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Audit-Related Memorandum

September 11, 1996

MEMORANDUM FOR: Elizabeth J. Santone, Director, Public Housing, OEPH

FROM: A. George Tilley, District Inspector General for Audit, OAGA

SUBJECT: U.S. Attorney Request for Assistance
Boise City/Ada County Housing Authority
The former Executive Director's travel vouchers
and credit card usage
Boise, Idaho

At the U.S. Attorney's request for assistance, we reviewed the Boise City/Ada County Housing Authority's (Housing Authority) records pertaining to the former Executive Director's travel vouchers and use of the Housing Authority's credit card. As you are aware, the Board has primary oversight responsibility for the Executive Director's actions. To ensure the Executive Director's actions are consistent with Housing Authority policy, it is essential that the Board be aggressive, actively involved, and diligent in monitoring the Executive Director's actions.

Our review period was October 1994 through May 1996. Specifically, we reviewed:

- applicable requirements and policies related to travel and credit card use.
- the former Executive Director's travel vouchers and supporting receipts for the period.
- credit card statements, available receipts, and charges for the period.

While performing our work, we identified weaknesses in the Housing Authority controls over the former Executive Director's travel and credit card usage. The control weaknesses that we identified were:

- lack of effective Board of Commissioner (Board) oversight in authorizing the former Executive Director's travel; and diligent review and approval of the related travel vouchers.
- not complying with the Board adopted travel policy.

- not consistently following a policy and process when authorizing the former Executive Director's travel.
- not completing travel vouchers within the prescribed time frame; and the former Executive Director did not fill out her own travel vouchers.
- lack of a written policy and specific procedures regarding use of the Housing Authority's credit card.

In conjunction with our review of the former Executive Director's travel vouchers, we found that the travel policy did not, but should:

- require written justification for travel costs that were higher than anticipated when the Board approved travel; and
- establish an upper limit for actual, reimbursable travel costs.

In addition to strengthening controls, the Board should recover funds from the former Executive Director for amounts she owed the Housing Authority, for expenses unrelated to Housing Authority business, and for expenses that could have been avoided. We identified recoverable expenses totalling \$1,094.10 (Attachment 1) and questionable charges needing further review by the Housing Authority (Attachment 2).

Should you or your staff have any questions, please contact myself or Bill Taylor at 206-220-5360.

Results

Travel Vouchers

By Resolution dated April 16, 1987, the Board adopted a travel policy comparable to the city of Boise. The Board also established per diem rates of \$25 per day without submission of receipts. Daily expenses totalling more than \$25 would be reimbursed only if original receipts were submitted and approved by the Board.

While the former Executive Director's travel vouchers were signed by the former Executive Director (with one exception) and approved by the Board Chairman (with two exceptions), we found that her travel vouchers did not comply with the Housing Authority's travel policy. The travel policy stated:

- the traveler must use the most economical mode of travel from the standpoint of time, cost, and practicality to the Housing Authority, and the purpose of travel.

The January 31, 1996 minutes contained Board authorization for the former Executive Director to use full fare tickets when necessary to address scheduled conflicts, or to fulfill contracts, appointments and obligations. However, none of the former Executive Director's travel vouchers contained justification for higher costs of airline tickets.

For example: The former Executive Director's travel vouchers for trips to Washington DC showed quite a variance in the cost of airline tickets. For a September 1995 trip to Washington DC to attend a Public Housing Authorities Directors Association (PHADA) conference the cost of the airline ticket was \$1,354. However, travel vouchers for four other trips to Washington DC showed airline ticket prices ranged from \$354 to \$634. The travel voucher for the September 1995 trip did not show justification for the excessive cost of the airline ticket.

- within two weeks of the final day of travel, all expenses and reimbursement requests must be submitted on a form approved by the Authority.

The former Executive Director's travel vouchers were not filled out within two weeks after travel, as required in the travel policy. For example,

- seven travel vouchers for trips taken from October 1995 to April 1996 were not completed and signed until May 17 or 20, 1996, more than seven months after the first trip.
- eight trips to American Falls for the Comprehensive Improvement Assistance Program from October 1995 to April 1996 were all on one travel voucher dated May 20, 1996.

In addition to departures from the written travel policy, we observed other practices that we believe the Housing Authority should consider changing. Those practices were:

- The former Executive Director did not fill out her own travel vouchers. While the former Executive Director is the person most knowledgeable about her travel, the Housing Authority's chief accountant filled out all the former Executive Director's travel vouchers.

We believe the Executive Director must be the person who completes his/her travel voucher and is solely accountable for its accuracy. Otherwise, it is too easy to transfer accountability and blame for any mistakes to the preparer.

