



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

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MEMORANDUM NO:
2015-FW-1808

Memorandum

TO: Cheryl Williams
Director, Public and Indian Housing, 6APH

Craig T. Clemmensen
Director, Departmental Enforcement Center, CACB

//signed//

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

SUBJECT: The Duson Housing Authority, Duson, LA, Failed To Administer Its Public Housing Program in Accordance With HUD Requirements

INTRODUCTION

In accordance with our audit plan and because of financial discrepancies reported by the Duson Housing Authority's independent auditor, we reviewed the Authority's public housing programs. Our objective was to determine whether the Authority administered its public housing programs in accordance with regulations and other requirements.

U.S. Department of Housing and Urban Development (HUD) Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

METHODOLOGY AND SCOPE

We conducted the review at the Authority's administrative office in Duson, LA, HUD's New Orleans field office, and our offices in New Orleans and Baton Rouge, LA, from February through June 2015. The scope of the review generally covered the Authority's financial data for rent collected from January 2009 to November 2014. Based upon issues identified early in the

review, we expanded our scope to cover additional public housing activities, including rent calculations, property maintenance, unit inspections, and the Authority's waiting list.

To accomplish our objective, we

- Reviewed relevant laws, regulations, and other HUD requirements;
- Reviewed the Authority's policies and procedures, financial statements and reports, bank statements, general ledgers, and other supporting documentation as well as tenant files, board meeting minutes, and board resolutions; and
- Interviewed HUD and Authority staff, board members, public housing tenants, and the Authority's fee accountant.

Of 42¹ tenants housed between January 2009 and November 2014, we selected for review a nonstatistical sample of 25 tenant files, based upon the availability of the files. We reviewed the tenant files to determine whether the Authority maintained documentation to support the tenant's housing and rent history in accordance with HUD requirements.² Due to the disorganized and incomplete state of the Authority's files and lack of documentation, we determined that the computer-processed data, presented as part of the file records, were not reliable. In addition, the Authority's board terminated the employment of the former executive director, and the maintenance employee resigned before we began our review, thus preventing us from obtaining an explanation and clarification of the deficiencies identified.

Of the Authority's 30 units, we selected a nonstatistical sample of 4 occupied and 1 vacant units, based upon known issues present in the units, to inspect for compliance with health and safety requirements. We also inspected the exterior of the tenant unit buildings and the general property grounds. We did not assess the reliability of computer-processed data regarding the inspections because we did not rely on computer-processed data to conduct the inspections.

BACKGROUND

The Authority is a public housing agency, established to provide safe and sanitary housing for very low-income families and individuals. It is located at 515 6th Street, Duson, LA, and manages 30 low-rent public housing units. The Authority is governed by a five-member board of commissioners, responsible for overseeing the executive director's administration of the Authority's business affairs. From fiscal years 2009 through 2014, HUD provided the Authority

¹ The Authority had 17 tenants who moved in and then moved out during our review period.

² 24 CFR (Code of Federal Regulations) 85.20(b)(2) and the Authority's annual contributions contract

Public Housing Operating Fund, Public Housing Capital Fund, and American Recovery and Reinvestment Act grant funds (see table).

HUD funding

Fiscal year	Operating funds	Capital funds	Recovery Act funds
2009	\$ 78,097	\$ 42,221	\$53,723
2010	101,603	42,079	
2011	103,833	34,742	
2012	104,356	32,159	
2013	94,406	30,900	
2014	100,637	32,063	
Totals	\$582,932	\$214,164	\$53,723

RESULTS OF REVIEW

The Authority failed to administer its public housing programs in accordance with HUD regulations and other requirements. Specifically, it did not maintain (1) its units and property grounds or perform annual unit inspections, (2) auditable files, (3) adequate documentation to support tenant childcare and medical expense deductions and utility allowances, and (4) its waiting list properly. This condition occurred because the Authority did not have adequate written policies and procedures and the former executive director and the board did not exercise proper oversight of the Authority. As a result, we could not verify financial data related to tenant rent. In addition, the Authority’s tenants lived in substandard conditions. Further, the Authority could not provide reasonable assurance to HUD that it appropriately spent its program funds.

