



U.S. Department of Housing and Urban Development

District Office of the Inspector General
Richard B. Russell Federal Building
75 Spring Street, SW, Room 700
Atlanta, GA 30303-3388
(404) 331-3369

April 30, 1997

Audit-Related Memorandum
No. 97-AT-202-1807

MEMORANDUM FOR: Mack R. Heaton, Director, Office of Public
Housing, 4CPH

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

SUBJECT: Cullman Housing Authority
Survey of Activities
Cullman, Alabama

We have completed a survey of certain activities of the Cullman Housing Authority (CHA). The survey was done at the HUD Alabama State Office and at CHA's office, generally during the period January - March 1997. We interviewed you, the CHA Executive Director (ED), and CHA commissioners. We examined records and files at your office and at CHA.

The objectives of our survey were to determine whether certain activities, as described below, were carried out properly, and if not, to recommend corrective actions.

SUMMARY

The activities reviewed, which consisted of a wide variety of CHA operations, were generally properly carried out, and we plan no additional work at CHA. We do recommend that you follow up on two issues discussed below under Results of Review.

BACKGROUND

CHA manages four projects with 325 units of low-income housing, and approximately 175 units of Section 8 housing. It is governed by a five-member Board of Commissioners; day to day operations are administered by the ED. Under HUD's Public Housing Management Assessment Program, CHA is considered a high performer, i.e., a well managed authority.

We reviewed several CHA activities, including:

Activities involving the creation of a nonprofit housing development corporation by the HUD AL Director of the Office of Public Housing, CHA's ED, and a CHA consultant (a former HUD employee), including handling of Federal funds, whether any conflict of interest existed, and whether CHA improperly gave property to the nonprofit.

Whether CHA's board is precluded from overseeing CHA operations, e.g., whether contracts are awarded and change orders approved without board knowledge, whether support for disbursements is kept from the board, or hiring of an architect or other procurements were not discussed with the board.

The ED's travel, e.g., whether it is approved by the board, properly documented, and in compliance with CHA's travel policy.

CHA staffing, by-laws, board minutes, bank accounts, employee pay raises, ED's retirement, and vehicles.

RESULTS OF REVIEW

With the exception of the two matters discussed below, neither of which are considered major deficiencies, activities reviewed were acceptable. We found no impropriety in the creation of the nonprofit or its activities. Generally, our review centered around the control and involvement of the board in CHA's activities. Board involvement varies at public housing authorities, and is to a large degree within the board's control to establish and exercise as it sees fit. Within the limited scope of the survey we performed, we concluded CHA was generally adhering to HUD requirements and CHA policies.

We recommend that you follow up on the following two matters.

Travel

Lodging expense related to attendance at a 1995 annual conference of the Alabama Association of Housing and Redevelopment Authorities (AAHRA) was excessive. It was excessive primarily because it included costs for the CHA Modernization Clerk/Secretary, who is a sub-contractor and not an employee. CHA's travel policy provides that reasonable travel expenses shall be reimbursed when properly submitted on a signed travel voucher, but only for CHA employees and commissioners.

CHA's ED, the sub-contractor and their spouses shared a three-bedroom condo for four nights in Orange Beach, Alabama, at a cost of \$1,078. The conference was held in Point Clear, Alabama, at the Grand Hotel. The hotel's conference rate for a room accommodating two people (no extra charge for a spouse) was \$95.80 per night, or \$395.

According to CHA's travel policy, lodging cost attributable to the sub-contractor is ineligible.

In another instance, lodging expense was not properly supported by motel receipts or travel vouchers (the above trip also lacked travel vouchers). The ED, a commissioner and their spouses attended the 1996 AAHRA annual convention in Panama City Beach, Florida. Lodging costs totaling \$1,018 (check 7987) were supported by an American Express bill, but no motel bills or receipts.

The American Express bill also included a \$172 purchase from Sears for hardware that was otherwise unsupported by an invoice to show what was purchased (expenditure was unrelated to travel).

We recommend that you:

- Require preparation of signed travel vouchers for both trips, with copies of motel receipts for the 1996 trip, if possible;
- Require reimbursement to CHA of half of the lodging cost for the 1995 trip, or \$539;
- Require the ED to document the purchase from Sears; and
- Caution the ED about proper documentation of expenses.

Cost Reimbursement

CHA repaired and manages three houses owned by Cullman Affordable Housing, Inc. (CAH), a nonprofit housing development corporation, and rented to low-income persons. Section 7 of a contract entered into by CHA and CAH dated April 9, 1996, states that CAH shall reimburse CHA for any and all expenses incurred in connection with repairs, maintenance and activities on the properties managed. CAH owes CHA \$5,252 for initial repairs to the houses, which is shown as a receivable from CAH on CHA's 1995 audit report. CAH needs to reimburse CHA for this amount. CHA also needs to be assessing and collecting from CAH costs of bookkeeping, collecting rent, making repairs and in general, performing managerial functions for the properties. CHA performs these duties under the contract.

We recommend that you require CHA to recover its costs for providing the above services.

* * * *

We are not controlling the above deficiencies under the Audits Management System. However, please furnish us copies of any related correspondence or directives. If you have any questions, please contact Rudy E. McBee, Assistant District Inspector General for Audit, at 423-545-4368.

Attachment - Distribution

DISTRIBUTION

Secretary's Representative, 4AS
Director, Office of Public Housing, 4CPH
Audit Liaison Officer, 3AFI
Director, Field Accounting Division, 4AFF
Director, Administrative Service Center, 4AA
Chief Financial Officer, F (Room 10164) 2
Deputy Chief Financial Officer for Finances, FF (Room 10166) 2
Audit Liaison Officer, Assistant Secretary for Public and Indian Housing, PF (Room 5156) (3)
Assistant to the Deputy Secretary for Field Management, SDF, (Room 7106)
Director, Housing and Community Development, Issue Area, U.S. GAO,
441 G Street, NW, Room 2474 Washington, DC 20548
ATTN: Judy England-Joseph
Director, Investigation Support Division, GIS (File No: FHOO-8325)
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the
United States, House of Representatives, Washington, DC 20515-4305
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States
Senate, Washington, DC 20510-6250
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs, United
States Senate, Washington, DC 20510-6250
Executive Director, Cullman Housing Authority, P.O. Box 460, Cullman, AL 35056-0460
Chairperson Ronald Dunn, Board of Commissioners, Cullman Housing Authority,
P.O. Box 460, Cullman, AL 35056-0460