



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

September 18, 2013

MEMORANDUM NO:
2013-FW-1803

Memorandum

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

Craig T. Clemmensen,
Director, Departmental Enforcement Center, CACB

//signed//

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

SUBJECT: The City of Brackettville Housing Authority, Brackettville, TX, Failed To Properly Operate Its Low Rent Program But Generally Oversaw Its Capital Fund Grants Properly

INTRODUCTION

In accordance with our regional plan to review public housing programs and because of weaknesses identified by the U.S. Department of Housing and Urban Development's (HUD) Office of Public Housing, we reviewed the City of Brackettville Housing Authority, Brackettville, TX. Our objective was to determine whether the Authority operated its public housing and related grant programs in accordance with HUD requirements.

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 our work at the Authority's administrative offices in Brackettville, 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 April 22 and June 27, 2013. The review generally covered the period July 1, 2010, to June 30, 2012. We expanded the scope, as necessary, to accomplish our objective.

To accomplish our objective, we performed the following related to the Authority's programs:

- Reviewed and obtained an understanding of the relevant laws, regulations, and HUD guidance and the Authority's policies and procedures.
- Reviewed the Authority's American Recovery and Reinvestment Act of 2009 grant agreement, annual statement, and 5-year action plan.
- Reviewed the Authority's procurement records.
- Tested 100 percent of the Authority's Recovery Act contracts to determine whether the Authority obligated them by the March 17, 2010, obligation deadline.
- Reviewed 100 percent of the Authority's program disbursements for the review period. We extended our testing through March 31, 2013, for disbursements related to travel, fuel, cell phones, and payroll.
- Reviewed the Authority's unaudited financial statements information for fiscal years ending June 30, 2010, through June 30, 2012.
- Reviewed the Authority's rent collection policy and procedures.
- Tested tenant rent collection and recording procedures for the month of March 2013.
- Reviewed the Authority's board meeting minutes to determine the dollar amount of tenant accounts receivable written off as uncollectable, whether the board approved a travel policy or fuel expense policy, the board-approved salary and wage rates for employees, the incorporation date for the Authority, and whether the Authority had adopted a Recovery Act-compliant procurement policy.
- Interviewed HUD San Antonio Office of Public Housing, Authority, Texas Secretary of State, City of Brackettville, and Kinney County staff. We also interviewed current board members and the Authority's fee accountant and executive director.

BACKGROUND

The Authority incorporated under the laws of the State of Texas and is governed by a five-member board of commissioners appointed by the mayor of Brackettville. The board is responsible for establishing operating policies and oversees the executive director, who manages the Authority's day-to-day operations. The Authority owns and manages 48 low-rent public housing units. HUD provided operating subsidies, Public Housing Capital Fund program funds, and Recovery Act funds to the Authority for it to manage, maintain, operate, and improve its public housing developments. Table 1 shows HUD's funding provided during fiscal years 2010 through 2012.

Table 1. Total HUD funding provided to the Authority

Fiscal year¹	Tenant's rents²	Operating subsidy	Capital Fund
2010	\$76,618	\$91,855	\$70,299
2011	61,750	77,011	58,041
2012	74,194	112,652	56,063
Totals	\$ 212,562	\$281,518	\$184,403

In addition, the Authority received \$87,802 in Recovery Act grant funds in March 2009, which it expended during the review period.

The Authority's executive director resigned without notice on April 23, 2013. Concurrent with the beginning of our fieldwork, HUD began working with the Authority to address management concerns. On June 6, 2013, the Authority entered into a 90-day interagency management agreement with the Del Rio Housing Authority in which Del Rio agreed to manage the Authority's program operations in accordance with HUD requirements. However, the Authority's board remained responsible for oversight of the Authority.

RESULTS OF REVIEW

The Authority's board of commissioners and executive director did not operate the Authority in accordance with HUD's program requirements. This condition occurred because neither the board nor the executive director took adequate steps to oversee the Authority's operations. In addition, the executive director abused her authority and failed to follow established Authority policies. As a result, the Authority had excessive past-due tenant accounts receivable totaling \$42,531 and paid questioned costs and funds put to better use totaling \$31,813. The Authority properly procured and paid for \$215,260 in renovation and repair contracts funded with Capital Fund and Recovery Act grant funds.

