




U.S. Department of Housing and Urban Development
Region 4 Office of the Inspector General
Office of Audit
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388
(404) 331-3369

January 31, 2003

Memorandum No:
2003-AT-1803

TO: Karen Cato-Turner, Director, Office of Public Housing,
Miami HUD Office, 4DPH

FROM: Nancy H. Cooper 
Regional Inspector General for Audit, Region 4, 4AGA

SUBJECT: Fort Pierce Housing Authority
Fort Pierce, Florida

INTRODUCTION

We completed a review of selected activities of the Fort Pierce Housing Authority (FPHA). Our objectives were to determine whether the FPHA had effective management controls and was administering its Section 8 Program in an efficient, effective, and economical manner.

We found that the FPHA needed to strengthen its management controls and improve the administration of its Section 8 Program. We discussed the draft memorandum and recommendations with your staff.

In accordance with the Department of Housing and Urban Development (HUD) Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the review. We have provided the FPHA a copy of this memorandum.

Should you or your staff have any questions, please contact James D. McKay, Assistant Regional Inspector General for Audit, at (404) 331-3369, or Barry Shulman, Senior Auditor, at (305) 536-5387.

SUMMARY

The FPHA's system of accounting and management controls was weak. FPHA lacked controls to assure that it adhered to HUD and its own policies and procedures concerning cash disbursements, credit card and travel expenditures, procurement activities, purchases, and equipment inventory. As a result, HUD and the FPHA lacked assurance that its assets were properly safeguarded against waste, loss, and misuse.

The FPHA did not adhere to HUD requirements designed to prevent conflicts of interest, assure the reasonableness of Section 8 rents, obtain third party verification of program participant's income, and calculate rent correctly. In addition, the FPHA used Section 8 reserve funds without Board of Commissioners approval as required by FPHA procedures. These weaknesses occurred because the FPHA had not established adequate or effective controls to administer the program. As a result, the FPHA cannot ensure (1) limited resources of its Section 8 Program were used efficiently; (2) HUD subsidized reasonable Section 8 rents; and (3) program participants are being treated fairly and equitable.

We provided our draft memorandum to the FPHA for their comments on December 19, 2002. The FPHA provided their written comments on January 7, 2003. The FPHA agreed with our findings and indicated they have taken a number of corrective actions to address the findings. The FPHA's comments are summarized in each of the findings and included in Appendix C.

METHODOLOGY AND SCOPE

In conducting our review, we interviewed HUD and FPHA officials and staff, and tested various financial records. We evaluated FPHA's: (1) controls over cash management (disbursements and credit card usage); (2) compliance with purchases and inventory policies and procedures; and (3) calculations of Section 8 Housing Assistance Payments (HAPs).

The review generally covered the period from January 1, 2000, to December 31, 2001. However, we reviewed activity in other periods as necessary. We conducted our review at the administrative offices of the FPHA between March 2002 and June 2002.

BACKGROUND

The FPHA is a public body organized under the laws of the State of Florida. Its purpose is to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by HUD. Its mission is to provide quality housing to eligible people in a professional, fiscally prudent manner, and be a positive force in their community by working with others to assist those families with appropriate supportive services. Its offices are located at 707 North 7th Street, Fort Pierce, Florida.

FPHA operates under a 5-member Board of Commissioners appointed by the Mayor of the City for a term of 4 years. The Board Chairperson in March 2002 was Edward Becht. The Board appoints an executive director to administer the affairs of the FPHA and oversee approximately 50 FPHA employees. During the period of our review the Executive Director (ED), Linda S. Dusanek, was terminated effective April 2002, and Glaister Brooks was appointed ED in July 2002.

The FPHA experienced high turnover in the past several years. Since January 2000, 23 employees have been terminated including the following: Director of Facilities Management; Director of Administration; Director of Section 8 Program; Human Resources Administrator; and Director of Operations.

FPHA owns and manages 10 conventional low-income housing projects with a total of 820 units. FPHA also administers 709 Section 8 vouchers and is contract administrator for a Section 8 New Construction project with 60 units.

