AUDIT REPORT

HOUSING PROGRAM

ADMINISTRATION AND OPERATIONS

OF THE

NAMPA HOUSING AUTHORITY

NAMPA, IDAHO

2002-SE-1001

JANUARY 10, 2002

OFFICE OF AUDIT, NORTHWEST/ALASKA
SEATTLE, WASHINGTON

audit report

Issue Date
January 10, 2002
Audit Case Number
2002-SE-1001

MEMORANDUM FOR: Elizabeth J. Santone, Program Center Coordinator
HUD's Portland Office of Public Housing, 0EPH

(ORIGINAL SIGNED)
FROM: Frank E. Baca, District Inspector General for Audit, 0AGA

SUBJECT: Final report of housing program administration and operations of the Nampa Housing Authority, Nampa, Idaho

At your request, we performed an audit of the Nampa Housing Authority's housing program administration and operations in which we addressed certain allegations of mismanagement, misuse and abuse. The audit resulted in six findings, discussed in this report.

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

Should you or your staff have any questions, please call me at (206) 220-5360.

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Executive Summary

At your request, we performed an audit of the Nampa Housing Authority's (Authority) housing program administration and operations in which we addressed certain allegations of mismanagement, misuse and abuse. Our objectives were to determine whether the:

- Board of Commissioners:
  - properly monitored the Executive Director's performance and activities, and
  - adequately oversaw the Authority's operations.
- Executive Director:
  - accounted for his time, attendance and activities in accordance with program requirements,
  - adequately supported his mileage and travel claims, and
  - complied with program requirements when he sold personal items to the Authority;
- Authority had reasonable controls over its rental receipts and security deposits; and
- Board members appointed after May 1998 were properly selected.

Our audit results raised significant concerns about all these issues except the last. Overall, we found that the Board did not adequately carry out its responsibilities to oversee the administration and operations of the Authority. The Board did not provide adequate monitoring, or adopt policies and procedures that are adequate or consistent with program requirements. More specifically:

Performance evaluations and salary reasonableness. The Authority does not have specific procedures for evaluating employee performance and determining the reasonableness of staff salaries. As a result, the Board substantially increased the Executive Director's salary without properly evaluating his performance or the reasonableness of the increases.

Accounting for employees' time. The Board advised the Executive Director not to track his time, resulting in HUD grants paying for work on non-HUD activities. Also, the Authority charged employee salaries to HUD grants based on budget estimates rather than actual activities.

Review of travel requests and claims. The Board did not always ensure that the Executive Director's travel was approved and claims were proper. Therefore, the Authority does not know if travel costs were necessary and reasonable.

Compliance with procurement requirements. The Board did not exercise reasonable controls when it allowed the Executive Director to sell items to the Authority, resulting in conflicts of interest and questionable purchases.

Safeguarding cash. The Board did not ensure the Authority had controls to safeguard tenant rent and security deposits, resulting in misappropriated funds. In addition, the Board did not take action to recover the misappropriated funds.

We are recommending that HUD, (1) determine, in conjunction with the appropriate City of Nampa officials, the proper administrative actions against the Board and the Executive Director, (2) implement the necessary policies and controls to ensure the Authority is run efficiently, has proper Board oversight, and complies with HUD requirements, and (3) require the Authority to reimburse or provide support for questionable costs.

We provided the Board with a draft report at our exit conference on November 14, 2001 and discussed the findings with the current Board of Commissioners and the former Board Chairman. The Board responded with written comments to the draft report on December 7, 2001, generally disagreeing with our findings but agreeing there is need for improvement. The Findings section of this report summarizes and evaluates the Board's comments. A copy of the Board's full response is included in Appendix B.

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Abbreviations

ACC	Annual Contributions Contract
Authority	Nampa Housing Authority
CFR	Code of Federal Regulations
CIAP	Comprehensive Improvement Assistance Program
HUD	Housing and Urban Development
MCC	Mortgage Credit Certificate
NHFC	Nampa Housing Finance Corporation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	Public Housing Agency

Introduction

Background

In 1939, the Nampa Housing Authority in Nampa, Idaho was created for the purpose of providing decent, safe and sanitary living conditions for persons of low income. A five-member Board of Commissioners headed by Mr. Ray Wahlert, the Board Chairman, oversees the Authority. An Executive Director runs the Authority's day-to-day operations.

The Authority currently manages 142 federally assisted low-income housing units. Per its Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), the Authority agreed to at all times, 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.

Over the last four fiscal years, HUD granted the Authority more than $1 million in Operating Subsidy, Comprehensive Improvement Assistance Program, and Capital Fund Program grants:

	Fiscal Years				
Program Grants	**1998**	**1999**	**2000**	**2001**	**Totals**
Operating Subsidy	$68,852	$ 77,907	$ 62,810	$ 78,973	$ 288,542
Comprehensive Improvement Assistance Program (CIAP)		290,042			290,042
Capital Fund Program (Modernization)			303,127	309,038	612,165
Totals	$68,852	$367,949	$365,937	$388,011	$1,190,749

Objectives, Scope and Methodology

At your request for assistance, we performed an audit of the Authority's housing program administration and operations to address allegations of mismanagement, misuse and abuse. Our audit objectives, based on the allegations, were to determine whether the:

- Board of Commissioners:
  - properly monitored the Executive Director's performance and activities, and
  - adequately oversaw the Authority's operations.

- Executive Director:

    - accounted for his time, attendance and activities in accordance with program requirements,

    - adequately supported his mileage and travel claims, and

    - complied with program requirements when he sold personal items to the Authority;

- Authority had reasonable controls over its rental receipts and security deposits; and

- Board members appointed after May 1998 were properly selected.

To achieve the audit objectives, we performed audit procedures that included:

- Reviewing applicable federal criteria, including regulations, contracts, Office of Management and Budget Circulars, and HUD directives and guidelines.

- Interviewing Portland Office of Public Housing staff to obtain information on the Authority's administration and operation of HUD programs.

- Interviewing Board members (former and current) and reviewing Board minutes and other relevant records to understand the Board's responsibility for monitoring the administration and operation of the Authority.

- Reviewing Idaho Code on Housing Authorities and Cooperation Law, the Authority by-laws, and related documentation to obtain an understanding of the requirements for qualifying, selecting and appointing nominees for Board seat appointments.

