



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

September 2, 2015

MEMORANDUM NO:
2015-FW-1005

Memorandum

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

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

SUBJECT: The Housing Authority of the City of Victoria, TX, Allowed Improper and Unsupported Payments

INTRODUCTION

In accordance with our regional plan to review public housing programs and as part of our overall risk strategy, we reviewed the Housing Authority of the City of Victoria, 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. However, we limited our review to determining whether the Authority (1) properly collected, deposited, and recorded its low-rent rental receipts; (2) made additional or improper payroll payments; and (3) had adequate controls over its credit cards. We also reviewed board oversight and expanded our testing to cover other high-risk disbursements and the Authority's fixed assets inventory.

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 Victoria, TX, and the Office of Inspector General's (OIG) offices in Houston, San Antonio, and Fort Worth, TX, between October 27, 2014, and May 14, 2015. The review generally covered the period January 1, 2013, to March 31, 2014. We expanded the scope as necessary to accomplish our objective.

To accomplish our objective, we reviewed the Authority's

- Policies and available board minutes from December 2010 to September 2014.
- Electronic fiscal year general ledgers from January 1 to December 31, 2013, and vendor cash disbursements data from January 1, 2013, to March 31, 2014. We determined that the electronic data were sufficiently reliable to meet our review objectives. However, the vendor check listing provided by the Authority contained duplicates and did not contain all checks that cleared the Authority's bank statements.
- Vendor check register from January 1 to December 31, 2013. We selected a nonstatistical sample of 43 checks for review from 1,441 in the register. We selected the checks based on various risk factors.
- Rent register for June 2013 and compared it to June's rent receipts. We randomly selected the month of June 2013 from the 15 months in our audit scope. We reconciled June's rent collections and deposits and skimmed both receipts and deposits for questionable transactions.
- Bank statements from February 1 through December 31, 2013.
- Payroll records for the chief financial officer from January 13, 2004, through March 26, 2014. We selected 100 percent of the checks written to the chief financial officer for review.
- Payroll records from January 1, 2013, through December 31, 2014, for 9 of 22 employees, which were selected based on various risk factors.
- Vacation leave records for the chief financial officer from January 27, 2003, to January 8, 2014.
- Vacation leave records for all employees who sold back leave from calendar year 2009 through 2014.
- Office equipment inventory for calendar years 2011 and 2012.
- Maintenance inventory for calendar year 2014.
- Travel, credit cards, and other payments made to the executive director and staff for the review period.
- Financial statements for fiscal years 2009, 2010, 2012, 2013, and 2014 for background information and findings relevant to our review objectives.

We also

- Interviewed HUD's Office of Public Housing staff, Authority staff, board members, and the Authority's independent public accountant.
- Obtained the Authority's HUD public housing program funding information for the fiscal year ended March 31, 2014. We did not test the reliability of this information as we used it for background purposes only.
- Reviewed and obtained an understanding of relevant laws, regulations, and HUD's guidance.

BACKGROUND

The Authority was organized as a public corporation under the laws of the State of Texas to provide housing for qualified individuals. A five-member board of commissioners, who are appointed and can be removed by the mayor of Victoria, governs the Authority. 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 18 full-time and 4 part-time employees, including the executive director, public housing project manager, housing choice voucher director, and a maintenance supervisor.

The Authority owns and manages 321 low-rent public housing units and administers 347 housing choice vouchers from HUD. HUD provided operating subsidies and Public Housing 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. The Authority's fiscal year is from April 1 to March 31; however, HUD's fiscal year is from October 1 to September 30. Table 1 details funding that HUD provided to the Authority.

Table 1: HUD's reported funding for the Authority.

HUD program	Fiscal year 2012	Fiscal year 2013	Total
Low-rent operating subsidy	\$ 1,222,488	\$ 1,047,834	\$ 2,270,322
Housing choice vouchers	1,665,143	1,671,462	3,336,605
Capital Fund program grants	374,864	368,342	743,206
Total	\$ 3,262,495	\$ 3,087,638	\$ 6,350,133

RESULTS OF REVIEW

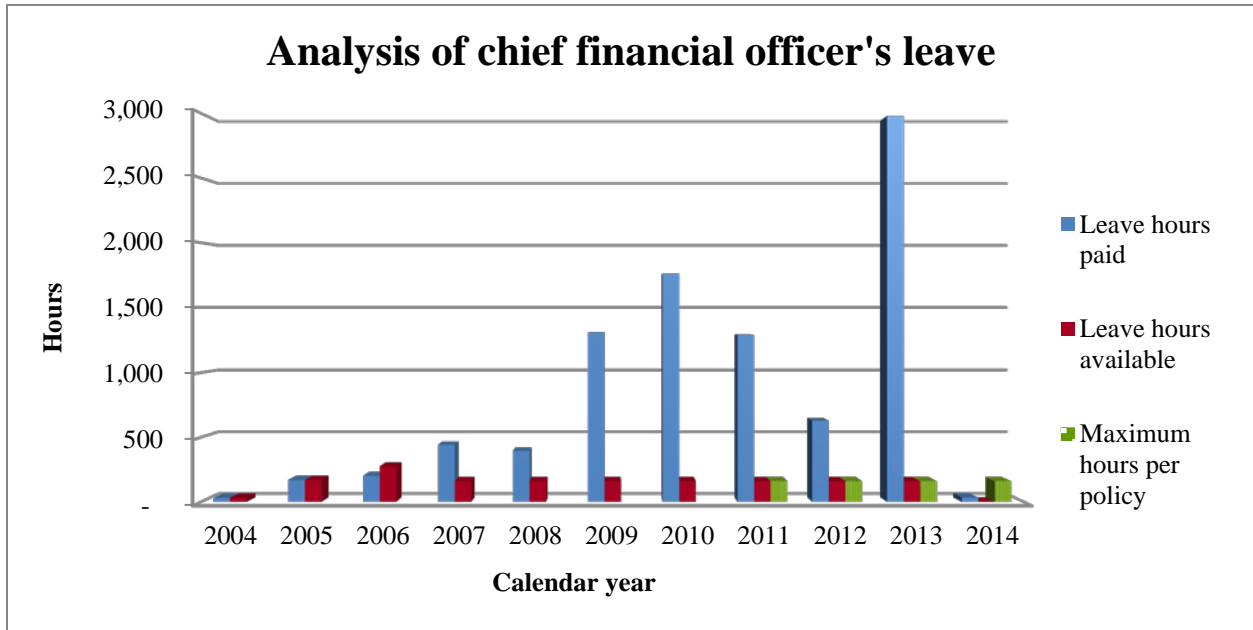
Limited testing showed the Authority properly collected, deposited, and recorded its low-rent rental receipts. However, it allowed improper and unsupported payments for salaries, wages, leave, credit cards, and other items. It also permitted employee salary advances and failed to track their repayment. Additionally, it did not properly maintain or reconcile its fixed assets inventory. These issues occurred because the Authority's management did not provide adequate oversight. As a result, the Authority paid questioned costs totaling \$782,333. Further, if it takes corrective action, it will put \$33,557 to better use.

