



# *Audit Report*

## **District Inspector General for Audit New York/New Jersey District**

*Report: 98-NY-206-1004*

*Issued: June 8, 1998*

**TO:** Joan K. Spilman, Director of Public Housing, 2CPH

**FROM:** Alexander C. Malloy, District Inspector General for Audit, 2AGA

**SUBJECT:** Watervliet Housing Authority  
Low-Rent Housing Program  
Watervliet, New York

We completed an audit of the Watervliet Housing Authority, referred to herein as the Public Housing Authority (PHA) pertaining to its Federal Low-Rent Housing (LRH) program. The purpose of the audit was to determine the adequacy of internal controls over the safeguarding of cash and other assets, and to determine whether the PHA has complied with the terms and conditions of the Annual Contributions Contract (ACC) and other applicable U.S. Department of Housing and Urban Development (HUD) regulations and requirements. The audit covered the period October 1, 1995 to September 30, 1997 and was extended, where appropriate, to include other periods. We performed the audit field work from September 15, 1997 to January 12, 1998.

The audit showed that the PHA generally has complied with program requirements and regulations pertaining to its LRH program, and that decent, safe and sanitary housing has been provided to tenants. However, the audit also showed that the PHA needs to improve operating controls to ensure that assets are properly safeguarded against waste and loss, and to increase assurance that its programs are operated in a way that achieves full compliance with the terms and conditions of the ACC and other applicable HUD regulations and requirements.

The report contains nine findings. The findings show that the PHA lacked sound internal controls over its operations and that its administrative policies and procedures did not always comply with applicable HUD regulations and requirements. These weaknesses caused the

PHA to incur ineligible costs of \$2,420.20; unsupported costs of \$181,048.86 and a cost efficiency of \$139,675 has also been realized. To ensure compliance, the PHA needs to: (a) improve its system for procurement and contracting; (b) ensure that costs will be eligible, necessary and supported prior to incurrence; (c ) ensure that travel and conference costs are economical and in accordance with requirements; (d) control the use of gasoline by employees; (e) ensure that its personnel practices conform with established policies; and (f) improve its administrative and accounting controls.

Within 60 days, please furnish this office, for each recommendation cited in this report, 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 not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

Should you or your staff have any questions, please contact William H. Rooney, Assistant District Inspector General for Audit, at 212-264-8000, extension 3976.

# *Executive Summary*

We performed an audit of the Watervliet Housing Authority, herein referred to as the Public Housing Authority (PHA), pertaining to its Federal Low-Rent Housing (LRH) program. The primary objectives of the audit were to evaluate the PHA's internal controls for safeguarding cash and other assets, and to determine whether it complied with the terms and conditions of the Annual Contributions Contract (ACC) as well as other applicable HUD regulations and requirements.

The audit disclosed that the PHA is generally providing decent, safe and sanitary housing to its tenants. However, the PHA did not always comply with program requirements and regulations pertaining to various activities of its LRH program. The noncompliances were generally caused by inadequate controls, which led to the ineligible and unsupported use of funds and the cost efficiency, as discussed in the findings.

The results of our audit are discussed in the findings of this report and are summarized below.

1. **Improvements Are Needed in the System of Procurement and Contracting**

Our review of the system for procurement and contracting showed that the PHA did not comply with proper procurement procedures for: (1) public bidding; (2) competitive proposals; and (3) small purchases, as required. The non-compliances are attributed to the PHA's general unfamiliarity with applicable regulations and requirements. As a result, assurance that the related procurement and contract costs were proper and reasonable has been diminished and the PHA has incurred costs of \$99,286.84 that are unsupported.

2. **Ineligible Activity Included in the Comprehensive Grant Program**

The PHA's 1996 Comprehensive Grant Program included an activity that is ineligible according to program regulations. The activity was intended to be accomplished because the PHA was unaware that it was ineligible. However, upon advising officials that the program does not allow utility services to be converted from individual meters to a master meter system, the PHA eliminated the activity from its plan. Accordingly, the cost attributed to the utility conversion of \$139,675 is claimed as a cost efficiency.

3. **Ineligible and Unsupported Payments Were Made From the General Fund**

The PHA did not maintain adequate control over disbursements from its General Fund. The controls were inadequate because procedures were not in effect to ensure that costs were eligible and properly supported prior to payment. As a result, the PHA charged its LRH program with ineligible and unsupported costs totaling \$1,789.20 and \$41,179.60 respectively.

4. **Improper Payment for Consultant Services**

The PHA paid for consulting services without the benefit of competition and that were computed based on additional subsidies obtained from HUD, thereby representing an improper payment. The payment was made because officials believed that the services rendered would financially benefit the PHA. As a result, program funds were expended for services that were not determined to be reasonable and the amount paid of \$16,002.08 is considered to be unsupported.

5. **Controls Over Legal Services and Costs Need to be Strengthened**

Contrary to HUD regulations and requirements, the PHA has: (1) used an improper method of procurement; (2) executed a multi-year contract without HUD approval; and (3) routinely paid for legal services without adequate documentation being provided as evidence that the contracted services were rendered. These deficiencies can be attributed to the PHA's general unfamiliarity with applicable regulations and requirements. As a result, assurance that the related procurement and contract costs were proper and reasonable has been diminished and the PHA has incurred costs of \$15,909.85 that are unsupported.

6. **Ineligible and Unsupported Travel Costs**

The PHA has not instituted adequate controls over travel costs to ensure that the costs are necessary and reasonable and that the costs are adequately supported, as required. As a result, ineligible and unsupported travel costs of \$631.00 and \$7,884.40 respectively have been incurred. The travel deficiencies are attributed to the PHA's general unfamiliarity with the procedural and documentation requirements.

7. **Controls Are Lacking Over Gasoline Charges**

Because the PHA did not enforce procedures to prevent the purchase of gasoline by its employees, unsupported gasoline costs of \$786.09 were incurred. The weakness in preventing the purchase of gasoline by employees is

attributable to a decision by the PHA not to enforce certain provisions of the personnel and procurement policies.

8. **Personnel Management Deficiencies Were Identified**

Contrary to its personnel policy and/or the employee union agreement, the PHA: (1) has allowed vacation leave balances to exceed the agreement limits; (2) does not have an employment contract with the Executive Director; (3) provided unsupported salary increases; and (4) provided employees with an extra personal day not specified in the policy or agreement. These deficiencies can be attributed to the PHA's general unfamiliarity with applicable requirements. As a result, the PHA does not have adequate assurance that the liability and the costs incurred were necessary and reasonable.

9. **Need to Improve Administrative and Accounting Controls**

Our review showed various deficiencies involving administrative and accounting controls and procedures that have weakened the PHA's system of internal control. The deficiencies occurred because procedures were not implemented to ensure that adequate administrative and accounting controls were executed to meet program requirements. As a result, the PHA does not have assurance that funds are properly safeguarded against waste and loss and that its housing programs are administered in accordance with Federal regulations and requirements.