- Settlement of amounts due to or due from the former Executive Director was not done when travel vouchers were completed and signed. According to the chief accountant and Housing Authority records, settlement for amounts owed was only done when the former Executive Director submitted local receipts for reimbursement. On travel vouchers from October 1995 to April 1996, settlement of amounts due to or due from the former Executive Director had not been done.

As a result, the Housing Authority carries a balance owed by the former Executive Director for her travel. (See Attachment 1)

- We also found that the travel policy allows reimbursement of reasonable actual costs, but does not specify an upper limit for actual costs. As a result, the amount of actual costs reimbursed by the Housing Authority could be unreasonable in comparison to local practice.

In conjunction with our review of the former Executive Director's travel vouchers, we reviewed the Board minutes to find its authorization for her travel. Of the 32 trips recorded on the former Executive Director's travel vouchers, we found that:

- 10 trips were authorized per a contract with American Falls Housing Authority to oversee Comprehensive Improvement Assistance Program work;
- 6 trips were discussed and authorized in the Board minutes; and
- 16 were not discussed or authorized in the Board minutes.

The minutes showed that the Board did not always record Board authorization for the former Executive Director's travel. However, proper Board oversight must include a consistent policy and process when authorizing the Executive Director's travel.

In general, the Board and the Executive Director are responsible for developing an effective management system to support internal controls. At housing authorities where the Board provides clear and concise policies and guidelines to the Executive Director, opportunities for fraud or mismanagement are greatly reduced. The Executive Director is responsible for implementing internal controls in the Housing Authority's daily operations and must set a positive example for the staff.

Specifically, the Board must be conscientious in its oversight responsibility to ensure the Executive Director is doing his or her job. Based on our work, the Board must set the example for the control environment by authorizing the Executive Director's travel and effectively reviewing and approving the

corresponding travel vouchers to ensure compliance with the Housing Authority travel policies and procedures.

Credit Card Charges

The Board authorized the former Executive Director to apply for and receive a credit card. The only authorization and guidance regarding use of a Housing Authority credit card that we found was in the July 17, 1986 Board minutes which stated:

"using the Authority's credit authority and that said card shall bear the name Judith E. Worrell, Executive Director and that said card shall be used for travel and expenses while on Authority business and/or representation."

Our review of the credit card statements and receipts showed that the former Executive Director used the credit card for expenses which appear unreasonable and questionable. For example, during the review period, the former Executive Director charged:

- over \$1,000 for local meals while not on official travel status.

Handwritten notations on the receipts showed that local meals were for lunches with Housing Authority staff, HUD officials, and officials from neighboring Housing Authorities. Also, according to the former Executive Director, a \$132 charge on the Housing Authority credit card was for a Friday night dinner with a prospective employee and his spouse.

- over \$2,900 for miscellaneous purchases.

According to the former Executive Director, many purchases were for bingo prizes and Christmas gifts for the elderly residents. For example, a charge of \$468.83 at one department store included novelties, basket sets, air fresheners, and other assorted items. Four other charges totalling \$272.86 were for raffle items to raise money for a scholarship fund sponsored by PHADA.

- over \$290 for telephone calls on one airline flight.

Recommendations to improve controls over travel.

The credit card statement showed that the former Executive Director charged 10 telephone calls totalling \$290 on April 12, 1996 while travelling from Boise to Washington DC.

Based on our review of the former Executive Director's travel vouchers, we recommend that the Housing Authority's Board:

- authorize all the Executive Director's travel considering the cost and benefit to the Housing Authority; and diligently review and approve all the Executive Director's travel vouchers.
- develop a process for authorizing the Executive Director's travel and for ensuring compliance with Housing Authority travel policies.
- ensure the Executive Director submits his or her travel vouchers for Board approval within the time frame established in the travel policy.
- require the Executive Director and all staff to fill out their own travel vouchers and certify to their accuracy.
- require the Executive Director to provide written justification for higher costs if travel costs exceed the amounts authorized by the Board.
- establish an upper limit for actual costs of meals and incidentals that the Housing Authority will reimburse.

Recommendations to improve controls over credit card usage.

Based on our review of the former Executive Director's use of the Housing Authority's credit card, we recommend the Housing authority's Board:

- determine whether the Housing Authority can reasonably conduct its business without a credit card; or consider allowing the Executive Director and staff to make purchases with personal credit cards and seek prompt reimbursement upon submission of receipts.
- establish a written policy and implement procedures regarding credit card use, consistent with local law, if a credit card is deemed necessary.

- actively monitor how the Executive Director uses the Housing Authority's credit card to ensure compliance with its policy.
- establish criteria for what goods and services may be purchased with the credit card.