- Reviewing the Authority by-laws to determine Board procedures for conducting its business and exercising its powers over the administration and operations of the Authority.

- Interviewing former and current Authority staff to obtain an understanding of the Authority's practices for (1) timekeeping, (2) evaluating employee performance, (3) determining salary increases, (4) processing travel claims, (5) procuring items, (6) processing and adjusting tenant payments, and (7) accounting for costs charged to HUD grants.

- Examining grant files and related documents to determine the Authority's allocations of the Executive Director's salaries for fiscal years 1998 through 2001.

- Reviewing the Authority's policies and related documentation to determine whether the:

    - Executive Director accounted for his time, attendance and activities in accordance with program requirements; adequately supported his mileage and travel claims; and followed program requirements when he sold items to the Authority.

    - Authority had reasonable controls over its rental receipts and security deposits.

- Reviewing support for expenditures the Authority charged HUD grants for the Executive Director's salaries, for procuring items from the Executive Director, and for travel and local mileage costs the Executive Director claimed.

The audit generally covered the period from May 1, 1998 through May 7, 2001. We extended the audit period as appropriate during our review. We performed audit fieldwork at the Authority's office in Nampa, Idaho from May to June 2001.

We conducted the audit in accordance with generally accepted government auditing standards.

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The Board was not Actively Involved and Diligent in its Monitoring of Authority Operations

Because the Board did not adequately carry out its responsibilities over the Authority's administration and operations, Authority activities were not administered in accordance with program requirements, HUD grants were charged for questionable costs, and Authority funds were misappropriated.

The Board is charged with ensuring Authority integrity and compliance with HUD requirements

Public Housing Agency (PHA) Commissioners delegate responsibility and authority to the Executive Director to act on their behalf. HUD expects PHA Commissioners to establish high ethical standards for the PHA staff, act as positive role models, and ensure the establishment of sound PHA internal controls and that Authority operations are conducted legally, with integrity and in compliance with federal and local laws.

HUD's Program Integrity Bulletin issued in November 1990 states the roles and responsibilities of the PHA Commissioners. Specifically, the Commissioners are to:

- Establish and approve by-laws, resolutions, and policies and procedures for internal and external monitoring controls and for detecting and preventing program fraud, waste, mismanagement and abuse.
- Review and monitor budgets and other documents to ensure expenditures are in compliance with federal and local laws, and other requirements.
- Ensure that the PHA is acting legally and with integrity in its daily operations.
- Understand their responsibilities and roles in relation to the Executive Director.
- Provide clear and concise policy guidelines to the Executive Director.
- Perform their ultimate responsibility to (a) make policy decisions for determining how programs are administered, (b) obtain funds from various resources, and (c) protect funds needed to keep the PHA operating.

- Be responsible for the actions and decisions made by the Executive Director and the other PHA staff.

The Board did not adequately perform all its responsibilities over the administration and operations of the Authority

The Board did not adequately carry out all its responsibilities over the administration and operations of the Authority. Specifically, it did not:

- Adequately evaluate and monitor the Executive Director's performance, or maintain adequate documentation to support the reasonableness of his salary increases (see Finding 2).

- Adhere to HUD requirements for payroll accountability when it advised the Executive Director not to keep track of his time (see Finding 3).

- Properly review the Executive Director's travel costs to ensure they were eligible, necessary, reasonable, and supported (see Finding 4).

- Exercise reasonable controls when the Executive Director sold items to the Authority (see Finding 5).

- Ensure that the Authority had adequate controls to protect HUD funds, or take action to recover misappropriated funds (see Finding 6).

Because the Board did not perform adequate oversight over the Executive Director's activities and Authority operations, Authority activities were not always administered in accordance with program requirements, HUD grants were charged for questionable costs, and Authority funds were misappropriated.

It should be noted that the Executive Director nominated three of the Board members, who subsequently were approved by the Mayor of Nampa with the concurrence of the City Council.

Auditee comments

Addressing the report as a whole, the Board wanted to ensure that the record reflects and recognizes the considerable improvements by Nampa Housing Authority from 1998 to the present, including emerging from bankruptcy to financial soundness, and going from a near-failing performance rating to a high performer. The Authority has progressed because of the Executive Director and his staff's mutually agreed upon commitment to excellence. "We recognize that our Executive Director is weak in crossing the t's and dotting the i's. He has so been informed by the Board and he is very aware of the need to improve in this area."

The Board *did* properly carry out its responsibilities relative to oversight of the operation and administration of the Authority; however, it recognized the need to improve. The Board will conduct site commissioner training for the Board, and has ordered written training materials.

The Executive Director nominated three members (four if the resident representative is considered) of the current Board to the Mayor of Nampa, but the Mayor approved the appointment in public City Council meetings with the unanimous concurrence of the City Council for each nomination. The Board will do a better job of documenting the process in the future.

OIG evaluation of Auditee comments

Much of the Authority's improvement resulted from corrective actions taken after an OIG audit of the Authority's Indian Creek Child Care Center (report no. 98-SE-202-1002, dated June 3, 1998).

Based on the findings discussed in this report, we disagree with the Board's contention that it properly carried out its responsibilities relative to the operation and administration of the Authority. Further, we are concerned that the Board may not take the audit findings seriously, since it appears to believe that the issues reported are a matter of not "crossing t's," and "dotting i's."

Regarding nomination and selection of Board nominees, the Executive Director nominated three Board members without documenting his nomination or selection process. The Authority however, maintained adequate documentation showing that it followed the Board-adopted resolution pertaining to the nomination and selection of a resident nominee.

Recommendations:

We recommend that you:

1A. Determine, in conjunction with City of Nampa officials, the proper administrative actions to take against the Board and the Executive Director.

1B. Require the Authority to develop and implement policies and procedures that will make the Board accountable for the Executive Director's actions and ensure that the Authority operates in full compliance with HUD program requirements.

The Authority Needs to Evaluate Employee Performance and Ensure Salaries are Reasonable

The Board substantially increased the Executive Director's salary without properly evaluating his performance or the reasonableness of the increases. This was because the Authority does not have specific procedures for evaluating employee performance and determining the reasonableness of staff salaries, and therefore has no assurance that its employees perform satisfactorily and are paid reasonable salaries.