The Miami HUD Office completed a remote monitoring review of the FPHA's Low Income Public Housing and Section 8 Programs during September 2001. Among other issues, HUD reported tenant files contained incorrect rent calculations and were missing third party verifications.

RESULTS OF REVIEW

FINDING 1 – INADEQUATE ACCOUNTING AND MANAGEMENT CONTROLS

The FPHA's system of accounting and management controls was weak. FPHA lacked controls to assure that it adhered to HUD, and its own, policies and procedures concerning cash disbursements, credit card and travel expenditures, procurement activities, purchases, and equipment inventory. As a result, HUD and the FPHA lacked assurance that its assets were properly safeguarded against waste, loss, and misuse.

HUD requires housing authorities to establish effective controls and accountability for all assets. Title 24 Code of Federal Regulations (CFR) Part 85.20 requires accounting records to be supported by source documents and its financial management system to be accurate, current, and complete.

Title 24 CFR Part 85.36 requires housing authorities to conduct all procurement transactions in a manner to provide full and open competition, maintain sufficient records to show the procurement history, and avoid awarding a contract if a conflict of interest, real or apparent, would be involved.

Title 24 CFR Part 85.32 requires housing authorities to maintain detailed property records, take a physical inventory every 2 years, and reconcile the inventory with property records. The records must show the property description, source, title, cost, acquisition date, location, use and condition.

Unsupported Expenditures

The FPHA did not maintain adequate controls over cash disbursements and credit card usage to ensure that disbursements were eligible, adequately supported, necessary and related to its operations. Also, the FPHA lacked written procedures for credit card usage.

We identified \$10,664 of unsupported expenditures, as shown in Appendix B. Most of the unsupported costs related to credit card purchases and travel expenditures. The expenditures lacked detailed supporting invoices or explanations to justify the expenditures. For example, a disbursement of \$1,518 for a Staples credit card was supported by purchase orders, but lacked supporting invoices. The description of the items in the purchase order was not sufficient to match the credit card statement.

The FPHA's travel policy required employees to obtain airfare at common carrier tourist rate, file a travel expense report not later than 5 days after returning from a trip, and submit receipts for expenses over \$10. Yet, we found the FPHA did not follow its established policy. For example, \$750 for airfare costs that exceeded common carrier tourist rate was not supported by proper justification, and receipts were missing for many costs. Also, of 39 trips we reviewed, FPHA was unable to locate 18 expense reports. We identified over \$3,300 in unsupported travel costs that are detailed in Appendix B.

Weak Procurement Controls

FPHA did not always conduct procurement in a manner to provide full and open competition and avoid conflict of interest situations. For example, FPHA entered into a cleaning contract in August 1998 for a 1-year term. The contract was awarded without competition. Additionally, the FPHA did not advertise or solicit price quotes after the contract term expired and did not execute a formal extension to the agreement. Instead, the FPHA continued using the contractor for cleaning services until a new contractor was selected in May 2002. During the 2-year period January 2000 to December 2001, FPHA paid the cleaning company \$27,965.

FPHA paid administrative costs for the Boys and Girls Club of St. Lucie County (Club) to provide after school activities for FPHA children. FPHA did not prepare an independent cost estimate, advertise or solicit proposals for the activities, or execute a contract with the Club, and did not analyze the reasonableness of the costs to the number of participants. FPHA staff did not know how the Club's costs were allocated. During the 2-year period January 2000 to December 2001, FPHA paid the Club \$178,366.

Furthermore, there were conflicts of interest in both agreements. The cleaning contract company was owned by a FPHA employee, which resulted in a conflict of interest. FPHA lacked controls to prevent the employee/contractor from performing the cleaning services during FPHA business hours, the period in which the employee/contractor should have been performing her duties as an inspector. The former ED was one of the founders and also served as a President and board member on the Club, which created a conflict of interest. The former ED allocated the Club's costs to the FPHA and others.

Although FPHA officials were aware of the relationships, they did not identify the situations as conflicts of interest. For both agreements, the FPHA failed to disclose conflicts of interest to the public via Board meeting minutes and failed to document the justification for use of the contractors or request a waiver from HUD. Conflict of interest situations could easily result in the misuse of funds, impede free and open competition, and reduce public confidence in the FPHA.

