA needed to obtain approval from four different city agencies (taking 3 months) before it received permission to contract for a new roof on a heating plant.

Inadequate PHA management practices: Several PHA and HUD officials stated that poor management by PHAS has slowed the obligation process. One example involved the Davis Bacon Act, which requires that PHAS include the prevailing Department of Labor wage rates in their bidding packages. A HUD official stated that some PHAS do not review their bidding packages for compliance with this provision before submitting them for HUD's approval. According to this official, this practice has led to contractors' filing bid protests, which adds more time to the obligation process.

PHA staffs' inadequate technical expertise: Some PHAS do not have staff with the technical skills required to execute and manage the modernization programs. In some instances, PHAS did not employ architects or engineers to work on the modernization projects. As a result, some PHAS delayed awarding contracts because they could not (1) complete the prerequisite work, such as architectural designs and cost estimates, themselves and (2) adequately manage ongoing work and finish it on schedule in order to award contracts to complete the modernization work.

Efforts to Reduce the Backlog

HUD and many PHAS have initiated various efforts to reduce the backlog of modernization funds. According to HUD officials, the Department's efforts, beginning in 1993, responded to congressional concerns raised about the large balance of unobligated modernization funds. The Senate Committee on Appropriations, during hearings for HUD's fiscal year 1994 budget, wanted to know what HUD intended to do to "unclog" the backlog in modernization funding. HUD's efforts have generally involved giving increased management attention to the modernization programs and making operational and regulatory changes to streamline the obligation process. Additionally, HUD has taken back, or "recaptured," over \$59 million of unobligated funds. PHAS' actions to reduce the backlog have included hiring construction management firms and providing additional training for PHA staff members.

The following segments summarize the efforts that HUD and the PHAS told us they had taken or plan to take to reduce the modernization funding backlog. We did not independently verify that these actions were actually implemented, nor did we assess the effect that the actions may have had on reducing the funding backlog.

HUD's Efforts

HUD's efforts to reduce the backlog consisted of improvements to HUD's management of the modernization program and actions meant to streamline the process for the PHAS and make it easier for them to obligate the moneys.

- The Secretary sent a letter in February 1993 to the PHAS emphasizing HUD's priority to accelerate the obligation of modernization funds. The letter reiterated HUD's expectation that funds would be obligated within 2 years of funding approval. The Secretary asked the PHAS to review their pipelines (which include the backlog) and identify reasons why funds have not been obligated more quickly. According to HUD officials, as a result of the PHAS' reviews, HUD initiated other actions intended to speed up the obligation process.

Furthermore, for CIAP, HUD set a national goal of having 60 percent of fiscal year 1990 and previous years' funds that were backlogged as of December 31, 1992, obligated by September 30, 1993. Our calculations show that PHAS fell just short of this goal, obligating 54 percent. Translated into dollars, HUD's goal was to have PHAS obligate \$617 million in this time period; according to HUD, PHAS actually obligated \$555 million.

