audit report
OFFICE OF INSPECTOR GENERAL

Issue Date
October 9, 1998
Audit Case Number
98-CH-202-1001

TO: Thomas S. Marshall, Director, Public Housing Hub, Cleveland Area Office

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

SUBJECT: Springfield Metropolitan Housing Authority
Comprehensive Audit
Springfield, Ohio

We completed an audit of the Springfield Metropolitan Housing Authority. We selected the Authority for audit based on a congressional request and the request of HUD's Ohio State Office. They were concerned about the deterioration in the Authority's operations. The objectives of our audit were to determine whether the Authority administered its programs in an efficient, economical manner, and in compliance with the terms and conditions of the Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives. The audit did not include the Drug Elimination Grant or the Family Self-Sufficiency Program.

We found the Authority's operations were not being administered in an efficient and economic manner, and in accordance with program requirements and the Annual Contributions Contract. The Executive Director did not always follow HUD's requirements or the Authority's own policies; and the Board of Commissioners did not always assure that the Authority's operations were carried out in an efficient and economic manner. The Authority had frequent turnover of key management personnel, and did not have a plan to facilitate continuity of operations. Specifically, the Authority did not: (1) follow proper payment procedures and the Executive Director did not exercise sound judgment when he approved disbursements of $38,437 for ineligible and unsupported expenses; (2) maintain an acceptable occupancy level because the Authority did not give priority to preparing vacant units for re-rental. The Executive Director allowed maintenance employees to be used for non-maintenance functions; (3) conduct quality control reviews of Section 8 units inspected by its inspectors and assure that its inspectors were properly trained; (4) follow proper procurement practices because the Executive Director had not assigned one specific upper level management official to be responsible for the practices; (5) use $95,558 of modernization grant funds in an efficient manner; (6) correctly charge all physical and management improvement costs to the benefiting programs; (7) follow HUD's travel policy requirements; (8) adequately document the method it used to allocate its indirect costs to the various programs; and (9) not maintain an adequate system of internal controls to safeguard its assets.

Within 60 days, please give 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 corrective action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued as a result of the audit.

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

Executive Summary

We completed an audit of the Springfield Metropolitan Housing Authority. We selected the Authority for audit based on a congressional request and the request of HUD's Ohio State Office. They were concerned about the deterioration in the Authority's operations. The objectives of our audit were to determine whether the Authority administered its programs in an efficient, effective, economical manner, and in compliance with the terms and conditions of the Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives. The audit did not include the Drug Elimination Grant or the Family Self-Sufficiency Program.

We found the Authority's operations were not being administered in an efficient and economic manner, and in accordance with program requirements and the Annual Contributions Contract. As evidenced by the ten findings in this report, the Executive Director did not always follow HUD's requirements or the Authority's own policies; and the Board of Commissioners did not always assure that the Authority's operations were carried out in an efficient and economic manner.

The Authority Was Not Operated According To Program Requirements

The Springfield Metropolitan Housing Authority did not have controls to assure HUD's requirements were complied with. This occurred because the Executive Director did not always follow HUD's requirements or the Authority's own policies and the Board of Commissioners did not assure that the Authority's operations were carried out in an efficient and economic manner. In addition, the Authority also had frequent turnover of key management personnel and it did not have an adequate personnel evaluation system. As a result, HUD lacks assurance that the Authority's resources were used to the maximum extent to benefit its residents.

The Authority Paid $38,437 for Ineligible and Unsupported Costs

The Housing Authority disbursed $38,437 for ineligible and unsupported expenses. Specifically, the Authority paid: (1) $25,690 to an apparently nonexistent company for materials never received; (2) $1,000 to the former Maintenance Director for an improper Boom rental; (3) $6,755 to an elevator company for parts never received; (4) $2,692 to the former Maintenance Director for unsupported costs; and (5) $2,300 for expenses not related to the Authority's operations.

The Authority Has An Excessive Number of Vacant Units

The Housing Authority had an excessive number of vacant units. Ninety three of its 889 available units or 10.5 percent were vacant despite having 312 applicants on the waiting list. The excessive vacancy problem started in 1997 when the Authority did not give priority to preparing vacant units for re-rental. As a result, excessive vacancies caused the Authority to lose about $121,000 in rental income in 1997.

Section 8 Unit Inspections Were Not Adequate

The Housing Authority did not assure that its inspectors conducted adequate inspections of Section 8 units. Seven of the eight Section 8 units inspected by us and the Authority's fee inspector did not meet HUD's Housing Quality Standards and contained 61 violations. These deficiencies existed because the Authority did not: (1) carry out a quality control program to review the quality of inspections done by its inspectors; (2) provide training to its inspectors; and (3) adequately evaluate the annual performance of the inspectors. In addition, the Authority did not require the owners of Section 8 units that failed Housing Quality Standards to correct the unit deficiencies in a timely manner. As a result, Section 8 units were not decent, safe, and sanitary.

Additional Findings Of Noncompliance With Program Requirements

In addition to the above findings, the Housing Authority did not:

- comply with HUD's and its own procurement policies. This occurred because the Authority did not have one specific upper level management person responsible for the procurement process.

- use its modernization (comprehensive) grant funds in an efficient manner. As a result, the Authority incurred costs of $95,558 that were unnecessary or unsupported.

- correctly charge the benefiting program for the total costs of improvements to its computer and telephone system as required by HUD. Instead the Authority charged the costs to the Comprehensive Grant Program. The improvements benefited both the Public Housing and Section 8 Programs.

- assure that its travel policy was comparable with local practice, as required by the Annual Contributions Contract. In addition, the Authority did not always follow its own travel policy. The Authority did not always: (1) obtain Board approval prior to authorizing the travel; and (2) have supporting documentation for all travel advances paid to the travelers.

- have documentation to support the allocation of indirect payroll and administrative costs to the various programs it operated. It allocated the indirect costs based on unsupported budget estimates and past practice.

- have effective controls to safeguard its assets. The Housing Authority's management had not given adequate attention to implement effective procedures and controls.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office, based on the findings in this report, assess the performance of the Authority's Executive Director and Board of Commissioners and take appropriate administrative actions. In addition, we recommend that the Director requires the Springfield Metropolitan Housing Authority to develop an overall plan for the Authority's direction and that HUD uses the plan to monitor the progress of the Authority to improve its operations and to ensure its direction remains consistent. We also recommend the Director of the Public Housing Hub assures that the Authority implements corrective actions to correct the weaknesses in its disbursements procedures; modernization activities; Section 8 inspections; vacancy reduction operation; procurement activities; internal controls; travel policy and procedures; and its allocation of indirect costs.

We provided our draft findings to the Authority's Executive Director and HUD's staff during the audit. We held an exit conference on September 11, 1998 with the Authority's staff. The Authority provided written comments to our findings. We considered the comments in preparing our report. The Authority's comments are included in their entirety in Appendix B.

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Introduction

The Springfield Metropolitan Housing Authority was organized in 1961 under the laws of the State of Ohio to develop, and operate low income housing programs. The Authority is governed by a Board of Commissioner's consisting of five members appointed as follows: two by the Springfield City Commissioner; one by the Clark County Board of Commissioners; and two by the Court of Common Pleas, Probate.

The Authority manages 892 Low-Income Housing Program units, comprised of 430 family units and 462 elderly units in 13 projects. Three of the units were unavailable for occupancy due to a need for extensive rehabilitation work. As of August 4, 1998, the Authority managed 992 Section 8 Program certificates and vouchers, 11 Moderate Rehabilitation Program units, and 32 Section 8 new Construction Program units. The Authority also managed Shelter Plus Care and Tenant Based Assistance Programs consisting of nine vouchers and 10 vouchers respectively. Further, the Authority managed a Drug Elimination Grant and the Family Self-Sufficiency Program.

The Authority received $2,021,179 in HUD operating subsidies over the last two years. In addition, the Authority received $4,030,999 in Comprehensive Grant Program funding since 1994. The Authority has not been rated under the Public Housing Management Assessment Program for 1997 because it has not completed its 1997 financial statements.

The Authority's books and records are located at 437 East John Street, Springfield, Ohio. The Chairman of the Board is Sheila Ballard. The Executive Director is Harold Riedel.

Audit Objectives

Our audit objectives were to determine whether the Authority administered its programs in an efficient, effective, economical manner, and in compliance with the terms and conditions of its Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives.

Audit Scope and Methodology

To obtain background information, we interviewed HUD's staff from the Ohio State Office in Columbus, Ohio.

During the audit, we interviewed pertinent Housing Authority staff and evaluated the Authority policies, procedures, and practices related to: cash disbursements; receipts; maintenance; occupancy; unit inspections; procurement; use of modernization funds; travel; indirect cost charges; and employee evaluations. We inspected eight Section 8 units to verify the quality of the Authority's inspections.

We performed the on-site work at the Housing Authority between March and August 1998. The audit covered the period of January 1, 1994 through February 28, 1998. We extended the audit period 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 of Commissioners.

The Authority Was Not Operated According To Program Requirements

The Springfield Metropolitan Housing Authority did not have controls to assure HUD's requirements were complied with. This occurred because the Authority had frequent turnover of key management personnel and it did not have an adequate personnel evaluation system. In addition, the Executive Director did not always follow HUD's requirements or the Authority's own policies; and the Board of Commissioners did not always assure that the Authority's operations were carried out in an efficient and economic manner. As a result, HUD lacks assurance that the Authority's resources were used to the maximum extent to benefit its residents.

HUD's Requirements

Section 201 of the Annual Contributions Contract states that a Housing Authority shall at all times develop and operate each project solely for the purpose of providing decent, safe, and sanitary housing for eligible families in a manner that promotes serviceability, economy, efficiency, and stability of the projects.

The Public and Indian Housing Low-Rent Technical Accounting Guide, Section II states that to ensure programs are carried out in an efficient and economical manner, a housing authority's controls should include such things as: clearly defined staff responsibilities and job accountability; a well-designed management system; effective supervisory review of operations; competitive procurement procedures; and well-planned, organized, and supervised maintenance programs.

Commissioner's and Executive Director's Responsibilities

HUD's Program Integrity Bulletin dated November 1990, outlines the Commissioner's and Executive Director's 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 Executive Director's responsibilities include:

- Establishing objectives needed to achieve the goals of the Authority;

- Overseeing the development and implementation of organizational policies and procedures for attaining the Authority's objectives;

- Carrying out the Commissioners' policies and managing the Housing Authority's day-to-day operations. In this capacity, the Executive Director is responsible for keeping the Commissioners informed of operational developments and to provide them with information for future policy and program guidance; and

- Maintaining overall compliance with Federal, State, and local laws, as well as the Authority's policies and procedures.

Operations Were Not Effective

The Board of Commissioners and the Executive Director did not adequately exercise their responsibility to manage the Authority in an effective, economic, and efficient manner. As shown in findings 2 through 10 of this report, the Authority:

- Did not follow proper payment procedures and the Executive Director did not exercise sound judgment when he approved disbursements of $38,437 for ineligible and unsupported expenses. Specifically the Executive Director approved $25,690 to an apparently non-existent company for materials never received; $3,692 to the former Maintenance Director for ineligible and unsupported costs; $6,755 to an elevator company for parts never received; and $2,300 for expenses not related to the Authority's operations. The misuse of the Authority's funds occurred because the Executive Director did not require verification that the Authority actually received the materials before approving the issuance and signing of the checks. Had the Executive Director followed proper vendor payment procedures, this apparent misuse of funds may not have occurred.

- Experienced a steady increase in its vacancy rate since January 1997, from 5.5 percent to 15.4 percent in March 1998. Since March 1998, the vacancy rate has declined but was still excessive at 10.5 percent as of May 31, 1998. The increase in the vacancy rate was due to long delays in preparing a unit for rental and lack of coordination between the Maintenance Department and the Housing Operations Department. The excessive vacancy problem started in 1997 when the Authority did not give priority to preparing vacant units for re-rental. The Executive Director allowed the Maintenance Director to use some available maintenance employees for non-maintenance functions, such as, renovating a building that the Authority had purchased. The Executive Director should have given priority to preparing vacant units for re-rental. The Board of Commissioners should have questioned the Executive Director about the steady increase in the vacancy rate and it should have required the Executive Director to develop a plan to reduce the number of vacant units.

- Did not conduct quality control reviews of Section 8 units inspected by its inspectors and assure that its inspectors were qualified to do the inspections. In addition, the Authority did not require the owners of Section 8 units that failed Housing Quality Standards to correct the unit deficiencies in a timely manner. This occurred because the Director of Housing Operations did not understand HUD's Housing Quality Standards requirements. Seven of the eight units inspected by us were not decent, safe, and sanitary. The Executive Director allowed each inspector to do reinspections on each other. Having staff do quality control reviews on each other does not provide for complete objectivity and supervisory controls. The Executive Director should have immediately hired a qualified independent inspector to conduct quality control review inspections. The Executive Director and the Board of Commissioners should have assured that adequate training was provided to the Housing Authority's inspectors.

- Did not follow proper procurement practices because management had not assigned one specific upper level management official to be responsible for the practices. The Executive Director allowed different people to obtain the services of vendors at different times. The Executive Director should have assured that proper procurement practices were being followed and he should have assigned one management person the responsibility of ensuring the Authority conducted proper procurement practices.

- Used $95,558 of modernization grant funds in an inefficient manner. Most of the inefficiencies occurred during the tenure of a prior Executive Director because the Director relied solely on the Authority's Architect to oversee modernization work. A representative for the Architectural firm said they were not responsible for overseeing modernization work.

- Incorrectly charged the total costs of physical and management improvements to its Comprehensive Grant Program instead of charging the costs to the benefiting programs as required by HUD. The Authority's Finance Director who reviewed and approved the charges assumed that the charges were correct.

- Did not assure that its travel policy was comparable with local practice. It also did not always follow its own travel policy by not requiring supporting documentation for all travel expenses paid to travelers and require the Board's prior approval of the travel. The Board of Commissioners adopted the travel policy on October 15, 1996 during the present Executive Director's tenure. The previous policy was in compliance with HUD regulations. The Board of Commissioners should have thoroughly reviewed the new travel policy to assure it was comparable to local public practice before it was adopted. Both the Executive Director and Board of Commissioners should have required that all out of town travel received prior authorization from the Executive Director and prior approval from the Board as stated in the travel policy.

- Did not have a proper cost allocation plan. The Authority did not document the allocation of indirect payroll and administrative costs to the various programs it operated. The Director of Finance told us that the Authority used the percentages in its operating budget to allocate costs. He did not know how the budget estimates were developed because the budget was prepared before he started working at the Authority.

- Did not maintain effective controls to safeguard its assets. The Executive Director did not give adequate attention to implementing effective procedures and controls. Specifically, the Housing Authority did not: adequately segregate the duties of its employees related to cash receipts and disbursements; always review the biweekly payroll time sheets; deposit rent receipts in a timely manner; maintain effective controls over the Authority's supplies and materials; and properly safeguard computer back-up discs.

Frequent Turnover Of Key Management Personnel Contributed To the Problems

The Board of Commissioners did not assure that the Authority had a continuous and stable management. Over the past five years, the Authority has had three Executive Directors and one interim Executive Director. The interim Director did not have any experience in managing a housing authority. One of the three Executive Directors had been a housing authority Controller but did not have experience in the overall management of a housing authority. The new directors usually changed the management team, thus limiting knowledge of the Authority's goals and direction.

The Authority hired the current Executive Director in September 1996. During the current Director's tenure, there have been three Maintenance Supervisors and three Controllers. The frequent changes in top management caused a lack of continuity in operations. The Authority did not maintain an overall plan that outlined its direction, initiatives, and planned actions for each functional area. As a result, the Authority's initiatives and priorities frequently changed and employees lost enthusiasm for their jobs.

Personnel Were Not Effectively Evaluated

The Springfield Metropolitan Housing Authority did not have an adequate system to evaluate the performance of its employees on a regular basis. The Authority evaluated its employees in 1997 but did not evaluate them in 1996. The evaluation system was not adequate because it used a universal evaluation form for every position. For example, maintenance personnel and accounting personnel were evaluated using the same standards. The form did not evaluate the employees against the performance standards contained in their respective job descriptions. As a result, HUD and the Authority lacked assurance that employees worked to expected standards, and employees had less motivation to accomplish the tasks and standards in their job descriptions.

Auditee Comments

Excerpts from the Executive Director's comments on our finding follow. Appendix B contains the complete text of the comments.

In general, this finding is true, however, it fails to mention the internal control changes already completed which are reported in the responses to the findings. In addition, it does not mention that the Executive Director provided a short written report about the conditions at the Authority and later met with and explained in more detail the problems. Many of the problems reported to the Inspector General are found in their findings. Finally, it did not distinguish between problems prior to September 1996 and current problems.

OIG Evaluation of Auditee Comments

The Executive Director said that in general the finding is true but he did not fully accept the responsibility for noncompliance with program requirements. The Executive Director noted that we did not mention the internal control changes already completed and reported in his responses to the individual findings. The internal control deficiencies cited in the individual findings existed at the time of our audit. Each of these findings discuss the corrective actions taken or proposed to be taken by the Executive Director. All the corrective actions were taken or proposed during our audit or after we gave the findings to the Executive Director.

At the start of our audit, the Executive Director provided us a short written report about the conditions at the Authority. At that time, the Executive Director had been at the Authority for about 18 months which should have been sufficient time to correct most of the problems cited in this report. Moreover, as noted in the finding, we distinguished between the problems that occurred during the present Executive Director's tenure and the problems that existed prior to his tenure. For example, we noted that the ineligible and unsupported costs, excessive vacancies, inadequate unit inspections, most of the improper procurement practices, non-compliance with travel requirements, improper allocation of indirect costs, and inadequate controls for safeguarding assets occurred during this Executive Director's tenure. We also noted that the inefficient use of modernization funds occurred during the prior Executive Director's tenure. Consequently, most of the problems occurred during this Executive Director's tenure.

Auditee Comments

The Inspector General did not note that the current Executive Director contracted with National Association of Housing Redevelopment Officials to conduct a strategic plan for Springfield Metropolitan Housing Authority, nor that the process of this plan was impaired by non-action by the Commissioners. The Commissioners themselves have discussed this as an issue to be revisited. If HUD can provide technical training to the Authority for the development of a strategic plan and provide oversight of its implementation, its assistance will be appreciated.

OIG Evaluation of Auditee Comments

We did not mention the contract with National Association of Housing and Redevelopment Officials (NAHRO) in our finding because the Executive Director never brought it to our attention during the audit. The first time he mentioned it was in his written response of September 11, 1998. We reviewed the proposed contract and the proposal dated October 23, 1996. According to the proposal, the National Association would have prepared a strategic planning document for the Authority. The proposal did not say what the document would contain. Therefore, there was nothing for us to evaluate and we could not determine whether it would have been adequate.

Auditee Comments

The employee evaluation system used by the Springfield Metropolitan Housing Authority is adequate. The supervisors are encouraged to add notes to the form provided which are specific to the. job being evaluated. This gives the Springfield Metropolitan Housing Authority consistency and individuality in its evaluations.

In regard to the recommendations:

1. Technical assistance from HUD will be appreciated.

2. Assistance from HUD in developing a plan which will set goals, direction, and initiatives will be appreciated. The Springfield Metropolitan Housing Authority will implement such a plan.

