



Issue Date

July 31, 2009

Audit Report Number:

2009-CH-1011

TO: Thomas S. Marshall, Director of Public Housing Hub, 5DPH

FROM: 
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Housing Authority of the City of Terre Haute, Indiana, Failed to Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Terre Haute's (Authority) nonprofit development activities. The review of public housing authorities' development activities is set forth in our annual audit plan. We selected the Authority because it had high-risk indicators of nonprofit development activity. Our objective was to determine whether the Authority diverted or pledged resources subject to its annual contributions contract (contract), other agreement, or regulation for the benefit of non-U.S. Department of Housing and Urban Development (HUD) developments.

What We Found

Under the direction of the former executive director and board of commissioners, the Authority diverted assets subject to its contract, other agreements, or HUD's regulations for the benefit of Terre Haute Housing Authority Development Corporation (nonprofit), the Authority's nonprofit entity. The Authority's 21 properties, valued at more than \$1 million, were used to support the activities of its nonprofit. As a result, HUD lacked assurance that the disposition of the 21 properties served the best interests of the Authority and its residents.

The Authority violated its contract with HUD when it provided \$33,000 to its nonprofit to finance preconstruction costs for its nonprofit's housing units and did not maintain complete and accurate books of record. As a result, HUD lacked assurance that the Authority used HUD funds in accordance with specific program requirements and that these funds were not used for non-HUD development activities.

The Authority's former executive director created a conflict-of-interest relationship as the Authority's executive director/resident agent for its nonprofit developments. As a result, the Authority and HUD lack assurance that the former executive director performed his official duties for the benefit of HUD, the Authority, and its residents.

We informed the Authority's executive director and the Director of HUD's Cleveland Office of Public Housing of minor deficiencies through a memorandum, dated July 31, 2009.

What We Recommend

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to (1) transfer the 21 properties, valued at more than \$1 million, back to the Authority and secure deeds of trust or provide documentation to show that HUD funds were not used to acquire and/or rehabilitate the properties and (2) improve its existing procedures and controls to ensure that Authority assets are safeguarded against mismanagement. These procedures and controls should include but are not limited to maintaining pertinent records and providing training to its staff to ensure compliance with HUD's requirements.

We also recommend that the Director require the Authority to (1) reimburse the applicable HUD program \$33,000 from nonfederal funds for the improper payments cited in this report or provide documentation to show that HUD funds were not used, (2) implement adequate procedures and controls to ensure compliance with its contract with HUD regarding the general fund account, (3) continue restructuring its books of record to adequately identify the source and application of its funds, and (4) reimburse its low-rent housing program \$136,500 from nonfederal funds for the former executive director's payments as the resident agent of the nonprofits in addition to his salary.

For each recommendation without a management decision, 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 our discussion draft audit report to the Authority's executive director, its board chairperson, and HUD's staff during the audit. We held an exit conference with the executive director on July 8, 2009.

We asked the Authority's executive director to provide comments on our discussion draft audit report by July 13, 2009. The executive director provided written comments, dated July 9, 2009. The executive director generally agreed with our findings and recommendations except for our recommendation regarding the reimbursement of payments to the former executive director as the resident agent of the nonprofits. The complete text of the written comments, except for one exhibit that included two pages that were not necessary to understand the executive director's comments, along with our evaluation of that response, can be found in appendix B of this report. We provided the Coordinator of HUD's Indianapolis Office of Public Housing Program Center with a complete copy of the Authority's written comments plus the one exhibit.