Requirements for evaluating performance and determining if salaries are reasonable

The Annual Contributions Contract, federal regulations, and various HUD Directives discuss the role and responsibilities of Public Housing Agency Commissioners, emphasizing leadership, policy development and monitoring functions. The Commissioners are ultimately responsible for Housing Authority operations, including monitoring the Executive Director and evaluating his performance. The Commissioners are also required to review and monitor budgets and other financial documents to ensure that expenditures (such as salaries paid to the Executive Director) meet federal as well as the Housing Authority's own requirements.

Per its Annual Contributions Contract with HUD, the Authority agreed to follow Office of Management and Budget Circular A-87 (Cost Principles for State, Local and Indian Tribal Governments), which explains how to determine the reasonableness of salaries charged to federal awards. Specifically, Attachment B, paragraph 11b of the Circular states that compensation is considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

The Authority's Personnel Policy requires that all actions affecting employees shall be based solely on merit, ability, and justice. It also requires that all employees shall receive annual performance ratings and that such ratings shall be noted in employees' service records and considered in effecting personnel actions. An employee who does not perform satisfactorily or who substantially violates regulations shall be subject to dismissal without notice. It further requires the Board to establish a Compensation Plan showing the system for making periodic employee within-range salary increases.

The Board increased the Executive Director's salary without adequately evaluating and monitoring his performance

From May 1999 to October 2000 the Board granted $15,000 in salary increases to the Executive Director without adequately evaluating his performance:

Executive Director's salary	
As of:	**Salary**
09/01/98	$35,000
05/01/99	$40,000
05/01/00	$45,000
10/01/00	$50,000

The Board could not provide any documentation to show that it was annually evaluating the Executive Director's performance.

The evaluation of the Executive Director's performance appears to be a subjective process using unspecified criteria done by a few Board members, rather than a formal process using performance standards in which the entire Board participates.

We interviewed all Board members to obtain their perspective on the Executive Director's most recent annual performance period.

The Chairman of the Board stated he evaluates the Executive Director's performance during Board meetings, and that the Board meets the Executive Director twice a week and rates him on rent collections, occupancy, and condition of housing units.

Another Board member stated he used his own experience and observations to monitor the Executive Director's performance. Specifically, he said he had looked at the reports the Executive Director prepared on housing improvements and the Authority's HUD ratings. Also, when he drives by the Authority, he observes that the Executive Director's car is usually parked there.

The other three Board members said they did not evaluate or rate the Executive Director's yearly performance. Two of the three said the Board, as a whole does not evaluate the Executive Director's performance.

Some of the Board members told us that they believed the Executive Director’s performance warranted the salary increase because he had solved several operational issues and improved the Authority’s financial situation. However, the Board did not document this as part of a performance evaluation. Further, at least one Board member was aware of the Executive Director’s questionable activities, which are discussed in this report.

The Board did not maintain adequate documentation to support the reasonableness of the Executive Director’s salary

To be reasonable, salaries must be comparable to that paid for similar work in other activities of the governmental unit or in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

The Board could not provide evidence that it obtained any salary comparables prior to granting salary increases to the Executive Director. When determining the amount of the Executive Director’s salary increases, the Board Chairman said he visited the internet sites of some of Idaho’s Housing Authorities such as Twin Falls, Pocatello, and Boise to obtain information on Executive Directors’ salaries. He said he looked at these Authorities’ job listings for Executive Director’s positions, which showed salary ranges. However, the Chairman did not have documentation to support this.

No performance ratings or basis for salaries for other Authority employees

Based on the initial results, we expanded the scope to include other Authority employees. At the time of our audit the Authority had nine employees excluding the Executive Director. We found that, as was the case with the Executive Director, the other Authority employees did not receive annual performance evaluations, and the Executive Director did not document the basis for their merit increases or bonuses. Therefore, neither HUD nor the Authority have assurance that these employees were performing satisfactorily or that their salaries were reasonable. The Authority Accountant stated that the employees received salary increases based on the approved

Operating Budgets, although no formal annual performance evaluations were performed or documented.

The Authority does not have specific procedures for evaluating employee performance or determining the reasonableness of salary increases

The Board has not evaluated the performance of the Executive Director or his staff because it did not develop a process and procedures for implementing its Personnel Policy on employee yearly performance. Also, the Authority has not established or developed procedures for implementing an employee compensation plan that should show the system for making their periodic salary increases, and determining the reasonableness of their compensations.

Auditee comments

The Board conducted a review in 2000 to determine the adequacy of the Executive Director's salary and benefits. It considered the salary and benefits of other Executive Directors in Idaho and the history of salaries and benefits paid to previous Authority Executive Directors. Also, it reviewed the results of a survey conducted in March 2000 and considered the accomplishments and improvements of the agency over the previous year and the professional certifications the Executive Director had obtained. The results of the salary and benefit surveys were available at the Authority. As a result, the Board determined that the Executive Director warranted the salary increases. The Board however recognizes the need to better document the process and will do so in the future.

The Board just adopted a new Authority Personnel Policies and Employee Handbook, and conducted a formal performance evaluation of the Executive Director in November 2001. In October 2001, each full-time employee received an annual written evaluation from his/her supervisor and a review of the employee job descriptions was performed.

The Board further states that each year, the Executive Director and staff have developed and published annual goals for the Authority.

OIG evaluation of Auditee comments

The Board's response is not entirely consistent with the information provided OIG staff during the audit.

The Board minutes from May 20, 1999 to February 21, 2001 did not indicate that the Board ever discussed its determination of the Executive Director's salary increases or the evaluation of his performance. Further, not all Board members were aware of how the Executive Director was granted salary increases. Two of the five Board members (the two that had not been nominated by the Executive Director) told us that they did not participate in the determination of the Executive Director's salary increases. One of these two Board members said that the three Board members that were nominated by the Executive Director decided to grant salary increases to the Executive Director without using salary comparables. The other Board member told us she does not know how the Authority determines employees' salary increases.

The Board's response stated the salary surveys were available in Authority files. However, when asked during the audit, neither the Board Chairman nor the Authority could not provide OIG staff with any documents showing that salary comparables were actually performed. The Board Chairman specifically told us that he did not save or keep copies of job listings showing the salaries of other Executive Directors.

Recommendations:

We recommend that HUD require the Authority to:

2A. Develop and implement policies and procedures for objectively evaluating the performance of the Executive Director and other Authority employees, and for determining reasonableness of their salaries and salary increases.