3. Performance evaluations are in place, as described above.

4. Significant improvement in implementing controls over expenditures. See responses to previous Inspector General findings.

Board of Commissioners - The Inspector General did not provide detail as to what is needed for the Commissioners.

If HUD wishes to provide technical training for Commissioners, it will be welcome.

OIG Evaluation of Auditee Comments

The Executive Director indicated he disagreed with the recommendation regarding the development of a performance evaluation system. The Director indicated that the evaluation system in use, using a universal evaluation form for every position was adequate. As described in the finding, the employees were not evaluated against the performance standards contained in their respective job descriptions. Consequently, there was no assurance that employees worked to expected standards, and employees had less motivation to accomplish the tasks and standards in their job descriptions.

Our recommendations address the need for HUD to provide comprehensive training and technical assistance to the Board of Commissioners regarding their duties and responsibilities.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office:

1A. Review and assess the audit findings in this report and determine whether administrative action against the Authority's Executive Director is warranted. This determination should be made no later than six months from the date of this report.

1B. Take immediate administrative action against the Board of Commissioners if they do not improve their oversight of the Authority

1C. Provide comprehensive training and technical assistance to the Authority's Executive Director and the Board of Commissioners regarding their duties and responsibilities.

We also recommend that HUD's Director of the Public Housing Hub in the Cleveland Office requires the Springfield Metropolitan Housing Authority to:

1D. Develop an overall plan that includes the goals, direction, initiatives, and tasks for the Authority and each of its functional areas. The Director of Public Housing should then use the plan to monitor the progress of the

Authority to improve its operations and to ensure its overall direction remains consistent.

1E. Develop a performance evaluation system to be used to evaluate performance standards for each job category.

The Authority Paid $38,437 for Ineligible And Unsupported Costs

The Springfield Metropolitan Housing Authority disbursed $38,437 for ineligible and unsupported expenses. Specifically, the Authority paid: (1) $25,690 to a nonexistent company for materials never received; (2) $1,000 to the former Maintenance Director for an improper Boom rental; (3) $6,755 to an elevator company for parts never received; (4) $2,692 to the former Maintenance Director for unsupported costs; and (5) $2,300 for expenses not related to the Authority's operations. The Authority did not follow proper vendor payment procedures. As a result, the Authority apparently misused its funds and consequently, had less funds available for its operations.

HUD Requirements

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

Office of Management and Budget Circular A-87, Attachment A, Paragraph C(1)(a), requires that all costs be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Executive Director's Responsibilities

The responsibility for managing the Housing Authority's day-to-day operations rests with the Executive Director. In particular, the Executive Director is responsible for hiring, training, and terminating Housing Authority staff; supervising cash management and bank reconciliation functions; monitoring operations for fraud and abuse; and maintaining the Authority's overall compliance with Federal, State, and local laws.

The Authority Did Not Have Written Vendor Payment Procedures

The Authority did not have written vendor payment procedures. However, the Authority routinely follows the following procedures:

- When materials and supplies are needed, a purchase requisition is issued and the materials and supplies are ordered.

- After the requisition is approved and signed by both the Maintenance Director and the Finance Director, a purchase order is issued. The Maintenance Department and Finance

Department maintains a copy of the purchase order and purchase requisition.

- When the materials are received, the packing list and the materials are checked and verified against the purchase requisition and the purchase order. The packing list is then sent to the Finance Department.

- When the invoice is received, the Finance Department checks the invoice against the requisition, the purchase order, and the packing list. The Finance Department then sends the whole package to the Maintenance Department for the Maintenance Director's approval. After the Maintenance Director gives his approval, the Finance Department makes the payment to the vendor.

The Authority Paid $25,690 To A nonexistent Company

The Springfield Housing Authority did not follow proper vendor payment procedures when it paid $25,690 to Grunwald Construction Supply Company for the purchase of roofing material. The payments were made by two checks written to the Construction Company. One check for $18,794 was paid on June 4, 1997 and another check for $6,896 was paid on June 20, 1997. The Executive Director authorized the issuance of the checks at the request of the former Maintenance Director. The Executive Director did not have any assurance that the Authority received the materials. In fact no materials were received.

We could not determine whether the construction company existed or not. The phone number and address listed on the invoice belonged to a maintenance company. The owner of this company told us that representatives from the Grunwald Construction Supply Company rented space from their building. He said the construction supply company was there for about a week, paid cash for a month's rent, and then left. We determined that the checks were cashed by an individual but were not deposited in any company's or individual's bank account.

The misuse of the Authority's funds occurred because the Executive Director circumvented proper vendor payment procedures. The Executive Director improperly approved the requisition and the issuance of the checks at the request of the former Maintenance Director. The Executive Director did not require verification that the Authority actually received the materials before approving the issuance and signing of the checks. The Director told us that he trusted the former Maintenance Director. Under proper vendor payment procedures, the Maintenance Director and Finance Director both approve and sign the purchase requisition. The Finance Department is responsible for making a payment to a vendor, once it makes the proper verifications that the ordered materials have been received. Had the Executive Director followed proper vendor payment procedures, this apparent misuse of Housing Authority funds may not have occurred.

When the Housing Authority paid the $18,794 check, the check and the purchase requisition were issued on the same day, June 4, 1997. The purchase order was issued on June 6, 1997, two days after the check was issued. The bill of lading showed that materials were ordered on May 24, 1997 before the purchase requisition was issued. Nobody at the Authority verified whether any materials were received. Under proper procedures, the materials should be ordered after the issuance of the purchase requisition and purchase order, and the check should be issued after verification that the ordered materials had been received.

When the Authority paid Grumwald Construction $6,896 on June 20, 1997, there was no purchase requisition or purchase order issued. No one at the Authority verified that the materials were received before the check was paid.

The Authority Inappropriately Paid $1,000 To The Former Maintenance Director .

The Authority inappropriately paid $1,000 to the former Maintenance Director on June 4, 1997. The payment was for the reimbursement of a Boom Rental to set the roofing materials on the roof. However, no roofing materials were purchased, therefore no service was performed. The Executive Director authorized the issuance of the check to the former Maintenance Director rather than the vendor. In addition, there was no purchase requisition or purchase order issued for the Boom Rental. The check was issued before the invoice date of June 7, 1997. The invoice was handwritten and the vendors name was not shown on it.

The Authority Paid $6,755 For Elevator Parts That Were Not Received

On July 16, 1997, the Authority paid $6,755 to an elevator company for elevator parts that were never received. The Executive Director approved the issuance and payment of the check at the request of the former Maintenance Director. However, the Executive Director did not require documentation that the Authority had actually received the elevator parts before approving the payment. If the Authority had verified the receipt of parts before approving the issuance and payment of the check, this situation may not have occurred.

The Authority Paid $2,692 For Unsupported Costs

The Executive Director approved payments of $2,692 to the former Maintenance Director for the purchase of maintenance equipment without verifying that the costs were proper and reasonable. The maintenance equipment consisted of a water blaster, pneumatic nail gun, chop saw, and a generator. The former Maintenance Director purchased the equipment after receiving the payments from the Housing Authority.

The water blaster and nail gun were apparently purchased by the former Maintenance Director at an auction for $2,200. However, the company shown on the invoice did not exist. Therefore, we could not determine whether the costs were appropriate.

The Authority reimbursed the former Maintenance Director $280 for the purchase of a portable power generator and $212 for a chop saw, in April 1997. The former Maintenance Director did not provide adequate documentation for the purchase of the portable power generator or the chop saw. There was no invoice for the generator. A handwritten note indicated the model and serial numbers. The note did not show the vendor name. A sticker on the chop saw indicated that it was purchased from a hardware store.

The Authority Paid $2,300 For Unnecessary Expenses

The Authority paid $2,300 for unnecessary expenses including: $1,792 in administrative and interest expenses; $450 for the purchase of a general contractor's license; and $58 for an outing at a horse race track.

The Authority purchased and financed a trash compactor for $18,510 in June 1997 and charged the cost to the Comprehensive Grant program. The financing was for five years at 11.5 percent. The Authority paid off the total amount financed when the Executive Director realized that the interest expense was ineligible and an unnecessary expense. By this time, the Authority had already paid $1,792 in interest expense.

The Authority formed a not-for-profit corporation in order to rehabilitate houses in HUD's 203(k) Program. For this corporation, the Authority paid $300 for a general contractor's license in 1997 and $150 for its renewal. The Executive Director told us that the program was not fully operational, but was in the planning stage. As these expenses were not for the operations of the Authority, they were ineligible expenses.

The Authority also spent $58 for an office outing at a horse racing track. This expense was not related to the operations of the Housing Authority and therefore was not an eligible expense.

We believe the apparent misuse of $36,137 of the Authority's funds were directly related to the Executive Director not following proper vendor payment procedures. The Executive Director followed a practice of authorizing the issuance of checks without verifying that the Authority received the materials and that the costs were proper. The misuse of the remaining $2,300 was the result of the Director not realizing that these were ineligible expenses. As a result, the Authority had less funds to operate its public housing programs.

Auditee Comments

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

The Executive Director is the Chief Executive Officer of the Public Housing Authority, and in this capacity is responsible for everything. Good management principles clearly teach that the Chief Executive Officer must delegate authority to those persons who have proper credentials. The Directors of Maintenance and Finance in place when most of the findings happened were screened and found to have good credentials, and the references expressed their good character. A system of checks and balances was established between the two departments in order to prevent fraud and theft.

The Executive Director denies circumventing the vendor payment procedures outlined in the Inspector General's finding. He followed the procedures that were in place at the time. The Executive Director should not need to review each document that is part of procurement, and he should delegate this detail to other staff. Specifically, the Finance Director did not verify the documentation, and the Maintenance Director was dishonest and is under investigation for theft. The system in place worked if the two department heads were functioning.

There was a serious breakdown in the normal processing of invoices which was not reported to the Executive Director. The Director of Finance was supposed to assure that all documents relating to a purchase were in the file prior to bringing the payment authorization or check approval to the Executive Director. When the payment was issued, it was assumed that all documentation was in order. In fact, there were verbal communications from Finance that the documentation was in the file.

One error in the Inspector General's report is that the Executive Director approved payment "at the request of the Maintenance Director." He only approved payment of bills recommended by the Finance Director. This was supposed to be the check and balance in the system. Since the discovery of this inadequacy steps have been taken to build better controls, and the management staff is continuing to develop better controls.

Because the problems with the elevators was deemed an emergency, the Executive Director approved using All Pro to service the elevators until proper bidding and procurement could be completed. The Executive Director was not informed until this finding was presented to him that $6,755.00 worth of elevator parts had not been delivered. The documentation should have been in the file if Finance brought the item for payment approval.

The general contractor's license was purchased as part of a new program designed to provide Public Housing residents with home ownership opportunities. The area most often identified as the barrier to 203(k) was the lack of a general contractor. The Springfield Metropolitan Housing Authority has had opportunities to provide general contracting work on potential 203(k) projects during this period, but none have ever resulted in actual contracting work. The licenses were in support of this program.

The $58.00 for a horse race outing was not known to the Executive Director until this finding was produced.

OIG Evaluation of Auditee Comments

The Executive Director acknowledged that as the Chief Executive Officer, he is responsible for everything. He, however, said following good management principles, he delegated authority to the Directors of Maintenance and Finance. The Director said in his response that he did not approve the payment of any item unless the Finance Department assured him that documentation was on file.

As noted in the finding, the Executive Director approved the payments without any documentation from the Finance or Maintenance Departments. Had the Director delegated the authority and allowed the Maintenance and Finance Departments to do their jobs, the apparent misuse of funds may not have occurred. In fact the misuse of $36,137 out of $38,437 was directly related to the Executive Director not following proper vendor procedures or circumventing the procedures. The remaining $2,300 was the result of the Director not recognizing that these were ineligible expenses.

We found no evidence that any of the payments included in the $36,137 were approved by the Finance Director as stated by the Executive Director. Regarding the purchase of the elevator parts for $6,755, the Authority's files contained no documentation that it was an emergency.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office assures that the Springfield Metropolitan Housing Authority:

2A. Establishes written vendor payment procedures based on the procedures that are routinely followed and implements controls to insure that the procedures are always followed.

2B. Reimburses the Housing Authority $33,445 from non-Federal funds, for inappropriate payments made for which no materials and no services were received.

2C. Reimburses the Housing Authority $2,300 from non-Federal funds for payments of ineligible expenses.

2D. Provides supporting documentation for the $2,692 paid to the former Maintenance Director. If adequate documentation cannot be provided, the Housing

Authority should reimburse the unsupported amounts from non-Federal funds.

The Authority Has An Excessive Number of Vacant Units

The Springfield Housing Authority had an excessive number of vacant units. Ninety three of its 889 available units or 10.5 percent were vacant despite a high demand for units. The Housing Authority had 312 applicants on the waiting list. The excessive vacancy problem started in 1997 when the Authority did not give priority to preparing vacant units for re-rental. There were long delays in preparing a unit for rental and a lack of coordination between the Maintenance Department and the Housing Operations Department. As a result, excessive vacancies caused the Authority to lose about $121,000 in rental income in 1997. From January through May 1998, the monthly income loss averaged about $16,700.

HUD Requirements

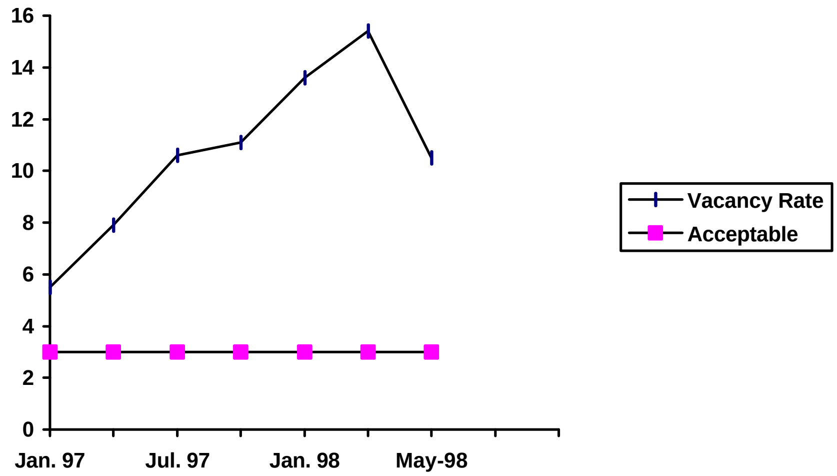
Regulation 24 CFR Part 901 establishes the Public Housing Management Assessment Program. The Program provides a system to measure the performance of public housing agencies using standard criteria. The Agency receives a score of "A" when the actual vacancy rate is less than three percent and a score of "F" or zero when the actual vacancy rate is greater than 10 percent. For unit turnaround times greater than 50 days, the agency also receives a score of "F" or zero.

Section (d) defines turnaround time as the annual average number of calendar days for vacant units to be prepared for re-rental and for a new lease to take effect.

HUD Handbook 7460.7 REV-1, Field Office Monitoring of Public Housing Agencies, Paragraph 5-2 (c) requires an agency to complete unit turnaround on average of no more than 30 days.

Excessive Number Of Units Became Vacant During 1997

The high vacancy rate at the Housing Authority became a problem during 1997. Although the Authority had 312 applicants on its waiting list on May 31, 1998, 93 or 10.5 percent of its 889 available units were vacant. Starting in January 1997, the Authority's vacancy rate steadily increased from 5.5 percent to 15.4 percent in March, 1998. Since March, 1998, the vacancy rate has declined but was still excessive as of May 31, 1998. The following chart shows the trend:



As of May 31, 1998, 22 of the Authority's 93 vacant units were available for occupancy. The remaining 71 vacant units were not repaired and thus not available for rental. Ninety five percent of the vacant units (88 out of 93) were vacant for an average of 142 days, ranging from 32 to 445 days. The Authority's units remained vacant for an excessive period of time because the Authority took excessive time to repair the units and re-lease them.

Unit Turnaround Time Was Excessive

The Authority's Public Housing Management Assessment certification showed that its unit turnaround time increased from 30 days in 1996 to 161 days in 1997. HUD's recommended turnaround time is 30 days. As a result of the increase in turnaround time in 1997, the Authority's vacancy rate also increased steadily. We could not determine the average time for the Maintenance Department to repair a unit or the average time for the Housing Operations Department to lease a unit. The Authority did not maintain this data for 1997, as was required by HUD. For units vacated and re-leased during 1998, the Authority was maintaining this data.

Between January and May 1998, the Authority leased 68 units. These units were vacant for an average of 147 days. The average time for the Maintenance Department to repair a unit was 105 days and the average time for the Housing Operations Department to lease a unit was an additional 42 days.

Units Were Not Repaired Timely

While the average time to repair a unit in 1998 was 105 days, it took the Maintenance Department an average of only 11 days to actually perform the repair work on a unit once it was assigned to the maintenance crew. During 1997, the Authority's Maintenance Department did not give priority to preparing vacant units for re-rental. In February 1997, the Authority hired a Maintenance Director who did not assign all the available maintenance employees to the maintenance functions, including unit preparation. According to the maintenance foreman, about five of the fifteen maintenance workers were assigned to non- maintenance functions, such as, renovating a building that the Authority had purchased. The Authority terminated this Director's employment in September 1997. Between September and December 1997, the Authority did not have a Maintenance Director to supervise the employees.

In December 1997, the Authority hired a Maintenance Director who established the reduction in vacancies as a major priority. This Director told us that his goal is to have an average turnaround time of 21 days. To achieve this goal, he established two crews for unit preparation and has assigned a total of five men to the two crews. He also had two outside contractors paint and clean the units. The Director told us that he planned to hire two more maintenance men and reassign his staff to form another unit preparation crew. The Director's prioritization has started showing some results and the vacancy rate has started going down.

However, the Authority did not have a strategy for prioritizing the repair workload. For example, units in better condition could be completed first. The Authority assigned some units for repairs that were recently vacated and some units that had been vacant the longest. For the strategy to be fully effective, the Maintenance Department needs to prioritize the repair work load so that the units requiring minor repairs can be repaired and released quickly after being vacated. For units requiring extensive repairs, the Authority would need to determine whether it is feasible for its staff to make the repairs or to have an outside contractor do the work. The Maintenance Department did not prepare any cost estimates showing the required repairs and costs to help prioritize the unit preparation workload.

Units Were Not Leased Timely

Once the Maintenance Department prepared the units for re-rental, it took an excessive time to re-lease them. The Authority's Housing Operations Department took an average of 42 days to re-lease the units in 1998. The excessive time resulted because of a lack of coordination between the Maintenance Department and the Housing Operations Department.

The Authority did not have procedures that required the Maintenance Department to notify the Operations Department of the estimated repair completion dates for the vacant units. It took the Operations Department three to 21 days to complete the certification process for a potential new tenant. The Operations Director told us that the Maintenance Department started in April 1998, to verbally inform her Department about the estimated dates after the maintenance crew starts the repair work. Prior to April 1998, the Maintenance Department only informed the Operations Department after the unit was repaired. As a result, the Operations Department could not anticipate the availability of units and begin the certification process so that the units could be re-leased on a timely basis.

Auditee Comments

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

This finding is accurate in the fact that there are excessive vacancies and the process has not been adequately fine tuned. It is in error in making assumptions based on the comments of staff who are not in a position to know the entire situation, and projecting the thoughts of the Auditors developed from this input. The following summary will provide insight to the problem and the steps taken to correct the problem.