As part of each finding, we have recommended certain actions which we believe will correct the problems discussed in the findings and strengthen the PHA's administration of its housing programs.

The results of the audit were discussed with PHA officials during the course of the audit, and at an exit conference held on April 15, 1998. The exit conference was attended by:

PHA Officials

Charles V. Patricelli, Executive Director  
 William J. Fitzpatrick, Chairman, Board of Commissioners  
 Harry J. Cushing, Vice-Chairman, Board of Commissioners  
 Frank M. Kelly, Commissioner

HUD- Office of Inspector General (OIG)

William H. Rooney, Assistant District Inspector General for Audit  
 Thomas F. Cosgrove, Senior Auditor  
 Michelle M. Rizzo, Program Auditor

The Executive Director generally agreed with our findings and recommendations and provided written comments, which are included as Appendix D to this report.

Regarding findings 3 and 4, the Executive Director provided comments that required responses. Thus, for findings 3 and 4, the Executive Director's comments and our evaluation of those comments are included at the end of the findings.

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**Abbreviations:**

ACC	Annual Contributions Contract
CFR	Code of Federal Regulations
HUD	Department of Housing and Urban Development
LRH	Low-Rent Housing
OIG	Office of Inspector General
PHA	Watervliet Housing Authority
RFP	Request for Proposal



# *Introduction*

The PHA is governed by a seven member Board of Commissioners. Five members are appointed by the Mayor and serve five year terms. The remaining two members are elected by the tenants and serve two year terms. The Board establishes policy and takes official action as required by Federal and State law. The Executive Director, who is responsible for managing the overall day-to-day operations of the PHA, is Charles V. Patricelli. The books and records are located at the administration office located at 2400 Second Avenue, Watervliet, New York, 12189.

The PHA's fiscal year is from October 1 through September 30. The PHA operates five developments containing 306 units. The developments consist of 238 family units and 68 senior units. In addition, the PHA administers 115 units of Section 8 housing along with Drug Elimination and Comprehensive Grant Programs.

The primary objective of the audit was to evaluate internal controls for safeguarding cash and other assets and to determine whether the PHA complied with the terms and conditions of the ACC and other applicable regulations and requirements.

We evaluated controls and procedures over travel, legal services and gasoline purchases; determined whether the PHA complied with applicable guidelines governing procurement and contracting requirements; evaluated personnel procedures; determined whether costs charged to the PHA's housing and grant programs were reasonable and eligible; and, evaluated procedures and practices relating to general accounting and administrative controls.

Audit procedures included examination of records and files, interviews with PHA staff, and site visits to the housing developments. In addition, the PHA's policies, procedures and practices for managing its operations were reviewed. Specific audit testing was based primarily on judgmentally or randomly selected samples representative of the transactions in the areas reviewed.

The audit covered the period from October 1, 1995 to September 30, 1997. However, activity prior and subsequent to this period was reviewed, as we deemed necessary. The audit field work was conducted between September 15, 1997 and January 12, 1998.

A copy of this audit report has been provided to the Executive Director of the PHA.

The audit was conducted in accordance with generally accepted government auditing standards.

# *Findings*

## **Finding 1**

### **Improvements Are Needed in the System of Procurement and Contracting**

Our review of the system for procurement and contracting showed that the PHA did not comply with the required procurement procedures for: (1) public bidding; (2) competitive proposals; and (3) small purchases. The noncompliance's are attributed to the PHA's general unfamiliarity with applicable regulations and requirements. As a result, assurance that the related procurement and contract costs were proper and reasonable has been diminished and the PHA has incurred costs of \$99,286.84 that are unsupported.

As part of our review, we randomly selected eight instances of procurement by the PHA. The selection involved three instances that required formal bids, two instances that required competitive proposals, and three instances that required procurement by small purchase procedures. The particulars pertaining to each of the three deficient methods of procurement by the PHA are described in the subsections below. Also, details pertaining to the deficiencies are contained in the audit working papers.

#### **Public Bidding Requirements Were Not Followed**

Both the PHA's procurement policy and the New York State Public Housing Law require formal bidding procedures to be followed for purchases in excess of \$10,000.00. In such cases, Title 24 Part 85.36 (d)(2) of the Code of Federal Regulations (CFRs) pertaining to procurement by sealed bids would apply. The CFRs require the PHA to prepare specifications which clearly and accurately describe the technical requirements of the service or supply contract being procured. In addition, an invitation for bids containing the specifications is to be publicly advertised and bids are to be solicited from an adequate number of known suppliers. Finally, the contract is awarded to the lowest responsible bidder.

Our review of the three instances where formal bids were required showed one instance where the PHA incurred costs of \$19,103.00 for work performed under a landscaping contract. However, the PHA did not prepare specifications describing the work requested and awarded the contract without the benefit of competitive bidding. PHA officials

agreed with our finding; however, they explained that one other proposal was received for the work requested. Nonetheless, by not complying with the applicable procurement regulations, the PHA does not have adequate assurance that the work was provided at the lowest possible price. Thus, the amount paid of \$19,103.00 is considered to be unsupported.

In two other instances, the PHA procured goods and services in amounts totaling \$21,359.35 and \$27,045.00 without executing a contract. In fact, in both instances, specifications describing the work requested were not prepared, an invitation for bids was not prepared, and bids were not solicited. As a result, the PHA was denied the benefit of competitive bidding and full and open competition as intended by the Federal procurement regulations. Moreover, the failure to execute a contract in both instances precludes the PHA from determining that the services intended have been provided in a complete and satisfactory manner. Accordingly, assurance that the work was performed by the lowest possible bidder has been diminished, and the costs incurred in amounts of \$21,359.35 and \$27,045.00 are considered unsupported.

#### **Proposals Were Not Solicited**

We reviewed two instances where the PHA procured consulting services. Accordingly, Title 24 Part 85.36 (d)(3) of the CFRs pertaining to procurement by competitive proposals would apply. The regulations require the PHA to prepare and publicize requests for proposals (RFPs) identifying all evaluation factors and their relative importance. The PHA is required to solicit proposals from an adequate number of qualified sources. Finally, awards are to be made to the responsible firm whose proposal is most advantageous, with price and other factors considered.

Contrary to the above regulations, the PHA procured the consulting services without preparing RFPs or soliciting proposals from other qualified sources. Thus, the PHA was denied the benefit of competitive proposals to ensure that the best possible price and quality services were obtained. Accordingly, costs incurred in amounts of \$3,267.49 and \$12,619.00 are considered to be unsupported.

#### **Small Purchase Procedures Were Not Followed**

The PHA's procurement policy provides that all purchases in excess of \$1,500.00, but under \$5,001.00 shall be made on the basis of at least three informal price quotations. A memorandum signed by the purchase initiator shall accompany the purchase order listing the vendors solicited, the quotation provided by each vendor and explanatory remarks where appropriate. In addition, Title 24 Part 85.36 (d)(1) of the CFRs requires price or

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rate quotations to be obtained from an adequate number of qualified sources when procurement by small purchase procedures is used.

