AUDIT REPORT



CONCORD HOUSING AUTHORITY CONCORD, NEW HAMPSHIRE

2002-BO-1002

MARCH 29, 2002

OFFICE OF AUDIT, NEW ENGLAND BOSTON, MASSACHUSETTS



Issue Date

March 29, 2002

Audit Case Number

2002-BO-1002

TO: Donna J. Ayala, Director, Office of Public Housing, 1APH

FROM: Barry L. Savill, District Inspector General, Office of Audit, 1AGA

SUBJECT: Concord Housing Authority

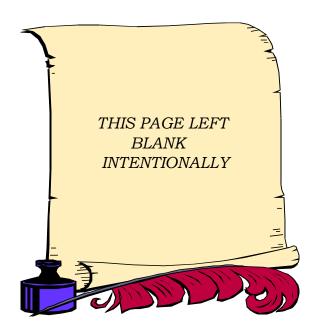
Concord, New Hampshire

We completed an audit of the Concord Housing Authority (CHA). Our audit objectives were to determine whether the CHA was administering its public housing and Section 8 programs in an efficient, effective, and economical manner, and whether the CHA was complying with the terms and conditions of its Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives.

The report contains four findings: 1) improper procurement activities: 2) CHA lacked an adequate system of management controls; 3) improvement needed over the Public Housing Drug Elimination Program (PHDEP); and 4) improvement needed over administration of Section 8 Program. We identified unsupported costs totaling \$58,160 relating to PHDEP and ineligible costs of \$6,108 relating to duplicate Section 8 payments.

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

Should you or your staff have questions, please contact me at (617) 994-8380.



Executive Summary

We performed an audit of the Low-Income Public Housing and Section 8 Programs operated by the Concord Housing Authority (CHA). Our audit objectives were to determine whether the CHA is administering its public housing and Section 8 programs in an efficient, effective, and economical manner, and whether the CHA is complying with the terms and conditions of its Annual Contributions Contract (ACC), applicable laws, HUD regulations, and other applicable directives.

Audit Results

We determined that the CHA needs to:

- Follow proper procurement procedures in accordance with HUD regulations and its own policies and procedures.
- ➤ Implement an adequate system of management controls over assets.
- Improve the administration and accountability over its Public Housing Drug Elimination Program (PHDEP).
- Improve the administration of its Section 8 program.

The CHA did not follow HUD procurement regulations and its own procurement policies and procedures. Procurement deficiencies included: awarding contract without competition; selecting contractors without adequate competition; use of sole source contractor not justified; and emergency work not performed timely. CHA could not provide assurance to HUD that the contracts for construction, equipment, and related services, totaling \$772,001, were awarded after the consideration of full and open competition, and at the most favorable cost. These weaknesses occurred because the CHA's management did not fulfill its responsibility to establish and implement effective management controls over the procurement process, including management's failure to provide oversight of a Coordinator hired to monitor the CHA's Comprehensive Grant Program.

The CHA's management controls over bank reconciliation, receipts, cash disbursements, tenant receivables, fixed assets and investments were not adequate. As a result of these management control weaknesses, the CHA's

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resources are not adequately safeguarded against waste, loss and misuse. These conditions exist because the CHA's management did not fulfill its responsibility to establish and implement effective management controls.

The CHA needs to improve the administration and accountability over its Public Housing Drug Elimination Program (PHDEP). Specifically, the CHA has not: ensured proper control and administration of patrol services; and complied with HUD regulations which require that activities accomplishments in Semi-Annual and Performance Reports conform to approved PHDEP Grant Applications. As a result, HUD has no assurance that program objectives were met as stated in the PHDEP Grant Applications; and, that PHDEP funds were used efficiently and effectively. We are questioning PHDEP costs of \$58,160 for police patrols because baseline services were not established, as required. These problems occurred because the CHA management did not adequately monitor the functions and responsibilities performed as part of the PHDEP.

The CHA does not have an acceptable system of controls over its Section 8 program. Specifically, the CHA did not ensure that: 1) annual recertifications were performed timely; 2) Housing Quality Standards inspections are performed timely; 3) reasonable rent procedures were adhered to; 4) Section 8 waiting list was maintained and updated accordingly; 5) procedures were established to ensure that Housing Assistance Payments made to landlords were appropriate; and 6) certificates and vouchers were utilized at the appropriate rate. These deficiencies occurred because the CHA's management did not fulfill their responsibility to provide adequate oversight of the Section 8 program. As a result, we are questioning \$6,108 relating to overpayments to landlords.

Recommendations

We have provided specific recommendations to assist in correcting the reported deficiencies. CHA Management must take a more active role in administering HUD programs it operates. The CHA needs to develop and implement procedures over procurement, management controls over assets, and administration of the PHDEP and Section 8 programs.

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Findings and Recommendations

We are also recommending that the CHA reimburse the federal programs for amounts that are not supported; the unsupported portion of the \$58,160 charged to the PHDEP, and the \$6,108 in ineligible costs charged to the Section 8 Program.

The findings were discussed with the CHA during the course of the audit. We held an exit conference on February 25, 2002. On March 1, 2002, we provided the CHA a copy of the draft audit report for comment. We received the CHA's response on March 15, 2002.

We have included pertinent comments of the CHA's response in the Findings section of this report. The CHA's narrative response is provided as Appendix B. Attachments included with the CHA response will be provided to the Massachusetts Office of Public Housing under separate cover.

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Abbreviations

ACC Annual Contributions Contract ADA Americans with Disabilities Act

CD Certificate of Deposit

CFR Code of Federal Regulations
CGP Comprehensive Grant Program
CHA Concord Housing Authority
COE U.S. Army Corps of Engineers
HAP Housing Assistance Payment
HQS Housing Quality Standards

HUD Department of Housing and Urban Development

IPA Independent Public Accountant
MOU Memorandum of Understanding
NOFA Notice of Funds Availability
OIG Office of Inspector General

OMB Office of Management and Budget

PHA Public Housing Authority

PHDEP Public Housing Drug Elimination Program

PHMAP Public Housing Management Assessment Program

RFP Request for Proposals

SEMAP Section 8 Management Assessment Program

TAR Tenant Accounts Receivable

Introduction

A five-member Board of Commissioners, chaired by Doris Desautel, governs the Concord Housing Authority (CHA). The Executive Director, Ian R. McLauchlan, is responsible for the administration of CHA operations. The CHA office is located at 15 Pitman Street, Concord, New Hampshire. The CHA is administering 224 units under the Section 8 Program and 262 units in five projects under the Low Income Public Housing Program.

The U.S. Army Corps of Engineers (COE) performs Contract Administration Reviews for selected Housing Authorities on behalf of HUD. The CHA was cited in June 1999 and August 2000 by the COE for problems in its procurement and contracting practices. This report also includes a finding relating to improper procurement activities (Finding 1).

Audit Objectives

The purpose of our audit was to determine whether:

- 1. The CHA is using its resources and managing its programs and operations efficiently, effectively, and economically;
- 2. The CHA is complying with the terms and conditions of its Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives.

Audit Scope and Methodology

To accomplish the audit objectives, we:

- Reviewed Federal requirements including the Code of Federal Regulations (CFR), HUD Handbooks, Public and Indian Housing Notices and Directives, OMB Circulars, the CHA's organizational and administrative structure, administrative plans and personnel policies, and recorded minutes of the Board of Commissioners meetings.
- ➤ Reviewed Independent Public Accountant (IPA) reports for FYs 1999, 2000 and monitoring reviews conducted by the HUD Field Office.
- Interviewed Massachusetts and New Hampshire State Office of Public Housing personnel, the CHA Executive Director and staff, and the CHA's Fee Accountant to obtain information relating to CHA's operations and management controls.

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- ➤ Interviewed the CHA staff regarding its procedures for accounting, administration, procurement, maintenance, occupancy, training, cash receipts, cash disbursements, fixed assets, Public Housing Drug Elimination Program (PHDEP), Comprehensive Grant Program (CGP), to determine if the CHA's procedures were adequate.
- Reviewed a random sample of ten out of 192 Section 8 tenant files to verify that tenants qualified as a family; that tenants' income was within income limits; and to determine that recertifications were performed on an annual basis.
- Examined CHA's compliance with HUD's utility allowance provisions, administration of the waiting list, rent reasonableness determinations, utilization of Section 8 certificates and vouchers, procedures on HQS inspections, and supervisory control inspections.
- Examined the CHA's procedures and supporting documentation for all nine CGP related contracts awarded during the audit period.
- ➤ Reviewed CHA bank statements and cancelled checks for assurance that sources of cash were accounted for.
- Analyzed tenant accounts receivable, fixed assets, security deposits, cash receipts and disbursements, and investment records to ensure that assets were safeguarded and properly recorded in the CHA's records.
- ➤ Evaluated the CHA's PHDEP to verify that: (1) grant expenditures were properly accounted for, supportable, eligible and reasonable; (2) the CHA evaluated and monitored its PHDEP activities to ensure that the results were in accordance with program objectives; and (3) the CHA monitored police services provided under the contract.

For transaction testing methodology, we used non-representational samples rather than statistically valid samples. The non-representational sample methodology was more appropriate for audit testing on the areas reviewed

The audit was conducted between March 2001 and September 2001, and covered the period from October 1, 1998 through February 28, 2001. When appropriate, the audit was extended to include other periods.

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

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Introduction

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Improper Procurement Activities

The Concord Housing Authority's (CHA) procurement practices are not in compliance with HUD regulations and its own procurement policy. Deficiencies were noted in five of nine contracts reviewed: (1) contract awarded without competition; (2) contractors selected without adequate competition; (3) failure to justify sole source contractor; (4) emergency work not performed timely; and (5) bid proposals and contract documents missing. These deficiencies occurred because the CHA's management did not fulfill its responsibility to establish and implement effective internal controls over the procurement process. As a result, CHA could not provide assurance to HUD that the contracts for construction, equipment, and related services, totaling \$772,001, were procured after the consideration of full and open competition, and at the most favorable cost.