Section 4
Efforts to Reduce the Backlog

- HUD added the PHA's obligation data to its automated requisition system, a move that was intended to improve HUD's management capabilities to track and monitor PHAS' obligation rates. HUD also modified this system to give PHAS prompt access to approved modernization funds.
- HUD also used the modernization program as one of the primary indicators in its management assessment tool, the Public Housing Management Assessment Program. This program will provide management information that HUD needs to evaluate the PHAS' operational performance. The data HUD collects and analyzes, such as obligation rates and contract administration, will enable it to determine whether PHAS are meeting their targeted obligation goals and whether any HUD assistance is necessary. In October 1993, HUD directed its regional offices to take appropriate actions for those PHAS that had not met their obligation targets by September 30, 1993.
- HUD's top officials met with four PHAS that had large unobligated balances to provide technical assistance and monitor their progress in reducing backlogs. The technical assistance included issuing a revised procurement handbook, helping the PHAS hire and train additional staff, and providing them with guidance on good management practices. For example, when HUD determined that a PHA's procurement practices were weak, it arranged for two procurement training courses for the PHA staff. HUD's field office staff told us that they also provided more day-to-day technical assistance and closer monitoring of other PHAS' efforts to obligate their funds.
- HUD provided guidance to its own regional offices and field offices and the PHAS to help expedite the program's funding review process. The timesaving measures included allowing PHAS eligible for CGP funds to carry out contracting activities without previous HUD approval, enabling PHAS to implement 2-year activity plans so that work items could be shifted between years without HUD's approval, and reducing documentation requirements for HUD's review. HUD also issued a notice to PHAS instructing them on how to use their oldest modernization funds.
- HUD published an interim rule for CIAP and a proposed CGP rule that would reduce the time needed for HUD to approve PHAS' modernization program. For example, HUD proposed shortening the CIAP application process from 14 steps to just 4. HUD's proposed CGP rule reduces the required 75-day review and approval period for the PHAS' annual plans for CGP to 14 days, wherever possible. HUD's proposed CGP rule also would give PHAS more flexibility in using their funds and codify HUD's guidance on the 2-year obligation process, making it a regulation that PHAS must obligate modernization funds within 2 years from HUD's approval.
- HUD published an interim rule for eliminating the requirement that it approve all contractors before they participate in federal programs. PHAS

Section 4
Efforts to Reduce the Backlog

are now responsible for determining whether contractors that have previously participated in federal programs should be allowed to participate in future federal government work.

- HUD, in September 1993, contracted with the U.S. Army Corps of Engineers to inspect the PHAS' modernization work and review contract administration. The intent is to identify problems early so that HUD can provide technical assistance and avoid any delays in the use of the funds. These inspections began in early spring 1994.
- Finally, in the event that PHAS do not obligate their modernization funds within the expected 2-year time period, HUD can take the money back by recapturing the funds. HUD officials view this action as a last resort, since recapture reduces the moneys available to provide the low-income tenants (who were to have benefitted from projects associated with the funds) with better housing conditions.

According to a HUD official, two situations could lead to the recapture of funds. In one situation, funds are recaptured because the PHAS failed to carry out the modernization program within the allotted time, even with assistance from HUD. In another, the cost of a modernization project was less than the amount approved by HUD. HUD recaptured over \$59 million from PHAS in unobligated modernization funds in fiscal years 1982 through 1993. (See table 4.1.) Currently, HUD must place recaptured funds into its annual contributions account (which includes the modernization program), to be available for subsidizing federally assisted housing programs, including modernization and section 8 rent subsidies for low-income families.

Table 4.1: Amounts of Unobligated Modernization Funds Recaptured in Fiscal Years 1982 Through 1993

Dollars in millions			
Fiscal year	Amount	Fiscal year	Amount
1982	\$ 3.4	1988	5.0
1983	2.3	1989	2.1
1984 ^a	16.8	1990	5.0
1985 ^a	18.5	1991	0.7
1986	1.6	1992	0.8
1987	1.8	1993	1.4
Total			\$59.5

^aAccording to HUD officials, HUD was more aggressive in recapturing unobligated funds in these 2 years because HUD used the recaptured money for other modernization projects.

PHAs' Efforts

- PHAs requested training and technical assistance from HUD for their staffs concerning management of the modernization program and specific topics, such as procurement and lead-based paint abatement.
- PHAs hired additional staff, such as full-time modernization coordinators and architects, and also provided in-house training for their staffs. Six of the 11 PHAs we contacted stated that they had hired additional staff. Some PHAs have also used outside consultants for architectural and engineering design work.
- Four of the 11 PHAs we contacted had hired construction management firms to manage the day-to-day operations of the modernization program.
- At least two of the PHAs requested that HUD waive section 504-handicapped accessibility requirements on the regulatory imposed deadlines. HUD officials told us they consider waivers on a case-by-case basis.
- Other ways that PHAs helped reduce the backlog of unobligated modernization funds included computerizing the accounting process for modernization funds, streamlining local procurement and contracting procedures, and setting up a scheduling system to track the modernization program process and identify problems more quickly.

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