The staff level of the Operations Department was insufficient to handle the work required to process applications in a timely manner. Additional staff was authorized in 1997, and the result is fewer vacant units. This trend will continue providing the Maintenance Department can prepare the units in a timely fashion. With this in mind the following steps have been taken:

1. A sign in and sign off sheet has been used. When the resident turns the key into operations, they sign and date a form. When they turn the keys over to maintenance, maintenance signs and dates the form. When maintenance completes unit preparation and returns the keys, the form is again signed and dated.

2. Discussions with both Maintenance and Operations Directors resulted in the Maintenance Department agreeing to inform operations of units nearly ready to be turned over to them. Operations then begins the process of screening the next person on the waiting list.

3. The Maintenance Department evaluates each vacant unit, and based on the needs of the unit assigns it to a make ready team. In consultation with the Columbus HUD office the oldest most damaged units are being cleaned first. This is to help reduce the turn around time the Public Housing Management Assessment Program measures. Once those units are repaired, the other, less time consuming units will be processed. Once Springfield Metropolitan Housing Authority reaches this point the Maintenance Department has stated they can keep up with the move out rate

4. When the keys are turned over to maintenance a move-out inspection is scheduled. This inspection provides information about the required repairs, and can provide guidance about the potential costs. Based on this information and information provided by operations a decision will be made about scheduling the make ready work..

OIG Evaluation of Auditee Comments

The Executive Director accepted the facts in the finding. However, the Executive Director took exception to the statement in the finding attributed to the maintenance foreman. The maintenance foreman told us that in 1997, five of the fifteen maintenance workers were assigned to non-maintenance functions, such as, renovating a building that the Authority had purchased. The Director said in his response that it was an error in making assumptions based on the foreman's comments. We did not make any assumptions. It is a fact that the Authority did not hire any outside workers to renovate the building and the renovation was done by the Authority's maintenance workers. As a result, maintenance workers were assigned to non-maintenance functions. The Executive Director did not provide any explanation on how we were wrong to accept the foreman's statement.

In our opinion, the vacancy problem was due to long delays in preparing a unit for occupancy by the Maintenance Department and a lack of coordination between the Maintenance and Housing Operations Departments. We do not believe that the excessive vacancy problem was due to the lack of staffing in the Operations Department as implied by the Executive Director in his response. The Executive Director mentioned some of the steps that the Authority has taken to correct some of the problems cited in the finding. The Director, however, did not address whether he is going to prepare a plan outlining the strategy to reduce the unit preparation time.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office assures that the Springfield Metropolitan Housing Authority:

3A. Prepare a plan outlining the strategy to reduce the unit preparation time. The plan should include: the required repairs and estimated cost for each vacant unit; the resources necessary to complete the repairs; a criteria for determining whether the repairs should be accomplished using Housing Authority staff or outside contractors; a method of prioritizing units to be prepared; and the target dates to complete the preparation.

3B. Establish and implement procedures to assure the Maintenance Department estimates the completion date for each vacant units and coordinates the information with the Housing Operations Department.

Section 8 Unit Inspections Were Not Adequate

The Springfield Housing Authority did not assure that its inspectors conducted adequate inspections of the Section 8 units. Seven of the eight Section 8 units inspected by us and the Authority's fee inspector did not meet HUD's Housing Quality Standards and contained 61 violations. The Authority's inspectors had recently inspected and passed these units, within two months of our inspections. Sixty of the 61 violations existed at the time of the Housing Authority's inspections. These deficiencies existed because of weak controls over the inspection process. The Authority did not (1) carry out a quality control program to review the quality of inspections done by its inspectors; (2) provide training to its inspectors; and (3) adequately evaluate the annual performance of the inspectors. In addition, the Authority did not require the owners to correct the deficiencies timely for units that failed to meet Housing Quality Standards. As a result, Section 8 units were not decent, safe, and sanitary.

HUD Requirements

HUD Regulations 24 CFR 882.108(a) and 982.1(a) require that Section 8 dwelling units be decent, safe, and sanitary. Section 982.401(a) says that Section 8 housing must comply with the Housing Quality Standards to be decent, safe, and sanitary.

Regulation 24 CFR 982.152(d) states in part that HUD may reduce or offset any Section 8 administrative fee to the Housing Authority, if the Authority fails to perform its administrative responsibilities adequately, such as not enforcing the Housing Quality Standards.

HUD Handbook 7420.7, Public Housing Authority Administrative Practices Handbook, Chapter 5, paragraph 5-12, states that housing authorities must establish procedures for reviewing a sample of completed Section 8 unit inspections. A re-inspection by a supervisor of a random sample of five percent of the approved units is required.

Paragraph 5-9 of the Handbook requires a Housing Authority to notify the owner immediately of the violations after the annual inspection reveals that the unit failed Housing Quality Standards. This notice must require that the violations be corrected within a specified time period from 24 hours up to 30 days depending upon the seriousness of the violations.

Housing Authority's Requirements

Page 38 of the Housing Authority's Section 8 Administrative Plan dated January 17, 1995 requires that at least five percent of the units inspected for the Section 8 Program will be re-inspected for Housing Quality Standards in order to monitor each inspector.

Inspected Units Were Not Decent, Safe, And Sanitary

The Housing Authority's fee inspector and we inspected eight selected Section 8 units during May and June 1998 to review the quality of inspections done by the Authority's two inspectors. These units were inspected by the Authority's inspectors in April 1998 and were passed as being decent, safe, and sanitary. In April 1998, the Authority hired the fee inspector to monitor the quality of inspections done by its inspectors by reinspecting the units.

Of the eight units inspected, seven units failed Housing Quality Standards and contained health and safety violations. The seven units had a total of 61 violations. The Housing Authority's fee inspector and we determined that 60 of the 61 violations existed at the time of the Authority's last inspection. The following table lists the violations by category:

Type of Condition	Number of Violations
Structures and Materials	**19**
Space and Security	**11**
Lead-Based Paint	**8**
Illumination and Electricity	**8**
Site and Neighborhood	**6**
Sanitary Conditions	**5**
Sanitary Facility	**2**
Thermal Environment	**1**
Interior Air Quality	**1**
Total	**61**

We provided the Housing Authority's Housing Operations Director the inspection results and copies of the pictures taken during the inspections.

Structures and Materials

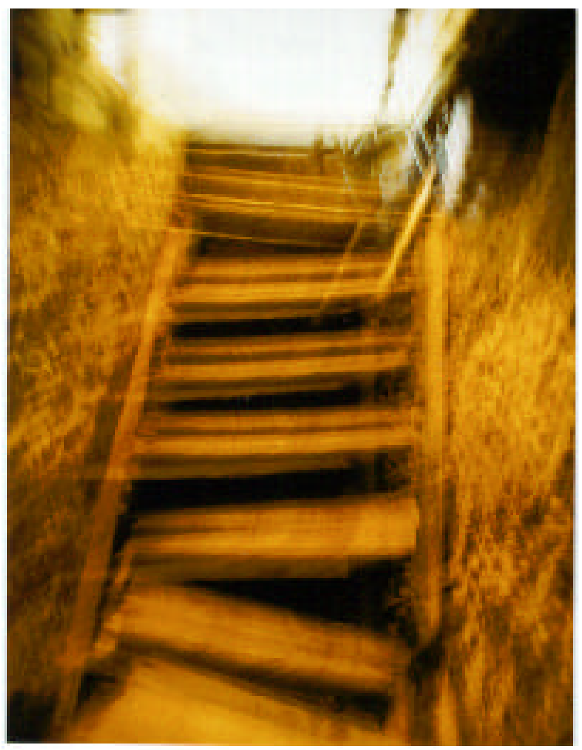
HUD's Housing Quality Standards require that Section 8 units be structurally sound and not pose any threat to the health and safety of the tenants.

In the structures and materials category, we identified 19 violations in six units. These included floor board damage, an exterior flue shaft not secured to the structure, a large floor vent cover missing, a heat register not secured to the floor, missing downspouts, basement steps in disrepair, a front porch with a missing handrail, a ceiling severely buckled, a front porch post not secured to the floor, ceiling tiles ready to fall, and a large hole under a bathroom sink. For example:

The living room ceiling of one unit was severely buckled and no handrail existed for the front porch for another unit. The basement steps were in serious disrepair for two other units. These violations threatened the health and safety of the occupants. The following pictures show the problems with the ceiling, front porch, and basement steps.

Living room ceiling is severely buckled at 1834 Highland

No handrail for front porch steps at 1311 Clifton



Basement steps are in serious disrepair with no handrail at
555 S. Limestone

Space and Security

HUD's Housing Quality Standards require that all windows and doors that are accessible from the outside must be lockable to reduce the risk of burglary or other unlawful entry into the building. All bathrooms must allow for privacy which includes a lockable door.

Six units had 11 violations related to space and security. The violations included missing and non-functional locks on windows and doors, and inoperable or missing smoke detectors. The following picture shows that a back door which was accessible from the outside was not lockable.

The back door was missing the half of the locking mechanism on the door frame at 1834 Highland

Lead-Based Paint

HUD's Housing Quality Standards states that lead-based paint is a serious health hazard to small children in older structures. All chewable protruding painted surfaces up to five feet from the floor or ground, which are readily accessible to children under seven years of age and have cracking, chipping, peeling or loose surfaces may contain harmful amounts of lead-based paint. All chewable surfaces must be tested and if lead-based paint is found, all chewable surfaces must be treated.

Six units had eight lead-based paint violations. The violations included peeling paint: on a bedroom window sill of a child's room, on the dining room window frame, on the exterior of a front living room window sill, and on exterior siding and a front porch. The following picture illustrates this violation.

t
Peeling paint on exterior siding and front porch at 1834 Highland

Illumination and Electricity

Four units had eight electrical violations. HUD's Housing Quality Standards require that sufficient electrical sources must be provided to permit the use of essential electrical appliances while assuring safety. Fires and electrical shock can result from inadequate or improperly installed electrical facilities. The violations included loose and unsecured overhead light fixtures, a broken receptacle in the bathroom, a kitchen outlet missing a cover plate, overuse of extension cords, and exposed wires in the bathroom above the sink. These conditions were hazardous to the health, safety, and welfare of the occupants. The following picture illustrates the violation.

Improper wiring and exposed wiring for light fixture in bathroom above sink at 1554 Sheridan, Apt. 2

Most of the Violations Existed When The Authority Last Inspected The Units

The Authority's fee inspector and we determined that 60 of the 61 violations identified during our inspections existed at the time of the Authority's last inspection. Our determination was based on the information received from tenants and landlords in relation to the nature of the violations and the short time elapsed between our inspections and the inspections conducted by the Authority's inspectors. We conducted our inspections within two months of the Authority's inspections. All seven units that failed our inspections were passed by the Housing Authority's inspectors. The Authority's Section 8 inspectors did not do proper and thorough inspections because of weak controls over the inspection process. Specifically: the Authority did not: (1) carry out a quality control program by requiring a supervisor to reinspect a sample of completed unit inspections in order to monitor its inspectors; (2) provide training to its inspectors; (3) adequately evaluate the annual performance of the inspectors.

A Sample of Completed Inspections Were Not Reinspected By A Supervisor

The Housing Authority's Housing Operations Director told us that she had not conducted any quality control reinspections since 1996. She said she did not have time to do the reinspections and knowing this, the Executive Director allowed each inspector to do reinspections on each other. However, having staff do quality control reviews on each other does not provide for complete objectivity and supervisory controls. Independent reviews provide the housing authority with information concerning the general level of competence and consistency of the inspection staff.

The Authority started using an independent fee inspector to do the reinspections in April 1998. In May and June 1998, the fee inspector reinspected eleven units that had been passed as meeting HUD's Housing Quality Standards by the Authority's inspectors. We accompanied the inspector on eight of the reinspections. The fee inspector determined that seven of the eleven units he reinspected were inadequate and the units should not have been passed. The fee inspector left the Authority in July 1998. As of August 7, 1998, the Housing Authority had not assigned another person to do the quality control reinspections.

The Inspectors Need Training

The Housing Authority's Section 8 inspectors did not receive training in conducting the inspections. They told us that they needed training. The fee inspector hired to do reinspections also did not have any Housing Quality Standards training. All of his training involved city code compliance violations which could be different from Housing Quality Standards violations.

Performance Appraisals were inadequate

The Authority did not adequately evaluate the annual performance of its inspectors. The performance appraisals were inadequate in identifying job performance problems. The performance appraisal system was based on general rating factors only, such as, neatness of the inspection reports, quantity of work, attendance, judgment, and adherence to policy. The Authority used the same rating factors for all employees regardless of their position. The system was not job specific and was not based on the job description. The Authority did not rate the inspectors on actual job performance, such as, quality of work done.

The Authority Did Not Require The Owners To Correct The Deficiencies Timely

The Housing Authority did not require the owners of the Section 8 units to correct the Housing Quality Standards deficiencies timely, 24 hours for serious and 30 days for non-serious violations. The Authority's inspection reports also did not identify the serious violations. It improperly allowed the owners until the end of the Section 8 lease to correct violations.

We judgmentally selected six Section 8 units which failed Housing Quality Standards at the time of the annual unit inspection in February 1998. The Authority failed 25 of the 88 units inspected in February 1998. In each of the six cases, the Authority gave the owners until the end of the Section 8 lease term to correct the violations. The lease terms for all six units ended in May 1998. For example, the unit at 335 W. Grand was inspected on February 12, 1998 and failed to meet the Housing Quality Standards. The violations included a damaged wall and ceiling in the kitchen and a non-working smoke detector. The Authority gave the owner until May 31, 1998 (109 days) to correct the violations. The lease term ended on May 31, 1998. The inspection report also did not cite the non-working smoke detector as a serious violation. The Authority should have required the owner to correct this violation within 24 hours.

The Authority's Director of Housing Operations did not fully understand the HUD requirements and misinterpreted them. She believed that the Housing Authority could give the owner of the Section 8 units until the end of the lease to correct violations. HUD requires the Section 8 units to comply with the Housing Quality Standards throughout the lease term and all violations corrected within a maximum of 30 days after the annual inspection reveals that a unit failed to meet the Standards.

Auditee Comments

The Springfield Metropolitan Housing Authority recognizes that Section 8 unit inspections are not meeting Housing Quality Standards. Both Inspectors have been sent to professional training on Housing Quality Standards and both are experienced Inspectors. The missing element has been quality control. To improve this, the Springfield Metropolitan Housing Authority invited the HUD Construction Specialist, to provide a Housing Quality Standards training update for the Inspectors. We have involved other staff as a cross training component. The training was held on August 24 to 26, 1998.

The Springfield Metropolitan Housing Authority is presently searching for another contract Inspector.

The performance appraisal used by the Authority is generic in that it measures a set of common evaluation characteristics. There is room on the form for comments by the Supervisor to address specific areas, and there always is the freedom to write an addendum to the form. Using the form allows everyone's performance to be measured equally. If the Supervisor wishes to add to the list of measurements they may do so.

The Section 8 Administrative Plan is under revision currently, and the section on Housing Quality Standards will contain the following language:

"Owners of Section 8 units are required to correct all Housing Quality Standards violations within thirty (30) days and all serious violations within twenty-four (24) hours; and its inspectors will identify the serious violations in the inspection reports."

OIG Evaluation of Auditee Comments

The Executive Director agreed with all of our recommendations except for the recommendation regarding the performance appraisal system. The Executive Director indicated that the performance appraisal used by the Authority was adequate. He also indicated that using a universal evaluation form for every position was adequate so that everybody's performance could be measured equally. The universal evaluation form would be perfect if all the employees were performing the same duties, but every employee did not perform the same duties. As described in the finding, the employees were not evaluated against the performance standards contained in their respective job descriptions. The performance appraisals were inadequate in identifying job performance problems. The system was not job specific and was not based on the job description. The Authority did not rate the inspectors on actual job performance, such as, quality of work done.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office, requires the Springfield Metropolitan Housing Authority to:

4A. Assure that all owners of Section 8 units which failed the Housing Quality Standards inspections correct the violations that existed at the time of the inspections.

4B. Assure that another supervisor or an independent person replaces the fee inspector to conduct quality control reinspections for a sample of completed unit inspections.

4C. Assure that its inspectors and the fee inspector are provided adequate training.

4D. Revise its performance appraisal to be job specific based on the job description.

4E. Establishes procedures and controls and include them in the Administrative Plan that would ensure that: (1) owners of Section 8 units are required to correct all Housing Quality Standards violations within 30 days and all serious violations within 24 hours; and (2) its inspectors identify the serious violations in the inspection reports.

The Authority Did Not Follow Proper Procurement Practices

The Springfield Metropolitan Housing Authority's procurement practices did not comply with HUD's and its own requirements. Specifically, the Authority did not always: (1) allow full and open competition; (2) follow proper procedures when there was an inadequate response to solicitations; and (3) have written contracts. The problems occurred because the Authority did not have one specific upper level management person responsible for the procurement process. Different people obtained the services of vendors at different times. As a result, HUD lacks assurance that the Authority's procurement process was fair, equitable, and the Authority did not pay higher prices than needed.

HUD Requirements

HUD Handbook 7460.8 REV-1, Paragraph 2-6, Procurement Handbook for Public Housing Agencies and Indian Housing Authorities, requires a housing agency to conduct all procurements using full and open competition. An agency must allow all responsible sources to compete. Paragraph 4-26 (E) states if a housing agency receives fewer than three proposals, the Agency should analyze the proposals and document the reason for the poor response. Depending on the results of the analysis, the Agency may either reject the proposals and issue a revised solicitation or proceed to evaluate the proposals.

HUD Regulation 24 CFR 85.36 (b)(9) requires a housing agency to maintain sufficient records to show the significant history of a procurement. The records should include the rationale and justification for the method of procurement, the type of contract, the selection of the contractor, and the basis for the contract price.

Housing Authority's Procurement Policy

The Authority's procurement policy says its objective is to provide fair and equitable treatment of all persons or firms involved in the Authority's procurement process; maximize the purchasing value of all funds expended by the Authority in satisfying its procurement needs; and provide safeguards for maintaining the general public's confidence in the integrity of the Authority's procurement program.

The Authority's policy requires that all procurement transactions be conducted in a manner that provides for full and open competition. For purchases under $25,000, the Authority can use small purchase procedures which requires the

Authority to solicit quotations from a reasonable number of sources (no less than three sources) to promote competition. For purchases over $25,000, the Authority must advertise and solicit at least three bids. The policy also requires that for emergency procurements, a written determination of the basis for the emergency and for the selection of a particular contractor shall be included in the contract file.

