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January 28, 1997

97-FW-206-1803

MEMORANDUM FOR: Chet J. Drozdowski, Director  
Office of Public Housing, 6HPH

FROM: D. Michael Beard  
District Inspector General for Audit, 6AGA

SUBJECT: St. Charles Parish Housing Authority

We have completed a limited probe of the St. Charles Parish Housing Authority (Authority). The purpose of the probe was to determine the validity of four allegations we received regarding the Section 8 Program. The four allegations claimed: 1) the Program Manager II, in charge of administering the Section 8 department, is incapable of performing his job; 2) the Board Chairman is collecting Section 8 rents on the unit where his daughter resides; 3) HUD is paying rent on an abandoned unit; and 4) a Section 8 owner is living with the tenant.

The scope of our probe included interviewing staff, tenants, Board members, and others; obtaining and reviewing relevant information pertaining to the complaints; and performing Housing Quality Standards (HQS) inspections of selected units.

The probe results found substance to the first three allegations. There was insufficient evidence to determine the validity of the fourth allegation:

- *Program Manager II's performance:* While the review could not conclusively find the Program Manager II is incapable of performing his job, enough problem indicators exist to warrant the Authority's close monitoring of the individual's performance.
- *Board Chairman collecting Section 8 rents:* The Board Chairman has endorsed several Section 8 checks for the owner. The owner and tenant are the Board Chairman's uncle and daughter, respectively. In our opinion this arrangement represents a conflict of interest, real or apparent.

- *Payments on a vacant unit:* The Authority made \$2,871 in Housing Assistance Payments for a vacant unit. The owner continued to receive Section 8 payments for a year after the tenant, his daughter, vacated the unit.
- *Owner living with tenant.* The evidence was insufficient to validate this allegation.

### **Authority's Section 8 Program was poorly administered.**

The St. Charles Parish Housing Authority (Authority) administers about 300 Section 8 certificates and vouchers. A Program Manager II and subordinate Program Manager I administer the Authority's Section 8 Program. The Program Manager II reports directly to the Executive Director. The former Executive Director, current Acting Executive Director, and the Program Manager I have questioned the Program Manager II's ability to perform his duties. A personnel file documented numerous errors and mistakes made by the Program Manager II. We did not perform any substantive review procedures to determine the competency of the Program Manager II. However, the Program Manager II should have detected and resolved many of the conditions reported below. The Authority should monitor the Program Manager II's performance and ensure the Section 8 Program is being efficiently administered.

### **Board Chairman's receiving rent payments on a unit owned by his uncle and occupied by his daughter.**

The Board Chairman's daughter lives in a Section 8 unit at 121 Allen Street, Ama, Louisiana, owned by the Board Chairman's uncle. The former Executive Director did not perceive a conflict of interest with the Chairman's daughter participating in the Program. The Authority previously sent a letter to your office for clarification of whether a conflict of interest existed on a similar issue<sup>1</sup>, but no response could be located in the files.

Interviews and a review of documents disclosed that the Board Chairman endorsed and cashed several of the owner's Section 8 checks. The owner said his nephew, the Board Chairman, handled his business in the Parish. The owner believed his nephew did remit all of his money. The owner stated that his nephew did not earn a fee for handling his business. In our opinion this arrangement represents a conflict of interest, real or apparent. The conflict-of-interest provision of the Consolidated Annual Contributions for Rental Certificate Program and Rental Voucher Program<sup>2</sup> prohibits the Authority from entering into any

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<sup>1</sup> The daughter had previously lived in a mobile home owned by another uncle. In an October 11, 1994 letter, the former Executive Director asked your office if this represented a conflict of interest.

<sup>2</sup> Form HUD-52520.

contract or arrangement in which a present or former member or officer of the Authority has an interest, direct or indirect. The Authority should comply with HUD requirements and disclose any conflict of interest. The improper handling of this situation by the Authority could undermine the public's confidence in the Program.

An inspection of the unit at 121 Allen Street on October 29, 1996, found several instances where the unit failed to meet Housing Quality Standards (HQS). Many of the conditions could be easily corrected, such as putting covers on electrical outlets, and reinstalling the smoke detector. The Board Chairman, who accompanied OIG staff during the inspection, claimed that many of the problems were the result of the unit being renovated. The Authority last performed an inspection on the unit on November 27, 1995.

