



STATE OF NORTH CAROLINA

SPECIAL REVIEW

**JOINT ORANGE-CHATHAM COUNTY
COMMUNITY ACTION, INC.**

PITTSBORO, NORTH CAROLINA

MAY 1999

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

SPECIAL REVIEW

**JOINT ORANGE-CHATHAM COUNTY
COMMUNITY ACTION, INC.**

PITTSBORO, NORTH CAROLINA

MAY 1999

LETTER OF TRANSMITTAL

May 10, 1999

The Honorable James B. Hunt, Jr., Governor
Ms. Edith Hubbard, Board Chair
 Joint Orange-Chatham County Community Action, Inc.
Mr. A. Robert Kucab, Executive Director
 N.C. Housing Finance Agency
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning the Joint Orange-Chatham Community Action, Inc. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General and other appropriate officials.

Respectfully submitted,

Ralph Campbell, Jr., CFE
State Auditor

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OVERVIEW

On March 18, 1966, the Boards of County Commissioners of Orange and Chatham counties established the Joint Orange-Chatham Community Action, Inc. (JOCCA) as a non-profit organization based in Pittsboro, North Carolina. JOCCA's mission is to help low-income families and individuals improve their quality of life. Specifically, JOCCA strives to:

- ◆ Assist low-income individuals in attaining economic self-sufficiency;
- ◆ Place low-income individuals in permanent jobs with wages above the poverty level;
- ◆ Provide training to low-income, unskilled, and unemployed individuals;
- ◆ Assist low-income individuals in obtaining safe and affordable housing;
- ◆ Promote the health, safety, and welfare of senior adults; and
- ◆ Assist in the weatherization of homes belonging to low-income individuals.

According to JOCCA, it has provided assistance to more than 24,500 low-income families and individuals since its inception. JOCCA is governed by a local Board of Directors consisting of representatives from the private, public, and low-income sectors of the counties. JOCCA receives funding from federal, state, and local governments, as well as from private sources. Currently, JOCCA operates two offices, located in Pittsboro and Chapel Hill, North Carolina.

JOCCA established Orange-Chatham Housing Repair, Inc. (OCHR) in 1986 as a wholly-owned subsidiary providing construction services. Initial funding was provided by a U. S. Department of Energy sponsored program. OCHR offers home repair, weatherization,

OVERVIEW (CONTINUED)

and rehabilitation services. In the past, JOCCA has contracted with OCHR to perform home repair and weatherization services. JOCCA's Executive Director was the registered agent for OCHR's Articles of Incorporation and is the current Chair of OCHR's Board of Directors. OCHR operates its office in the building occupied by JOCCA in Pittsboro and has one full-time employee, the General Manager, who reports to OCHR's Board of Directors.

In 1992, the Division of Community Assistance (Division) within the North Carolina Department of Commerce initially awarded JOCCA \$314,069. The funding originated from the National Affordable Housing Act's HOME Investment Partnerships Program (HOME). The HOME Program, administered by the U. S. Department of Housing and Urban Development (HUD), is designed to assist in developing affordable housing for low income individuals. In March 1993, the Division, as authorized by HUD, awarded an additional \$21,984 to cover JOCCA's administrative costs associated with the project. This brought the total amount awarded to \$336,053. Of this amount, JOCCA actually received \$320,569. JOCCA's application indicated that the funds would be used for the acquisition of seven single family, detached houses; the rehabilitation of the units; and the placement of all the units on the Section 8 Program through the Chatham County Housing Authority. The Section 8 Program, as administered by HUD, was established to provide very low-income families decent, safe, and sanitary rental housing. JOCCA's budget stipulated that \$175,000 would be used to acquire the houses, \$139,069 would be used to restore the houses, and \$21,984 would be used for administration. Further, JOCCA's

OVERVIEW (CONTINUED)

application for the HOME Program indicated that the following funds would also be used to support JOCCA's project:

- ◆ \$43,680 from the Community Services Block Grant Program. The U. S. Department of Health and Human Services awarded the grant, which passed through the NC Department of Health and Human Services, Division of Economic Opportunity, to JOCCA. JOCCA designated these funds for the administrative support in implementing JOCCA's HOME Program.
- ◆ \$13,125 from the Housing and Urban Counseling Program awarded by the U. S. Department of Housing and Urban Development. JOCCA designated these funds for counseling the program's recipients.
- ◆ \$25,945 from the Weatherization Assistance Program. Of this amount JOCCA actually received \$11,488. The U. S. Department of Energy awarded the grant, which passed through the North Carolina Department of Commerce, Division of Energy, to JOCCA.
- ◆ In April 1993, the North Carolina Housing Finance Agency (Agency) awarded JOCCA \$52,500 under the North Carolina Housing Trust Fund's Rehabilitation Incentive Program (RIP). These RIP funds were designated for the energy-related rehabilitation of very low to moderate-income households and to be used in conjunction with the HOME funds. Of the amount awarded, JOCCA received \$33,328. During the course of our review JOCCA repaid the Agency \$4,187 in unspent RIP funds.

Responsibility for overseeing the HOME Program was transferred from the Division of Community Assistance to the North Carolina Housing Finance Agency in July of 1993.

In June 1993, JOCCA purchased seven houses from a sole owner in Pittsboro for \$155,377. Documentation obtained from JOCCA indicates that after receiving bid proposals from three local contractors, JOCCA contracted with OCHR, its wholly owned

OVERVIEW (CONCLUDED)

subsidiary, to renovate the seven houses. OCHR submitted the low bid, \$157,815 (\$22,545 per house), for the restoration of the houses.

In the grant application, these houses were characterized by JOCCA as thirty years old, structurally sound and needing only moderate reconstruction. Renovations on the homes were scheduled to be completed by April 5, 1994 and a certificate of occupancy scheduled to be received by June 1, 1994. All program recipients would receive comprehensive housing counseling by JOCCA's HUD Certified Counselors.

INTRODUCTION

We received a complaint through the State Auditor's Hotline concerning the possible misuse of state and federal funds by the Joint Orange-Chatham Community Action, Inc. (JOCCA). The allegations concerned the funds spent to purchase and renovate seven houses in Pittsboro, North Carolina. JOCCA received **\$422,190** in state and federal funds to complete the project. Originally, JOCCA estimated the total cost of the project to be \$406,922. In 1995, JOCCA informed the North Carolina Housing Finance Agency that the project was running over the budget and more funding was needed since only four of the seven houses were substantially rehabilitated. Further, JOCCA reported that expenditure documentation was not available because the work was contracted to Orange-Chatham Home Repair, Inc. (OCHR), a for-profit subsidiary of JOCCA.

We used the following procedures to conduct our special review of these allegations:

1. Interviews with employees of JOCCA, OCHR, and the North Carolina Housing Finance Agency.
2. Examination of grants awarded to JOCCA designated for the purchase and restorations of the seven houses.
3. Examination of JOCCA's procedure for soliciting bid proposals from contractors.
4. Review of the bid proposals received by JOCCA and the contractual agreement between JOCCA and OCHR for the restoration of the seven houses.
5. Examination of OCHR's documented expenditures related to the restorations.
6. Field visit to the seven houses purchased by JOCCA.
7. Examination of other records pertaining to JOCCA and OCHR.

INTRODUCTION (CONCLUDED)

This report presents the results of our Special Review. This review was conducted pursuant to G.S. §147-64.b(c)(16), rather than as a financial audit. JOCCA contracts annually with a private accounting firm to perform a financial audit, which also includes OCHR's activities.

FINDINGS AND RECOMMENDATIONS

1. THE JOINT ORANGE-CHATHAM COMMUNITY ACTION, INC. (JOCCA) FAILED TO COMPLETE THE REHABILITATION PROJECT, BUT REPORTED EXPENDING ALL FUNDS.

According to the U.S. Department of Housing and Urban Development (HUD), the HOME Investment Partnerships Program (HOME) is designed to assist projects that can be completed in a timely fashion. JOCCA estimated 14 months for the completion of this project. From all indications, this project proved unable to meet this timetable. According to their application, JOCCA possesses a staff experienced in rehabilitation projects. JOCCA also possesses a North Carolina General Contractor's License. Yet JOCCA, despite its claim of being "recognized locally, statewide and nationally for its expertise in rural housing," failed to act in a manner consistent with this expertise.