Fourteen Contracts Were Reviewed

We judgmentally selected 14 contracts awarded between 1995 and 1997 for review. Eight of the contracts were for materials and repairs, and six were for services as follows:

Materials and Repairs	Cost
C & N Industrial	$ 601,000
Tri-State Renovations	466,381
Bruce Construction	150,438
Roger Storer Plumbing	239,755
B T Use, Inc.	78,231
All Pro Elevator	65,200
Grunwald Construction	25,690
Marathon Oil	18,510
Total	$1,645,205

Service Contracts	Cost
Environmental Plus	$ 30,120
Casterline Associates	48,214
Computer Free America	92,195
Data Directions	17,458
Cole, Acton, and Dunn	201,098
A & B Lawncare	31,235
Total	$420,320

The Authority did not follow proper procurement practices

For ten of the 14 contracts reviewed, the Authority did not follow HUD’s and its own procurement requirements. In eight of the ten cases, the Authority hired firms for the supply of materials and repairs, and for professional services without any competition. For the remaining two cases, the Authority did not follow proper procedures when there was an inadequate response to solicitations. In addition, the Authority did not have written contracts with three firms who provided their services on an going basis. Two of the firms provided repair services for boilers and elevators and one firm provided legal services. The Authority did not have one specific upper level management person responsible for the procurement process. Different people obtained the services of vendors at different times.

Eight Firms Were Hired To Provide Materials and Services Without Any Competition

The Authority awarded 8 of the 14 contracts we reviewed without competition between 1995 through 1997. The Authority purchased materials and supplies from two firms, Marathon Oil and Grunwald Construction. Two firms (BT USE, Inc. and All Pro Elevator) provided repair services on an going basis. The remaining four firms (Cole, Acton and Dunn, Data Directions, Casterline Associates, and A&B Lawncare) provided other types of services. The following are examples of the Authority's non-compliance with the procurement requirements:

Materials and Supplies

The Authority purchased a trash compactor from Marathon Oil for $18,510 in June, 1997. The Authority did not solicit quotations from any other source. The Authority's procedures required solicitation of quotations from at least three sources. A former Maintenance Director procured the trash compactor. The Authority did not have documentation showing why quotations were not solicited from other sources.

Repairs

During 1997 and 1998, the Authority paid All Pro Elevator Company $65,200 to provide repairs to the elevators when needed on an ongoing basis. The Authority did not solicit competitive bids but procured the services using its purchase order procedures. A former Maintenance Director hired this firm without regard to the Authority's procurement procedures. The Authority did not have a written contract with All Pro Elevator detailing the services, hourly labor charges and any material charges. As a result, the Authority had no way of knowing whether the amounts charged by All Pro were reasonable. Starting in January, 1998, the Authority stopped using All Pro Elevator for repairs. The Authority selected Dover Elevator, Inc. to perform the repairs. The selection was based on full and open competition and Dover was the lowest bidder.

Services

The law firm of Cole, Acton, Harmon, and Dunn has provided legal services to the Authority since at least 1983. The Authority did not have documentation to show how this firm was hired or if open competitive procedures were ever used. During 1995 through 1997, the Authority paid $201,098 to the law firm for legal fees. The Authority did not have a written contract with the law firm. A representative of the law firm told us that to his knowledge, there has never been a contract with the Authority. A written contract is required to, at the very least, identify the cost and the scope of the services to be provided by the law firm. As a result, HUD has no assurance that the Authority obtained the lowest cost possible for the legal services.

Proper procedures were not followed when there was an inadequate response to solicitations

The Authority did not follow the procedures required by HUD Handbook 7460.8 REV-1, Paragraph 4-26(E) when there was inadequate response to solicitations. The Authority awarded contracts to Roger Storer Plumbing and Environmental Plus without following proper procedures. In both cases, the Authority advertised and solicited bids. In each case, the Authority received one bid and awarded the contracts to the sole bidders. As required by HUD, the Authority did not: document the possible reasons why only one firm submitted a bid proposal; or justify why it was not necessary to re-bid. In addition, the Authority did not prepare cost estimates before soliciting bids to establish the reasonableness of the proposals.

Auditee Comments

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

Several additional changes have been made to assure proper competitive procurement. A new procurement policy was written after the HUD model. One staff member has been assigned the responsibility for oversight of all procurement. This person has attended two professional training course on procurement and was involved in the development of the new policy. All procurement must now be cleared through this person.

One of the major changes is to make the Finance Director responsible for assuring that all purchases have proper documentation of both receipts and that the amount was proper. Goods must be signed off when delivered.

In response to the specific comments the following is offered:

Marathon Oil for $18,510.00 for the purchase of a trash compactor: The Springfield Metropolitan Housing Authority had a contract for refuse removal with the BFI company, which later sold out to Waste Management. We were informed that BFI would not provide service to a compactor they did not provide, and we were contractually obligated to BFI. It was apparent that BFI was the sole source provider for the compactor. Marathon Oil was the subsidiary company BFI used for compactor contracts.

All Pro Elevator for $65,200.00: All Pro Elevator was hired on a temporary basis until proper procurement could take place. Subsequent to this, both the Director of Finance and the Director of Maintenance and Modernization left and there was a longer period of time between the firing of the elevator company and procurement of new services. Because of the severe nature of the elevator problems it was necessary to make several important and expensive decisions and certain expensive work was approved during the interim.

Cole, Acton, Harmon and Dunn for $201,098.00: There has never been a contract for these services, and there has never been competitive solicitation of qualifications or proposals. The procurement staff has been instructed to prepare a solicitation of qualifications, and a competitive process, as outlined in the Procurement Policy, will be processed. This will be complete by the end of 1998.

Roger Storer Plumbing for $239,755.00: The Executive Director noted this discrepancy in 1997, and required all future solicitation for plumbing services follow the procurement policy.

Grunwald Construction for $25,690.00: This may be a fraudulent purchase which has been reported to the FBI for investigation.

Casterline Associates for $48,214.00: In December, 1996, the Comptroller for Springfield Metropolitan Housing Authority was fired. We asked the Executive Director of the Dayton

Housing Authority for assistance and they sent their finance staff to Springfield to evaluate and decide what they may be able to assist with. Their evaluation concluded that the finance records were in such poor condition that they could not cope with them. They then recommended Casterline Associates. Understanding the severity of need, and the fact it was an emergency to get the accounting functions improved, a contract was agreed on.

<u>Computer Free America for $92,195.00:</u> There was a committee consisting of staff from the various departments who evaluated the proposals, and the selection was made on the recommendation of the committee.

<u>Data Directions for $17,458.00:</u> Data Directions was the computer software in place when the computer upgrade was made. The choice was to upgrade the system or to change computer software. When the cost of data conversion was added to the cost of the software it became apparent that continuing with Data Directions made the most sense. In addition, the staff was very pleased with the Data Direction software they had been using for years. Data Directions was the sole source provider.

<u>A & B Lawncare for $31,235.00:</u> This was a contract negotiated by the former Director of Maintenance and Modernization which did not have competitive bidding.

In terms of the recommendations:

1. One person has been assigned the responsibility for all procurement, and the Director's of Finance and Maintenance and Modernization both have check and balance roles in procurement.

2. The contract for legal services will be advertised before the end of 1998. Contracts for boiler repair services is now being procured according to the approved policy.

3. All the recommendation in recommendation C have been previously implemented.

OIG Evaluation of Auditee Comments

The Executive Director accepted our recommendations and has started the process of implementing them. When fully implemented, they should resolve the problems cited in the finding.

The Executive Director also provided his comments to each instance of non-compliance with the procurement requirements. None of the explanations given by the Executive Director were documented in the procurement files or anywhere else in the Housing Authority's records.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office requires the Springfield Metropolitan Housing Authority to:

5A. Assign one specific upper level management person, in addition to the Executive Director, the responsibility of ensuring the integrity of the procurement system. The Authority's procurement policy should also include a statement that an upper level management person, other than the Executive Director, be assigned the responsibility for ensuring the integrity of the procurement system.

5B. Establish and implement procedures and controls to follow HUD's requirements and its Procurement Policy. The procedures and controls should ensure that: (1) written contracts are executed; (2) proper procedures are followed when there is inadequate response to solicitations; and (3) competitive bids are solicited from at least three sources for all procurements.

The Authority Used Modernization Grant Funds In An Inefficient Manner

The Springfield Metropolitan Housing Authority did not use its modernization (comprehensive) grant funds in an efficient manner. Specifically, it did not (1) purchase the correct size of refrigerators for its units resulting in the need for additional repair expenditures; (2) determine the cost reasonableness of change orders; (3) ensure that it paid for only completed and necessary work; (4) adequately review invoices; and (5) ensure all costs were eligible. The Authority placed too much reliance on it's Architect to oversee the modernization work. As a result, the Authority incurred costs of $95,558 that were unnecessary or unsupported.

HUD Requirements

The Annual Contributions Contract requires the Housing Authority to administer its developments to promote serviceability, efficiency, economy, and stability. The Housing Authority also certified in it's Comprehensive Grant Program applications that it would implement the modernization programs timely, efficiently, and in an economical manner.

HUD Regulation 24 CFR 85.36(f)(1) required the Housing Authority to perform a cost or price analysis for every procurement action including contract modifications.

The Authority Purchased Larger Refrigerators Than The Space Available.

In January 1995, the Authority replaced 100 refrigerators at the Hugh Taylor development that were larger than the space available. The development originally had refrigerators with 11 cubic feet of space. The vendor determined that there was adequate space for refrigerators with 12 cubic feet of space. The vendor, however, recommended that the Authority purchase 13 cubic foot refrigerators because these were immediately available for delivery and the Authority could save $5,100 or $51 per refrigerator. The Authority purchased the 13 cubic foot refrigerators but the refrigerators did not fit in the space available for them. The refrigerator doors could not be opened fully and were blocked by auxiliary kitchen heaters. The Authority had to remove the heaters and replace them with new heaters. The new heaters cost the Authority $56,480. As a result, the Authority unnecessarily spent $51,380 ($56,480-$5,100).

The Authority Did Not Determine The Cost Reasonableness Of The Change Orders

Neither the Authority nor its Architect determined the cost reasonableness of change orders, as required by HUD. The Authority issued 63 change orders for $421,221 for Comprehensive Grant Programs 701 to 704. A Housing Authority official told us that the Authority did not do any cost or price analysis for reasonableness of the change orders because they believed the Architect would have done it. A representative of the Architectural firm said they did determine the cost reasonableness for major change orders. He could not provide documentation to support that a cost or price analysis was done. However, it was not required by the Architects contract that they make a determination of the cost reasonableness. We judgmentally selected four change orders and determined that the Authority paid excessive costs of $39,444 as follows.

For three change orders issued in February and April 1995, the Authority paid $219 each for the installation of 240 Americans with Disabilities Act door knobs and 76 Schlage door handles. It would cost a maximum of $75 each to purchase the kind of door knob and door handle at a local hardware store and have it installed by the Housing Authority. The Housing Authority's Maintenance Mechanic estimated that it would take a contractor a maximum of 30 minutes to install each door knob and door handle. The contractor charged a labor rate of $33 per hour. Allowing a 20 percent overhead charge on labor, and a 10 percent profit, we determined that the Authority should have paid a maximum of $105. As a result, the Authority overpaid approximately $114 ($219 - $105) for each door knob and door handle, for a total excessive amount of $36,024.

For a change order issued in March 19, 1996, the Authority paid $37 each for the installation of 171 shower rods. The kind of shower rod installed by the Authority could be purchased locally for a maximum of $7 per shower rod. The Authority's Maintenance Mechanic estimated that it would take a maximum of 10 minutes to install each shower rod. Based on the labor rate of $33 per hour, a 20 percent overhead charge on labor, and a 10 percent profit, we determined that the Authority should have paid a maximum of approximately $17 per shower rod. Consequently, the Authority overpaid $20 for each shower rod, or $3,420 for all 171 shower rods.

The Housing Authority Did Not Ensure That All Work Was Necessary

The Housing Authority did not ensure that it only paid for completed work and work that was necessary. A change order issued in November 1996 required the contractor to construct four concrete pads in order to place trash dumpsters on them. The cost for each concrete pad was $1,200 each. The contractor constructed only three pads but the Authority paid for four. In addition, one of the three pads that was constructed was not necessary, because a pad was already in place at this site. The Authority assumed that the Architect had assured that all work was done and all completed work was necessary. A representative of the Architectural firm said he was unaware that the concrete pad was not installed and an inspection was not done to ensure that the pad was constructed. As a result, the Authority unnecessarily spent $2,400.

The Housing Authority unnecessarily replaced 24 kitchen faucets for $1,200 at a development even though the faucets had been previously replaced only two years earlier. The Housing Authority staff told us that the only difference was between the faucet handles. The old faucets had flat handles on the end and the new faucets had rounded handles. The two year old faucets were operating properly at the time of replacement.

The Authority Did Not Always Review Its Invoices

The Authority did not always review its invoices to ensure that they agreed with the purchase orders and were correct. As a result, the Authority overpaid an invoice for 20 refrigerators by $400. The purchase order showed a price of $323 for each refrigerator. The vendor billed $343 for each refrigerator and the Authority paid this amount.

The Authority also overpaid it's Architectural firm $364 on one of the invoices. The firm submitted an invoice of $1,404 for reimbursement for work performed by a subcontractor. The subcontractor's invoice was attached and the subcontractor had only charged $1,040. The Housing Authority did not notice the difference until we brought it to their attention. It appears that the Architectural firm made a transposition or typing error on the invoice. Had the Housing Authority reviewed the invoice carefully, it would have noticed the error.

The Authority Erroneously Charged The Comprehensive Grant Program A Late Fee

In 1997, the Housing Authority included a late fee of $370 in its cost report submitted to HUD for the Comprehensive Grant. In February 1995, a vendor charged the Housing Authority the late fee because the Authority did not pay an invoice by its due date. However, the Office of Management and Budget Circular A-87, Attachment B, Section D, Paragraph 7 says that fees like financing or late fees are not eligible costs. The Authority's employee who prepared the cost report did not know that this was an ineligible cost and could not be charged to the Comprehensive Grant.

Because the Authority did not maintain proper controls over expenditures of modernization funds, it: (1) unnecessarily spent $51,380 for new auxiliary kitchen heaters when it installed oversized refrigerators; (2) overpaid $39,524 for change orders; (3) paid $1,200 for a concrete pad that was not installed and $1,200 for another concrete pad that was not necessary; (4) paid $1,200 for kitchen faucets that did not need to be replaced; (5) overpaid an invoice for refrigerators by $400 and an Architectural firm’s invoice by $364; and (6) paid an ineligible late fee of $370.

Auditee Comments

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

Prior to the hiring of the present Executive Director, the Comprehensive Grant Program was not operated in a business like manner. Except for the recommendation noted below, the finding is accurate. Once the problems were discovered, steps were taken to begin correcting the problems, and tightening up the management of the Comprehensive Grant Program.

A few of the measures taken to restructure the program are:

1. The position of Comprehensive Grant Program Coordinator is now under the supervision of the Director of Maintenance and Modernization. Formerly it reported directly to the Executive Director but in reality was left unsupervised.

2. The Finance Department has been given direction that no funds are to be drawn down from HUD before all the supporting documentation is in the file.

3. The Finance Department has set up a process for drawing down funds soon after the debt is documented. This prevents the Comprehensive Grant Program from using public housing to cover costs.

4. Internal controls have been established to prevent further occurrences of the problems.

    a. The Comprehensive Grant Program process will follow the resource manual.

    b. All entities who will be impacted are involved in the planning and will sign off on the plan through their elected resident councils before it is submitted.

    c. Management staff will facilitate the assessment of all relevant information.

    d. The management team will evaluate the pertinent data and establish a priority of needs.

    e. Work items will be ranked based on urgency of need regardless of the development in which they are located.

    f. Management will provide adequate resources for administration, audit, design, and inspection, as well as overall management for the program.

    g. Comprehensive Grant Program work will be monitored to assure that the work is progressing efficiently and effectively.

    h. Federal funds will be managed properly and not used for fraudulent purposes.

    i. All work items will be conducted in accordance with the Comprehensive Grant Program rules, the annual statement and the five year action plan.

j. The Authority's procurement policy will be followed on all procurement activities.

k. A new procurement policy was adopted on January 20, 1998, and it is in accordance with the latest HUD guidelines.

The recommendation that "The Authority should reimburse the Grant any costs that cannot be supported to be reasonable and necessary, or are ineligible." Considering the status of the Authority's financial condition, it is unlikely the Authority has the necessary resources available to repay these errors. Steps have been taken to correct the problems and future Comprehensive Grant funds will be used properly. It is suggested that HUD not require repayment of the funds.

OIG Evaluation of Auditee Comments

The Authority has planned actions that should correct some problems identified in the finding if the actions are fully implemented and become routine procedures. The Authority still needs to establish procedures for performing cost and price analysis for all procurement actions including change orders.

In our opinion, in order to establish proper accountability for its actions, the Housing Authority needs to reimburse all ineligible, unnecessary and unreasonable costs from non-Federal funds. One potential source for repaying the funds is the fee the Authority receives for administering its Section 8 Program.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office requires the Housing Authority to:

6A. Reimburse the Comprehensive Grant Program $1,970 for ineligible costs that include: (1) $1,200 for a concrete pad that was not installed; (2) an overpayment of $400 for refrigerators; and (3) an ineligible late fee of $370.

6B. Provide documentation that the costs of $93,588 were necessary and reasonable. The costs include: (1) $51,380 for the installation of new auxiliary kitchen heaters when it installed oversized refrigerators; (2) overpayment of $39,444 for change orders; (3) $1,200 for a concrete pad that was not necessary; (4) $1,200 for kitchen faucets that did not need to be replaced; and (5) a payment of $364 to the Architectural firm. The Authority should reimburse the Grant any costs that cannot be supported to be reasonable and necessary, or are ineligible.

6C. Establish procedures and controls to ensure that the modernization funds are spent in an effective and efficient manner. The procedures should include: performing cost and price analysis for all procurement actions including change orders, inspections, and documentation of all the completed work before making payments, and conduct reviews of invoices for correctness and eligibility of costs.

The Authority Incorrectly Charged Costs to the Comprehensive Grant Program

The Springfield Housing Authority incorrectly charged the Comprehensive Grant Program for the total costs of improvements to its computer and telephone system instead of charging the costs to the benefiting programs, as required by HUD. The improvements benefited both the Public Housing and Section 8 Programs. The current Finance Director assumed the charges were correct because the Authority had always charged the Comprehensive Grant Program for the full cost of the improvements. As a result, the comprehensive grant costs were not accurately documented.

HUD Regulations

HUD Regulations 968.112 (n)(3) states that where the physical or management improvement costs benefit programs other than public housing, such as the Section 8 programs, eligible comprehensive grant costs are limited to the amount directly attributable to the Public Housing Program.

The Housing Authority did not charge the Section 8 Program its fair share

The Springfield Housing Authority charged the total cost of $124,570 for the improvement of its computer and telephone systems to the Comprehensive Grant Program. The systems benefited both the Public Housing and the Section 8 Programs but all costs were charged to the Comprehensive Grant Program. In May 1997, the Authority purchased computer hardware for $92,000 and software for $17,457. In January 1998, the Authority paid $15,113 for a new telephone system. No costs were charged to the Section 8 Program.

An acceptable method of charging the costs to the benefiting programs would be to base the allocation of costs on the number of units. The Housing Authority has 892 public housing units and 1000 Section 8 units. Based on the number of units, the comprehensive grant should have been only charged 47.15 percent of the total costs, or $58,734. The remaining 52.85 percent, or $65,836, should have been charged to the Section 8 Program.

A Housing Authority employee told us that physical and administrative improvements costs were charged to the comprehensive grant because the Authority had always charged these costs to the grant. The Finance Director who reviewed and approved the charges assumed that the charges were correct.

