U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 31, 2014

**MEMORANDUM NO:**
2014-FW-1802

# *Memorandum*

TO: David G. Pohler
Director, San Antonio Office of Public Housing, 6JPH

//signed//
FROM: Gerald Kirkland
Regional Inspector General for Audit, 6AGA

SUBJECT: The Management of the Housing Authority of the City of Nixon, Nixon, TX, Did Not Exercise Adequate Oversight and Allowed Ineligible and Unsupported Costs

## INTRODUCTION

In accordance with our regional plan to review public housing programs and because of a complaint received by our office, we reviewed the Housing Authority of the City of Nixon, Nixon, TX. Our objective was to determine whether the Authority operated its public housing and related grant programs in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. Specifically, we wanted to determine whether the complainant's allegations regarding payroll and vacation payments, petty cash, and fund accounting issues were valid. We expanded our testing to cover other high-risk disbursements and board oversight.

## METHODOLOGY AND SCOPE

We conducted our work at the Authority's administrative offices in Nixon, TX, the San Antonio, TX, Office of Public Housing, and the Office of Inspector General's (OIG) offices in San Antonio and Fort Worth, TX, between September 9 and December 18, 2013. The review generally covered the period April 1, 2010, to March 31, 2013. We expanded the scope as necessary to accomplish our objective.

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To accomplish our objective, we reviewed the Authority's

- Policies and procedures and its available board minutes from March 2011 to June 2013.
- Electronic fiscal year general ledgers and cash disbursements data from April 1, 2010, to March 31, 2013. We used this information to select high-risk items for review and to determine whether amounts reported in HUD's Financial Accounting SubSystem (FASS) reconciled to the Authority's general ledger data. We noted that the amounts reported in FASS for low-rent operating funds and Public Housing Capital Fund Program grant funds did not reconcile and the Authority made a significant number of adjusting journal voucher entries to its various funds. However, we determined that the data were generally sufficiently reliable to meet our review objectives as check information matched the information in the general ledger.
- Bank statements from April 1, 2011, through March 31, 2013, to determine whether the Authority followed its dual check signature policy and to identify checks written for high-risk items.
- Contract with its executive director, dated May 2006. We compared the amount in the contract to the amounts paid to the executive director for fiscal years 2011 through 2013.
- Leave and payroll records from January 1, 2010, through March 31, 2013. For the executive director, we determined the maximum amount of leave available based on the Authority's policy and compared it to amounts recorded on checks as leave payments to determine whether overpayments occurred. We also determined whether the board approved the payment of bonuses.
- Payments made to a contractor to determine whether the Authority had a contract and support for the payments made.
- Wage and miscellaneous income reporting to the Internal Revenue Service (IRS) for calendar years 2010 through 2012 and compared it to general ledger information to determine whether discrepancies existed.
- Travel, other payments, and reimbursements made to the executive director to determine whether they were reasonable, necessary, supported, and in accordance with the Authority's policies.
- Petty cash fund to determine whether the Authority properly maintained it and had support for fund disbursements.
- Financial statements for the 12 months ended March 31, 2006 for background information and findings relevant to our review objectives.

We also

- Interviewed HUD San Antonio Office of Public Housing staff, the Authority's staff, two board members, and the Authority's fee accountant.
- Obtained the Authority's data submissions to FASS for fiscal years 2011 through 2013.
- Reviewed and obtained an understanding of the relevant laws, regulations, and HUD's guidance.

## BACKGROUND

The Authority is chartered as a public corporation under the laws of the State of Texas for the purpose of providing safe and sanitary dwelling accommodations. It is governed by a five-member board of commissioners, who are appointed and can be removed by the mayor of Nixon. The board is responsible for establishing operating policies and overseeing the executive director, who manages the Authority's day-to-day operations. The Authority has two employees, an executive director and a maintenance supervisor.

The Authority owns and manages 33 low-rent public housing units and administers 13 housing choice vouchers. HUD provided operating subsidies and Capital Fund Program funds to the Authority to manage, maintain, operate, and improve its public housing developments. HUD also provided the Authority Housing Choice Voucher program administrative fees and housing assistance payments. In addition, the Authority received rental income from its tenants. According to the Authority's submission to FASS, it reported the following total HUD funding and revenues during fiscal years 2011 through 2013. According to HUD's 2013 Public Housing Agency Recovery and Sustainability Assessment, the Authority's financial position has been steadily declining.