Weak Controls Over Purchase Orders

The FPHA needed to adhere to its own policies and procedures regarding purchase orders. FPHA officials circumvented their procedures and made purchases without the required supply/requisition work order forms and purchase orders. Twelve purchases were made without supply/requisition work order forms or purchase orders being approved in advance. According to the Procurement Specialist, the former ED authorized employees to make purchases without a purchase order. Also, a purchase order was not always required to release payment. We noted purchases where a purchase order was attached to the invoice or bill after payment had been made. Unapproved purchases have the potential for unauthorized use and theft.

Existing FPHA purchase procedures did not require prior authorization for the ED to make purchases. Thus, the Procurement Specialist would often learn after the fact of purchases made by the former ED.

Our review also identified errors in making purchases and maintaining detailed purchase records. Use of supply/requisition work order forms could not be substantiated because they were maintained separately from other purchase records. Thus, we were unable to confirm whether the FPHA initiated and authorized purchases properly. Purchase orders were prepared with missing or improper dates, approvals, purchase descriptions, and cost of the purchase. Purchase orders also did not agree with the cost of the purchase and vendor name when compared to logbooks and invoices. In addition, purchase orders were used for multiple purchases.

Purchases recorded in logbooks contained missing vendor names, purchase orders, requisition forms, and purchase cost. Purchases were often recorded without identifying who received the item (delivery was often recorded to a particular department rather than a specific employee). In addition, recorded purchase orders were used out of sequence. Purchase files were missing invoices or any indication that payment was approved.

FPHA officials believed that manual processing of purchase transactions allowed these deficiencies to occur. They believed that establishing formal written procedures and automating the purchase order process would aid in the preparation of purchase transactions.

Weak Inventory Controls

The FPHA's controls over equipment accountability were weak. Our spot check of physical inventories found three of 74 items could not be accounted for in FPHA physical inventories:

<u>Room #</u>	<u>Assigned To</u>	<u>Item Description</u>
111		Epson Printer
111		Scanner
44		Four drawer cabinet

Also, the Procurement Specialist was not notified when equipment was transferred between offices. A physical inventory was not conducted when an employee left or a new employee was hired to confirm items in their possession. Inventory records were not updated with purchases made during the current year. The FPHA reported 11 inventory items lost due to theft in the past 5 years.

The FPHA also needed to adhere to its own policies and procedures regarding inventory. Staff conducted physical inventories but did not record the estimated cost or tag number for several items. Also, physical inventories were not signed and dated by employees to ensure an accurate count. One employee completing a physical inventory could not provide supporting documentation. Another employee was provided a blank inventory list to conduct a physical inventory without any instructions on how to conduct and report the inventory.

Physical inventories were not properly accounted for in FPHA financial records. FPHA procedures require only inventory items over \$1,500 to be reported on financial records as specified by the Board of Commissioners. Thus, the inventory amount on the financial statements does not properly account for many items such as computer equipment. Only stock room inventory is accounted for on financial records because it is maintained on the FPHA computer system.

FPHA officials recognized the inventory deficiencies. FPHA staff said they followed procedures from a former employee, and workload did not allow them to verify whether all staff properly conducted inventories. As with purchases, FPHA officials believed that establishing formal written procedures and automating the inventory process would aid in conducting and accounting for inventory.

FPHA COMMENTS

FPHA officials agreed with the finding. The FPHA plans to require documentation to support all expenditures and is writing a new procurement policy. The FPHA is formalizing a written policy for credit card usage and is planning to automate areas that were being done manually.

OIG EVALUATION OF FPHA COMMENTS

The FPHA's corrective measures, if fully implemented in accordance with Federal regulations and FPHA requirements, should strengthen accounting and management controls.