HUD Requirements

Procurement regulations contained in the Code of Federal Regulations (24 CFR 85.36) require the Public Housing Authority (PHA) to:

- Conduct all procurement in a manner to provide full and open competition (24 CFR 85.36(c)(1)).
- Maintain sufficient records to show the history of a procurement. The records should include the rationale and justification for the method of procurement, the type of contract, the selection of the contractor, and the basis for the contract price (24 CFR 85.36(b)(9)).
- ➤ Utilize noncompetitive proposals only when the award of the contract is infeasible under sealed bids and after solicitation of a number of sources, competition is determined inadequate (24 CFR 85.36(d)(4)(i)).

<u>Procurement Handbook for Public and Indian Housing Authorities</u>, HUD Handbook 7460.8, paragraph 4-26 (E) states that:

"if a housing agency receives fewer than three proposals, the PHA should analyze the proposals and document the reason for the poor response. Depending on the results of the analysis, the PHA may either reject the proposals and issue a revised solicitation or proceed to evaluate the proposals."

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CHA's Procurement Policy

Procurement Deficiencies Identified

The CHA's Procurement Policy: provides for the fair and equitable treatment of all persons or firms involved in purchasing by the CHA; assures that supplies, services and construction are procured efficiently, effectively, and at the most favorable prices available to the CHA; promotes competition in contracting; provides safeguards for maintaining a procurement system of quality and integrity; and assures that CHA purchasing actions are in full compliance with applicable Federal standards, HUD regulations, and State and local laws.

We reviewed all nine contracts awarded during the audit period and identified deficiencies associated with five of these contracts. The total cost expended for the five contracts was \$772,001 for the period from May 21, 1999 through August 31, 2001. For each of the five contracts, we identified one violation of HUD regulations and/or the CHA's procurement policy as follows:

Work Performed – Note 1	Total Cost	Deficiencies
Hired Coordinator to monitor	\$34,706	1
Comprehensive Grant Program		
ADA/Renovations of community room	\$155,381	2
Replacement of stoves and refrigeration	\$145,040	3
Installation of trash compactor and lift	\$8,901	4
Roofing and re-caulking	\$427,973	5
Total	\$772,001	

Note 1: All contracts were with the same contractor with the exception of the contract to hire a Coordinator to monitor the CHA's Comprehensive Grant Program.

Deficiency Explanations:

- 1. Contract awarded without any competition.
- 2. Contractor selected with inadequate competition.
- 3. Failure to justify sole source.
- 4. Emergency work not performed timely.
- 5. Bid proposals and contract documents missing.

Contractor Awarded Without Competition

The CHA contracted for a CGP Coordinator to manage contracting responsibilities without competition. Rather than prepare Requests for Proposals (RFP) for the services and solicit responses in order to achieve open and free competition, the CHA granted the work to the firm it preferred. The Executive Director stated that the CHA bypassed the bidding process because they needed to expend the remaining CGP funds before HUD recaptured the money. HUD allows a two-year period to obligate funds and three years to expend the funds. Hence, there is no assurance that the services represent those that could be best attained.

Procurement regulations for competitive proposals, 24 CFR 85.36(d)(3), stipulate that:

"The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded."

If this method is used, the following requirements apply:

- ➤ RFPs will be publicized and identify all evaluation factors and their relative importance (24 CFR 85.36 (d)(3)(i).
- ➤ RFPs will be solicited from an adequate number of qualified sources (24 CFR 85.36 (d)(3)(ii).
- For Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees (24 CFR 85.36 (d)(3)(iii).
- Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered (24 CFR 85.36 (d)(3)(iv).

CHA management disregarded these regulations in order to expedite the hiring of the Coordinator. Management did not provide adequate justification for not following regulations. For the period from November 19, 1999 through August 17, 2001, the CGP Coordinator was paid \$34,706.

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Contractor Selected With Inadequate Competition

inadequate competition. Only one contractor submitted a bid proposal for Americans with Disabilities Act (ADA) renovations of the community room at Boucher Apartments. The firm awarded this contract was already performing work under another CHA contract (Installation of Appliances – See Sole Source Not Justified below). The amount of the contract was \$147,648 and the final cost was \$155,381.

There was one contract awarded by the CHA with

When the CHA did not receive an adequate number of bid proposals, the CGP Coordinator did not follow required procedures in awarding this contract to the sole bidder. The CHA is required to: document the evaluation process; document the possible reason why only one firm submitted a bid proposal; justify why it was not necessary to re-bid; or perform a cost or price analysis to verify the reasonableness of the costs. Because the above procedures were not performed and/or not documented, there is not adequate assurance that the lowest possible price was obtained for the services received.

Failure to Justify Sole Source

We identified one instance where the CHA could not justify using a sole source contractor. The CHA paid the contractor \$145,040 to deliver, install new stoves and refrigerators, and dispose of 234 old stoves and refrigerators at its five developments. Bid tabulations show that three bid packages had been sent out, but that only one bid was received. The CHA did not maintain records that adequately justified awarding the contract to the sole The CHA did not have records showing the rationale for the method of procurement, contractor selection and the basis for contract price as required by 24 CFR 85.36(b)(9). The CGP Coordinator's and the Executive Director's primary justification for a large-scale replacement of the appliances and their failure to follow proper procurement procedures is that the CHA had only a short timeframe in which to expend the remaining CGP funds before HUD recaptured the money. The potential recapture of the GCP funds is not justification for not following the procurement regulations.

The Coordinator advised that he preferred to obtain a contractor that would offer both installation of the new appliances and disposal of the old equipment. According to

Emergency Work not Performed Timely the CGP Coordinator, only one contractor was offering both services. However, CHA did not maintain sufficient documentation to support this claim.

An emergency request for the installation of a trash compactor at the CHA's Kennedy Building was not acted upon by the CHA in a timely manner. The CGP Coordinator advised that, due to the emergency nature of the procurement, the contract was never formally advertised, but was handled as a public exigency or emergency procurement. HUD regulations provide that. "due to the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation" (24CFR 85.36 (d) (4) (i) (B)). The CHA executed a contract for \$134,153 on May 31, 2001 for the installation of a trash compactor and lift system and construction work necessary for installation. Although the CHA awarded this contract on an emergency basis, the contract did not identify any time frame for completion. The CGP Coordinator advised that the contractor was selected primarily because the contractor was available and expressed a strong interest in performing the work. The contractor was currently working on the ADA renovations at Boucher Apartments when selected for the job. As of November 13, 2001, the contract was still in process with \$8,901 paid.

HUD initially approved the trash compactor in the CHA's CGP Application on September 16, 1997. The work on the compactor was scheduled for accomplishment in 1999. On July 5, 2000, the local fire department conducted an inspection of the Kennedy Building and cited that trash cans located in the hallways as a fire hazard and a code violation, adding that the violation required immediate abatement. The abatement schedule required that the trash cans be removed from hallways and the CHA install a trash compactor and this compactor be operational not later than December 31, 2000. The CHA did not comply with the fire department's request. The local fire department cited the CHA a second time in their inspection on May 10, 2001, reemphasizing the same violations. The fire department stated that a follow-up inspection would be conducted on June 29, 2001. The violation was still not corrected by that date and, in fact, was not corrected as of November 13, 2001. During this time, the project continued to utilize the

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trash cans in its hallways. As a result, tenants were exposed to fire hazards for 16 months.

Documentation provided by the CGP coordinator show that the work for this project began in June 2001, and was completed as of December 31, 2001. The work completion, originally scheduled for September 30th, was delayed due to design and layout problems associated with installation of the compactor and the accompanying trash chute. In our opinion, the delays encountered in the preparation of work specifications and project design could have been avoided had they been addressed during the 11-month period between the citation by the Concord Fire Department and the final contract award.

Bid Proposals and Contract Documents Missing The CHA's contract files did not contain adequate histories of the procurements as required by both the CHA's Procurement Policy and federal regulations. From May 21, 1999 through September 17, 2000, the CHA paid \$427,973 for roofing and re-caulking work at Crutchfield Apartments; however, there is no evidence that a bid or proposal was either obtained or requested or that a formal contract was issued. Without sufficient documentation showing a history of procurement, we were unable to assess whether costs were reasonable and eligible under this contract. Neither the CGP Coordinator nor any CHA staff members were able to find any documentation on file related to this procurement. The CGP Coordinator advised that this work pre-dated his arrival at the CHA.

The U.S. Army Corps (COE) of Engineers in June 1999 reviewed CHA's contract administration. The COE report also indicated that files for construction contracts were missing or lacked many of the contract documents.

The CHA adopted an acceptable procurement policy, which meets federal requirements. However, as shown above, the CHA did not follow its policy in all cases and made management decisions that are contrary to the best interests of the CHA and its tenants. Wasteful procurements drain the CHA's limited financial resources and contribute to fiscal problems. It is the responsibility of the CHA management to assure that only essential materials and services are purchased, adopted policies are strictly adhered

to, and that procurements are made for the best possible products at the lowest possible prices.

Auditee Comments

The CHA provided the following comments for each deficiency noted in the finding:

1. Hiring of CGP Coordinator:

The CHA acknowledged that the services of the CGP Coordinator were obtained "without competition". The CHA then provided an explanation for why they engaged the coordinator without competition. The CHA also advised that the CHA Board voted to terminate the contract with the CGP Coordinator effective May 15, 2002, and to issue a new RFP for these services.

2. Contractor Selected With Inadequate Competition:

The CHA states that bid solicitations for this work were sent to five trade advertisers in September 2000 about two weeks before the bid opening. The CHA stated that they were trying to obligate FY 1998 CGP funds prior to September 30, 2000, which, "precluded the readvertising and re-bidding" of this contract work.

3. Failure to Justify Sole Source Bid:

The CHA states that, in their opinion, this contract was not "a sole source procurement". The CHA advised that in February 28, 2000, they were attempting to obligate FY 1997 CGP funds before March 31, when HUD would have recaptured these funds. The CHA sent "bid solicitations" to three trade advertisers and "bid packages" to three appliance vendors in early February 2000. At the bid opening on February 28, 2000 only one bid was received. In letters sent by the CHA Executive Director and the CGP Coordinator in March 2000, CHA requested HUD approval of this contract award. HUD did not respond to this request, and CHA awarded the contract to the sole bidder on March 28, 2000.