**Table 1: The Authority's reported HUD funding and other revenues for the fiscal years reviewed**

| FASS description | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|
| Low-rent tenant revenue | $ 90,312 | $ 94,925 | $ 99,835 | $ 285,072 |
| Low-rent operating subsidy | 151,236 | 99,550 | 89,229 | 340,015 |
| Housing choice vouchers | 42,025 | 32,241 | 29,885 | 104,151 |
| Capital Fund Program grant | 32,534 | 3,614 | 4,212 | 40,360 |
| Investment income unrestricted | 100 | 47 | 36 | 183 |
| Other revenue | 2,207 | 2,436 | 2,766 | 7,409 |
| **Grand total** | $ 318,414 | $ 232,813 | $ 225,963 | $ 777,190 |

## RESULTS OF REVIEW

Many of the complainant's allegations were valid. The Authority did not properly manage its public housing and related grant programs in accordance with HUD requirements. Specifically, the Authority made ineligible and unsupported payroll and vacation leave payments. It also lacked support for its executive director's travel and other costs, payments made to a contractor, and purchases made with petty cash. It failed to properly report its employees' wages and a contractor's income to the IRS and may owe additional taxes on some of these amounts. These conditions occurred because the Authority's management, consisting of its executive director and board of commissioners, did not exercise adequate control over the Authority. Further, they did not ensure that policies, procedures, and controls existed and were followed. As a result, the Authority paid ineligible and unsupported costs totaling $116,341.

**The Authority Paid Its Executive Director Ineligible and Unsupported Compensation**

The Authority paid its executive director more than her contracted salary. In addition, it could not support cash vacation leave payments with detailed vacation leave records, and it made vacation leave payments in violation of its vacation leave accrual policies. The Authority also lacked support for and board approval of additional compensation payments. It paid the additional compensation as if the executive director were a contract laborer, but it did not properly disclose the payments for tax purposes or provide the executive director the proper tax forms. These improper payments occurred because the board failed to exercise proper oversight of its executive director and did not ensure that its executive director followed changes made as a result of prior audit findings concerning salary. As a result, the Authority paid its executive director ineligible and unsupported salary and other compensation totaling $90,276.

*The Authority Paid Its Executive Director $159,564 for the 3 Years Reviewed*

A review of the Authority's electronic general ledger records showed that the Authority paid its executive director the following amounts.

**Table 2: Summary of payments made by the Authority to its executive director**

| General ledger description | General ledger account | Fiscal year 2011 | Fiscal year 2012 | Fiscal year 2013 | Total |
|---|---|---|---|---|---|
| *Taxes withheld* | | | | | |
| Administrative salaries - Low rent | 1014110 | $ 42,916 | $ 44,010 | $ 50,540 | $ 137,466 |
| Administrative salaries - Housing Choice Voucher | 2014110 | 2,236 | 2,316 | 2,660 | 7,212 |
| *Subtotals* | | $ 45,152 | $ 46,326 | $ 53,200 | $ 144,678 |
| *No tax withholding* | | | | | |
| Travel expense (car allowance through fiscal year 2011) | 1014150 | $ 1,920 | $ 0 | $ 0 | $1,920 |
| Maintenance contract - other | 1014430.09 | | 1,000 | | 1,000 |
| Other general expense | 1014590 | 200 | 2,675 | 2,359 | 5,234 |
| Other general expenses | 2014590 | | 25 | 25 | 50 |
| Administration (CFP* 09) | 3012009.1 | 696 | - 0 - | - 0 - | 696 |
| Administration (CFP 10) | 3012010.1 | 4,586 | - 0 - | - 0 - | 4,586 |
| Management improvements | 3012011 | - 0 - | - 0 - | 1,400 | 1,400 |
| *Subtotals* | | $ 7,402 | $ 3,700 | $ 3,784 | $ 14,886 |
| **Grand totals** | | $ 52,554 | $ 50,026 | $ 56,984 | $ 159,564 |

* CFP = Capital Fund program

For the period reviewed, the executive director's total pay equaled 20.5 percent of the Authority's total revenues of $777,190. This amount seemed excessive as administrative salaries for other very small public housing agencies in the region average 14.4 percent, while the Authority paid 20.5 percent for only its executive director's salary. Including the maintenance supervisor's salary increased the Authority's administrative payments percentage to 31.0 percent.