2B. Re-assess the salaries of the Executive Director and other Authority employees based on salary comparability and performance, and reimburse the appropriate HUD grants any excess from non-grant funds.

We also recommend you:

2C. Monitor the Authority to ensure compliance with requirements regarding employee compensation.

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The Authority Needs to Establish a Proper Payroll Distribution System

The Authority does not know how much time the Executive Director spent on HUD-related activities because the Executive Director did not adequately document his time spent on different programs, including some non-HUD activities. Also, the Authority charged his and other salaries to HUD grants based on budget estimates rather than actual time spent on activities. Consequently, the Authority used HUD funds to pay for non-HUD activities, and might have mischarged other salary costs.

HUD requirements for time recording and payroll distribution

Section 5 of the Annual Contributions Contract between the Authority and HUD requires the Housing Authority to operate its projects in compliance with federal requirements such as HUD regulations located at 24 CFR 85 and applicable Office of Management and Budget (OMB) Circulars.

Federal regulations at 24 CFR 85.20(b)(6) requires that accounting records (i.e., payroll records) must be supported by source documentation such as time and attendance records. Also, 24 CFR Part 85.22(b) requires state and local governments to use OMB Circular A-87 when allocating costs to federal awards.

OMB Circular A-87, Attachment B, paragraph 11.h.(4) states that for employees working on multiple activities, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation prepared at least monthly and signed by the employee. The documents must show the total activity for which the employee is compensated, coincide with one or more pay periods, and reflect an after-the-fact distribution of the actual activity for the employee. Budget estimates or other distribution percentages before services are performed cannot be used as a basis for allocating costs to federal awards. Also, the Circular states that to be allowable under federal awards, costs must be necessary and reasonable for the proper and efficient performance and administration of federal awards.

Executive Director's salary allocated to different HUD programs

The Authority received grants directly from HUD including Operating Subsidy and Modernization[1] grants. Also, the Authority's Nampa Housing Finance Corporation (NHFC)

[1] Formerly called Comprehensive Improvement Assistance Program or CIAP, and now referred to as Capital Fund.

receives fees out of a Section 8 grant that HUD awarded to a property management firm.

The Board approved the Authority's Operating Budgets for fiscal years 1998 through 2001 showing the estimated allocations of the Executive Director's salaries to different HUD programs:

		Executive Director's Salary Allocations		
Fiscal Year Ending	**Budgeted Salary**	**Operating Subsidy**	**Section 8 Program**	**Modernization**
9/30/98	$35,000	75%	25%	0%
9/30/99	$35,000	75%	25%	0%
9/30/00	$40,000	75%	25%	0%
9/30/01	$45,000	55%	15%	25%

Note: The percentages for fiscal year ending 9/30/01 do not total 100 percent because the approved budget allocated 5 percent of the Executive Director's salary to a program that the Authority did not receive funds for. HUD will probably move the 5 percent to the Operating Subsidy category.

The Executive Director did not adequately document his time spent on different programs

The Executive Director worked on HUD and non-HUD programs but did not adequately document his time spent on each program. Although the Operating Budgets showed the allocations of his yearly salaries to different HUD programs, the Executive Director's time records or equivalent documents did not show actual allocations of his time for each of the programs. None of the 19 timesheets that the Executive Director prepared from May 1, 1998 to February 15, 1999 showed the actual hours spent for each HUD and non-HUD program or activity. The timesheets only showed the number of hours the Executive Director worked each day. After February 15, 1999, he stopped completing timesheets. According to the Executive Director, the only documents he maintains of his activities are the daily schedules in his electronic Palm Pilot; however, as discussed below these schedules were inadequate.

The Executive Director said the Board advised him not to document how he spends his time. The Board Chairman said he advised the Executive Director not to keep track of his time because it is a waste of time. He also stated that the Executive Director does not need to maintain timesheets because he is an exempt employee. The Authority's Payroll and Disbursement Policies and Procedures requires non-exempt (hourly-paid) employees to document their time. This requirement does not include exempt employees and is inconsistent with HUD requirements that all employees' time must be supported.

HUD paid the Executive Director's salary although he spent part of his time on non-HUD activities

All of the Executive Director's salary was charged to HUD grants even though he and other Authority employees stated part of his time was related to non-HUD activities. However, because the Executive Director did not adequately document how he spent his time, we could not determine the amount of his salary that related to non-HUD activities. From May 1, 1998 to April 30, 2001, the Authority charged HUD funds with Executive Director salaries totaling $122,254.

The Executive Director said he spends about 75 to 80 percent of his time at the Authority office, and makes up his time spent on a non-HUD program by working late, on weekends, or at home. He said the only documents he maintains are the daily schedules in his electronic Palm Pilot. The schedules however, were incomplete and did not provide sufficient detail to account for his time. The Palm Pilot daily schedules listed HUD-related activities such as attending staff and Board meetings, and non-HUD-related activities such as attending meetings at the American Legion, Job Corps Council, Kiwanis, and taking his personal vehicle in for service. Also, we could not determine based on the schedules whether the Executive Director actually performed the activities recorded in his Palm Pilot.

We interviewed the other Authority administrative employees and every one of them estimated that the Executive Director has spent 50 percent or less of his workday at the Authority office since he was hired. Also, some of the employees said they observed the Executive Director perform personal business during Authority hours. For example, one Authority employee stated that the Executive Director has taken days off to look after his rental properties and has made non-business trips during business hours, such as taking his car in for maintenance.

Another Authority employee said the Executive Director spent time during Authority's business hours on the non-HUD Mortgage Credit Certificate (MCC) program. Under the MCC program, the Executive Director's administrative activities included implementing all aspects of the program, to include but not limited to, filing a request for allocation of available private activity bond authority, and executing and delivering certificates. The Authority staff stated that the Executive Director spent three to four hours per week with its MCC program contractor after the implementation of the program, and about two full weeks prior to the date the program was implemented. According to a Board resolution, the $125 fee per Mortgage Credit Certificate from homebuyers should cover the costs associated with the Executive Director's MCC program activities. However, more than a year after the program was implemented the Authority had issued only two Mortgage Credit Certificates, and no Authority funds were charged against the MCC program.