The Authority Failed To Properly Administer Its Tenants' Rents

The Authority kept three different tenant accounts receivable ledgers and did not reconcile them to the general ledger. In addition, it did not collect tenant rents in a timely manner. This condition occurred because management did not take appropriate action concerning its rental revenues, including taking actions to collect overdue balances. Specifically, the executive director did not follow the board approved rental collection policy. She failed to notify tenants of past-due rent, did not enter into repayment agreements, and failed to take eviction actions as required. According to her, she did not perform these required actions because it was a waste of time. Apparently, the board was unaware of the executive director's inaction, which allowed this condition to continue for years. As a result, the Authority did not collect all rental revenue due to it. For the review period, the Authority accumulated a total of \$42,531 in past-due tenant

¹ The Authority's fiscal year ends June 30.

² Net tenant rental revenue

accounts receivable, which amounts to more than 57 percent of its annual tenant rental receipts.³ The Authority wrote off \$23,691 of this amount in 2011 and 2012, leaving a balance of \$18,840, or 25 percent of its annual rental revenue, uncollected as of March 31, 2013. Additionally, the fee accountant stated that his balances did not always match those kept by the executive director.

The Executive Director Approved Ineligible Payments and Benefits to Staff

The executive director approved the maintenance supervisor's cash leave payments, advanced leave to the maintenance supervisor, and used Authority funds to pay the maintenance supervisor's fuel costs while he was on vacation. This condition occurred because the executive director took actions not allowed by Federal cost principles⁴ and Authority's policies and procedures,⁵ failed to oversee staff leave balances, and failed to adequately review credit card charges. The board indicated that it was unaware of such activities. The Authority paid the maintenance supervisor a total of \$14,243 for leave that he had not earned. In addition, the Authority's financial records showed additional leave accrued for the maintenance supervisor totaling \$1,052, which he had not earned. The Authority also paid the maintenance supervisor \$495 for fuel charged to the Authority's fuel charge card while he was on vacation.

The Executive Director Used Authority Funds To Pay for Personal Costs

The Authority's executive director abused her position by using Authority funds to pay for personal charges and costs. According to Federal regulations, costs charged to a Federal program are allowable only if the costs are necessary, reasonable, and allocable to the program.⁶ The executive director stated that she was unaware of the improper nature of the charges and costs. The board was unaware that the executive director had made these costs and charges. The board chairman stated that the board would not have allowed such costs. The executive director charged the Authority a total of \$1,359 in ineligible charges and costs, including \$690 during the review period, which she charged to the Authority for a cell phone that her husband used. The Authority had paid for the cell phone charges for many years. In addition, the executive director charged \$430 to the Authority's fuel charge card while she was on leave. She also charged the Authority's credit card \$239 for a charge to Gold Canyon Candles.

The Authority Lacked Support for Fuel Charge Card Costs

The executive director and the maintenance supervisor used the Authority's fuel charge cards but did not track their use or mileage to ensure that the Authority paid only for eligible and supported charges or costs. Neither the board nor the executive director had established a policy

³ For fiscal yearend June 20, 2012, the Authority's annual dwelling rent totaled \$74,194.

⁴ To be allowable, costs must be necessary and reasonable. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost (2 CFR (Code of Federal Regulations) Part 225, Costs Principles for State, Local, and Indian Tribal Governments).

⁵ The Authority's 2006 personnel policy allowed for cash payments for accumulated sick leave but did not discuss allowing cash payments for annual leave.

⁶ 2 CFR Part 225

for the Authority's fuel card to ensure that staff made only reasonable and necessary charges.⁷ Further, the executive director admitted that she used the gas card for personal costs but stated that she did so because the Authority had not provided a car for her use. During the review period, the executive director and maintenance supervisor charged \$9,911 to the Authority's fuel cards for both business and personal use. These costs appeared excessive as the Authority's properties consisted of 48 units, all of the properties were within a few miles of each other, and the executive director and maintenance supervisor lived near the Authority.

