



U.S. Department of Housing and Urban Development

District Office of the Inspector General
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December 14, 1995

Audit-Related Memorandum
96-AT-201-1805

MEMORANDUM FOR: Paul K. Turner, Director, Public Housing Division,

Jacksonville Office 4HPH

FROM: Kathryn M. Kuhl-Inclan
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Citizen Complaint
Survey of Crestview Housing Authority
Crestview, Florida

We have surveyed certain activities of the Crestview Housing Authority (CHA). The survey was done at your HUD office and at CHA's office mainly during July 1995. We began gathering information related to matters (See items 1 through 4 of attachment 1) in a citizen's complaint, which was provided to the Special Agent in Charge (4AGI), and we expanded our survey coverage to three more allegations received by our auditors at Crestview (Items 5 through 7 of attachment 1).

Based on the results of the limited survey, we will not do a detailed review of CHA. However, we confirmed conflict-of-interest involvement at CHA with Section 8 properties, which your Division and CHA should resolve. In addition, we noted the following questionable practices:

- Insurance Proceeds Were Handled Laxly, and
- Tenant Association (CHATA) Had Inadequate Records.

Within 60 days please give us, for the recommendations of the findings, a status report on: (1) the corrective action taken, (2) the proposed corrective action and the date to be completed, or (3) why action is considered unnecessary. Also, please furnish us copies of any related correspondence or directives.

Finding 1 - Conflicts of Interest Involving Section 8 Landlords

We identified conflict-of-interest situations in CHA's Section 8 program. Conflict-of-interest provisions in the Housing Assistance Payment contracts provide that no PHA employee or political official who exercises functions or responsibilities with respect to the Section 8 program shall have any direct or indirect interest in the Housing Assistance Contract. The Executive Director's uncle was landlord of a unit (\$525 monthly rent; all paid by HUD), and CHA's Clerk Of The Works had three units (total of \$1,100 monthly rent; all paid by HUD). Thus Section 8 payments of \$19,500 annually were made for these four units.

CHA contacted your office while we were there about the conflicts of interest.

Recommendation

- 1A. We recommend that you work with the CHA Board and resolve the noted Section 8 conflict-of-interest matters. If these matters are not resolved within 60 days, we suggest sanctions be applied.

Finding 2 - Insurance Proceeds Were Handled Laxly

CHA did not deposit into a bank account insurance proceeds of \$3,923 received August 1993 as the result of a car accident involving a housing unit. CHA cashed the insurance check and kept the cash in a bank bag. The repairs and other eligible items purchased from the funds totaled \$1,383. However, CHA used \$1,768 of the funds for questionable expenses, such as Christmas bonuses for employees, appreciation dinners and flowers for special occasions. The remaining \$772 cash was in the bank bag and verified in our cash count.

Recommendation

- 2A. We recommend that you have CHA reimburse its General Account \$1,768 from other-than-HUD provided funding sources, and deposit the remaining cash in the CHA General Account.

Finding 3 - Tenant Association Had Inadequate Records

There is an open finding from a 1993 management review by the Jacksonville HUD Office on CHATA records for fiscal years 1992 and 1993. We found that CHATA had inadequate financial records to account for fiscal year 1993 and 1994 expenditures.

CHA made payments totaling \$28,509 to or on behalf of the Tenant Association for 1993 and 1994 fiscal years. Based on available records, most of the CHA's funding paid for the salary of CHATA's secretary for the two years (about \$11,000 a year), office supplies and equipment, including a copier and facsimile machine. We concluded that it was not cost beneficial to reconstruct the records because the remaining dollar amount was small.

Recommendation

3A. We recommend that you have CHA assist CHATA in improving their record keeping, and have CHA's next audit by an Independent Accountant include related coverage.

* * * * *

We became aware of several other complaints from tenants and former employees. Considering the tense relationship indicated by the complaints, we suggest that you encourage the CHA Board and management to work on a conciliatory atmosphere with both CHA's tenant customers and other stakeholders, including employees and the community.

Should you or your staff have any questions, please contact Hoyle Seat, Senior Auditor, at (205) 290-7584 or Ted Drucker, Assistant District Inspector General for Audit, at (404) 331-3369. We are providing the CHA Board Chairman and Executive Director copies of this memorandum.

Attachments

- 1 - Allegations and Our Conclusions
- 2 - Schedule of Ineligible and Unsupported Costs
- 3 - Distribution

ALLEGATIONS AND OUR CONCLUSIONS

Items 1 and 2 Insurance proceeds from three fire-damaged units of \$53,554 were not accounted for. Close to \$24,000 remained after repairs, and had not been deposited by CHA.

Conclusion: The insurance proceeds for the fire damaged units were deposited in a CHA bank account. CHA transferred the remaining funds of \$27,975 after repairs to the general fund on 4/28/94.

Item 3 CHA hired a contractor to remodel 100 units. Although the original contract amount included funds to pay for refrigerators, CHA purchased the refrigerators. The contract amount was not reduced.

Conclusion: CHA purchased the refrigerators and deducted their contract amount from the construction contract.

Item 4 There was no bid process for the van CHA purchased from a relative of the Executive Director (ED).

Conclusion: CHA purchased a used van from the ED's brother-in-law. There was no bid process documented, however, the Board minutes indicated some consideration of the purchases. Based on the age and the mileage of the van, per the title, the price of \$14,450 appeared reasonable.

Item 5 The Executive Director's brother has a unit in the Section 8 program and another employee had several Section 8 units.

Conclusion: We partially confirmed the alleged conflicts. (See our Finding 1 for more information).

Item 6 Insurance proceeds from a car accident involving a housing unit were not deposited, and the remaining proceeds after repairs were improperly used.

Conclusion: See our Finding 2: Insurance Proceeds Were Handled Laxly.

Item 7 There is an open HUD finding on Tenant Association records for fiscal years 1992 and 1993.

Conclusion: See our Finding 3: Tenant Association Had Inadequate Records.

SCHEDULE OF INELIGIBLE AND UNSUPPORTED COSTS

<u>Recommendation</u>	<u>Ineligible Costs</u> ¹	<u>Unsupported Costs</u> ²
1A		\$ 19,500
2A	\$ 772	1,768
	_____	_____
Total	<u>\$ 772</u>	<u>\$ 21,268</u>

¹ Costs not allowable by law, contract, HUD or local agency policies or regulations.

² Costs not clearly eligible or ineligible but warrant being contested (e.g., lack of satisfactory documentation to support the eligibility of the cost.)

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