



**Northeast Oregon Housing Authority  
La Grande, OR**

**Public Housing Programs**



Issue Date: July 28, 2014

Audit Report Number: 2014-SE-1004

TO: Laure Rawson, Program Center Coordinator, Office of Public Housing, Portland Field Office, OEPH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, OAGA

SUBJECT: Allegations Against the Northeast Oregon Housing Authority Were Unsubstantiated or Did Not Violate HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Northeast Oregon Housing Authority.

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.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



July 28, 2014

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## Allegations Against the Northeast Oregon Housing Authority Were Unsubstantiated or Did Not Violate HUD Requirements

# Highlights

Audit Report 2014-SE-1004

### What We Audited and Why

We reviewed a complaint against the Northeast Oregon Housing Authority. Our objective was to determine whether the allegations in hotline complaint number 2014-0087 were valid. The complainant alleged that the Authority improperly used its credit cards, had a conflict of interest with hired contractors, improperly disposed of vehicles, incorrectly calculated payroll withholdings and maintenance charge rates, and that its tenant commissioner was not eligible for the position and was improperly housed.

### What We Recommend

This report contains no recommendations, and no further action is necessary with respect to this report. The Authority declined to provide comments on our report.

### What We Found

The allegations about the Northeast Oregon Housing Authority were unsubstantiated. The Authority did not violate HUD rules, generally followed its own procurement and property disposal policies, and appropriately calculated payroll withholdings and maintenance charge rates. Further, the tenant commissioner was eligible for the position and was appropriately housed.

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## **BACKGROUND AND OBJECTIVE**

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### **Northeast Oregon Housing Authority**

The Northeast Oregon Housing Authority is a municipal corporation located in La Grande, OR. The Authority was organized for the purpose of providing low-income housing in Union, Baker, Grant, and Wallowa Counties. It is governed by a nine-member board of commissioners. The U.S. Department of Housing and Urban Development (HUD) requires that the board of commissioners have at least one resident commissioner directly assisted by the Authority.

The Authority is responsible for the development, maintenance, and operation of subsidized housing in the counties it serves. It receives funding from local, State, and Federal Government sources and must comply with the requirements of these funding sources. The Authority has more than 800 low-rent and Section 8 units and disbursed more than \$6 million in low-rent public housing and Housing Choice Voucher funds between 2012 and 2013.

### **Complaint Allegations**

We received a hotline complaint expressing several concerns about the Authority's procurement, asset disposal, payroll withholdings, and tenant commissioner housing issues. Specifically, the complaint alleged that the Authority

- Paid for ineligible expenses and used its credit cards to pay for spouses' and significant others' travel costs,
- Had conflicts of interest between Authority staff and hired contractors,
- Inappropriately disposed of a truck and a lawn tractor,
- Did not correctly calculate retirement benefits for its maintenance staff pensions and maintenance charge rates for damage and move-out costs, and
- Had a resident board commissioner who was not eligible for the position and was improperly housed.

Our objective was to determine whether the allegations in hotline complaint number 2014-0087 were valid.

## RESULTS OF AUDIT

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### Allegations Against the Northeast Oregon Housing Authority Were Unsubstantiated

The complaint lodged against the Authority was unsubstantiated. While some of the events described in the complaint occurred, the Authority's actions did not violate HUD requirements.

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#### Procurement

The complaint alleged that the Authority paid for ineligible expenses and used its credit cards to pay for spouses' and significant others' travel costs. In addition, it alleged that Authority staff had conflicts of interest with hired contractors.

In general, the Authority followed HUD's Public and Indian Housing Handbook 7460.8, Procurement Handbook for Housing Agencies, and its procurement policy. HUD funds were not inappropriately used on the expenses identified in the complaint. In addition, Capital Fund projects and services were appropriately and competitively procured. There were no conflicts of interest between Authority staff and hired contractors.

The Authority used its credit cards to arrange and pay for spouses' and significant others' travel costs. However, the staff member would then reimburse the Authority for those costs. There were no regulations directly prohibiting this practice, and this payment occurred with HUD voucher funds in only 1 of the 14 credit card statements reviewed.