*The Authority Paid Its Executive Director in Excess of Her Contract*

The Authority lacked support for $77,286 in salary costs paid to its executive director in excess of her executed contract. The only contract the Authority could provide was dated May 2006, and it was signed by the executive director in August 2006. According to the contract, the executive director was to start as interim executive director in May 2006 and become the executive director in June 2006. The contract called for annual compensation of $22,464, which equaled pay of $18 per hour, 24 hours per week, 3 days per week. The contract stated the position was a salaried position and "only mileage will be reimbursed when you are called-out for an emergency." A board member stated that the executive director had received salary increases approved by the board, but a review of the available board meeting minutes from July 2010 through March 2013 did not show board-approved salary increases.

A comparison of the amount paid to the executive director as salary to the amount in the contract showed that the Authority paid $77,286 more than was provided in the contract. As the Authority could not provide board meeting minutes approving the salary increases or a revised contract, it could not support the excess salary payments as shown in table 3.

**Table 3: Total unsupported salary payments in excess of the executive director's contract**

| Description | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|
| Salary payments per general ledger | $ 45,152 | $ 46,326 | $ 53,200 | $ 144,678 |
| Executed 2006 contract salary amount | 22,464 | 22,464 | 22,464 | 67,392 |
| **Unsupported salary payments** | $ 22,688 | $ 23,862 | $ 30,736 | $ 77,286 |

*The Authority Lacked Board Approval for a $500 Bonus Payment*

The Authority paid the executive director a bonus for each of the years reviewed, which was included in the two other general expense(s) payments in table 2. The bonuses ranged from $200 to $1,000. However, the Authority could not provide board meeting minutes or other proof of approval for a December 12, 2012, bonus payment of $500. As a result, the $500 payment was unsupported.

*The Authority Improperly Paid Its Executive Director for Vacation Leave*

The Authority made improper payments totaling $6,480 to its executive director for unused vacation leave. The Authority's policy allowed the executive director to earn 4 weeks and carry over 1 week of vacation leave. The Authority paid the executive director for 15 weeks of unused vacation leave, which exceeded the amount of vacation leave she could have earned. The Authority also lacked sufficient records concerning the vacation leave and provided contradictory information about the amount of vacation leave the executive director had earned and used.

*The Authority Made Contract Labor Payments to Its Executive Director*

The Authority paid the executive director a total of $12,990 for unsupported labor to perform fiscal year 2010 and 2011 Capital Fund Program activities and other activities. The Authority charged the costs to maintenance contract – other; administrative sundry labor; other general expenses; and management improvements. The payments also included a car allowance. However, the Authority could not show

how these activities were different and separate from what would be expected of a salaried executive director. The Authority's contract with the executive director did not include provisions for such separate payments. The Authority also lacked records showing the date, hours, and activities on which the executive director worked in excess of her normal salaried position.

*The Authority Did Not Properly Withhold Taxes on Additional Compensation Paid*
The Authority made additional payments totaling $14,886 as if the executive director were a contract employee and not a salaried employee. It did not withhold Federal income or other taxes from the amounts paid. Further, the Authority did not include all of these amounts on the executive director's annual IRS Forms W-2, Wage and Tax Statement, nor could it provide proof that it issued an IRS Form 1099-MISC, Miscellaneous Income, to the executive director and the IRS for these amounts. In addition, the salary and other amounts in its general ledger could not be reconciled to the income amounts reported on the executive director's Forms W-2 (see table 4). As a result, the Authority, the executive director, or both will owe Federal taxes on the additional income amounts paid.