The Authority charges salaries based on budgeted amounts

The Authority charged HUD funds for salaries based on the HUD-approved Operating Budgets rather than on actual time spent on activities as required by HUD. This practice applies to all Authority employees, not only the Executive Director. Although the other Authority employees only worked on HUD programs, it is important to allocate time to the different HUD programs not only for management control purposes, but because HUD awards funds for specific purposes and may place limits or restrictions on charges to different activities, such as administrative costs.

Salary costs are not adequately supported or related to HUD activities

Because (1) the Executive Director did not keep track of his time spent on HUD and non-HUD activities, and (2) the Authority charges salaries of Authority employees based on budget estimates, an indeterminable amount of the Executive Director's salary charges were for non-HUD activities, and HUD has no assurance employee salaries charged to HUD grants were related to the funded activities.

Auditee comments

The Board states that the Executive Director is an exempt employee and as such was not required to keep track of his time. However, beginning in April 2001, the Board instructed the Executive Director to do so. This requirement is also stipulated in the Authority's new Personnel Policies and Employee Handbook. The Board also states that all employees will keep track of their time by program/funding source.

OIG evaluation of Auditee comments

The Board's actions should help resolve the issues reported in the finding. The Board should be aware that neither federal regulations nor OMB Circular A-87 exclude exempt employees from the requirement to maintain supporting payroll records.

Recommendations:

We recommend that HUD require the Authority to:

3A. Determine the amount of Executive Director salary costs charged to HUD funds for non-HUD activities from May 1, 1998 to the present, and reimburse the appropriate HUD grants from non-grant funds.

3B. Establish a payroll distribution system that will ensure correct allocation of employees' actual time spent on grant activities, and HUD grants are charged only for eligible and adequately supported salary costs.

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The Authority Charged HUD Funds for Unsupported Travel and Local Mileage Costs

The Executive Director did not always submit to the Board travel requests, claim forms, or adequate supporting documents for his local mileage claims. Therefore, HUD funds might have been charged for ineligible or unreasonable travel and mileage costs. Proper oversight by the Board should have prevented this from happening.

HUD and the Authority require that travel costs be supported

The Authority is required under federal regulations at 24 CFR 85.22(b) to follow cost principles for allowable costs as provided by OMB Circular A-87. Specifically:

- To be allowable, costs must be adequately documented.
- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- In determining the reasonableness of a given cost, consideration shall be given to whether the individuals concerned, acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.

The Authority Policies and Procedures require employees to submit travel requests that include the purpose, period, and estimated travel costs. During travel, employees must record and sign all travel expenses. When claiming reimbursement, employees must submit to the Executive Director (or a Board member if the Executive Director) receipts and other supporting documents along with the expense claim forms. The Executive Director or Board member must review and approve travel expenses prior to reimbursement.

The Executive Director did not always submit travel requests, claim forms, or supporting documents

The Authority reimbursed the Executive Director $6,931 for travel costs, including $5,068 for training-related travel and $1,863 for local mileage expenses using HUD funds.

The Executive Director traveled nine times to attend training classes conducted between May 1998 and March 2001. He did not prepare and submit the required travel requests for Board approval for this travel. Further, the Executive Director did not always obtain Board approval when claiming reimbursement for training or local travel costs. Of the 33 expense claim forms (24 for local mileage and 9 for training-related travel) that the Executive Director submitted, he approved 8, and a Board member approved 5. There was no approval for the other 20. In addition, the Executive Director did not maintain adequate documentation to support the local mileage claims; specifically, he did not indicate the purpose for using his vehicle locally, nor specify whether the mileage related to HUD or non-HUD activities. As a result, we could not determine if the travel was necessary, reasonable, or for eligible HUD activities.

Improved Board oversight needed

The Board did not perform its oversight responsibility in that it did not properly review the Executive Director's travel costs to ensure they were necessary, reasonable, and supported.

Auditee comments

The Board non-concurs that any travel and local mileage costs were for anything other than official PHA business. For each local mileage reimbursement, the Executive Director certified that each claim was for official business. Each training course was for the benefit of the Authority, and every mile claimed was for official business. For each reimbursement, the claim form or expense report was attached to the check, and a Board member signed the check. The Executive Director did not approve his own claims. However, the Authority must improve administratively.

The Board agrees that Board members failed to sign claim forms; however, it believes that after reviewing the claims, signing the checks represented approval for payment. To improve this process, the Authority has already established a policy that no one can sign a check issued to him/herself and the Board will ensure all claims and expense reports are signed by a Commissioner.

OIG evaluation of Auditee comments

Although the Executive Director certified that the mileage costs were for official Authority business, the mileage reports and claim forms did not show whether the mileage costs were for HUD-related activities. Our review results indicated that the Executive Director performed both HUD and non-HUD activities.

The Board's response states the Executive Director did not approve his own claims. However, the audit found that the Executive Director signed 8 of 33 of his own claim forms from May 1998 to March 2001.

The Board believes that after reviewing the claims, signing the checks represented Board's approval. This implies that a Board member reviewed the claim forms submitted by the Executive Director. However, the claim forms did not always evidence review by a Board member.

Recommendations:

We recommend that HUD:

4A. Require the Authority to determine the eligible, necessary, and reasonable amount of the Executive Director's travel costs and reimburse the appropriate HUD grants any excess over this amount from non-grant funds.

4B. Ensure the Authority follows HUD travel requirements and its travel costs are eligible, necessary, reasonable, and adequately supported.

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Procurement Requirements Not Followed

The Executive Director did not comply with procurement standards and violated conflict of interest requirements when he inappropriately sold items to the Authority. This resulted in the Authority charging HUD grants $1,361 in ineligible procurement costs. The Board Chairman could have prevented this by ensuring procurements complied with federal requirements prior to signing checks issued to the Executive Director.

HUD procurement and conflict of interest requirements

Housing authorities must follow federal procurement standards cited in Title 24 of the Code of Federal Regulations (24 CFR 85.36). These standards provide a set of basic principles that each housing authority must adhere to when making purchases and establishing a procurement policy. Among other things the procurement standards require grantees to:

- Review proposed procurements to avoid purchase of unnecessary or duplicative items (paragraph (b)(4)).
- Maintain records sufficient to detail the significant history of a procurement, including the rationale for the method of procurement and the basis for the contract price (paragraph (b)(9)).
- Provide for full and open competition for all procurement transactions (paragraph (c)(1)).
- Perform a cost or price analysis in connection with every procurement transaction (paragraph (f)(1)).