The Authority Did Not Perform Annual Unit Inspections or Adequately Maintain Its Property

Contrary to 24 CFR 5.705, the Authority did not have documentation showing that it conducted annual unit inspections and regular maintenance. It also did not document work orders showing repair needs or work performed. Further, despite tenant complaints, the Authority did not make needed repairs to units. An inspection of five units and the exterior of tenant unit buildings and general property grounds identified poor conditions. Specifically, the buildings showed years of neglect, with mud and mildew buildup, rusted entry doors, and insect nests under porches and around doors (see illustrations 1 and 2). Sidewalks and grassy areas under trees also had standing water from rain, which can create insect infestation and increase the risk of injury.



Illustration 1: Unit buildings with mud and mildew buildup on lower bricks



Illustration 2: Unit buildings with rust on entry doors and insect nests under porch areas

In addition, the interior of units had collapsing ceilings, peeling paint, holes in walls, missing or cracked floor tiles, and roach and insect infestations that had existed for years. For example, according to one tenant, her unit had a large crack with openings in a hallway ceiling since 2009, insect nests on the ceiling, and major damage on two walls as early as 2008 that had not been repaired (see illustrations 3 and 4). See appendix B for additional pictures of deficiencies.



Illustration 3: Unit 1 with cracked ceiling and insect nests



Illustration 4: Unit 1 with wall damages

Another tenant stated that the unit was filthy and in bad condition when the tenant moved in. The unit had grime buildup on the baseboards, needed exterior and interior paint, and needed repairs to the bathtub tile. Over time, the bathtub tiles began to fall out. When the tenant

requested repairs, the former executive director sent a letter stating that the repairs would be completed in March 2012. Following this letter, the Authority's former maintenance employee stated that the repairs could not be performed on the scheduled date because the unit could not be accessed; however, the maintenance employee did not return to complete the repairs. Later, when the tenant asked about the repairs again, the maintenance employee told the tenant that the Authority had no funds. The former maintenance employee also left work partially completed in units. For example, around 2011, the maintenance employee made plumbing repairs in one unit but did not finish the work, leaving the wall unrepaired and covered with cardboard (see illustration 5).



Illustration 5: Unit 2 with incomplete plumbing work

All of these issues directly violated Federal requirements³ and the Authority's obligations to maintain housing that is decent, safe, sanitary, and in good repair. Since the Authority did not document annual unit inspections and work orders, it could not track unit deficiencies and take corrective actions in a timely manner. The Authority also exposed its tenants to unsuitable and unsafe living conditions and could not provide reasonable assurance to HUD that it properly used program funds. During an occupancy call with HUD staff, the interim executive director gave descriptions of the poor living conditions of 20 inhabited units and 10 vacant units. The interim executive director also stated that due to hurricane Lili in 2002, all units flooded and black mold was prevalent in most of the units. Further, tenants complained of various respiratory conditions. Because of the poor conditions, HUD strongly suggested that the Authority obtain a contractor to conduct mold testing on all units and the office building. In its report, dated July 28, 2015, the contractor found that all of the Authority's areas had high mold infestation and recommended major mold remediation work, including a fully gutting out of all of the units.

The Authority Did Not Have Auditable Files

Regulations at 24 CFR (Code of Federal Regulations) 85.20(b)(2) and the Authority's annual contributions contract⁴ required the Authority to maintain documentation, such as leases, lease addendums, and forms HUD-50058,⁵ in its tenant files to document the housing history and rent amounts. Of 25 tenant files reviewed, 15 contained copies of a lease. However, the files contained only the initial lease to show the rent amount. The files were also disorganized and

³ 24 CFR 5.703

⁴ Section 15(A)

⁵ Housing agencies collect and electronically submit information contained on the form HUD-50058, Family Report, to report public housing tenant data to HUD.

incomplete with documents placed haphazardly in the files. The former executive director controlled the cash payments for tenant rent and security deposits by collecting, depositing, and recording the receipts on spreadsheets (used by the fee accountant to reconcile the rent collections and bank deposits). In reviewing the available handwritten receipt books, Tenmast⁶ monthly payment listing and rental register reports, monthly bank statements, forms HUD-50058, and unit leases, we found that the documentation had time gaps and errors and there were rent discrepancies among the spreadsheets, forms HUD-50058, and leases. Therefore, we could not verify and reconcile rent collections. Because there was no segregation of duties and the former executive director accepted cash, differences in the amounts collected, deposited, and recorded could go undetected.