**Table 4: Total income reported to the executive director and the IRS**

| Calendar year | Total amount paid | 1099 miscellaneous income | W-2 income | Unreported income |
|---|---|---|---|---|
| 2011 | $ 49,936 | $ 0 | $ 45,500 | $ 4,436 |
| 2012 | 58,160 | 0 | 49,140 | 9,020 |
| **Totals** | $108,096 | $ 0 | $ $94,640 | $ 13,456 |

*A Previous Independent Audit Had a Finding Concerning Salary Documentation*
In its report covering the fiscal year ended March 31, 2006, the Authority's independent auditor found the Authority had inadequate documentation for the executive director's salary and questioned some of the salary. The auditor reported that the Authority did not have timesheets for the executive director and did not track vacation and sick time earned, used, and left over from year to year. The auditor recommended that the Authority maintain timesheets and that it track vacation and sick leave in detail. Further, the auditor recommended that a board member or another employee review the information and that the board be notified in advance when salary amounts exceeded budgeted amounts. The Authority agreed to implement the recommendations. Three of the five current board members were on the board when these findings were reported. During May 2006, the prior executive director was placed on administrative leave and her employment was terminated. The current executive director was aware of these findings. She said she initially kept timesheets but stopped doing so about 3 years ago as she had gotten busy. She further stated that keeping track of her leave was the board's responsibility, not hers.

*The Board Failed To Exercise Its Oversight Responsibilities*
The ineligible and unsupported payments to the executive director occurred because the board did not properly exercise its role in overseeing the Authority. The board

did not properly review and monitor its executive director's activities and failed to update its contract with its executive director. Further, it did not ensure that payments made to the executive director complied with laws or Authority policies. In addition, it did not maintain current policies or board meeting minutes. For example, it provided personnel policies, dated 2006, which contained multiple pen and ink changes that apparently covered several years, but it lacked documentation showing that the board had voted on or approved resolutions, thereby adopting any of these handwritten changes.

**The Authority Lacked Support for Its Executive Director's Travel and Other Costs**
The Authority paid $1,592 to the executive director for unsupported travel and other costs. During July 2011 and August 2012, the Authority paid $1,242 in meals and incidental costs to the executive director while she traveled. In the most extreme case, it paid her actual lodging and $250 per day for a 3-day trip. Federal travel regulations in effect at the time allowed a maximum of $71 for meals and incidental costs. In addition, the Authority's travel policy did not allow for such payments; it allowed only for the reimbursement of actual travel costs, supported by documentation and receipts. However, the Authority did not require the executive director to submit receipts or support for actual travel costs; thus, the $1,242 was unsupported.

The Authority also paid $350 to reimburse the executive director for supplies. Its policies did not address reimbursing employees for business-related purchases. Federal cost principles require that all costs be supported, reasonable, and necessary. As the Authority did not have receipts or invoices to support that the purchases were valid business expenses, these payments were unsupported. The Authority will need to support or repay these amounts.

**The Authority Paid Its Maintenance Supervisor an Unsupported Bonus**
The Authority could not provide board meeting minutes or other proof of approval for a $500 bonus payment that it made to its maintenance supervisor on December 13, 2012. The Authority needs to support or repay the $500.

**The Authority Lacked Support for Payments to a Contractor**
In 2010 and 2012, the Authority paid an individual $23,523 for "quality control" and "contract labor" work. It did not have procurement records or documentation showing board approval for this procurement. Further, except for invoices that generally stated "quality control" and provided a total amount due, the Authority lacked supporting documentation showing the services provided or the hours worked. Federal regulations require that services be competitively procured and payments be adequately supported by documentation. Since the Authority lacked quotes, a contract, or detailed invoices for these payments, they were unsupported.

In addition, the Authority did not properly disclose the miscellaneous income amounts to the contractor or the IRS. Table 5 shows the Authority's payments and the amounts it reported to the contractor and the IRS as 1099 miscellaneous income. The Authority will need to correct its improper tax reporting.