RECOMMENDATIONS

We recommend you require the FPHA to:

- 1A. Provide documentation to support the eligibility of \$10,664 in expenditures cited in this finding, or reimburse its program(s) from non-Federal funds.
- 1B. Avoid entering into any future agreements with the Boys and Girls Club unless FPHA follows proper procurement requirements.
- 1C. Establish and implement effective procedures and controls to ensure that costs are properly supported, procurement activities and purchase orders comply with HUD and FPHA requirements, and that inventories are properly conducted.
- 1D. Automate the purchase and inventory function to include, at a minimum, processing of requisition forms and purchase orders for payment and recording purchases from the initial request to receipt in inventory.
- 1E. Develop Board approved written policy for credit card usage and purchases and inventories.

FINDING 2 – ADMINISTRATION OF SECTION 8 PROGRAM NEEDED IMPROVEMENT

The FPHA did not adhere to HUD requirements designed to prevent conflicts of interest, assure the reasonableness of Section 8 rents, obtain third party verification of program participant's income, and calculate rent correctly. In addition, the FPHA used Section 8 reserve funds without Board of Commissioners approval as required by FPHA procedures. These weaknesses occurred because the FPHA had not established adequate or effective controls to administer the program. As a result, the FPHA cannot ensure (1) limited resources of its Section 8 Program were used efficiently; (2) HUD subsidized reasonable Section 8 rents; and (3) program participants are being treated fairly and equitably.

Conflicting Relationships with Section 8 Landlords

Conflict of interest provisions in Federal regulations provide that no former or present commissioner, member, officer, or employee who exercises functions or responsibilities with respect to the tenant-based program shall have any direct or indirect interest during tenure or for 1 year thereafter (24 CFR 982.161). Nevertheless, FPHA made HAPs to: (1) a FPHA commissioner, (2) business partners with FPHA commissioners and officials, and (3) relatives of a FPHA employee.

An individual was appointed FPHA commissioner despite being a Section 8 landlord with two units under lease in the tenant-based program. For 3-years, the FPHA attempted to obtain a waiver from HUD allowing the commissioner to continue as a landlord. In February 2002, the Commissioner stepped down from the Board and in April 2002, the FPHA transferred the Section 8 unit rented at the time to another housing authority. From January 2000 to December 2001, the FPHA made housing assistance payments totaling \$15,109 to the commissioner.

Another Section 8 landlord was a business partner of a FPHA commissioner. The landlord and commissioner owned two for-profit corporations as stockholders and the landlord also owned and managed 28 Section 8 units either individually or with another partner. Though FPHA officials knew that the commissioner and Section 8 landlord were business partners and close friends, they did not identify such as a conflicting relationship. While both HUD and FPHA officials were aware of this relationship, it remains unresolved to date. From January 2000 to December 2001, the FPHA made housing assistance payments totaling \$293,945 to the landlord and business partner of the commissioner.

A Section 8 landlord was also a director of two non-profit organizations in which the former FPHA Executive Director and two commissioners were also directors. The landlord owned two Section 8 units. The Acting Section 8 manager informed us that they were unaware of this relationship. From January 2000 to December 2001, the FPHA made HAPs totaling \$19,181 to the landlord.

A Section 8 recertification employee was related to three different Section 8 landlords. At various times since 1999, the FPHA employee's father, mother, and brother/sister-in-law had been landlords. As of December 2001, the brother/sister-in-law maintained two Section 8 units while the mother maintained three units. From January 2000 to December 2001, the FPHA made housing assistance payments totaling \$45,422 to the three landlords.

The conflicts arose because FPHA staff disregarded Federal regulations concerning conflicting relationships involving tenant-based programs. Conflict of interest situations have the appearance of favoritism and are detrimental to the FPHA and the mission of HUD.

Rent Reasonableness Determinations Needed Improvement

HUD requires housing authorities to determine if the rent is reasonable in comparison to rent for other comparable unassisted units before entering into a HAP contract and before any increase in the rent to owner. Federal regulations identify certain factors a housing authority must consider when determining comparability (24 CFR 982.507).

