

Code 990591

Group III



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

FEB 23 1972

Dear Mr. Watson:

The General Accounting Office recently completed a review of certain aspects of the Department of Housing and Urban Development's (HUD) administration of programs under which it advanced funds to public agencies for public works planning (PWP). Our review showed that HUD should improve its efforts to ensure that advances are repaid to the Federal Government in cases where public agencies undertook construction of public works for which plans were prepared with Federal advances.

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As you know, funds which were advanced to public agencies under the PWP programs are to be repaid in full if the public agencies undertake construction of the planned public works. Also, if a public agency uses only a portion of the plans, then it shall repay to HUD a proportionate amount of the planning advance which HUD and the public agency determine to be equitable.

HUD records showed that about \$73 million in PWP funds were outstanding as of December 31, 1971, and, of this amount, about \$1.6 million was considered by HUD to be due to the Federal Government because public agencies undertook construction of the planned public works projects.

Under PWP programs, HUD's administrative responsibilities include (1) monitoring the construction status of each PWP project for which an advance is outstanding, (2) determining the amount public agencies are to repay to HUD, and (3) initiating appropriate collection or "write-off" procedures, including referring accounts to the Department of Justice for further collection efforts or legal action.

During our review, we obtained from the HUD central office and from several HUD regional offices financial data on a total of 61 advances representing 59 PWP projects. These advances represented HUD accounts receivable of about \$1 million and, as of December 31, 1971, amounted to about two thirds of the \$1.6 million in accounts receivable for PWP advances.

We noted that the amounts to be repaid for 5 of these 59 projects were less than 60 days old. Also, we found that special repayment agreements between HUD and the public agencies had been arranged for advances for 7 projects and that 3 of the 59 projects were referred to the Department of Justice for collection. For the remaining

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44 projects (46 advances), however, we noted that the amounts billed were outstanding for periods ranging from 2 months to over 16 years.

Presented below is a schedule which shows, as of December 31, 1971, the amounts billed for these 46 advances and the time that elapsed since HUD first requested payment from the public agencies.

<u>Amounts outstanding for...</u>	<u>Number of advances</u>	<u>Amounts billed (excluding interest)</u>
16 to 17 years	2	\$ 66,000
6 to 7 years	5	31,117
4 to 5 years	3	57,078
3 to 4 years	3	171,901
2 to 3 years	7	57,072
1 to 2 years	15	306,539
2 months to 1 year	<u>11</u>	<u>107,498</u>
Total	<u>46</u>	<u>\$797,205</u>

NEED FOR HUD TO ISSUE LETTERS REQUESTING PAYMENT OF PWP FUNDS

Current HUD regulations require that public agencies, that undertake construction of public works for which plans were prepared with Federal advances, should be billed for the appropriate amounts of funds advanced as soon as construction of the public works projects are initiated. These regulations also state that if repayment is not made within 60 days after this initial billing date, and special repayment arrangements have not been made, then HUD is to issue a formal repayment demand letter to the public agency. HUD is also to notify the public agency that interest on the amount due the Federal Government will be assessed from the date of the formal demand letter.

HUD regulations provide further that if a public agency does not repay the amount owed within 60 days of the date of the formal demand letter, and the public agency does not advise HUD of its reasons for failing to pay the amount owed, the account will be transferred to the HUD central office for referral to the Department of Justice for collection or legal action.

For the 46 advances discussed above, HUD records showed that in the majority of cases (32 advances) demand letters were not sent to public agencies. In the remaining 14 cases, demand letters were not sent by HUD until about 4 months after the initial bills were sent to the public agencies.

In discussing these matters with both HUD central office and regional office officials, we noted that there was little or no action on the part of some officials to collect amounts due the Federal Government under these programs. This lack of action appears to be related to the fact that the last of the PWP programs was terminated effective January 31, 1970, and no new approvals have been made since then.

The amounts advanced to public agencies remain outstanding for long periods of time because, in our view (1) HUD regional and area offices are not required to report to the central office on their collection efforts, and (2) essential follow-up measures, on the part of the HUD central office, have not been taken to help ensure that pertinent HUD regulations are being followed by the HUD regional and area offices in their efforts to collect the amounts due to the Federal Government under the PWP programs.

CONCLUSIONS AND RECOMMENDATIONS

In a report issued in December 1963 to the Congress, GAO reported on inadequate collection procedures and related weaknesses in the administration of the PWP programs. In addition, in February 1971, GAO reported to the Regional Administrator of Region IX on weaknesses in HUD's efforts to collect PWP advances in that regional area.

We recognize that since you assumed responsibility for the PWP programs in March 1971, efforts have been made to determine whether the HUD regional and area offices are carrying out their administrative responsibilities relative to the approximately \$73 million in outstanding PWP advances. In this regard, a December 1971 report prepared by your staff showed that the HUD regional and area offices were not monitoring the construction status of a significant number of the PWP projects for which advances were outstanding.

Our recent review effort and your recent report once again demonstrate the need for certain improvements by HUD to collect amounts due to the Federal Government under these programs.

We recommend, therefore, that you take action to ensure that

- all regional and area offices are, as required by existing HUD regulations, issuing formal demand letters to public agencies requesting amounts due to the Federal Government, and
- when public agencies do not make such payments or enter into special repayment arrangements with HUD, the account be referred to the Department of Justice for collection or legal action.

Also, we recommend that you request HUD regional and area office officials to report on their monitoring of outstanding PWP advances and on the current status of the amounts which are due to the Federal Government under the PWP programs. Such reports should include information on their most recent monitoring and collection efforts. Depending on the results of your evaluation of these reports, we recommend that you consider establishing reporting requirements for the regional and area offices to regularly report on their efforts to collect PWP advances.

We would appreciate receiving your views and comments on these matters and also would appreciate being advised of any action taken or planned with respect to the above matters.

We shall be pleased to discuss with you or members of your staff the information discussed in this report. A copy of this report is being provided to the Inspector General, Department of Housing and Urban Development.

Sincerely yours,

B. E. Birkle

B. E. Birkle
Assistant Director

The Honorable Norman V. Watson
Assistant Secretary for Housing Management
Department of Housing and Urban Development