**Table 5: Total unreported income to a contractor and the IRS**

| Calendar year | Amount paid | 1099 miscellaneous income | Unreported income |
|---|---|---|---|
| 2010 | $14,530 | $ 0 | $14,530 |
| 2011 | 0 | 0 | 0 |
| 2012 | 8,993 | 7,431 | 1,562 |
| **Totals** | $23,523 | $7,431 | $16,092 |

**The Authority Lacked Support for Purchases Made With Petty Cash**

Initially, the Authority could not support petty cash disbursements totaling $3,332 of the $3,694 reviewed. However, 2 months after the review started, a commissioner found and provided support for all but $450 of the Authority's petty cash disbursements. The Authority did not have a petty cash policy. In addition, the executive director and a commissioner admitted to not reviewing or requiring support for petty cash disbursements. The Authority had previous problems with its petty cash fund. In August 2011, a prior employee quit suddenly when the executive director questioned the employee about missing petty cash support. Due to these continued problems, the Authority should either discontinue its petty cash fund or exercise adequate controls over it. The Authority should also support or repay $450 to its petty cash fund.

**In Violation of the Authority's Policies, only 1 Individual Signed 14 Checks**

Review of the Authority's bank statements showed 14 checks signed by only 1 individual. The executive director signed 11 of the single-signature checks, and the board chairperson signed the other 3. In addition, testing disclosed that the second signature on some checks was not the chairperson's. The Authority's bylaws required the executive director to sign all checks and that they be countersigned by the "chairman." While none of the single-signature checks reviewed appeared to be an improper use of funds, allowing only one individual to sign checks is a significant control weakness that increases the risk that fraud, waste, and abuse will occur and go undetected. The Authority should ensure that all checks are signed in accordance with its policy.

**The Board Held Irregular Meetings and Lacked Written and Approved Meeting Minutes**

Based on interviews and the Authority's records, the board held 11 meetings during the 27 months from March 2011 to June 2013. The Authority lacked written minutes for 2 of those 11 meetings. The frequency of board meetings was erratic and the number of months between meetings had increased from 1 month in 2011, to occasionally 2 months in 2012, to 3 months in 2013. As secretary for the Authority, the executive director was responsible for documenting the meetings. The Authority's bylaws stated that a regular meeting could be held as determined by resolution but did not specify the time or place of the meeting. None of the nine meeting minutes reviewed contained a resolution stating when the next meeting would be held. The executive director indicated it was difficult to get together a quorum of board members to hold a meeting and admitted she was behind on writing up some meeting minutes. Both a board member and the executive director stated that the board made decisions or took actions that were not recorded in the meeting minutes. Board meetings are a vital part of the board's oversight of the Authority's operations, and the meeting minutes are the essential record of the business discussed and the decisions made. Many of the issues found at the Authority occurred due to lack of board oversight.  The Authority should hold regular meetings, pass resolutions regarding when the next meeting will be, and maintain complete and accurate records of what transpired.

**Other Significant Issues Existed That Affected the Authority's Financial Position**
The Authority's FASS and general ledger revenue data did not reconcile for its low-rent operating subsidy and Capital Fund Program revenues.  From fiscal year 2011 to 2013 and when compared to HUD's FASS data, the Authority's general ledger underreported its Low rent operating subsidy balance and over reported its Capital Fund Program balance by a total of $90,505.  This condition may have occurred because the Authority made multiple journal voucher entries that affected the accuracy of the accounts.  The Authority will need to work with HUD and its fee accountant to determine the proper fund balances.

Additionally, in 2011, HUD required the Authority to repay $29,125 in Capital Fund Program grant funds to HUD because the Authority improperly received excess low-rent operating subsidy funds.  According to HUD, the Authority received overfunding due to excess utility costs in 2010.  When this overfunding occurred, HUD also locked the Authority out of HUD's Line of Credit Control System (LOCCS), which restricted the Authority's access to HUD funding, and required the Authority to provide disbursement documentation for its funding.  A deficit 2013 operating budget was submitted in LOCCS; however, the Authority stated it did not submit this budget.  Further, the Authority could not provide a board approved operating budget for 2013.  Due to these various financial issues, HUD has restricted the Authority to a reimbursement basis for drawing down funds.  The Authority will need to work with HUD to create a viable operating budget and function within those budget constraints.  HUD should also continue monitoring the Authority's overall financial condition and financial record keeping.

Table 6 shows the ineligible and unsupported amounts, which totaled $116,341.  Some payments were questioned as unsupported or ineligible for more than one reason.  The Authority will need to repay the ineligible amounts and support or repay the remaining amounts.

