



Issue Date April 9, 2009
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Audit Report Number 2009-BO-1006
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TO: Donna J. Ayala, Director, Office of Public Housing, Boston Hub, 1APH

FROM:   
John A. Dvorak, Regional Inspector General for Audit, Boston Region 1,1AGA

SUBJECT: Quincy Housing Authority, Quincy, Massachusetts, Housing Choice Voucher Program Needs to Improve Controls over Its Interprogram Fund Transactions, Procurement, and Travel

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Housing Choice Voucher program (Voucher program) at the Quincy Housing Authority (Authority) as part of our annual audit plan. Our efforts focused on whether the Authority (1) ensured that its Section 8 administrative plan met the requirements of 24 CFR (*Code of Federal Regulations*) 982.54, (2) adequately accounted for its indirect cost charges, (3) used Voucher program funds only for the administration of the program and whether interprogram fund transactions were properly accounted for and reported, (4) followed its procurement practices, and (5) ensured that travel incurred for the Voucher program was in accordance with U.S. Department of Housing and Urban Development (HUD) guidance.

### **What We Found**

The Authority generally administered the Voucher program efficiently and effectively and in compliance with its annual contributions contract and HUD

regulations. Our review disclosed (1) that the Authority's Section 8 administrative plan met the requirements of 24 CFR 982.54, and (2) the Authority maintained proper support for its indirect allocation of administrative expenses. However, it did not (3) properly account for and report interprogram fund transactions between its federal and state programs, resulting in nearly \$4.6 million in unsupported transactions being recorded in its program accounts; (4) provide support and justification for \$426,052 in contracts to show that the contracts were properly documented; and (5) establish a reasonable travel policy to ensure that travelers submitted detailed travel expense vouchers.

### **What We Recommend**

We recommend that the Director of the Office of Public Housing, Boston hub, require the Authority to (1) provide support for nearly \$4.6 million in interprogram fund transactions that are out of balance between federal and state programs and implement procedures for recording and reconciling interprogram transactions and correcting imbalances; (2) provide support and justification for \$426,052 in contracts for financial advisory services, a fee accountant, inspection services, legal services, and payroll and landlord payment services or reimburse its operating funds from nonfederal funds for the applicable amounts; and (3) revise its travel policy and obtain approval of the policy from the Authority's board of commissioners.

For each recommendation without a management decision in the body of the report, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided the Authority a draft report on March 24, 2009, and held an exit conference with officials on March 31, 2009. The Authority provided written comments on April 7, 2009. It generally agreed with our findings and recommendations and has taken some corrective actions that should eliminate the conditions noted in this report. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVES

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The United States Housing Act of 1937 established the federal framework for government-owned affordable housing. This act also authorized public housing as the nation's primary vehicle for providing jobs and building and providing subsidized housing through the U.S. Department of Housing and Urban Development (HUD). HUD disperses funds to public housing agencies under annual contributions contracts to provide subsidy payments or housing assistance payments for participating low-income families.

In addition, the United States Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998, created the Section 8 Housing Choice Voucher tenant-based program (Voucher program). The Voucher program is funded by HUD and allows public housing authorities to pay HUD subsidies directly to housing owners on behalf of the assisted family.

The Voucher program is administered by the Quincy Housing Authority (Authority) for the City of Quincy, Massachusetts. HUD contracts with the Authority to administer 945 housing choice voucher units through annual contributions contracts.<sup>1</sup> The Authority received \$27.7 million in Voucher program funds during the period July 1, 2006, through June 30, 2008, and earned administrative fees of approximately \$2.4 million during the same period. The annual contributions contracts require the Authority to follow appropriation laws, HUD requirements including public housing notices, and the Authority's administrative plan.

The principal staff member of the Authority is the executive director, who is hired and appointed by the Authority's board of commissioners (board). The executive director is directly responsible for carrying out the policies established by the board and is delegated the responsibility for hiring, training, and supervising the remainder of the Authority's staff to manage the day-to-day operations of the Authority and to ensure compliance with federal and state laws and directives for the programs managed.

