audit report
OFFICE OF INSPECTOR GENERAL

Issue Date
May 6, 1998
Audit Case Number
98-CH-202-1003

TO: Thomas S. Marshall, Director, Public Housing Hub, Cleveland Area Office
Forrest D. Jones, Director, Public Housing Program Center, Indiana State Office

FROM: Dale L. Chouteau, District Inspector General for Audit, Midwest

SUBJECT: Housing Authority of the Town of Bloomfield
Safeguarding Monetary Assets and Inventory
Bloomfield, Indiana

We completed an audit of the Housing Authority of the Town of Bloomfield at the request of HUD's Indiana State Office. The objectives of our audit were to: (1) determine whether the Housing Authority had adequate management controls for safeguarding cash and other monetary assets and inventory; (2) review for indicators of possible waste, loss and misuse of cash or other monetary assets and inventory; and (3) establish, if appropriate, the amount of any misappropriation, the cause, and the individuals involved.

We concluded that the Housing Authority's management controls were weak, and offered an opportunity for its employees to misuse or divert Authority funds; however, **we did not find that employees diverted funds**. We found that the Authority did not effectively manage its rental units; had inadequate cash management controls; did not disclose conflicts of interest; and had not established a cost allocation plan.

Within 60 days, please provide us, for each recommendation made 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 considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (312)353-7832.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Executive Summary

We completed an audit of the Housing Authority of the Town of Bloomfield at the request of HUD's Indiana State Office. Our audit objectives were to: (1) determine whether the Housing Authority had adequate management controls for safeguarding cash and other monetary assets and inventory; (2) review for indicators of possible waste, loss and misuse of cash or other monetary assets and inventory; and (3) establish, if appropriate, the amount of any misappropriation, the cause, and the individuals involved.

We concluded that the Housing Authority's management controls were weak, and offered opportunity for its employees to misuse or divert Authority funds; however, **we did not find that employees diverted funds**.

The Authority's Management Controls Were Weak and Requirements Were Not Followed

The Housing Authority did not follow HUD's requirements regarding the rental of commercial and residential units. The Authority did not: (1) seek HUD's approval for the conversion of the dwelling units to commercial units; (2) execute leases with its commercial tenants and its Resident Custodian; (3) charge rent for two commercial units, and paid for the commercial tenants' use of utilities; and (4) amend its Low-Income Housing lease forms to include the provisions of the Housing Opportunity Program Extension Act of 1996. The Authority also inappropriately used $4,352 in Comprehensive Improvement Assistance Program funds to remodel and furnish a unit as a beauty shop. As a result, the Authority did not: maximize its income, adequately protect the rights of its tenants, and effectively use resources.

The Housing Authority did not maintain an effective system of controls over cash management. The Authority did not: (1) adequately segregate the duties of its employees; (2) safeguard cash funds; (3) follow its Internal Monitoring Policy or HUD's requirements regarding cash; and (4) properly maintain records for a checking account. The weaknesses existed because the Authority's Board of Commissioners and its top management did not exercise their responsibilities to implement effective cash management controls. Their failure to do so increased the risk of loss or misuse of funds.

The Housing Authority did not follow its Procurement Policy, HUD's requirements, and the State of Indiana's Code regarding conflicts of interest. The Authority did not: (1) disclose conflicts of interest to the public via board meeting minutes; (2) obtain a waiver from HUD for conflicts of interest;

and (3) require its contractors to insert a provision prohibiting conflicts of interest in each subcontract. The Executive Director was not aware of HUD's or the State of Indiana's requirements regarding conflicts of interest and did not understand the importance of the Authority's conflict of interest requirements. Rules that require the avoidance and reporting of conflicts of interest are necessary to eliminate situations that could easily result in the misuse of funds, impede free and open competition, and reduce public confidence in the Authority.

The Housing Authority did not have a plan to allocate indirect costs among its programs. The Authority allocated all employees' salary costs and non-salary costs, with the exception of phone costs, to the Low-Income Housing Program. Twenty dollars of phone costs per month were arbitrarily charged to the Section 8 Program. The Low-Income Housing Program was not reimbursed by the other programs. While the Housing Authority was cited by HUD during its July 1997 review for failing to establish a cost allocation plan, the Authority had not established a plan since they were concentrating on correcting other issues cited in HUD's review. As a result, the Authority's Low-Income Housing Program was overcharged, and HUD lacks proper visibility over the cost of its programs.

Recommendations

We recommend that the Public Housing Hub Director in Cleveland assures that the Housing Authority of the Town of Bloomfield implements controls to correct the weaknesses cited in this report.

We presented our draft findings to the Authority's Executive Director and HUD's staff during the audit. We held an exit conference with the Authority's Board Chairman and Executive Director on April 13, 1998. The Authority provided written comments to our findings. The complete text of the comments are included in Appendix B with the exception of two exhibits that were not necessary for understanding the Authority's comments. A complete copy of the Authority's responses with exhibits was provided to HUD's Office of Public Housing.

Table of Contents

(THIS PAGE LEFT BLANK INTENTIONALLY)

Introduction

The Housing Authority of the Town of Bloomfield was established on April 5, 1966 under the laws of the State of Indiana. The Housing Authority contracts with HUD to provide housing to low income individuals. A five member Board of Commissioners governs the Authority. The Chairman of the Board is James Miller. The Executive Director is responsible for the Authority's day to day operations. The Authority's Executive Director is Lavon Yoho. The Authority has been on HUD's troubled housing list since 1995. The official records for the Authority are at 100 West Main Street, Bloomfield, Indiana.

The Housing Authority operates three programs: (1) a Low-Income Housing Program consisting of 92 units; (2) a Section 8 Voucher Program consisting of 50 vouchers; and (3) a Comprehensive Improvement Assistance Program.

Audit Objectives

The audit objectives were to: (1) determine whether the Housing Authority had adequate management controls for safeguarding cash and other monetary assets and inventory; (2) review for indicators of possible waste, loss and misuse of cash or other monetary assets and inventory; and (3) establish, if appropriate, the amount of any misappropriation, the cause, and the individuals involved.

Management Controls

The Housing Authority is responsible for establishing a system of management controls. Management controls include: the plan of organization, methods, and procedures adopted by management to ensure that its goals are met; processes for planning, organizing, directing, and controlling program operations; and systems for measuring, reporting, and monitoring program performance.

We determined that the following management controls were relevant to our audit objectives:

- Program Operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.

- Validity and Reliability of Data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with Laws and Regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

- Safeguarding Resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

Audit Scope And Methodology

We performed our on-site audit work at the Housing Authority between July and September 1997 and January and March 1998. To assess the Housing Authority's relevant management controls and obtain information relating to the Authority's operations, we interviewed HUD's and the Housing Authority's staff. We analyzed the Low-Rent, Comprehensive Improvement Assistance, and Section 8 Programs' general ledgers, cash receipts, and cash disbursements ledgers to verify the accuracy of receipts and disbursements. We reviewed bank statements and canceled checks to assure that all sources of cash were properly accounted for. We reviewed Board meeting minutes to evaluate the Authority's policies. We performed a cash count and confirmed the Authority's bank balances to evaluate cash controls. Additionally, to confirm the accuracy of accounts receivable balances, we sent confirmations to six current and vacated tenants.

The audit covered the period January 1, 1996 through June 30, 1997. This period was extended as necessary. We conducted the audit in accordance with generally accepted government auditing standards.

We provided a copy of this report to the Housing Authority's Executive Director and the Chairman of the Board.