Contrary to their policy and the Federal regulations, the PHA paid \$3,025.00 for painting services, without obtaining price quotations from other qualified sources. Even though PHA officials advised that other price quotations may have been obtained, they were unable to provide any documentation to show the vendors solicited or quoters obtained. As such, there is inadequate assurance that the services were provided by the lowest, acceptable source. Thus, the amount paid of \$3,025.00 is considered to be unsupported.

The PHA's procurement policy provides that all purchases in excess of \$5,000.00, but under \$10,000 shall be made on the basis of at least three written price quotations.

During the audit period, the PHA made payments totaling \$6,158.00 for routine lawn service provided at its housing developments. Discussions with PHA officials disclosed that the contractor providing the lawn service had been used for similar work in the past and that the services provided during the audit period were part of a renewed contract. However, the PHA was unable to provide either a contract or any written price quotations. As a result, there is inadequate assurance that the PHA obtained the lowest possible price for the services. Hence, the entire amount paid of \$6,158.00 is considered unsupported.

In another instance, the PHA paid \$6,710.00 for repairs to hand rails at one of the developments. The amount paid would dictate that written price quotations should have been solicited from at least three qualified sources. However, no written price quotations were obtained. Consequently, assurance that the work was provided by the lowest, acceptable source has been diminished. Therefore, the amount paid of \$6,710.00 is considered to be unsupported.

The deficiencies cited in this finding indicate a general weakness in the PHA's system of procurement and the awarding of contracts. Unless the PHA recognizes its responsibility to implement controls that will ensure compliance with the Federal procurement regulations and its own procurement policy, these or similar deficiencies will continue.

## **Recommendations**

We recommend that you require the PHA to:

- 1A. Provide justification for the unsupported costs so that an eligibility determination can be made.
- 1B. Reimburse from non-Federal funds, the amount of any unsupported costs determined to be ineligible.

- 1C. Establish procedures to ensure that specifications are prepared, invitations for bids are prepared and advertised, and bids are obtained when procurement by sealed bids is required.
- 1D. Establish controls to ensure that RFPs are prepared and proposals are solicited when procurement by competitive proposals is applicable.
- 1E. Establish controls to ensure that price quotations are obtained from an adequate number of qualified sources when procurement by small purchase procedures is used.

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## **Finding 2**

### **Ineligible Activity Included in the Comprehensive Grant Program**

The PHA's 1996 Comprehensive Grant Program included an activity that is ineligible according to program regulations. The activity was intended to be accomplished because the PHA was unaware that it was ineligible. However, upon advising officials that the program does not allow utility services to be converted from individual meters to a master meter system, the PHA eliminated the activity from its plan. Accordingly, the cost attributed to the utility conversion of \$139,675 is claimed as a cost efficiency.

Our review of the PHA's 1996 Comprehensive Grant Annual Statement and Performance and Evaluation Report showed that \$139,675 was allocated to change the heating system at one of its housing developments from electric to gas. Further review disclosed that the change in the type of heating system also included a conversion of the metering system from the current individual unit meters to a master meter system.

Title 24, Part 968.112 (o)(5) of the CFRs provides that certain costs as specified by HUD are ineligible for inclusion in the Comprehensive Grant Program. In this regard, HUD stipulates in the Comprehensive Grant Program Guidebook that certain physical improvement costs are ineligible under the program. Among the items specifically cited as ineligible is the conversion of retail electric, gas or water utility services to master meter systems.

We discussed the ineligible activity with PHA officials who advised that they were unaware of the regulation cited; but would discuss the matter with HUD. PHA officials later informed us that HUD confirmed our determination that the utility conversion from individual meters to a master meter represents an ineligible physical improvement cost. As a result, the PHA has eliminated the ineligible activity from their Comprehensive Grant Plan and an alternative method for converting the utility service is being considered.

It should be noted that the exact amount attributable to the installation of the master meter system that is included in the total estimated cost of the electric to gas utility conversion could not be readily determined. Therefore, the entire amount identified for the utility conversion of \$139,675 is being shown as a cost efficiency.

## **Recommendation**

We recommend that you require the PHA to:

- 2A. Adopt controls that will ensure that all activities identified for Comprehensive Grant Program funding are eligible prior to their inclusion in the program.

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## **Finding 3**

### **Ineligible and Unsupported Payments Were Made From the General Fund**

The PHA did not maintain adequate control over disbursements from its General Fund. The controls were inadequate because procedures were not in effect to ensure that costs were eligible and properly supported prior to payment. As a result, the PHA charged its Low-Rent Housing program with ineligible and unsupported costs totaling \$1,789.20 and \$41,179.60 respectively.

Initially, we selected disbursements at random to test for compliance. However, due to the wide variety of deficiencies found, it became necessary to include disbursements during the entire audit period. The costs contained in this finding should not be considered all inclusive; rather, they represent only those ineligible and unsupported costs that were found as a result of our testing.

Ineligible costs include the payment of penalties, interest, contributions, donations and one instance of a duplicate payment. Unsupported costs include payments for which: (1) there is no purchase order; (2) the supporting documentation does not describe the costs; (3) there is no invoice or bill to support the cost; (4) the cost is questionable as to being necessary and reasonable; and (5) only a purchase order supports the charge. These ineligible and unsupported costs are further described in Appendix B to this report.

Attachment B of Office of Management and Budget (OMB) Circular A-87 provides the standards for the determination of allowable and unallowable costs. Section 4, Part A of the ACC provides that the PHA shall operate each project in a manner that promotes serviceability, economy, efficiency and stability of the project. In addition, Section 2, Part A of the ACC provides that operating expenditures shall be necessary for the operation of the project.

We believe that incurring many of these costs have reduced the PHA's assurance that projects were operated economically and efficiently and that all costs incurred were necessary. Accordingly, the ineligible costs should be paid from non-Federal funds and PHA should be required to submit further documentation and justification for unsupported costs.



## **Auditee Comments**

The PHA Executive Director stated that he completely disagreed with the auditor's opinions that the PHA may have reduced the PHA's ability to operate economically and efficiently.

## **OIG Evaluation of Auditee Comments**

A review of Appendix B identifies indications of questionable disbursements. In many instances, the PHA did not have support for disbursements and when a PHA does not have supporting documentation, we question the PHA's ability to operate economically and efficiently.

## **Recommendations**

We recommend that you require the PHA to:

- 3A. Implement procedures that will prohibit the incurrence of ineligible costs and will ensure that all costs are properly supported prior to payment. Also, implement procedures to ensure that all costs meet the economy, efficiency and necessity requirements.
- 3B. Reimburse the General Fund, from non-Federal funds, the amount of the ineligible costs.
- 3C. Provide additional documentation and information as justification for the unsupported costs so that an eligibility determination can be made.
- 3D. Reimburse the General Fund from non-Federal funds, the amount of any unsupported costs determined to be ineligible.

