




U.S. Department of Housing and Urban Development
District Office of the Inspector General
Office of Audit
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June 5, 2001

Audit Memorandum
No. 2001-AT-1804

MEMORANDUM FOR: Boyce Norris, Jr., Director, Office of Public Housing, 4APH

FROM: Nancy H. Cooper 
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Hotline Complaint
DeKalb County Housing Authority
Decatur Housing Authority
Decatur, Georgia

We conducted an audit survey to assess the validity of a complaint alleging mismanagement of the DeKalb County Housing Authority and the Decatur Housing Authority (DDHA) located in Decatur, Georgia. The complaint alleged that DDHA management altered Section 8 Management Assessment Program (SEMAP) certifications to improve its performance score, awarded units to applicants who were not first on DDHA's waiting lists, allowed a former employee to occupy office space and use DDHA equipment and supplies without cost to the former employee, and improperly executed contracts with a contractor whose brother is a DDHA Division Director with contract oversight responsibility.

METHODOLOGY AND SCOPE

To accomplish the survey objective, we interviewed DDHA management and staff. We reviewed DDHA's SEMAP certifications submitted to HUD, controls to assure DDHA awarded units based on waiting lists, proration of administrative costs to the various programs, and contracting policies and procedures. To test selections from the waiting list, we reviewed applicant files for 7 of 17 tenants placed in housing units from June through August 2000.

The survey covered the period June 1999 through June 2000. We adjusted the period, when appropriate, to ensure complete development of potential issues. We conducted the survey from September 2000 through March 2001 in accordance with generally accepted government auditing standards.

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SUMMARY

Although DDHA was not selecting applicants from its Section 8 waiting lists as envisioned in the SEMAP performance indicators, we found the SEMAP Certifications DDHA submitted to HUD were prepared in accordance with HUD's written and oral instructions. DDHA did not follow its established controls to assure the integrity of its Public Housing waiting list selection process, and DDHA did not follow its procurement policy, which created a conflict of interest in the handling of one contract. We found that the former employee maintained an office in DDHA's administration building and had access to supplies and equipment. We determined, however, the services provided by the employee were beneficial to DDHA and there were no significant costs charged to the HUD programs.

Attachments:

- 1-Findings and Recommendations
- 2-Authority Comments
- 3-Distribution

FINDINGS AND RECOMMENDATIONS

Finding 1 - DDHA Needs To Improve Applicant Selection From Waiting Lists

We reviewed the files of eight applicants who had recently been awarded units. We noted that DDHA could not justify the awards of two of the eight applicants. We also noted that DDHA did not follow the controls it established to ensure that the next eligible applicant was awarded the unit he or she qualified for. Our test of the control forms showed that only 1 of 7 forms was completed correctly and that DDHA could not justify awarding a unit to an applicant who was 74th on the list. DDHA also could not justify the awarding of a unit to another tenant who was specifically identified in the complaint. DDHA admitted this tenant prior to implementing its waiting lists controls.

DDHA management was aware of the allegations in the complaint, including waiting list deficiencies, and had established new procedures to ensure DDHA documented its public housing tenant files and awarded units to applicants in the order of their position on the waiting list. To help in the documentation process, DDHA began keeping copies of waiting lists as they were updated.

The procedures included completion of a form titled "Applicant File To Site Review Sheet" for each file. The form was a checklist that listed the required forms needed for each tenant. The Property Management Coordinator would check each item as he reviewed the file. The form included a section where the applicant's position on the waiting list is entered. If the applicant was not number one on the waiting list an explanation was required.

We reviewed the files of 7 of 17 tenants who had moved in during the period of June 21, 2000 to August 21, 2000. We also reviewed the file of one tenant who had moved on June 22, 1999. The complaint specifically identified the move-in of this tenant.

The seven files included the Applicant File To Site Review Sheet; however, only one of the review sheets was completed correctly. Although the Property Management Coordinator signed and approved all the review sheets, six review sheets did not show the applicant's position on the waiting list. In some cases, a question mark was entered indicating a question about the applicant's position. Those same six files did not document a reason or justification for the tenant's selection.

After extensive research, we found that DDHA could justify only six of the seven tenant selections. The seventh tenant was 74th on the list when he was awarded the unit. We found nothing in DDHA files and records to justify the award.

DDHA also could not justify the move-in of the tenant specifically identified in the complaint. In this case, the tenant DDHA selected had been on the waiting list for only

3 months while at least 5 other applicants had been on the waiting list for over 4 years. The file included a credit report that showed the tenant owed another landlord back rent.

DDHA said that the tenant was moved in because she qualified for a handicapped unit and the other applicants did not. DDHA, however, could not show that the other applicants did not also qualify for a handicapped unit. DDHA could not explain why the tenant was allowed to move in owing back rent. DDHA could not explain why a second credit report, requested May 24, 1999, was missing from the file.