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4. Emergency Procurement Not Performed Timely:

The CHA acknowledged that the installation of a trash compactor was identified as part of a CGP Application in 1997. At that time, this work was not considered a "priority" item, and was scheduled for completion in 1999. In July 2000, the Concord Fire Department cited CHA with a fire code violation of placing trashcans in the hallways. CHA states that it explored the possibility of purchasing the necessary equipment, and then contracting separately for its installation. At some point, CHA noted, "it soon became obvious that the installation was going to be far more complex than originally anticipated". In May 2001 (eleven months after the initial fire code violation), the Concord Fire Department "insisted that corrective action be taken to rectify the trash situation". CHA identifies this action as the "real emergency". After CHA approached two contractors, then working for CHA, only one of these firms expressed interest in performing the work. This company was awarded the contract on May 31, 2001. The initial completion date of the work was scheduled for September 30; it was later extended to December 31, 2001. The CHA stated that HUD approval was granted for the emergency procurement.

5. Contract Documents Missing:

The CHA stated that they are in the process of replacing procurement documents that are not currently in the CGP files.

In addition, the CHA indicated that they generally concurred with all of the audit recommendations and had initiated corrective action in most cases

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OIG Evaluation of Auditee Comments

1. <u>Hiring of CGP Coordinator:</u>

We are aware of the reasons that it was a priority for the CHA to contract for the services of a CGP Coordinator. These reasons do not justify circumventing the procurement regulations. We agree with the action taken by the CHA to terminate the CGP Coordinator's contract and to issue a new RFP for those services.

2. Contractor Selected With Inadequate Competion:

Documents provided by the CHA show that a fax message was sent to the 5 trade advertisers, not "bid solicitations" as noted in the CHA's response. This fax message did not include all of the relevant data needed for potential sources to submit bids. Also, in our opinion, the two-week period between the fax notice being sent to the three advertisers and the bid opening was not sufficient time for potential bidders to submit bids. Although CHA was attempting to obligate funds before their expiration, this did not justify awarding the contract to the only bidder.

3. Failure to Justify Sole Source Bid:

While we agree that this contract does not represent a sole source procurement, that is how the CHA identified it to HUD in their letters. **Documents** provided by the CHA show that a fax message was sent to the three trade advertisers, not the "bid solicitations" noted by CHA. The CHA provided "bid packages" to two appliance vendors who did not request the packages and to one contractor who was working at the CHA under another contract. The CHA awarded the contract to this sole bidder because they needed to obligate the funds from their FY 1997 CGP grant. Proper planning of the procurements by the CHA would preclude the need to award contracts to avoid the recapture provisions of the program. As noted previously, the attempt to obligate funds before their expiration is not justification for awarding the contract to the sole bidder.

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4. <u>Emergency Procurement Not Performed Timely</u>:

As noted, the compactor was included in CHA's 1997 CGP Application for completion in 1999. Although this project may not have been a high priority, CHA management recognized this work requirement and it was scheduled in the CGP Plan accordingly. When the Concord Fire Department cited CHA with the fire code violation in July 2000, CHA had been using trashcans in the hallways for almost two years. We do not agree with CHA's claim that the real emergency occurred in May 2001. Having been aware of this requirement since 1997, and having recognized that the use of hallway trashcans was an untenable solution to the trash problem, CHA should have responded immediately and awarded a contract after being cited by the Fire Department in July 2000. The CHA had more than enough time to procure this contract in a timely manner to avoid any need to procure the contract under emergency measures.

5. Contract Documents Missing:

CHA should provide support for the contract to HUD.

Recommendations

We recommend that you:

- 1A. Require the CHA to provide assurance that, in the future, all phases of the CHA's procurement policy are effectively carried out.
- 1B. Require the CHA to provide justification for the procurement decisions made in awarding the contracts totaling \$772,001 in cost.
- 1C. Instruct your staff to perform an evaluation and cost estimation on the work specifications included in the projects pertaining to each contract award.
- 1D. Require the CHA to reimburse the amount of any contracts awarded in excess of the estimated costs derived from the HUD evaluation and cost estimation.

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- 1E. Require the CHA to maintain documentation supporting the basis for contracts awarded.
- 1F. Require the CHA to develop and use independent cost estimates for evaluating bids received whenever possible.

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CHA Lacked an Adequate System of Controls

The Concord Housing Authority (CHA) did not maintain an adequate system of controls over its assets. This condition exists because CHA management did not fulfill its responsibility to establish and implement effective management controls. In addition to the conditions cited in other findings contained in this report (Procurement Drug Elimination Program and Section 8 Program), we identified specific management control deficiencies in the following categories:

- > Tenant Accounts Receivable (TAR) was not reconciled.
- > Rent collection procedures were not followed.
- Maintenance materials were not properly accounted for.
- ➤ Improper allocation and accounting of Federal Program costs.
- ➤ Inadequate management of fixed assets.
- > Policies needed for deposit accounts.
- > Bank accounts were overdrawn and the accounts were not properly reconciled.
- Inadequate training for CHA staff and a lack of job descriptions.

As a result of these insufficient management controls, CHA resources were not adequately safeguarded against waste, loss and misuse; and HUD has little assurance that the CHA was following the appropriate laws, regulations, and policies.

Management Control System The basic purpose of a system of management controls is to promote the efficient operation of an organization. The system of management controls consists of all measures employed by an organization to: 1) safeguard assets from waste, fraud and inefficient use; 2) promote accuracy and reliability in the accounting records; 3) encourage and measure compliance with policies and procedures; and 4) evaluate the efficiency of operations. In essence, management controls consist of all measures taken to provide management the assurance that everything is functioning as it should. It is the responsibility of CHA's

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Executive Director to assure that management control policies and procedures are enforced.

HUD regulations state that the financial management systems of grantees must meet internal control standards. The regulations also stipulate that effective control and accountability must be maintained for all grant funds, real and personal property, and other assets. Grantees must adequately safeguard all such property and must ensure that it is used solely for authorized purposes (24 CFR 85.20(b)(3)).

Regulations further state that grantees must maintain records, which adequately identify the source and application of funds provided to financially assisted activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income (24 CFR Part 85.20(b)(2)).

TAR not Accurate

The CHA's TAR did not accurately reflect total receivables due from tenants. CHA does not maintain reliable documentation from which to determine the exact amount of tenant receivables, and how long tenant rents were outstanding. CHA uses the following data to manage tenant receivables: records of tenant cash receipts; tenant transaction histories, the "Tenant Balances Report;" and the "Aged Accounts Receivable Report". The balance in the General Ledger Tenant Accounts Receivable Report. As a result, CHA could not provide adequate assurance that the General Ledger Tenant Account Receivable balance of \$55,866 was accurate.

As of June 30, 2001, the CHA Finance Director could not provide evidence of any reconciliation of the Tenant Accounts Receivable to supporting records and documents.

The CHA has not adhered to the requirements of its' own policy. As of June 30 2001, there were a total of 13 residents from two of the five housing projects who failed to pay rent, and there were four tenants who underpaid their rent. As of July 31, 2001, CHA management had not initiated adequate collection actions for these 17 residents. In an evaluation of CHA's collection efforts, we examined

Rent Collection Policy not Followed

five of the larger tenant account balances and found that four of them were under a repayment plan. Our review disclosed that none of the four are adhering to the repayment plan. In one example, the tenant at 7 Jennings Drive (Haller Apts.) entered into a repayment plan on June 16, 2000 to pay \$50 per month in addition to the normal rent, for one year. As of June 16, 2000, the tenant owed \$730. By June 30, 2001, the amount owed increased to \$2,102 while under the repayment plan. The CHA needs to follow its' collection procedures in taking timely collection actions.

Maintenance Materials not Accounted for

HUD Regulations require that accounting records be supported by source documents (HUD Guidebook 7510.1, Sections II.6, PIH Low-Rent Technical Accounting Guide).

The CHA did not properly control employee use of the three credit cards for purchase of materials and supplies from local department stores. For the period of January 1, 2000 to August 31, 2001, the CHA had purchases totaling \$44,253 from three local supply stores. From our review of supporting documentation, we could not determine which CHA employees purchased the items. Purchases were either not supported with purchase orders or, when they were, the purchase orders were incomplete. In most instances, the purchase orders reviewed did not:

- ➤ Include a proper description of item(s) purchased.
- ➤ Identify the individual who approved or authorized the purchase.
- Indicate where items were to be delivered or received.
- ➤ Indicate what CHA employee was designated to receive and sign for the item purchased.

Based on the records available for review, we were unable to determine whether the items purchased were for the benefit of the CHA.

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Improper Allocation of Program Costs

Section 15 of the Annual Contributions Contract (ACC) requires the CHA to maintain complete and accurate books of account and records in connection with the development and operation of the project, including records that permit a speedy and effective audit.

The CHA commingles its costs among various federally funded programs, and does not always record correct amounts to the appropriate programs such as the Public Housing Drug Elimination Program (PHDEP) and the Comprehensive Grant Program. Amounts charged to programs are often not adjusted to the appropriate accounts until months later when the CHA Fee Accountant prepares adjusting journal entries. To illustrate, CHA's former Finance Director charged PHDEP salaries of \$27,500, earned from October 1999 to September 2000, to the CHA payroll account, but failed to record this salary cost to the PHDEP account. The Fee Accountant subsequently created a journal entry on September 30, 2000 posting the salaries to the "Tenant Services Salaries" (Account 4210, the correct PHDEP account established for salaries). CHA's Finance Director should have been recording the salaries to the Tenant Services Account on a consistent basis; however, most Finance Directors hired by the CHA in the past several years lacked the training and/or knowledge to perform these routine tasks.

Fixed Assets not Properly Recorded

Federal regulations require grantees to 1) maintain detailed property records of equipment, 2) conduct physical inventories of property and equipment and reconcile the results with property records once every 2 years, and 3) develop control systems to ensure adequate safeguarding of assets against loss, damage, and theft of property (24 CFR 85.32(d)(1) to (3).

The CHA has not established adequate controls to ensure that fixed assets are properly recorded and managed. Although records were maintained for appliances (refrigerators and stoves) by serial number and location, there were no similar records for maintenance and office equipment, including computers and printers. The CHA management indicated that inventories of maintenance and office equipment had been conducted; however, there was no documentation to support this claim. Without sufficient documentation to support the annual inventory of these

Policies Needed for Deposit Accounts

Bank Accounts Overdrawn

equipment items, there is limited assurance that CHA assets have not been lost or stolen, or were susceptible to unauthorized use. CHA management was not aware of the requirement that inventory records should be maintained for maintenance equipment and office equipment.