The Authority's Chief Financial Officer Improperly Paid Herself

The Authority's chief financial officer improperly paid herself using additional checks that she was not entitled to receive in violation of HUD's financial management standards, Federal cost principles, and the Authority's timekeeping policies.¹ The checks consisted of 156 additional

¹ 24 CFR (Code of Federal Regulations) 85.20(b)(3), (b)(5), and (b)(6); 2 CFR Part 225, appendix A, C. Basic Guidelines, 1.a., 1.e., and 1.j.; and the Authority's Personnel Policy, Section 4.7, Timekeeping, and Section 8.1, Vacation

salary checks and 1 vendor payment for a personal expense.² According to the executive director, the chief financial officer improperly took some funds, but some of the additional checks consisted of payments for accumulated and unused vacation leave. However, the executive director admitted no one had tracked the chief financial officer's leave balance. Our review showed that from January 13, 2004, to March 31, 2014, the chief financial officer paid herself for a total 9,244 hours in unused vacation leave when she had only 1,641 hours available. Further, the Authority created a 160-hour maximum leave payout limit in 2011;³ however, as shown in the following chart, the chief financial officer significantly exceeded the limit from 2011 through 2013.



The improper additional payments occurred because the chief financial officer issued additional checks to herself. The ineligible payments went undetected because the executive director did not properly supervise the chief financial officer and failed to take sufficient action to correct a 2009 audit finding concerning unsupported vacation leave balances, leave requests, and leave payments. For example, the executive director did not implement administrative policies for leave requests and leave balances, did not start tracking the chief financial officer's accrued vacation leave balance, and did not approve the chief financial officer's requests for paid vacation. The executive director also could not provide the chief financial officer's personnel folder and leave slips. Further, a board member admitted that he did not follow up on the leave buy-back issue. Instead, the board and executive director relied on the independent public accountant to monitor this issue.

In addition, the executive director provided the chief financial officer and two other Authority employees signed blank checks, which allowed the chief financial officer to issue the checks to herself undetected. The accounts payable clerk stated that she notified the executive director that

² See appendix D for a listing of the checks.

³ The Authority's Personnel Policy, Section 8.1, Vacation

the chief financial officer had asked several times for a few of her presigned checks. Rather than investigate, the executive director sent the clerk back to the chief financial officer.

As a result, the chief financial officer improperly used HUD's low-rent funds to pay herself \$322,331 in additional checks, consisting of \$320,031 in ineligible vacation pay, which equaled more than 3.5 years of hourly wages, and \$2,300 for an ineligible personal expense. The Authority terminated the chief financial officer's employment in March 2014 after uncovering extra payments.

The Authority Overpaid Some Employees and Could Not Support Wages Paid to Other Employees

In violation of its policy and Federal requirements,⁴ the Authority overpaid some employees and could not support wages paid to other employees as they did not properly use the two time clocks. The Authority paid

- Four administrative employees wages for an 8-hour day, but their time cards did not show that they worked an 8-hour day.
- Four administrative and five maintenance employees wages for a total of 181 days, although these employees did not both clock in and clock out and they failed to submit a leave request.
- Five maintenance employees a full day's wages for 688 days, although these employees clocked in and did not clock out or clocked out and did not clock in.

These issues occurred because Authority management did not establish a tone of ethics for time and attendance. Before March 2014, the chief financial officer did not properly supervise the Authority's employees as she failed to review their time cards and leave requests. After terminating the chief financial officer's employment, the executive director assumed payroll responsibilities, but she did not properly supervise the employees, including reviewing their time cards, and failed to create administrative controls. As a result, the Authority paid \$250,192 in questionable employee wages, which consisted of

- Overpayments to administrative employees for 1,796 hours totaling \$29,641 for time during which the employees did not work.
- Unsupported wages to administrative and maintenance employees for 181 days totaling \$39,859 for days on which the employees did not properly clock in and out.
- Unsupported wages to maintenance employees for 688 days totaling \$180,692 for days on which the employees did not properly clock in and out.

⁴ 24 CFR 85.20(b)(3), (b)(5), and (b)(6); and the Authority's Personnel Policy, Section 4.6, Work Hours; Section 4.7, Timekeeping; and Section 8.1, Vacation

The Authority Could Not Support Unused Vacation Leave Payments

The Authority could not support 1,906 hours in unused vacation leave it paid to 7 of its 24⁵ employees in violation of its policy and Federal cost principles.⁶ It also did not maintain accurate balances for its employees' earned leave, used leave, and current leave balances. Further, the Authority paid one employee for 192 hours of unused vacation leave in 1 year when its policy limited payment to a maximum of 160 hours. The unsupported payments occurred because the chief financial officer and executive director failed to implement a method to accrue, track, and validate employees' leave balances before making a payment. As a result, the Authority paid unsupported vacation leave totaling \$50,282 to seven employees and ineligible vacation leave totaling \$1,141 to one employee whose payment exceeded the limit.