Our overall audit objective was to determine whether the Authority effectively and efficiently administered its Voucher program in compliance with its annual contributions contracts and HUD regulations. Our specific audit objectives were to determine whether the Authority (1) ensured that its Section 8 administrative plan met the requirements at 24 CFR (*Code of Federal Regulations*) 982.54, (2) adequately accounted for its indirect cost charges, (3) used Voucher program funds only for the administration of the program and whether interprogram fund transactions were properly accounted for and reported, (4) followed its procurement practices, and (5) ensured that travel incurred for the Voucher program was in accordance with HUD guidance.

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<sup>1</sup> As of September 1, 2008, the Authority had 737 tenant-based vouchers, 51 enhanced vouchers, 57 project-based vouchers, and 100 designated housing vouchers.

## RESULTS OF AUDIT

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### Finding 1: The Authority Did Not Reconcile Its Interprogram Fund Transactions

The Authority's interprogram fund transactions had not been reconciled. The Authority used its Voucher program account as a revolving fund to make all of its vendor payments. All other federal and state programs made monthly advances of funds based on budgeted allocations to the revolving fund to make the vendor payments. These other programs also reimbursed the revolving fund monthly in arrears for a share of the monthly expenditures. However, this practice resulted in a buildup of due from/due to amounts because the expenditures and revenues were not reconciled back to the other program accounts. The Authority had not reconciled these accounts because it had not established written procedures for such reconciliations or procedures to analyze and correct any resultant imbalances. As a result, it could not support approximately \$4.6 million in transactions recorded in the interprogram accounts as of June 30, 2007, between its federal and state programs. This deficiency could result in a misstatement of program revenues or expenses.

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#### **The Authority Had Ongoing Issue with Interprogram Accounts**

The Authority had not balanced its interprogram receivables and payables between its federal and state programs.<sup>2</sup> Prior to our audit, the Authority had not made any effort to reconcile the interprogram fund accounts, and the Authority's accounting procedures did not always readily identify whether the Authority used its Voucher program funds only for the administration of the program because it did not properly account for and report interprogram fund transactions. The Authority's interprogram receivables and payables accounts for the various programs administered by the Authority were routinely out of balance.

The Authority used its Voucher program account as a revolving fund to make its vendor payments. All other federal and state programs made monthly advances of funds based on budgeted allocations to the revolving fund to make the vendor payments. These other programs also reimbursed the revolving fund monthly in arrears for a share of the monthly expenditures. However, this practice resulted in a

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<sup>2</sup> Federal programs—Supportive Housing for Persons with Disabilities, Section 8 New Construction/Substantial Rehabilitation, Shelter Plus Care, Public Housing, Housing Choice Voucher—and state and local programs.

buildup of due from/due to amounts because the expenditures and revenues were not reconciled back to the other program accounts. The Authority's accounting procedures did not ensure that it used its Voucher program funds only for the administration of the program because the procedures did not require reconciliation or reporting of the interprogram fund transactions or ensure that costs were charged to the appropriate programs. Also, the annual contributions contracts for the Voucher program restricts the use of program funds for payment of expenses associated with those programs (see Appendix D).

**The Authority's Management  
and Fee Accountant  
Acknowledge Interprogram  
Account Transactions of  
Approximately \$4.6 Million**

The Authority's management and its fee accountant contractor acknowledged that the Authority had sizeable interprogram due from/due to balances as of June 30, 2006, and June 30, 2007, of \$1.8 million and approximately \$4.6 million, respectively.<sup>3</sup> The imbalances in the interprogram accounts occurred because the Authority had not initially understood the necessity for reconciling these accounts and did not reconcile the accounts accordingly. Therefore, it did not have written procedures in place to reconcile the interprogram accounts or analyze and correct imbalances. As a result, the Authority did not have support for approximately \$4.6 million in interprogram account balances that were out of balance between its federal and state programs (see Appendix C). These imbalances could result in a misstatement of program revenues or expenses.

The fee accountant stated that the interprogram balances in each of the accounts had accumulated over the years and fluctuate monthly based on operational activity. However, the fee accountant also stated that these interprogram accounts between programs had never been reconciled or reduced to zero. The Authority's management and the fee accountant realize that each of the programs participating in the revolving fund account must reimburse the revolving fund for the expenditures it has paid out on behalf of the program. The Authority admitted that there was no process in place to reconcile its interprogram accounts, which contain both funding for state and federal programs.