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## **Finding 4**

### **Improper Payment for Consultant Services**

The PHA paid for consulting services without the benefit of competition and paid the consultant based upon a percentage of the additional subsidy that the PHA obtained from HUD. The payment was made because officials believed that the services rendered would financially benefit the PHA. As a result, program funds were expended for services that were not determined to be reasonable; therefore, the amount paid of \$16,002.08 is considered to be unsupported.

Sometime during 1994, an employee of a nearby housing authority contacted an official of the PHA and advised the official that part of their job involves applying for subsidies on behalf of the housing authority. The employee advised the official that based on discussions with a HUD official in the Buffalo Area Office, the original calculations for subsidies under the Performance Funding System (PFS) for lost dwelling rental and for excess Social Security (FICA) contributions were in error and that re-calculations for these items resulted in additional subsidy funds for the housing authority.

The employee advised that it was likely that the PHA would also be entitled to additional subsidy for these items and agreed to act as a consultant to gather the necessary information for the submission to HUD. The PHA verbally agreed to pay this employee as a consultant, 25 percent of any additional subsidies that the PHA obtained from HUD.

Our review of the consultant file showed:

No RFPs were prepared for the service.

No contract was prepared or executed.

No evidence in the minutes of meetings indicating that the services were brought before the PHA Board of Commissioners for approval.

Furthermore, information in the file showed that PHA employees assisted the consultant in gathering and preparing information needed to produce the re-calculations.

Since the services provided represented consultant services, the procurement requirements pertaining to competitive proposals would apply. Regarding competitive proposals, Section 85.36(d)(3) of the CFRs stipulates that:

The technique of competitive proposals is conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded.

RFPs will be publicized and identify all evaluation factors and their relative importance.

RFPs will be solicited from an adequate number of qualified sources.

Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees.

Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Discussions with PHA officials disclosed that the consultant's offer was considered a "win-win" situation since payment for services would be based only on any additional funds obtained for the PHA. We reminded the PHA officials that not only did they fail to follow any of the procurement regulations applicable to competitive proposals, but that only a fixed price or cost-reimbursement type contract is authorized under competitive proposals. Therefore, the amount paid for the services of \$16,002.08 is considered to be unsupported.

### **Auditee Comments**

The Executive Director stated that many vendors offer similar services for electric or telephone savings. This was such a unique knowledge that the thought of competitive competition was not considered.

### **OIG Evaluation of Auditee Comments**

We remind the Executive Director that the PHA is required to follow the Code of Federal Regulations (CFR) and these regulations require competitive proposals.

### **Recommendations**

We recommend that you require the PHA to:

- 4A. Establish controls that will ensure that the requirements pertaining to competitive proposals are followed. The controls should ensure that RFPs are prepared and solicited; evaluations are performed and awards made as required; and either a

fixed price or cost-reimbursement type contract be prepared and awarded.

- 4B. Provide additional documentation and justification for the unsupported costs so that an eligibility determination can be made.
- 4C. Reimburse from non-Federal funds, the amount of any unsupported costs determined to be ineligible.

## **Finding 5**

### **Controls Over Legal Services and Costs Need to be Strengthened**

Contrary to HUD regulations and requirements, the PHA has: (1) used an improper method of procurement; (2) executed a multi-year contract without HUD approval; and (3) routinely paid for legal services without adequate documentation being provided as evidence that the contracted services were rendered. These deficiencies can be attributed to the PHA's general unfamiliarity with applicable regulations and requirements. As a result, assurance that the related procurement and contract costs were proper and reasonable has been diminished and that the PHA has incurred costs of \$15,909.85 that are unsupported. The details pertaining to the above deficiencies are described below:

#### **Improper Method For Procuring Legal Services**

We reviewed the PHA's process for requesting proposals for legal services and found that it did not meet requirements. Rather than providing prospective attorneys with a clear and accurate description of the services being solicited, the PHA merely sent notices to six attorneys who were pre-selected advising that it was soliciting proposals for a three year legal contract. There was no description of the type or extent of the services and the attorneys were advised to call the PHA if interested.

Title 24 , Section 85.36( c)(3) of the CFRs provides that procedures for procurement transactions will ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. The intent of the regulation is to promote full and open competition when conducting procurement transactions.

Because the services requested were not adequately described, only two responses were received. One from the PHA's previous attorney and another from an attorney who became aware of the PHA's need for the services through discussions with PHA officials. The contract files showed that no evaluations or ranking of the two responses had been performed even though the attorney selected submitted a bid that was \$1,687.40 more than the other response. Furthermore, we found that the attorney who was awarded the contract, was also the previous PHA attorney.

Title 24 CFR, Section 85.36(d)(3)(iii ) stipulates that grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees.

**Multi-Year Contract Executed Without HUD Approval**

At the time the PHA executed a three year contract for legal services in May 1995, Section 315 of the Annual Contributions Contract (ACC) prohibited PHAs from entering into contracts for personal, management, legal, or other services where the initial period or term of the contract was in excess of two years, or where the contract contained a renewal provision for any period of time without HUD approval.

In March 1995, the PHA received a letter from HUD reminding them of this requirement. HUD further advised that if the PHA wished to execute a contract covering a period in excess of two years, they should forward a request to HUD providing justification and documentation as to the reasons why contracting for a period of two years or less would not be feasible. Despite the requirement, the PHA executed a three year contract for legal services in May 1995 without providing HUD any justification for the three year period.

Apart from the above, it should be noted that the PHA did not have an executed copy of the contract available at the time of our review.

**Inadequate Documentation For Services Provided**

Various deficiencies were noted in connection with the paid vouchers and invoices submitted for legal services. The deficiencies included invoices that did not identify what services were provided. The contract for legal services identifies nine types of services to be provided; yet the invoices submitted for payment merely state: For professional services rendered during a calendar quarter. In fact, in one instance, payment was made without an invoice having been submitted. Moreover, in each instance where invoices were submitted, we found that the invoices had been submitted and paid prior to the end of the period billed. For example, the invoice for legal services from January 1,1996 through March 31,1996 was dated March 11,1996 and was paid on March 15,1996. Finally, we found two instances where reimbursement was made for miscellaneous expenditures by the attorney, but the source documentation such as a receipt from the County Clerk's office for recording fees was not provided.

Section 6, Part II of the Low-Rent Housing Accounting Handbook 7510.1 stipulates that the PHA must maintain source documentation and files that support the financial transactions recorded in the books of account, and that provide an adequate audit trail. This includes such items as documents identifying the source of cash receipts, canceled checks, and paid bills. In addition, Section 2, Part A of the ACC provides that operating expenditures shall mean all costs incurred by the PHA for administration, maintenance, and other costs and charges that are necessary for the operation of the project.

Since payments were made for legal costs without supporting documentation to show what services had been provided, the payments may not represent a necessary operating expenditure. Therefore, the amount paid during the audit period of \$15,796.85 is considered to be unsupported. Similarly, the reimbursement for miscellaneous expenditures without receipts amounting to \$113 is also considered to be unsupported.