Auditee Comments

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

The Inspector General appears to be approaching the Springfield Metropolitan Housing Authority as a federation of all its programs, not as an entity made up of all its programs. During the Congressional debate concerning the Comprehensive Modernization Program, the issue of addressing the needs of the whole Public Housing Authority was discussed. In HUD "Comprehensive Grant Program Guidebook October 1996," page 4-12, item 4-9 it states "As part of the Comprehensive Plan, the Housing Authority shall prepare Form HUD-52833, Management Needs Assessment, identifying all improvements (including those with no cost) needed to upgrade the management and operation of the Housing Authority.

The basic components of the computer system (hardware and software) were necessary to support the Public Housing Program, and would have been purchased if only the Public Housing Program were served. In order to address the accounting functions, it was necessary to have software that interfaced with all programs, including Section 8. The attached charts demonstrate the actual additional cost of adding Section 8 to the computer system. All ongoing expenses for operating the system are being shared by the Section 8 Program.

The same basic premise will hold for the telephone system purchase. In order to upgrade Public Housing, it was necessary to upgrade all phones. The basic items would have been purchased even if the Section 8 Program had not been included. The actual additional costs for the Section 8 telephones is included in the attached charts.

The most critical issue if the Springfield Metropolitan Housing Authority will be required to pay Public Housing from Section 8 funds, is the issue of how a proration of costs will be defined. The Inspector General has used the unit count for deciding the Authority owes HUD $65,836. The Authority wants to use the actual additional costs incurred for expanding the systems to the Section 8 Department. Using this method the adjustment from Section 8 is $23,247.

The Springfield Metropolitan Housing Authority requests that the adjustments from Section 8 be waived due to the lack of funds in the Section 8 accounts. The attached memo makes clear that future charges to the Comprehensive Grant Program will be properly prorated.

OIG Evaluation of Auditee Comments

The Housing Authority did not charge the costs to each benefiting program as required by HUD regulations. It charged the total costs to the Public Housing Program although the Section 8 Program also benefited from these costs. It is necessary that the accounting records for each program are accurate and the costs are accurately documented.

The Housing Authority wants to prorate the costs based on the actual additional costs incurred for expanding the systems to the Section 8 Program. The method suggested by the Housing Authority is acceptable provided it can accurately document the amount of additional costs incurred. HUD would have to verify the data provided by the Authority with its response and determine the actual amount that should be charged to the Section 8 Program.

Recommendations

We recommend that HUD's Director of the Public Housing Hub in the Cleveland Office, requires the Springfield Metropolitan Housing Authority to:

7A. Establish procedures to ensure that costs charged to the comprehensive grant are limited to the amount directly attributable to the Public Housing Program.

7B. Reimburse the Comprehensive Grant Program for the cost of the computer and telephone system that did not benefit the Public Housing Program.

The Authority Did Not Follow Travel Requirements

The Springfield Housing Authority did not assure that its travel policy was comparable with local practice, as required by the Annual Contributions Contract. In addition, the Authority did not always follow its own travel policy. Specifically, the Authority did not always: (1) obtain Board approval prior to authorizing the travel; and (2) have supporting documentation for all travel advances paid to the travelers. The Executive Director did not know that the travel policy had to conform to local practice. As a result, the Authority's travel policy was not cost efficient and economical. In addition, HUD has no assurance that its travel costs were necessary and reasonable.

Annual Contributions Contract

Section 307(A) of the Annual Contributions Contract requires the local authority to adopt and comply with a statement of personnel policies comparable with pertinent local public practice. Such statement must include the payment of expenses of employees in travel status. In addition, Section 307(C) requires the local authority to maintain complete records with respect to employees' official travel and vouchers supporting reimbursement of travel expense.

The Housing Authority's Travel Policy

The Housing Authority's travel policy states that: (1) all out of-town travel requiring an overnight stay shall have prior authorization by the Executive Director and be approved by Board Resolution; and (2) the Authority may advance per diem funds to a Board Member or employee who will submit the travel expense report within seven days of return from the approved travel. All non per-diem costs must be verified by receipts in order to be reimbursed.

The Authority's travel policy was not comparable to local public practice

The Housing Authority's policy was not comparable to local public practice. The Authority adopted its present travel policy in October 1996. The Springfield Housing Authority is located in Clark County. The primary difference between the Authority's travel policy and Clark County's travel policy was the daily per diem allowance. The Authority's policy allowed up to $100 per day for meals, taxi fares and other costs. The Clark County's travel policy allowed a daily allowance for meals of $30 a day. The allowance could be higher for high cost cities, but must be approved on a case by case basis.

The Executive Director told us that he did not know the policy had to conform to local practice. He said he revised the travel policy in 1996 because the per diem rates were too low for the high cost cities. The $100 per day allowance for meals is excessive compared to the $30 allowed for meals by Clark County. The Housing Authority's previous travel policy was comparable to the local policy. That policy was prepared in 1993 based on a recommendation from our audit of the Authority.

For example, one Board Member's travel voucher showed a charge of $74 for dinner. The receipt attached to the travel voucher showed that the Member paid for at least two dinners. Further, the Executive Director attended a five day conference in New York in July 1997. Not including the first and last days of travel, which were partial days, the Executive Director spent an average of $77 a day for meals, compared to the $30 a day allowed by local public practice.

The Authority did not follow its own travel policy

The Authority did not fully comply with its own travel policy. Specifically, it did not always: (1) obtain Board approval prior to authorizing the travel; and (2) have supporting documentation for all travel expenses paid to the travelers.

<u>Board approval was not always obtained</u>

During 1997, there were three instances of travel by employees or Board Members that were not approved by the Board prior to travel.

The Executive Director approved the travel of the former Maintenance Director twice without obtaining prior approval from the Board. The first instance was for travel from May 7 through May 9, 1997 to Louisville, Kentucky and Nashville, Tennessee. The Board, however, approved this travel on May 20, 1997, or about two weeks after the former Maintenance Director returned from the trip. In the second instance, the former Maintenance Director attended a conference in Indianapolis, Indiana from June 11 to June 14, 1997 that the Board never approved.

Finally, the Executive Director and a Board Member traveled to Washington DC to attend a conference between January 10 and 12, 1998. The Board approved this travel on January 20, 1998, eight days after completion of the travel. The Executive Director said that in his opinion, the travel policy did not require Board approval prior to going on travel status. As a result, he did not always submit his travel authorization to the Board prior to the business trip. We believe the policy is very clear and requires prior Board approval.

Lack of supporting documentation for travel advances

The Authority did not maintain documentation, such as invoices, to support the settlement of travel advances paid to its employees or Board Members. The Authority had paid $3,999 in travel advances that were not settled. A Board Member was paid $2,750 in travel advances: $1,000 on June 3, 1993; $750 on March 10, 1994; and $1,000 on March 13, 1996. However, the Board Member did not submit any travel expense reports or invoices to support the travel advances. The Authority also advanced the former Maintenance Director a total of $1,500 for four trips he made during 1997. However, the former Maintenance Director submitted travel expense reports for these trips amounting to only $251. He did not pay back or provide supporting documentation for the remaining $1,249. Therefore, the Former Maintenance Director still owed the Authority $1,249.

The former Maintenance Director also submitted mileage expense reports totaling $1,312. However, he did not provide the Housing Authority adequate documentation to support the specific sites that he traveled to and the nature of Authority the business that he performed.

Auditee Comments

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

The proposed language in the draft personnel policy is as follows:

1. Meals will be reimbursed up to a maximum per diem without receipts as specified in the Federal Register for other than Federal civilian employees.

2. The traveler will endeavor to pay no more than the maximum Federal lodging amount based upon the rates published in the current applicable Federal Register. The maximum Federal lodging amount included taxes.

3. When traveling to a "high cost" location, the traveler may choose to be paid for those costs exceeding the per diem allowance by providing receipts and other documentation to justify the actual expenses."

Recent changes in the processing of travel vouchers will provide more checks and balances. Now the Director of Finance must review and sign off on all travel vouchers. Then the voucher will be presented to the Executive Director for approval. It will then be returned to another person in finance for processing and filing. Each step of this process should require review of the documentation supporting the travel.

In regard to the specific amounts recommended be paid from non-HUD funds, the following is accurate information from the accounts:

All of the travel amount $2,750.00 reported to be owed by the commissioner is in error. The records show that an adjustment to the accounts was made during July and September, 1996. There are no balances owed in the accounts.

The former Maintenance Director did submit travel vouchers for the use of his own vehicle. All the vouchers are in the file, and most have data which identifies why he was traveling. He did not fill the information in on the lines identified for this information, and in some cases he lumped things together. At the time his employment was terminated, this was one of the issues management was trying to correct.

Finally, the out of town travel by the former Maintenance Director is generally correct. However, the amount shown in the report differs from the Housing Authority Accounting records. They show he owes $1,149.00. Since the former Maintenance Director is no longer an employee of the Housing Authority it will be very difficult to recover this amount.

OIG Evaluation of Auditee Comments

The Executive Director proposed to use the federal guidelines for reimbursement of meals and lodging. We believe these guidelines are comparable to Clark County's practices for travel. The proposed new procedures and controls if implemented will address the recommendations regarding establishing procedures and controls.

The Executive Director stated in his response that the $2,750 reported to be owed by a Board Member was in error. He said that the Authority's accounting records were adjusted in July and September 1996 to show the Board Member did not owe anything. As stated in the finding, the Board Member did not submit any documentation, such as, travel expense reports or invoices to support travel advances of $2,750. The Executive Director also did not provide any documentation to support the travel advances and the basis for the adjustments to the Authority's accounting records. If the Board Member cannot provide documentation, such as invoices to support the expenditure of travel advances, then the member will owe the unsupported amount.

The former Maintenance Director's expense reports did not have adequate documentation showing the specific sites that he traveled to and the nature of the business.

The Executive Director said in his response that according to the accounting records, the former Maintenance Director owed $1,149 instead of $1,249, as shown in the finding. According to he Authority's records, the Authority advanced the former Maintenance Director a total of $1,500 and the Director submitted travel expense reports for only $251. Therefore, based on the documentation we reviewed he still owed $1,249($1,500-$251).

Recommendations

We recommend that HUD's Director of Public Housing Hub in the Cleveland Office assures that the Springfield Metropolitan Housing Authority:

8A Revises its travel policy so that it is comparable with local public practice.

8B. Establishes and implements procedures and controls which will assure compliance with the Authority's travel policy.

8C. Provides supporting documentation for the $3,999 in unsupported travel costs and $1,312 in mileage costs for the Board Member and former Maintenance Director, or reimburses HUD from non-federal funds for the amounts that cannot be substantiated.

The Authority Could Not Support Its Allocation of Indirect Costs

The Springfield Housing Authority did not have documentation to support the allocation of indirect payroll and administrative costs to the various programs it operated. It allocated the indirect costs based on unsupported budget estimates and past practice. As a result, neither the Housing Authority nor HUD had assurance that costs charged to the Authority's various programs were reasonable or appropriate in relation to the benefits they derived from the indirect costs.

HUD Requirements

HUD Regulation 24 CFR, Section 85.22(b) requires State, Local, and Indian Tribal Governments to comply with Office of Management and Budget Circular A-87, Cost Principles for State and Local Government. Section 85.3 defines a local government to include any public housing agency.

Attachment B, Paragraph 11(h) of the Circular states that where employees work on multiple activities (programs) or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation. These reports or documentation must: reflect an after-the fact distribution of the actual activity for each employee; be prepared at least monthly and signed by each employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support.

Attachment C of the Circular requires the Authority to develop and carry out a plan to support the allocation of any indirect administrative costs to benefited programs on a reasonable and consistent basis. 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.

Allocation of Salaries and Wagers Were Not Supported

The Springfield Housing Authority did not maintain any documentation, such as time distribution records, to support the allocation of salaries and wages costs to its various programs. For 1997, the Authority allocated the salaries and wages for eleven employees to three programs, Low-Income Housing, Section 8 Housing and Comprehensive Grant Programs. The Authority did not allocate any salaries to the Drug Elimination Grant, Family Self Sufficiency, North Hill

Apartments, Tenant Based Assistance, and Shelter Plus Care. The Director of Finance told us that the Authority used the percentages in its operating budget to allocate the salaries and wages to the various programs. The Director of Finance did not know how the budget estimates were developed because the budget was prepared before he started working at the Authority in December 1997.

For the current operating budget for 1998, the Finance Director, based on the time worked by each employee, planned to allocate salaries and wages to all the programs.

Allocation of Indirect Administrative Costs Were Not Supported

The Springfield Housing Authority did not have a supportable method to allocate the indirect administrative costs it charged to the programs it operated. These included costs such as utilities, health insurance, equipment rental, office equipment, automobile expenses and office supplies. The Authority allocated the costs based on past practices and experience. There was no study to support the allocation amounts. For example, the Authority charged gasoline entirely to the Low-Income Housing Program even though two of its thirteen vehicles were exclusively used by the Section 8 Program. The Authority also did not allocate any of the utility and maintenance costs for the main office or maintenance buildings to other programs, even though other programs benefited from them. The Authority charged these costs exclusively to the Low-Income Housing Program. The former Acting Director of Finance who was responsible for the allocation of costs was no longer working at the Authority. The present Director planned to re-allocate costs for 1998.

We attribute the lack of formal accounting and other records that support the allocation of the indirect costs to a high turnover of the management staff. In particular, there have been four Executive Directors and five Directors of Finance since 1994. The present Director of Finance joined the Authority in December 1997. Without adequate documentation to support indirect costs, HUD and the Authority can not be assured that the allocated costs are reasonable or appropriate in relation to the benefits they derived from the indirect costs.

Auditee Comments

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

The Director of Finance obtained documentation that supported the current distribution of actual activity by employees in April 1998. This provided a base distribution which will be updated periodically to properly allocate salaries and wages.

An allocation plan will be developed by the end of the calendar year for indirect costs, such as utilities, equipment rental, office equipment, automobile expenses, and office supplies.

OIG Evaluation of Auditee Comments

The actions mentioned in the Executive Director's comments when fully implemented will address our recommendation.

Recommendations

We recommend that HUD's Director of Public Housing Hub in the Cleveland Office assures that the Springfield Metropolitan Housing Authority:

9A. Implement a method that allocates indirect costs to all programs an equitable basis. The method should be in accordance with Office of Management and Budget Circular A-87 and supporting documentation should be maintained.

The Authority Needs To Improve Its Controls For Safeguarding Assets

The Springfield Metropolitan Housing Authority did not have effective controls to safeguard its assets. Specifically, it did not: (1) adequately segregate the duties of its employees for cash receipts and disbursements; (2) always review the biweekly payroll timesheets; (3) deposit rent receipts in a timely manner; (4) maintain effective controls over its supplies and materials; and (5) properly safeguard computer back-up disks. The Housing Authority's management had not given adequate attention to implement effective procedures and controls. As a result, the Authority increased the risk that its cash and materials could be diverted.

Requirements For Effective Controls

Internal controls are intended to provide reasonable assurance that program goals are met, resources are adequately safeguarded and efficiently utilized, and laws and regulations are complied with. The important features of an effective system of internal controls are:

- Controls should be established early in a transaction and carried through its 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.
- Record keeping should be separate from operations or the handling and custody of assets. For example, the bookkeeping function should be separate from cash receipt and disbursement functions.

Duties Were Not Adequately Segregated

The Housing Authority did not properly segregate employees' duties over its cash receipts and disbursement functions.

Cash Receipts

The Receptionist, who was also a tenant, retained full control over the rent payments from the time they were collected at the Authority's office until they were deposited with the bank. She opened the mail, collected tenant rent payments, and prepared bank deposits. The Authority did not always issue receipts for rent collected. The data processing personnel posted the tenants' payments from information provided by the Receptionist. The Receptionist also had the opportunity to substitute other tenants unrecorded rent payment checks or money orders for her rent. Thus, rent collections were susceptible to waste, loss, and misuse. In January 1998, the Receptionist was charged by the Springfield Police Department for stealing two money orders for $282 that were paid as rent payments by another tenant.

During our audit, in March 1998, the Authority improved its controls over rent collections at its office. A person other than the Receptionist prepared and deposited the rent receipts. The Authority also started issuing pre-numbered receipts for all tenant rents.

However, the Authority's controls for collection of rents at its elderly high-rise buildings were still weak. The bookkeeper collected the rent payments and also had access to tenants' account receivable records. Thus the bookkeeper could make adjustments to tenants' accounts receivable records and effectively have control over the tenant account balances. Although there was no indication that the bookkeeper took advantage of the opportunity to divert rent collections, the bookkeeper could have diverted funds without detection, by adjusting entries to tenant accounts receivable records.

Cash Disbursements

The bookkeeper had access to checks, signature plates, and the Authority's check signing machine. This employee also reconciled the checking accounts. The duties performed by the bookkeeper provided an opportunity to prepare a check for personal use and cover up the diversion of Authority funds by controlling accounting entries. During our audit, in April 1998, the Authority segregated the duties. Instead of the bookkeeper, the Data Processing Specialist is now responsible for reconciling the checking accounts. The bookkeeper also no longer has access to the signature plates and check signing machine. We believe these segregated duties if maintained should provide the proper checks and balances for the cash disbursements function.

Payroll Time Sheets Were Not Always Reviewed

The Authority did not always review the biweekly payroll time sheets of its part time security personnel. As a result, there was no assurance that security personnel were only paid for hours worked. The Authority employed about 18 to 19 local police officers as part time security personnel. For a four month period, between January and April 1998, the Authority reviewed and approved time sheets for only one of the eight biweekly payroll periods. The Executive Director said he use to review and approve the time sheets but for some unknown reason stopped doing it. He could not remember the reason. The Authority's Tenant Service Coordinator said he was asked to start reviewing and approving the time sheets starting with the first payroll of April 1998. The Coordinator reviewed the time sheets for the first payroll in April 1998 but did not review any after that time. The Coordinator did not have an explanation on why he stopped reviewing the time sheets.

Rent Receipts Were Not Deposited Timely

The Authority did not deposit the rent receipts in a timely manner. We reviewed 16 bank deposits between April and July 1997. Eleven deposits were not made in a timely manner. The delays ranged from two to 13 days. For example, the Authority collected $892 on June 26 but did not deposit these funds until July 9, 1997, a delay of 13 days. In another instance, the Authority collected $16,723 on April 4, 1997 but did not deposit these funds until April 11, 1997, a delay of seven days. The Authority took unnecessary risks by keeping the rent receipts on the premises for an excessive time period.

Controls Over Maintenance Supplies Were Inadequate

The Authority did not keep its maintenance supplies in a secured area. The Authority stored building supplies in garages at scattered site units. As a result, they were susceptible to loss. The Maintenance Director told us that he will centralize the storage of supplies in a secure area. The Authority also did not accurately keep track of the inventory in stock. An accurate inventory record is necessary to assure that duplicate items are not purchased. For example, the Authority purchased a tub surround in February 1998, because it did not know that it already had two tub surrounds in its inventory.

The Housing Authority did not properly protected its back-up computer disks. Back-up computer disks are maintained in case the original disks are damaged or destroyed. The Housing Authority stored the back-up computer discs on top of a computer instead of in a secure area. The Authority also did not require computer passwords to be changed periodically. The changing of passwords makes it more difficult for unauthorized computer access.

Auditee Comments

A complete text of the Executive Director's comments follow. Appendix B also contains the complete text of the comments.

