



U.S. Department of Housing and Urban Development  
District Office of the Inspector General  
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April 26, 2000

Audit Related Memorandum  
No. 00-AT-202-1802

MEMORANDUM FOR: Boyce Norris, Jr., Director, Public Housing Division, 4APH

FROM: Nancy H. Cooper  
District Inspector General for Audit-Southeast Caribbean, 4AGA

SUBJECT: Misuse of HUD Funds  
Fort Valley Housing Authority  
Fort Valley, Georgia

At your request, Dennis Durick of my staff assisted Jorge Torres of your staff during a limited review of the Fort Valley, Georgia Housing Authority. The review was performed because of alleged misuse of Authority funds. Based on our combined review, we found the following:

- At least \$19,600 in receipted cash was missing, and
- Over \$198,000 in CIAP funds was drawn by the Authority prior to a documented need.

Please reply within 60 days on each recommendation describing: (1) the corrective action taken; (2) the proposed corrective action and a planned implementation date; or why action is not considered necessary. Also please furnish us copies of any correspondence or directives issued as a result of the review. Note that Handbook 2000.06 requires that management decisions be reached on all recommendations within 6 months of report issuance. It also provides guidance regarding interim actions and the format and content of your reply.

If you have any questions, please contact me at (404) 331-3369.

Attachments

A - Findings and Recommendations

B - Distribution

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Findings and Recommendations

**1. Funds of over \$19,600 were missing.**

During our review, we identified issued rent receipts totaling over \$19,600 that the Authority did not have cash to cover. We determined that the last bank deposit made by the Authority was dated April 10, 2000, and covered receipts that were issued during February 2000. We noted that this scheme has been going on for at least 2 years. The Authority only had cash on hand of \$400 at the time of our visit. We believe that there may be more missing funds, since cash may have been collected and no receipts issued. However, our quick review did not readily identify any instances of this.

We reported the cash shortage to the Authority's Chairman and the Mayor of Fort Valley. As a result of these meetings, the records have been safeguarded and the Executive Director has been placed on temporary leave.

We do not plan to perform any additional audit work at this time. We are referring this matter to the Special Agent in Charge.

Recommendations:

We recommend that your office:

- 1A. Take appropriate action to assure that controls are in place to safeguard the Authority's assets.
- 1B. Apply appropriate sanctions to the individual or individuals once the investigation is completed.

**2. Excess funds were idle**

During our review, we noted that the Authority had over \$200,000 in its bank account. This balance was primarily a single draw of CIAP funds totaling \$198,000 made in October 1999.

The Executive Director said that he drew the funds based on verbal instructions from your office. He did not remember the individual's name. He said he was told to draw the funds by March 2000 or they would be lost. The Executive Director said he planned to use the funds to perform modernization work on the developments, but did not have any definite plans at this time.

This appears to be in conflict with LOCCS procedures and U.S. Treasury requirements that funds be spent within 3 days of receipt. We are also concerned that due to the current conditions the funds may be vulnerable to abuse.

Recommendations:

We recommend you:

- 2A. Provide appropriate documentation to support your Office's actions in this matter.
- 2B. Require the Authority to return the funds to HUD.

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