### **Recommendations**

We recommend that you require the PHA to:

- 5A. Adopt necessary controls to ensure compliance with procurement requirements when RFPs are solicited. The controls should provide for an evaluation of the proposals received.
- 5B. Establish procedures to ensure HUD approval is obtained prior to executing personal service contracts whenever necessary.
- 5C. Adopt controls that will ensure that adequate documentation for services rendered is obtained prior to payment.
- 5D. Provide justification for the unsupported costs so that an eligibility determination can be made.
- 5E. Reimburse, from non-Federal funds, the amount of any unsupported costs determined to be ineligible

## **Finding 6**

### **Ineligible and Unsupported Travel Costs**

The PHA does not have adequate controls over travel activities to ensure that travel costs are necessary, reasonable and adequately supported, as required. As a result, ineligible and unsupported travel costs of \$631.00 and \$7,884.40 respectively have been incurred. The travel deficiencies are attributed to the PHA's general unfamiliarity with the procedural and documentation requirements.

We reviewed 23 payments for out-of-town travel costs incurred during our audit period. Deficiencies were found in 19 of the 23 payments reviewed. The deficiencies involve both ineligible and unsupported costs.

The types of ineligible and unsupported travel costs include:

#### **Ineligible Travel Costs**

Ineligible travel costs represent out-of-town travel costs incurred by the PHA's attorney to attend a Public Housing Authorities Directors Association (PHADA) conference at Lake Buena Vista, Florida. The attorney is a third-party contractor and therefore is neither a Commissioner nor employee of the PHA. Accordingly, the out-of-town conference costs do not represent a necessary or reasonable cost and are considered ineligible.

#### **Unsupported Costs**

Unsupported costs include payments for travel costs that were not supported by a hotel invoice or an airline ticket; travel costs paid without documentation to identify the purpose of the trip; travel costs paid without documentation to show how the payment was determined; meal costs paid for more than one traveler without documentation identifying all the travelers; travel costs reimbursed for an amount exceeding the costs incurred; and payment made for airline tickets in which the traveler did not return from his original destination.

The ineligible and unsupported costs are further described in Appendix C of this report.

Part A, Section 2 of the ACC defines operating expenditures as those necessary for the operation of the project. In addition, Chapter II of the Public and Indian Housing Low-Rent Technical Accounting Guide 7510.1 stipulates that the PHA must maintain source documents and files that support the financial transactions recorded in the books of



account, and that provide an adequate audit trail. This includes such items as documents identifying the source of cash receipts, canceled checks, and paid bills.

### **Travel Policy and Control Deficiencies**

A review of the PHA's travel policy showed that several aspects of the policy are deficient. For example, the policy does not specify any limitation on the dollar amount of actual expenses that will be reimbursed. The lack of any limit could allow for the incurrence of costs that may not be necessary or reasonable.

In addition, travelers are not required to prepare and submit a travel voucher. A travel voucher is necessary for all travel performed on behalf of the PHA. The voucher should specify the different types of reimbursement requested such as mileage, tolls, taxis, hotels, meals, along with departure and arrival times, etc. Such documentation is essential in order to consolidate and control the costs associated with a particular trip.

Part A, Section 15 of the ACC provides that the PHA must maintain complete and accurate books of account for the projects in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit a timely and effective audit.

We believe that the PHA needs to amend its travel policy to identify the maximum limitation for reimbursement of travel costs. Such limitation should conform with local policy requirements. Procedures should also be implemented to ensure that travel vouchers are prepared and that source documentation is obtained to support all costs prior to reimbursement. Unless the policy and documentation controls are implemented, deficiencies similar to those cited above will continue.

### **Recommendations**

We recommend that you require the PHA to:

- 6A. Reimburse, from non-Federal funds, the amount of the ineligible costs.
- 6B. Provide additional documentation and justification for the unsupported costs so that an eligibility determination can be made.
- 6C. Reimburse, from non-Federal funds, the amount of any unsupported costs determined to be ineligible.
- 6D. Amend its travel policy to identify the maximum limitation for reimbursement of travel costs.

- 6E. Implement procedures to ensure that travel vouchers are prepared and that source documentation is obtained to support all costs prior to reimbursement.

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## **Finding 7**

### **Controls Are Lacking Over Gasoline Charges**

Because the PHA did not enforce procedures to prevent the purchase of gasoline by its employees, unsupported gasoline costs of \$786.09 were incurred. The weakness in preventing the purchase of gasoline by employees is attributable to a decision by the PHA not to enforce certain provisions of the personnel and procurement policies.

Part A, Section 4 of the ACC requires the PHA to operate each project in a manner which promotes serviceability, efficiency, economy, and stability. In addition, Part A, Section 2 of the ACC requires that operating expenditures be necessary for the operation of such project.

The PHA usually purchases gasoline for its vehicles from the City. Payment is made at the price paid by the City and there is no written contract or agreement for the purchases. However, we found that during the audit period, certain employees purchased gasoline for their privately owned vehicles using the PHA credit cards. Such purchases are contrary to both the PHA's Personnel Policy and to the Procurement Policy.

Paragraph 17d. of the Personnel Policy provides that each year the director shall submit to the board appropriate miles reimbursement rate for any employee authorized to use his private vehicle for busing purposes. In addition, Section II C.1. of the Procurement Policy provides that one or more gasoline company credit cards will be provided by the Executive Director to approved employees for the purchase of gasoline, oil, and routine service for Authority-owned vehicles.

We discussed the use of the credit cards with PHA officials who advised that in December 1997, the credit cards were canceled and will no longer be used. The officials further advised that they were aware of the policy provisions; but that over the years employees ran errands and performed other local travel for the PHA. Hence, it was decided to allow them to purchase gasoline for their vehicles rather than enforce the policy provisions. Since the Personnel Policy provides that employees be reimbursed at an approved mileage rate for use of their vehicles and since the Procurement Policy provides that the gasoline credit cards be used only in connection with PHA owned vehicles, the gasoline purchased by employees for their privately owned vehicles totaling \$786.09 is considered to be unsupported.

## **Recommendations**

We recommend that you require the PHA to:

- 7A. Implement controls that will ensure compliance with the established Personnel and Procurement policies.
- 7B. Provide additional documentation for the unsupported costs so that an eligibility determination can be made.
- 7C. Reimburse from non-Federal funds the amount of unsupported costs determined to be ineligible.

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## **Finding 8**

### **Personnel Management Deficiencies Were Identified**

Contrary to its personnel policy and/or the employee union agreement, the PHA: (1) has allowed vacation leave balances to exceed the agreement limits; (2) does not have an employment contract with the Executive Director; (3) provided unsupported salary increases; and (4) provided employees with an extra personal day that is not specified in the policy or agreement. These deficiencies can be attributed to the PHA's general unfamiliarity with applicable requirements. As a result, the PHA does not have adequate assurance that the liability and the costs incurred were necessary and reasonable. The details pertaining to the above deficiencies are described in further details below.