The Authority Improperly Used HUD Funds To Pay Employees Working on Nonprofit Activities

The Authority used HUD funds to pay its administrative and maintenance employees when they worked on its affiliated nonprofit's activities in violation of Federal requirements.⁷

- Administrative employees received both a monthly check from the nonprofit and a salary from HUD funds. The additional check from the nonprofit was to pay the employees for performing nonprofit activities. However, the Authority could not show that the employees worked additional hours at the nonprofit.
- The Authority improperly used HUD funds to pay the wages of maintenance employees who completed nonprofit work orders.

The executive director stated employees worked on nonprofit activities only after their regular work shift at the Authority. Further, she was not aware that maintenance employees worked at the nonprofit. However, administrative and maintenance employees admitted to working on nonprofit activities during regular Authority business hours. As a result, the Authority improperly used \$14,561 in HUD funds to pay the wages of three administrative employees who worked on nonprofit activities. A fourth administrative employee worked on nonprofit activities, and the Authority used only HUD funds to pay her wages. In addition, the Authority improperly used \$10,102 in HUD funds to pay three maintenance employees to complete nonprofit work orders.

The Authority Paid and Failed To Track Advances to Employees

The Authority paid eight employees advances against future paychecks. It also did not track the outstanding advance balances and allowed at least two employees to carry a balance, which was not a prudent or reasonable use of its Federal funds.⁸ The issues with pay advances occurred because the chief financial officer and the executive director did not have a policy or method for overseeing payroll advances. The Authority made \$13,000 in pay advances to employees from January 2013 to March 2014. The employees paid \$11,775 of the advances back. However, as

⁵ The chief financial officer is not included in the employees as we questioned her leave separately in this memorandum.

⁶ See footnote 3.

⁷ 2 CFR Part 225, appendix A, C. Basic Guidelines, 1.a., 1.e., 1.j., and 3.a.

⁸ 2 CFR Part 225, appendix A, C. Basic Guidelines, 1.a., 1.e., 1.j., 2.a., and 2.d.

of December 2014, one employee, who earned a gross amount of \$1,150 per pay period, owed the Authority \$1,300 for previously issued advances.

The Authority Could Not Support Its Fixed Assets Inventory Total

Contrary to Federal requirements,⁹ the Authority did not properly maintain or reconcile its fixed assets inventory. The Authority’s records and financial statements reflected three different amounts for its furniture and equipment. These amounts should agree or reconcile (see table 2).

Table 2: Comparison of 2014 inventory account amounts

Account description	Audited financial statement amount	Depreciation schedule amount	Physical inventory amount
Fixed assets - furniture and equipment	\$278,043	\$82,106	\$173,489

In addition, the Authority did not maintain an inventory showing equipment make, model, and serial number for identification purposes. These issues occurred because the executive director lacked knowledge about the Authority’s inventory. Instead, she relied on the Authority’s independent public accountant to answer inventory questions. The independent public accountant admitted the amounts should “theoretically” match. When shown the significant differences between the balances, the executive director stated that she believed the fixed asset inventory amount was overstated. Since the amounts did not reconcile, the Authority’s financial statements contained a misstatement for fixed assets. Further, the Authority’s assets may have been overstated between \$104,554 and \$195,937, which would require a corresponding reduction to reserves to correct the balances.

The Authority Lacked Support for Checks

In violation of Federal requirements,¹⁰ the Authority lacked supporting documentation for 13 of the 43 checks reviewed. It lacked support because the executive director did not establish policy or procedures requiring invoices or other support for checks. As a result, the Authority could not support payments totaling \$23,574.¹¹

The Authority Improperly Used Its Credit Cards

Contrary to Federal requirements,¹² the Authority improperly used its credit cards to pay for tenant parties, late fees, interest, and other ineligible costs. It also lacked receipts for some credit card purchases. The improper and unsupported charges occurred because the executive director and staff did not follow the Authority’s policy. Further, the executive director failed to ensure that employees supported and made only eligible credit card purchases. The Authority made ineligible payments for credit card charges totaling \$2,319 and could not support additional purchases totaling \$1,977.

⁹ 2 CFR Part 225, appendix B, paragraph 15.a.(2) and 2 CFR Part 85.32(d)(1) through (d)(4)

¹⁰ 2 CFR 85.20(b)(6)

¹¹ See appendix E for a listing of the 13 checks.

¹² 2 CFR Part 225, appendix A, A. Policy and Guides, 2.a.(1); appendix A, C. Basic Guidelines, 1.a., 1.b., 2.a., and 2.d.; and appendix B, paragraphs 14, 16, and 23.a.

CONCLUSION

The Authority allowed improper and unsupported payments for salaries, wages, leave payments, credit cards, and other items. It also did not properly maintain or reconcile its fixed assets inventory. These issues occurred because Authority management did not provide adequate oversight. As a result, the Authority paid questioned costs totaling \$782,333. The Authority will have to support or repay these costs, which will have a negative effect on its finances. Further, if the Authority takes corrective action to implement this memorandum's recommendations, it will put \$33,557 to better use.

RECOMMENDATIONS

We recommend that the Director, Office of Public Housing, San Antonio, TX, require the Authority to

- 1A. Submit proof of repayment of \$322,331 to its low-rent operating subsidy account program from non-Federal funds for the ineligible payments to the chief financial officer.
- 1B. Review and update its ethics policy, including requiring training for management and all employees.
- 1C. Adopt and follow policies and procedures for the administration of leave; timekeeping, including properly allocating costs among programs; payroll; pay advances; accounts payable, including credit cards, check issuance, and support for eligible costs; and the reconciliation of fixed assets. Implementing this recommendation should reduce the risk of paying additional improper wages, advances, and accrued leave payments over the next 12 months totaling \$33,557.¹³
- 1D. Repay \$29,641 from non-Federal funds for salary payments to administrative employees whose time cards showed they did not work an 8-hour day. The Authority needs to repay \$29,160 to its operating subsidy account and \$480 to its Housing Choice Voucher program.
- 1E. Support or repay \$220,551 from non-Federal funds for unsupported administrative and maintenance employees wages.¹⁴ The Authority needs to repay \$71,896 to its low-rent operating subsidy account, \$148,523 to its Capital Fund program account, and \$132 to its Housing Choice Voucher program.
- 1F. Support or repay \$50,282 from non-Federal funds for unsupported accrued leave payments to seven employees. The Authority needs to repay \$23,235 to its low-rent operating subsidy account, \$2,754 to its Housing Choice Voucher program, and \$24,293 to its Capital Fund program.

