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June 17, 2002

2002-FW-1804

MEMORANDUM FOR: Chester Drozdowski
Director
Office of Public Housing, 6HPH

/SIGNED/

FROM: D. Michael Beard
Regional Inspector General for Audit, 6AGA

SUBJECT: Morgan City Housing Authority
Drug Elimination Grant Program
Morgan City, Louisiana

Based upon a request from management, we performed a limited review of the 1999 and 2000 drug elimination grants awarded to the Morgan City Housing Authority (Authority). Our objectives were to determine if: (1) the City used police cars as stated in the grant and (2) the Authority charged accounting services to the grant while they are included in the grant administrator's duties. Our review concluded the City provided the services as stated in the grant and the Authority did not charge HUD accounting fees for this grant. However, we did note the Authority charged \$8,710 in ineligible and unsupported costs to the grant and the grant administrator did not perform all the duties as listed in his contract. The Authority agreed to offset future disbursements by \$5,710 and to review the grant administrator's services. We recommended the Authority either support or repay the grant the \$8,710 and review the grant administrator's contract to ensure the services are needed and provided.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days, please furnish this office, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

If you have questions, please contact William W. Nixon, Assistant Regional Inspector General for Audit at (817) 978-9309.

Scope and Methodology

We reviewed and analyzed the 1999 grant application,¹ the drug elimination plan, grant progress reports, and the 1999 and 2000 contracts with the grant administrator. We examined LOCCS payment vouchers to determine whether the Authority properly supported program expenses. In addition, we analyzed the Authority contract with the police department, contract invoices, and daily police reports. We also interviewed Authority staff. In general, the review covered the period of August 1999 through July 2001.

We provided a draft memorandum to the Authority on May 14, 2002. The Authority responded to the draft memorandum on May 24, 2002. We revised the draft memorandum as necessary to recognize the Authority's comments.

Review Results

Based upon the documentation, the City police department patrolled Authority properties in accordance with grant requirements. The police used a donated car for those patrols instead of a City patrol car. Further, the Authority did not charge accounting services to either grant.

The Authority had a marked patrol car labeled "Morgan City Housing Authority Security Patrol." The Young Foundation² funded the car's purchase and the Morgan City police equipped the car with lights, siren, radio, etc. According to the Executive Director, the police kept the car at the police station and used it to patrol Authority properties. The police also patrolled Authority properties using a City police car.

The police department maintained the car and provided insurance, gas, and maintenance. The Authority reimbursed the City for the time spent patrolling its properties. According to the documentation, police patrolled all four Authority properties six to nine times each night.

Based upon review of the Authority's vouchers for the 1999 and 2000 drug elimination grants, the Authority did not charge HUD for accounting services under this grant.

The Authority charged \$8,710 in ineligible and unsupported costs.

Review of the Authority's LOCCS payment vouchers disclosed the Authority drew down excessive funds totaling \$5,710 and could not support an additional \$3,000 in expenditures.

Under the 2000 grant, the Authority inadvertently drew down expenses totaling \$5,610 twice. The Executive Director said his staff inadvertently submitted both vouchers twice because they had trouble with LOCCS. The Executive Director said the Authority still has the funds and will spend them before drawing down any additional funds. Also, the Authority overpaid the police

¹ The Authority did not have a copy of its 2000 application.

² The Young Foundation donated a new patrol car to the City for the Authority's exclusive use. The donation was contingent on the Authority paying police officers for the patrols.

department \$100. The Authority paid the police department \$649 when it should have been \$549. This occurred due to an error.

The Authority reimbursed itself \$3,000 for staff time spent on the drug grants. However, the Authority based the reimbursement on the budget not on actual time spent on the grant by the employee. The employee's payroll time sheets did not identify what the employee did. Thus, these costs are unsupported. In addition, the employee's gross salary for June through August 2000 was \$2,985.

Grant administrator did not perform all of the duties listed in his contract.

The grant administrator agreement contract included services that the grant administrator did not perform, including:

- *Contract services:* Preparing plans, specifications, and bid packages for any physical improvements such as fences, gates, etc., prepare contracts, and provide contract administration.

Review conclusion: The grant did not include these activities.

- *Contract services:* Assisting with establishing a filing system to facilitate program organization requirements including budget controls, requisitions for payment and financial reports, and general correspondence.

Review conclusions: The Authority's filing system was in disarray. Files could not be located and many of them were in cardboard boxes located throughout the Authority's offices.

- *Contract services:* Preparing for Board consideration all budget revisions and review materials.

Review conclusion: The grant budget was not revised.

- *Contract services:* Assisting with establishing financial controls as needed to properly manage financial aspects of the program.

Review conclusion: The fee accountant established financial controls.

The grant administrator provided general grant administration, assisted with submittal of drug elimination reports and evaluations, assisted with responses to program inquiries, and attended meetings or prepared documents required for program implementation.

The Authority's Response and OIG's Evaluation

In responding to the draft report, the Authority's Executive Director agreed to offset \$5,710 in future grant expenditures for the excessive LOCCS withdrawals.

However, the Executive Director did not agree with our recommendation requiring support for staff time charged to the drug grant. According to the response, the Authority previously provided documentation supporting the employee's salary. The documentation provided included the arrival and departure of the employee but did not identify what the employee did. Thus, these costs remain unsupported.

With respect to the grant administrator's activities, the Executive Director said the Authority is reviewing the services to determine if the Authority employees could perform the services. The grant administrator disagreed with our statements on the activities performed. The grant administrator agreed physical improvements were not included in the grant and the grant budget was not revised. The response added the grant administrator suggested a format for a filing system, but Authority staff did not use the suggestion. The grant administrator did not provide support for the statement. Regarding financial controls, the grant administrator said the contract requirement refers to financial or budget controls needed to assess the ongoing amount of funds obligated and spent. The Authority's accounting system should adequately control the use of funds to assure the Authority does not exceed its budget. We revised the draft as necessary to recognize the Authority's comments.

Recommendations

We recommend your office require the Authority to:

- 1A. Offset future grant expenditures by \$5,710.
- 1B. Provide documentation supporting reimbursements for staff time spent on drug grants or offset future grant expenditures by \$3,000.
- 1C. Review the grant administrator contract and determine whether all services are needed and provided. Revise the contract as necessary to bring it into agreement with grant activities and actual need for a grant administrator. Consideration should be given to other grant administrator contracts awarded to this same contractor.

SCHEDULE OF QUESTIONED COSTS

<u>Issue</u>	<u>Type of Questioned Costs</u>	
	<u>Ineligible</u> ^{1/}	<u>Unsupported</u> ^{2/}
1A Offset future grant expenditures	\$5,710	
1B Provide documentation supporting reimbursements		\$3,000

1 Ineligible costs are costs charged to a HUD-financed or insured program or activity that the auditor believes are not allowable by law, contract, or federal, state, or local policies or regulations.

2 Unsupported costs are costs questioned by the auditor because the eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the costs. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation of Departmental policies and procedures.

DISTRIBUTION

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Morgan City, Louisiana

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