According to FPHA staff, the FPHA used two or three unassisted units as comparables to determine whether rent for an assisted unit is reasonable. The FPHA developed its current rent reasonableness process in 1994. The Survey for Comparable Units was used to obtain comparability data on unassisted units. The Rent Reasonableness Checklist and Certification was used to obtain data on the assisted unit. The checklists identify the factors the FPHA considers in determining comparability. In comparing the factors used by the FPHA with those factors required by HUD, we noted the FPHA failed to consider three factors required by HUD regulations: quality, housing services, and utilities.

Furthermore, some of the data on unassisted units was not dated, and some of it was clearly outdated, as it had not been updated since 1997. Thus, the FPHA cannot demonstrate that the data for unassisted units was current. In other cases, the data incorrectly included assisted units. Federal regulations require housing authorities to determine reasonableness in comparison with private, unassisted local market units.

We reviewed five Section 8 tenant files to assess whether the FPHA determined rent to owners was reasonable and comparable with unassisted units. We found deficiencies in four of the five files. In one instance, the FPHA failed to determine whether the rent was reasonable and comparable. In two other instances, the FPHA improperly determined rent reasonableness by using only one unassisted unit as a comparable. FPHA procedures required the use of at least two comparable units. In one other file, the FPHA used an assisted unit as a comparable rather than an unassisted unit.

The weaknesses occurred because the FPHA had not reevaluated or updated its rent reasonableness process since it was first developed in 1994. Thus, FPHA lacked assurance that rent charged by owners to program participants was reasonable and HUD subsidized reasonable Section 8 rents.

Third Party Verification of Income Not Obtained

Federal regulations require housing authorities to obtain and document third party verification of income in the tenant file. If it is unable to obtain the verification, it must document in the tenant file why the third party verification was not available. Housing authorities are also required to verify the program participant's income at least annually to determine the continued eligibility of the family and establish the HAP that is made on behalf of the family (24 CFR 982.516).

The FPHA's Section 8 Administrative Plan (Plan) identified procedures to verify program participant's income. The Plan specified that FPHA would verify income through the four methods acceptable to HUD in the following order: third party written; third party oral; review of documents; and certification/self declaration. The Plan allowed 2 weeks for return of third-party verifications and 2 weeks to obtain other types of verifications before going to the next method. The Plan also required FPHA to document the tenant file as to why third-party written verification was not used.

Four of the five tenant files did not have a third party verification of income. Instead, the FPHA used documents provided by the tenants as verification. The FPHA failed to indicate in the tenant files why third party verifications were not available and also did not indicate their efforts to obtain the verifications.

FPHA staff said it attempted to obtain third party verifications, but was not receiving responses from employers or other government agencies. Due to the lack of response, staff used documents provided by program participants. FPHA staff recognized they failed to comply with Federal regulations.

As a result of relying on documentation provided by program participants and not conducting an independent third party verification, the FPHA can not ensure they obtained complete and accurate income information which is essential in (1) determining whether program participants remain eligible to receive federal housing subsidies and (2) ensuring the best use of program funds and fair and equitable treatment of all program participants.

Rent Calculations Needed Improvement

We reviewed five tenant files to determine whether FPHA staff properly calculated the rent. We noted mistakes for two tenants. In one case, the FPHA failed to consider a mandatory \$400 deduction for a disabled head of household while calculating adjusted income. In the other case, FPHA staff used an outdated 1998 utility allowance schedule. The minor errors resulted in incorrect HAP payments to owners and incorrect tenant payments to owners.

Section 8 Reserve Funds Used Without Board Approval

HUD requires the Board of Commissioners or other authorized officials to establish the maximum amount that may be charged against the administrative fee reserve without specific approval (24 CFR 982.155(b)(2)). In May 1997, the Board of Commissioners approved a motion that no funds could be spent out of Section 8 reserves without Board approval.

In December 2001, the FPHA used \$1,392 in Section 8 reserve monies to purchase 52 gift cards (\$20 each) for FPHA employees and pay a staff luncheon in the second of a series of retreats for the Leadership Management Team and senior staff. The FPHA did not obtain Board approval to pay for those expenditures. The unauthorized charges against the reserve occurred because staff said they followed the former ED's instructions and were not aware of the procedures.