¹³ This amount consisted of ineligible amounts in recommendations 1D, 1H, 1I, 1J, and 1M, calculated to a monthly amount and projected over a 12-month period.

¹⁴ These amounts included \$39,859 for 181 days on which administrative and maintenance employees did not clock in and out and \$180,692 for 688 days for maintenance employees who did not clock in and out.

- 1G. Repay \$1,141 from non-Federal funds to its Capital Fund program for ineligible accrued leave paid to one employee in excess of its annual limit.
- 1H. Repay \$24,663 from non-Federal funds for time the employees spent working on nonprofit activities.¹⁵ The Authority needs to repay \$24,279 to its low-rent operating subsidy account and \$384 to its Housing Choice Voucher program.
- 1I. Repay \$1,300 from non-Federal funds to its low-rent operating subsidy account for outstanding unpaid advances owed by one employee.
- 1J. Reconcile its fixed assets inventory amount, which was overstated by at least \$104,554.
- 1K. Support or repay \$23,574 for 13 unsupported checks totaling \$23,574. If it cannot provide support and the payments were from Federal funds, or if it cannot determine the source of funds, it should repay its appropriate public housing program from non-Federal funds. Further, if any of the funds were from its capital fund grants that were not obligated or expended in accordance with the grant terms for timely obligation and expenditure, it should repay HUD.
- 1L. Repay from non-Federal funds \$2,319 to its low-rent operating subsidy account for ineligible credit cards charges.
- 1M. Support or repay from non-Federal funds \$1,977 to its low-rent operating subsidy account for unsupported credit card charges.

¹⁵ This amount included \$14,561 in wages paid to administrative employees and \$10,102 in wages paid to maintenance employees performing nonprofit work orders.

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/
1A	\$ 322,331		
1C			\$ 33,557
1D	29,641		
1E		\$ 220,551	
1F		50,282	
1G	1,141		
1H	24,663		
1I	1,300		
1J		104,554	
1K		23,574	
1L	2,319		
1M		1,977	
Totals	\$ 381,395	\$ 400,938	\$ 33,557

- 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 instance, if the Authority implements recommendation 1C, it will avoid paying additional ineligible amounts over the next 12 months.


Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments


Comment 1



SECTION 8 LEASED HOUSING PROGRAM
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AUDITEE COMMENTS

The Authority's Chief Financial Officer Improperly Paid Herself.

The Victoria Housing Authority has already replaced \$195,734.64 of the \$322,331.00 due of which the Chief Financial Officer improperly paid herself. The initial finding by the auditor on the fact that the Chief Financial Officer had paid herself a sum of unused vacation time was reported to the Chief Financial Officer in November, 2010 for the audit period ending 3-31-10. The Chief Financial Officer then brought it to the attention of the Executive Director. The Executive Director then instructed the Chief Financial Officer to provide proof of support for the unused vacation hours she had in fact paid herself. The Chief Financial Officer produced a spreadsheet showing the hours she had accrued on the books. The Executive Director held a board meeting on December 15, 2010, so that the Chief Financial Officer could discuss the issue with the board and show them the proof. The Chief Financial Officer explained to the board about the finding and each board member in attendance signed the spreadsheet that was presented. The Executive Director then amended the Personnel Policy to state that an employee could not buy out more than 160 hours of unused vacation time within a calendar year, and the board approved the policy change which was effective on January 1, 2011. The Chief Financial Officer was aware of this policy change. After discovering what the Chief Financial Officer did in 2014, the Executive Director amended the Personnel Policy again and the policy change stated that no employee can buy out any unused vacation time during their employment, and this change took effect on November 5, 2014. There were three more audits performed after the incident reported in November, 2010 and there were no findings that pertained to the issue of the Chief Financial Officer overpaying herself for unused vacation time. The Executive Director discovered the issue in January, 2014 when she ran a salary history report to fill out a HUD required form. The form done in 2011 was for 2010 wages and there was not another one of these HUD forms requested until January, 2014. On the issue of signing blank checks, the previous Executive Director of 19 years had signed blank checks, therefore, the current Executive Director did not see that it was a problem, as the checks required two signatures to make it a valid check. The Executive Director also knew that there are other Housing Authorities that use signature machines to put signatures on their checks, which means the individual whose signature is on the check was not done in person. The Chief Financial Officer had worked for the Housing Authority in the finance department since 1978 and there had not been any previous problems with dishonesty on her part that had been detected. The Housing Authority has also hired a very qualified Deputy Executive Director to assist the current Executive Director in monitoring staff, and all program functions and financials. The new Deputy Executive Director has been an Executive Director in the past and has over 20 years of experience working in the Housing Authority field. The Housing Authority also hired a fee accountant to do all financials for the Housing Authority and to do all payroll for the Housing Authority. The fee accountant uses the same software that the Housing Authority uses to do the financials each month, therefore, the fee accountant actually takes control of a computer in the Housing Authority office and processes the actual financial records that have taken place in the computer system. The Housing Authority had used the same auditor for a number of years based on cost when going out with a Request For Proposal. For audit period ending 3-31-15, the Housing Authority will be audited by a firm that is very experienced in this field and that has never audited us before. All checks for the Housing Authority are and will be signed by either the Executive Director or the Deputy Executive Director with the second signature required being a Commissioner.

In accordance with the Federal Fair Housing Law (the Fair Housing Amendments Act of 1988) it is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status or national origin. To file a complaint of discrimination, write US Department of Housing and Urban Development, Assistant Secretary for Fair Housing and Equal Opportunity, Washington, DC, 20410 or call toll free, 1 (800) 669-9777 (Voice), 1 800-720-6382 (TDD)

Ref to OIG Evaluation

Auditee Comments



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The Authority Overpaid Some Employees and Could not Support Wages Paid to Other Employees.