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<sup>3</sup> As of June 30, 2008, the Authority had been unable to determine the interprogram fund balances for fiscal year 2008, and Authority management had stated the need for additional time to reconcile these accounts between state and federal programs.

## Conclusion

The Authority did not conduct monthly reconciliations of the interprogram fund accounts to ensure that program revenue and expenses were charged to the applicable programs. When routinely performed, the reconciliations will help to ensure that the Authority properly accounts for all of its federal funds and assure HUD that the Authority has appropriately allocated all of its costs to its federal programs. The Authority must establish adequate procedures and controls regarding interprogram fund transfer transactions that occur between its federal and state accounts to properly account for all of its federal funds.

## Recommendations

We recommend that the Director of the Office of Public Housing require the Authority to

- 1A. Provide support for \$4,599,160 in interprogram transactions that were out of balance between its federal and state programs.
- 1B. Implement procedures and internal controls for recording and reconciling interprogram transactions monthly, correct any imbalances and make proper payments to accounts.

We recommend that the Director of the Office of Public Housing

- 1C. Conduct follow-up reviews of the Authority periodically to ensure that monthly reconciliations are performed as needed.

## RESULTS OF AUDIT

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### Finding 2: The Authority Failed to Comply with HUD Procurement Regulations and Its Own Procurement Policy

The audit identified several instances in which the Authority's procurement practices did not comply with HUD regulations and its own procurement policy. Specifically, the Authority failed to

- Award contracts competitively,
- Execute or update service contracts and/or written agreements,
- Document the source selection process, and
- Maintain a detailed history of all procurements.

These conditions occurred because the executive director, as chief procurement officer, did not fulfill his responsibility to establish effective management controls over the procurement process. As a result, HUD had no assurance that \$426,052 in legal, financial, and inspection services procured from September 2000 through December 2008 were at a fair and equitable price and resulted in the best quality and/or pricing for goods and services obtained. In addition, without formal contract documents, the Authority was at risk for overbilling and paying for unauthorized or substandard goods and services.

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#### **The Authority Did Not Comply with Procurement Regulations**

The Authority did not comply with its requirements when procuring legal and financial services including advisory, fee accountant, and disbursement services. The Authority's procurement policy stated that the Authority would comply with HUD's annual contributions contract and the procurement standards at 24 CFR 85.36. Section 5(A) of the annual contributions contract further required the Authority to comply with all provisions of the contract and all applicable regulations issued by HUD. Procurement regulations at 24 CFR 85.36 required the Authority to

- Conduct all procurement<sup>4</sup> in a manner that provides full and open competition and
- Maintain sufficient records to show the history of the procurement.

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<sup>4</sup> The term "procurement" includes both contracts and modifications—including change orders—for construction or services as well as purchase, lease, or rental of supplies and equipment.



The records should include the rationale and justification for the method of procurement, the type of contract, the selection of the contractor, and the basis for the contract price.

However, the Authority's process for procurement and contracting showed deficiencies in its own procurement policy and/or noncompliance with the HUD regulations cited above. Our review of financial advisory services, a fee accountant, inspection services, legal services, and payroll and landlord payment services disclosed that the Authority could not produce records sufficient to detail the significant history of each procurement action. The files lacked documentation or rationale for the method of procurement, contract pricing arrangements, accepting or rejecting bids or offers, or basis for the contract price. In addition, the files did not contain copies of the contract documents awarded or issued and signed by the contracting officer and related contract administration.

In addition, the Authority's executive director (designated as the chief contracting officer) had failed to update the file documents that indicated the delegation of authority and responsibilities for procurements and contracts. At the time of our review, the persons to whom procurement and contracting responsibilities had been delegated had either left the employment of the Authority or moved on to other positions within the Authority.

The executive director agreed that the Authority's procurement policy and procedures did not reflect the requirements of applicable state and local laws and regulations and applicable federal laws and standards. At the Authority's January 2009 board meeting, the executive director presented a revised procurement policy, reflecting procedures incorporating the requirements of applicable federal, state, and local laws and regulations, to the Authority's board of commissioners for approval. The policy was unanimously passed by the board.