The following changes (many during the time the Inspector General was here) have been implemented:

Rent Collection

1. The former Receptionist was discharged after an investigation was initiated by the current Executive Director.

2. A new Receptionist was hired and reports to the Finance Director.

3. New procedures were initiated by the Finance Director which include:

   a. Mail is now opened by the Executive Assistant or designated backup under the supervision of the Executive Director.

   b. Copies of all checks, money orders, or other cash items is made and retained for audit purposes by the back up to the Executive Assistant or receptionist.

   c. Pre-numbered receipts are either given to residents or mailed to residents for all receipts.

   d. The receptionist batch totals are compared with the duplicate receipt copies and tapes of the checks or money orders received.

e. A person other than and distinct from the bookkeeper now collects rent payments at the elderly high-rises. The person is from another department than finance.

f. Other finance department personnel prepare the bank deposit and balance to the receipt copies.

g. The Springfield Police Department takes the deposits to the bank daily during rent collection time.

h. Separate finance department personnel post receipts to the detail for resident receivable records.

i. The Finance Director investigates all resident receivable queries.

Cash Disbursements

1. The process of reconciling the checking account has been moved to the Data Processing Specialist.

2. The check signing plates are kept locked in the Finance Director's office until the running of authorized checks.

Payroll Time Sheets

The time sheets for the part-time security personnel are submitted by the officers, reviewed by the bookkeeper, the Finance Director, and the Executive Director.

Rent Receipts Deposits

1. The Finance Director has conducted finance staff meetings and re-emphasized the importance of timely deposits.

2. An objective of timely deposits has been added to the bookkeeper's quantitative job responsibilities and will be used for performance evaluations.

3. The Finance Director has worked out a daily schedule of balancing of cash receipts by 11:00 a.m. by the receptionist, preparing the bank deposit and balancing by the bookkeeper by 1:30 p.m., and pick up by the police officers the same day.

Computer Backup Safeguards

Computer backup files are removed from the top of a computer and are now locked in fire resistant files and a safe.

The Springfield Metropolitan Housing Authority is in the process of changing all computer pass words. This will be completed by the end of September. They will be changed semi-annually thereafter.

Inventory Controls

The Authority has established the following inventory controls:

1. Large items will be stored at one building.

2. Spring 1998, the parts room was enclosed with a cage, and all personnel had to begin signing out parts and equipment.

3. August 1998, the Executive Director stopped the practice of employees taking equipment for personal use.

4. A general inventory of all items on the inventory list was conducted in Spring 1998. The list is now up to date, and new items are being added as they are purchased.

5. One person is now in charge of procurement, with the Finance Department monitoring the documentation for payment of items purchased.

6. There is a person identified for parts and equipment supplies. She has been trained and is responsible for

7. Over sight of the distribution of parts and equipment.

OIG Evaluation of Auditee Comments

The procedures and controls mentioned in the Executive Director's comments if fully implemented should resolve the issues in the finding.

Recommendations

We recommend that HUD's Director of Public Housing Hub in the Cleveland Office assures the Housing Authority:

10A. Keeps the duties of its employees segregated for rents collected at its office and segregates the duties for rents collected at its elderly high-rise buildings. No employee should have complete control over a significant transaction.

10B. Establishes procedures and controls to assure: all payroll timesheets are reviewed timely; rent receipts are deposited in timely manner; maintenance supplies are kept in a secured area; and the computer back-up discs are safeguarded in a secure area.

In planning and performing our audit, we considered the management controls of the Springfield Metropolitan Housing Authority in order to determine our auditing procedures, not to provide assurance on the controls. Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Management Controls

We determined 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.

We assessed all of the relevant controls identified above.

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- Program Operations

  The Authority was not operated according to program requirements (see Finding 1). Specifically, the Authority did not follow proper vendor payment procedures when it paid $38,437 for ineligible and unsupported costs (see Finding 2). In addition, the Authority did not: assure that it maintained an acceptable occupancy level; assure that its inspectors conducted adequate inspections of the Section 8 units; follow proper procurement practices; use its modernization grant funds in an efficient manner; correctly charge the Comprehensive Grant Program; follow travel requirements; have a cost allocation plan; and have effective controls to safeguard its assets (see Findings 3, 4, 5, 6, 7, 8, 9, and 10).

- Compliance with Laws and Regulations

  The Authority did not operated in accordance with program requirements (see Finding 1). Further, the Housing Authority did not follow HUD's requirements, the Office of Management and Budget Circular A-87, and the Annual Contributions Contract regarding: (1) cash disbursements; (2) Comprehensive Grant Program; (3) Section 8 unit inspections; (4) Vacancies; (5) Procurement Practices; (6) Controls over safeguarding assets; (7) travel requirements; and (8) cost allocation plans (see Findings 2, 3, 4, 5, 6, 7, 8, 9, and 10).

- Safeguarding Resources. The Housing Authority inappropriately: paid $38,437 for ineligible and unsupported expenses; and incurred costs of $95,558 that were unnecessary or unsupported; and paid $5,311 in unsupported travel advances and mileage costs (see Findings 2, 6, and 8).

The Office of Inspector General issued an audit report on the Springfield Metropolitan Housing Authority on April 1, 1993, pertaining to the operations of its Low-Income Housing Program (Audit Case Number 93-CH-204-1016). The report contained seven findings. There were no open findings from that report. Three findings are repeated in this report.

Report Number 93-CH-204-1016	This Report
Internal Controls Need To Be Strengthened (Finding 3).	The Authority Needs To Improve Its Controls For Safeguarding Assets (Finding 10).
Allocation of Indirect Costs To Various Programs Was Not Supported (Finding 6).	The Authority Could Not Support the Allocation of Indirect Costs (Finding 9).
Travel Policy Needs To Be Revised and Followed (Finding 7).	The Authority Did Not Follow Travel Requirements (Finding 8).

The latest single audit covered the fiscal year ended September 30, 1995. The report contained six findings. None of the findings are repeated in this report.

Schedule Of Questioned Costs

Recommendation Number	Type of Questioned Costs: Ineligible 1/	Unsupported 2/
2B	$33,445	
2C	2,300	
2D		$ 2,692
6A	1,970	
6B		93,588
8C		5,311
Total	$37,715	$101,591

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.

Auditee Comments

INSPECTOR GENERALS FINDING

"The Authority Was Not Operated According To Program Requirements

In general, this finding is true, however, it fails to mention the internal control changes already completed which are reported in the SMHA responses to the findings. In addition, it does not mention that the executive director provided a short written report about the conditions at SMHA and later met with and explained in more detail the problems. Many of the problems reported to the Inspector General are found in their findings. Finally, it did not distinguish between problems prior to September 1996 and current problems. Each identified areas will be briefly discussed below:

· "Did not have vendor payment procedures" - The problems with the former Director of Maintenance and Modernization are well documented, and steps have been initiated to recover most of the loss. Since this incident internal controls have been implemented to help prevent further abuses of this nature.

· "Experienced a steady increase in its vacancy rate" - In the response provided it was noted that some of the vacancy rate issue is directly related to strong lease enforcement, and tougher screening of applicants. This has begun to turn around with improvements in both Section 8 staffing and Public Housing staff. Also, a professional trainer was brought to SMHA to train the staff for both programs.

· "Did not conduct quality control" - IN the SMHA response it was agreed that this is an area of need. Since, the finding reply was issued a HUD trainer has been to SMHA and all effected staff have been retrained. We have hired another contract inspector to monitor and provide quality controls to the inspection program.

· "Did not follow proper procurement" - The response to the finding shows that most, if not all, of the concerns listed in the finding have been addressed and cured.

· "Used $95,558 of modernization funds in an inefficient manner" - The SMHA response agreed with this finding and then described the steps already taken to cure this problem.

· "Incorrectly charged ---management improvements to its Comprehensive Grant Program" - Again, this was noted and steps were implemented to correct the issue.

· "Travel Policy" - The draft personnel policy contains the language recommended by the Inspector General and will be presented for preliminary approval on September 15. Once the Board gives its preliminary approval it will be released to both Unions and the agency attorney for review. It is estimated that it will be presented to the Board at the November meeting for final action.

· "Did not have a proper cost allocation plan" - The SMHA response is that we have now developed a plan. It will be fully implemented no later than December 1998.

· "Did not maintain effective controls to safeguard its assets" - In the SMHA response, details of the various internal controls that have been implemented, and a summary of the inventory controls implemented were discussed.

The Inspector General noted that SMHA has had three executive directors and one interim director. It did not note that the current executive director contracted with NAHRO to conduct a strategic plan for SMHA, nor that the process of this plan was impaired by non-action by the Commissioners. The Commissioners themselves have discussed this as an issue to be revisited. If HUD can provide technical training to SMHA for the development of a stregic plan and provide oversight of its implementation, its assistance will be appreciated.

The employee evaluation system used by SMHA is adequate. The supervisors are encouraged to add notes to the form provided which are specific to the job being evaluated. This gives SMHA consistency and individuality in its evaluations.

In regard to the recommendations:

1. Technical assistance from HUD will be appreciated.
2. Assistance from HUD in developing a plan which will set goals, direction, and initiatives will be appreciated. SMHA will implement such a plan.
3. Performance evaluations are in place, as described above.
4. Significant improvement in implementing controls over expenditures - See responses to previous Inspector General findings.
5. Board of Commissioners - The Inspector General did not provide detail as to what is needed for the Commissioners. If HUD wishes to provide technical training for Commissioners, it will be welcome.

Response to Inspector General's Finding
"The Authority Paid $38,437.00 for Ineligible and Unsupported Costs"

The executive director is the CEO of the PHA, and in this capacity is responsible for everything, Good management principles clearly teach that the CEO must delegate authority to those persons who have proper credentials. The Directors of Maintenance and Finance in place when most of the findings happened were screened and found to have good credentials, and the references expressed their good character. A system of checks and balances was established between the two departments in order to prevent fraud and theft. When the activities mentioned in the report were taken neither person had been employed for six months. In fact, both persons were dismissed once the problems were identified. The Director of Finance was not dismissed for the activities in your report, but the Director of Maintenance was.

The executive director denies circumventing the vendor payment procedures outlined in the Inspector General's finding. He followed the procedures that were in place at the time. The executive director should not need to review each document that is part of procurement, and he should delegate this detail to other staff. Specifically, the Finance Director did not verify the documentation, and the Maintenance Director was dishonest and is under investigation for theft. The system in place worked if the two department heads were functioning.

When the executive director began employment in September 1996, the Authority was not following vendor payment procedures. One person was reported to be the purchasing agent, but she was buying from family and friends. When this practice was stopped, she resigned her position.

Since beginning work, the executive director has written a new Procurement Policy containing acceptable checks and balances. He has also assigned procurement to one staff person, and has sent that person to two training courses. He has also issued orders that all future procurement initiated by any other staff must be signed off by the Procurement Person.

This finding largely relates to a set of circumstances I discovered and reported to the local Prosecuting Attorney, the potential misrepresentation by the former Director of Maintenance. It was then turned over to the FBI for investigation, and there has been little communication from the FBI since. There was a serious breakdown in the normal processing of invoices which was not reported to the executive director. The Director of Finance was supposed to assure that all documents relating to a purchase were in the file prior to bringing the payment authorization or check approval to the executive director. The Finance Department did bring large piles of checks for approval, and it seemed always at the last minute. At no time did the Finance Director bring to the executive director's attention that purchases did not have the proper documentation. When the payment was issued, it was assumed that all documentation was in order. In fact, there were verbal communications from Finance that the documentation was in the file.

Verification of materials delivered was delegated to the Maintenance Department. When materials are received, they must be documented. The documentation of receipt of materials is then given to Finance to be included in the file when payment is made.

During the period in question, there was a serious breakdown in the system. First, the executive director, who had been on the job but six months, was attempting to reconstruct the Housing Authority. He had found that most "good business practices" were not being followed, especially procurement. The financial records were in complete disarray, the vacancy rate was climbing, and maintenance had been deferred to the point where there were critical problems.

New Directors of Finance and Maintenance were hired. From their credentials and references they appeared to be competent and honest persons. The executive director delegated the responsibility for documenting the procurement and inventory control process between Finance and Maintenance. He did not approve the payment of any item unless the Finance Department assured him that documentation was in the file. .

After the executive director discovered that a fraudulent activity may have taken place by the Maintenance Director, he immediately contacted the SMHA attorney for advice. The more he investigated the deeper the problems appeared, until he contacted the Clark County Prosecutor's office and the FBI. Most of the cost items referred to in the I.G. report are related to the activity initiated by the Director of Maintenance, e.g., $25,690.00 to Grunwald construction, $1,000.00 Boom Rental, $6, 755.00 elevator parts, $2,200.00 water blaster and nail gun. Since these items are part of an FBI investigation, and since their original purpose was to provide for services SMHA needed, they should not require repayment until the FBI investigation is complete. It may be possible to recover these funds if the FBI investigation proves fraud. The courts may attach the property of the former Director of Maintenance, or there may be recoverable insurance funds. (The SMHA insurance company has been notified of this potential claim.)

Because of the discovered problems, the executive director also began implementing changes to the way procurement and inventory is processed. First, he began personally approving all checks by requiring Finance to provide him the check with supporting documentation attached. All purchase requisitions, except for those which are routine, were approved by him prior to the purchase. Much of the activity was in the Comprehensive Grant program, and the executive director began closely reviewing every item in the program. In fact, he asked the HUD office to not call other staff, but to communicate with him directly.

A job description was developed for the procurement function, the person in the position was sent to two training programs, and a new Procurement Policy was written and approved by the Board.

One error in Inspector General's report is that the executive director approved payment "at the request of the Maintenance Director." He only approved payment of bills recommended by the Finance Director. This was supposed to be the check and balance in the system. Since the discovery of this inadequacy steps have been taken to build better controls, and the management staff is continuing to develop better controls. (See attached summary of the system now in place.)

In regard to the elevator payment, the same controls were in place. The Maintenance Director and the Acting foreman both confirmed that there was a situation with the elevators that endangered the lives of the residents. Without the knowledge or approval of the executive director the former Maintenance Director fired the elevator company SMHA had a contract with, and hired All Pro Elevator to handle the repairs. Because the problems with the elevators was deemed an emergency, the executive director approved using All Pro to service the elevators until proper bidding and procurement could be completed. The executive director was not informed until this finding was presented to him that $6,755.00 worth of elevator parts had not been delivered. The documentation should have been in the file if Finance brought the item for payment approval.

(On July 8, 1998, the All Pro Elevator Company paid SMHA with a check for $6,755.00. They also stated that the check in question was part of an FBI investigation they began. The FBI arrested Mr. Turpin at the time, but wanted to continue the investigation to see if others at SMHA were involved. No report of this was made to SMHA. See attached)

As mentioned earlier, the system was changed once the problem was identified.

One of the most problematic issues of SMHA was economic viability. For the two years prior to the hiring of the current executive director SMHA had over spent its budget and had been over $100,000.00+ each year in the red. HUD staff was concerned about the potential of SMHA going bankrupt. A very big part of keeping the authority operating was to monitor the cash flow. When the compactor was first conceived, it appeared to meet both the problems of removing trash, and of lowering the expenses. Through a lease the payments would be consistent from month to month. The total cost of trash removal would be less than the dumpsters. Since Housing Authorities often lease equipment this did not seem to be in violation. Housing Authorities lease copiers, vehicles, computer systems, etc. It was not until HUD brought the leasing issue to light that it was addressed. Immediately, the contract was paid off. There was no attempt to circumvent the rules, but the purpose was to enhance the cash flow of SMHA. The interest and charges should not be required to be paid back.

The general contractor's license was purchased as part of a new program designed to provide Public Housing residents with home ownership opportunities. In fact, at a meeting HUD held on June 19 - 20, in Canton, OH. the 203K program was one of the home ownership tools HUD strongly encouraged PHA's to explore. Sometime in the Spring of 1997, a meeting was held at the HUD offices in Columbus with representation from the City of Springfield, a Columbus based lending institution, several departments of HUD, and SMHA to discuss how the 203K program could be encouraged in Springfield. The area most often identified as the barrier to 203K was the lack of a general contractor. It was discussed that SMHA could provide this function since it was already doing general contract type work in its Comp. Grant program.

This concept was discussed with the Board of Commissioners on several occasions, and the Board gave it their enthusiastic support. A plan was devised to create a nonprofit entity which could be a general contractor, and thus keep the accounting separate from SMHA accounting. During the interim, while this nonprofit was being created, the SMHA would be available to do this kind of work. SMHA needed a general contractor's license to do that. Because of circumstances which developed later the nonprofit corporation was never created. SMHA has had opportunities to provide general contracting work on potential 203K projects during this period, but none have every resulted in actual contracting work. The licenses were in support of this program.

The $58.00 for a horse race outing was not known to the executive director until this finding was produced.

Inspector General's Finding

"The Authority Has An Excessive Number of Vacant Units"

This finding is accurate in the fact that there are excessive vacancies and the process has not been adequately fine tuned. It is in error in making assumptions based on the comments of staff who are not in a position to know the entire situation, and projecting the thoughts of the Auditors developed from this input. The following summary will provide insight to the problem and the steps taken to correct the problem.

The executive director began employment on September 16, 1998. Shortly thereafter he reviewed the tenant accounts receivable and discovered long standing overdue rent payments. It was reported that these were the result of favoritism by staff and Commissioners. He was informed that certain residents were "protected" and could not be evicted. The executive director issued orders that there would be no favoritism and that the lease would be enforced. In one month fifty eviction notices were issued. Once the word of the lease enforcement was spread, other residents moved out, causing a glut in vacant units. This occurred during the January and February 1997 period. As part of a PHMAP Improvement Plan there have been monthly meetings with the HUD staff and every item of the vacancy problem has been discussed with HUD. SMHA's action was discussed with Julia Brown and David Kellner at the HUD Columbus office. They concurred that SMHA must enforce the lease even if it worsens the vacancy problem.

The executive director found that there were units off line for almost a year when he began employment. He issued direction to the maintenance department that they should begin with the oldest unit and move toward the newest vacant unit. Immediate resistence from both maintenance and operations was expressed. They commented that the oldest units were located in the area most difficult to rent. There was resistence to turning these units around.

The Director of Maintenance and Modernization during the months February to September 1997, made reports of progress in turning units around for occupancy. Unknown to the executive director or Board of Commissioners, he had taken a comment from one HUD staff member to "deprogram units." What he did was take the units in need of the most work off line and allow them to remain untouched. He stated his plan was to include them in the Comprehensive Grant budget for the next year, and hire all of the work done by a contractor. He never followed through on this and the thirty-two units were allowed to sit untouched. This made the PHMAP score worse. Currently, there are only two of those units not ready.

Another factor is that HUD was not provided accurate data prior to September 1996. The executive director has been in steady contact with the Columbus HUD office as discoveries were made. The lack of adequate reporting and the decisions by SMHA leadership allowed the vacant unit problem to grow into unacceptable proportions. Serious steps were called for, and when the current Director of Maintenance and Modernization was hired, he was instructed to find a solution to the unit turn around time. A new form for tracking the process of turn around time was created and implemented. For the first time there is documentation of when a unit is vacated and when it is re-rented. This form also tracks the process from inspection to lease signing. SMHA now has accurate, documented data.