In addition, grantees must adhere to the procurement requirement that no employee, officer, or agent of the grantee shall participate in selection, or in the award or administration of a contract supported by federal funds if conflict of interest, real or apparent, would be involved.

The Executive Director inappropriately sold items to the Authority

The Executive Director did not adhere to procurement standards when he inappropriately sold four items to the Authority. Specifically, the Executive Director violated conflict of interest provision, initiated a false purchase order, arbitrarily set purchase prices, and did not obtain proper authorization for the purchases, or always determine if the items were necessary.

Computer Monitor

The Executive Director sold a used 17-inch computer monitor to the Authority for $325. The Executive Director had personally bought the monitor the year before. He instructed the Authority Accounting Assistant to prepare a false purchase order. He set the purchase price because he said he did not have the receipt showing how much he actually paid for the item. Further, although the purchase order showed the name of the individual who the Executive Director claimed he bought the monitor from, the individual, now an Authority employee, stated that he did not sell a computer monitor to the Executive Director. The Executive Director stated, and the Authority Accountant confirmed, that he sold the monitor to the Authority to replace the Accountant's non-functioning monitor.

Digital Camera

The Executive Director sold a used digital camera plus peripheral to the Authority for $535.43. He set the price for the digital camera because he said he could not find the receipt showing the actual purchase price. There was neither a purchase order prepared nor any indication that the Executive Director performed a need assessment when he sold the camera. The Executive Director said he sold an easy-to-use and less expensive digital camera to the Authority so they could easily access and print pictures without having to get a roll of film developed. The Executive Director and Accountant stated that the camera is rarely used.

Vacuum Cleaner and Carpet Shampooer

Without going through the Authority's procurement process, the Executive Director purchased these items then sold them to the Authority. On the day he purchased it, the Executive Director sold the vacuum cleaner to the Authority for $271.77, which was equal to the original purchase price. The Authority Accountant told us that the Authority needed to replace an old vacuum cleaner. Four days after purchasing it, the Executive Director sold the carpet shampooer to the Authority for $229, which was less than the total purchase price by $12.49. Apparently the shampooer had been used when sold to the Authority. The Authority did not perform any need assessment prior to procuring the item. The Executive Director told us that the carpet shampooer was used to clean an Authority rental unit.

The Board Chairman did not exercise reasonable controls

The Board Chairman cosigned checks for these items without questioning the purchases, even though there were no purchase orders and the Executive Director was selling the items to the Authority. As such, the Board Chairman did not exercise reasonable controls prior to cosigning these checks.

The sales violated procurement and conflict of interest requirements

The Executive Director violated procurement standards when he falsified a purchase order, arbitrarily set purchase prices, and failed to obtain competitive quotes. Additionally, the Executive Director had conflicts of interest when he sold the items to the Authority because, as an employee, he had a real financial interest in the transactions.

Auditee comments

The Board took corrective action to ensure that the Executive Director avoids conflicts of interest for future purchases, by giving him a letter of admonishment and placing him on probation for one year. However, the Board believes the Executive Director had no intention to defraud, and was acting in the best interest of the agency.

Neither the camera, vacuum cleaner, nor carpet shampooer were purchased for the Executive Director's own use. These items were purchased in accordance with Authority procurement policies. The Executive Director paid for the equipment using his own funds because the Authority did not have a corporate credit card. The vacuum cleaner and carpet shampooer were needed items that were sold unused to the Authority. The Authority is in the process of procuring a corporate credit card for such use.

OIG evaluation of Auditee comments

The Board states it believes the Executive Director had no intention to defraud and was acting in the best interest of the agency. We disagree. The Executive Director instructed the Authority Accounting Assistant to prepare a false purchase order, and set the price for the computer monitor and digital camera because he didn't have receipts showing the actual purchase price. In our opinion, this demonstrates intent to defraud and an official who is not acting in the best interests of the Authority.

If, as the Board's response states, these items were purchased in accordance with Authority procurement policies, then the policies need to be revised to comply with federal procurement regulations.

The Board states the Executive Director used his own funds to purchase the items because the Authority did not have a corporate credit card. This is not a valid reason: the purchases could have been paid for by check, or by using an Authority imprest fund.

In our opinion, the Board response appears to trivialize and gloss over the serious issues raised in the finding.

Recommendations:

We recommend that HUD require the:

5A. Authority to provide evidence that the items purchased were necessary and the amounts paid for the items were reasonable, and reimburse from non-grant funds, the appropriate HUD grants, any of the $1,361 that was unnecessary or unreasonable.

5B. Board to ensure that Authority procurement procedures and the procurement transactions it approves comply with federal requirements, including conflict of interest requirements.

The Authority Needs to Improve Management Controls to Safeguard Cash from Loss or Misuse

Because the Authority did not establish or maintain reasonable procedures to control and safeguard cash payments, $2,510 in tenants' cash payments for rents and security deposits is missing. Also, the Authority did not take meaningful action to recover the missing funds. The evidence suggests the funds were misappropriated.

HUD requires Housing Authorities to safeguard assets through sound management practices

Federal regulations at 24 CFR 85.20, Financial Management Systems, states in paragraph (b)(3) that grantees must maintain effective control and accountability for grant cash.

Office of Management and Budget Circular A-87, Attachment A, paragraph A (2)(a)(1) states housing authorities are responsible for the efficient and effective administration of federal awards through the application of sound management practices.

Control weaknesses result in misappropriated funds

The Authority did not have controls to adequately safeguard tenants' cash payments for rent and security deposits. This lack of controls increased the risk that those funds could be lost or misused without detection, and resulted in the misappropriation of at least $2,510 of Authority funds. Specifically, we found that:

- The Authority had no written policies or procedures for receiving and receipting cash payments for tenant rent and security deposits. Consequently, any employee was able to receive cash payments from tenants and give out receipts.

- The Authority did not use numbered receipts as a control to ensure all cash payments were controlled and deposited. Unnumbered receipts and cash collections were stored in a lockbox, which was usually unlocked during Authority operating hours. The cash box and the Authority's copies of the receipts were accessible to all employees.

- All employees knew each other's computer passwords. There could be no accountability for the amount of money in the cashbox or the accuracy of the information in the Authority's computer information systems.

