

June 11, 1998

Audit Related
Memorandum No. 98-NY-
202-1805

MEMORANDUM FOR: Joan Spilman, Director, Office of Public Housing, 2CPH

FROM: Alexander C. Malloy, District Inspector General for Audit, 2AGA

SUBJECT: Harriestown Housing Authority
Low-Rent Housing Program
Saranac Lake, New York

In response to a request from Congressman John M. McHugh, the U. S. Department of Housing and Urban Development (HUD), New York/New Jersey District, Office of Inspector General (OIG) performed a limited review of the operations of the Harriestown Housing Authority's (HHA) Low-Rent Housing Program. The purpose of our review was to determine whether the HHA implemented the recommendations made by the HUD Buffalo Field Office during a fact-finding review conducted in November 1997, and to determine if other problems exist. The Buffalo Field Office fact finding review stemmed from a complaint made by a tenant representative (complainant) to the Board of Commissioners. We conducted our review during April and May 1998, and we were at the HHA for six days during the period of April 7, 1998 through April 23, 1998.

Summary

We found that although the HHA initiated some actions to correct the deficiencies disclosed in the five findings and the three observations contained in the Buffalo Field Office fact finding report, the HHA has not completely implemented the recommendations cited in this fact finding report. In addition, during our review, we identified two other issues and we made appropriate recommendations. One of these issues involves the HHA's personnel policy and the other involves the HHA's modernization coordinator. ***We request that you forward this memorandum to the HHA and require it to implement all recommendations by August 31, 1998. We plan to conduct a follow up visit to the HHA during the month of October 1998, to verify implementation of the recommendations.***

Should you or your staff have any questions, please call me or William H. Rooney, Assistant District Inspector General for Audit, at 212-264-8000 extension 3976.

Results

A summary of each of the Buffalo Field Office's five findings and their three observations, and our evaluation of the HHA's actions to implement the recommendations pertaining to these findings and observations are provided in the following subsections. In addition, we have noted two other issues, one involving the HHA's personnel policy and the other involving the modernization coordinator, that require follow up by the Buffalo Field Office. These issues are also summarized below.

Buffalo Field Office Finding No. 1: Improper Personal Business Transactions by a Commissioner with HHA Employees on HHA Property.

Initially, the complainant alleged that a Commissioner sold insurance to the HHA employees and that these employees felt pressured to buy insurance from the Commissioner. The Buffalo Field Office directed that the HHA instruct the Commissioner to cease and desist from any further transactions with employees. Also, the Buffalo Field Office directed the HHA to describe how it plans to implement and enforce its ethics policy. The HHA interim Executive director told the Buffalo Field Office that its Board of Commissioners would adopt a clear and strongly worded resolution requiring full disclosure of any conflict of interest involving the employees and the Commissioners. Our review disclosed that subsequent to the Buffalo Field Office's fact finding review, the Commissioner in question resigned; however, as of April 23, 1998, the HHA's Board of Commissioners had not passed the conflict of interest resolution.

In addition, the complainant alleged that another Commissioner received free fuel oil and gasoline at a station operated by a fuel company doing business with the HHA. Although this issue was not specifically addressed by the Buffalo Field Office in its November 1997, fact finding report, we followed up on this allegation during our review. We did not find any evidence to substantiate this allegation.

Buffalo Field Office Finding No. 2: Ineligible Expenditures at Board Dinners.

The complainant alleged that the spouses of the Board of Commissioners attended dinners that were paid for by the HHA. The HHA interim Executive Director told the Buffalo Field Office that it discontinued the dinners and that a formal resolution would be presented to the Board of Commissioners stating that HHA funds will not be expended for meals. Our review disclosed that as of April 23, 1998, the Board had not passed this resolution.

Buffalo Field Office Finding No. 3: Commissioners Over Involved in Day to Day Administration Resulting in a Deteriorating Working Relationship with the Executive Director and Unclear Lines of Authority with Staff.

The complainant alleged that the Board of Commissioners may have attempted to undermine the Executive Director and impede the Executive Director from performing the Executive Director's duties. The HHA interim Executive Director told the Buffalo Field Office that each Commissioner would be provided with a copy of Chapter 4 of the National Association of Housing Redevelopment Officials' publication regarding the relationship between the Board of Commissioners and the Executive Director and that the Commissioners were to exercise their best efforts to comply with the letter and spirit of the publication.

Based on interviews and an examination of the Board of Commissioners' minutes and HHA correspondence, we concluded that the Board of Commissioners, in particular the Acting Chairperson, is still over involved in certain aspects of the day to day administration of HHA's operations. An examination of the Board of Commissioners' minutes subsequent to the Buffalo Field Office fact finding review showed that the same type of problems exists. Moreover, HHA correspondence showed that the Acting Chairperson is conducting business on behalf of the HHA without advising the Executive Director. For example, the Acting Chairperson contacted the HHA's insurance agent regarding a policy that was pending cancellation. The Acting Chairperson requested that the insurance agent not inform the Executive Director that the Acting Chairperson had called the agent. As you can see, your Office will have to direct the Acting Chairperson to stop this type of involvement.

Buffalo Field Office Finding No. 4: Competitive Procurement Documentation Lacking for Purchases of Materials and Supplies and for Legal and Accounting Services.

The complainant alleged that purchases for fuel and supplies were made without going through the competitive bid process. The Buffalo Field Office directed the HHA to obtain an adequate number of price quotes for all small purchases. The HHA interim Executive Director told the Buffalo Field Office that the Board of Commissioners will need to establish clear standards and procedures for procurement. The HHA sent a draft copy of its proposed procurement policy to the Buffalo Field Office for suggestions and recommendations. However, as of April 23, 1998, the HHA did not have a Board of Commissioners approved procurement policy for our evaluation.