The Housing Authority Did Not Effectively Manage Its Units

The Housing Authority of the Town of Bloomfield did not follow HUD's requirements regarding the lease of commercial and residential units. The Housing Authority did not: (1) seek HUD's approval for the conversion of dwelling units to commercial units; (2) execute leases with its commercial tenants and its Resident Custodian; (3) charge rent for two commercial units, and paid for the commercial tenants' use of utilities; and (4) amend its Low-Income Housing lease forms to include the provisions of the Housing Opportunity Program Extension Act of 1996. The Housing Authority also inappropriately used $4,352 in Comprehensive Improvement Assistance Program funds to remodel and furnish a unit as a beauty shop. As a result, the Housing Authority did not maximize its income, adequately protect the rights of its tenants, and effectively use resources.

HUD’s Requirements

The Annual Contributions Contract, Section 4, says in part that the Housing Authority should operate each project economically and efficiently.

HUD Handbook 7486.1, The Public Housing Demolition, Disposition and Conversion Handbook, page 8-1, states that vacant units approved by HUD for conversion shall be deprogrammed as soon as possible, but no later than two months after the Authority's receipt of HUD's approval. Page 7-3 states that written approval by HUD is required before the Authority can undertake any actions involving the conversion of units.

HUD Handbook 7510.1, Low-Rent Housing Accounting Handbook, Chapter 3, Section 12, states that rent, including charges for utilities and equipment, will be charged to lessees of dwelling units rented for non-dwelling purposes.

PIH Notice 96-27 issued on May 15, 1996, page 1, states that housing authorities should implement the provisions of the Housing Opportunity Program Extension Act of 1996 without awaiting HUD regulations. Page 5 of the Notice says public housing lease forms must be amended promptly to establish that drug-related criminal activity on or off a housing authority's premises and alcohol abuse that interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents are grounds for termination of tenancy.

Executive Directors' Responsibilities

The responsibilities of a housing authority's Executive Director include collecting rent, enforcing lease terms, and maintaining overall compliance with Federal, State, and local laws, as well as the authority's policies and procedures.

The Authority Did Not Seek HUD's Approval To Convert Units

The Housing Authority did not seek HUD's approval for the conversion of dwelling units to commercial units. Consequently, the Housing Authority inappropriately received $1,199 in subsidy for its commercial units. The Housing Authority allowed the Bloomington Hospital and a beauty shop to occupy two units starting in December 1996 and April 1997, respectively, but did not advise HUD to deprogram the units in order to stop the subsidy payments. The Hospital used its unit as a hospice.

The Executive Director said he was not aware of HUD's requirements regarding the deprogramming of units until September 1997 when he received the results of HUD's July 1997 review. The Authority requested HUD's approval to deprogram the units in January 1998, and HUD approved the units to be taken off line in March 1998. HUD was in the process of calculating the excess subsidy for the commercial units. The Executive Director could not provide an adequate explanation of why it took five months to request the deprogramming. We believe the Executive Director should have been aware of the requirement to obtain HUD's approval before it deprogrammed units and of the fact that subsidy payments stop for units no longer than two months after HUD's approval to deprogram is received. Since the Authority did not request HUD's approval before it deprogrammed the units, we believe the Authority was not entitled to receive subsidy payments for more than two months after it unilaterally deprogrammed the units. Therefore subsidy payments should have stopped in February and June 1997.

No Leases Were Executed

The Housing Authority did not promptly execute a lease with two commercial tenants and the Resident Custodian. The Executive Director allowed the Bloomington Hospital to occupy a unit for one year without a lease. A lease was executed with the Hospital effective January 1, 1998. The Director also allowed a beauty shop to occupy a unit without a lease from April 1997 to at least February 27, 1998. Further, the Director did not execute a lease with the Authority's Resident Custodian who was required to live on the premises.

The Resident Custodian moved into a Low-Income Housing unit in September 1991, and received a reduced rent rate of $100 per month in exchange for special duties he was to perform, such as responding to emergency maintenance requests after normal business hours. The Executive Director said he was not aware of HUD's requirement for a lease with the Resident Custodian. He also said initially the Hospital was to move after approximately two months, so he felt a lease was not necessary. The Executive Director said it was an oversight that a lease was not executed with the beauty shop. Leases protect HUD's and the Housing Authority's interests by providing a legal basis to take appropriate action if the terms of the lease arrangements are not complied with.

The Authority Did Not Charge Commercial Tenants Rent

The Housing Authority did not charge the Hospital and beauty shop rent and paid for their use of utilities. Effective January 1, 1998, the Bloomington Hospital signed a one year lease to rent the unit initially occupied in December 1996 and a second unit. The Hospital's lease required a payment of $500 a month in rent for both units. The Executive Director waived the payment of any back rent for the unit occupied in December 1996. As of February 27, 1998, the Authority had not executed a lease with the beauty shop and no rent had been collected.

The Executive Director said he should have completed a lease with the Bloomington Hospital earlier. However, he said the Board of Commissioners was aware that the Hospital was not paying rent and did not have a written lease. The January 1998 Board meeting minutes contained a letter from the Hospital thanking the Authority for a year's free rent. The Executive Director also said that there was a need for the beauty shop and that it served elderly tenants at a reasonable price. He said he needed direction in establishing a rental amount since the shop was only open one day a week.

We believe the Authority set an inappropriate rent amount for the lease negotiated with the Bloomington Hospital. The Executive Director said he determined that the average rent paid by the Authority's tenants was $186 per month. He said he believed the $250 per month rent from the Hospital would cover the average tenants' payment plus the cost of utilities. However, there was no way to estimate the cost of the commercial units use of utilities since the units did not have a separate meter. Additionally, the Authority's maximum rent amount is $350, and 26 percent of the Authority's tenants pay more than the $250 a month rent charged to the Hospital. The Executive Director said he was not aware of the percentage of tenants that paid more in monthly rent than the Hospital. He said that if he was aware of this, he would have adjusted the Hospital's monthly rent. Since the Hospital uses the units as a hospice that does not benefit low and moderate income tenants, we believe it should, at a minimum, have been charged $350 per month for each unit.

Based on the Authority's maximum rent of $350 per month, we determined that the Authority lost $4,200 in rent between December 1996 and December 1997 from the Bloomington Hospital. Since a lease had not been executed with the beauty shop and the Authority said the shop was intended to benefit low and moderate income tenants, we did not have a basis for what constituted a fair rent. Therefore, we did not calculate the past rent that should have been collected from the beauty shop. Additionally, since the commercial units were not metered, we could not determine how much the Authority paid for the commercial units' utility costs. By not charging commercial tenants for rent and utilities, the Authority missed the opportunity to collect income that could have been used for its Low-Income Housing Program.

Leases Were Not Amended

The Housing Authority did not amend its Low-Income Housing lease forms to include the provisions of the Housing Opportunity Program Extension Act of 1996. The Act was signed into law on March 28, 1996 and contained the One Strike and You're Out policy. The Act provides for termination of tenancy and prohibited admittance for any criminal activity or alcohol abuse in Public Housing.

The Executive Director and the Board of Commissioners were aware of HUD's requirement regarding the amending of the Low-Income Housing lease forms to include the One Strike policy. However, the Executive Director said he delayed amending the lease forms in order to perform priority work regarding the Comprehensive Improvement Assistance Program. As a result, the Housing Authority did not ensure that the tenants' health, safety, and right to peaceful enjoyment was fully protected.

Comprehensive Improvement Assistance Program Funds Were Not Properly Used

The Housing Authority inappropriately used $4,352 in Comprehensive Improvement Assistance Program funds to remodel and furnish a beauty shop. The Authority spent $1,253 in construction rehabilitation, and $3,099 for furniture and mirrors for the beauty shop. The beauty shop was not approved by HUD.