Comment 2

With the Maintenance staff, there are times they clock in and do not clock out, or do not clock in but clock out. The reason for this is that if they are at a unit or on the grounds doing a repair, for example a sewer, they do not stop what they are doing to go back to the office and punch out. The maintenance staff keep a written time sheet for any hours worked after their regular work day. The timesheet states what time they start the job and what time they finish. The times, dates and work done which is recorded on the written time sheet is verified by the Supervisor in the Maintenance Department and turned into the Executive Director before payroll is processed. In January, 2014, the Executive Director instructed the Financial Assistant to start going through everyone's time cards and leave request sheets to verify what time had not been accounted for. This has been done and any time not accounted for on the time cards has been deducted from accrued leave and brought up to date. There were two employees that the Executive Director knew were short on accrued leave and the Executive Director went through their time cards each pay period and deducted any time not worked during that pay period from their paychecks. The Financial Assistant was instructed to go over the other employee time cards to ensure that all time had been accounted for and to ensure that any time not accounted for is backed up with the proper leave sheet, each pay period. The Financial Assistant has been instructed to inform the Executive Director of any staff person that is running short on accrued leave so that their time not worked can also be deducted from their paycheck each pay period. The Executive Director has given written instructions on the requirements of timekeeping and the steps expected as far as punching in and out to the Maintenance Staff who work out of a different site than the main office, and requested that the Supervisors go over the written instructions and have each staff person sign the written directive, as well as a copy of the written directive posted by the time clock. The written directive explains that failure to comply with timekeeping policy will result in disciplinary actions. The Financial Assistant has been given instructions to report to the Executive Director any staff that are not following the policy of timekeeping according to the Personnel Policy and the directive distributed so that the employee can be disciplined.

Comment 3

The Authority Could Not Support Unused Vacation Leave Payments.

Comment 4

The Executive Director ran an employee history report on all employees and verified any unused vacation leave payments they received and shared this information with the Financial Assistant. Therefore, when the Financial Assistant was updating all accrued leave balances, the unused vacation payments were deducted from the accrued leave balances accordingly. The one employee that received 192 hours of unused vacation pay did exceed the limit by 32 hours for that calendar year, therefore, the \$1,141.00 is owed back from Non-HUD Funds.

The Authority Paid and Failed To Track Advances to Employees.

Comment 5

Upon receiving the draft of the Audit Report, the Executive Director ran a report to show any pay advances that were disbursed between January, 2013 and March, 2014. The research shown by the Executive Director, does show that all pay advances were paid back to the Housing Authority by June 13, 2014

The Authority Could Not Support Its Fixed Assets Inventory Total

Comment 6

The new Deputy Executive Director has been verifying the Fixed Assets Inventory and is correcting any errors made, therefore this has been corrected. The current Fixed Assets Inventory total was understated on the financials. The Deputy Executive Director is also working with maintenance to get all inventory put into the computer system so that tracking is done showing what is coming in and what is going out.

In accordance with the Federal Fair Housing Law (the Fair Housing Amendments Act of 1988) it is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status or national origin. To file a complaint of discrimination, write US Department of Housing and Urban Development, Assistant Secretary for Fair Housing and Equal Opportunity, Washington, DC, 20410 or call toll free, 1 (800) 669-9777 (Voice), 1 800-720-6382 (TDD)

Ref to OIG Evaluation

Auditee Comments



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Comment 7

The Authority Lacked Support for Checks.

The Housing Authority was able to provide support for 38 out of the 43 checks audited. The Housing Authority can explain what the payment was for, but the receipt for the payment was not attached to the check and could not be located.

Comment 8

The Authority Improperly Used Its Credit Cards.

The Housing Authority was able to locate some of the missing receipts that were to be attached to the credit card statement. There was some transactions missing purchase orders even though the receipt was attached. Prior there were three employees that had a company credit card, and now all the credit cards are held in the Executive Director's or the Deputy Executive Director's office and an employee must ask for a credit card prior to usage. If an employee comes and asks to use the Executive Director's credit card for a purchase from a vendor that we do not have a charge account with, the Executive Director instructs them to get a purchase order first, and to turn the receipt into accounts payable along with the purchase order to ensure that the proper procedure is being followed. The Executive Director also checks with the Accounts Payable Department to ensure that this procedure has been done.

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OIG Evaluation of Auditee Comments

Comment 1 The Authority indicated it had replaced some of the funds taken by the chief financial officer. It said it took action in 2010 when the chief financial officer told the executive director that its auditor had an issue with the chief financial officer paying herself for unused vacation. It stated the executive director instructed the chief financial officer to support her leave balances, and chief financial officer's information was provided to the board for approval. The Authority also amended its personnel policy in December 2010 to limit the amount of leave buy out to 160 hours in a calendar year and stated that three later audits did not have a finding concerning this issue. It further stated it did not see that signing blank checks was a problem because checks required two signatures. The Authority indicated it has taken other actions to prevent problems.

The Authority will need to work with San Antonio Office of Public Housing to show that it has properly repaid its various HUD funded accounts for the entire amount that the chief financial officer improperly paid herself. We disagree that the Authority took sufficient action in 2010 as neither the executive director nor the board researched or verified the leave balance information provided by the chief financial officer. In addition, the executive director and the board did not take action to ensure that the chief financial officer's leave payments followed the new 160 hour maximum as the chief financial officer paid herself for 1,761 hours in 2010, 1,291 hours in 2011, 628 hours in 2012, and 2,979 hours in 2013. The executive director's signing of blank checks was an internal control weakness as the chief financial officer could sign as the second signature.

Comment 2 The Authority indicated there may be times when maintenance staff did not properly clock in or out because the employees were performing repairs. Although its statement concerning its maintenance employees appears reasonable, this practice conflicted with its existing policy, which required all employees to clock in and out. In addition, its Capital Fund program maintenance office assistant clocked in and did not clock out or clocked out and did not clock in for a total of 117 days; we question whether this individual performed repairs.