The CHA lacked adequate written policies and procedures for monitoring its deposit accounts. In a letter dated May 12, 2000, the CHA Fee Accountant cited "hundreds of thousands of dollars" in 16 deposit accounts that were accumulating either low or no interest income. In one example, a certificate of deposit (CD) in the amount of \$108,556 had expired in February 2000 and was then placed by the bank into the local program account of CHA where it earned no interest. The Fee Accountant, in a follow-up letter dated September 13, 2000, indicated that the \$108,556 was still in the non-interest bearing account. At one time, the CHA Finance Director could not identify the specific CD accounts held with each bank, the amount of the CD in each account and how much interest was being earned. During the course of our audit, CHA had begun to convert these 16 CD accounts into three high-yield "sweep" accounts. The CHA Fee Accountant, who addressed this issue in separate correspondence to the CHA on May 12, 2000, September 13, 2000, and November 10, 2000, estimated that approximately \$30,000 was lost in fiscal year 2000 by not investing these funds properly.

CHA did not reconcile its bank account statements with the financial records in a timely manner. In most instances, bank account statements were not reconciled until more than a month after they were received. This led to overdrafts in the Public Housing bank account in the amounts of \$7,803 and \$45,125 for November 2000 and March 2001, respectively. The CHA Fee Accountant informed CHA management that bank account statements should be reconciled within two to three days of their receipt. Prudent practice and generally accepted accounting principles dictate that the CHA cash balance be properly monitored and that, at a minimum, bank accounts be reconciled in a timely manner.

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Staff Inadequately Trained

Our review identified a high turnover of personnel and a lack of continuity among the CHA management staff, especially as it pertained to the Finance Department. In our opinion, this deficiency is a contributing factor to the poor management control environment at the CHA. The CHA has had five Finance Directors in the past three years and has experienced staff turnover in other departments as well. Statements obtained from CHA personnel and from the CHA Fee Accountant indicate that the staff has received inadequate on-the-job and/or formal training, and a general lack of management oversight in this regard.

We reviewed the personnel files for four CHA management employees and noted that there was a job description for only one position, the Executive Director. There were no job descriptions for the other three: the Director of Finance; the Director of Housing; and the Resident Service Coordinator. During the audit, we requested copies of job descriptions for these positions; however none was provided. The lack of job descriptions could impede the CHA's Executive Director's ability to manage and evaluate its staff.

HUD regulations stipulate that the assessment of training needs for PHA staff, and the addressing of those needs are essential management requirements. Management must ensure that employees have the skills necessary for the PHA to succeed. The issue of assessing training needs is closely linked to the process of evaluating employee performance and to the quality of job descriptions. PHA management needs to assure through training and hiring practices that those employees with responsibility to carry out work processes understand what is expected of them (HUD Directive 7460.9G, Organization, Management, and Personnel Monitoring Guidebook, Chapter 2, Sections 2-5 and 2-9).

Management Problems

Our review showed that CHA did not always comply with administrative controls and procedures as a means of ensuring adequate management control over CHA operations. As noted in Findings 1, 3 and 4 of this report, CHA has experienced management problems, which affect its ability to carry out its housing programs efficiently and effectively. In our opinion, CHA's failure to provide adequate on the job training for its staff, frequent turnovers

in staff, and a failure to develop appropriate operational policies and procedures contributed to the problems identified during our audit.

CHA is in the process of developing written policies and procedures for its operations. Formal written policies and procedures provide direction for day-to-day operations and help maintain consistency in all housing authority functions. As noted, the prior lack of adequate written policies and procedures has contributed to the ineffective and inconsistent operations of CHA. CHA's Financial Policies and Procedures pertaining to cash receipts, tenant receivables, Section 8 program, and Fixed Asset inventory had not yet been fully implemented.

The CHA's management is responsible for the lack of management controls and the problems associated with the high turnover of personnel. An important element of management controls is job descriptions for staff, especially for the Executive Director. Our review noted that the job description for the position of Executive Director requires: (1) performance of highly administrative and supervisory work in planning, organizing and directing CHA operations, (2) oversight of the maintenance of records and books of accounts showing receipts and expenditures, and (3) rendering to the Board an accounting of the financial condition of the CHA

Auditee Comments

The CHA provided the following comments for each management control weakness identified:

1. Tenant Accounts Receivable not Accurate

The CHA stated that it has been working with its computer consultant to resolve TARs. As of January 2002, the account remains out of balance by \$378.

2. Rent Collection Policy not Followed

The CHA acknowledged that its Rent Collection Policy has not always been followed, but that it is currently enforcing this policy in an aggressive manner.

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3. Maintenance Supplies not Accounted for

The CHA disputed the audit finding by stating that, in their opinion, credit card purchases have been properly documented and authorized. CHA also requested clarification on statements in the audit finding indicating that we were unable to determine where the purchased items were used and whether the items purchased were for the benefit of CHA.

4. <u>Improper Allocation of Program Costs</u>

The CHA acknowledged the past practice and advised that in-house staff was making the proper allocation monthly.

5. Fixed Assets not Properly Recorded

The CHA indicated that they are now conducting annual inventories and have all funds properly invested.

6. Bank Accounts not Reconciled Timely

The CHA advised that the bank accounts are now reconciled within a day or two of receiving the statements

7. Staff Inadequately Trained

The CHA disputed the conclusion in the audit finding that CHA staff was inadequately trained. CHA's response lists several courses taken by staff members from May 1999 through March 2002. The CHA also acknowledged that position descriptions are being prepared and will be finalized by May 2002.

* * * * * * *

The CHA concurred with all of the recommendations in this finding and has taken action or plans to take action to correct the deficiencies noted in the finding. Also, the CHA Board of Commissioners has adopted a Financial Procedures Guide, prepared by the CHA Fee Accountant, for immediate implementation in March 2002. This Guide addresses most of the deficiencies noted in the finding.

OIG Evaluation of Auditee Comments

1. Tenant Accounts Receivable not Accurate

CHA has taken action to address this deficiency, however, the account has not been fully reconciled yet.

2. Rent Collection Policy not Followed

CHA's reported corrective action is adequate for this condition.

3. Maintenance Supplies not Accounted for

Our review focused on credit card purchases from October 2000 through March 2001. It appears from the CHA response that they have improved their controls over the credit cards. We deleted the statement indicating that we were unable to determine where the purchased items were used. Our concern was that the supporting documentation did not indicate where the items were delivered. Our comment indicating that we were unable to determine whether the items purchased were for the benefit of the CHA relates to the same matter. We were unable to identify from the supporting documentation who authorized the purchase, where it was delivered or who received the material. Without this information we could not determine if the items purchased benefited the CHA.

4. Improper Allocation of Program Costs

CHA's reported corrective action is adequate for this condition

5. Fixed Assets not Properly Recorded

CHA's reported corrective action is adequate for this condition.

6. Bank Accounts not Reconciled Timely

CHA's reported corrective action is adequate for this condition.

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7. Staff Inadequately Trained

Of the 14 training sessions for staff members listed in CHA's response, 12 occurred either during or after our on-site review. In general, the period of review for the audit, from October 1998 through February 2001, reflected the condition cited as to inadequate training. Recent efforts by CHA to address the training issue, as is evident from the CHA response, should correct this deficiency. The new job descriptions should be forwarded to HUD when complete.

The CHA had initiated adequate corrective actions to close four of the six recommendations in our draft report. The recommendations pertaining to rent collection procedures, credit card purchases, allocation of program costs, recording of fixed assets, and the reconciling of bank accounts have been deleted. We also revised the two remaining recommendations regarding reconciliation of the TARs and the preparation of job descriptions for CHA staff.

Recommendations

We recommend that you require the CHA to:

- 2A. Ensure that the Tenant Accounts Receivable is reconciled.
- 2B. Submit job descriptions for your staff's review and approval.

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Improvement Needed Over the Public Housing Drug Elimination Program

The Concord Housing Authority (CHA) did not administer its Public Housing Drug Elimination Program (PHDEP) in accordance with HUD requirements and guidelines. Specifically, the CHA did not:

- Follow procedures to ensure proper control and administration under the contract for police patrol services provided.
- Ensure that (1) reported activities and accomplishments in its Semi-Annual Performance Reports conform to approved PHDEP Grant Applications, and (2) a resident survey was performed by an organization independent of the CHA.

Due to lack of proper controls to ensure costs were reasonable and supported, we are questioning unsupported PHDEP costs of \$58,160 incurred for police patrol services. We believe these conditions exist because of the CHA's inadequate financial record keeping and failure to follow HUD guidelines established for the PHDEP program. As a result, HUD has no assurance that all program objectives were met as stated in the PHDEP Grant Applications; and, that PHDEP funds were used in the most efficient and effective manner.

CHA's Responsibilities

HUD Regulations state that Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity of the grant (24 CFR 761.35).

In addition, grantees must establish an auditable system to provide adequate accountability for funds that it has been awarded (24 CFR 761.30 (b)(6)(c)).

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Record Keeping Inadequate

The CHA did not charge law enforcement costs (for police patrols) in accordance with PHDEP budgets submitted with Grant Applications in program years 1995 through 1999. Our review determined that:

- ➤ Costs charged to the CHA General Ledger accounts for police patrol services did not agree with amounts shown on PHDEP Grant Applications.
- ➤ Police patrol charges were not adequately substantiated with supporting documents such as officer reports.
- ➤ The CHA did not execute a valid agreement with the Concord Police Department until September 23, 1998, some 33 months after services were initiated.

The CHA discontinued their use of police patrols as of December 2000.

CHA spent \$58,160 of the (\$96,200) total budgeted for police patrols in PHDEP Program Years 1995 to 1999:

PHDEP Program Year	Funds Awarded	Funds Expended
1995	\$25,000	\$16,832
1996	\$40,000	\$20,312
1997	\$0	\$6,637
1998	\$24,000	\$7,747
1999	\$7,200	\$6,632
Total	\$96,200	\$58,160

The CHA's PHDEP Grant Agreement Article I, Part 8 requires that,

"The Grantee not make or cause to be made any changes to the services without the express written consent by HUD, the granting of which consent shall be in the sole discretion of HUD."

The CHA files do not indicate that the CHA had HUD approval for any changes to the PHDEP Programs. The CHA recorded charges totaling \$6,637 for police patrol services in Program Year 1997, even though the 1997 PHDEP Grant Application did not provide for any law enforcement/police patrol costs. The 1998 PHDEP Grant Application shows a budget of \$24,000 for police patrols; however, only \$7,747 of this \$24,000 was charged for police patrols.