**Table 6:  Questionable payments made**

| Description | Ineligible amount | Unsupported amount |
|---|---|---|
| Unsupported salary | | $ 70,806 |
| Unsupported car allowance payments | | 1,920 |
| Unsupported maintenance contract payments | | 1,000 |
| Unsupported other general expense payments | | 4,034 |
| Unsupported other general expenses payment | | 50 |
| Unsupported administration (CFP 10) payments | | 4,586 |
| Unsupported administration (CFP 11) payments | | 1,400 |
| Unsupported per diem | | 1,242 |
| Unsupported supply reimbursement | | 350 |
| Ineligible salary – vacation payments | $6,480 | |
| Unsupported contractor payments | | 23,523 |
| Unsupported bonus | | 500 |
| Unsupported petty cash | | 450 |
| **Grand total** | $6,480 | $109,861 |

## RECOMMENDATIONS

We recommend that the Director of the San Antonio Office of Public Housing

1A. Require the Authority to repay its various program accounts $6,480 from nonfederal funds for ineligible vacation payments made to its executive director.

1B. Require the Authority to support or repay its various program accounts $109,861 from nonfederal funds for unsupported payroll, other compensation, bonuses, travel, supplies, contractor payments and petty cash disbursements.

1C. Require the Authority's board to evaluate its executive director's performance and pay.

1D. Require the Authority to have an updated contract for its executive director, which includes a clear description of duties. Further, it should review and update the contract on a regular basis.

1E. Require the Authority to implement policies and controls, including personnel policies; policies for tracking time and vacation leave for all employees, including the executive director; a procurement policy that complies with requirements; and a check signature policy.

1F. Require the Authority to properly procure all outside consultants and maintain supporting documents for all payments to contractors.

1G. Require the Authority to correct its form W-2 and 1099 miscellaneous income tax reporting to the IRS and make any necessary additional tax payments, as needed.

1H. Require the Authority's board to hold regular meetings, and at each meeting approve the meetings minutes from the last meeting and pass a resolution that documents when the next meeting will be held.

1I. Require the Authority's executive director to maintain complete and accurate records of board meeting minutes, including numbered resolutions when items are submitted and voted on for board approval.

1J. Require the Authority to work with HUD and its fee accountant to determine the proper fund balances that should be reported in FASS and the Authority's general ledger.

IK. Require the Authority to submit a plan to improve board oversight and operate in a fiscally responsible manner or transfer the program to another public housing agency with the resources and administrative capacity to effectively manage its programs.

1L. Work with the Mayor of Nixon to evaluate the effectiveness of the current board members and replace any as appropriate.

# APPENDIXES

## Appendix A

### SCHEDULE OF QUESTIONED COSTS

| Recommendation number | Ineligible 1/ | Unsupported 2/ |
|---|---|---|
| 1A | $ 6,480 | |
| 1B | | $ 109,861 |

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a 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.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

| Ref to OIG Evaluation | Auditee Comments |
|---|---|

NIXON HOUSING AUTHORITY
P.O. BOX 477, 506 E. 4TH STREET, NIXON TEXAS 78140
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**Gerald R. Kirkland, Regional** **March 7, 2014**
**Inspector General for Audit**
**Office of Audit (Region 6)**
**819 Taylor Street, Suite 13A09**
**Forth Worth, TX 76102** **Re: Audit Findings Response**

**Dear Mr. Kirkland:**

The Nixon Housing Authority, henceforth the NHA most adamantly refutes the findings raised in the OIG's recent eight-month audit covering FYE 2011 to FYE 2013. At no time did the NHA's Commissioners or Executive Director engage in inappropriate, or misuse of appropriated HUD funds.

The NHA's Executive Director was hired in 2005 as interim E.D., moving to E.D. soon thereafter, and at the time of her employment the NHA was in ***"troubled status"*** with the U.S. Department of Housing and Urban Development (HUD). The E.D. was requested by the Commissioners to performed out of scope of her job description, the procurement of an A-133 Audit, which was being required by the San Antonio Regional HUD offices, not to mention **REAC** (Real Estate Assessment Center) was coming in a two-months time from her hire.