The Authority Lacked Support for Travel Costs

The Authority had lacked supporting documentation for travel authorizations and reimbursements. Instead of reimbursing staff for actual costs as required by its policies,⁸ the Authority allowed travelers to bill travel costs to its charge card and also gave them per diem advances before travel. In addition, for training travel, the Authority did not require its staff to certify that it attended the training. Neither the executive director nor the board approved all travel in advance or required travelers to submit a reimbursement request or receipts after a trip occurred, as required by its policy. As a result, the Authority could not support travel costs totaling \$2,446 paid to the maintenance supervisor, the executive director, and one board member.

The Executive Director Used HUD Funds for Little-Used Software and Computers

The executive director paid \$8,141⁹ for two software systems, a laptop computer, and a tablet computer but did not use this software or equipment to oversee the Authority's operations.¹⁰ This condition occurred because the executive director could not get the systems she purchased to connect to HUD's or the Authority's systems. Federal regulations state that costs charged to a Federal program are allowable only if the costs are necessary, reasonable, and allocable to the program.¹¹ The Authority could use the computer equipment, which cost \$2,307, more efficiently by using the equipment to carry out or manage its program activities.

The Authority Did Not Perform Required Unit Inspections

The Authority's files lacked documentation showing that it performed annual inspections as required. This condition occurred because the executive director did not ensure that the inspections occurred and were documented. As a result, the Authority's units may not have met housing quality standards and unreported damage may not have been repaired in a timely manner.

⁷ See footnote 4

⁸ The Authority provided a policy for travel, but it could not provide proof that the board had approved the policy.

⁹ These purchases totaled almost 11 percent of the Authority's annual rental revenue for fiscal year 2012. See footnote 3

¹⁰ The costs of the computer software agreements totaled to \$5,834.

¹¹ 2 CFR Part 225

The Authority Could Not Locate Its Primary Legal Documents

During our review, the Authority could not provide articles of incorporation. It also could not provide copies of its by-laws or travel policy that had been adopted or approved by its board. However, it did have a copy of unapproved by-laws. Neither the Authority, the clerk of the City of Brackettville, HUD, nor the State of Texas could locate the necessary articles of incorporation under which the Authority should be operating. As a result, the Authority lacked the necessary guiding documents to properly operate in an effective and efficient manner.

RECOMMENDATIONS

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

- 1A. Continue to monitor and provide technical assistance to Authority to ensure that its operations comply with HUD program requirements.
- 1B. Require the Authority to comply with its rent collection policy to avoid excessive tenant accounts receivable.
- 1C. Require the Authority to repay \$16,097 to its public housing program from non-Federal funds for ineligible costs incurred by the executive director and maintenance supervisor.¹²
- 1D. Require the Authority to correct its financial records by reducing the maintenance supervisor's annual leave liability by \$1,052.
- 1E. Require the Authority to support or repay its public housing program from non-Federal funds \$2,446 for the unsupported travel costs.
- 1F. Require the Authority to support or repay its public housing program from non-Federal funds the \$9,911 in unsupported fuel charge costs.
- 1G. Require the Authority to more efficiently use the computer equipment it purchased at a cost of \$2,307 to carry out or manage program operations.
- 1H. Require the Authority's board to adopt resolutions approving and implementing travel and fuel charge card policies.
- 1I. Require the Authority to perform and document annual inspections at its occupied units to ensure that the units meet housing quality standards.

¹² For the executive director, the amount consisted of cell phone charges totaling \$690, fuel card charges totaling \$430, and a credit card charge of \$239 for personal expenses. For the maintenance supervisor, the amount consisted of annual leave payments totaling \$14,243 and fuel card charges totaling \$495.

1J. Require the Authority to obtain and maintain its articles of incorporation.

1K. Require the board to adopt the Authority's by-laws.