HUD Handbook 7485.3 G, Comprehensive Grant Program Guidebook, page 2-1, says that, with the exception of an emergency, a housing authority should only expend funds on activities identified in the Comprehensive Plan that will reasonably ensure the long-term physical and social viability of the development at a reasonable cost. Eligible and ineligible costs of the Comprehensive Grant Program are the same as under the Comprehensive Improvement Assistance Program.

The Executive Director said HUD was aware of the beauty shop since HUD reviewed the Comprehensive Plans and blueprints. He also said the Plans were submitted to HUD by the architect. However, the beauty shop was not identified in the Comprehensive Plan. The Construction Analyst for HUD's Indiana State Office said HUD did not review the blueprints for eligible activities, but only for compliance with Section 504 of the Disabilities Act. Further, the Program Analyst for HUD's Indiana State Office said HUD would have required a needs assessment of the beauty shop by the Authority prior to approving the use of any Comprehensive Improvement Assistance Program funds. As a result, HUD lacks assurance that the Authority effectively used Comprehensive Improvement Assistance Program funds.

Auditee Comments

Excerpts paraphrased from the Authority’s comments on our draft finding follow. Appendix B contains the complete text of the comments.

The Authority agrees with the finding and recommendations and will ensure HUD’s guidelines and policies are followed.

The Authority will: collect the cost of utilities for all commercial units; reimburse HUD $1,199 for excess subsidy received; reimburse HUD $3,600 from non-Federal funds for the lost rent; negotiate a new lease for $350 per month with the Bloomington Hospital for the two units they are using; submit the beauty shop lease to HUD, and upon reply from HUD reimburse the Low-Income Housing Program for any amount undercharged since April 1997; and reimburse the Comprehensive Improvement Assistance Program $4,352 from non-Federal funds, if a needs assessment does not support the use of Comprehensive Improvement Assistance Program funds for the beauty shop.

The Authority has completed a lease with the Resident Custodian and has proposed Board resolutions that require the Authority to comply with HUD's requirements and the Housing Opportunity Program Extension Act.

OIG Evaluation of Auditee Comments

The actions the Authority has taken and plans should help to correct the problems identified in the finding; however, in addition to passing Board resolutions, the Authority needs to develop procedures to follow HUD's requirements and implement the Housing Opportunity Program Extension Act. The Authority did not provide any documentation to show that a lease has been executed with the Resident Custodian.

Recommendations

We recommend that the Director of the Public Housing Hub in Cleveland assures that the Housing Authority of the Town of Bloomfield:

1A. Collects the cost of utilities on all commercial units.

1B. Reimburses HUD $1,199 from non-Federal funds for the excess subsidy received between December 1996 and December 1997.

1C. Executes a lease with the management of the beauty shop showing the amount of monthly rent and other terms required by HUD.

1D. Executed a lease with its Resident Custodian that showed the amount of the monthly rent and the special duties required to be performed.

1E. Establishes procedures and controls to follow its Public Housing Occupancy Policy and HUD's requirements regarding the execution of commercial and residential leases.

1F. Establishes procedures and controls to follow HUD's requirements, including but not limited to, obtaining written approval from HUD prior to undertaking any actions to convert dwelling units.

1G. Reimburses its Low-Income Housing Program $4,200 from non-Federal funds for the lost rent that occurred between December 1996 and December 1997 on the unit occupied by the Bloomington Hospital.

1H. Increases the rent on the Bloomington Hospital’s units to $350 per unit per month.

1I. Obtains HUD's approval on the rental rate for the beauty shop.

1J. From non-Federal funds, reimburses its Low-Income Housing Program for the amount of rent that should have been collected from the beauty shop between April 1997 and the date a lease is signed.

1K. Amends its Low-Income Housing lease forms to comply with the requirements of the Housing Opportunity Program Extension Act of 1996.

1L. Performs a needs assessment of the beauty shop. If the assessment does not support the use of Comprehensive Improvement Assistance Program funds for the beauty shop's furnishings and rehabilitation, reimburse $4,352 to its Comprehensive Improvement Assistance Program from non-Federal funds.

(THIS PAGE LEFT BLANK INTENTIONALLY)

The Authority Lacked Adequate Cash Controls

The Housing Authority of the Town of Bloomfield did not maintain an effective system of controls over cash management. The Housing Authority did not: (1) adequately segregate the duties of its employees; (2) safeguard cash funds; (3) follow its Internal Monitoring Policy or HUD's requirements regarding cash; and (4) properly maintain records for a checking account. The weaknesses existed because the Authority's Board of Commissioners and its top management did not exercise their responsibilities to implement effective cash management controls, and their failure to do so increased the risk of loss or misuse of funds.

Cash Control Requirements

Controls over cash management comprise the plan of organization, methods, and procedures adopted by management to ensure resources are guarded against waste, loss, and misuse. The important features of an adequate control system are:

- Control should be established early in a transaction and carried through to completion;
- No person should have complete control over all phases of any significant transaction;
- Work should flow from one employee to another without ever returning to an employee; and
- Record keeping should be separate from operations of handling and custody of assets. For example, the bookkeeping function should be separate from the collection and issuance of receipts. An employee who collects and issues receipts for rental payments should not be responsible for recording payments and adjustments to tenant accounts.

Board of Commissioners' Responsibilities

Public housing authority Commissioners have a responsibility to HUD to ensure national housing policies are carried out, and to the Executive Director and staff to provide sound and manageable directives. The Commissioners are accountable to their locality and best serve it by monitoring operations to be certain that housing programs are carried out in an efficient and economical manner.

The Authority Did Not Adequately Segregate Employees' Duties

The Housing Authority did not properly segregate employees' duties concerning cash receipts and disbursements. The Authority's former Office Assistant performed various activities without adequate internal checks and balances. Therefore, the Authority unnecessarily increased its susceptibility to program abuses. Although the Authority only had four full-time employees, four employees was an adequate number to segregate duties so that no one individual had complete control of a transaction.

The Authority's former Office Assistant collected and issued receipts for in-person rental payments; posted payments and adjustments to the tenants' accounts; and prepared bank deposits. Thus, the former Assistant effectively had complete control over all phases of the rent collection process and the record keeping. **Although we did not find that the former Office Assistant took advantage of the opportunity to divert rent collections,** the opportunity existed to do so.

The former Office Assistant also prepared payments to contractors for the Authority's Comprehensive Improvement Assistance Program. Once an invoice was received, the former Assistant prepared a check for the signature of the Chairman of the Board and the Executive Director. After the check was signed, it was returned to the former Assistant for payment. Consequently, the former Office Assistant could have diverted the payment without detection. **We did not find that the Assistant took advantage of the opportunity to divert the Authority's assets.**

The Authority Did Not Safeguard Cash Funds

The Housing Authority did not safeguard its cash funds. The Authority did not maintain a current General Depository Agreement with its bank, only required one signature to withdraw funds from the High Rise Social account, and did not limit access to cash collections and the petty cash fund. Depository Agreements, requiring at least two signatures to withdraw cash from the Authority's bank accounts, and limiting employees access to cash help protect funds against unauthorized use.

The Authority did not maintain a current General Depository Agreement with its financial institution. The previous Agreement expired on December 1, 1996. Section 9(A) of the Annual Contributions Contract requires the Housing Authority to have a General Depository Agreement. The Executive

Director said he was not aware that the Agreement had expired. He said the Housing Authority would execute a new Depository Agreement with its bank.

The Authority's High Rise Social account only required one signature to withdraw funds. **Although we did not find that any funds had been inappropriately withdrawn**, two signatures should be required on each check to help ensure withdrawals are authorized and necessary.