The NHA's grounds, and apartments were in an unacceptable state due to previous management. The Commissioners, the majority being freshmen, hired the energy, non-stopping, self-starter as E.D. to bring the NHA forward, she worked continuously from 2005 until 2010 without taking, or having the occasion to utilize any of her "vacation time", or any leave for that matter. She spent 12 hours a day working to get the NHA up to par with requirements for REAC's upcoming visit. The NHA Commissioners agreed to allow the E.D. to receive compensation time for the exact hours earned, by each hour going towards compensation-time (unambiguously) vacation-time, since the

**Comment 1**

E.D. was salaried. This was written in the "***Executive Director's Agreement."'*** Not under the ***"Interim/Executive Director Agreement".***

Her vacation time has accrued over the years due to this fact, as well as the E.D., majority of the time has been the only one in the NHA offices, other than the Maintenance Supervisor, who does not provide clerical duties. The NHA's policies states as well as in the "***employee's agreements***", not a

**Comment 1**
**Comment 2**

contracts, as stated in OIG's findings. The employees are encouraged to use all their accrued vacation time, and if this is not possible, being that the NHA employees consists of one E.D., and one Maintenance Supervisor, are asked to sell-back their vacation-time. No more than two-weeks at a time, and carryover at least one week to the upcoming year. The fact that job separation may occur due to US Government's cutting back on HUD's funding, the employees are always at risk of being furloughed, or relieved from their duties for "just cause". The NHA reimburses vacation time when separation is for **"just cause"**, or HUD requests we release the employee, as with the previous E.D. Thus, the reason for selling back vacation time as per the NHA's personnel policies, resolution #s assigned, and in Board Meeting Minutes.

The NHA Commissioners cannot understand how incorrect information will be posted on the world wide web, and quite possibly "be published in any newspaper", when even the background

**Comment 3**

information is incorrect. Example: Table 1: Low-rent Operating Subsidy, 2011 OIG's Audit figure is $151.236; NHA's actual amount for operating subsidy was $74,779.38, Table 2: Travel expense – OIG's findings "No tax withholding", NHA includes the E.D.'s car allowance within her salary, with all taxes withheld. These amounts reflect on the employee's W2 in the Number 14 column – for "employer's and employee's Information."

EQUAL EMPLOYMENT AND HOUSING OPPORTUNITIES

| Ref to OIG Evaluation | Auditee Comments |
|---|---|

NIXON HOUSING AUTHORITY
P.O. BOX 477, 506 E. 4TH STREET, NIXON TEXAS 78140
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**Comment 4**

Table 3: OIG used the E.D. salary from the 2005's ***"Interim/Executive's Agreement",*** across their general ledger, page 5. The NHA Commissioners have given COLAs (Cost of Living Adjustments) increases to its employees, and if not COLAs an end of the year incentive has been provided in the last nine years from hire dates. (Dates of hire: E.D. 2005, Maintenance Supervisor 2002) All have been documented in the NHA's minutes whenever applicable.

**Comment 5**

Page 7: OIG's findings lack of support for payments to Contractor for "QC" (Quality Control). Now the Commissioners, due to HUD wanting, and preferring everything to be ***"outsource",*** the NHA contracted for an individual to come in and perform "QC", since the NHA was informed that the Maintenance Supervisor could not perform the quality control over the E.D. The Contractor was provided a 1099 for each year, if applicable.

Page 8: OIG's findings on Petty Cash. Yes, we did not have the receipts totaling the petty cash amounts. The moving of unsecured files to cabinets, to secure cabinets (***required by*** HUD for security reason) with multiple locks, and between two locked doors, the receipt files are there, they have just misplaced. Example: The HUD offices moving, files have been misplaced, and or totally lost? So, the NHA will now move to the "Imprest" system, or do away with the "Petty Cash". In this small town vouchers cannot be used to procure incidental items, such as toilet paper, pay for neither a pre-paid cell phone, nor does the cell company accepts vouchers.