JOCCA began this project by identifying seven houses on contiguous lots in a low-income neighborhood in Pittsboro. During the grant application process, JOCCA negotiated purchasing the seven houses from the owner. JOCCA and this owner agreed to a selling price of \$155,377 for all seven houses. In its grant application, JOCCA stated that there was a "need to bring the properties up to local building code requirements." However, our site visit to view the houses (only one of which had been fully restored), raised the question as to whether JOCCA accurately described the condition of the houses in its grant application.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Our concerns in this area increased when the General Manager of Orange-Chatham Home Repair, Inc. (OCHR) told us of the numerous problems that his crew encountered while working on the houses. These included termite, plumbing, structural, and roofing problems. The General Manager believed that the houses had sustained water damage. JOCCA personnel also told us that a tornado like storm damaged several of the houses. However, JOCCA could not produce an insurance claim or payment. Therefore, we were unable to verify the extent of damage to the houses.

We question why these problems were undetected or unreported prior to JOCCA purchasing the properties. JOCCA included the name of a retired building inspector within its list of individuals who would contribute to the completion of this project as the final inspector. However, JOCCA decided not to use him or any other qualified housing inspector at the beginning of the project. JOCCA assumed ownership of the houses prior to an inspection being conducted. Inspections by a qualified home inspector should have revealed some of these problems and would have benefited JOCCA in the negotiation of the purchase price.

We questioned JOCCA's Deputy Director about the condition of the houses. He said he told the owner of the houses that they were not worth the selling price. However, the owner was unwilling to negotiate a lower price. Despite this, JOCCA proceeded with the purchase of these houses. The Deputy Director told us that an employee in the Division of Community Assistance within the Department of Commerce told him

FINDINGS AND RECOMMENDATIONS (CONTINUED)

JOCCA could not switch from the properties listed in the application and purchase other properties using this grant. However, the Deputy Director could not remember which Division employee told him this. We asked representatives from the North Carolina Housing Finance Agency, which had assumed responsibility for the program, about purchasing substitute properties in the HOME program. No one could recall a policy, directive, or restriction prohibiting a substitution. Furthermore, we did not find any property substitution restrictions within the Code of Federal Regulations governing HOME program funds. Thus, we were unable to verify that JOCCA could not purchase other properties under this grant.

We were also concerned that the rehabilitation project was awarded to OCHR, JOCCA's for-profit subsidiary. The selection and use of OCHR as the contractor may have adversely affected the project's outcome. Although we were told that OCHR is a subsidiary of JOCCA, no one at JOCCA has oversight responsibility for OCHR and the actions of the General Manager. The Deputy Executive Director told us he, his Assistant Housing Coordinator, and the Weatherization Coordinator were the liaisons between JOCCA and OCHR for this project. We were told they periodically visited the site and approved payments to OCHR after verifying completion of the work. However, we did not see evidence where JOCCA exercised its authority as owner when deadlines were not met. There were no written progress reports from the General Manager to JOCCA. Also, there were no reports on OCHR's expenditures on the project.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

As stated before, OCHR's General Manager and his crew began to encounter numerous problems with the houses during the rehabilitation process. For example, the crew found termite infestation and water damage. Although encountering these problems, the General Manager did not change his approach to the project. Rather, he continued as though these were not major problems. We were concerned that the General Manager did not attempt to determine if all the houses had major problems. We did not see evidence that the General Manager communicated these problems to JOCCA's three liaisons, or that he informed the North Carolina Housing Finance Agency of these problems.

Finally, after spending all the funds and only completing the rehabilitation of one of the houses, JOCCA requested more funding. Currently, only one house has received substantive rehabilitative work and is occupied by tenants.

RECOMMENDATION

We question the expenditures of the entire amount of JOCCA's grants, since they failed to complete 85% of their objectives (one of seven houses was renovated). Before beginning future rehabilitation projects, JOCCA should thoroughly inspect the houses before purchasing them. JOCCA should keep detailed records which accurately reflect grant receipts and expenditures and the progress of the rehabilitation projects and make written reports to the grantor. In respect to the seven houses purchased by JOCCA, the North

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Carolina Housing Finance Agency should attempt to recoup its investment.