#### Property Disposal

The complaint alleged that the Authority inappropriately sold a truck and lawn tractor to the executive director, circumventing its property disposition policy. It also alleged that the executive director did not pay for the truck outright but was paying for it over time. However, the Authority generally followed its property disposition policy, which complied with HUD requirements. It solicited bids in the local newspapers and sold the truck to the executive director, the only bidder, at a price comparable to the truck's Kelly Blue Book value in January 2013. The executive director made payments on the truck and paid the promissory note in full by March 2014. The Authority did not violate any HUD regulations or Authority policies when selling this truck to the executive director.

The Authority did not receive any bids when it advertised for the sale of the lawn tractor. About 9 months later, it had the lawn tractor serviced, and the executive

director agreed to purchase it in January 2014. However, since the cost of servicing the lawn tractor was not considered in the sale to the executive director, the Authority agreed to readvertise its sale and sold the lawn tractor for the highest bid to an outside party in April 2014.

### **Retirement Benefits and Maintenance Rate Calculations**

The complaint alleged the Authority did not correctly calculate and pay the retirement benefits for its maintenance staff. It then used these incorrect retirement benefit amounts to incorrectly calculate its maintenance rates for damages and move-out costs charged to public housing tenants.

The Authority was a participating employer in the Oregon Public Employee Retirement System (PERS), the public employee retirement system established in Oregon. The PERS system calculated and billed the Authority for its employer retirement contributions for the maintenance staff. The Authority did not make this calculation.

The Authority used an acceptable method of calculating and charging damages and move-out costs to tenants. The maintenance rate included factors for the maintenance staff's hourly wage and benefits and material costs. In addition, HUD does not have a standard on how housing agencies calculate charges to tenants for damages and move-out costs.

### **Resident Tenant Commissioner**

The complaint alleged that the resident tenant commissioner was ineligible for the position because she did not live in public housing. In addition, she was housed in a unit larger than she was eligible for under her tenant-based Section 8 housing choice voucher.

According to HUD regulations, the resident tenant commissioner must be directly assisted by the housing authority; however, this assistance includes receiving tenant-based Section 8 housing assistance. The resident tenant commissioner's three-bedroom housing voucher was granted to house her two-person household and to reasonably accommodate her medical equipment. Thus, the tenant commissioner was eligible for the position and appropriately housed.

### **Recommendations**

This report contains no recommendations, and no further action is necessary with respect to this report.

## SCOPE AND METHODOLOGY

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We performed our onsite audit work during March 2014 at the Authority's main office located at 2608 May Lane, La Grande, OR. Our audit period covered the period January 2012 through December 2013.

To accomplish our objective, we obtained and reviewed applicable sections of the Housing Act of 1937, Office of Management and Budget circulars, HUD regulations, and HUD handbooks; interviewed HUD and Authority staff members; and examined the Authority's policies and procedures.

We also reviewed documents provided by the Authority, including

- Credit card statements and other supporting documents,
- Office supplies and cell phone reimbursement documents,
- The Authority's chart of accounts,
- Capital Fund program project files,
- Property disposition files,
- Authority PERS documents and information,
- Authority maintenance rate calculations and standard charges, and
- The tenant commissioner's housing file.

We did not rely on computer-processed data for this audit. Instead, we traced or verified information for the allegations to supporting documentation, from which we drew our conclusions.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



# INTERNAL CONTROLS

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls to ensure that Authority procurement complied with HUD rules and regulations, including the safeguarding of assets, cost eligibility, and conflict-of-interest requirements.
- Controls to ensure that public housing tenants are appropriately charged for damages and move-out costs.
- Controls to ensure that the tenant housing commissioner was eligible for the position in accordance with HUD rules and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to our audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal controls.

## **Separate Communication of Minor Deficiencies**

We reported minor deficiencies regarding the credit card purchases to the auditee in a separate management letter.

## Appendix A

### **AUDITEE COMMENTS AND OIG'S EVALUATION**

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<b><u>Ref to OIG Evaluation</u></b>	<b><u>Auditee Comments</u></b>
	The Authority declined to provide comments on the report.