TABLE OF CONTENTS

Background and Objective	5
Results of Audit	
Finding 1: The Authority’s Properties Were Used to Benefit Its Nonprofit	6
Finding 2: The Authority Violated Its Contract with HUD When It Provided \$33,000 to Its Nonprofit and Failed to Maintain Complete and Accurate Records	8
Finding 3: The Authority’s Former Executive Director Created a Conflict of Interest as the Resident Agent for the Nonprofit Developments	11
Scope and Methodology	13
Internal Controls	14
Appendixes	
A. Schedule of Questioned Costs	16
B. Auditee Comments and OIG’s Evaluation	17
C. Federal Requirements and the Authority’s Employment Contract	19

BACKGROUND AND OBJECTIVE

The Housing Authority of the City of Terre Haute (Authority), Indiana, was established on April 28, 1960, as a municipal corporation under Section 36-7-18-4 of the Indiana Code to provide decent, safe, and sanitary housing to low-income families under the United States Housing Act of 1937. The Authority is governed by a seven-member board of commissioners appointed by the mayor of Terre Haute to four-year terms. The board serves in a fiduciary relationship with the Authority and governs the business, policies, and transactions of the Authority. The executive director has the overall responsibility for carrying out the board's policies and managing the Authority's day-to-day operations. The Authority's books and records are located at 2001 North 19th Street, Terre Haute, Indiana. As of June 2009, the Authority had 868 low-rent housing units and 916 Section 8 voucher units.

The Authority created the Elderly Housing Corporation of Terre Haute, Indiana, on July 7, 1977, and the Terre Haute Housing Authority Development Corporation on June 6, 1979, as 501(c)(3) nonprofit developments. The Elderly Housing Corporation of Terre Haute, Indiana's mission is to provide affordable residential dwelling accommodations for elderly or handicapped families and persons of low income. The Terre Haute Housing Authority Development Corporation's mission is to provide dwellings for elderly or handicapped families and persons of low income. In 1995, the Authority also formed two nonprofit corporations, HIGH I Incorporated and HIGH II Incorporated, which are wholly owned subsidiaries of the Terre Haute Housing Authority Development Corporation. HIGH I and HIGH II Incorporated created two for-profit developments, HIGH I Limited Partnership and HIGH II Limited Partnership, respectively. As of June 2009, the Authority was the management agent for the developments.

Our objective was to determine whether the Authority diverted or pledged resources subject to its annual contributions contract, other agreement, or regulation for the benefit of non-HUD developments without specific HUD approval.

RESULTS OF AUDIT

Finding 1: The Authority's Properties Were Used to Benefit Its Nonprofit

Twenty-one properties deeded to the Authority were used to support the activities of the Terre Haute Housing Authority Development Corporation (nonprofit). The Authority had title to the properties, but they were recorded on the financial records of the nonprofit. The ownership discrepancy occurred because the Authority's former executive director was also a paid resident agent for the nonprofit and its former board of commissioners did not provide adequate oversight to ensure that the Authority's assets were separate and properly identifiable from the nonprofit's assets (see finding 2). As a result, the Authority and HUD lack assurance that the disposition of the properties served the best interests of the Authority and its residents.

Ownership of the Properties Was in Question

In June 1979, the Authority created the nonprofit to provide dwellings for elderly and/or handicapped families and persons of low income. The nonprofit claimed to own 42 properties; however, 21 properties, valued at nearly \$1.1 million, were titled to the Authority. According to county records, 15 of the 21 properties were purchased from private owners, and the remaining six properties were provided by the City of Terre Haute's Department of Redevelopment (City).

According to the City, although only six properties were identified on county records as redevelopment properties, the City was involved with the acquisition and/or rehabilitation of 20 of the 21 properties. Additionally, those 20 properties should have been titled to the nonprofit, and discrepancies with the titles for these properties were the result of data entry mistakes.

Further, according to the City, the nonprofit received a mixture of HUD's Community Development Block Grant and HOME Investment Partnerships Program funds in addition to funds from a local bank to purchase and/or rehabilitate the properties. For the remaining property, the City was not involved with the acquisition.

Although the City stated that 20 of the 21 properties belonged to the nonprofit, it did not provide supporting documentation to substantiate its claims regarding ownership of the properties or the sources of funds used to rehabilitate the properties. The Authority also was unable to provide documentation supporting the rightful owner of the properties.