2. OCHR'S ACCOUNTING RECORDS DID NOT ACCURATELY REFLECT EXPENDITURES FOR OVERHEAD AND PROFIT.

As stated in the overview section of this report, JOCCA received \$320,569 in HOME Investment Partnership Program funds for this rehabilitation project. After JOCCA reported that the project was running over the budget, the North Carolina Housing Finance Agency (Agency) requested supporting documentation for all funds expended. The Agency questioned the costs charged to the project. JOCCA had to obtain these records from OCHR and submit them to the Agency. We obtained the receipts for materials and labor used by JOCCA for this project. During the review process JOCCA also supplied us with supporting documentation for funds expended. Based on our review of the receipts sent to the Agency by JOCCA, \$280,650 of the HOME program funds had been spent. OCHR's General Manager stated he had submitted all relevant invoices, receipts, vouchers, and other materials regarding the HOME program. Thus, \$39,919 of the HOME funds program disbursed by the Agency was not supported by documentation. However, according to JOCCA this amount is composed of a ten percent overhead allowed by the grant and profit paid to the contractor.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

RECOMMENDATION

In the future JOCCA should keep detailed records which accurately reflect grant receipts and expenditures and the progress of the rehabilitation projects and make written reports to the grantor.

3. JOCCA RECEIVED DUPLICATE GRANTS FOR ADMINISTRATIVE SUPPORT AND WEATHERIZATION.

An additional \$68,293 in state and federal grants was designated to support the project. This \$68,293 is broken down as follows:

- ◆ \$43,680 from the Community Services Block Grant Program was designated for administrative support.
- ◆ \$13,125 from the Housing and Urban Counseling Program was designated for counseling the program's recipients.
- ◆ \$11,488 from the Weatherization Assistance Program was designated for administrative support and installation of energy conservation and weatherization techniques.

We could not determine from JOCCA's records how much, if any, of this money was used to support this project.

First, of the \$320,569 in HOME program funds, \$20,000 was designated administrative support money. OCHR has only one employee and our review did not indicate that JOCCA's employees actively participated in the project. Thus, we question the use of the \$55,168 designated for administrative support. Second, only one house is rehabilitated and occupied by tenants. Therefore, only one recipient should have received counseling. We question the use of the \$13,125 of counseling

FINDINGS AND RECOMMENDATIONS (CONTINUED)

program funds for only one recipient. JOCCA contends that funds were used to counsel tenants who were living in the homes originally and had to move in order for them to be renovated. Third, since \$52,500 from the Rehabilitation Incentive Program (RIP) was designated for energy conservation and weatherization techniques, we question if the \$11,488 from the Weatherization Assistance Program was used for the HOME project recipients.

RECOMMENDATION

The agencies that awarded the grants should seek appropriate repayments of any funds not expended in accordance with grant regulations.

4. JOCCA FAILED TO ADEQUATELY MONITOR THE REHABILITATION PROJECT.

As stated earlier, JOCCA awarded the rehabilitation project to OCHR, its wholly owned for-profit subsidiary. Therefore, the relationship between JOCCA and OCHR was owner and contractor for this rehabilitation project. At a minimum, we expected JOCCA would closely monitor the project as the owner. In its grant application, JOCCA stated, "JOCCA will be involved in the project as the developer and/or owner."

To this end, we expected OCHR's General Manager would report the progress of the project to JOCCA's personnel. We did not find any written periodic review by JOCCA of OCHR's progress on the project. Due to the failure of the project, we were

FINDINGS AND RECOMMENDATIONS (CONTINUED)

concerned about the lack of documentation such as the time lines, progress reports, or other written communication. The General Manager told us there was constant verbal communication between he and JOCCA personnel as well as site visits by JOCCA employees. Given the problems associated with the houses (terminates, water damage, etc.), we question why JOCCA did not act on the difficulties and failures of OCHR.

As stated in Finding 1, we were told that three JOCCA employees were responsible for protecting JOCCA's interest in the project. However, we found no evidence of oversight by these employees on the rehabilitation project. Again, if these employees were in constant communication with the General Manager and making on-site visits, we question why they did not notice the lack of progress by the contractor. JOCCA stated these renovations were due to be completed by April 5, 1994. We question if there was a plan or time line for meeting this date.

According to JOCCA's Deputy Director, OCHR's Board of Directors supervises the General Manager. The General Manager is responsible for the daily operations of OCHR. This Board of Directors, and not JOCCA personnel, was responsible for the operations of OCHR (as noted earlier, the Executive Director of JOCCA is OCHR's Board Chair.)