The Authority Did Not Have Adequate Documentation to Support Deductions and the Former Executive Director Provided Inaccurate Deductions and Allowances

Contrary to 24 CFR 960.259(c)(1), the Authority did not have adequate documentation to support deductions allowed for childcare and medical expenses. We identified 29 tenants with one or both of these deductions calculated by the former executive director. Eighteen had a childcare expense deduction, nine had a medical expense deduction, and two had both medical and childcare expense deductions. The deductions ranged from \$840 to \$12,000 for childcare and from \$90 to \$7,500 for medical expenses. However, the former executive director did not always either maintain or consider supporting documentation. Documentation available for five tenants showed that the former executive director provided unsupported and inaccurate deduction amounts. Specifically,

- One tenant marked no childcare costs on the admission application but had a \$5,000 deduction;
- One tenant estimated childcare costs on the admission application at \$600 per year but had a \$3,640 deduction;
- One tenant estimated childcare costs on the admission application at \$1,200 per year but had a \$7,500 deduction;
- One tenant left the estimated childcare costs line on the admission application blank but had a \$7,500 deduction; and
- One tenant did not receive the correct medical expense deduction since the former executive director did not annualize the amounts or always include additional unreimbursed medical expenses with the recertifications, although the tenant provided support.

Further, 24 CFR 965.502(a)(b)(d) required the Authority to maintain a utility allowance schedule as well as supporting documentation. However, although the Authority provided utility allowances which ranged from \$21 to \$29 for all of its tenants, it neither established a utility allowance schedule nor maintained documentation supporting its determination of the utility allowances.

⁶ Tenmast is vendor software used by housing agencies for tenant management, finance and accounting, maintenance, inspections, and other purposes. The Authority began using Tenmast in 2013.

The Authority also did not consistently apply utility allowances. Specifically,

- Tenants in two- and three-bedroom units received the same \$29 allowance;
- The \$29 allowance for three-bedroom units did not change from 2009 to 2014, unlike the allowances for one- and two-bedroom units, which had small increases over 5 years;
- Tenants in two-bedroom units received different amounts of \$26, \$27, and \$29, which varied within the same years during 2009 to 2014; and
- The Authority did not provide an allowance for at least a 1-year eligibility period for three tenants.

Without adequate supporting documentation for rents, deductions, and allowances, the Authority could not ensure the accuracy of rent calculations and may have caused tenants to overpay or underpay rent. The Authority also exposed itself to fraud, waste, and abuse.

The Authority Did Not Properly Maintain Its Public Housing Waiting List

Regulations at 24 CFR 960.206(e) required the Authority to maintain adequate documentation to support that it properly maintained its public housing waiting list and fairly housed applicants. However, the Authority did not properly maintain its waiting lists. It had only random copies of waiting lists, dated 2005, 2007, and 2008, in two disorganized folders labeled “waiting list” and “denial for admission” and one waiting list, dated 2011, found in a tenant file folder. The Authority did not have waiting lists dated after 2011. In addition, these waiting lists did not contain details related to applicant selections. Further, according to Authority tenants, the former executive director either skipped persons on the waiting list or awarded housing to persons not on the waiting list.

The Authority’s Former Executive Director and Board Failed To Provide Proper Oversight

The executive director, in conjunction with the board, was responsible for establishing policies that comply with Federal, State, and local laws and regulations and overseeing the Authority’s operations to ensure compliance. The executive director was also responsible for the day-to-day operations of the Authority. However, neither the former executive director nor the board ensured proper oversight of the Authority’s operations.

For example, the Authority did not have approved or current written policies and procedures. Specifically, its written policies and procedures, including its public housing admission and continued occupancy policy, were in a binder, dated July 2004. However, the policies were incomplete, with blank spaces on different pages throughout the policies. With the exception of the Recovery Act procurement policy, the policies had not been approved by the board. A board member stated that the former executive director had presented no other policies and procedures to the board for approval. Another board member had not seen the binder or its contents. In addition to the former executive director’s disregard for HUD requirements, the board did not

- Establish and adopt written policies and procedures.
- Conduct open public meetings as required by Louisiana Revised Statute 42:14. The Authority did not allow tenants to attend regular board meetings but held separate meetings in which the board addressed tenant issues or concerns.