Housing Authority Comments¹

“...the Authority has added documentation requirements on admissions so that it is, hopefully, clear to anyone why an applicant other than the first one on the waiting list is selected.... The Authority will add a component this summer that also does a quality control sample of new admissions. Additionally, the Authorities have added a half time position recently to provide more staffing in this area of responsibility. These actions should help insure that the Authority documents all of its selection/admission actions.

“In summary, the Decatur Housing Authority does not believe that incorrect admissions occurred, but we acknowledge that the documentation allowed these two admissions, out of the total sample selected, to be questioned.”

OIG Evaluation of Response

We concur with the actions taken and planned by the Authority.

Recommendation:

1A. Require DDHA to improve its control procedures to ensure that applicants are properly selected from waiting lists and tenant files are adequately documented to justify tenant selections.

¹ See Attachment 2 for the Authority’s complete response.

Finding 2 – The Executive Director Allowed a Conflict of Interest in One Contract

DDHA had renovation work performed on their administration building and a project site office. An architectural firm with a family relationship (brother) to the Director of Development and Modernization (DDM) performed the design work for the renovations. The DDHA Executive Director was aware of the relationship and allowed the DDM to become directly involved in the contract award and oversight processes. These actions violated DDHA's Ethics in Public Contracting, Conflict of Interest provisions of their Procurement Policy.

On August 10, 1999, the Executive Director met with the architect to discuss miscellaneous improvements to the administration building and one of the project offices. The Executive Director asked the architect to submit a proposal to perform design services for the following:

- To design a different entrance to the administration building.
- To design the construction of storage space at the administration building.
- To design interior improvements at one office.

The Executive Director received an undated proposal from the architectural firm. The firm proposed the following:

- Perform No. 1 for no costs to the authority.
- Perform No. 2 for \$4,500.
- Perform No. 3 for \$2,500.

The Executive Director reviewed the proposal and sent it, with a note, to the Deputy Director and the DDM if the work for item No. 3 could be done for \$2,000. The ED commented that the \$4,500 proposal for item No. 2 seemed higher than he imagined it would be, and requested their advice. The Deputy then asked the DDM to handle and advise.

On September 22, 1999, the DDM responded to the Deputy saying that "in comparison to the amount of work involved with 1450 Commerce (project site) at \$2,000 and the amount of work at 325 Swanton Way (administration building), I don't think that \$4,500 is too much."

On September 23, 1999, the DDM requested a purchase order and notice to proceed be prepared to begin the design work on the administration building. The amount of the purchase order was \$4,500. The Deputy Director approved the purchase order.

The architect had not billed for the work done on the administration building at the completion of our fieldwork; however, the architect had billed for the design work on the project site. A review of this document shows that the DDM approved the invoice

for payment and requested it be paid before the end of 1999. There were no other approvals on the invoice. The invoice was paid by check signed by the Executive Director and Finance Director.

Section VII, B, of DDHA's Procurement Policy, Ethics in Public Contracting, Conflict of Interest, provides that no employee, officer or agent shall participate directly or indirectly in the selection or in the award or in any decision making in the administration of any contract if a conflict, real or apparent, would be involved. Such conflict would arise when a financial or other interest in a firm selected for the award is held by:

- An employee, officer, or agent involved in making the award;
- His/her relative (... brother...);
- His/her partner; or
- An organization which employs, is negotiating to employ, or has an arrangement concerning prospective employment of any of the above.

If a real or apparent conflict exists, the employee is to report it to his department head, who will then advise the Executive Director.

A review of the contract and payment documents shows that a real or apparent conflict of interest, as defined by DDHA Procurement Policy, existed as follows:

- By requesting advice from the DDM on the reasonableness of the cost proposal, and by allowing the DDM to accept work performed and approve payment of an invoice, DDHA allowed the DDM to participate directly in the award and administration of the contract with the architectural firm owned by his brother.

Housing Authority Comments¹

“Due to the control of the process by the Executive Director, at worst, the DDM was indirectly involved and no practical effect resulted. However, the Authority is aware of the importance of appearance in all matters.

“As to the “Recommendation”, the Authority will, if or when it does business with this firm, make sure that no “real or apparent” conflict exists.”

OIG Evaluation of Response

Before we can accept a management decision on the recommendation, the Authority needs to state the actions taken or planned to prevent a recurrence of a conflict of interest in contracting with the architectural firm.

¹ See Attachment 2 for the Authority's complete response.

Recommendation:

2A. Require DDHA to cease doing business with the brother's architectural firm, or prohibit the DDM from participating in the award, administration and oversight of any contracts involving his brother's firm.

Auditee Comment

May 22, 2001

Ms. Nancy H. Cooper
District Inspector General for Audit
Southeast/Caribbean Department of Housing & Urban Development
75 Spring Street SW, Room 330
Atlanta, Georgia 30303

Dear Ms. Cooper:

I have received your draft memorandum and participated in an exit conference at which it was reviewed. The opportunity to offer these comments is appreciated.