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

There was no written correspondence on the status of the individual houses between the General Manager and OCHR's Board nor OCHR and JOCCA. Further, there was no record of JOCCA periodically reviewing OCHR's expenditures for labor, work crews, vendors, and materials surrounding the project. Again, although JOCCA possesses a general contractor's license, we did not see evidence of this expertise in this project. It appears that no one was adequately monitoring the project.

RECOMMENDATION

We question the expenditures of the entire amount of JOCCA's grants, since this project was never completed. Before beginning future rehabilitation projects, JOCCA should thoroughly inspect the houses before purchasing them. JOCCA should track expenditures and the progress of the rehabilitation projects and make written reports to the grantor. In respect to the seven houses purchased by JOCCA, the North Carolina Housing Finance Agency should seek a return of its investment.

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Statement of Financial Impact

The following schedule represents a quantification of the items examined during our special review. We cannot completely quantify the tangible benefits or detriment, if any, to the taxpayer resulting from the findings of our review. We are simply noting these areas where the system of internal controls were either circumvented or should be enhanced, or where, in our judgment, questionable activities or practices occurred.

1. HOME Investment Partnership program grant.	\$ 320,569
2. Community Services Block Grant funds for which there is no evidence of use for HOME project.	43,680
3. Housing and Urban Counseling Program grant funds which there is no evidence of use for HOME project.	13,125
4. Weatherization Assistance program grant funds which there is no evidence of use for HOME project.	11,488
5. Rehabilitation Incentive Program grant funds spent on project.	<u>29,141</u>
Total Financial Impact	<u>\$ 418,003</u>

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Auditor's Note to Agency Response

JOCCA's response contests some of the findings and recommendations in this report.

Management stated in their response that they should have requested more money for the project. They spent \$418,003 in an effort to renovate seven houses. One house was substantially renovated and two others had some work done before the money was gone. The project was not successful. Currently, negotiations are taking place between JOCCA, N.C. Housing Finance Agency and Habitat for Humanity. It appears that Habitat for Humanity will pay JOCCA \$29,500 each for the three houses that had renovations, and \$10,500 for each of the other four houses for a total purchase price of \$130,500. This money will be given to the N.C. Housing Finance Agency. Four of the seven houses will be torn down. Therefore, the State has invested \$418,003 in the seven houses and will recover \$130,500 for a net loss of \$277,997. We stand by the conclusions expressed in this report.

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*Response from the Joint Orange-Chatham
Community Action, Inc.*

JOCCA
Joint Orange Chatham Community Action, Inc.
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Edith Hubbard, Board Chair

E-Mail: jocca@mindspring.com
Gloria M. Williams, Exec. Director

April 27, 1999

Mr. Ralph Campbell, Jr. CFE, State Auditor
Office of the State Auditor
300 N. Salisbury Street
Raleigh, North Carolina 27603-5903

Subj: Special Review of the Joint Orange Chatham Community Action, Inc.

Dear Mr. Campbell:

We have reviewed the above referenced document and held meetings with your staff to discuss the findings and recommendations contained in the Special Review. We take issue with some of the findings and recommendations. Our comments are stated below:

Findings and Recommendations

1. THE JOINT ORANGE CHATHAM COMMUNITY ACTION, INC. (JOCCA) FAILED TO COMPLETE THE REHABILITATION PROJECT, BUT REPORTED EXPENDING ALL FUNDS.

JOCCA received one of the initial grants under the HOME Investment Partnership Program. JOCCA did make a mistake when asking for funding for the HOME Project. We requested funds for rehabilitating seven [7], two bedroom housing units, although we also intended to expand and/or convert the existing two bedroom units to three bedroom housing units as part of the project. Thus, we should have requested the maximum subsidy of \$59,163 per unit instead of \$44,687 per unit.

The original award for the HOME Investment Partnership Program was administered by the NC Department of Commerce, Division of Community Assistance (DCA). Once we realized that we had requested inadequate funds, we contacted the DCA and spoke with representatives who advised us that additional funding could be requested during the second HOME funding cycle.