The Operations Department had not done solid screening prior to September 1996. The police screen consisted of only Springfield Police records. There was no credit report in the files, and past landlord information was often suspect. As was mentioned earlier, there appeared to be favoritism in tenant selection, and some of the residents did not have the lease enforced when they were involved.

The PHDEP Security effort was burdened by having two entities providing security services, and limited communications or cooperation between them. In addition, certain Commissioners were demanding a change. Even to this time one Commissioner is demanding the Police Program be discontinued and replaced by a private security firm. This erodes the ability to market units located in potentially higher crime areas.

The executive director gave operations direction to use a screening service. After researching the alternatives, FABCO was recommended, and SMHA began screening a wider area of police information. In addition, SMHA has begun obtaining credit checks on applicants they expect to be housed. This is designed to produce a better resident, and to reduce the time and costs of major repairs when the resident moves out. It has also eliminated some applicants.

The staff level of the operations department was insufficient to handle the work required to process applications in a timely manner. Additional staff was authorized in 1997, and the result is fewer vacant units. This trend will continue providing the maintenance department can prepare the units in a timely fashion. With this in mind the following steps have been taken:

1. A sign in and sign off sheet has been used. When the resident turns the key into operations, they sign and date a form. When they turn the keys over to maintenance, maintenance signs and dates the form. When maintenance completes unit preparation and returns the keys, the form is again signed and dated.

2. Discussions with both maintenance and operations directors resulted in the maintenance department agreeing to inform operations of units nearly ready to be turned over to them. Operations then begins the process of screening the next person on the waiting list.

3. The maintenance department evaluates each vacant unit, and based on the needs of the unit assigns it to a make ready team. In consultation with the Columbus HUD office the oldest most damaged units are being cleaned first. This is to help reduce the turn around time the PHMAP measures. Once those units are repaired, the other, less time consuming units will be processed. Once SMHA reaches this point the maintenance department has stated they can keep up with the move out rate.

4. When the keys are turned over to maintenance a move-out inspection is scheduled. This inspection provides information about the required repairs, and can provide guidance about the

potential costs. Based on this information and information provided by operations a decision will be made about scheduling the make ready work.

5. Attached memos from the Director of Operations and the Director of Maintenance and Modernization provide more detail about the current process.

Memo

To: Harold T. Riedel, Jr., Executive Director

From: Anita Perrin, Housing Operations Director

Subject: Inspector General Finding - Excessive Vacant Units

Date: August 6, 1998

The 42 day lease-up time has been reduced significantly due to the coordination of Maintenance and Operations. Maintenance is projecting ready dates and these dates are becoming more and more on target. In addition, Operations has utilized additional staff since March 1998, contracted with a screening agency for credit and criminal history and can now begin the updating of applicant files earlier with the additional staff.

Prior to March 1998, the Occupancy Coordinators were responsible for all facets of housing, updating intake files, showing units, resident orientations, leasing, lease enforcement, complaints, recertifications, interim rent adjustments, informal hearings, evictions, security deposit dispositions, reports, returning NSF checks, vacated accounts with balance write-offs, rent arrangements and processing rent payments that come in at the wrong amounts. They now each, have an Occupancy Assistant to split their duties.

We are presently doing the following to reduce the vacancies and reduce tenant damages.

Allowing a six month delay in processing resident rent changes due to starting a new job with a higher pay rate effective July 1, 1998.

Established an one year occupancy requirement before a resident is allowed to transfer to the Section 8 Housing Assistance Program or move-out of their Public Housing unit.

Within the first three months, have the SITE staff person visit new residents and do an assessment of the unit while there.

TO: Mr. Harold Riedel
Executive Director

From: Charles Brimmer
Maintenance Director

August 6, 1998

Upon hiring, you made it very clear that you wanted someone to take and active role in the everyday operations of the maintenance department.

Your concern was the vacant units, and this was our goal. We have had several meetings with Columbus HUD and this was their position as well.

We have now in place a better system of counting the vacant units, and also have forms on file to show when the units became vacant. And to show the turn around time and the time they are returned to operations. We have taken steps to return those units taken off line by the former maintenance director to the operations department for occupancy. Several of these were early 97 late 97, as of August 98 there remains only three and we have started those units. They should be returned to operations by the end of August 98.

We have also turned units over that were vacant in 98. We are not just looking at 97 vacant units. But in keeping with regulations, we should be turning those units that have been setting the longest time out.

In your report, you wrote about the sign in sign off sheet. This is being done. Meetings are being held, with operations as to when they can expect units to return for occupancy.

We have been costing out the repairs as needed. We do need more time to get turn around time under control. Once we have the vacancy count under some control, then we can start to do some of the other things needed.

We are improving, we have a ways to go.

Our goal is to reach a 98% or better occupancy rating and do it the right way.

Supplemental Information to the

INSPECTOR GENERAL FINDING

"The Authority Has An Excessive Number Of Vacancies"

Immediately following his hire in September 1996, the executive director issued a memo to Operations stopping the practice of transferring residents from one unit to another. Unit transfers were allowed only for persons with serious medical reasons. The reason for this was to stop the duplicate work. When an existing family moves from one unit to another it means maintenance must prepare both units, and there is no gain in occupancy.

Also, on about the same time, the executive director waived the unit size requirements. This was to allow housing families in units larger than they would normally need. This was to be only until the vacancy rate dropped, and a demand for the over housed resident’s unit was apparent. At that time the over housed resident family would be required to relocate to a unit of appropriate size.

Response To Inspector General's Finding

Section 8 Unit Inspections Were Not Adequate

The Springfield Metropolitan Housing Authority recognizes that Section 8 unit inspections are not meeting HQS standards. Both Inspectors have been sent to professional training on HQS, and both are experienced inspectors. The missing element has been quality control. To improve this SMHA invited the HUD Construction Specialist, to provide a HQS training update for the Inspectors. We have involved other SMHA staff as a cross training component. The training was held on August 24 to 26, 1998.

As was noted in the finding, the quality control program was changed in April 1998. This was necessary because (1) the Director of Operations did not have time each month to conduct quality control inspections, and (2) SMHA needed a more objective view. An retired city Inspector was hired because he understood the need for quality, and he had a strong background in inspections. Unfortunately, he decided to accept permanent employment elsewhere and we are currently without this service. SMHA is presently searching for another contract Inspector.

The performance appraisal used by SMHA is generic in that it measures a set of common evaluation characteristics. There is room on the form for comments by the Supervisor to address specific areas, and there always is the freedom to write an addendum to the form. Using the form allows everyone's performance to be measured equally. If the Supervisor wishes to add to the list of measurements they may do so.

The Section 8 Administrative Plan is under revision currently, and the section on HQS will contain the language:

"Owners of Section 8 units are required to correct all Housing Quality Standards violations within thirty (30) days and all serious violations within twenty-four (24) hours; and its inspectors will identify the serious violations in the inspection reports."

Response To Inspector General's Finding

"The Authority did not Follow Proper Procurement Practices"

When the Inspector General's staff began its review of the SMHA on February 2, 1998, the executive director of SMHA provided them a report which outlined some of the problems discovered since his hire on September 16, 1996. One of the top issues was the failure of SMHA to follow its adopted policies. To quote, " If SMHA had adopted policies, I could not find them. I asked for copies of the procurement policy, disposition policy, investment policy, etc. No one could find anything. After six weeks I was given a faded out copy of the personnel policy. After six months I finally found a partial copy of the procurement policy."

On page 7 of the report he states, "6. Using the HUD model procurement policy I have written a policy for the Finance Committee to consider. The procurement policy adopted by the Board years ago could not be found until late summer. Procurement was being done on a "good old boy" basis. Friends and relatives were getting SMHA's business. When I stopped this practice, the procurement practices are much improved."

Since this report was provided the Inspector General several additional changes have been made to assure proper competitive procurement. A new Procurement Policy written after the HUD model. It was written by the executive director and approved by the Board of Commissioners. One staff member has been assigned the responsibility for oversight of all procurement. This person has attended two professional training course on procurement and was involved in the development of the new policy. All procurement must now be cleared through this person.

The Inspector General was previously given three pages of procedural changes which outline in detail how procurement is presently being conducted. (Copies attached.) One of the major changes is to make the Finance Director responsible for assuring that all purchases have proper documentation of both receipts and that the amount was proper. Goods must be signed off when delivered.

In response to the specific comments the following is offered:

1. Marathon Oil for $18,510.00 for the purchase of a trash compactor. SMHA was replacing three large dumpsters with one compactor. After investigation it was apparent the compactor could save SMHA up to $1,000.00 per month and the unsightly dumpsters would be removed. SMHA had a contract for refuse removal with the BFI company, which later sold out to Waste Management. We were informed that BFI would not provide service to a compactor they did not provide, and we were contractually obligated to BFI. It was apparent that BFI was the sole source provider for the compactor. Marathon Oil was the subsidiary company BFI used for compactor contracts.

All Pro Elevator for $65,200.00. The former Director of Maintenance and Modernization reported the elevator servicing company of record had not been performing the proper and necessary maintenance on the elevators. After a State of Ohio inspection report it was clear that several elevators were in danger of failing and could endanger the lives of any passengers aboard. The elevator servicing company was fired, and All Pro Elevator was hired on a temporary basis until proper procurement could take place. Subsequent to this both the Director of Finance and the Director of Maintenance and Modernization left the employment of SMHA, and there was a longer period of time between the firing of the elevator company and procurement of new services. Because of the severe nature of the elevator problems it was necessary to make several important and expensive decisions and certain expensive work was approved during the interim.

Cole, Acton, Harmon and Dunn for $201,098. When the SMHA was created this firm provided work for no charge for several years. There has never been a contract for these services, and there has never been competitive solicitation of qualifications or proposals. The procurement staff has been instructed to prepare a solicitation of qualifications, and a competitive process, as outlined in the Procurement Policy, will be processed. This will be complete by the end of 1998.

Roger Storer Plumbing for $239,755.00. The executive director noted this discrepancy in 1997, and required all future solicitation for plumbing services follow the procurement policy.

Grunwald Construction for $25,690.00. This may be a fraudulent purchase which has been reported to the FBI for investigation.

Casterline Associates for $48,214.00. In December, 1996 the Comptroller for SMHA was fired. The executive director immediately contacted the auditor of record, John Slaybough and Company, requesting assistance. A date for an initial meeting was established for December 26, 1996. Mr. Slaybough never showed up for the meeting, and he refused to return calls. His staff informed the executive director he was not interested in developing a plan for SMHA's finance records.

The executive director also contacted a local CPA firm who has had some experience with government program accounting. After several discussions they decided they were facing tax season and would not have the time. He then contacted the Dayton Housing Authority for assistance and they sent their finance staff to Springfield to evaluate and decide what they may be able to assist with. Their evaluation concluded that the finance records were in such poor condition that they could not cope with them. They then recommended Casterline Associates. Understanding the severity of need, and the fact it was an emergency to get the accounting functions improved, a contract was agreed on.

Computer Free America for $92,195.00. The computer system was already planned when the executive director came to SMHA. He insisted that there be proposals from other companies, and the person in charge of computer procurement (this was before any structure in procurement was developed) solicit competitive bids. She reported that no one then working at SMHA knew how to solicit proposals. The executive director provided a quick set of instructions, and Computer Free America was chosen. There was also a committee consisting of staff from the various departments who evaluated the proposals, and the selection was made on the recommendation of the committee. (See attached memo)

Data Directions for $17,458. Data Directions was the computer soft ware in place when the computer upgrade was made. The choice was to upgrade the system or to change computer software. When the cost of data conversion was added to the cost of the software it became apparent that continuing with Data Directions made the most sense. In addition, the staff was very pleased with the Data Direction software they had been using for years. Data Directions was the sole source provider.

Finally, A & B Lawncare for $31,235.00. This was a contract negotiated by the former Director of Maintenance and Modernization which did not have competitive bidding. It was to be a short term testing of the company's quality and limited to a few projects. With out informing the executive director the contract was expanded slowly and soon it became a large contract. This company is no longer working for SMHA, and all lawn care contracts are now being procured using the approved procurement policy.

In terms of the recommendations:

1. One person has been assigned the responsibility for all procurement, and the Director's of Finance and Maintenance and Modernization both have check and balance roles in procurement.

2. The contract for legal services will be advertised before the end of 1998. Contracts for boiler repair services is now being procured according to the approved policy.

3. All the recommendation in recommendation C have been previously implemented.

PURCHASING AND RECEIVING FOR SMALL PURCHASES

1. Supply requisition initiated by employee needing material
2. Supply requisition signed by requester and Foreman or Supervisor
3. Foreman or Supervisor gives signed supply requisition to procurement officer.
4. Procurement officer finds materials that meet requesters requirements. If purchase is over $2,500.00 for a single item 3 quotes are sought, in accordance with the procurement policy.
5. If 3 quotes are sought they are noted on a small purchase quote sheet and attached to the purchase order.
6. Procurement officer fills out purchase requisition including prices.
7. Procurement officer requests purchase order number from Finance.
8. Purchase order number is assigned to purchase requisition and recorded in purchasing log. Totals are run on purchasing log weekly so that an up to date tally can be kept of purchases for the month.
9. Purchase requisition is signed by Maintenance Director and Finance Director.
10. Materials are ordered by Procurement Officer
11. Copies are made of purchase requisitions and all supporting documentation, these are filed in an outstanding P.O. file.
12. Originals are taken to Finance for processing.
13. Finance sends copy of processed P.O. back to procurement, this copy is attached to supporting documentation and filed in outstanding file.
14. When materials come in, stock person checks them in and brings receiving document to procurement. Procurement officer rechecks materials against purchase order and notes any back ordered items.
15. Procurement officer makes copy of receiving document to attach to processed purchase order all documents are then moved to the completed file.
16. Original receiving document goes to Finance to be attached to original purchase order.
17. When an invoice is received for the purchase order, Finance checks the invoice against the original purchase order and notes and discrepancies.
18. Original invoice and purchase order come to procurement,
19. Procurement officer rechecks purchase order and receives materials in to computer,
20. Procurement officer handles any discrepancies in shipping or pricing at the time the receiving is done. This is done by calling vendors.
21. After any problems are straightened out and receiving is processed the receiver normally the procurement officer signs off.
22. The entire packet, original invoice, original purchase order, requisition and all supporting documentation are taken to the Maintenance Director to be checked and signed by that Director.
23. All originals are then taken back to Finance for payment.

LARGE PURCHASES OR CONTRACTS OVER $10,000

1. Scope of work is decided on.
2. Packet is put together being as specific as possible in listing what we expect from the contractor.
3. Legal notice, "Invitation To Bid" is run in the newspaper two consecutive weeks, one day each week.
4. Seven days after the legal ad is run packets are made available to the bidders.
5. When picking up a packet bidders must sign a log sheet
6, When sealed bids are received they are time and date stamped but not opened until the time and date specified.
7. In the packet a date and time are specified for the opening of the bid all bidders are welcome to this opening. One or Two Springfield Metropolitan Housing Authority employees are also present. There must always be a witness to the bid opening, if no bidders are available at the opening an employee would be used as a witness.
8. Bids are opened read and recorded on a bid log sheet.
9. A low bid can be thrown out if contractor cannot meet the requirements specified in the packet.
10. Requirements that must always be met are proof of insurance bond, workers comp., any required licenses. They cannot be on the debarred list. Items that will also be checked are availability, can they start by the start date and finish by the complete date.
11. If only one bidder bids a cost and price analysis must be done to verify reasonableness of bid.
12. Award will be made by written notice.

VENDOR PAYMENT PROCEDURE ENHANCEMENTS

1. Supporting documentation since December'97 is now reviewed by the Finance Director prior to being forwarded to the Executive Director for check issuance sign-off approval.

2. Since January'98 Authority checks are signed by the Board Chairperson and the Executive Director. Previously the Manager of Modernization had also reviewed and approved check issuance sign-off and also was an authorized check signer.

3. Since January'98 Finance requires that check requests which do not have purchase orders, etc. be approved for payment and evidenced by signing off by a department head if under $1,000 and if over $1,000 be also approved by the Executive Director, prior to payment check processing. The approval sign off supports that the services or items were received and that the amount to be paid is proper.

4. Since March'98 Vendor accounts payable statements are being investigated and differences resolved by the Finance department.

5. Since April'98 a monthly summary of payments from the accounts payable vendor payment file is produced and reviewed at the monthly SMHA Board Meeting. This report includes descriptions of the reason for the expenditure.

6. Bank statement reconciliation responsibilities were reassigned to a Finance employee who does not make up the deposits or collect rent.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
437 E. John Street
Springfield, Ohio 45505
513-325-7331
FAX 325-3657

TO: Fred
Mary Ann
Sandy
Valerie
Rob
Rita
Jeanette
Stephanie
Terri
Janice

FROM: Dick Wright

RE: Computer Program for Maintenance-Leasing-Housing Management

DATE: January 10, 1996

You have been selected to become part of a task force which will recommend a new comprehensive computer program dealing with all aspects of the leasing, management, and maintenance cycle.

This group will meet on a regular basis on Thursday at 10:00 AM. The first meeting will be at 10:15 tomorrow in the conference room. Please plan to attend.

Section 8 Program 322-6180 | Application Office 325-9248 | Maintenance Office 325-3020

Response to Inspector General's Finding

"The Authority Used Modernization Grant Funds In An Inefficient Manner"

Prior to the hiring of the present executive director, the Comprehensive Grant Program was not operated in a business like manner. Except for those items noted below, the finding is accurate. Once the problems of the CGP were discovered, steps were taken to begin correcting the problems, and tightening up the management of CGP.

The first problem discovered was that two CIAP grants and all the CGP grants dating back four years were yet to be closed. When this process began it was discovered that funds had been drawn down without documentation, funds drawn down for one purpose were used for another, etc. It took a year of examining and searching to discover documents that would bring the accounts into balance. After all this, it was discovered that SMHA has set up "deferred accounts" where invoices and payments were placed and no action would be taken until later. To correct this, it was necessary to research files and make account adjustments. This took another several months to correct.

The two CIAP grants and CGP 701, 702, 703, 704 have been closed. CGP 705 will be closed before the end of 1998. We are awaiting approval from HUD to begin implementing a revised CGP grants 706 and a new CGP 707.

A few of the measures taken to restructure the CGP program are:

1. The position of CGP Coordinator is now under the supervision of the Director of Maintenance and Modernization. Formerly it reported directly to the executive director but in reality was left unsupervised.

2. The Finance Department has been given direction that no funds are to be drawn down from HUD before all the supporting documentation is in the file.

3. The Finance Department has set up a process for drawing down funds soon after the debt is documented. This prevents CGP from using public housing to cover CGP costs. A practice that was in place earlier had SMHA paying CGP costs and then waiting to draw them down. This had the effect of depleting the public housing reserves and caused a burden on the general financial status of SMHA.

4. Internal controls have been established to prevent further occurrences of the problems.

1. The CGP process will follow the resource manual.
2. All entities who will be impacted are involved in the planning and will sign off on the plan through their elected resident councils before it is submitted.
3. Management staff will facilitate the assessment of all relevant information.
4. The management team will evaluate all the pertinent data and establish a priority of needs.