Buffalo Field Office Finding No. 5: Board of Commissioners has not Provided for Residents to be Involved and Participating in the Overall Policy Development and Direction of Public Housing Operations.

The Buffalo Field Office developed this finding during its fact finding review. It did not necessarily stem from a specific allegation from the complainant. The Buffalo Field Office

determined that the HHA must ensure that tenant input is received by the Board of Commissioners when establishing HHA policy. In the HHA's March 4, 1998, response to the Buffalo Field Office, the HHA interim Executive Director noted that the HHA would enact by-laws regarding the election of members of tenant councils. As of April 23, 1998, the by-laws had not been enacted.

Buffalo Field Office Observation No. 1: The Town Board of Harrietstown Needs to Establish Consistent Procedures for Appointing Housing Authority Board Members.

The Town Board of Harrietstown appears to have implemented the Buffalo Field Office's recommendations regarding this observation. Specifically, we were advised by the HHA interim Executive Director that the Town Board had recently advertised for a HHA Commissioner vacancy. Members of the Town Board interviewed the potential candidates; however, no one has been selected and the position has been readvertised.

Buffalo Field Office Observation No. 2: Authority Board Needs to Establish a Formal Procurement Policy, Including a Section on Ethics.

The HHA interim Executive Director advised the Buffalo Field Office that it would have a Board of Commissioners approved procurement policy, including a section on ethics. However, as of April 23, 1998, the Board of Commissioners had not approved a policy.

Buffalo Field Office Observation No. 3: The Executive Director Should Act as the Contracting Officer for the Authority.

At the March 24, 1998, meeting of the Board of Commissioners, the Commissioners adopted Resolution Number 1998-March 5 that amended the HHA by-laws to allow the Executive Director to act as the Contracting Officer for the HHA pursuant to HUD Procurement Handbook 7460, Chapter 3, Section 2. During our site visit, we observed that the Executive Director was acting as the Contracting Officer for the HHA.

OIG Issue No. 1: Personnel Policy

The Independent Public Accountant's (IPA) audit report on the HHA's operations for fiscal year ended December 31, 1997, contained a finding that the HHA did not have a personnel policy. However, subsequent to the IPA report being issued, the finding was resolved based on the HHA having approved a personnel policy at its January 13, 1998, Board of Commissioners meeting. During our site visit, we reviewed a draft copy of the personnel policy that had not been officially approved by the Board. We recommend that the Buffalo Field Office follow up and require the HHA to issue a final copy of its personnel policy.

OIG Issue No. 2: Modernization Coordinator

At its December 1997, Board of Commissioners meeting, the Commissioners voted to change the employment status of the modernization coordinator from a part time to a full time employee. Also, the Board approved a \$12,000 increase in the modernization coordinator's salary retroactive to September 9, 1997. Our review disclosed that the Board did not have adequate documentation to justify the retroactive increase in salary. In addition, we found that the Interim Executive Director granted the modernization coordinator 16 days of paid leave for the period March 7 to March 30, 1998. Our review of the modernization coordinator's accumulated time record did not indicate any evidence that 16 days of leave time had been accrued. We recommend that the Buffalo Field Office follow up with the HHA and require the HHA to provide justification for the modernization coordinator's retroactive salary increase. We also recommend that the HHA be required to provide justification for granting the modernization coordinator 16 days of paid leave.

DISTRIBUTION

Secretary's Representative, New York/New Jersey, 2AS
Director, Office of Public Housing, Buffalo Area Office, 2CPH (2)
Field Comptroller, Midwest Field Office, 5AF
CFO, Mid-Atlantic Field Office, 3AFI
Buffalo Area Coordinator, 2CS
Assistant to the Deputy Secretary for Field Policy and Management, SDF
(Room 7106)
Office of Public and Indian Housing, PF (Attention: Comptroller,
Room P8202 L'PI) (5)
(Acting) Assistant to the Secretary for Labor Relations, SL, Rm. 7118
Chief Financial Officer, F (Room 10164) (2)
Deputy Chief Financial Officer for Finance, FF
(Room 10166) (2)
Associate General Counsel, Office of Assisted Housing and
Community Development, CD (Room 8162)
Executive Director, Harrietstown Housing Authority, Saranac Lake, New York

Inspector General, G (Room 8256)
Public Affairs Officer, G (Room 8256)
Counsel to Inspector General, GC (Room 8260)
Internet Coordinator, GAA (Room 8172)
Assistant Inspector General for Audit, GA (Room 8286)
Deputy AIGA, GA (Room 8286)
Director, Research & Planning, GAP (Room 8180)
Director, Financial Audits Division, GAF (Room 8282)
Semi Annual Coordinator, GF (Room 8254)
Central Files, GF, (Attn: Mary E. Dickens, Room 8266) (2)
ASAC, OIG, 2GI Room 3430B

Director, Housing & Community Development Issue Area
US GAO, 441 G Street, NW, Room 2474
Washington, DC 20548
(Attention: Judy England-Joseph)

Subcommittee on General Oversight & Investigations
O'Neill House Office Building - Room 212
Washington, DC 20515
(Attention: Cindy Sprunger)

Honorable Pete Sessions
Government Reform & Oversight Committee
Congress of the United States
House of Representatives
Washington, DC 20510-4305

Honorable John Glenn
Ranking Member
Committee on Governmental Affairs
United States Senate
Washington, DC 20510-6250

Honorable Dan Burton
Chairman
Committee on Government Reform & Oversight
House of Representatives
Washington, DC 20515-6143

Honorable Fred Thompson
Chairman
Committee on Governmental Affairs
United States Senate
Washington, DC 20510-6250