Police officers patrolling the CHA developments were required to routinely file reports of patrols performed. For the period of December 29, 1999 to February 29, 2000, the Concord Police worked a total of 72 shifts, indicating that a total of 72 Officer's Reports should be documented in the CHA's files. Of the 72 Officer's Reports that should have been on file, we found reports for only 45. There were no reports submitted for the remaining 27 shifts.

The basis for hourly rates charged by the Police Department was not substantiated and documented in CHA records. Our review of invoices revealed that the hourly rate charged was \$30 at the start of the contract and increased to \$37 sometime prior to September 2000. CHA management personnel were unable to provide supporting documentation that substantiated the basis for either the \$30 per hour rate or the \$37 per hour rate. There is no written documentation or information with regard to how the police were to be compensated even in their agreement for services.

Contract for Police Services

CHA did not adhere to proper procedures in administration of their Memorandum of Understanding (MOU) with the Concord Police Department. Specifically, the MOU: (1) was not executed timely; (2) did not address hourly rates; and (3) did not define a baseline for police services.

HUD regulations provide that police services can only be funded under PHDEP for services, which exceed those provided under its Cooperation Agreement. An applicant seeking funding for this activity must first establish a baseline by describing the current level of services provided by local law enforcement (in terms of the kinds of services provided, the number of officers and equipment and the actual percent of their time assigned to the developments proposed for funding), and then demonstrate that the funded activity will represent an increase over this baseline (24 CFR 761.17 (a)(2)(i).

A PHDEP Notice of Funds Availability (NOFA) published in the Federal Register on April 1, 1994 provides: "Expenditures for activities under this section may not be incurred until the grantee and the local law enforcement agency execute a contract for the additional law enforcement services" (Paragraph I (c)(2)(v)).

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The CHA did not enter into the MOU with the Concord Police Department until September 23, 1998, although the Police Department had been providing services since June 1996. CHA management was unable to explain why a contract was not executed earlier. The MOU stipulated that: (1) the CHA would inform the Concord Police of any alleged criminal activity within its developments; (2) a hotline would be established for CHA residents to report criminal activity to the Police; (3) the Concord Police would report to the CHA all alleged criminal activity occurring on or near Housing Authority property; and (4) the Concord Police Department would name a member of its staff as liaison officer to the CHA.

The MOU did not specify either "baseline" or "above baseline" for police services, and CHA management were unable to provide any additional documentation or clarification to support what was considered baseline police services. We are questioning the \$58,160 disbursed to the Police Department because the CHA cannot determine if services provided exceeded "baseline."

Activities not Reported

The CHA has not complied with PHDEP Guidebook requirements in its preparation of the Semi-Annual Performance Reports submitted January 1999 to December 2000. The Semi-Annual Performance Report is designed to measure the progress of PHAs in achieving their program goals, and HUD uses the information contained in these reports to monitor PHDEP grants. A new electronic system for Semi-Annual Reporting became effective July 1, 1999. and the reporting requirement applied to both existing and future grants. This system, which requires a separate report for each open and active grant, contains several major components for reporting information. Our review disclosed discrepancies and unsupported data with the reporting for three components: crime statistics, PHDEP activities, and resident surveys.

Crime Statistics

PHDEP Supported Activities

Result of Resident Surveys

Some of the data reported in crime statistics could not be supported. For example, we verified actual crime statistics reported for the current and last reporting periods with CHA records, however, CHA records were not available to verify the crime statistics numbers for the baseline period. As already discussed, the baseline for police services had not been defined.

The CHA did not report all program activities and accomplishments as required. For example, the CHA's 1998 PHDEP Grant provides \$24,000 to be allocated for Reimbursement of Law Enforcement (Police Patrols) and the 1997 PHDEP provides \$10,500 to be allocated for the purchase of playground equipment for one of the CHA projects. CHA did not report these as accomplishments in its Performance Reports. The Performance Reports also indicate that the CHA Drug Elimination Coordinator initiated various PHDEP-related activities and programs. However, due to the disorganization and poor record keeping of PHDEP records and files at CHA, supporting documentation could not be located for these activities and programs reported in Performance Reports. In the PHDEP Performance Report for FY 1998, Section 4.1 describes community organizing activities. The CHA performance report showed that 19 participants took part in these activities for a total of 375 hours. We were unable to locate any supporting documentation that either identified the 19 participants or described what specific activities were performed.

CHA failed to conduct, and report on a Resident Survey in 1999, and CHA did not ensure that surveys were conducted by an independent organization. In accordance with the PHDEP Instruction Guidebook for the Semi-Annual Performance Reporting System, annual surveys of residents of PHDEP-targeted developments are to be performed by an organization not associated with the Housing Authority (CHA), and the results of these surveys must be reported in the January Semi-Annual Report. The CHA reported a resident survey taken in January 2000, however, CHA files do not indicate that this survey was conducted by an organization independent of CHA. CHA management was unaware of the requirement that surveys be performed independently.

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Auditee Comments

The CHA has taken action to contact the Concord Police Department and request further information regarding the hourly rates charged and data on the baseline services provided by the police prior to the PHDEP. The CHA has also indicated that they will maintain the required records to comply with HUD regulations including the filing of semi-annual reports.

OIG Evaluation of Auditee Comments

The actions taken and planned by CHA should correct the deficiencies noted in the finding. Your staff's review of documentation provided by the CHA concerning: (1) hourly rates for police patrols, and (2) baseline services provided by the police, will determine if the CHA needs to reimburse any funds to HUD.

Recommendations

We recommend that you require the CHA to:

- Provide supporting documentation to substantiate the basis for the hourly rates paid for police patrol services under the PHDEP.
- 3B. Provide evidence that the police services received by the CHA exceeded baseline by \$58,160.
- 3C. To reimburse the program for that portion of the \$58,160, which does not exceed baseline services and/or not supported.
- 3D. Establish procedures that will provide for effective monitoring and accurate reporting of the PHDEP in accordance with HUD regulations.

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Improvement Needed Over Administration of Section 8 Program

The Concord Housing Authority (CHA) needs to improve the administration of its Section 8 program. Specifically, CHA needs to ensure that: (1) annual recertifications are performed in a timely manner; (2) Housing Quality Standards (HQS) inspections and supervisory quality control inspections are performed timely; (3) reasonable rent procedures are followed; (4) Section 8 waiting list is maintained and updated accordingly; (5) procedures are established to ensure that Housing Assistance Payments (HAP) made to landlords are correct; and (6) it increases utilization of certificates and vouchers. These weaknesses occurred because the CHA's management did not fulfill its responsibility to provide adequate administration of the Section 8 program. The lack of effective controls resulted in unnecessary delays in processing tenant documentation, a lack of assurance that tenants are living in safe and sanitary conditions, overpayments to landlords totaling \$6,108, and under utilization of Section 8 certificates and vouchers.

Recertification Required

Recertifications not Timely

Federal Regulations require that **Public** Housing Authorities (PHAs) must re-examine the income and composition of all families at least once every 12 months. At the time of the annual re-examination of family income and composition, the PHA shall require the family to certification. release. information submit anv documentation as the PHA or HUD determines to be necessary (24 CFR 982.516(a) and (g)).

Our review disclosed that 73 of 195 leased tenants were not recertified on time. The re-examinations for these tenants were overdue ranging from one to 29 months. The following table shows a summary of the tenants who were not recertified timely:

Number of Months Overdue	Number of Notifications Overdue	
1 to 6 Months	28	
7 to 12 Months	30	
Over 12 Months	15	

The CHA's Executive Director stated that he was aware that many of the Section 8 recertifications were overdue and he agreed to take corrective action.

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Inspection Requirements

HQS Inspections not Performed

Federal regulations require that the PHA must inspect each unit leased to a family at least annually, and at other times as needed, to determine if the unit meets HQS. The regulations also stipulate that the PHA conducts supervisory quality control HQS inspections. (24 CFR 982.405)

The CHA is not inspecting all units to ensure they meet HQS. As of July 20, 2001, our review of the CHA Section 8 (Tenant) database, disclosed that 91 of 189 leased units were not inspected. For nine of the 91 units, inspections were not performed for over two years. The goal of the Section 8 program is to provide decent, safe, and sanitary housing to lower income families. The HQS standards protect tenants receiving assistance under the program by guaranteeing a minimum level of acceptable housing. Without annual inspections by the CHA, there are no assurances that HUD is paying for decent, safe, and sanitary housing.

In addition, CHA has failed to monitor the quality of housing through supervisory quality control inspections. Because the CHA does not monitor inspections, it does not have the information needed to ensure an inspector's work is in compliance with HUD regulations. A proper monitoring system assures high performance when inspectors are aware that their work is subject to review.

The CHA's Director of Housing is cognizant of the fact that many units are overdue for inspections and plans on taking the necessary corrective action. The Executive Director and Director of Housing indicated that they were not aware of the requirements regarding supervisory quality control inspections. The Director of Housing informed us that, in the future, the CHA will re-inspect units to ensure that inspectors are conducting thorough inspections.

Reasonable Rent Requirements Federal Regulations require the PHA to determine that the rent to the owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider: (1) the location, quality, size, unit type, and age of the contract unit and (2) any amenities, housing services, maintenance, and utilities to be provided by the owner (24 CFR 982.507(b)).

Rent Procedures Not Followed

The Executive Director and Director of Housing indicated that they were not aware of the requirements for determining reasonable rent. As a result, there is no assurance that the rents allowed by the CHA for the owners of Section 8 units are reasonable. The Director of Housing advised that she would take the necessary measures to implement a system to determine reasonable rents.

Waiting List Requirements

Federal regulations require a Housing Authority to select participants from their waiting list in accordance with admission policies in its Administrative Plan (24 CFR 982.204). The CHA's Section 8 Administrative Plan dictates that the Authority will update and purge its waiting list at least annually to ensure that the pool of applicants reasonably represents interested families.