5. Work items will be ranked based on urgency of need regardless of the development in which they are located.
6. Management will provide adequate resources for administration, audit, design and inspection, as well as overall management for the program.
7. CGP work will be monitored to assure that the work is progressing efficiently and effectively.
8. Federal funds will be managed properly and not used for fraudulent purposes.
9. All work items will be conducted in accordance with the CGP rules, the annual statement and the five year action plan.
10. The SMHA procurement policy will be followed on all procurement activities.
11. A new procurement policy was adopted on January 20, 1998, and it is in accordance with the latest HUD guidelines.

The recommendation that "The Authority should reimburse the Grant any costs that cannot be supported to be reasonable and necessary, or are ineligible." Considering the status of the Authority's financial condition, it is unlikely SMHA has the necessary resources available to repay these errors. Steps have been taken to correct the problems and future CGP funds will be used properly. It is suggested that HUD not require repayment of the funds.

Response to Inspector General Finding

"The Authority Incorrectly Charged Costs To The Comprehensive Grant Program"

The Inspector General appears to be approaching the SMHA as a federation of all its programs, not as an entity made up of all its programs. During the Congressional debate concerning the Comprehensive Modernization Program, the issue of addressing the needs of the whole Public Housing Authority was discussed. In HUD "Comprehensive Grant Program Guidebook October 1996," page 4-12, item 4-9 it states "As part of the Comprehensive Plan, the HA shall prepare Form HUD-52833, Management Needs Assessment, identifying all improvements (including those with no cost) needed to upgrade the management and operation of the HA --------."

Under section B. Mandatary Improvements. "The Management Needs Assessment shall identify the most current needs related to the mandatory areas listed below--------.
1. The management, financial, and accounting control systems of the HA.

The National Association of Housing and Redevelopment Officials, a recognized HUD training organization, has developed a manual for the Comprehensive Grant Program. On page 67 of the manual, where it discusses the Management Improvements, it states, "The process should focus on identifying all improvements, including those that can be accomplished at no cost, needed to upgrade the management and operation of a PHA on an agency-wide basis and/or upgrade the management and operation of each viable development --------."

In every instance the SMHA developed a HUD 52833, submitted it to HUD for approval, and was allowed to fund the computer system and telephone system from Comprehensive Grant funds. At no time did the HUD office inform SMHA that the costs must be shared with each program entity.

Prior to the employment of the executive director the SMHA had made the decision to upgrade the computer system. The initial estimates for the upgrade were not accurate, therefore the costs accelerated as the project begun. The basic components of the computer system (hardware and software) were necessary to support the Public Housing program, and would have been purchased if only the Public Housing program were served. In order to address the accounting functions, it was necessary to have software that interfaced with all SMHA programs, including Section 8. The attached charts demonstrate the actual additional cost of adding Section 8 to the computer system. All ongoing expenses for operating the system are being shared by the Section 8 program.

The same basic premiss will hold for the telephone system purchase. In order to upgrade Public Housing it was necessary to upgrade all phones. The basic foundational items would have been purchased even if the Section 8 program had not been included. The actual additional costs for the Section 8 telephones is included in the attached charts.

The basic issue here is that HUD’s 7485.3 G Guidebook does not specifically address the proration of costs for PHA wide management improvements. The only guidance is found in one line of a regulation buried in thousands of pages of regulations. The SMHA did not violate this specific line of a regulation purposely, but through ignorance.

The second basic issue, and the most critical issue if the SMHA will be required to pay Public Housing from Section 8 funds, is the issue of how a proration of costs will be defined. The Inspector General has used the unit count for deciding the SMHA owes HUD $65,836.00. The SMHA wants to use the actual additional costs incurred for expanding the systems to the Section 8 department. Using this method the adjustment from Section 8 is $23,247.00

SMHA requests that the adjustments from Section 8 be waived due to the lack of funds in the Section 8 accounts. The attached memo makes clear that future charges to the Comprehensive Grant Program will be properly prorated.

Finally, in the Inspector General's finding they quote "A Housing Authority employee told us that physical and administrative improvement costs were charged to the comprehensive grant because the Authority had always charged these costs to the grant. The Finance director who reviewed and approved the charges assumed that charges were correct." Not identifying the Housing Authority employee raises questions about their level of knowledge or understanding of the program. The Finance Director is one of the last stops in the process of paying Comprehensive Grant Program charges. When the payment request reaches his desk it will have been signed off by the Director of Maintenance and Modernization, the Comprehensive Grant Coordinator, and other line staff. When it reaches him there is information documenting the receipt of goods or services, the actual costs for goods and services, and before funds can be drawn down, HUD must approve the items by approving the Management Needs Assessment and the Physical Needs Assessment by entering approval codes into the LOCCS system. The proration of costs has always been done during the preparation of the Comprehensive Grant Program plan. This will be modified per the attached memo.

INTEROFFICE MEMO

Date-. July 30, 1998

To-. Janice Peterson

From: Bob Sheppard

Sub: Comprehensive Grants

It has come to my attention that certain management improvement and or administrative expenses charged to Comprehensive Grants that may need to be reassessed and potentially adjusted.

Specifically if administrative expenses benefit both public housing and non-public housing such as section 8 then the cost charged to comprehensive grants must be prorated.

Please check and prepare adjustment detail and return to me for items charged to comprehensive grants that should be evaluated for multiple benefit. Some items that might be included are:

The Phone System Replacement**(**Sec.8 has 23% of the phone lines)
Computer Systems Hardware
Computer Systems Software

Also please check to see what salaries and benefits have been charged to the comprehensive grants. Do we need to catch up billing for salaries and benefits for persons who work on the comprehensive grants? (A portion of your time/salary, a portion of Mr. Brimmer's time/salary; all of Mr. Wilson's time/salary, a portion of Ms. Dornon’s time/salary etc.). Please inform me of your findings.

Are you aware of the percentage limitations on management improvement and administrative expenses?

Secondly, I have heard that our prior year comprehensive grant balances reported to HUD may be out of balance with our general ledger balances. I recall that Diane Boles had worked on reconciling these balances with you and Rita. Please find and show me the reconcilement’s.

cc: Rita Dornan
Charles Brimmer

Response to Inspector General's Finding

"The Authority Did Not Follow Travel Requirements"

The Housing Authority revised the travel policy in October 1996 because the policy in place at the time did not cover the actual expenses of the traveler. The revised policy required documentation for all expenses at the time of settlement. It was an interim policy which was to be revisited when the newly revised personnel policy was discussed. The proposed language in the draft personnel policy is as follows:

"D. *Meals will be reimbursed up to a maximum per diem without receipts as specified in the Federal Register for other than Federal civilian employees. Recently issued Federal Travel Regulation, General Guides and TDY Travel Allowances published April 1998 but effective January 1, 1998, provides for the following per diem meal allowances:*

	Low	*In-Between*	*High*
Breakfast	$6	$7	$9
Lunch	$6	$7	$9
Dinner	$16	$18	$22
Incidentals	$2	$2	$2
Total per day:	$30	$34	$42

Breakfast is allowed for travel originating or ending 12:01 a.m. through 6:00 a.m.
Lunch is allowed for travel covering 6:01 a.m. through 12:00 noon.
Dinner is allowed for travel covering 12:01 p.m. through 6:00 p.m.

Meals include expenses for breakfast, lunch, and dinner and related tips and taxes(specifically excluded are alcoholic beverage and entertainment expenses and any expense incurred for other persons) If a meal is provided in a conference fee then appropriate meal allowance per above will be excluded from the reimbursable per diem, unless the traveler can document they were unable to attend to conference meal for good cause.

Incidental expenses include fees and tips given to porters, baggage carriers, bellhops and hotel maids.

The traveler will endeavor to pay no more than the maximum Federal lodging amount based upon the rates published in the current applicable Federal Register. The maximum Federal lodging amount included taxes.

When traveling to a "high cost" location, the traveler may choose to be paid for those costs exceeding the per diem allowance by providing receipts and other documentation to justify the actual expenses."

Recent changes in the processing of travel vouchers will provide more checks and balances. Now the Director of Finance must review and sign off on all travel vouchers. Then the voucher will be presented to the executive director for approval. It will then be returned to another person in finance for processing and filing. Each step of this process should require review of the documentation supporting the travel.

In regard to the specific amounts recommended be paid from non-HUD funds, the following is accurate information from the accounts: (see attached detail)

All of the travel amount $2,750.00 reported to be owed by the commissioner is in error: The records show that an adjustment to the accounts was made during July and September, 1996. There are no balances owed in the accounts.

The former Maintenance Director did submit travel vouchers for the use of his own vehicle. All the vouchers are in the file, and most have data which identifies why he was traveling. He did not fill the information in on the lines identified for this information, and in some cases he lumped things together. At the time his employment was terminated, this was one of the issues management was trying to correct.

Finally, the out of town travel by the former Maintenance Director is generally correct. However, The amount shown in the report differs from the Housing Authority Accounting records. They show he owes $1,149.00. Since the former Maintenance Director is no longer an employee of the Housing Authority it will be very difficult to recover this amount.

For the first advance, receipts excluding hotel of $174.32 were found on file**.** For the third advance a cancellation fee (1 night) was turned in $76.34. Total receipts excluding hotels which were direct pay totaled $250.66 and indicates a balance due of $1,149.34. Our 9/30/97 general ledger books had indicated an advance due from the former Maintenance Director of $1,400. As part of closing I will adjust it to $1,149.34. Accordingly, I believe the $1,302 still owed to SNIH.-X should be $1,149.

Turpin's mileage reimbursements are summarized as follows:

Check #26380	2/13/97	$127.10	410 miles approved
#26423	2/20/97	37.14	94 miles + Park $8 appr.
#26562	3/13/97	382.85	1235 miles approved
#26784	4/03/97	398.66	1286 miles approved
#26883	4/15/97	186.93	603 miles approved
#26959	4/24/97	179.24	176 miles approved
	Total	$1,311.92	

This agrees with the IG number of $1,312, however I do not understand their comment regarding adequate documentation to support the specific sites that he traveled to and the nature of Authority the business that he performed.

IG-Travel Draft Recommendation
Back-ground Facts Researched by Bob Sheppard, Dir. of Finance
August 27, 1998

Documentation For Travel Advances & Advances Not Settled

The $4,052 in travel advances not settled, I believe is comprised of the following:

Board member	$2,750
Former employee	1,302
Total	$4,052

The board members amounts were settled by Dick Wright through journal entries JV 0948 to reclassify travel for account miscoded. $1,123.98

and JVO703 to adjust advance accounts $2,626.02

Total $3,750.00

Accordingly, the general ledger shows no balance owing for the board member as of 9/30/96. Copies of his expense statements were not in our current files however they may be in storage.

The former Maintenance Director general travel advances totaled $1,400 and included 3 checks not the 4 checks for $1,500 mentioned by the IG auditors. The 3 advances were as follows:

Check #26423	2/20/97	$ 400.00
#27066	5/01/97	$ 600.00
#27075	5/13/97	$ 400.00
	Total	$1,400.00

Response to Inspector General's Finding

"The Authority could Not Support the Allocation of Indirect Costs"

Changes to the distribution of costs are as follows:

Allocation of Salaries and Wages

The director of finance drafted and obtained documentation that supported the current distribution of actual activity by employee in April 1998. The attached sample copies of the "Certification of Employee Work Percentages" was distributed to all departments, and every position was reported. This provided a base distribution which will be updated peridically to properly allocate salaries and wages.

Allocation of Indirect Administrative Costs

An allocation plan will be developed by the end of the calendar year for indirect costs, such as utilities, equipment rental, office equipment, automobile expenses and office supplies. Employee benefit expenses will be distributed based on employee wages and salaries.

Date: April 3, 1998

To: Anita Perrin, Director of Operations

From: Bob Sheppard, Jr., Finance Director

Sub: Certification Of Employee Work Percentages
Period: October 1, 1997 Through March 31, 1998

To comply with federal HUD regulations (circular A-87) recently amended in 1997 it is necessary to have supervisors or the employees sign semi-annual certifications that their work was 100% related to a specific program (such as Sec. 8 or Public Housing). Our records indicate that the following employees are working I 00% as follows:

PH Intake (Temp)	Tihara Miler	Public Housing
PH Occupancy Coordinator	Michelle Lee	Public Housing
Occupancy Coordinator	Valerie McKinley	Public Housing
Lead Sec.8-Hous.Coordinator	Lornia Jenkins	Sec. 8
Sec. 8-Admin.Hous. Specialist	Mary A.Hamilton	Sec. 8
Sec.8-Specialist I	Sherry Fleming	Sec. 8
Sec. 8-Housing Inspector	William Murphy	Sec. 8
Sec.8-Housing Inspector	Barbara Seward	Sec. 8

Certification

I have examined/supervised the work of the above employees and certify that the work allocation program percentages are accurate with the following exceptions

Supervisor Signature Title Date

Date: April 3, 1998

To: Charles Brimmer, Director of Maintenance

From: Bob Sheppard, Jr., Finance Director

Sub: Certification Of Employee Work Percentages

Period: October 1, 1997 Through March 31, 1998

To comply with federal HUD regulations (circular A-87) recently amended in 1997 it is necessary to have supervisors or the employees sign semi-annual certifications that their work was 100% related to a specific program (such as Sec. 8 or Public Housing). Our records indicate that the following employees are working 100% as follows:

PH Inspector	Stephanie Kellum	Public Housing
PH Technician(Temp)	Sue Jenkins	Public Housing
Maintenance Foreman	Don Cochenour	Public Housing
Main.Mechanic E	Mike Brown	Public Housing
Main.Technician E	Mike Bowshier	Public Housing
Main.Technician E	James Carter	Public Housing
Main.Technician E	Robert Edwards	Public Housing
Main.Technician E	James McGee	Public Housing
Main.Technician E	Ron Phillips	Public Housing
Main. Technician E	George Plantz	Public Housing
Main. Aide E	Mike Randolph	Public Housing
Main. Aide E	Larry Rowland	Public Housing
Main Aide E	Clarence Williams	Public Housing
Main. Aide E	Roger Trent	Public Housing
Main.Aide A	Josh Lickliter	Public Housing
Main. Aide A	Casey Smith	Public Housing
Main.Aide B	Leon Turner	Public Housing

Certification

I have examined/supervised the work of the above employees and certify that the work allocation program percentages are accurate with the following exceptions

Supervisor Signature **Title** **Date**

Date: April 6, 1998

To: Charles Brinuner, Director of Maintenance

From: Bob Sheppard, Jr., Finance Director I

Sub: Monthly Salary Allocation Reports For Employees who work on multiple activities

Period: Months eiided:Oct.'97, Nov.'97, Dec.'97, Jan.'98, Feb.'98 & Mar.'98

To comply with federal HLTD regulations (circular A-87) recently amended in 1907 it is necessary to have the employees sign monthly personal activity reports or equivalent documentation which reflects an after the fact distribution of the actual activity of each employee and accounts for the total activity for which each employee is compensated.

Employees who qualify for multiple activities in your department include the following:

Modernization Coordinator	Walter Wilson
Maintenance Assistant	Rita Halbirt/Dornon
Supply Manager	Connie Clements
Director of Maintenance	Charles Brimmer

Suggested but not final proposed forms are attached.

Please endeavor to have this completed this week or advise me when they will be completed.

Certification

The attached sheets discloses a true and fair distribution of time worked on indicated projects.

Employee's Signature **Date**

My percentages of time worked* were as follows for the month of

Public Hous.	Sec.8	Mod.Grant	Drug Grant	F.S.S.	TBA	Other(specify)	Total
________	_____	_______	________	____	___	________	

*Time worked excludes time off for holidays, sick time, vacation time and time not worked.

Response to Inspector General's Finding

"The Authority Needs to Improve Its Controls For Safeguarding Assets"

The following changes (many during the time the Inspector General was here) have been implemented:

Rent Collection

1. The former Receptionist was discharged after an investigation was initiated by the current executive director.
2. A new Receptionist was hired and reports to the Finance Director.
3. New procedures were initiated by the Finance Director which include:
    a. Mail is now opened by the executive assistant or designated backup under the supervision of the executive director.
    b. Copies of all checks, money orders, or other cash items is made and retained for audit purposes by the back-up to the executive assistant or receptionist.
    c. Pre-numbered receipts are either given to residents or mailed to residents for all receipts.
    d. The receptionist batch totals are compared with the duplicate receipt copies and tapes of the checks or money orders received.
    e. A person other than and distinct from the bookkeeper now collects rent payments at the elderly high-rises. This person is from another department than finance.
    f. Other finance department personnel prepare the bank deposit and balance to the receipt copies.
    g. The Springfield Police Department takes the deposits to the bank daily during rent collection time.
    h. Separate finance department personnel post receipts to the detail for resident receivable records.
    I. The finance director investigates all resident receivable queries.

Cash Disbursements

1. The process of reconciling the checking account has been moved to the Data Processing Specialist.

2. The check signing plates are kept locked in the finance director's office until the running of authorized checks.

Payroll Time Sheets

The time sheets for the part-time security personnel are submitted by the officers, reviewed by the bookkeeper, the finance director, and the executive director.

Rent Receipts Deposits

1. The finance director has conducted finance staff meetings and re-emphasized the importance of timely deposits.

2. An objective of timely deposits has been added to the bookkeeper's quantitative job responsibilities and will be used for performance evaluations.

3. The finance director has worked out a daily schedule of balancing of cash receipts by 11:00 a.m. by the receptionist, preparing the bank deposit and balancing by the bookkeeper by 1:30 p.m., and pick up by the police officers the same day.

Computer Backup Safeguards

Computer backup files are removed from the top of a computer and are now locked in fire resistant files and a safe.

SMHA is in the process of changing all computer pass words. This will be completed by the end of September. They will be changed semi-annually thereafter.

Inventory Controls

SMHA has established the following inventory controls:

1. June 17, 1997, the Board adopted a disposition policy.
2. January 20, 1998 the Board adopted a procurement policy.
3. March, 1998 the 211 East John Street building was made available for storage of large items. Many of the items previously stored in garages were moved.
4. Spring, 1998 the parts room was enclosed with a cage, and all personnel had to begin signing out parts and equipment.
5. August, 1998 the executive director stopped the practice of employees taking equipment for personal use.
6. A general inventory of all items on the inventory list was conducted in the Spring, 1998. The list is now up to date, and new items are being added as they are purchased.
7. One person is now in charge of procurement, with the finance department monitoring the documentation for payment of items purchased.
8. There is a person identified for parts and equipment supplies. She has been trained and is responsible for over sight of the distribution of parts and equipment.

Secretary's Representative, Midwest
State Coordinator, Ohio State Office (2)
Director Public Housing Hub, Cleveland Area Office (2)
Director of Field Accounting, Midwest
Deputy Secretary, SD (Room 10100)
Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)
Deputy Assistant Secretary for Public Affairs, W (Room 10220)
Deputy Assistant Secretary for Operations, A (Room 10110)
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
Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)
Director of Administrative Service Center, 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)
Assistant Secretary for Community Planning and Development, D (Room 7100)
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
The Honorable Dan Burton, Chairman, Committee on Government Reform and Oversight, United States House of Representatives, Washington DC 20515-6143
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
The Honorable David L. Hobson, United States House of Representatives, 1507 Longworth House Office Building, Fifth Floor, Washington DC 20515
Executive Director, Springfield Metropolitan Housing Authority
Chairman of the Board of Commissioners, Springfield Metropolitan Housing Authority