Comment 3 The Authority indicated it had reviewed all time cards and deducted any unaccounted time from employees' accrued leave balances. We question whether adjusting the leave balances of four administrative employees, who received payment for 1,796 hours of time that they did not work, is prudent and supported. For one administrative employee, she did not have a sufficient leave balance as her personnel file contained a note that she only had 13 hours of accrued annual leave on May 12, 2014. However, our testing showed the Authority paid her for 652 hours that she had not worked and for an additional 192 hours for days where she did not clock in and clock out. The Authority will need to provide the corrected leave balances and supporting information to the San Antonio Office of Public Housing.

- Comment 4** The Authority said it had updated all employees' leave balances. It also said it would repay from non HUD funds \$1,141 paid to an employee for 32 hours in excess of the vacation buy back limit. The Authority will need to provide support to the San Antonio Office of Public Housing for its confirmation that the Authority took appropriate action concerning its employees' leave balances.
- Comment 5** The Authority indicated that all pay advances had been repaid. At the exit conference, it indicated that one pay advance had been improperly recorded three times in its financial records. We disagree that the Authority has fully corrected the issue as our work still showed a difference in the amount advanced and repaid. In addition, the Authority will need to reverse the multiple postings made to its general ledger for the improperly recorded check. The Authority will need to work with the San Antonio Office of Public Housing to show that it fully paid back the advances and reversed the multiple check entries in its financial records.
- Comment 6** The Authority stated its fixed assets total was understated and this issue had been corrected. We disagree the Authority has corrected the issue. The Authority will need to provide the San Antonio Office of Public Housing documentation and general ledger adjusting entries to support its various fixed asset account balances.
- Comment 7** The Authority said it provided support for 38 out of 43 checks. For the others, it could not locate a receipt. As the Authority provided the information after our field work and because some additional information needs to be obtained, the Authority needs to work with the San Antonio Office of Public Housing to ensure that it can properly support these checks. Additionally, it only provided support for 37 checks.
- Comment 8** The Authority said it located some missing credit card receipts. It has also restricted access to the credit cards, and it detailed new procedures for credit card use. We acknowledge the Authority's actions. However, the Authority must provide the receipts to the San Antonio Office of Public Housing who will determine if those charges are supported. The Authority must repay any other unsupported or ineligible charges. Its board also needs to create and adopt new policies governing credit card usage.

Appendix C

CRITERIA

2 CFR Part 225

Cost Principles for State, Local, and Indian Tribal Governments (OMB [Office of Management and Budget] Circular A-87)

Appendix A to Part 225—General Principles for Determining Allowable Costs

A. Purpose and Scope...

2. Policy guides.

a. The application of these principles is based on the fundamental premises that:

- (1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices...

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of 2 CFR part 225.
 - c. Be authorized or not prohibited under State or local laws or regulations...
 - j. Be adequately documented.
2. Reasonable costs. 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. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:
 - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award...
 - d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.

Appendix B to Part 225—Selected Items of Cost

14. *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable...
16. *Fines and penalties.* Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments...

23. *Interest.*

- a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.

24 CFR Part 85

Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments

Subpart C - Post-Award Requirements

Financial Administration

Subsection 85.20 Standards for financial management systems

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

...

- (3) **Internal control.** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes...
- (5) **Allowable cost.** Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) **Source documentation.** Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

...

Changes, Property, and Subawards

Subsection 85.32 Equipment

...

(d) **Management requirements.** Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.

Housing Authority of the City of Victoria, Texas, and Its Related Entities, Personnel Policy
Section 4.7 Timekeeping

Each employee is to punch a time clock when their work day begins and again when their work day ends. Each employee is required to fill out a request for vacation days prior to taking the days off and have their immediate supervisor sign off on the form. Each employee is required to fill out a sick leave form the morning or afternoon they return to work after being sick and have their immediate supervisor sign off on the form. If the immediate supervisor is unavailable, go to the Deputy Director/Financial Supervisor or the Executive Director. If an employee misses more than [sic] three consecutive days of work for the reason of illness, they must produce a written statement from their physician before returning to work. If you have a pre scheduled appointment, you must fill out the appropriate form and get your supervisor's approval when the appointment is made. Anytime you leave the building, you must punch out and back in when you return, unless you are leaving the building for Housing Authority business.

Every employee with the exception of the Executive Director and the Deputy Director shall be required to use a time clock and sign and leave their time cards semi-monthly in the timecard holder to be picked up by the appropriate staff.

...

This will replace Section 8.1 VACATION, of Personnel Policy which was originally Board approved on October 13, 2004. The change is effective January 1, 2011.

Only regular full-time employees may receive paid vacation leave. Employees who have been with the Housing authority less than 6 months continuously may accrue but shall not be entitled to any vacation leave. Employees who have been with the Housing Authority 6 months or more shall be eligible for vacation according to the following:

One to Nine Years	10 days
Ten to Fourteen Years	15 days
Fifteen Years Plus	20 days

Your immediate supervisor must approve all leave and vacation schedule requests with primary consideration given to the continued operation of the Housing Authority and the needs of residents. If the immediate supervisor is unavailable, go to the Deputy Director or the Executive Director.

Vacation leave is accrued on the anniversary date of the employee's employment start date.

Employees are encouraged to use all vacation leave within one year after accrual. Vacation time may be paid to the employee at the employee's regular salary or wage rate. Effective January 1, 2011 the limit an employee can be paid in vacation time will be a maximum of 160 hours per calendar year, but never to exceed their accrual.

Effective January 1, 2011, an employee cannot accrue more than 640 hours (4 months) of vacation time. There is no grandfather clause to this. It will affect all current and future employees as of January 1, 2011. Anything over 640 hours will be forfeited.

...

Vacation leave may not be advanced to employees until the Financial Supervisor shows the Executive Director documentation that the vacation time accrued does not exceed the request made by the employee for the paid vacation time and to ensure that the employee has not been paid for more than 160 hours within the calendar year....