FPHA COMMENTS

FPHA officials agreed with the finding and have begun to address all issues regarding conflict of interest. The FPHA has also reviewed its procedures for rent reasonableness and rent calculations.

OIG EVALUATION OF FPHA COMMENTS

The FPHA's corrective measures, if fully implemented in accordance with Federal regulations and FPHA requirements, should improve the administration of the Section 8 Program.

RECOMMENDATIONS

We recommend you require the FPHA to:

- 2A. Establish and use effective controls and procedures to (a) prevent future conflict of interest situations with its landlords, (b) ensure rents are calculated correctly, and (c) ensure that the requirements and provisions for Section 8 reserve funds specified by the Board of Commissioners are communicated to and fully implemented by the FPHA staff.
- 2B. Terminate or transfer existing contracts with the Section 8 landlords having conflicts of interest to another housing authority.
- 2C. Review and update its rent reasonableness determination process to include, at a minimum, the following: (1) all rating factors required by HUD regulations, (2) current comparability data for unassisted units, (3) use of unassisted rather than assisted units as comparables, (4) use of at least two unassisted units as comparables per FPHA procedures.
- 2D. Adhere to its policy and procedures for income verification and rent calculations.

Schedule of Unsupported Costs

<u>Recommendation Number</u>	<u>Unsupported Costs¹</u>
1A	\$10,664

¹ Unsupported costs are costs charged to a HUD-financed or HUD-insured program or activity and eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the costs. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.

Detailed Schedule of Unsupported Costs

Unsupported Travel Costs				
Date	Charge or Check #	Payee	Amount	Comments
03/08/00	Bell South Credit Card	Amoco Oil, Palm Bay	\$ 35.00	Receipt was not available.
03/29/00	Bell South Credit Card	Sheraton, Atlanta	130.54	Receipt was not available.
03/29/00	Bell South Credit Card	Sheraton, Atlanta	130.54	Receipt was not available.
05/11/00	Bell South Credit Card	Delta, Providence, RI	167.00	Receipt was not available.
05/11/00	Bell South Credit Card	Park to Fly, Orlando	39.61	Receipt was not available.
05/17/00	Bell South Credit Card	Hyatt Hotels, Orlando	194.86	Receipt was not available.
05/18/00	Bell South Credit Card	Citgo Jet Oil, Fellsmere, Fl	13.00	Receipt was not available.
05/18/00	Bell South Credit Card	Hyatt Hotels, Orlando	105.28	Receipt was not available.
05/18/00	Bell South Credit Card	Hyatt Hotels, Orlando	108.05	Receipt was not available.
05/23/00	Bell South Credit Card	Hyatt Hotels, Orlando	105.28	Receipt was not available.
06/04/00	Bell South Credit Card	Marriott, Miami	87.13	Receipt was not available.
06/04/00	Bell South Credit Card	Marriott, Miami	94.34	Receipt was not available.
07/27/00	Bell South Credit Card	Alamo Rent a Car	222.67	Receipt was not available.
07/29/00	Bell South Credit Card	Courtyard Marriott, Salt Lake City	98.66	Receipt was not available.
07/29/00	Bell South Credit Card	Courtyard Marriott, Salt Lake City	98.66	Receipt was not available.
07/31/00	Bell South Credit Card	Alamo Rent a Car	34.32	Receipt was not available.
08/05/00	Bell South Credit Card	Ramada Plaza Beach, Ft. Lauderdale	77.82	Receipt was not available.
11/14/00	Bell South Credit Card	BP Oil, Titusville, Fl	15.17	Receipt was lost.
11/17/00	Bell South Credit Card	BP Oil, Titusville, Fl	13.76	Receipt was lost.
11/17/00	Bell South Credit Card	BP Oil, Jacksonville, Fl	12.50	Receipt was lost.
12/01/00	Bell South Credit Card	AOL Travelers Advantage	59.95	No supporting documentation. Staff did not know purpose of charges.
07/11/01	Bell South Credit Card	Texaco, Ft. Lauderdale	20.00	Receipt was not available.
07/12/01	Bell South Credit Card	Out of Bounds Restaurant, Ft Pierce	37.52	Meals during business meeting between the former Executive Director and employees. However, staff did not know purpose or who participated in the meeting.
07/27/01	Bell South Credit Card	Applebee's, Ft. Pierce	37.92	Meals during business meeting between the former Executive Director and 3 employees. However, staff did not know purpose or who participated in the meeting.
08/03/01	Bell South Credit Card	Amoco Oil, Ft. Pierce	16.60	Receipt was not available.
08/07/01	Bell South Credit Card	AOL Travel	11.95	No supporting documentation. Staff did not know purpose of charges.
08/07/01	Bell South Credit Card	US Airways, San Antonio	223.25	Receipt was not available.
08/10/01	Bell South Credit Card	BP Oil, Myakka City, Fl	16.82	Receipt was not available.
08/16/01	Bell South Credit Card	Wyndham, Ft. Lauderdale	109.89	Receipt was not available.