Waiting List not Updated

The CHA did not comply with its own administrative policies and procedures in maintaining and updating its Section 8 waiting list. We selected the first ten applicants from the CHA Section 8 waiting list. Three of the 10 applicants were current tenants on the CHA HAP Rent Roll demonstrating that CHA is not updating and maintaining their Section 8 waiting list. The CHA's Director of Housing has no knowledge of when the CHA last updated its waiting list. The Section 8 waiting list should be updated and purged on annual basis to avoid delays caused when attempts are made to contact individuals who should not be on the list.

Administration Requirements

HUD regulations require financial management systems of grantees to provide effective control and accountability for all grant funds, real and personal property, and other assets. (24 CFR Part 85.20 (b)(3)).

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

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Section 8 Landlords Overpaid

Utilization Requirements

Certificates not Utilized

Corrective Action not Implemented

The CHA was paying two landlords who were no longer active in the Section 8 program. In addition, the CHA was paying two other landlords for the same tenant who was documented in two separate Section 8 programs. Also, there were three landlords who received duplicate payments. As a result, the CHA overpaid landlords a total of \$6,545. The Director of Housing agreed that the CHA made overpayments and duplicate payments to landlords totaling \$6,545, and indicated that the funds would be recovered. As of July 17, 2001, \$437 had been recovered, with \$6,108 remaining.

The Section 8 Management Assessment Program (SEMAP) is a management assessment system that HUD uses to measure the annual performance of Public Housing Authorities (PHAs) that administer the Section 8 tenant-based certificate and voucher programs. One indicator under SEMAP used to measure the performance of PHAs is the "Lease-up" rate. Ratings are based upon the percentage of units leased. PHAs receive a zero rating for occupancy percentages under 95 percent.

The CHA's lease up rate for Section 8 vouchers and certificates was below the required lease-up rate of 95 percent for fiscal years 1999 through 2001. As of October 1, 1999, CHA records indicate that the utilization rate was 86 percent for certificates and 88 percent for vouchers. In fiscal year 2000, the percentages decreased significantly for both certificates and vouchers to 81 percent. The CHA did improve its utilization rates to 91 percent for certificates and 88 percent for vouchers in fiscal year 2001; however, the CHA is still below the required percentage. The CHA's failure to maintain an acceptable level of utilization has limited affordable housing opportunities for low-income families on the CHA's waiting list.

CHA management has been aware of their low Section 8 utilization for a few years, through its annual self-certification process (PHMAP and SEMAP) but has not implemented any corrective action. The Director of Housing for Section 8 stated that one of the most pressing problems involved the low Fair Market Rents.

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Auditee Comments

1. <u>Recertifications, Unit Inspections and Supervisory Inspections</u>

The CHA stated that they had conducted all of the overdue recertifications and all are current as of March 20, 2002. The CHA also stated that the City of Concord's Building Department was assisting in conducting the overdue HQS inspections, that 33 remain to be completed, and they should be completed by May 31, 2002. The CHA further stated that the CHA's Director of Maintenance randomly inspected five percent of the occupied units and is now routinely conducting quality control inspections on one of every twenty units.

2. Reasonable Rent Requirements

The CHA stated that they developed procedures for determining rent reasonableness that included contacting landlords throughout the City of Concord. The CHA gathered data regarding the bedroom size, unit location, amenities and utilities as well as any services provided. The CHA also stated that they had developed new rent reasonableness certification forms that were now being used.

3. Waiting List Requirements

The CHA stated that the Section 8 waiting list was updated in November 2001 and that an annual update of the waiting list will be conducted every May.

4. Overpayments to Section 8 Landlords

The CHA advised that they had collected \$5,666 of the \$6,108 in overpayments to landlords and that a small claims court action was being initiated to collect the balance of \$442.

5. Utilization of Section 8 Vouchers

The CHA stated that they concurred with the recommendation and that a corrective action plan to

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achieve a 95 percent utilization rate will be developed no later than June 15, 2002 along with a request to increase the Fair Market Rents. The CHA also stated that they would submit status reports as required by HUD.

OIG Evaluation of Auditee Comments

The CHA concurred with all of our recommendations and had initiated adequate corrective actions to close two of the recommendations in our draft report concerning rent reasonableness procedures and updating of the Section 8 waiting list. We also revised two other recommendations. The CHA had conducted the overdue annual recertifications and the required supervisory control inspections. We therefore deleted these items from our draft recommendations. As of March 20, 2002, the CHA also collected \$5,666 out of the \$6,108 of overpayments to We therefore reduced the amount to be landlords. recovered to \$442. The CHA should provide documentation in support of the \$5,666 to HUD.

Recommendations

We recommend that you require the CHA to:

- 4A. Provide assurance that HQS inspections are performed timely.
- 4B. Provide documentation to your staff in support of the \$5666 collected, and to recover the remaining overpayments of \$442.
- 4C. Develop and submit a corrective action plan, for your review and approval, to achieve at least 95 percent utilization rate for certificates and vouchers.
- 4D. Submit status reports to your staff on progress on increasing the utilization rate until 95 percent is achieved.

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Management Controls

In planning and performing our audit, we obtained an understanding of the management controls used by the Concord Housing Authority (CHA) that were relevant to our audit objectives. We reviewed the CHA's management control systems to determine our auditing procedures and not to provide assurance on management controls.

Management controls consist of a plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

Relevant Management Controls

We determined that the following management control areas were relevant to our audit objective:

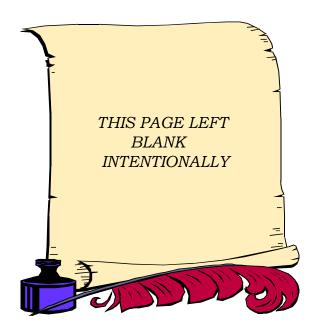
- General Administration and Accounting
- > Safeguards over assets and records
- > Tenants Accounts Receivable
- > Section 8
- > Cash Receipts and Disbursements
- Procurement and Contracting
- Public Housing Drug Elimination Program

A significant weakness exists if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Significant Weaknesses

Our review identified significant weaknesses in all of the management control areas we assessed. Specific control weaknesses applicable to HUD programs are as shown in Finding 1, (Procurement), Finding 3, (PHDEP), and Finding 4, (Section 8). Control weaknesses applicable to administrative and financial functions were summarized and presented in Finding 2.

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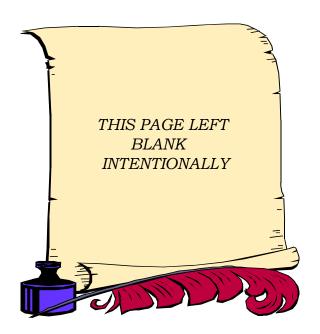


Schedule of Ineligible and Unsupported Costs

Finding	gs	Ineligible Costs <u>1</u> /	Unsupported Costs <u>2/</u>
3.	Baseline services not identified		\$58,160
4.	Duplicate landlord payments	\$6,108	

- <u>1/</u> Ineligible costs are those costs that are questioned because of an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
- <u>2/</u> Unsupported Costs are those costs whose eligibility cannot be clearly determined because they were not supported by adequate documentation.

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Auditee Comments



CONCORD HOUSING AUTHORITY



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March 20, 2000

Mr. David C. Klapthor Assistant District Inspector General HUD Office of Inspector General for Audit Thomas P. O'Neill, Jr. Federal Building 10 Causeway Street Boston, MA 02222-1092

Re: CHA Responses to OIG Audit

Dear Sir:

Transmitted therewith are the Concord Housing Authority's final responses to the recommendations contained in the HUD OIG audit report.

We shall await the final version of the audit report.

Very truly yours,

CONCORD HOUSING AUTHORITY

Ian R. McLauchlan Executive Director

IRM/m enc



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FINDING #1: IMPROPER PROCUREMENT ACTIVITIES

Nine procurements were reviewed by the audit team for the period from May 21, 1999 through August 31, 1001. The auditors allege that either HUD regulations or the Concord Housing Authority's Procurement Policy was violated in awarding five of these procurements. We respond to these findings as follows:

1. Hiring of Comprehensive Grant Program Coordinator

The CHA did, indeed, engage the services of a CGP Coordinator "without competition." The facts of the matter are:

- 1) A review of the Authority's CGP on June 4, 1999, by the Army Corps of Engineers found deficiencies in the Authority's administration of the CGP.
- Upon reviewing the Corps report, HUD made certain findings, including a recommendation that additional staff was needed to oversee the modernization program. In a communication dated July 13, 1999, HUD noted that it "had approved an action plan which included the hiring of an assistant Executive Director to oversee your modernization program." It went on to state, "In lieu of hiring a qualified staff person the CHA must consider hiring an outside consultant to perform this task, which should help improve the CHA's grant files and documentation."

The Authority inquired of other housing authorities as well as HUD for the names of firms who were providing the type of services needed (i.e., modernization program coordination).

HUD provided the name of only one firm. The other inquiries provided only the same name. The firm which is owned by a former HUD employee was subsequently contacted by the CHA and asked to submit a proposal for the desired services. As noted by the Army Corps of Engineers, "The modernization coordinator has been hired on a part time as needed basis @ \$65/hr." Thus, the hiring of the Authority's Comprehensive Grant Coordinator.

The Authority would like to re-emphasize that:

 a) An RFP was not advertised because the Authority was unable to determine an appropriate venue to place an ad soliciting the type of services desired.

- b) The Authority did not solicit "an appropriate number of qualified sources" because even HUD could not (with the exception of one firm) supply the names of consultants qualified or experienced in providing the type of services sought. Apparently this is an entirely new field.
- c) The Authority was mandated by HUD to resolve a finding issued as a result of the Army Corps of Engineers' CGP Contract Administration Review, the resolution to be the engagement of a modernization coordinator. The Authority saw no course of action open to it to resolve the modernization oversight problems in a timely fashion other than to engage the service of the one known qualified consultant.
- d) The Authority verified through others that the firm hired was qualified and competent to provide the oversight needed for its CGP.
- e) The Authority hired the consultant on a part-time as needed basis in order to be able to secure the services needed while controlling costs.
- f) Both the Army Corps of Engineers and HUD were aware of this procurement. Neither questioned it. Indeed, the Corps has praised the work of the consultant.
- g) The Authority has voted to terminate the contract with its modernization coordinator effective May 15, 2002, and has so notified this consultant. The Authority will be issuing an RFP designed to again contract with a modernization coordinator.