Appendix D

INELIGIBLE CHECKS ISSUED BY THE CHIEF FINANCIAL OFFICER

Count	Check no.	Date	Payee	Amount
1	10773	09/11/2007	Chief financial officer	\$ 320.10 ¹⁶
2	10844	10/08/2007	Chief financial officer	1,120.35
3	10953	11/19/2007	Chief financial officer	1,120.35
4	11064	12/20/2007	Chief financial officer	2,774.00
5	11318	3/26/2008	Chief financial officer	2,800.00
6	11468	5/19/2008	Chief financial officer	1,456.25
7	11560	6/26/2008	Chief financial officer	1,456.25
8	11380	7/08/2008	Chief financial officer	1,233.20
9	11686	8/14/2008	Chief financial officer	806.64
10	11695	8/28/2008	Chief financial officer	1,456.25
11	11838	10/22/2008	Chief financial officer	806.64
12	11907	11/13/2008	Chief financial officer	1,075.52
13	11910	11/20/2008	Chief financial officer	1,142.74
14	12017	12/23/2008	Chief financial officer	941.08
15	12167	2/19/2009	Chief financial officer	806.64
16	12168	3/03/2009	Chief financial officer	2,800.00
17	12260	3/27/2009	Chief financial officer	941.08
18	12268	3/30/2009	Chief financial officer	500.00
19	12297	4/09/2009	Chief financial officer	3,028.50
20	12363	5/20/2009	Chief financial officer	978.32
21	12497	6/25/2009	Chief financial officer	1,048.20
22	12519	6/29/2009	Chief financial officer	3,028.50
23	12544	7/20/2009	Chief financial officer	3,028.50
24	12689	8/19/2009	Chief financial officer	1,222.90
25	12688	8/21/2009	Chief financial officer	3,028.50
26	12758	9/10/2009	Chief financial officer	3,028.50
27	12821	9/28/2009	Chief financial officer	1,222.90
28	12851	10/01/2009	Chief financial officer	1,118.08
29	12850	10/05/2009	Chief financial officer	1,514.25
30	12883	10/13/2009	Chief financial officer	1,327.72
31	12886	10/16/2009	Chief financial officer	1,118.08
32	11776	10/19/2009	Chief financial officer	1,048.20
33	12888	10/22/2009	Chief financial officer	1,153.02
34	12921	10/28/2009	Chief financial officer	3,028.50

¹⁶ The check totaled \$1,088.34; however, the above amount represented the amount the chief financial officer was not entitled to receive.

Count	Check no.	Date	Payee	Amount
35	12979	11/12/2009	Chief financial officer	1,514.25
36	12993	11/16/2009	Chief financial officer	1,514.25
37	13063	12/02/2009	Chief financial officer	1,118.08
38	13076	12/04/2009	Chief financial officer	3,028.50
39	13122	12/21/2009	Chief financial officer	1,514.25
40	13149	12/23/2009	Chief financial officer	978.32
41	10332	12/30/2009	Chief financial officer	1,118.08
42	13204	1/07/2010	Chief financial officer	1,118.08
43	11030	1/08/2010	Chief financial officer	1,118.08
44	11068	1/09/2010	Chief financial officer	1,118.08
45	10243	1/11/2010	Chief financial officer	1,118.08
46	13129	1/14/2010	Chief financial officer	2,900.00
47	13130	1/20/2010	Chief financial officer	650.00
48	13133	1/26/2010	Chief financial officer	1,118.08
49	13281	2/02/2010	Chief financial officer	838.56
50	13310	2/09/2010	Chief financial officer	3,028.50
51	13354	2/16/2010	Chief financial officer	1,118.08
52	13355	2/16/2010	Chief financial officer	3,028.50
53	78968	3/05/2010	Chief financial officer	3,028.50
54	13459	4/20/2010	Chief financial officer	650.00
55	75555	4/23/2010	Chief financial officer	3,149.50
56	74348	5/03/2010	Chief financial officer	1,574.75
57	74349	5/07/2010	Chief financial officer	1,162.88
58	73461	5/11/2010	Chief financial officer	1,162.88
59	13612	5/12/2010	Chief financial officer	1,574.75
60	13652	5/24/2010	Chief financial officer	1,383.20
61	13653	5/25/2010	Chief financial officer	1,199.22
62	13654	6/02/2010	Chief financial officer	1,017.52
63	13732	6/17/2010	Chief financial officer	1,574.75
64	13744	6/23/2010	Chief financial officer	1,017.52
65	13763	6/29/2010	Chief financial officer	3,149.50
66	13756	7/16/2010	Chief financial officer	1,162.88
67	13757	7/28/2010	Chief financial officer	1,162.88
68	13877	8/03/2010	Chief financial officer	1,574.75
69	13878	8/06/2010	Chief financial officer	1,574.75
70	13936	8/23/2010	Chief financial officer	1,235.56
71	13949	9/07/2010	Chief financial officer	3,149.50
72	79616	9/23/2010	Chief financial officer	3,149.50
73	79620	10/19/2010	Chief financial officer	1,574.75
74	14117	10/25/2010	Chief financial officer	1,574.75
75	79617	10/30/2010	Chief financial officer	3,149.50
76	79619	11/05/2010	Chief financial officer	3,149.50
77	14211	11/18/2010	Chief financial officer	1,574.75
78	14299	12/22/2010	Chief financial officer	650.00