The Authority did not limit employees’ access to cash collections and the petty cash fund. All of the Authority's staff had access to cash collected from the laundry machines, and the petty cash fund. The funds were maintained at the Authority's office. Cash collections were kept in an unlocked box and the petty cash fund was kept in a filing cabinet that was unlocked during the business day. The Authority did not have a petty cash custodian. As a result, the Authority created a situation where funds could have been diverted without detection. **We did not find that the Authority's employees took advantage of the opportunity to divert project funds.**

The Authority Did Not Follow Adequate Cash Controls

The Housing Authority did not follow its Internal Monitoring Policy and HUD's requirements over cash. The Monitoring Policy says cash collections should be reconciled daily; cash collections should be deposited in the bank intact; disbursements should never be made from cash receipts; and the Chairman of the Board or the Executive Director should make periodic audits of cash collections. HUD Handbook 7511.1, Low-Rent Housing Guide, Chapter 3, Section 1, page 4, also states that cash receipts should be deposited in the bank intact and disbursements should never be made from cash receipts.

The Housing Authority's Assistant Executive Director and the former Office Assistant said cash was not reconciled daily, and the Chairman of the Board or Executive Director never audited cash collections. We found the Authority did not deposit cash collected from the laundry machines intact. The Authority kept some of the cash from the laundry machines to make change for tenants and to cash tenants' personal checks. Further, no one from the Housing Authority was present when company representatives and telephone company personnel collected and counted cash from the Authority's vending machines and pay telephone. Since no one from the Authority was present when cash was collected and counted, the Authority lacks assurance as to the accuracy of the amount it received. The Executive Director said, since the Housing Authority is small, he did not believe any cash-related problems existed. However, HUD's requirements over cash should be enforced to help reduce the potential for cash related problems. The Executive Director said the Authority would start following its Monitoring Policy and HUD's requirements for cash collections.

Checking Account Records Were Not Adequate

The Housing Authority did not properly maintain records for its High Rise Social checking account. Specifically, the Authority did not: (1) maintain adequate records identifying the source of the proceeds deposited into the checking account; and (2) report the account on its general ledger and audited financial statements to HUD.

Section 9(B) of the Annual Contributions Contract says all monies and investment securities received by or held for the account of the Housing Authority in connection with the development, operation and improvement of its projects constitute the General Fund. Section 9(C) of the Contract says the Authority will maintain records that identify the source and application of funds in such a manner as to allow HUD to determine that all funds are and have been expended in accordance with each specific program regulation and requirement. The Authority may withdraw funds from the General Fund only for: (1) the payment of the costs of development and operation of the projects; and (2) the purchase of investment securities as approved by HUD.

Further, Section 15(A) of the Annual Contributions Contract states that the Authority must maintain complete and accurate books of account for the projects. Section 15(B) of the Contract says the Authority must furnish financial and project reports as required by HUD.

The Authority did not maintain adequate records identifying the source of the proceeds in its High Rise Social checking account. The Authority established the account in 1980. The Assistant Executive Director said proceeds for the account came from donations by tenants and private organizations such as the local Lions Club, and receipts from the Authority's vending machines. However, the Authority did not maintain adequate records to identify the source of the proceeds in the account. Without adequate records identifying the source of funds in the High Rise Social account, HUD lacks the ability to determine whether proceeds were used for reasonable and necessary project expenses. The account was used to pay for such items as flowers for sick tenants, resident dinner parties, and holiday decorations. The use of the funds for these purposes would be appropriate if the source of funds was not from the Authority's operations.

The Authority did not report the High Rise Social account on its general ledger and audited financial statements to HUD. As of January 5, 1998, the account had a balance of over $1,800. The Executive Director said he was not aware that the account was not properly reported. As a result, the Authority created a situation where funds could have been diverted without detection. **We did not find that any funds were diverted**; however, since the source of funds was not identified, we could not verify that the use of the funds was reasonable and necessary.

Auditee Comments

Excerpts paraphrased from the Authority's comments on our draft finding follow. Appendix B contains the complete text of the comments.

The Authority will segregate duties. Diana Imes will receive collections and issue receipts. Pat Byers will record payments and adjustments to tenant accounts. Diana Imes will prepare bank deposit slips and Lavon Yoho will check and approve them. Deposits will be made by Pat Byers. For the Comprehensive Improvement Assistance Program, Diana Imes will receive invoices and prepare checks for the Chairman of the Board and the Executive Director's signatures. Pat Byers will mail completed documents.

A new Depository Agreement was completed on February 4, 1998.

Two signatures are now required on the High Rise Social Fund account. We are in the process of determining what funds belong to the Authority and will deposit the monies in the General Fund.

Diana Imes will be the petty cash custodian.

The Chairman of the Board or the Executive Director will make periodic audits of cash collections. The Authority will operate under HUD Handbook 7511.1, Low Rent Housing Guide, Chapter 3, Section 1.

Money collected from the laundry is now deposited intact. Funds from company vending machines will be counted, correctly reported, and deposited intact.

Records of deposits and receipts for the High Rise Social account are current from 1980 to date. The funds received are from donations and were used for various functions for the tenants. All such funds will be reported according to Section 9(B) of the Annual Contribution Contract.

OIG Evaluation of Auditee Comments

The Authority has taken or plans actions that should correct the problems identified in the finding; however, the Authority needs to establish procedures and controls to ensure the actions taken or planned are enforced in the future. Only monies in the High Rise Social Fund that came from HUD's resources need to be deposited in the General Fund.

Recommendations

We recommend that the Director of the Public Housing Hub in Cleveland assures the Housing Authority of the Town of Bloomfield:

2A. Segregated the duties of its employees to the extent practical. No employee should have complete control over a significant transaction. The duties should be segregated to provide checks and balances on all work.

2B. Establishes procedures and controls to: (1) maintain a current General Depository Agreement with its financial institution; (2) require two signatures to withdraw cash from the High Rise Social account; (3) appoint a custodian for the petty cash fund; and (4) restrict employees' access to cash collections and petty cash.

2C . Establishes procedures and controls to follow its Internal Monitoring Policy and HUD's requirements regarding cash including, but not limited to: (1) reconciling collections daily; (2) assigning an Authority employee to participate in collecting and counting funds from vending machines and the pay telephone; (3) depositing collections intact; (4) stopping disbursements from cash receipts; and (5) conducting periodic audits of collections.

2D. Deposits the proceeds from the High Rise Social checking account into the General Fund, unless the Authority can support that the source of the funds was not from the Authority's operations.

2E. Deposits all proceeds from the Authority's operations into the General Fund.

2F. Reports the High Rise Social account on the Authority's general ledger and audited financial statements to HUD.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Conflicts Of Interest Were Not Disclosed

The Housing Authority of the Town of Bloomfield did not follow its Procurement Policy, HUD's requirements, and the State of Indiana's Code regarding conflicts of interest. The Housing Authority did not: (1) disclose conflicts of interest to the public via Board meeting minutes; (2) obtain a waiver from HUD for conflicts of interest; and (3) require its contractors to insert a provision prohibiting conflicts of interest in each subcontract. The Executive Director was not aware of HUD's or the State of Indiana's requirements regarding conflicts of interest and did not understand the importance of the Authority's conflict of interest requirements. Rules that require the avoidance and reporting of conflicts of interest are necessary to eliminate situations that could easily result in the misuse of funds, impede free and open competition, and reduce public confidence in the Authority.

HUD's Requirements

Section 515(A) of the Annual Contributions Contract states in part that the Local Authority shall not enter into any contract, subcontract, or arrangement, in connection with any Project or any property included or planned to be included in any Project, in which any employee or officer of the Local Authority who exercises any responsibilities or functions with respect to the Project during his/her tenure or for one year thereafter has any interest, direct or indirect. If any employee or officer involuntarily acquires such an interest, and the interest is immediately disclosed to the Local Authority and disclosure is entered upon the minutes of the Local Authority, the Local Authority, with prior approval of the Government may waive the prohibition contained in the subsection: Provided, the employee or officer of the Local Authority does not participate in any action by the Authority relating to the contract, subcontract, or arrangement.

