HOUSING AUTHORITY
of the County of Los Angeles
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Commissioners

Sean Rogan
Executive Director

June 16, 2009

ADOPTED
BOARD OF COMMISSIONERS
HOUSING AUTHORITY

1-H JUNE 16, 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

APPROVE THE TRANSFER OF GENERAL FUND RESERVES FROM THE COMMUNITY DEVELOPMENT COMMISSION TO THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES SECTION 8 ADMINISTRATIVE RESERVES (ALL DISTRICTS) (3 VOTE)

SUBJECT

This letter recommends approval of the transfer of funds from the Community Development Commission (Commission) to the Housing Authority of the County of Los Angeles (Housing Authority) in Fiscal Year 2008-2009. This transfer will satisfy Recommendation 1A of the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) financial audit of the Section 8 program.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Find that the transfer of funds is not subject to the California Environmental Quality Act (CEQA) because the activities are not defined as a project under CEQA.

2. Approve the transfer of $2,953,443 in Commission general fund reserves to the Housing Authority's Section 8 administrative reserves in Fiscal Year 2008-2009.

3. Instruct the Executive Director to take any and all actions required to transfer the above funds from the Commission to the Housing Authority.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Find that the transfer of funds is not subject to CEQA because the activities are not defined as a project under CEQA.

2. Authorize the Executive Director to accept $2,953,443 from the Commission to be transferred into the Housing Authority's Section 8 administrative reserves in Fiscal Year 2008-2009.

3. Adopt and instruct the Chairman to sign a Resolution approving the acceptance of $2,953,443 in Commission general fund reserves into the Housing Authority's Section 8 administrative reserves.

4. Instruct the Executive Director to take any and all actions required to receive the above funds from the Commission.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of this action is to authorize the transfer of $2,953,443 from Commission general fund reserves to the Section 8 administrative reserves in order to resolve Recommendation 1A of the HUD OIG financial audit report number 2009-LA-1009, covering Fiscal Years 2004-2005 through 2007-2008.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund. The $2,953,443 will be transferred from the Commission's general fund reserves to the Housing Authority's Section 8 administrative reserves before the end of Fiscal Year 2008-2009.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) conducted an on-site Section 8 Financial Management Review of the Housing Authority's Section 8 program between July 2008 and February 2009. The review generally covered the period of July 1, 2004, through June 30, 2008. The review was conducted to determine if the Housing Authority managed and spent Section 8 funds in accordance with HUD rules and regulations. The final OIG audit report number 2009-LA-1009, issued on April 24, 2009, recommended the repayment of $2,953,443 from nonfederal funds to the Section 8 administrative reserves, as a result of over-allocation of indirect administrative expenses charged in Fiscal Years 2004-2005 and 2005-2006.

Prior to the issuance of the final OIG audit report, a draft report was made available to the Housing Authority on March 24, 2009. On April 8, 2009, the Housing Authority submitted a formal response contesting Recommendation 1A of the draft report; however, Recommendation 1A remained unchanged in the final report.

The HUD Field Office issued a letter requiring the Housing Authority to respond to the OIG audit finding by May 29, 2009. The Housing Authority has no further objections to Recommendation 1A and the repayment will be made by transfer of Commission general fund reserves to the Housing Authority's Section 8 administrative reserves. Once these funds are transferred, they will be available for ongoing Section 8 administrative expenses.

The Housing Authority retained special housing counsel for purposes of evaluating and responding to the audit. The special housing counsel and County Counsel are in agreement to move forward with repayment of the funds into the Section 8 program.

On May 27, 2009, the Housing Commission recommended approval of the transfer of funds and related actions in Fiscal Year 2008-2009.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT SERVICES AND PROJECTS

The approval of the transfer and acceptance of funds will allow the Housing Authority to resolve Recommendation 1A and close out the OIG audit.

Respectfully submitted,

SEAN ROGAN
Executive Director

cc: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

Attachment

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES TO RESOLVE OFFICE OF INSPECTOR GENERAL AUDIT – REPORT NUMBER 2009-LA-1009 RECOMMENDATION 1A

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) conducted a Financial Review of the Housing Authority of the County of Los Angeles' Section 8 Program for Fiscal Years 2004-2005 and 2005-2006;

WHEREAS, the Audit Report dated April 24, 2009, contained one recommendation based on the finding that "The Authority Did Not Reasonably and Equitably Allocate Costs to Its Section 8 Program", specifically that the Authority over-allocated indirect administrative expenses to restricted funds;

WHEREAS, Recommendation 1A of the audit report stipulates that the Los Angeles Office of Public Housing requires the Authority to repay $2,953,443 to the Section 8 program from nonfederal funds to compensate for the overallocations;

NOW, THEREFORE, the Board of Commissioners of the Housing Authority of the County of Los Angeles hereby resolves as follows:

1. The Housing Authority hereby approves the repayment of $2,953,443 from Community Development Commission General Funds to resolve Recommendation 1A.

2. The Housing Authority shall transfer $2,953,443 to Section 8 Administrative Reserves before the close of Fiscal Year 2008-2009.

APPROVED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County of Los Angeles on this 10th day of JUNE, 2009.

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk of
the Board of Commissioners

By: _____
Deputy

By: _____
Chairman, Board of Commissioners

APPROVED AS TO FORM:
ROBERT E. KALUNIAN.
Acting County Counsel

By: _____
Deputy