- Adjustments to tenant rents were not reviewed and approved prior to inputting the correct tenant rents to the tenants' ledger. In addition, adjustments were not reviewed for propriety or adequacy of supporting documents. The Executive Director did not thoroughly review the interim reexaminations that changed the amount of a tenant's rent. Our review of reviewed and approved changes to tenant rental payments noted many instances where several months elapsed between the effective date of the rent change and the signature of the Executive Director. In addition, there were discrepancies in the documents themselves.

Authority officials told us steps have been taken to improve its management controls over cash receipts and approving changes to tenant rent payments; however, we have not reviewed those controls.

The Authority did not take meaningful action to recover the missing funds

The Authority did not take remedial actions after determining tenant cash payments were missing and an employee had taken the money. It neither used the fidelity bond insurance to recover the missing cash, nor did it file an official police report. The Executive Director said the Authority has not filed a claim to date because of the relatively small loss amount. He also said he told the Board of the missing tenant cash payments and that the Board agreed with him not to file a police report.

Auditee comments

The Board concurs with the finding. On March 8, 2001, the Executive Director issued an Internal Policy on Accounts Receivable to correct the weakness. At the time the HUD-OIG initiated its review, the Authority staff had not completed its review of all accounts. Once that was done, the Authority had no reason to believe that the HUD-OIG could document additional losses. The Board indicates that the Authority submitted a claim on October 18, 2001 and was paid in full on November 7, 2001.

The Board also states that an informational report was filed with the Nampa Police Department on March 20, 2001.

OIG evaluation of Auditee comments

The Authority's actions should help resolve the issues reported in this finding.

Recommendations:

We recommend that HUD:

6A. Require the Authority to develop and implement controls to safeguard cash against loss and misuse, including procedures for:
   a. receiving and receipting tenant rents,
   b. restricting access to cash, and using numbered receipts,
   c. maintaining secure computer passwords, and
   d. reviewing and approving rent adjustments.

6B. Confirm that the Authority recovered the $2,510 in missing funds, or else require the Authority to repay the missing funds from non-grant funds.

6C. Ensure that the Authority takes or has taken appropriate action to hold the responsible individual accountable.

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Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, 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 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.
- 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.

Scope of work

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

We identified the following significant weaknesses in the Authority's management controls:

- The Authority Board did not adequately monitor the actions and decisions made by the Executive Director, or the Authority operations (Findings 1-6).
- The Authority did not have adequate controls to safeguard cash from loss or misuse (Finding 6).

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Schedule of Questioned Costs

Recommendation Number	Unsupported
5A	$1,361
6B	2,510
Total	$3,871

Unsupported amounts are not clearly eligible or ineligible, but warrant being contested for various reasons, such as lack of satisfactory documentation to support eligibility.

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NAMPA HOUSING AUTHORITY

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HUD/OIG AUDIT
SEATTLE, WA

Frank E. Baca
U.S. Department of Housing and Urban Development
Office of the Inspector General for Audit
Northwest/Alaska District
909 First Avenue, Suite 125
Seattle, WA 98104-1000

Dear Mr. Baca:

Reference your letter, Subject: Draft Audit Report of Housing Program Administration and Operations of the Nampa Housing Authority, Nampa, Idaho

The Board of Commissioners of the Nampa Housing Authority appreciate the assistance from the HUD-IG review of this agency's administration and operation. We know that we can always improve. We are dedicated to that end, but we want to ensure that the record reflects and recognizes the considerable improvements by Nampa Housing Authority from 1998 to present. The Executive Director assumed his duties in May 1998. At that time, NHA was bankrupt (down to approximately $18,000 in its operations reserve), it did not have sufficient funds to pay off all its obligations, to include security deposits and Family Self-Sufficiency Program savings accounts. Approximately $70,000 had been lost by the Indian Creek Child Care Center, rents and security deposits were not always collected, and NHA's Public Housing Management Assessment Program (PHMAP) score for 1997 was 63.54. A score below 60 is failing. Each year the management of this agency has improved, as denoted by HUD's own tool for measuring such, the Public Housing Assessment System (PHAS, which replaced PHMAP). For FY2000, Nampa Housing Authority received an 89.6 score (since rounded to 90). A 90 score is designated by HUD as "High Performer." Furthermore, NHA paid back all the funds lost by the childcare center and has now over $152,000 (plus $120,000 from the 1999 CIAP) in its operations reserve, security deposit and FSS program accounts.

As NHA was trying to get back on its feet, nearly all policies and procedures needed revision or new ones written. Most all the forms needed revision. In fact, in nearly all ways NHA needed to change the way it was doing business. Then the Quality Housing and Work Responsibility Act of 1998 was passed which required new policies and procedures to be written, passed and implemented. NHA's Statement of Policies governing occupancy and admissions went from 29 pages to 84. The Real Estate Assessment Center (REAC) was formed and many new requirements were placed upon local housing authorities with constantly changing or non-existent guidance. We

EQUAL HOUSING OPPORTUNITY

recognize the fact that not all changes and improvements have been completed. For example, we just completed our new personnel policy and employee handbook.

For at least the past three years PHA's have been encouraged by NAHRO, PHADA and even HUD to seek other opportunities to serve their communities, develop housing, move into community development and become more entrepreneurial. To that end, we have a five-year lease on the child care center, we collect nearly $4000 each year in lawn maintenance fees from residents and started a home-ownership program which not only increases our outreach in our community but could provide additional income to this agency and this agency is highly regarded in this community for all it does to improve affordable housing and the manner it does its job. Last month our Executive Director was one of 103 citizens in our greater county area recognized by our local newspaper for his contributions in affordable housing for our community. Such recognition brings favor to this agency.

Finally, it must be said that the successes of NHA in the past 3 ½ years could not have happened with our Executive Director locked in his office eight hours a day. This organization has progressed because of the Executive Director's and his staff's mutually agreed commitment to excellence. We recognize that our Executive Director is weak in crossing the t's and dotting the i's. He has been so informed by the board and he is very aware of the need to improve in this area. We are confident that he will.

Finding 1: The Board was not Actively Involved and Diligent in its Monitoring of Authority Operations.