Count	Check no.	Date	Payee	Amount
79	14348	1/11/2011	Chief financial officer	1,574.75
80	14407	2/01/2011	Chief financial officer	1,574.75
81	14449	2/17/2011	Chief financial officer	775.00
82	14549	3/25/2011	Chief financial officer	1,574.75
83	14634	4/27/2011	Chief financial officer	1,637.50
84	14468	5/05/2011	Chief financial officer	650.00
85	14700	5/17/2011	Chief financial officer	1,851.71
86	14711	5/24/2011	Chief financial officer	3,275.00
87	14774	6/01/2011	Chief financial officer	3,275.00
88	14830	6/23/2011	Chief financial officer	1,485.00
89	14832	6/24/2011	Chief financial officer	3,275.00
90	14943	7/02/2011	Chief financial officer	3,275.00
91	14944	7/08/2011	Chief financial officer	3,275.00
92	14945	7/15/2011	Chief financial officer	3,275.00
93	14946	7/29/2011	Chief financial officer	1,450.00
94	14947	8/01/2011	Chief financial officer	3,275.00
95	14948	8/03/2011	Chief financial officer	3,275.00
96	15092	8/18/2011	Chief financial officer	950.00
97	74345	8/22/2011	Chief financial officer	2,975.00
98	15141	9/12/2011	Chief financial officer	2,975.00
99	15405	12/21/2011	Chief financial officer	3,275.00
100	15517	1/20/2012	Chief financial officer	1,209.28
101	15591	2/06/2012	Chief financial officer	1,209.28
102	15588	2/15/2012	Chief financial officer	1,637.50
103	15599	2/23/2012	Chief financial officer	604.64
104	15663	3/21/2012	Chief financial officer	3,275.00
105	15705	4/05/2012	Chief financial officer	1,300.00
106	82970	5/29/2012	Chief financial officer	3,257.00
107	15910	7/05/2012	Chief financial officer	3,407.00
108	16029	8/23/2012	Chief financial officer	3,407.00
109	16062	10/20/2012	Chief financial officer	950.00
110	16307	12/05/2012	Chief financial officer	950.00
111	16358	12/26/2012	Chief financial officer	3,207.00
112	16384	1/04/2013	Chief financial officer	1,703.50
113	16429	1/18/2013	Chief financial officer	1,257.92
114	16439	1/24/2013	Chief financial officer	800.00
115	16030	1/25/2013	Chief financial officer	3,107.00
116	15602	2/02/2013	Chief financial officer	1,329.40
117	16473	2/07/2013	Chief financial officer	1,415.16
118	15876	2/15/2013	Chief financial officer	3,407.00
119	16501	2/20/2013	Chief financial officer	3,407.00
120	82155	3/07/2013	Chief financial officer	3,407.00
121	16651	4/16/2013	Chief financial officer	1,297.23
122	74956	4/20/2013	Chief financial officer	3,207.00

Count	Check no.	Date	Payee	Amount
123	74346	4/23/2013	Chief financial officer	3,107.00
124	16672	4/26/2013	Chief financial officer	3,407.00
125	16689	5/01/2013	Chief financial officer	3,407.00
126	16688	5/03/2013	Chief financial officer	1,297.23
127	16730	5/16/2013	Chief financial officer	1,375.85
128	84471	5/17/2013	Chief financial officer	1,375.85
129	16740	5/24/2013	Chief financial officer	3,407.00
130	84733	6/20/2013	Chief financial officer	3,407.00
131	16847	7/01/2013	Chief financial officer	3,407.00
132	84789	7/03/2013	Chief financial officer	3,407.00
133	16849	7/15/2013	Chief financial officer	3,407.00
134	16778	7/23/2013	Chief financial officer	3,407.00
135	16741	7/25/2013	Chief financial officer	3,407.00
136	84890	8/01/2013	Chief financial officer	1,800.00
137	18255	8/05/2013	Chief financial officer	3,407.00
138	84891	8/09/2013	Texas Guaranteed Student Loan Corp	2,300.00
139	18300	8/13/2013	Chief financial officer	3,407.00
140	18276	8/16/2013	Chief financial officer	1,400.00
141	72022	8/26/2013	Chief financial officer	1,500.00
142	85092	9/01/2013	Chief financial officer	3,407.00
143	85093	9/05/2013	Chief financial officer	3,407.00
144	85094	9/06/2013	Chief financial officer	1,703.50
145	85095	9/18/2013	Chief financial officer	3,407.00
146	72021	9/30/2013	Chief financial officer	3,407.00
147	67147	10/03/2013	Chief financial officer	3,407.00
148	16928	10/15/2013	Chief financial officer	3,407.00
149	16929	10/18/2013	Chief financial officer	1,703.50
150	16939	10/23/2013	Chief financial officer	3,407.00
151	67150	11/02/2013	Chief financial officer	3,407.00
152	67152	11/06/2013	Chief financial officer	3,407.00
153	67151	11/08/2013	Chief financial officer	1,450.00
154	73811	11/14/2013	Chief financial officer	1,580.00
155	73815	11/22/2013	Chief financial officer	3,407.00
156	17087	12/10/2013	Chief financial officer	3,407.00
157	17145	1/08/2014	Chief financial officer	1,336.54
Total				\$ 322,331.41

Appendix E

UNSUPPORTED VENDOR CHECKS

#	Payment date	Check number	Vendor	Description	Amount
1	01/30/2013	84075	CPL Business	Acct # 1034075	\$ 5,731.40
2	01/30/2013	84076	Dollar Tree	Cleaning supplies	150.00
3	03/25/2013	84377	Centro De Alabanza Church	Plates for elderly Easter	210.00
4	03/28/2013	84281	Ideal Aluminum Siding & Roofing	New roof at #6 building	12,024.00
5	03/29/2013	84292	Auto Zone	Acct: Victoria Housing Authority	113.90
6	04/16/2013	84515	Guadalupe Villareal	Fixed 4 mowers	200.00
7	04/26/2013	84565	Guadalupe Villareal	Fixed lawnmowers	200.00
8	04/29/2013	84566	Dollar Tree	Cleaning supplies	150.00
9	06/21/2013	84472	Dolores Garza	Advance of wages	775.00
10	07/17/2013	84842	Dollar Tree	Cleaning supplies	150.00
11	08/1/2013	84936	The Nelrod Company	Acct # Victoria	598.00
12	08/13/2013	84970	HD Supply Facilities Maintenance	Cust # 59890	3,121.96
13	11/5/2013	85360	Dollar Tree	Cleaning supplies	150.00
Total					\$23,574.26