**Comment 6**

Page 10: OIG's recommendations: The NHA emphatically rejects the OIG requesting repayment of any funds, other than the Petty Cash. HUD never reimburse the NHA for it's A-133 Audit; then we were informed in 2010 that HUD had over-budgeted us $127, 677.00, when the E.D. had requested only $23,670, an approximate. The NHA was locked out of Operating Subsidies for to 3 to 4 months, and had to use NHA's reserves; a letter from HUD stating the reason was that the NHA's Fee Accountants "Informed HUD that the Project (NHA) was probably over funded due to its utilities expense levels." To this day a balance of $10,016.67 for 2011 sits in the NHA's Operating Subsidy Systems, which was suspended on August 9, 2011, again due to the Fee Accountant's statement.

The Nixon Housing Authority again has concerns for the posting of incorrect information on the World Wide Web. We are a small Authority of 33 low-rent apartments, and 13 vouchers, we have one E.D., and one Maintenance Supervisor. The Commissioner consists of five, one being a tenant-commissioner.

The NHA wants to thank the OIG onsite auditors for their time, and knowledge given. They have provided the NHA with vital information for improving the management of our HA. It would have saved the NHA almost $20,000.00, if HUD would have requested OIG to perform the A-133, that was required since the previous E.D. *retired.*

Most sincerely,
<Signed>

Troy L. Gibson, NHA
Chairperson

Dana L. Cowey, JD/MBA
Vice-Chairperson

Lawrence Kochell, Commissioner - President American Legion
Rene Amaya, Pastor - Commissioner
Beverly Abrego, BA - Tenant Commissioner

EQUAL EMPLOYMENT AND HOUSING OPPORTUNITIES

# OIG Evaluation of Auditee Comments

Comment 1 The Authority stated that the executive director's compensation was unambiguously spelled out in a written "Executive Director's Agreement." We asked the Authority's executive director and vice chairman on multiple occasions for any contract or agreement that the executive director had. The Authority only provided the document cited in the memorandum, dated May 2006, and it did not include any additional compensation language. The Authority did not title the document as either an "agreement" or "contract," but we called it a contract as it was a binding offer and acceptance of both the interim and executive director positions.

Comment 2 The Authority stated employees are asked to "sell-back" their vacation time. It also stated employees can sell back no more than 2 weeks at a time and it allowed them to carry over at least 1 week to the upcoming year. It further said the sales back were in accordance with its policies, had resolution numbers assigned, and were in the board meeting minutes.

We disagree. The Authority's policy allowed, but did not require employees to sell back vacation time. The Authority paid the executive director for 15 weeks of vacation time in excess of what its policy allowed her to earn and carry over. Further, the Authority had no resolutions or board meeting minutes concerning payments to the executive director for unused vacation time.

Comment 3 The Authority expressed concern that incorrect information would be posted to the world wide web and it provided examples. It stated the amount reported as low-rent operating subsidy in table 1 did not match the Authority's "actual amount." It also stated that the executive director's car allowance had taxes withheld from the funds.

We disagree. As this was a limited review, we did not confirm the Authority's reported FASS amounts used as background information to HUD's LOCCS information. However, our review found that the Authority general ledger amounts of $128,731 for low rent operating subsidy did not reconcile to it FASS amount of $151,236. Further, we recommended that the Authority work with HUD to determine the correct amounts. However, neither of these amounts equals the $74,779 figure cited by the Authority it its response. In addition, check copies of payments to executive director showed that the Authority computed the executive director's net pay by deducting taxes and then adding the car allowance amount.

Comment 4 The Authority stated that the executive director received board approved and documented cost of living adjustments or incentives that were not reported by OIG as part of the executive director's base salary. We reviewed all available board meeting minutes prepared and provided by the executive director from March 2011 to June 2013. We did not find any documented cost of living adjustments and noted two board approved incentive payments in 2011 and 2012, which we determined were allowable.

Comment 5 The Authority stated that it provided a 1099 each year to the contractor who performed quality control work. We asked on multiple occasions for the Authority to provide 1099s for the contractor. It only provided one 1099 for 2012. The Authority did not provide an explanation why the amount reported on the one 1099 did not match the amount paid to the contractor, nor did it provide support for the procurement.

Comment 6 The Authority rejected any repayment of funds and indicated its access to HUD funds had been restricted due to HUD over-budgeting funds to it. The Authority will need to repay ineligible amounts and either support or repay unsupported amounts. Further, we recommended that the Authority work with HUD to determine the proper fund balances to be reported and operate in a fiscally responsible manner.