2. Contractor Selected With Inadequate Competition

The problem cited here relates to the renovation of the Community Room at Boucher Apartments (NH5-2) which was not handicapped accessible. The work was advertised in a number of trade clearinghouses. Specifically, bid solicitations were sent on September 12, 2000, to five professional clearinghouses.

The bid opening occurred at the Concord Housing Authority on September 27, 2000, at 9:30 a.m. Only one bid was received, it being for a bid price of \$147,648.

Parenthetically, it should be noted that with the same time frame for advertising and bidding, the Authority also received bids for modernization work at its Haller development (NH5-3) with two bids received. Again the low bidder for the Boucher work was a bidder at \$123,781. The low bidder in this case, however, was another firm with a bid of \$110,010.

As an explanation, it should be noted that the bid in question occurred on Tuesday, September 27, 2000. Since FY1998 CGP funds were involved in financing this modernization effort, they had to be obligated by Friday, September 30, 2000. This precluded the re-advertising and re-bidding of the community room renovations.

3. Failure to Justify Sole Source Bid

The auditors indicate that there was an instance when the Authority used a "sole source contractor" without justifying this action. The reference here is to the contract to deliver and install some 234 new appliances while disposing of the appliances these were to replace.

The Authority does not believe that it made a sole source procurement in this case.

Based on HUD's announcement that any FFY 1997 CGP funds that were not obligated by March 30, 2000, would be recaptured, the Authority reviewed its multi-year CGP to determine what work items could be most easily obligated using the fungibility provision. It was determined that the acquisition of appliances was the easiest item to advance. A bid specification was prepared which included a per unit deduct provision, the intent being that the Authority would acquire and have installed the maximum number of appliance that available FFY 1997 CGP funds would permit.

The bid solicitation was provided on February 7, 2000, to the three professional clearinghouses.

Bid packages were also sent on February 10, 2000 to appliance vendors who had previously done business with the CHA or who had indicated a desire to do so.

One of the contractor then working for the Authority learned of the appliance job and requested a copy of the specification which was provided to them on February 14, 2000. It should be emphasized that this firm was not approached by anyone representing the CHA.

The bid opening occurred at 9:30 a.m. on February 28, 2000. Only one bid was received. t It was subsequently learned that the other two firms with bid packages did not submit bids because they were not interested in disposing of the appliances to be removed from the units that were to receive the new ones.

The bid situation was revealed to HUD in a number of letters and conversations. By letter dated March 6, 2000, the CHA requested HUD approval to award the contract even though only one bid had been received.

At the request of HUD, the Authority's CGP Coordinator provided additional information concerning the reasonableness of the unit prices. This was done by letter faxed to HUD on

March 16, 2000. We have no explanation as to why HUD failed to respond to the CHA's request. While the request was not approved, neither was it denied. HUD did not process the request.

With time running out, the Authority opted to execute a contract with lone bidder to provide the replacement appliances. While the bid was for \$257,698 to replace the stoves and refrigerators in all CHA units, the Authority exercised the deduct provisions of the bid, and executed a contract on March 28, 2000, for a contract price of \$145,426. This provided for the replacement of 12 stoves and refrigerators at NH5--1, 16 at NH5-2, 50 at NH5-3, 30 at NH5-5 and 9 at NH5-6.

4. Emergency procurement not performed timely

The auditors noted that the CHA's five-year CGP plan approved by HUD on September 16, 1997, included provision for the installation of a trash compactor at NH5-1. This provision was included in the third year of the plan, 1999. In 1997, the CHA administration did not consider the trash removal system at NH5-1 to be a priority.

A serious problem developed within this 10-story high-rise which relates to what became an emergency situation. It was discovered that the building was plagued with a major roach infestation and it was determined that the trash chute was the major highway for the roaches. A pesticide firm was engaged to deal with this situation and the battle began. One of the elements of the treatment program was to stop using the trash chute for an undetermined period of time. Thus, the chutes were secured and trash containers provided throughout the building. The new Executive Director and new Director of Maintenance began researching trash compactors. In the spring of 1999, the Authority was in contact with two manufacturers/vendors of trash compactors. The Authority intended to include the compactor in the scope of service for the next A & E firm engaged. Although the Concord Fire Department subsequently cited the Authority for creating a fire hazard by placing trash cans in the hallways, the department permitted the Authority to replace the plastic containers with metal ones as an interim solution to the "hazard."

The Authority explored the possibility of acting as its own contractor. It considered purchasing the necessary equipment from one of the manufacturers and subcontracting the installation work. It soon became obvious that the installation was going to be far more complex than original anticipated with chute modifications, lift installation, unit changes and space limitations.

The real emergency arrived in early May 2001 when the Fire Department insisted that corrective action be taken to rectify the trash situation on a permanent basis. The compactor vendors were definitely not interested in installing their equipment, only selling it to someone else to install. The two contractors then working for the Authority were approached. One was not interested. The other was. Based on a specification prepared by

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the CHA's CGP Coordinator, the interested firm submitted a bid of \$134,153. This was subsequently modified to \$129,325 with the deletion of some sidewalk work. A contract was signed with the firm on May 31, 2001, and a Notice to Proceed issued with a September 30, 2001, completion date included. The completion date was later changed to December 31, 2001, due to delays in being able to get certain equipment.

HUD approval was granted for the emergency procurement.

5. Contract documents missing

The Authority is in the process of replacing procurement documents which are not now in the CGP files.

* * * * *

RESPONSES TO RECOMMENDATIONS

- 1A. The Authority concurs with this recommendation and has moved to strengthen procurement oversight. By vote of the Authority, the Board of Commissioners now must review and approve any procurement in excess of one thousand dollars.
- 1B. The Authority concurs with this recommendation and shall provide any additional documentation required to support past awards of contracts.
- 1C. The Authority believes that the response to this recommendation falls within the purview of HUD.
- 1D. The Authority is unclear as to how it could meet such a requirement.
- 1E. The Authority concurs with this recommendation and shall maintain detailed documentation relating to all aspects of each contract award.
- 1F. The Authority concurs with this recommendation and shall continue to require pre-bid cost estimates by all A & E professionals engaged to prepare specifications and bid documents.

FINDING #2: LACK OF ADEQUATE MANAGEMENT CONTROLS

The auditors state that the Authority did not maintain an adequate system of controls over its assets and state that the condition exists because management "did not fulfill its responsibility to establish and implement effective internal controls."

In addition to noting that the Authority has adopted a Financial Procedures Guide covering receipts, disbursements, LOCCS processing, payroll processing, accounts receivable, HAP payments, monthly accounting, computer procedures and IRS compliance, our response is:

1. TARs not accurate

There has been an ongoing computer problem relating to this issue, specifically to the accounts receivable of former tenants. The Authority has been working with its computer consultant in an effort to resolve the problem. As of January 31, 2002, the ledger remained out of balance by \$378.21. The total accounts receivables as of that date were \$46.988.01, a decrease of 15.9% from the audit report number.

2. Rent Collection Policy not followed

The auditors noted that the Authority had a significant turnover in its Finance Officer position. While the Authority has had its Rent Collection Policy in place for several years, regrettably, it is true that it has not always been followed. However, it is now aggressively enforced as the auditors are aware. The one resident identified (by address) in the OIG Audit Report has been evicted. All others with overdue balances have executed and are following Rent Payment Schedules or have been referred to the Authority's legal counsel for eviction action.

3. Maintenance supplies not accounted for

All non-expendable equipment is accounted for in the Authority's perpetual inventory. An extra effort was expended to assure that records were complete and accurate as HUD initiated GAAP accounting procedures. Each piece of equipment was inventoried and its location noted. As new equipment is acquired, it is added to the inventory and an annual physical inventor of non-expendable equipment is taken each September.

With regard to consumable maintenance "materials and supplies," there is no inventory, nor are we aware that such is required. However, the Authority has been working on the development of a materials inventory which will be part of its computerized records system. Such consumables as paint, toilet seats and shades will be tracked through a

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computerized materials inventory which will be tied into the work order system.

The Authority is in the process of developing an RFP for an upgraded computer system which it expects to issue in May. The new system will call for the type of inter-related data recording as mentioned above.

With regard to the assertion that the Authority "did not properly control employee use of the three credit cards for purchase of materials and supplies from local department stores," no procurement was made by maintenance personnel without benefit of prior approval by the Director of Maintenance and the issuance of a purchase order executed by him. Each vendor invoice must be supported by a purchase order and proof that the materials were received before payment is made to the vendor.

While we are unaware of which "three credit cards for purchase of materials" the auditors refer to, we researched three maintenance accounts. In the first two instances, every invoice was supported with a purchase order executed by the Director of Maintenance and with a detailed register receipt identifying the items purchased. In the third instance, the invoices were supported with a purchase order executed by the Director of Maintenance and with a computer printout of the goods received. Each printout was signed by the employee who received the purchased items.

As to the matter of "where the purchased items were used," we find it hard to believe that we must have a record of exactly were a quantity of ice melt was used or where a particular quantity of caulking was installed or how many rolls of toilet paper were placed in which common area bathrooms or where the masking tape was consumed. Consumable materials are exactly that and tracking them would be an impossible task.

As mentioned earlier, the Authority intends to have an updated computer system in place by late summer or early fall of 2002. This system will inventory more significant

consumable items such as toilet seats, paint, door closures, shades, fluidmasters, etc. It should be recognized, however, that there is no finite accounting for consumable maintenance materials.

In reference to the acquisition of maintenance materials, the auditors state that "we were unable to determine whether the items purchased were for the benefit of the CHA." We would request that this assertion be clarified as to what documentation is needed in order to assure the auditors that the purchases were not made for the benefit of anyone other than the CHA.

In an effort to better define who may use credit cards or charge accounts in the name of the Authority, the CHA has adopted a "Policy Governing Use of Credit Cards and Charge Accounts." A copy of this policy statement is attached to this narrative.

4. Improper allocation of program costs

This is no longer the case. While the past practice had been for the fee accountant to make the proper allocations on a periodic basis, in-house staff now does the proper allocations monthly.

5. Fixed assets not properly recorded

A major revamping of the inventory for non-expendable equipment was undertaken at the time of HUD's conversion to GAAP. An annual inventory of non-expendable equipment is conducted annually in September.