### **The Authority Obtained Legal Services without Contracts**

The Authority did not document the history of the procurement and did not follow its own procurement policy when it obtained legal services. It had failed to properly procure, document, and competitively bid for these services. The legal services obtained were from three attorneys for representation in eviction proceedings, labor contracts, and an ongoing retirement litigation case, and the Authority had not obtained a signed contract for services.

According to the Authority's December 2005 board meeting minutes, the executive director informed the board that legal service for a local attorney had been acquired to provide representation in eviction proceedings according to HUD regulations. However, the Authority could not provide a signed contract for

the \$13,157 paid for legal services provided from January 2007 through December 2008. It also did not obtain a signed contract for services provided by an attorney who represented it regarding labor contract issues. HUD approved the procurement of these services; however, there was no evidence of a signed contract for the services. From January 2007 through December 2008, the Authority paid \$18,692 for these legal services. In addition, it had engaged another attorney to represent it in an ongoing retirement litigation case. The executive director had informed the board that legal services for this engagement could cost \$6,000. The Authority's fee agreement was not signed by either party, but the Authority had not yet incurred any cost for these services; however, these are potential costs that the Authority failed to properly procure, document, and competitively bid.

### **Procurement Policies Were Not Followed for Financial Services**

The Authority did not follow its procurement policy regarding the contracting for its fee accountant, financial advisory, and payroll and landlord payment services. For the fee accountant services, the Authority disbursed \$77,955 from January 2006 through June 2008 with no written contract. The Authority's files indicated that a request for proposal for fee accountant services was prepared and advertised by the Authority. According to minutes of the Authority's November 2005 board meeting, a motion was made to execute a contract with the fee accountant for the period December 2005 through November 2006, and this contract was not to exceed \$30,000. However, neither the Authority nor its fee accountant could provide a signed contract and the necessary documentation to show that a valid contract existed. Also, the Authority did not document the history of this procurement and did not follow its own procurement policy regarding these services. The fee accountant continued to provide services to the Authority without a valid contract.

Regarding the financial advisory services, which were provided from September 2000 through January 2006, the Authority disbursed \$225,900 for these services. Again, the Authority could not provide a signed contract and the necessary documentation to show that a valid written contract existed for the period indicated. The Authority failed to properly procure these services as prescribed by HUD guidance and regulations and by the Authority's own procurement policies and procedures.

The Authority also obtained disbursement services from March 2007 through December 2008 for landlord payments, paying \$24,950 without properly procuring these services or obtaining a signed contract. Additionally, the Authority failed to properly procure its payroll service from a related company, paying \$11,560 from March 2007 through December 2008. Authority officials stated that they sought

bids from other payroll vendors; however, there were no records to support this claim, and there was no signed contract for these services.

### **The Housing Quality Standards Inspection Contract Lacked Specific Terms and Conditions**

The Authority awarded a one-year contract to a firm to provide housing quality standards inspection services for both its public and leased housing with an option to renew for two one-year periods. From January through December 2008, the Authority paid the firm a total of \$47,838. However, the contract's compensation clause failed to provide the total cost of the contract, potentially exposing the Authority to excessive billing. The clause only provided specific dollar amounts for each type of unit inspection. The compensation clause also did not establish a definite quantity based on the Authority's public and leased housing potential, nor did it provide not-to-exceed provisions.

### **Conclusion**

The Authority failed to comply with federal procurement requirements and its own procurement policies for procurement activities that required full and open competition. In addition, it failed to develop sufficient records to show the history of the procurement. It also failed to adequately structure the terms for its contract for housing quality standards inspections to ensure that services were always valid, necessary, and reasonable. As a result, the Authority spent \$426,052 for legal, financial, and inspection services without knowing whether the price for the contracted services was reasonable. The Authority should implement effective management controls over its process for procurement and contracting to ensure compliance with its own procurement policy and HUD regulations.

### **Recommendations**

We recommend that the Director of the Office of Public Housing require the Authority to

- 2A. Support that the use of \$426,052 in operating funds for financial advisory services, a fee accountant, inspection services, legal services, and payroll and landlord payment services were reasonable or reimburse its operating funds from nonfederal funds for the applicable amount.