Overall, following a very detailed, thorough audit in which a large percentage of the operations of both the Decatur and DeKalb Housing Authorities were examined I am pleased that the complaints were not proven and that the two (2) items found were primarily of a procedural nature. The Authorities' goal is to have no items found and we will use this audit to help us accomplish that goal for the future.

I appreciate the acknowledgement in the report of the changes, etc. that we had already implemented prior to the audit and those we have recently implemented. We continue to try and improve as we go and certainly will use an exhaustive process such as this one to develop better policies and procedures.

There are a few comments that I would like to offer based upon the "Draft Memorandum" I received. I will not contest any factual items, but will discuss interpretations, actual results, intent, etc. Those comments are attached to this letter. I trust after reading this response that it will be clear that all of the issues referred to, in fact, are not significant, but just isolated instances of procedural issues.

Notwithstanding the above, the Authority takes these issues very seriously and will, if not already done, address our procedures to insure no future questions arise.

Again, this was a long and thorough audit of the two (2) Authorities' operations and we appreciate your consideration and inclusion of our comments. I anticipate receiving a copy of the final Memorandum in the near future.

Sincerely yours,

HOUSING AUTHORITY OF THE CITY OF DECATUR, GA./
HOUSING AUTHORITY OF THE COUNTY OF DEKALB, GA.

Paul A. Pierce
Executive Director

Auditee Comments

RESPONSE TO DRAFT AUDIT

No. 1 – Public Housing Waiting Lists

This item notes two (2) admissions in Decatur that were not adequately documented. The Authority does not dispute that an auditor could not readily tell if these 2 move-ins were justified.

However, based upon Decatur's waiting list and housing stock I believe that the admissions were in accordance with policies. In the instance of the person that was #74; this was for an elderly/disabled upstairs one bedroom unit. Shortly after this admission the Authority records show there were only 18 elderly and disabled applicants in Decatur in a waiting list of 1,693, that's 1 of every 94. Further, only a limited number can go upstairs and the particular unit in question is actually on the end of the building that is 3 stories tall. With these circumstances that are known to the Authority on a daily operating basis, I feel comfortable that this was the proper application to be selected for this unit. However, the Authority did not adequately document that set of facts.

Relative to the tenant who moved in June 22, 1999; this person required an accessible unit because the head of household was in a wheelchair. The Authority's waiting list for these designated units is normally fairly short; this application was processed under a supervisor of the Occupancy Division who left the Authority's employment in June, 1999; apparently in the transition from this supervisor to the splitting of the occupancy function back to the programmatic areas some information was lost or misplaced; in August, 1999 I looked at this application and based upon the information available I felt the selection from the waiting list was appropriate, but not documented. This, along with the new organizational structure, was the genesis for the Authority instituting some additional review procedures (acknowledged in the report).

Relative to the "Recommendation", the Authority has added documentation requirements on admissions so that it is, hopefully, clear to anyone why an applicant other than the first one on the waiting list is selected. For some time, the Authority has done an internal audit of a sampling of public housing recertifications. The Authority will add a component this summer that also does a quality control sample of new admissions. Additionally, the Authorities have added a half time position recently to provide more staffing in this area of responsibility. These actions should help insure that the Authority documents all of its selection/admission actions.

In summary, the Decatur Authority does not believe that incorrect admissions occurred, but we acknowledge that the documentation allowed these two admissions, out of the total sample selected, to be questioned.

No 2 – Conflict of Interest in one (1) Contract

As Executive Director, I acknowledge the inadvertent appearance of conflict that could have resulted in this one (1) instance. However, I question the tone of this item as presented in the Draft Audit. The actual circumstances do not justify it.

The Authority has a business relationship with this architectural firm, as it has with others, and that relationship predates the employee being in the position referenced. In fact, the award process was controlled by the Executive Director and the Development/Modernization Director only responded to directions from the Executive Director. The Executive Director solicited the proposals, reviewed them and authorized award to the architect (which the audit acknowledged).

Auditee Comments

During that process the Executive Director asked for a professional opinion of the Development Modernization Director, as well as the Deputy Director, so he could better understand the scope of work. The Executive Director then instructed the Development Modernization Director to have a Purchase Order requested from Finance, the DDM did not initiate the action. This was strictly a request by the Executive Director to facilitate paperwork

As to the approval of an invoice, this was an error/oversight that happened in the DDM's normal course of work approvals. However, before a check is released it is approved by the Finance Director or the Executive Director so the DDM's approval in this one (1) instance was not the final approval. Immediately upon being notified of this occurrence, instructions were issued that no approvals of similar invoices were to be made by the DDM or accepted by the Finance Department.

Due to the control of the process by the Executive Director, at worst, the DDM was indirectly involved and no practical effect resulted. However, the Authority is aware of the importance of appearance in all matters.

As to the "Recommendation", the Authority will, if or when it does business with this firm, make sure that no "real or apparent" conflict exists.

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