

# Memorandum



CITY OF DALLAS

DATE: September 16, 2005

TO: Jerry Killingsworth, Director  
Housing Department

SUBJECT: Contract Performance of T.R. Hoover Community Development Corporation  
(TRHCDC) – EDI and Community Center

We have not been able to audit TRHCDC. We attempted to audit the Economic Development Initiative (EDI) contract and the Community Center's public service compliance requirements. Our correspondence to TRHCDC and its attorney identified the information required for us to perform the audit. TRHCDC and its attorney have not provided us requested documentation or access to documents and records needed to perform the audit.

Background information on the two grants we attempted to audit is described below.

## **EDI**

In March 2004, the Housing Department notified TRHCDC of compliance issues with the EDI contract. The issues were not resolved and the Housing Department suspended the EDI contract with TRHCDC.

A meeting was held on Monday, August 16, 2004, with representatives of TRHCDC and representatives of the City. At this meeting, several issues came to our attention. These issues required us to perform activities to verify the accuracy of the statements due to the effect on the contract that we were requested to review. TRHCDC divulged that:

1. TRHCDC did not provide 5 homeowners with the \$5,000 down payment assistance. Instead, T.R. Hoover stated that some homeowners were indirectly given the benefit of a "buy down" of construction material costs. This does not appear to be in compliance with the grant.
2. TRHCDC did not have the \$25,000 to repay the City for the EDI contract questioned costs and, as of this date, has not repaid the City.
3. TRHCDC sought to receive additional money from another grant which would then provide them funds to repay the EDI money requested by the Housing Department. This is not allowed under federal regulations.

A subsequent letter was sent to TRHCDC on August 20, 2004, informing TRHCDC of our intent to audit the records in regard to the EDI contract on August 23, 2004. TRHCDC rejected receipt of the letter, and the attorney for TRHCDC responded to this letter on August 20, 2004 without providing us the requested access.

In the course of our review of the records regarding TRHCDC, we noticed that Rod Givens, the spouse of the former City Controller Regina Givens<sup>1</sup>, appears to be employed by TRHCDC. Although we did not receive payroll documentation confirming this employment, we do have documentation showing the following:

1. The City Attorney conflict of interest opinions about the employment of the spouse of Regina Givens, City Controller, with a CHDO
2. Accounting statements from TRHCDC in 2002, indicating multiple payments to Givens Accounting. According to the records, more than \$15,000 was paid to Givens Accounting in 2002. Certain accounting records appear to have been altered by whiting out the first name of the accounting firm.
3. Accounting statements from TRHCDC documenting the deposit of OAG funds, the transfer of funds into a checking account from which checks were written to Givens Accounting.
4. TRHCDC checking account checks co-signed in 2003 by Rod Givens.
5. Application for CDBG funds for the Bexar Street Retail Development project listing Rod Givens as the Assistant Director and a point of contact for TRHCDC. Since funds appear to be commingled, and Rod Givens appears to be receiving payments, this may pose issues with federal regulations concerning conflict of interest.

TRHCDC subsequently indicated that many of their documents were damaged or destroyed in a fire in November, 2003. The Fire Department confirmed that a fire did occur at TRHCDC former office location and was being investigated due to the suspicious nature of the fire -- gasoline ignited by a lighter or match.

The use of EDI funds by TRHCDC was reported to the U.S. Department of Housing and Urban Development/Inspector General (HUD/OIG). We were requested by HUD/OIG to cease our work and not to release any report. Subsequently, HUD/OIG seized TRHCDC's records and computers, and TRHCDC filed a complaint against the City. TRHCDC's complaint was subsequently dismissed. HUD/OIG have now authorized release of this report.

### **Community Center**

An \$180,000 loan contract funded via Community Development Block Grant (CDBG) was executed July 10, 2000 between the City of Dallas and TRHCDC. This loan contract was for the renovation/construction of a community center and the contract required TRHCDC to provide specified program services for at least five years following completion of the

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<sup>1</sup> Regina Givens resigned as City Controller in January 2005

community center. The Housing Department accepted completion of the community center in March 2002.

Monitoring reports dated February 2003 and March 2004 apprised the Housing Department that monthly performance reports and supporting documentation was missing or incomplete. The Housing Department requested similar information but the information was not supplied by TRHCDC.

We were not able to proceed with an audit until February 2005, due to on-going inquiries and pending resolution of TRHCDC's complaint against the City of Dallas. Since March 2005, we have communicated with TRHCDC and its attorney to schedule an audit to verify contract compliance. We requested to review all documentation related to the Community Center public service requirements, including but not limited to, attendance sheets, sign-in sheets, and monthly performance reports. TRHCDC attorney's initial reply was that the documents we requested were seized by HUD/OIG on or about August or October 2004, and that since the seizure; TRHCDC has not generated any documents.

In subsequent letters we asked the attorney to identify the records and documents that could support TRHCDC's performance of its public service requirements as they relate to the community center, and authorize us access to these records and documents so that we may audit TRHCDC compliance. The attorney did not identify the documents and will not grant us access to the documents seized by the HUD/OIG.

**We recommend** that the Director of Housing consult with the City Attorney's Office and determine the appropriate action to take based upon the inability of TRHCDC to provide the City with competent, relevant evidence to substantiate compliance with their grants.

Paul T. Garner

Paul T. Garner  
Assistant City Auditor

c: Honorable Mayor and Members of the City Council  
Thomas P. Perkins, City Attorney  
Mary K. Suhm, City Manager