- 2B. Implement procedures and controls to ensure that its contracts are awarded in a manner providing full and open competition as required by HUD's regulations and the Authority's procurement policy.
- 2C. Maintain documentation supporting the basis for contracts awarded, including history of procurement and appropriate analysis and signed copies of contracts.
- 2D. Maintain documentation supporting delegation of authority for those individuals responsible for procurements.

## RESULTS OF AUDIT

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### Finding 3: The Authority's Travel Policy Did Not Ensure Valid, Necessary, and Reasonable Travel Costs

The Authority's travel policy did not adequately address some of the basic travel requirements. The policy did not adequately address items such as travel authorizations, methods of payment, expense reporting (including when receipts are necessary), or typical eligible travel expenses<sup>5</sup> applicable to various travel locations. This condition occurred because the Authority did not develop an adequate travel policy. As a result, the Authority could not ensure that travel expenses incurred by its employees and charged to its various programs were always valid, necessary, and reasonable.

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#### **The Authority's Travel Policy Did Not Address Basic Travel Requirements**

The Authority's travel policy was a one-page document which was general in nature. As such, it did not address in detail the responsibilities of the Authority or the traveler(s). The policy also did not address items such as travel authorizations; methods of payment; expense reporting (including when receipts are necessary); and eligible travel expenses to include air travel, ground travel, and/or rail travel or the authorized per diem rates for each given location of travel.

The Authority did require travelers to submit detailed local travel vouchers for mileage. The majority of travel at Authority is for local travel. In these instances, employees submitted a detailed day-by-day travel voucher for their travel between properties. These local travel vouchers were approved by management. However, management did not require employees traveling overnight to submit a consolidated detailed expense travel voucher to include air, hotel, and meal receipts. Without a detailed expense report upon completion of travel, the Authority could not assure HUD that related travel expenses were valid and necessary costs charged for administration of its programs.

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<sup>5</sup>The policy did not identify the typical travel expenses authorized as travel expenses such as air travel, ground travel, and/or rail travel and per diem rates.

## **Management Had Taken Steps to Revised Its Travel Policy**

Authority management agreed that its travel policy needed revision. The executive director said that the revised policy would address in detail the responsibilities of the Authority and those of the travelers. The executive director also informed the Authority's board of commissioners in January 2009 that the travel policy needed to be revised and indicated that he would present to the board the revised travel policy no later than March 2009.

## **Conclusion**

The Authority's travel policy did not adequately address basic travel requirements such as travel authorizations, methods of payment, expense reporting (including when receipts are necessary), typical eligible travel expenses applicable to various travel locations, or submission of detailed expenditure travel vouchers. Without an adequate travel policy, the Authority could not ensure that travel expenses incurred by its employees and charged to its various programs were always valid, necessary, and reasonable.

## **Recommendations**

We recommend that the Director of the Office of Public Housing require the Authority to

- 3A. Prepare and obtain board approval of a new travel policy. The policy should address the responsibilities of the Authority as well as the traveler.

## SCOPE AND METHODOLOGY

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We conducted the audit between September 2008 and February 2009. Our fieldwork was conducted at the Authority's main office located at 80 Clay Street in Quincy, Massachusetts, and at the finance office located at 85 Martensen Street in Quincy. Our audit covered the period July 1, 2006, to June 30, 2008, and was extended when necessary to meet our objectives. To accomplish our audit objectives, we

- Interviewed the Authority's executive director, assistant director, director of modernization, finance director, director of leased housing, director of program management, and fee accountant to determine policies and procedures to be tested;
- Reviewed the financial statements, general ledgers, tenant files, rent reasonableness data, and cost allocation plans as part of our testing for control weaknesses;
- Reviewed program requirements including federal laws and regulations, Office of Management and Budget circulars, the consolidated annual contributions contracts between the Authority and HUD, and the Authority's administrative plan to determine its compliance to applicable HUD procedures;
- For the period July 2006 through June 2008, using the Authority's accounts payable check register, developed a spreadsheet that documented the Authority's charges to general ledger line item 4190 - Sundry to determine the actual charges between its federal and state programs;
- For the period July 2006 through June 2008, using the Authority's accounts payable check register, developed a spreadsheet that documented the Authority's charges to line item 4150 - Travel to determine the actual charges between its federal and state programs;
- For the period July 2006 through June 2008, reviewed the Authority's accounting controls over cost allocations, interprogram fund transfers, procurement, and travel to determine whether the Authority had accounting controls in place to safeguard its assets.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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 objectives:

- Controls over tenant eligibility, calculating housing assistance payments, tenant payments, and utility allowances;
- Controls over rent reasonableness;
- Controls over housing quality standards inspections;
- Controls over expenditures to ensure that they were eligible, necessary, and reasonable;
- Controls over accounting for cost allocations and interprogram receivables and payables;
- Controls over procurements;
- Controls over travel expense vouchers;
- Controls over voucher use (eligibility, waiting lists, and use); and
- Controls over the Section 8 administrative plan.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.



## Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses:

- Accounting controls needed over interprogram funds. (See finding 1).
- Management needs to strengthen procurement practices. (See finding 2).
- Lack of policies and procedures over payment of travel expenses. (See finding 3).

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

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<u>Recommendation number</u>	<u>Unsupported 1/</u>
1A	\$4,599,160
2A	<u>426,052</u>
Total	<u>\$5,025,212</u>

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

<p>TDD - No - 1-800-545-1833 Ext. 115 Telephone (617) 847-4350 Fax (617) 770-2876</p>	<p><b>QUINCY HOUSING AUTHORITY</b> 80 CLAY STREET QUINCY, MASSACHUSETTS 02170-2799</p>	<p>HUD-OIG OFFICE OF AUDIT BOSTON, MASSACHUSETTS 2009 APR -8 PM 1:18 RECEIVED</p>
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April 7, 2009

John A. Dvorak  
Regional Inspector General for Audit  
U.S. Department of Housing and  
Urban Development  
Thomas P. O'Neill Federal Building  
10 Causeway Street  
Boston, MA 02222-1092

RE: Audit Report Number DD2009-BO-100X

Dear Mr. Dvorak:


Please accept this correspondence as the Quincy Housing Authority's formal written comments to your Agency's draft report issued on March 23, 2009 as well as our discussion at the exit conference held on March 31, 2009.

At the outset, the Quincy Housing Authority generally accepts the findings contained in the report and will work cooperatively with your office as well as the Boston Office of Public Housing to address and resolve all issues raised.

The Quincy Housing Authority has already undertaken steps to address concerns raised in your report. At its meeting of January 21, 2009 the Board of Commissioners adopted a new Procurement Policy. At a Board meeting held on April 1, 2009, an updated travel policy was approved. These two actions superseded previous policies which had been in place since 2001 and 1986 respectively. Management staff of the Authority are reviewing proposals to provide Fee Accountant services with the expectation of recommending a firm to provide these services at an April 15, 2009 meeting of its Board.

The Quincy Housing Authority provides the following specific responses to the Draft Audit Report.

1A. The Quincy Housing Authority will work with the Director of the Office of Public Housing to provide backup support to reconcile interprogram transactions that are out of balance. The QHA recognizes that in the past, it became too dependent upon the services

  
EQUAL HOUSING OPPORTUNITY

1

**Comment 1**

**Ref to OIG Evaluation**

**Auditee Comments**

**Quincy Housing Authority**

of its outside fee accountant. In recognition, in September 2007 it implemented a new computer system and engaged a financial consultant to review the operations of its finance department. QHA expects to be less reliant on its outside fee account moving forward.

1B. The QHA Finance Department has commenced reconciling interprogram transactions on a monthly basis and we will work with the Office of Public Housing to insure that proper procedures and internal controls exist to correct any imbalances and make proper payments to accounts.

1C. QHA will meet with the Office of Public Housing at their convenience to ensure that monthly reconciliations are performed as needed.

2A. QHA will work with the Office of Public Housing to establish that professional services provided to the Authority were reasonable. It should be noted that the financial advisory services identified in the report were provided at a time prior to the tenure of the current QHA administrative staff. When brought to the attention of the current Executive Director, by HUD, those services were terminated. The outside legal services provided, at a two year cost of approximately \$37,000 were obtained in lieu of a full time staff attorney which had been budgeted in excess of \$80,000 per year.