Shortly thereafter, the responsibility for the HOME Program was transferred from the DCA to the NC Housing Finance Agency (HFA). The transition in responsibility

lasted about six months during which period there was no guidance or technical support provided to JOCCA. When the funds obtained for the project ran out, as had been projected, we were unable to obtain the additional funds that DCA had indicated would be available.

The following points are also pertinent:

- The negotiated price for purchase of the seven properties involved was the best that could be obtained.
 - We did inspect the properties prior to purchasing them. In addition, the HOME program did not require cost write-ups and estimates as part of the application process. Rather, rehab cost was based on the number of bedrooms which determined the subsidy allocation. Problems that arose were detected only after rehab efforts were underway and walls were opened up.
 - A tornado-like storm struck the properties in 1994, shortly after JOCCA purchased the properties. While most damage was covered by insurance, some major water damage occurred, which JOCCA was not fully compensated for.
 - The cost of building supplies, especially lumber, skyrocketed after the storm.
 - In 1994, HUD revised the guidelines for the HOME Investment Program. These changes allowed 60 months for project completion.
2. OCHR'S ACCOUNTING RECORDS DID NOT ACCURATELY REFLECT EXPENDITURES FOR OVERHEAD AND PROFIT.

JOCCA received \$320,569 in HOME Investment Partnership Program funds. These funds were expended as follows:

Home Investment Partnership Program Funds Allocation	
Property Acquisition	\$155,377
Construction	\$143,208
Administration	\$ 21,984

According to the Review, \$39,919 of the HOME program funds disbursed by JOCCA were not supported by documentation. This amount includes \$21,984 in administrative funds which were retained by JOCCA. Of the \$143,208 disbursed to OCHR, \$17,935 included a ten percent overhead and 2.52% profit to OCHR which were allowed by the grant. OCHR's bookkeeping system did not readily reflect these

amounts since the profit and overhead costs were built into each job. JOCCA has provided all support documents which reconciled these costs.

3. JOCCA RECEIVED DUPLICATE GRANTS FOR ADMINISTRATIVE SUPPORT AND WEATHERIZATION.

JOCCA received funds for administrative and program support prior to receiving the HOME Program Award.

- Community Services Block Grant (CSBG) funds (\$43,680) were used for administrative purposes and to provide basic human support services to seven low-income households, which consisted of 21 individuals. These services were provided through a case management system and included, but were not limited to: financial and emergency assistance, rental assistance, food and clothing assistance, Section 8 Rental Assistance, household maintenance, budgeting and consumer credit counseling and job referral/training through the agency's JTPA program.
- HUD Counseling (\$13,125) funds were used to provide comprehensive counseling to all seven low-income households.
- Of the \$11,488 Weatherization Assistance Program funds expended, JOCCA used on \$1,044 (10% maximum allowable by grantor) for administrative purposes. The remaining \$10,444 was used to install energy conservation measures on four (4) dwelling units.

JOCCA is a 501(3)c nonprofit agency and its administrative rate (28.5%) was based on an Indirect Cost Plan [IDCP] that is approved by the US Dept. of Health and Human Services. The IDCP serves as the basis for determining JOCCA's administrative cost rate, indirect cost, and fringe benefits. Each program or funding source is required to pay its "fair share" for these costs. Administrative and program support costs for each of the above listed programs were determined using this procedure. Thus, funds were leveraged and/or mobilized from the above funding sources to support the project.

4. JOCCA FAILED TO ADEQUATELY MONITOR THE REHABILITATION PROJECT.

JOCCA did monitor this project. JOCCA's housing department held weekly meetings with the contractor to review progress. Photographs (before, during and after) were taken to document each segment or phase of the work and were provided for review. Because of the proximity of the Anthony Street site to JOCCA's offices, the project was regularly monitored.

Because we have had annual agency-wide audits that have been accepted by your office, we are surprised and dismayed by the financial conclusions that you have reached in this Special Audit. I appreciate the opportunity to respond to your review and am available to meet with you at your convenience to resolve any remaining issues.

Sincerely,


Edith A. Hubbard
Board Chair

EH:sa

xc: Gloria M. Williams
cc: Lawrence Wilson, DHHS
Robert Kucab, NCHFA

DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. §147-64.5 and G.S. §147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. James J. Coman	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller

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Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

May 10, 1999

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