- Document board meeting minutes as required by Louisiana Revised Statute 42:20. The Authority had only 2009 and 2010 board documents available, with limited and conflicting information, and was missing some meeting minutes and board resolutions. The board minutes generally included the agenda from the prior meeting and no details of its discussion. The board members, however, approved the minutes as written. Details included on the Authority's list of resolutions for those years and in the board resolutions conflicted with each other, and the board resolutions had no markings showing approval or adoption.
- Ensure that it fully addressed tenant complaints regarding the condition of the units. Board members stated that they did not know they could personally visit tenant units.
- Diligently monitor the Authority's expenditures. The board did not review the Authority's credit card transactions, and its review of support for invoices and financial ledgers was limited.
- Receive training for almost 10 years or written guidance regarding its roles and responsibilities. Thus, the board lacked an understanding of its expectations and duties.
- Have updated bylaws. The available bylaws included a requirement for an annual meeting that it no longer held, did not have details regarding regular meeting times or the number and names of board members, and did not reflect dates but appeared to be possibly 25 years old.

CONCLUSION

Because the Authority's former executive director and board failed to provide proper oversight of the Authority's operations, the Authority did not (1) perform annual unit inspections or proper maintenance of the housing units and property grounds, (2) maintain auditable and reconcilable files, (3) adequate supporting documentation for childcare and medical expense deductions and utility allowances, and (4) properly maintain its waiting list. As a result, we could not verify financial data related to tenant rent. In addition, the Authority subjected tenants to poor living conditions and could not provide reasonable assurance that it appropriately spent its program funds and provided tenant housing in good repair and free from health and safety hazards.

RECOMMENDATIONS

We recommend that the Director, Office of Public Housing, New Orleans, LA, require the Authority to

- 1A. Conduct a physical needs assessment of the Authority's project to determine the cost of rehabilitation. Based on the cost of rehabilitation, the Authority can make a determination on the viability of the project. Providing the project is not viable, the Authority should submit an application for demolition.
- 1B. Develop and implement board-approved written policies and procedures to ensure that it complies with requirements regarding providing decent, safe, and sanitary housing, to

include performing annual site inspections and regular and preventive maintenance and maintaining required documentation of inspections and work performed.

- 1C. Establish a rent collection policy that addresses all payment methods and includes procedures that involve the separation of duties and office reconciliations for rents received.
- 1D. Develop and implement board-approved written policies and procedures to ensure that it complies with requirements regarding administration of tenant rents, including maintaining documentation on rent calculations, collections and reconciliations, medical and childcare expense deductions, leases, forms HUD-50058, and other pertinent documentation.
- 1E. Develop and implement board-approved written policies and procedures to ensure that it complies with requirements regarding utility allowances by developing and maintaining a utility allowance schedule that is updated at least annually.
- 1F. Develop and implement board-approved written policies and procedures to ensure that it complies with requirements regarding maintaining its waiting list.
- 1G. Obtain HUD-approved training for its executive director and board of commissioners regarding their roles and responsibilities related to the Authority's operations.
- 1H. Update the bylaws governing the board of commissioners and the Authority, including but not limited to procedures for conducting board meetings, documenting board minutes and resolutions, obtaining approval for written policies, and reviewing financial-related transactions.

We also recommend that the Director, Office of Public Housing, New Orleans, LA,

- 1I. Immediately inform the Deputy Assistant Secretary for Field Operations of the property condition and the Authority's financial ability and willingness to conduct the needed physical needs assessment. In addition, prepare a memorandum to the Deputy Assistant Secretary for Field Operations disclosing the activities potentially causing a breach or default of the consolidated annual contributions contract.
- 1J. Place the Authority on a zero dollar threshold until it has satisfied recommendations 1A through 1H.
- 1K. Consider a referral to HUD's Office of Fair Housing and Equal Opportunity for not maintaining the waiting list in accordance with program requirements.

We recommend that the Director of the Departmental Enforcement Center

- 1L. Consider administrative sanctions against the former executive director and board for the gross mismanagement and poor physical condition of the Authority's property.

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

The Authority and HUD agreed with the results and elected not to provide a formal written response to the report.

Appendix B

UNIT AND PROPERTY INSPECTION PICTURES



Units with peeling paint and stains on the ceiling



Units with holes in the walls



Units with cracked or missing floor tiles



Units with standing water



Units with other maintenance issues