The occupied unit is a two-bedroom and one-bathroom house. The house is located on the same street as the Board Chairman's house. During the 1970s, the Board Chairman owned the house, but sold the house back to his uncle in 1978. On the Request for Lease Approval, the proposed rent is originally \$450 marked down to \$410. Also, on the Request for Lease Approval, the owner certifies that the "most recent rent charged for the above unit was \$400 per month." According to the owner, the prior tenant of the unit paid around \$300 per month for rent. Due to the close relationship of the parties, the Authority should verify the reasonableness of the \$400 rent for a unit in this condition and location.

#### **Owner improperly cashed Section 8 checks after the unit the tenant vacated the unit.**

This complaint alleged the owner continued to cash Section 8 checks after the tenant vacated the unit. As in the situation above, the owner and tenant are related. The Authority issued a Section 8 Certificate to the tenant on September 12, 1994. The tenant resided in a house at 100 Fourth Street, St. Rose, Louisiana 70087. The contract rent was \$350 per month with the HAP portion being \$261. The owner and tenant are cousins.

The tenant vacated the unit without notifying the Authority. Entergy Corporation removed the utility meter to the house on July 24, 1995. Without utilities the unit can reasonably be assumed to be vacant and does not meet HQS. The HAP payments should cease. However, payments did not cease until October 1996.<sup>3</sup>

The Authority performed an initial HQS inspection of the unit on September 20, 1994. However, the Authority did not perform another inspection until June 13, 1996, when the former Executive Director observed the unit had no meter. If the Authority had performed an annual reinspection of the unit in September 1995, it would have noted that the utility meter had been removed and stopped the HAP payments. The person responsible for performing such inspections is the Program Manager II.

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<sup>3</sup> The Authority did void the checks written to Mr. Jones for June, August, September, and October 1996.

On June 13, 1996, the Executive Director wrote to the owner requesting that he return overpayments totaling \$2,349<sup>4</sup>. The Authority referred this matter to its attorney. On June 25, 1996, the Attorney responded:

"Based upon known facts, it appears that there has been overpayments in the stated amount of \$2,349.00. This amount is fully recoverable from the property owner and we should consider further whether or not the matter should be referred to the United States Attorney for possible violation of federal criminal statutes."

The Authority should pursue every alternative to recover these funds including referring the matter to the local district attorney. Also, we are referring this matter to the Office of Investigations.

### **Evidence insufficient to determine if Section 8 owner was living with the tenant.**

The fourth allegation claimed the owner of a Section 8 property at 2 River Birch Lane was living with the tenant.

According to available information, the owner presented two driver's licenses to the Authority. The licenses differ in issue date and address. One license issued on August 10, 1995, listed his address as 2 River Birch Lane, the subject property. The other license issued on February 8, 1996, listed his address as 275 Second Street, supposedly his mother's house. According to the Housing Assistance Payments Contract, the tenant moved into 2 River Birch Lane on September 1, 1995. Based upon the above information, it appears the Authority may have subsidized a unit occupied by the owner. However, the information was not conclusive. The Program Manager II should not have approved the lease of the tenant until he verified the residence of the owner. The Authority needs to take proactive measures to identify and correct situations in which the HAP may be used to "house" an owner in their unit rather than assist a needy person.

### **Recommendations:**

We recommend you require the Authority to:

- 1A. Monitor the Program Manager II's performance and ensure that the Section 8 Program is being efficiently administered.
- 1B. Take action to resolve the conflict-of-interest issue involving the Board Chairman.

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<sup>4</sup> This amount is for 9 months (9 X \$261 = \$2,349) although the documentation did not indicate for what period. We are questioning an 11-month period.

- 1C. Reinspect the unit located at 121 Allen Street and ensure that the unit meets minimum Housing Quality Standards.
- 1D. Redetermine the reasonableness of the rent at 121 Allen Street.
- 1E. Pursue every alternative to recover the \$2,871 ineligible Section 8 payments relating to 100 Fourth Street, St. Rose, from August 1995 through July 1996 (excluding June 1996), including referring the matter to the local district attorney.
- 1F. Verify an owner's residence prior to approving a Section 8 tenant lease.

Within 60 days please give us, for each recommendation made in this report, 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. Also, please furnish us copies of any correspondence or directives issued because of this report.

If you have any questions regarding the above subject matter, please contact me or Frank Baca, Assistant District Inspector General for Audit.