Other Matters

In addition to strengthening controls, the Board should recover funds from the former Executive Director for amounts she owed the Housing Authority, for expenses unrelated to Housing Authority business, and for expenses that could have been avoided. We identified recoverable expenses totalling \$1,094.10 (Attachment 1), and questionable charges needing further review by the Housing Authority (Attachment 2).

Also, the former Executive Director's travel vouchers show that of the 32 trips recorded on the former Executive Director's travel vouchers, 19 were to national or regional housing organization conferences and meetings. Considering the time and travel associated with the former Executive Director's involvement in these national or regional housing organizations, the Board may want to reevaluate its membership and degree of participation in them. The Board should determine the benefit to the Housing Authority given the costs (including travel) and time spent away from operational duties associated with being members in national or regional housing organizations.

Recovery of Funds

During our review, we identified \$1,094.10 in expenses paid by the Housing Authority that we believe should be recovered from the former Executive Director. The expenses were as follows:

- The amount charged to the hotel for room service and movies was not reconciled on the former Executive Director's travel voucher for an October 21, 1994 trip to Baltimore:

\$30.90
- The net amount due from the former Executive Director determined by reconciling the travel vouchers from October 1995 to May 1996:

\$103.87
- The per diem amount (\$50) and difference in airfare (estimated at \$86) for a February 3 & 4, 1996 trip to Medford, Oregon when no Housing Authority business was conducted:

\$136.00
- The former Executive Director had no explanation for the amount paid for tapes/videos at the Stage Stop in Boise on February 8, 1996:

\$20.97
- The per diem amount (no lodging amount claimed) for an April 12 to 21, 1996 trip to Washington DC when the former Executive Director stayed two additional days and could not remember what business purpose was served by doing so:

\$50.00
- The charge for an extra hotel room on a February 1, 1996 trip to Portland. According to the former Executive Director, there was a mixup in hotel reservations at two Red Lion hotels in the Portland area. She stayed at one hotel but apparently had reserved a room at the other hotel; and the Housing Authority's credit card was charged for both rooms. The amount for the second room was:

\$76.30
- The former Executive Director acknowledged taking two trips using the Housing Authority's vehicle that were personal and not related to Housing Authority business. Using the mileage rate adopted by the Board in February 1994 and approximate mileage, we estimated the following amounts for the two trips:

Round trip Boise to Bend, Oregon	
658 miles x 29 cents/mile = \$190.82	
Round trip Boise to Glens Ferry, Idaho	
148 miles x 29 cents/mile = <u>\$42.92</u>	
Total	\$233.74

- From the descriptions listed on the gasoline receipts, we identified purchases of merchandise that were also paid for by the Housing Authority with no stated business purpose. For the period, the amount of merchandise purchased with gasoline in town or with no supporting travel voucher totalled:

	\$69.82
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- According to the chief accountant, the Housing Authority was charged for two hotel rooms on its credit card that were not used. The hotel rooms were reserved for planned travel by the former Executive Director which was cancelled. However, the reservations for the two rooms were not cancelled; and the Housing Authority's credit card was charged for both rooms as recorded on its June 1996 statement:

May 9, 1996 Hay Adams Hotel	\$170.00	
May 20, 1996 Hyatt Hotel	<u>\$132.50</u>	
Total		\$302.50

- The Housing Authority's travel agent provided information that showed an airline ticket the former Executive Director used to fly to San Francisco was reduced. The \$247 fare was reduced to \$177 which the former Executive Director repaid to the Housing Authority. The former Executive Director was given a \$70 credit for the difference in cost. During our field work, the Housing Authority did not receive the credit or a payment in lieu of the credit.

	\$70.00
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Total amount:	<u>\$1,094.10</u>
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The amounts listed above were based on information available to us at the time of our review.

Questionable Expenses Needing Further Review by Housing Authority

In addition, we identified charges for six airline tickets on the Housing Authority's credit card statement which were not accounted for on the former Executive Director's travel vouchers. At the time we did our work the information was not available for us to use to determine why the tickets were purchased or who used the tickets.

However, since completing our field work, the Housing Authority received information from the credit card company that shows an airline ticket for \$1,030 was used in March 1996 with the former Executive Director listed as the passenger.

As a result, the Housing Authority should be required to determine if these airline tickets were used for Housing Authority business, and if not, pursue whatever course of action it deems necessary. Following are the dates of purchase, airlines, and amounts charged for the six tickets:

September 20, 1994	United Airlines	\$1,328
January 19, 1995	Horizon Air	\$316
July 27, 1995	Horizon Air	\$408
October 23, 1995	Horizon Air	\$294
October 23, 1995	Horizon Air	\$294
March 7, 1996	United Airlines	<u>\$1,030</u>
Total		<u>\$3,670</u>

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