#### **Vacation Balances Exceed Union Agreement**

The PHA's Personnel Policy requires that all employees adhere to the provision on maximum vacation leave accruals cited in Article IX, Section 1 of the Civil Service Employees Association (CSEA) Agreement. The agreement allows vacation leave to be accrued up to a maximum of 25 days and that only in exceptional cases will the maximum authorized be exceeded.

A review of leave records for the years 1995, 1996, and 1997 showed that three employees had accumulated vacation leave in excess of the 25 day limit specified in the CSEA agreement. The leave balances ranged from 30.75 days to 40 days of accrued vacation leave and there was no authorization to allow the excess balances to occur.

Apart from the above, we found that the PHA's Personnel Policy does not address the accrual, use, or carry over of sick leave. Nonetheless, it was noted that three employees not included in the CSEA agreement had sick leave balances that exceeded the maximum number of days allowed in the CSEA agreement. In fact, one employee's sick leave balance exceeded the agreement limit by 50 days.

#### **Employment Contract is Needed With Executive Director**

The CSEA agreement specifically excludes the position of Executive Director from inclusion under the agreement. Moreover, further review showed that there is no separate contract or agreement between the Executive Director and the PHA to cover employment. The lack of a written employment contract prevents the PHA from maintaining a basis to support and justify the responsibilities and benefits of the employee, such as, duties, salary, leave, health insurance, etc.

**Unsupported Salary Increases**

During the years 1996 and 1997 all PHA employees received salary increases of five and four percent respectively. The justification cited for providing the salary increases was the CSEA agreement. However, a review of the agreement shows that it specifically excludes the positions of Executive Director, Modernization Coordinator, Maintenance Mechanic, and Clerk/Typist to the Executive Director from the bargaining unit. Moreover, it should be noted that a review of the personnel files for these four employees showed that annual performance evaluations had not been prepared. Accordingly, there is no documented basis to support the pay increases that were provided to the four employees whose positions are excluded from the CSEA agreement.

**Extra Personal Day Not Specified in Policy or Agreement**

During March 1997, the Executive Director authorized an extra personal day to each employee as a reward for the PHA attaining a 1996 Public Housing Management Assessment Program (PHMAP) score of 100 percent. We found that neither the CSEA agreement nor the Personnel Policy include provisions for granting employees additional personal days for high scores or performance. The granting of additional personal days to employees affects PHA policy and should be decided and authorized by the Board of Commissioners rather than by another employee. Such authorization should be supported by a resolution adopted and approved by the Board.

**Recommendations**

We recommend that you require the PHA to:

- 8A. Adopt controls that will ensure that employee leave balances do not exceed the established limits and that any exceptions be justified and authorized.
- 8B. Execute an employment contract with the Executive Director that will document the responsibilities and benefits that apply to the position.
- 8C. Justify and support the salary increases provided to employees whose positions are excluded from the CSEA agreement.
- 8D. Establish procedures that will require the Board of Commissioners to authorize the granting of additional personal days to employees.

## Finding 9

### Need to Improve Administrative and Accounting Controls

Our review showed various deficiencies involving administrative and accounting controls and procedures that have weakened the PHA's system of internal control. The deficiencies occurred because procedures were not implemented to ensure that adequate administrative and accounting controls were executed to meet program requirements. As a result, the PHA does not have assurance that funds are properly safeguarded against waste and loss and that its housing programs are administered in accordance with Federal regulations and requirements.

The following items should not be considered all inclusive; rather, they represent only those deficiencies that were identified as a result of our review.

Sales tax was paid on many of the vouchers reviewed even though the PHA is a tax-exempt organization. An example of a voucher on which sales tax was paid is:

Voucher No.	Date	Amount of Sales Tax Paid
15548	6/06/97	\$116.80

b. Various instances were noted where the PHA failed to claim cash discounts offered even though the payments were made within the discount period. For example:

Voucher No.	Date	Discount Not Claimed
14704	1/17/97	\$ 20.00

Other instances were noted where cash discounts could have been realized had the payments been made on a timely basis such as:

Voucher No.	Date	Discount Lost By Untimely Payment
11694	10/13/95	\$17.30

- c. A review of disbursements showed that the only documentation available to support various disbursements was an adding machine tape attached to the check voucher. Examples are:

Voucher No.	Date	Amount
14648	1/10/97	\$239.64
15662	6/26/97	141.56
15968	8/01/97	136.08
16126	8/15/97	160.26

Chapter 2, of the Public and Indian Housing Low-Rent Technical Accounting Guide 7510.1, provides that the PHA must maintain source documents and files that support the financial transactions recorded in the books of account, and that provide an adequate audit trail.

- d. One instance was noted where a second check was issued for the same procurement. However, follow up on the duplicate payment showed that the vendor returned the second check uncashed since payment was previously received. Further review showed that the returned check was in the files but had not been voided.

In another instance, a duplicate payment was made that has not been detected. Voucher No. 14138, dated October 18, 1996, paid for apartment painting in the amount of \$300. However, Voucher No. 14088, dated October 11, 1996, had already paid the cost.

- e. Deficiencies associated with purchasing and the payment for services include:
- A. There was no Purchase Order.
  - B. There is either no documentation to support the cost or the documentation is inadequate.
  - C. The amount paid did not agree with the documentation available.
- f. Even in those instances when Purchase Orders were prepared, they were found to be deficient. The deficiencies include:
- A. Description of items to be purchased not shown.
  - B. Price and price extensions not shown.
  - C. The person confirming the Purchase Order not shown.
- g. The Accounts Payable Voucher used for disbursements is inadequate. The voucher does not provide for certain basic and essential information such as the payee, date



paid, check number, amount paid, description of purchase, account number charged, and person recommending the voucher for payment.

- h. Certain employees purchased gasoline for their privately owned vehicles (POV's) with the PHA's credit card even though the Personnel Policy provides an authorized mileage rate of reimbursement for employees using their POV's for busing purposes. In addition, the Procurement Policy provides that the gasoline credit cards should only be used in connection with PHA owned vehicles.
- i. Although the PHA's Admission and Continued Occupancy Policy provides for all units to be inspected at least once annually, a review of three projects totaling 148 units showed that four units had not received the required inspections. In addition, we found that the checklists used for the units that were inspected were not fully completed. Rather than completing each item on the checklist that was inspected, the majority of the checklists only showed general comments such as "clean" or the inspector's initials.
- j. A review of several petty cash vouchers showed four instances where the travel costs for out-of-town training workshops such as tolls and lunches were charged to petty cash rather than the appropriate travel accounts. Such procedures not only cause the charges to be misclassified for accounting purposes; but precludes the PHA from requiring travelers to prepare a travel voucher.

Title 24 CFR, Part 85.20, Standards for Financial Management Systems, requires that effective controls and accountability must be maintained for all assets and that the assets must be safeguarded. In addition, Part A, Section 15 of the ACC provides that, the PHA must maintain complete and accurate books of account to permit a timely and effective audit. The above deficiencies have precluded the PHA from complying with the requirements cited. Unless corrective actions are implemented, deficiencies similar to those described above will recur.