We recommend that the Director, Departmental Enforcement Center,

1L. Take appropriate administrative action, including possible debarment, against the executive director.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1C	\$16,097		
1D	1,052		
1E		\$ 2,446	
1F		9,911	
1G			\$2,307
Totals	\$17,149	\$12,357	\$2,307

- 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.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this case, it represents costs for computer equipment that could be put to better use in the future by the Authority to oversee its Federal programs.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



HOUSING AUTHORITY OF THE CITY OF DEL RIO, TEXAS

Cynthia A. de Luna
President & Chief Executive Officer

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September 12, 2013

Mr. Gerald R. Kirkland
Regional Inspector General for Audit
Office of Audit (Region 6)
819 Taylor Street, Suite 13A09
Fort Worth, TX 76102

SUBJECT: The City of Brackettville Housing Authority, Brackettville, TX, Failed To Properly Operate Its Low Rent Program But Generally Oversaw Its Recovery Act and Capital Funds Properly

Dear Mr. Kirkland:

Please be advised that the Housing Authority of the City of Del Rio (HACDR) currently has a Management Agreement with the Brackettville Housing Authority (BHA). On behalf of Ms. Barbara Dillon, Chairperson, and the Board of Commissioners for the Brackettville Housing Authority, I would like to provide the following response:

We are in receipt of the Recommendations made to the Director of the San Antonio Office of Public Housing; Mr. David Pohler and would like to comment on the recommendations made to his office.

Comment 1

1) In June of this year the Management Agreement with HACDR was approved and signed with BHA. The Secretary at the BHA has since resigned as well as the Maintenance Supervisor. A Site Manager position was advertised, interviewed and selected to manage the day to day operation, including the collection of rent as well as enforcing the rent collection process to avoid excessive tenant accounts receivable.

Comment 1

2) The repayment of funds to the public housing program from non-Federal funds to cover ineligible and unsupported expenses is an issue that may be addressed by the Director of the San Antonio Office of Public Housing. On behalf of the BHA, the Board of Commissioners approved that a request for repayment be made to the former Executive Director and former Maintenance Supervisor. In addition, notice will be made to the BHA's insurance carrier to advise of this loss of public funds.

Comment 1

3) In April, when the HACDR was asked to assist the BHA, the BHA and HACDR began utilizing the computer equipment and hardware in place at BHA. The software has allowed the HACDR to have oversight of entries being made, collections, renewals, move-in's, move-out's, etc.



Ref to OIG Evaluation

Auditee Comments

Comment 1

4) In April, when the HACDR was asked to assist the BHA, the credit cards (businesses and fuel) were immediately requested from the Maintenance Supervisor and a control log with a sign out form was enforced. In addition, a mileage form was provided for the company owned vehicle for tracking purposes.

Comment 1

5) In May, Annual inspections began to be conducted to ensure that Housing Quality Standards are met for all occupied units, prior to renewal of all leases.

Comment 1

6) Efforts will be made to obtain the articles of incorporation and by-laws for the BHA.

Frequent Board meetings have been conducted and the Board, as well as the Mayor have been advised of policy issues as well as financial and occupancy information. Even though several other measures have been approved and implemented, there are still many improvements to be made.

We appreciate the support of the HUD San Antonio Field Office as well as the assistance provided by [REDACTED] and [REDACTED] from the OIG offices, in our efforts to have the Brackettville Housing Authority work again towards the mission of providing affordable housing to the families in Brackettville.

Should you have any questions, please feel free to contact us.

Sincerely,



CYNTHIA A. DE LUNA, C.M.H.
President & C.E.O.
Housing Authority of the City of Del Rio

xc: Barbara Dillon, Chairperson, Brackettville Housing Authority
David Pohler, Director San Antonio Office of Public Housing

OIG Evaluation of Auditee Comments

Comment 1 The Authority generally agreed with our conclusions and recommendations. It stated it had already taken actions to address some recommendations cited in the report. However, HUD should confirm the actions have been taken and continue working with the Authority regarding the additional actions needed, including the collection and repayment of questioned costs