Detailed Schedule of Unsupported Costs

Unsupported Travel Costs				
Date	Charge or Check #	Payee	Amount	Comments
07/27/00	Bell South Credit Card	TWA Upgrade	250.00	First class tickets upgrade for the former Executive Director and Crime Prevention Officer not adequately justified.
07/27/00	Bell South Credit Card	TWA Upgrade	125.00	First class ticket upgrade to first class for a non-employee traveler not adequately justified
07/30/00	Bell South Credit Card	TWA Upgrade	125.00	First class ticket upgrade to first class for the former Executive Director not adequately justified.
07/30/00	Bell South Credit Card	TWA Upgrade	125.00	First class ticket upgrade to first class for the Crime Prevention Officer not adequately justified
07/30/00	Bell South Credit Card	TWA Upgrade	125.00	First class ticket upgrade to first class for a non-employee traveler not adequately justified.
Various	Bell South Credit Card	Bell South Business	185.45	Calls exceeding the \$10 limit per day made by employees on travel status not adequately justified.
Various	Bell South Credit Card	Various charges to credit card	52.59	Food for employee attending various trainings or conferences. FPFA provides travelers with per-diem amount for meals. Accordingly, no meals should have been charged to the credit card. The travel voucher for the trips was not available to determine whether amount was reconciled on the voucher.
Various	Bell South Credit Card	Various charges to credit card	28.92	Miscellaneous charges such as in-room movies for employees on travel status.
Total Unsupported Travel Costs			\$3,335.05	

Detailed Schedule of Unsupported Costs

Other Unsupported Costs				
Date	Charge or Check #	Payee	Amount	Comments
03/16/00	Bell South Credit Card	AOL Long Distance	\$ 22.58	Former Executive Director's home long distance service.
11/11/00	Bell South Credit Card	AOL Long Distance	22.80	Former Executive Director's home long distance service.
12/13/00	Bell South Credit Card	AOL Long Distance	22.80	Former Executive Director's home long distance service.
06/08/01	1495	United States Cellular	300.01	Part of a \$921 bill for cellular phone paid on behalf of the MIS Administrator. Calls made were personal.
08/20/01	22764	DLF Media	5,000.00	Anti-violence public awareness campaign conducted in conjunction with the Boys & Girls Club, Sheriff's Department and other area agencies. Campaign involved a series of television, radio and newspaper ads to increase awareness about drugs, gangs, violence and other important issues that affect the community.
10/23/01	2102	Boys & Girls Club	100.00	Invoice 773 dated 10/11/01 for 2001-2002 Board Member Dues on behalf of the former Executive Director.
05/19/00	Bell South Credit Card	Radio Shack	37.44	No supporting documentation. Staff did not know purpose of charges.
05/22/00	Bell South Credit Card	AOL Shop Direct	47.34	No supporting documentation. Staff did not know purpose of charges.
07/21/00	Bell South Credit Card	Chaney's House of Flowers	39.41	No supporting documentation. Staff did not know purpose of charges.
07/24/01	1724 & 23015	Staples	1,517.70	Disbursement was only supported by purchase orders. No receipts were available. The description on the purchase orders was not sufficient to match to the credit card statements.
07/25/01	Bell South Credit Card	Tech Republic.com	89.00	A 1-year online magazine subscription. Staff did not know purpose or who used the magazine.
07/27/01	Bell South Credit Card	Xerox Corporation	79.88	Receipt was not available.
08/16/01	Bell South Credit Card	NSS PC Magazine	29.00	Magazine subscription. Staff could not know purpose or who used the magazine.
08/24/01	Bell South Credit Card	PI Palm net Service	20.76	Receipt was not available.
Total Other Unsupported Costs			\$7,328.72	
Total Unsupported Travel and Other Costs			\$10,663.77	