2B. QHA will work with the Office of Public Housing to ensure that all contracts are awarded in a manner providing full and open competition. QHA has recently executed and commenced implementation of an Action Plan with the Office of Public Housing to insure such compliance.

2C. QHA will fully maintain documentation on contract awards, and will provide all requested information to the Office of Public Housing in accordance with the referenced action plan.

2D. QHA will be providing documentation to support its delegation of authority on procurements to the Office of Public Housing in accordance with its action plan. Those delegations will be drafted so as to comply with both Federal and State procurement guidelines.

3A. QHA has adopted a new travel policy. It will be submitted to the Office of Public Housing for its review and comments. Any comments will be presented to the Board of Commissioners as appropriate. It should be noted that any travel by staff or Board members during the audit period (which was minimal), would have complied with the policy as adopted.

In conclusion, the Quincy Housing Authority expects to fully comply with the

**Comment 1**

**Comment 1**

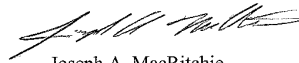
**Ref to OIG Evaluation**

**Auditee Comments**

**Quincy Housing Authority**

recommendations and has or will take corrective actions that should eliminate the conditions noted in the report.

Sincerely,



Joseph A. MacRitchie  
Executive Director

JAM:tc

- cc: Kevin Smullen  
Donna J. Ayala  
Dwight Hebert  
Board of Commissioners  
Robert Quinn  
Bryant Carter  
Deborah Williamson

### **OIG Evaluation of Auditee Comments**

**Comment 1** The Authority agreed with our recommendations and will work with the Office of Public Housing to implement the required corrective action for all the recommendations in the report.

## Appendix C

### SCHEDULE OF INTERPROGRAM FUNDS 2007

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Account Description	Supportive Housing for Persons with Disabilities	Section 8 New Construction/ Substantial Rehabilitation	Shelter Plus Care	Low-rent public housing	Residence service	Housing Choice Voucher	Public Housing Capital Fund	State/local	Total
Due from	\$1,081,784	\$1,285	\$1,280	\$639,105	0	\$1,069,372	0	\$1,806,334	\$4,599,160 <sup>6</sup>
Due to	\$999,101	\$967	\$3,431	\$128,647	\$54,481	\$1,479,461	\$158,657	\$1,774,415	\$4,599,160

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<sup>6</sup> Data extracted from audited financial data schedule for the year ending June 30, 2007.

## Appendix D

### RESTRICTIONS OF THE ANNUAL CONTRIBUTIONS CONTRACTS

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#### **The Section 8 Housing Choice Voucher program’s consolidated annual contributions contract states:**

**Paragraphs 11(a), (b), and (c):** “the HA [housing agency] must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures. The HA may not make any program expenditures, except in accordance with the HUD-approved budget estimate and supporting data for a program. Interest on the investment of program receipts constitutes program receipts.”

**Paragraphs 12(a) and (b):** “the HA must maintain an administrative fee reserve for a program and must use the funds in the administrative fee reserve to pay administrative expenses in excess of program receipts. If any funds remain in the administrative fee reserve, the HA may use the administrative reserve funds for other housing purposes if permitted by state and local law.”

**Paragraph 13(c):** “the HA must only withdraw deposited program receipts for use in connection with the program in accordance with HUD requirements.”

#### **The Low-rent and comprehensive grant programs’ consolidated annual contributions contract states:**

**Section 9(C):** “the HA [housing authority] shall maintain records that identify the source and application of funds in such a manner as to allow HUD to determine that all funds are and have been expended in accordance with each specific program regulation and requirement. The HA may withdraw funds from the general fund only for: (1) the payment of costs of development and operations of the project under the Annual Contributions Contract with HUD; (2) the purchase of investment securities as approved by HUD; and (3) such other purposes may not be made for specific program in excess of funds available on deposit for that program.”

**Section 10(C):** “the HA shall not withdraw from any of the funds or accounts authorized amounts for the projects under the Annual Contributions Contract, or for the other projects or enterprises in excess of the amount then on deposit in respect thereto.”