



U.S. Department of Housing and Urban Development
New England Office of District Inspector General
for Audit, 1AGA
Thomas P. O'Neill, Jr. Federal Building
Room 370
10 Causeway Street
Boston, Massachusetts 02222-1092

October 26, 2000

Audit Memorandum
01-BO-202-1801

MEMORANDUM FOR: Donna Ayala, Office of Public Housing, 1APH

FROM: Stephen D. King, Acting District Inspector General, Office of Audit, 1AGA

SUBJECT: Review of Complaint
Waterville Housing Authority
Waterville, Maine

As requested by your office, we performed an audit survey of the Waterville Housing Authority's (WHA) Operations. Our objectives were to determine the validity of a complaint identifying six issues brought by a former WHA employee, and to identify any other indicators of problems or deficiencies in WHA's operations, particularly those conditions that may be indicators of fraud, waste and mismanagement.

Our review confirmed the following conditions alleged by the complainant. However, there was no evidence that these conditions continued to exist at the time of our audit survey.

- The complainant stated that WHA maintenance employees were allowed to purchase items for personal use at local businesses and charge them to WHA's account, thereby receiving a 20 percent discount on the price. WHA employees either paid in cash at the time of purchase, or they reimbursed WHA for the purchased item(s) when the invoice was received from the vendor. Our review concluded that this practice occurred prior to February 1999, however, it has not occurred since that time. The WHA Executive Director stated that, although she permitted this practice to continue until 1999, she eliminated it after the complainant was terminated.
- The complainant stated that WHA maintenance personnel plowed snow and performed other maintenance and repair work at the residence of the Executive Director (using WHA purchased material). Our review determined from statements

made by the Executive Director and the Physical Plant Manager, that maintenance personnel plowed snow at the residence for many years. However, there was no documentation available (maintenance work orders) indicating that this practice occurred. We found no evidence that WHA employees performed any other maintenance work at the Executive Director's residence.

- The complainant stated that WHA staff personnel did not adequately account for money collected from coin-operated laundry machines in the housing developments. During our review, the WHA Fiscal Officer stated that some laundry machines were not producing as much income as others prior to 1999. According to the Fiscal Officer, after the complainant turned over his keys to the machine coin boxes in the fall of 1998, the income increased on the machines in question and has remained steady since that time. No records were maintained on the income levels prior to February 1999. Therefore, we were unable to verify the statement of the Fiscal Officer.

We found no evidence that confirmed the existence of the following conditions cited by the complainant:

- The Executive Director and Board members purchased WHA equipment and appliances at little or no cost.
- WHA failed to prepare and submit required financial reports to HUD in a timely manner, and had difficulty paying its bills.

Our review, however, identified the following condition that continues to exist:

- WHA has not established proper inventory controls over its fixed assets, such as equipment items and appliances.

Within 60 days please give us, for the recommendation in this memorandum, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this review.

If you or your staff have any questions, please contact our office at (617) 565-5259.

Background

The Waterville Housing Authority (WHA), located at 60 Elm St., Waterville, Maine, has a staff of 13 employees. The Executive Director is Ms. Terri E. Connatser. WHA has 192 Public Housing Units; 388 Section 8 certificates; 72 Section 8 vouchers; and 15 Moderate (MOD) Rehab units. In FY 1999, WHA received \$ 2.9 Million in total funding; \$ 991,000 for WHA Owned Housing; \$ 1.4 Million for Section 8 Certificates and Vouchers; and an additional \$ 544,000 for Other Programs (two properties managed by agreement with Maine State Housing Authority, Augusta, Maine).

The Total Maintenance costs for WHA in FY 1999 were \$ 236,589, including \$ 107,285 for the Maintenance staff. The FY 1999 salary for the Maintenance Supervisor (Physical Plant Manager) of \$38,174 was charged as Administrative costs.

Scope and Methodology

To accomplish our objectives, we interviewed cognizant HUD personnel in the Office of Public and Indian Housing. We also reviewed WHA background information on file at the HUD offices in Boston, Massachusetts and Manchester New Hampshire.

At WHA, we interviewed management personnel. We evaluated controls and procedures over fixed assets, materials and supplies. We also determined whether WHA complied with pertinent requirements pertaining to contracting and procurement. We reviewed WHA bank accounts and controls over cash receipts. We reviewed the duties and procedures relating to the maintenance staff, particularly with regard to controls over timekeeping and work orders. We reviewed the Physical Inspection Reports for all WHA managed properties.

Our review was conducted in August 2000, and included the operations of WHA from January 1998 to September 2000.

Review Results

Our review determined that, of the problem areas identified by the complainant, only one remained unresolved; the controlling and safeguarding of fixed assets. WHA's internal controls in this area are inadequate and need to be improved.

Section 309 of the Annual Contributions Contract (ACC) requires WHA to maintain complete and accurate books of account and records. Records must be kept of all personal property, including annual inventories of all equipment. Accurate inventories are necessary to safeguard against the loss, misuse, or waste of WHA equipment.

WHA's Fixed Assets (Land, Structures, and Equipment) as of June 30, 1999 totaled \$7.43 million, including \$369,259 in equipment and appliances. WHA does not maintain inventory controls over non-expendable items such as equipment and appliances. WHA does not maintain a listing of inventory on hand nor do they perform a physical count of the items on an annual basis. Also, WHA has neither prepared nor maintained property ledger cards, and has not ensured that items of equipment and appliances have inventory control tags. Without proper controls over fixed assets, there is limited assurance that the assets have not been lost or stolen.

WHA management personnel stated that the previous Physical Plant Manager had not established proper controls over fixed assets, and, that they recognized this issue was a significant deficiency in WHA's operations.. The lack of annual inventories, tagging all items of equipment, and maintaining complete and accurate property records, prevents WHA from properly safeguarding assets and from ensuring that the amounts recorded on the books and the financial statements are accurate.

Recommendation

We recommend that you:

1. Require WHA to establish and implement inventory control procedures for all WHA fixed assets, including equipment and appliances.

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