AUDITEE COMMENTS

Fort Pierce Housing Authority

707 North 7th Street
Fort Pierce, Florida 34950
(772) 461-7281 & TDD
Fax (772) 466-3528
Fpha@aol.com

Glaister A. Brooks
Executive Director

January 7, 2003

Nancy H. Cooper
Regional Inspector General
For Audit – Region 4
U.S. Department of Housing and Urban
Development
75 Spring Street SW, Room 330
Atlanta, Georgia 30303-3388

Dear Ms. Cooper:

In response to the review of the Inspector General that was performed at the Fort Pierce Housing Authority between March 2002 and June 2002 for the period covering January 1, 2000 to December 31, 2001, the Fort Pierce Housing Authority (FPHA) concurs that Items 1A through 1E and Items 2A through 2D, during the reviewed period existed, and in most cases under HUD Guidelines, should have been handled differently. The following is the FPHA's position on each recommendation, as of January 6, 2003.

- 1A. The FPHA will continue to review files for supporting documentation. However, FPHA now requires documentation to support all expenditures. Prior to payment, a "Check Request Form" is used and must be signed by the requestor, their supervisor and the Executive Director. The Check Request must be supported by the required documentation.
- 1B. As of October 2002, the FPHA no longer has an agreement with the Boys and Girls' Clubs.
- 1C. The FPHA is writing a new procurement policy and has embarked upon a training program with the help of Jacksonville Housing Authority staff to implement effective procedures and controls to ensure that costs are properly supported.
- 1.D. As of September 2002, the FPHA has brought on a computer consulting company who is providing training on our current system as well as helping to automate areas that were still being done manually (see also 1C).
- 1E. The FPHA is in the process of formalizing a written policy for credit card usage to be in place very shortly. Purchases and inventory are being addressed (see also 1C).

Edward W. Becht
Chairman

Theresa Carter
Vice-Chairman

Howard Brenner
Commissioner

Reginald Sessions
Commissioner

George L. Williams, III
Commissioner

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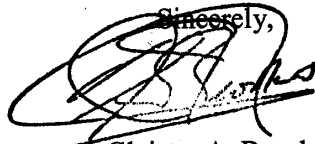
Ms. Nancy H. Cooper
Regional Inspector General

Regarding the findings/recommendations for Section 8, Items 2A-2D, the FPHA's position is as follows:

- 2A. As the review period was during the year 2000, all issues regarding Conflicts of Interest are being addressed and should be resolved immediately. A review of files on re-certifications and new move-ins has been conducted on a sample basis. Additionally, all staff has participated in a Rent Calculation Seminar to enhance their ability to perform the required calculations. All requirements and provisions for Section 8 Reserve Funds, specified by the Board of Commissioners are being communicated to and have been fully implemented by the FPHA staff.
- 2B. Not being aware of a Section 8 employee relative's participation in our Section 8 program has led FPHA to fully review and investigate this issue, and the recommendation made by the I.G.'s office based upon the outcome will be adhered to immediately.
- 2C. Our Rent Reasonableness determination process has been reviewed and discussed with our independent auditor and has been deemed to now meet HUD regulations.
- 2D. FPHA is now adhering to its policy and procedures for income verification and rent calculation. A five percent review is also in place to assist as an additional control.

The Management and staff of FPHA appreciate the review performed by the Inspector General's office and look forward to moving the Agency in a more productive and compliant path, as these and other areas are reviewed and addressed in the coming months.

Sincerely,



Glaister A. Brooks
Executive Director

GAB:sft

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