HUD Handbook 7460.8 REV-1, Procurement Handbook for Public Housing Agencies and Indian Housing Authorities, page 6-7, says clauses that should be included in housing authority contracts are described in Appendix 28. Appendix 28 of the Handbook, paragraph 9(d), states in part that a housing authority will require its contractors to include in each subcontract and consulting agreement provisions to eliminate or neutralize conflicts of interest.

Housing Authority's Requirements

The Housing Authority's Procurement Policy dated March 31, 1992, page 15, says that no employee, officer or agent of the Authority shall participate directly or indirectly in the selection, award, or the administration of any contract if a conflict, real or apparent, would be involved. Such a conflict would arise when a financial or other interest in a firm selected for award is held by: (1) an employee, officer or agent involved in making the award; and (2) his/her relatives which include brothers-in-law.

State of Indiana's Requirements

The Indiana Code, Title 36, Chapter 18, Section 11(a)(3), states in part that a commissioner or employee of a housing authority may not acquire or have any direct or indirect interest in a contract or proposed contract for materials or services to be furnished or used in connection with any housing project. Further, Section 11(c) of the Code says if a commissioner or an employee of a housing authority owns or controls a direct or an indirect interest in any property included or planned to be included in a housing project, he/she shall immediately disclose the interest in writing to the authority. The disclosure shall be entered upon the minutes of the authority. Failure to disclose such an interest constitutes misconduct in office.

Conflict of Interest Requirements Were Not Followed

The Housing Authority did not follow its Procurement Policy, HUD's requirements, or the State of Indiana's Code regarding conflicts of interest. Specifically, the Housing Authority did not: (1) disclose conflicts of interest to the public via Board meeting minutes; (2) obtain a waiver from HUD for conflicts of interest; and (3) require its contractors to insert a provision prohibiting conflicts of interest in each subcontract.

Conflicts of interest existed with the Assistant Executive Director's brother-in-law and spouse, both of whom were contractors for the Housing Authority. The Assistant Director's brother-in-law is the owner of Byers Electric, Heating and Cooling. The spouse of the Assistant Executive Director owns DB Electric and Byers Trucking.

On May 2, 1996, the Authority awarded Byers Electric, Heating and Cooling a contract for $229,854. The contract related to electrical work on phase II of the high rise renovation project funded by the Comprehensive Improvement Assistance Program. The Housing Authority used a competitive process to award the contract. Byers Electric, Heating and Cooling was the lowest responsible bidder; however, the conflict was not disclosed in the Board meeting minutes and a request for a waiver was not submitted to HUD. Based on the Authority's architect's estimate and the other bid received, we determined $229,854 was a reasonable cost for the work.

The Housing Authority also used Byers Electric, Heating and Cooling for three small purchases totaling $2,629. The purchases were made between March 1994 and November 1997, related to electrical work, and did not require a contract. The conflict of interest was not disclosed in the Board meeting minutes and no waivers were requested. We determined two of the purchases were reasonable; however, the Authority had no documentation to show the reasonableness or necessity of the third purchase for $860 from the Low-Income Housing Program.

The Housing Authority paid DB Electric and Byers Trucking a total of $6,374 between February 1994 and July 1997. Electrical services at the Housing Authority's family project accounted for $3,761 of the $6,374, and small jobs ranging between $37 to $450 accounted for the rest ($2,613). Again, the conflict was not disclosed in Board meeting minutes and no waivers were requested from HUD. The work at the family project totaling $3,761 was a result of a proposal requested by the Authority's architect. However, there was no documentation to support the reasonableness of the payment made from the Comprehensive Improvement Assistance Program.

The Housing Authority did not require its contractors to insert a provision prohibiting conflicts of interest in each subcontract. We reviewed four contracts awarded by the Housing Authority between February 1994 and May 1997. None of the contracts contained the required conflict of interest provision. The provision is intended to eliminate or neutralize any potential conflict of interest.

The Executive Director said he was not aware of HUD's or the State of Indiana's requirements regarding conflicts of interest. He said he was aware of the Housing Authority's Procurement Policy regarding conflicts of interests; however, he believed the Authority paid a reasonable price for the materials and services received. Conflict of interest requirements were created to eliminate the potential for misuse of funds and the appearance of favoritism. Because of the relationships between the Assistant Executive Director and several contractors, there was an appearance of favoritism. Additionally, HUD lacks assurance all funds were used for reasonable and necessary expenses. There were no records to support the reasonableness and necessity for $4,621 expended on two purchases involving identity of interests.

Auditee Comments

Excerpts paraphrased from the Authority's comments on our draft finding follow. Appendix B contains the complete text of the comments.

Future contracts will comply with the Annual Contribution Contract, HUD Handbook 7460.8, The Procurement Handbook for Public Housing Agencies, and the procurement standards in 24 CFR Part 85.36. The Housing Authority requires its contractors to publicly disclose conflicts of interest in the minutes of the Board of Commissioners meetings.

In the future, the Authority will not contract with Byers Electric, Heating and Cooling, D.B. Electric, and Byers Trucking unless HUD's approval is requested and confirmation obtained.

The $860 payment to Byers Electric, Heating and Cooling was for an emergency. The Authority believes the costs charged were reasonable. The Authority's architect believes the $3,761 charged by D.B. Electric for work on the family housing project was reasonable.

OIG Evaluation of Auditee Comments

If the Authority follows through on its plan to comply with all requirements for future contracts, it will reduce the procurement problems we identified. However, the Authority also needs to ensure it complies with all requirements for procurement actions that do not require a contract.

Our review determined that the Authority did not have adequate procedures to publicly disclose conflicts of interest in its Board meeting minutes.

Although the Authority believes the $860 payment to Byers Electric, Heating and Cooling and the $3,761 payment to DB Electric were reasonable, it did not provide documentation to show how it arrived at that determination. The purchases were not competitive and no cost estimates were prepared.

Recommendations

We recommend that the Director of the Public Housing Hub in Cleveland assures that the Housing Authority of the Town of Bloomfield:

3A. Establishes and implements procedures and controls to publicly disclose conflicts of interest via Board meeting minutes.

3B. Discontinues any future purchases and contracts with Byers Electric, Heating and Cooling, DB Electric, and Byers Trucking unless HUD's approval is requested and obtained.

3C. Provides documentation to support the reasonableness of the $860 payment to Byers Electric, Heating and Cooling and the $3,761 payment to DB Electric; or reimburses the appropriate Programs for the amounts that cannot be supported.

3D. Establishes and implements procedures and controls to ensure that the Housing Authority requires its contractors to insert a provision prohibiting conflicts of interest in each subcontract.

(THIS PAGE LEFT BLANK INTENTIONALLY)

The Authority Lacked A Cost Allocation Plan

The Housing Authority of the Town of Bloomfield did not have a plan to allocate indirect costs among its programs. The Housing Authority allocated all employees' salary costs and non-salary costs, with the exception of phone costs, to the Low-Income Housing Program. Twenty dollars of phone costs per month were arbitrarily charged to the Section 8 Program. The Low-Income Housing Program was not reimbursed by the other programs. While the Housing Authority was cited by HUD during its July 1997 review for failing to establish a cost allocation plan, the Authority had not established a plan since they were concentrating on correcting other issues cited in the review. As a result, the Housing Authority's Low-Income Housing Program was overcharged and HUD lacks proper visibility over the cost of its programs.

HUD's Requirements

24 CFR Part 85.22(b) requires State, local, and Indian tribal governments to follow Office of Management and Budget Circular A-87, Cost Principles for State and local governments. According to 24 CFR Part 85.3, a local government includes any public housing agency.