## **Recommendations**

We recommend that you require the PHA to:

- 9A. Implement controls to ensure that invoices containing ineligible sales taxes are not processed for payment.
- 9B. Adopt procedures that will ensure that:

1. Cash discounts offered are deducted from the amounts paid when payments are made within the discount period.
  2. Invoices are promptly processed for payment so that all cash discounts offered are realized.
- 9C. Institute procedures that will require all costs be properly supported and documented prior to payment.
- 9D. Establish controls to prevent duplicate payments. Such controls should ensure that invoices are thoroughly reviewed and amounts are determined to be proper prior to payment.
- 9E. Implement controls over purchasing and the payment for services to ensure that:
1. Purchase Orders are prepared.
  2. Adequate supporting documentation is obtained prior to payment.
  3. Documentation agrees with the amount paid.
- 9F. Establish procedures that will assure that purchase orders:
1. Contain a description of the items to be purchased.
  2. Contain prices and price extensions for the items to be purchased.
  3. Identify the employee preparing and confirming the order.
- 9G. Revise its accounts payable voucher. At a minimum, the voucher should show the payee, date paid, amount paid, check number, description of purchase, account number charged and the person recommending the voucher for payment.
- 9H. Implement procedures that will prohibit employees from purchasing gasoline for their privately owned vehicles with the PHA's credit card.
- 9I. Strengthen its procedures to ensure that all units are inspected at least once annually. The inspections should show that all checklist items have been inspected.
- 9J. Adopt controls that will prohibit travel costs from being paid from petty cash and that will ensure that travel vouchers are prepared for all out-of-town travel.

# *Internal Controls*

In planning and performing our audit, we considered the internal control systems of the PHA to determine our auditing procedures and not to provide assurance on internal control. Internal controls are the process by which an entity obtains reasonable assurance as to achievement of specific objectives. They consist of interrelated components, including integrity, ethical values, competence, and the control environment which includes establishing objectives, risk assessment, information systems, control procedures, communication, managing change, and monitoring.

We determined that the following internal control categories were relevant to our audit objectives:

- Controls over the administration of its HUD programs.
- Controls over disbursements.
- Controls over supporting documentation for expenditures.
- Controls over gasoline purchases.
- Controls over personnel procedures.
- Controls over procurement and contracting.
- Controls over travel.
- Controls over accounting and record keeping.

We evaluated all of the relevant control categories identified above by determining the risk exposure and assessing control design and implementation.

A significant weakness exists if internal controls do not give reasonable assurance that : (a) the entity's goals and objectives are met; (b) resource use is consistent with laws, regulation, and policies; (c ) resources are safeguarded against waste, loss and misuse; and (d) reliable data are obtained, maintained, and fairly disclosed in reports.

Our review identified the following significant internal control weaknesses:

- Controls over the administration of its HUD programs (Finding 2).
- Controls over disbursements (Findings 1,3,4,5,6,7, and 9).

- Controls over supporting documentation for expenditures (Findings 3,4,5,6, and 9).
- Controls over gasoline expenditures (Findings 7 and 9).
- Controls over personnel procedures (Finding 8).
- Controls over procurement and contracting (Findings 1,4, and 5).
- Controls over travel (Findings 6 and 9).
- Controls over accounting and record keeping (Findings 6 and 9).

# *Follow-up on Prior Audits*

A prior audit of the PHA was performed by an Independent Auditor for the twelve month period ended September 30, 1995. The report contained two findings. One finding showed a time lag in bank deposits. The other finding showed that the PHA's system for taking an annual inventory and maintaining fixed asset records was not in accordance with HUD requirements. Both findings were cleared by HUD on November 5, 1996.

# *Appendices*

## Appendix A

### Schedule of Ineligible and Unsupported Costs and Cost Efficiencies

Finding Number	Ineligible (1)	Unsupported (2)	Cost Efficiency (3)
1		\$99,286.84	
2			\$139,675.00
3	\$1,789.20	41,179.60	
4		16,002.08	
5		15,909.85	
6	631.00	7,884.40	
7		786.09	
<b>Total</b>	<b>\$2,420.20</b>	<b>\$181,048.86</b>	<b>\$139,675.00</b>

- (1) Cost clearly not allowed by law, contract, HUD or local agency policies and regulations.
- (2) Costs not clearly eligible or ineligible but warrant being contest (e.g. lack of satisfactory documentation to support the eligibility of the costs, etc.)
- (3) A cost efficiency is an action by management in response to the Inspector General's recommendations to prevent improper obligation or expenditure of funds or to avoid further unnecessary expenditures.

## Appendix B

### Schedule of Ineligible and Unsupported Payments From the General Fund

Date	Voucher Number	Description	Amount Ineligible	Amount Unsupported	Notes
09/22/95	11549	None		\$2,500.00	1
10/13/95	11679	6 Waterheaters at \$135.00 each		1,000.00	2
10/27/95	11769	Sheriff fees		152.88	3
11/17/95	11887	Statement of charges		5,184.40	4,5
11/17/95	11888	Statement of charges		2,101.50	5
12/08/95	12021	Van registration		71.25	3
12/15/95	12086	Closing costs		2,500.00	3
12/22/95	12120	Newsletter and TV guide		100.00	3,4
01/05/96	12202	Credit union deduction- week ended 1/5/96		130.00	6
01/26/96	12326	Labor, materials and trailer		916.00	4,5
02/23/96	12488	Albany County Sheriff		76.44	3
03/01/96	12545	Dues- Grater Capital Assoc. of Realtors	\$25.00	254.00	4,7,8
04/05/96	12755	Donation to St. Brigids softball league	225.00		9
07/12/96	13352	NYS Museum Shed trip		107.00	3,4
07/19/96	13406	Shed trip		60.00	3,4
07/19/96	13413	Dues- Grater Capital Assoc. of Realtors		191.00	4,7
07/26/96	13491	Donation to Police Benevolent Assoc.	200.00		9
08/09/96	13588	Bouncer- Block party		300.00	3,4
08/09/96	13608	Horse drawn carriage- Block party		255.00	3,4
08/16/96	13651	Block party		40.00	3,4
08/23/96	13700	Sheriff for 82 Day and 545 Joslin		152.88	3
08/23/96	13706	Cranberry the clown- Block party		250.00	3,4
08/23/96	13708	Great Escape bus trip		205.00	3,4
09/13/96	13853	Donation to Pop Warner Association	500.00		9
10/18/96	14131	Zoning application		50.00	3
10/18/96	14138	Paint apartment no. 34 at Project NY25-1	300.00		10
11/29/96	14391	Private Investigator Services- tenant fraud		300.00	4,7
12/27/96	14558	Painting various apartments		4,171.00	11
01/03/97	14613	Donation to Watervliet Dad's Club	100.00		9
01/24/97	14730	Dues- Greater Capital Assoc. of Realtors		279.00	4,7
02/14/97	14878	38 yards of gravel		199.50	4,12
02/28/97	14938	Use of City dumpster 4/1/95-12/31/96		10,500.00	4,7,13
04/25/97	15248	None		132.00	17
05/09/97	15344	None		30.00	4,16
05/09/97	15349	Payment to employees for retirement		149.45	3
05/09/97	15352	Refund		50.00	3
05/16/97	15399	Statement of charges and Bill of lading		3,710.00	4,5
05/16/97	15401	Donation to St. Brigids softball league	75.00		9
05/16/97	15404	Contributions to Police Benevolent Assoc.	200.00		9
Subtotal- Page 1			\$1,625.00	\$36,118.30	