1. We believe that this board did properly carry out its responsibilities relative to oversight of the operation and administration of Nampa Housing Authority. However, we recognize the need to improve and to that end will conduct site commissioner training for the board. We will strive to complete this task within 120 days (it is our intent to do this as soon as possible). We have also ordered written training materials.
2. It is true the Executive Director nominated three members of the current board (it is actually four if one considers the resident representative) to the Mayor of Nampa. The previous Board Chairman asked other Commissioners to consider candidates for nomination. In the case of each, the board was informed of the nomination and concurred. The Executive Director sent the nominations to the Mayor as instructed. The Mayor approved the appointment in public City Council meetings with the unanimous concurrence of the City Council for each nomination. We will do a better job of documenting this process in the future.

Finding 2. The Authority Needs to Evaluate Employees' Performance and Ensure Salaries are Reasonable.

1. This board did conduct a review in 2000 to determine the adequacy of the Executive Director's salary and benefits. We considered the salary and benefits of other executive directors in Idaho and the history of salaries and benefits paid to previous NHA executive directors. We reviewed the results of a survey conducted in March 2000 by BDPA, Inc., Boise, ID (on behalf of Boise City/Ada County HA). We also considered the accomplishments and improvements of the agency over the previous year and the professional certifications he has obtained. As a result, we determined that NHA's Executive Director's warranted the increase. However, we recognize the

need to better document this process and will do so in the future. (Note: the results of the surveys, above, were available in NHA files).
2. It should be noted that we just adopted a new Personnel Policies and Employee Handbook (following a legal review) and conducted a formal performance evaluation of the Executive Director in November 2001. In October 2001, each full-time employee received an annual written evaluation from his/her supervisor and each job description was reviewed. For the record, each year during this Executive Director's tenure, the Executive Director and staff have developed and published annual goals for the PHA. Last year, the staff participated, at the direction of the board, in a process to develop individual and shared goals to support the agency goals. The Board was informed of these goals when developed and then their achievement prior to their salary adjustments in 2000.

Finding 3. The Authority Needs to Establish a Proper Payroll Distribution System. The Executive Director is an exempt employee and as such was not required to keep track of his time. However, beginning in April 2001, he was instructed to do so and has since. This requirement is also stipulated in our new Personnel Policies and Employee Handbook. Further, all employees will keep track of time by program/funding source.

Finding 4. The Authority Charged HUD Funds for Unsupported Travel and Local Mileage Costs. We non-concur that any travel and local mileage costs were for anything other than official PHA business. For each local mileage reimbursement, the Executive Director certified that each such claim was for official business. Further, each training course was for the benefit of NHA. Every mile claimed was for official NHA business and was so stated in each claim form. In the case of each reimbursement, the claim form or expense report was attached to the check. In every case a board member signed the check. The Executive Director did not approve his own claims. However, administratively we must improve. We concur that board members failed to sign the forms. However, it was our belief that after reviewing the claim, signing the check represented approval for payment. No claims or expense reports were paid without receipts (except for meals IAW our established policy). To improve this process, we have already established a policy that no one can sign a check issued to him/herself and we will ensure all claims and expense reports are signed by a Commissioner. It must be noted that NHA sold its administrative vehicle in 1999 because the agency could not afford it. This forced employees to use their own vehicles to conduct NHA business.

Finding 5. Procurement Requirements Not Followed. The Board of Commissioners took immediate and corrective action on February 23, 2001, to ensure that the Executive Director avoids a conflict of interests in all future purchases. He was provided a letter of admonishment and placed on probation for one year. However, it must be stated that in our opinion the Executive Director had no intention to defraud and believed he was acting in the best interest of the agency. For the record, neither the camera, vacuum cleaner nor carpet shampooer was purchased for his own use. They were purchased IAW NHA procurement policies. The Executive Director paid for the equipment using his own funds because NHA did not have a corporate credit card. The Executive Director can document that he had his own vacuum for home use and had little use for a carpet shampooer in that his house was predominantly hardwood floors and/or linoleum. All carpet cleaning in his rental units is performed commercially (can be documented) and during this particular period he had no unit vacancies. The current Maintenance Supervisor can recall when these items were purchased. He took the vacuum cleaner, new from its box, and observed the previous Maintenance Supervisor assemble the carpet shampooer and then take it to an NHA unit to clean carpets. Furthermore, this equipment was necessary because staff performs its own janitorial duties (to save money starting in 1998) and the maintenance staff cleans the carpets in the 16 elderly units, has cleaned carpet left in vacated units to give to other residents and the Executive Director has personally used the shampoor to spot clean the office carpet. The digital camera is used to document damage to units by former residents without the cost of having to incur the cost of purchasing and developing film unnecessarily. Other housing authorities use digital cameras for such purposes. This is the procedure used by NHA.

We concur that when the Executive Director uses his own funds for purchase and reimbursement can give the impression of an improper procurement. The Executive Director has been instructed to avoid such purchases, except when he can document that it was necessary and cost effective to do so. NHA is in the process of procuring a corporate credit card for such use.

Finding 6. The Authority Needs to Improve Management Controls to Safeguard Cash from Loss or Misuse.

1. Completely concur with this finding. Upon discovering the loss, the Executive Director met with the financial and administrative staff to determine the cause of the loss and what corrective measures to take. He also consulted with the Executive Director, Twin Falls HA (she is a CPA) to obtain guidance as to how to fix this weakness. On March 8, 2001, the Executive Director issued an "Internal NHA Policy, Subject: Accounts Receivable" to correct the weakness. This policy was discussed with the board and is periodically reviewed by staff. Further, this internal policy was discussed with the agency's auditor who concurred it fixed the weakness.
2. The Executive Director did in fact delay placing a claim with NHA's fidelity bond insurer. At the time, the HUD-IG initiated its investigation, NHA staff had not completed its review of all accounts. Once that was done and we had no reason to believe that the HUD-IG could document additional losses, a claim was submitted for $3455.50 on October 18, 2001, and the claim paid in full on November 7, 2001.
3. A report was filed with the Nampa Police Department on March 20, 2001, after the board met and so instructed the Executive Director to make the report. It should be noted that at the time the report was given as an "information" report.

Again, we appreciate your efforts to bring these issues to our attention. I cannot state it more strongly that our intent is to continue to correct all findings and to the best of our abilities, board and staff, ensure they do not happen again. On behalf of the board and staff, we welcome and look forward to the assistance of Office of Public Housing-Portland.

Sincerely,

Raymond B. Wahlert

Raymond B. Wahlert
Chairman

Distribution

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Chairman of the Board, Nampa Housing Authority
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