Office of Management And Budget Circular Requirements

Office of Management and Budget Circular A-87, Attachment C, says State, local, and Federally-recognized Indian tribal governments shall establish a process to assign costs to benefited activities on a reasonable and consistent basis. The cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that support the propriety of the costs assigned to Federal awards.

A Cost Allocation Plan Was Not Established

The Housing Authority lacked a plan to allocate indirect costs to its programs. The Authority operates three HUD programs. The programs are Low-Income Housing, Section 8, and Comprehensive Improvement Assistance. The Housing Authority allocated all of its employees' salaries to the Low-Income Housing Program even though employees spent time related to the Authority's other programs. Additionally, the Authority applied all of its non-salary indirect costs to the Low-Income Housing Program with the exception of $20 dollars per month that was arbitrarily charged to the Section 8 Program. According to Office of Budget and Management Circular A-87, housing authorities must establish a cost allocation plan to allocate indirect costs. As a result, the Authority did not have an accurate accounting for the cost of its programs.

For example, we selected three Housing Authority employees to determine the time they spent related to the various programs in 1997. The three employees were the Executive Director, Assistant Executive Director, and the Resident Custodian. The Executive Director estimated he spent 50 percent of his time on the Comprehensive Improvement Assistance Program, 47 percent on Low-Income Housing, and three percent on the Section 8 Program. The Assistant Executive Director estimated she spent about 75 to 85 percent of her time on Section 8, with the remaining 15 to 25 percent on the Low-Income Housing Program. Finally, the Resident Custodian estimated he spent 95 percent of his time on Low-Income Housing and five percent on the Comprehensive Improvement Assistance Program.

The Authority incurred non-salary costs for insurance, utilities, and trash collection for its administrative office. As previously mentioned, all of the costs were charged to Low-Income Housing with the exception of $20 per month in phone costs. The Section 8 and the Comprehensive Improvement Assistance Programs share the same office space with the Low-Income Housing Program. Since the Section 8 and the Comprehensive Improvement Assistance Programs benefit from the office space, they are required to bear their share of the costs.

The Housing Authority was cited by HUD's Indiana State Office of Public Housing during its July 1997 review for failing to establish a cost allocation plan. HUD's finding has not been closed. The Assistant Executive Director said she was unsure of how to develop a cost allocation plan. The Housing Authority had not requested assistance from HUD in establishing a cost allocation plan because the Authority was first concentrating on addressing other issues cited in HUD's 1997 review. We provided the Housing Authority with a copy of Office of Management and Budget Circular A-87. The Circular provides guidance on developing cost allocation plans. The Assistant Executive Director said the Housing Authority can have an acceptable plan by June 30, 1998.

Auditee Comments

Excerpts paraphrased from the Authority's comments on our draft finding follow. Appendix B contains the complete text of the comments.

The Authority requested a plan for cost allocation from its fee accountant. On February 23, 1998, Hawkins, Ash, Baptie & Company was asked for recommendations to correct the allocation of funds between Low Income and Section 8 Programs.

OIG Evaluation of Auditee Comments

After the Authority has developed a cost allocation plan, it needs to reimburse the Low Income Housing Program for any excessive costs charged during 1997.

Recommendations

We recommend that the Director of the Public Housing Hub in Cleveland assures the Housing Authority of the Town of Bloomfield:

4A. Develops a cost allocation plan in accordance with Office Management and Budget Circular A-87 by June 30, 1998.

4B. Reimburses the Low Income Housing Program for any excessive costs charged during 1997 once the cost allocation plan is developed.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Follow Up On Prior Audits

The was the first Office of Inspector General audit of the Housing Authority. The latest single audit for the Housing Authority covered the fiscal year ended December 31, 1995. The report contained three findings. None of the three findings are repeated in this report.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Schedule Of Questioned Costs

Recommendation Number	Type of Questioned Costs	
	Ineligible 1/	Unsupported 2/
1B	$1,199	
1G	4,200	
1L		$4,352
3C		4,621
Total	$5,399	$8,973

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 charged to a HUD-financed or insured program or activity and 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 cost. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Auditee Comments

HOUSING AUTHORITY of the TOWN of BLOOMFIELD, INDIANA
100 WEST MAIN STREET, BOX 801
BLOOMFIELD, INDIANA 47424
PHONE (812) 384-8866 - FAX (812) 384-8010

April 10, 1998

Heath Wolfe, Senior Auditor
Dept. Housing and Urban Development
Office of Inspector General
200 North High Street, Room 334
Columbus, OH 43215

Dear Mr. Wolfe,

In response to your letter dated March 26, 1998, with regards to the final audit findings, I am submitting our reply for your review. Also, I agree with your audit findings and assure the Office of the Inspector General that the finding will be corrected to meet H.U.D. guidelines and policies.

Sincerely,

Lavon Yoho
Executive Director

Enclosure

THE HOUSING AUTHORITY DID NOT EFFECTIVELY MANAGE ITS UNITS

H.U.D. Requirements

The Bloomfield Housing Authority will adhere to H.U.D. Handbook 7486.1, the Public Housing Demolition, Disposition and Conversion Handbook. Also, as stated in H.U.D. Handbook 7510.1, Low-Rent Housing Accounting Handbook, Chapter 3, Section 12.

Resolution No. 98-4 has been submitted to H.U.D. for review for PIH Notice 96-27 for addendum on Administrative Plan and Admission and Continued Occupancy Polilcy.

The Bloomfield Housing Authority agrees to the following recommendations:

A. Collect the cost of utilities on all commercial units determined by average usage from project furnished utilities report.

B. Reimburse H.U.D. $1,199 for excess subsidy received between December 1996 And December 1997.

C. Lease with Beauty Shop was effective March 1, 1997. As per Board of Commissioner's recommendation of 15% of gross sales is paid to B.H.A. A copy of said contract will be sent to H.U.D. for approval.

D. Lease with Resident Custodian was completed. The Resident Custodian lease states $100 per month for rent. The Resident Custodian is subject to call 24 hours a day. He responds to any and all emergencies.

E. As per Resolution 98-8
The Public Housing Low Rent Accounting Handbook (7510.1)

F. As per Resolution 98-9
The Public Housing Demolition Disposition and Conversion Policy (7486.1)

G. Reimburse public housing program $3600 from non-federal funds for lost rent from Bloomington Hospital between December 1996 and December 1997.

H. The present lease will expire on December 31, 1998. A thirty day notice is required by both parties on any change in lease. With Board of Commissioners approval, a recommendation to negotiate a new lease effective July 1, 1998 for $350 per unit.

1. A copy of lease has been submitted to H.U.D. for Beauty Shop for review on rental rate.

J. Upon reply from H.U.D. with regard to rental rate, the Housing Authority will reimburse the public housing program.

K. Resolution 98-4 was sent to H.U.D. for review and approval. Housing 0pportunity Extension Act of 1996.

L. A needs assessment for the Beauty Shop will be conducted to show support by the tenants and feasibility for the service the Beauty Shop performs for our tenants. When completed, if the assessment does not support the use of Comprehensive Improvement Assistant Program, the Housing Authority will reimburse 4352 to its C.I.A.P. from non-federal funds.

BLOOMFIELD HOUSING AUTHORITY RESOLUTION 98-4

ADDENDUM to both Administrative Plan and the Admission and Continued Occupancy Policy.

WHEREAS, the Board of Commissioners of the Bloomfield Housing Authority is charged with establishing policies and overseeing the fiscal administration and accounting practices of the Authority and,

THEREFORE, are adopting this policy to be added to the Administrative Plan and the Admission and Continued Occupancy Policy.