Date	Voucher Number	Description	Amount Ineligible	Amount Unsupported	Notes
		Balance Forward- Page 1	\$1,625.00	\$36,118.30	
06/26/97	15672	Penalty and interest	164.20		15
06/26/97	15684	Regular and 3 additional memberships		59.40	4,7
07/10/97	15789	Dues- Greater Capital Assoc. of Realtors		231.00	4,7
07/16/97	15863	Photos		366.90	4,5
08/01/97	15990	Reimbursement for electric usage		23.00	3
08/01/97	15992	None		75.00	3,4
08/15/97	16127	Use of City Dumpster 1/97-6/97		3,000.00	4,7,13
08/22/97	16184	3 gift certificates at \$25.00 for Block party		75.00	3,4
08/29/97	16216	Rental of Bouncity Bounce		140.00	14
08/29/97	16238	Postage		500.00	3,4
08/29/97	16239	Cookies for Block party		51.00	14
09/05/97	16303	Professional services 7/19-8/15/97		500.00	4,5
09/26/97	16403	Refrigerator repairs		40.00	4,18
		<b>Totals</b>	<b>\$1,789.20</b>	<b>\$41,179.60</b>	

Notes

- 1 Only a blank sheet of paper is attached to the payment voucher.
- 2 Amount billed was \$810; but \$1,810 was paid.
- 3 There is no invoice to support the charge; only a handwritten note by the PHA exists.
- 4 There is no purchase order.
- 5 Supporting documentation does not support charges.
- 6 Amount paid was \$1,113.78; but supporting documentation is for \$983.78.
- 7 Cost is questioned as to being necessary and reasonable.
- 8 Represents \$25.00 penalty for late payment which is not an allowable cost.
- 9 Contributions and donations are not an allowable cost.
- 10 Represents duplicate payment since check no. 14088 had already paid this cost.
- 11 Bill is dated 12/03/96; but most of the charges are subsequent to 12/03/96.
- 12 The invoice and bill are to the City; but was paid by the PHA.
- 13 There is no invoice for the cost; only a letter from the City Finance Director.
- 14 Only support is a note to pay and one page of tenant lease.
- 15 There is no documentation to support the charge.
- 16 Penalties and interest are not allowable costs.
- 17 There is no invoice to support the charge; only a Purchase Order.
- 18 The three charges on the bill total \$345; yet \$385 was paid.



## Appendix C

### Schedule of Ineligible and Unsupported Travel Costs

Payment Date	Voucher Number	Destination	Ineligible Costs	Unsupported Costs	Notes
10/13/95	11673	Lake Buena Vista, FL		\$130.00	1
10/27/95	11768	Lake Buena Vista, FL		130.00	1
11/24/95	11935	not applicable	\$345.00		2
01/26/96	12333	Lake Buena Vista, FL		910.00	1
01/26/96	12340	Lake Buena Vista, FL		186.20	3
01/26/96	12341	Lake Buena Vista, FL	286.00		2,4
01/26/96	12365	Lake Buena Vista, FL		286.00	3,4
12/13/96	14477	Phoenix, AZ		1,097.44	1
01/03/97	14598	Phoenix, AZ		464.05	3
01/10/97	14664	Phoenix, AZ		459.00	3
03/19/97	15023	not applicable		400.00	5
05/01/97	15278	Hauppauge, NY		39.00	6,7
05/16/97	15391	New Orleans, LA		628.38	1,6
05/16/97	15405	New Orleans, LA		777.90	1,6
06/06/97	15545	New Orleans, LA		307.20	3,6
06/06/97	15550	New Orleans, LA		323.60	3,6
06/26/97	15691	New Orleans, LA		323.60	3,6
07/04/97	15742	New Orleans, LA		375.72	6,8
07/10/97	15784	New Orleans, LA		1,046.31	3
		<b>Totals</b>	<u>\$631.00</u>	<u>\$7,884.40</u>	

Notes:

- 1 Hotel bill was not attached to paid voucher.
- 2 Represents travel costs paid for an ineligible traveler.
- 3 Inadequate documentation; airline receipt was not attached to support payment.
- 4 Although the conference was held in Orlando, FL, the airline return was from Miami, FL without any justification.
- 5 There is no documentation to support the amount of registration fee paid.
- 6 Purpose of trip was not identified.
- 7 Amount reimbursed exceeded the costs documented.
- 8 Documentation indicates meal costs for more than one traveler; but the travelers are not identified.

## **Appendix D**

### **Auditee Comments**







## Appendix E

### Distribution

Director, Office of Public Housing, 2CPH (2)  
 Secretary's Representative, New York/New Jersey, 2AS  
 Buffalo Area Coordinator, 2CS (2)  
 Assistant to the Deputy for Field Policy and Management, SDF, Room 7106  
 Office of Public & Indian Housing, PF (Attn: Comptroller, Rm. P8202) (5)  
 Acquisitions Librarian, AS (Room 8141)  
 Chief Financial Officer, F (Room 10164) (2)  
 Deputy Chief Financial Officer, FF (Room 10166) (2)  
 Associate General Counsel, Office of Assisted Housing & Community  
 Development, CD (Room 8162)  
 Secretary for Labor Relations, (Acting), SL (Room 7188)  
 Field Comptroller, Midwest Field Office, 5AF  
 CFO, Mid-Atlantic Field Office, 3AFI  
 Director, Housing & Community Development Issue Area, U.S. GAO, 441 G Street,  
 NW, Room 2474, Washington, DC, (Attention: Judy England-Joseph)  
 Executive Director, Watervliet Housing Authority, Watervliet, New York

Inspector General, G (Room 8256)  
 Public Affairs Officer, G, (Room 8256)  
 Internet Coordinator, GAA, (Room 8172)  
 Council to Inspector General, GC (Room 8260)  
 Assistant Inspector General for Audit, GA (Room 8286)

Subcommittee on General Oversight & Investigations  
 O'Neill House Office Building - Room 212  
 Washington, DC 20515-4305

Honorable Pete Sessions  
 Government Reform and Oversight Committee  
 Congress of the United States  
 House of Representatives  
 Washington, DC 20515-4305

Honorable John Glenn, Ranking Member  
 Committee on Governmental Affairs  
 United States Senate  
 Washington, DC 20510-6250

Honorable Dan Burton  
Chairman  
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House of Representatives  
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United States Senate  
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