With regard to the CHA's investment problem, the Authority determined that it should issue an RFP for banking services. The CHA's Executive Director prepared such a document and it was sent on December 12, 2000, to seven banks with local offices. Proposals were invited until Friday, January 15, 2001. Three were received and subsequently reviewed by the CHA Executive Director and the Authority's fee accountant. One of the banks was found to be non-responsive to the RFP and was eliminated from competition for that reason. The other two were interviewed with a determination made that the Authority should engage the services of one of the finalists. Among other services established, arrangements were made to have all Authority funds invested through a sweep account. Thus, the funds available on any given day are earning interest. The status of all accounts is instantly available online. In addition, the bank faxes the Authority confirmation notices stating the current market value of each of its three accounts. The issues described in the OIG Audit Report simply can not reoccur.

6. Bank accounts not reconciled in a timely fashion

Bank accounts are currently reconciled within a day or two of receiving them and consistently have been under the current Finance Officer.

7. Staff inadequately trained

Quite frankly, the claim that the current staff has not received training comes as a surprise. The Authority has budgeted a considerable amount of funding through its Comprehensive Grant Program for training and it has been busy spending same.

Among the training events experienced, for example, by the Authority's Director of Housing have been:

Training in all aspects of public housing held in Springfield, MA, in July 2000.

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Training regarding inspections held in South Portland, ME, in June of 2001.

Public housing management training held in Plymouth, MA, in July 2001

Section 8 training held in South Portland, ME, in August 2001

Workshop on increasing Section 8 utilization rates held in Newport, RI, in February 2002

Section 8 training held in Salem, NH, in March 2002

The Director of Housing as a result of her training experiences has passed tests earning her certification as a Public Housing Manager and certification as a Section 8 Occupancy Specialist.

Similarly, the Director of Maintenance has had such diverse training opportunities as:

Fair Housing Training in Portsmouth, NH, in May 1999

Training on Procurement and Contract Management in Providence, RI, in March 2001

HUD Lead-Base Paint Training Program in Springfield, MA, in March 2001

Training on inspections in South Portland, ME, in June 2001

Excel training at a local college in November 2001.

A varied of workshops at maintenance conferences

In addition to on-the-job training by the Authority's fee accountant, the Finance Officer has attended:

HUD Finances in Providence, RI, in August 2001

The Leasing and Occupancy Specialist has attended:

Public housing training in Plymouth, MA, in July 2001

Section 8 training in Salem, NH, in March 2002.

The Leasing and Occupancy Specialist has also passed the qualifying exam and been certified as a Public Housing Manager.

The CHA staff underwent a major reorganization in the summer of 2001. In addition a new personnel policy was generated by the Authority Board of Commissioners in 2001. New position descriptions are in process and will be finalized by May 15, 2002.

* * * * * * * *

Response to Recommendations

The Authority would reiterate that it has by vote of the Board of Commissioners adopted a Financial Procedures Guide, having done so at its meeting of March 6, 2002

- 2A. The Authority concurs with this recommendation. All bank accounts are currently reconciled in a timely fashion and shall be in the future
- 2B. The Authority concurs with this recommendation. The Authority's Rent Collection Policy is currently being pursued aggressively, a fact that has been lowering tenants' accounts receivable and raising legal costs. The Authority shall continue to follow its established Rent Collection Policy.
- 2C. The Authority concurs with this recommendation. The Authority has adopted and shall follow its "Concord Housing Authority Policy Governing Use of Credit Cards and Charge Accounts" adopted by the Board of Commissioners at its meeting of March 6, 2002.
- 2D. The Authority concurs with this recommendation. With the guidance of its fee accountant, the Authority will maintain required General and subsidiary ledgers; shall reconcile the ledgers; and shall maintain proper supporting documentation for all transactions.
- 2E. The Authority concurs with this recommendation. The Authority shall maintain required property and inventory control records concerning all fixed assets and non-expendable equipment.

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2F. The Authority concurs with this recommendation. The Authority shall continue to fund and arrange appropriate training for all personnel; it shall review and update its position descriptions on an annual basis each May or more frequently if the need is so indicated.

FINDING #3: IMPROVEMENT NEEDED OVER PHDEP

1. Record keeping inadequate

As HUD is aware, the Authority experienced the loss of PHDEP records (both computerized and hard copy) at the time an employee who oversaw the PHDEP program left the Authority's staff. Records since the departure of that former employee are complete and up to date.

2. Police services

A question is raised regarding rates paid to the police officers for special duty at the CHA developments purchased with PHDEP funds. It was pointed out that some invoices were for \$30.00 per hour, others for \$37.00. The lower rate was paid during 1998 and 1999, the higher rate during 2000 and 2001. The rate in each case was that being paid officers for special duty of any kind.

The over-the-baseline services included officer presence at three police substations within CHA property, one at Kennedy Apartments, one at Crutchfield Apartments and one at Haller Apartments. While the extra police presence may, indeed, have been a deterrent to crime, its real value resulted from the interaction between residents and police officers.

3. PHDEP reporting

PHDEP reports are filed electronically on a semi-annual basis using CHA records and police department statistics. Other than the occasional glitch with HUD's computer system, it is our belief that all required reports have been submitted when due.

4. Resident surveys

When it was discovered that the required resident survey had not been completed, the Authority contracted with a college to conduct the independent survey.

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Responses to recommendations

3A. The Authority concurs with this recommendation. The Concord Police Department has been asked to provide the supporting documentation.

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- 3B. The Authority concurs with this recommendation. The Concord Police Department has been asked to provide data as to baseline services in order that a determination may be made regarding the substantiation of payments made over the baseline.
- 3C. The Authority is unclear as to how it could meet such a requirement.
- 3D. The Authority concurs with this recommendation. The Authority's Director of Resident Services maintains the PHDEP records needed to comply with HUD regulations. The same individual files HUD's required online reports.

Finding #4: IMPROVEMENT NEEDED OVER ADMINISTRATION OF SECTION 8 PROGRAM

With regard to the Concord Housing Authority's Section 8 operation, the following is pertinent to the OIG findings and recommendations:

- 1. The longtime Section 8 Coordinator retired at the end of April 2001.
- 2. Until the aforementioned retirement, one CHA employee administered the Section 8 program and one individual administered public housing leasing and occupancy. In spite of some effort at cross training, each program remained within the purview of a single individual. In the interest of improving this situation, the Authority reorganized by eliminating the Section 8 Coordinator position as well as the public housing Leasing and Occupancy Coordinator position. It created instead the position of Director of Housing to oversee both Section 8 and public housing with the full-time support of a Leasing Specialist and clerical support from the Receptionist-Clerk.
- 3. The current Director of Housing has earned certification as a Public Housing Manager and certification as a Section 8 Occupancy Specialist. The Leasing Specialist also has earned the certification as a Public Housing Manager.
- 4. The CHA enlisted the aid of the Portland (Maine) Housing Authority which graciously sent its well-recognized Section 8 administrator to Concord. After many days of reviewing the CHA's Section 8 program, sheinformed the Authority that some 110 Section 8 participants had not been recertified on schedule and 99 participants needed to be transferred from the old certificate program to Housing Choice Voucher. Since the IPA report also had indicated some required documents were missing from various Section 8 participants' files, the Authority took the following actions:
 - A file checklist was developed and every Section 8 file review. Each file was brought current with regard to required documents.
 - 2) An effort was undertaken to accomplish required transfers from the certificate program to the Housing Choice Voucher program. This task has been completed.

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- An effort was undertaken to accomplish all overdue recertifications. All are now current.
- 4) An effort was undertaken to accomplish all overdue inspections. These are being done by an inspector from the City of Concord's Building Department. As of March 1, 2002, thirty-three (33) inspections remain to be done.

Completion of the overdue inspections will occur by May 31, 2002 The city inspector is to provide us with the estimated date. If it is more than two months off, the inspections by city personnel will be augmented by inspections by CHA staff.

- 5. While the Authority had not been conducting supervisory quality control inspections, it did conduct such inspection in October 2001. Five percent (5%) of the occupied units were selected randomly and inspected by the CHA Director of Maintenance. All units inspected were found to be in compliance. The Authority now routinely does a quality control inspection of one in every twenty units.
- The Section 8 waiting list was updated as of November 2001. An annual update of the Section 8 waiting list will now be done every May.
- 7. The system for determining rent reasonableness now in use was developed by the authority in July of 2001. Landlords throughout the City of Concord were contacted and data gathered regarding bedroom size, unit location, amenities and utilities as well as any services provided. New rent reasonableness certification forms were also developed and are now in use. The Authority has scheduled an update for rent reasonableness to be completed during April of 2002.
- 8. The Section 8 utilization rate as of March 1, 2002, is ninety-one percent (91%) (203 participants from an allocation of 224). While achieving a ninety-five percent (95%) utilization rate remains an Authority goal, its achievement will be allusive in today's housing market due to the inadequate Fair Market Rents promulgated by HUD. Indeed, achieving the ninety-five percent utilization rate will be a Herculean task.

We would note that real estate values in Concord have increased thirty-seven percent (37%) in the past year. The effect of this fact on rental rates should be obvious.

The Concord Housing Authority has been over-issuing vouchers, currently having thirty-three (33) voucher holders searching for units.

When vouchers are issued, the recipients are informed that there is no guarantee that the Authority will be able to assist them with a housing assistance payment. They are told that the Authority will be assisting households on a first-come-first-served basis. Those who return to the Authority first with an executed Request for Lease Approval will be assisted first.

* * * * *

RESPONSES TO RECOMMENDATIONS

- 4A. The Authority concurs with this recommendation. The annual recertifications, unit inspections and supervisory control inspections are presently being performed as required. They shall continue to be done in accord with federal regulation.
- 4B. The Authority concurs with this recommendation. The rent reasonableness data now in use was gathered in July of 2001. An update for rent reasonableness will be completed during April 2002.
- 4C. The Authority concurs with this recommendation. The Section 8 waiting list was updated as of November 2001. The annual update will be performed each May in the future.
- 4D. The Authority concurs with this recommendation. Of the amount in question, all but \$442 has been collected. A small claims court action is being initiated to collect the balance.
- 4E. The Authority concurs with this recommendation. An Action Plan designed to achieve a 95 percent utilization rate will be developed for the Housing Choice Voucher Program no later than June 15, 2002. The Action Plan will include a formal request for increased FMRs. This request with supporting data will be submitted by June 15, 2002.
- 4F. The Authority concurs with this recommendation and will provide HUD with any status information required of it as to the status of its execution of the Action Plan.

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