POLICY, is to prohibit the admission to the Section 8 or Public Housing programs, any person who is illegally using a controlled substance, the ineligibility if evicted for drug-related activity and terminating assistance to illegal drug users and alcohol abusers.

A. Screening out illegal drug users and alcohol abusers.
The BHA has established standards that prohibit the admission to Section 8 or Public Housing programs of any person who the BHA determines is illegally using a controlled substance.

The BHA has established policies and procedures that prohibit admitting any person in cases where the BHA determines that there is reasonable cause to believe that the person abuses alcohol in a way that may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

BHA may waive the policies prohibiting admission in these circumstances if the person is no longer engaging in illegal use of a controlled substance or abuse of alcohol and has successfully completed a supervised drug or alcohol rehabilitation program.

B. Ineligibility if evicted for drug related activity.
Drug-related criminal activity is the illegal manufacture, sale, distribution, use or possession with intent to manufacture, sell, distribute or use a controlled substance. Persons evicted from any Public Housing or Section 8 programs because of drug-related criminal activity are ineligible for admission to either Public Housing or the Section 8 program for a three year period beginning on the date of such eviction.

The BHA may waive this requirement if:
The person demonstrates successful completion of a rehabilitation program approved by the BHA, or the circumstances leading to the eviction no longer exist. For example, the individual involved in drugs is no longer in the household because the person is incarcerated.

C. Terminating assistance to illegal drug users and alcohol abusers.
The BHA has established standards that allow for the termination of Section 8 assistance or termination of the tenancy of any person who the BHA determines is illegally using a controlled substance.

The BHA may terminate Section 8 assistance or terminate tenancy of any person if the BHA determines that the person's abuse of alcohol interferes with the health, safety or right to peaceful enjoyment of the premises by other residents.

D. Lease Provision
Public Housing lease forms and Section 8 dwelling lease must be amended to provide that the following activities by a resident or participant are grounds for termination of tenancy or assistance.

Drug related criminal activity on or off the premises, not just on or near the premises, and alcohol abuse that the BHA determines interferes with the health, safety or right to peaceful enjoyment of the premises by other residents.

In amending the lease form, the BHA has provided the tenants with notice and opportunity to comment, according to the provision in 24 CFR 966.3. The modification may be either in the body of the lease or in a lease addendum. Tenants must be required to execute the new lease / addendum no later than their next re-examination.

E. Grievance Procedures
Instates where HUD has determined that a court provides the elements of due process, the BHA will bypass the grievance procedure in cases involving termination of tenancy for any activity, not just on or near such premises.

F. Availability of Criminal Records
The law states that, not withstanding any other provision of law, the National Crime Information Center, Police Departments, and other law enforcement agencies shall, upon request, provide the BHA information regarding the criminal conviction records of adult applicants for, or tenants of Public Housing for purposes of applicant screening, lease enforcement and eviction.

This information must be provided for persons 18 years of age or older, or for those convicted of a crime as an adult.

The provision of this paragraph (27) pre-empt any contrary provision in state, local or tribal laws, and prevail over any contrary federal requirement. These provisions do not pre-empt or limit any laws or Authority that permit broader access to records.

On request, the BHA must be provided the same information for juveniles, on to the extent that the release of such information is authorized by state, local or tribal law.

While not addressed by the statute, the BHA must pay reasonable fees charged by law enforcement agencies that provide the information. The applicant or tenant may not be charged.

The BHA has established a system to ensure that any criminal record received be maintained confidentially, not misused or improperly disseminated, and destroyed once the purpose for which was requested is accomplished.

Before the BHA takes adverse action based on a criminal conviction record, the BHA must provide the applicant or tenant with a copy of the criminal record and an opportunity to dispute the accuracy or relevancy of the record, the opportunity to dispute the record can be at an informal hearing for rejected applicants or at the court hearing in the case of evictions.

G. Nondiscrimination
Nothing in this RESOLUTION relieves the BHA from complying with federal requirements prohibiting unlawful discrimination. In particular, in implementing the provisions described in this notice, the BHA must abide by federal laws prohibiting discrimination on the basis of race, religion, sex color, national origin, age, disability and family status.

BLOOMFIELD HOUSING AUTHORITY RESOLUTION 98-4

The BHA must apply its procedures objectively in dealing with both applicants and participants. Only and individual's particular behavior may be considered, not traits that might be attributed to a specific group or category of people. The BHA should carefully document the rationale for their decisions.

SAID RESOLUTION is hereby adopted on motion duly made, seconded and carried, and is a part of the official records in the minutes of the Board of Commissioners of said Authority on this day of 1998.

IN WITNESS WHEREOF, we have hereunto set our hands as Commission Members of the Housing Authority of the Town of Bloomfield, on this day of 1998.

James Miller, Chairman

Reba Street, Vice Chairman

Lowell Sparks, Member

James Pearson, Member

John Allen, Member

BLOOMFIELD HOUSING AUTHORITY RESOLUTION 98-8

The Public Housing Low Rent Accounting Handbook (7510.1)

Non-Dwelling Rental

This account shall be credited with the rent, including charges for utilities and equipment billed to lessee of non-dwelling facilities and of dwelling units rented for non-dwelling purposes. This account shall not be credited with charge to other projects or programs for central office management and maintenance space.

SAID RESOLUTION is hereby adopted on motion duly made, seconded and carried, and is a part of the official records in the minutes of the Board of Commissioners of said Authority on this day of 1998.

IN WITNESS WHEREOF, we have hereunto set our hands as Commission Members of the Housing Authority of the Town of Bloomfield, on this day of 1998.

James Miller, Chairman

Reba Street, Vice Chairman

Lowell Sparks, Member

James Pearson, Member

John Allen, Member

BLOOMFIELD HOUSING AUTHORITY RESOLUTION 98-9

The Public Housing Demolition, Disposition and Conversion Policy, (7486.1)

Written approval by H.U.D. shall be required before the BHA may undertake any conversion action. To request such approval, the BHA shall submit a request to the field office for guidance on the essential elements of the request. The PHA may cross-reference its C.I.A.P. application for supporting documentation. The request shall include the following documentation.

A. A description of the property involves, including the following pertinent data:

1 Project name and number.

2 The total number of units in the project and the specific units and buildings for which conversion is proposed.

3. The age of the project from the day of full availability.

4. Where appropriate, rehabilitation estimates, maintenance reports and other supporting documentation.

SAID RESOLUTION is hereby adopted on motion duly made, seconded and carried, and is a part of the official records in the minutes of the Board of Commissioners of said Authority on this day of 1998.

IN WITNESS WHEREOF, we have hereunto set our hands as Commission Members of the Housing Authority of the Town of Bloomfield, on this day of 1998.

James Miller, Chairman

Reba Street, Vice Chairman

Lowell Sparks, Member

James Pearson, Member

John Allen, Member

Housing Authority of Town of Bloomfield
100 West Main Box 801
Bloomfield, IN 47424
Phone (812) 384-8866 Fax 384-8010

March 9, 1998

Dept. of Housing and Urban Development
Heath Wolfe, Senior Auditor
Office of Inspector General
200 North High Street, Room 334
Columbus, OH 43215

Dear Mr. Wolfe,

I am responding to your second draft audit findings dated March 2, 1998.

The Authority lacked adequate cash management controls.

1. Segregation of duties for employees.

   A. Diana Imes will receive collections and issue receipts. Pat Byers will record payment and adjustments to tenant accounts. Bank deposit slips will be made by Diana Imes and checked and approved by Lavon Yoho. Deposit will be made at bank by Pat Byers. In the absence of an employee, the remaining employees will segregate duties.

   B. The Comprehensive, Improvement Assistance Program
   Diana Imes receives billing invoices and prepares check for signatures of James Miller, Chairman of the Board, and Lavon Yoho, Executive Director. When completed, Pat Byers will mail to proper receipient.

The Authority did not safeguard cash funds.

1. The general depository expired December 1, 1996. Upon information received of the expiration, a new depository agreement was completed on February 4, 1998. A new depository will be requested before due date.

2. Hi-rise Social Fund account

   A. As per your request, two signatures are required on this account. Also, we are in the process of establishing what disbursement of this fund belongs to the Authority. When completed, the Authority's money will be deposited in the General Fund.

3. Petty Cash

   A. The petty cash fund was increased from $25.00 to $50.00. By increasing this fund, the cash collections has been eliminated. Also, the petty cash will be under the control of Diana Imes, the petty cash Custodian.

The Authority did not follow adequate cash controls.

1. The Housing Authority’s internal monitoring policy states that cash collections should be reconciled daily, deposited in the bank intact and disbursements should never be made from cash receipts. Also, the Chairman or Executive Director will make periodic audits of cash collections. The Housing Authority will operate under HUD Handbook 7511.1, Low Rent Housing Guide, Chapter 3, Section 1.

2. Money collected from laundry is now deposited intact. Money from company vending machines will be counted and and correctly reported and deposited intact.

Checking account records were not adequate.

1. Records of deposits and receipts for the Hi-rise Social account are current from 1980 to date. The funds received are from donations and are used for various functions for the tenants. Any disbursement made was for items for the Improvement of service for the tenants. All such funds will be reported as per Section 9B of the Annual Contributions Contract.

Conclusion

The Bloomfield Housing Authority will abide by our Internal Monitoring Policy and HUD Handbook 7511.1, Low Rent Housing Guide, Chapter 3, Section 1.

If you have any questions or require further information, please contact me.

Yours truly,

Levon Yoho
Executive Director

HOUSING AUTHORITY of the TOWN of BLOOMFIFLD, INDIANA
100 WEST MAIN STREET, BOX 801
BLOOMFIELD, INDIANA 47424
PHONE (812) 384-8866 " FAX (812) 384-8010

March 24, 1988

Heath Wolfe, Senior Auditor
Department of Housing and Urban Development
Office of Inspector General
200 North High Street Room 334
Columbus, OH 43215

Dear Mr. Wolfe,

I am responding to our third draft finding dated March 10, 1998.

CONFLICTS OF INTEREST WERE NOT DISCLOSED

A. Any future contracts will be conducted by the Procurement Policy that complies with HUD's Annual Contribution Contract, HUD Handbook 7460.8, Procurement Handbook for Public Housing Agencies, and the Procurement Standards of 24 CFR 85.36. Also, the Housing Authority requires its contractors to publicly disclose conflicts of interest in the minutes of the Board of Commissioners meetings.

B. The Housing Authority has discontinued any future contracts and purchases with Byers Electric, Heating and Cooling, D.B. Electric, and Byers Trucking unless HUD approval is requested and confirmation is obtained,

C. Byers electric, Heating and Cooling total cost $860.25.
On March 10, 1994 at approximately 10:30 p.m. I received a call from Gerald Hamlin, our Resident Custodian, regarding a power outage. Upon arrival it was determined that a breaker and box had blown. This caused power failure for the air handler circuit and system. Due to the emergency that existed, the repair needed to be made. I decided to call Byers Electric at 7:30 a.m. the following morning. Mr. Byers stated he would call Valley Electric at Vincennes to check on inventory for a breaker. After calling, he drove to Vincennes to get breaker switch item (QMB323 ID 100A). Upon his return, the breaker switch was installed. When the power was switched on we discovered the motor for our air handler system evidently had overheated and was not operating. Mr. Byers and Gerald Hamlin checked and found the motor was destroyed. Mr. Byers drove to Bloomington to get a motor (M3157T Balton) and returned to install it.

I have attached his bill for the switch, the motor, his cost and markup, and labor. Due to the emergency that existed for this repair, I feel the cost was reasonable.

D.B. Electric work performed on electric contract for $3761.00.

I have reviewed from invoices furnished by Mr. Byers on material used for the Family Housing Project.

Also, I have attached a letter dated February 6, 1998 from Mr. Larry W. Donovan, our architect and engineer for this contract. Mr. Donovan explained the request for bidders for electrical work for Contract number 4. No bids were received at the September 6, 1995 bid awards. As stated in his letter after no bids were received, he proceeded to get proposals for other contractors. As stated in the attached letter, he received only one bid. This bid was from D.B. Electric for $3761.00. After meeting with Mr. Donovan, we discussed his estimated cost for this contract. We agreed to proceed with the D.B. Electric bid for this project. In Mr. Donovan's opinion, the bid was reasonable.

In conclusion, I agreed to the third draft finding and assure you, as stated in this response, that the conflict of interest will be corrected.

Respectfully Submitted,

Lavon Yaho
Executive Director

HOUSING AUTHORITY of the TOWN of BLOOMFIELD, INDIANA
100 WEST MAIN STREET, BOX 801
BLOOMFIELD, INDIANA 47424
PHONE (812) 394-8866 * FAX (812) 384-8010

March 4, 1998

Heath Wolfe, Senior Auditor
Dept. Housing and Urban Development
Office of Inspector General
200 North High Street Room 334
Columbus, OH 43215

Dear Mr. Wolfe,

In response to your letter dated February 19, 1998, with regards to an audit finding for cost allocations, I have requested a plan for cost allocation from our fee accountant.

I contacted Audrie Neal of Hawkins, Ash, Baptie & Co. on February 23, 1998 and asked for recommendation to correct the allocation of funds between Low Income and Section 8 Programs.

I will forward this information when we receive it from our accountant.

Sincerely,

Lavon Yoho
Executive Director

(THIS PAGE LEFT BLANK INTENTIONALLY)

Distribution

Acting Secretary's Representative, Midwest
Senior Community Builder, Indiana State Office (2)
Director of Public Housing Hub, Cleveland Area Office (2)
Director of Public Housing Program Center, Indiana State Office (2)
Director of Field Accounting, Midwest
Deputy Secretary, SD
Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)
Deputy Assistant Secretary for Public Affairs, W (Room 10220)
Chief of Staff, S (Room 10000)
Counselor to the Secretary, S (Room 10234)
Senior Advisor to the Secretary for Communications and Policy, S (Room 10222)
Field Comptroller, Midwest
Assistant General Counsel, Midwest
Director, Office of Budget, ARB (Room 3270)
Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)
Director of Administrative Service Center 1, New York State Office
Assistant Secretary for Public and Indian Housing, P (Room 4100)
Comptroller/Audit Liaison Officer for Public and Indian Housing, PF (Room 5156) (3)
Director of Troubled Agency Recovery, PB (Room 4148)
Director of Administration and Maintenance Division, PHMM (Room 4214)
Assistant to the Secretary for Labor Relations, (Acting), SL (Room 7118)
Acquisitions Librarian, Library, AS (Room 8141)
Chief Financial Officer, F (Room 10164) (2)
Deputy Chief Financial Officer for Finance, FF (Room 10164) (2)
General Counsel, C (Room 10214)
Associate General Counsel, Office of Assisted Housing and Community Development, CD (Room 8162)
Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W., Room 2474, Washington DC 20548
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs, United States Senate, Washington DC 20515-4305
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States Senate, Washington DC 20515-4305
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United States, House of Representatives, Washington, DC 20510-6250
Ms. Cindy Sprunger, Subcommittee on General Oversight and Investigations, Room 212, O'Neil Office Building, Washington DC 20515
Executive Director, Housing Authority of the Town of Bloomfield
Chairman of the Board of Commissioners, Housing Authority of the Town of Bloomfield