Authority Needs to Improve Its Procedures and Controls

The Authority needs to improve its procedures and controls regarding its assets. The problem occurred because the former executive director was a paid resident agent for the nonprofit development, creating a conflict-of-interest relationship (see finding 3). Therefore, the Authority's and developments' business activities/operations were commingled. The Authority's former board also did not provide adequate oversight to ensure that Authority assets were separated and properly identifiable from the nonprofits' and for-profits' assets (see finding 2). Further, the Authority failed to maintain complete and accurate records (see finding 2) to fully determine whether the titles to these properties were accurately recorded and/or low-rent housing funds were used to purchase or rehabilitate the properties.

Conclusion

Since neither the Authority nor the City provided sufficient documentation to dispute the ownership of the 21 properties and the funds that were used to purchase and/or rehabilitate the properties, HUD and the Authority could not be assured that the disposition of these properties served the best interest of the Authority and its residents since these properties were titled to the Authority.

Recommendations

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to

- 1A. Provide documentation to show that HUD funds were not used to acquire and/or rehabilitate the 21 properties or require its nonprofit to transfer the properties valued at \$1,057,800 back to the Authority and secure deeds of trust.
- 1B. Improve its existing procedures and controls to ensure that Authority assets are safeguarded against mismanagement. These procedures and controls should include but are not limited to maintaining pertinent records and providing staff training to ensure compliance with HUD's requirements.

Finding 2: The Authority Violated Its Contract with HUD When It Provided \$33,000 to Its Nonprofit and Failed to Maintain Complete and Accurate Records

The Authority violated its contract with HUD when it provided \$33,000 to its nonprofit to finance the preconstruction costs for the nonprofit's housing units and failed to maintain complete and accurate books of record. The problems occurred because the Authority lacked adequate procedures and controls to ensure accountability of funds and related expenses and to ensure that it complied with its contract with HUD. As a result, HUD lacked assurance that its funds were used in accordance with specific program requirements and additional funds were not used for non-HUD development activities.

The Authority Provided \$33,000 to Its Nonprofit Development

In 2006, the Authority provided \$33,000 from its general fund to its nonprofit to finance the preconstruction costs of nonprofit housing units without HUD's approval. The Authority paid the funds to LB Homes, Incorporated on behalf of its nonprofit as a downpayment for four of the nonprofit's properties. However, it could not provide documentation indicating the source of the funds.

The Authority Failed to Maintain Complete and Accurate Records

During our audit period October 1, 2006, to June 30, 2008, the Authority pooled funds from its nonprofit development activities in its general fund and did not maintain sufficient records that identified the source and use of the funds. It used its general ledger to maintain records of income and expenditures from its low-rent housing and Section 8 programs in addition to its development activities. However, the general ledger was not segregated by program/project to clearly identify the income from various sources and its related uses.

Further, the funds received from the Authority's nonprofit development activities were not properly accounted for and recorded on its general ledger. The Authority deposited funds from its nonprofit development activities into its general fund but did not record these transactions when they occurred. Instead, it made interfund transfer entries to its general ledger months later, which could not be reconciled with the deposited amounts.

Contrary to its contract with HUD, the Authority did not maintain complete and accurate books of record. While HUD permits the pooling of funds, the Authority

did not maintain records that clearly identified the source and application of funds maintained in its general fund.

The Authority's former director of finance said that deposits into the general fund were reconciled to the bank statements but bank deposits from non-HUD programs were not recorded on the general ledger when they were received. These deposits were identified as interfund transfers and recorded on the general ledger when the accounts payable account needed to be cleared. Further, she said that the amount of the interfund transfers did not reconcile to the amounts deposited in the bank. The Authority's director of finance resigned in August 2008, one month after our audit began.

The Authority Obtained the Services of a Fee Accountant

Due to the condition of its financial records, the Authority's current executive director obtained the services of Hawkins, Ash, Baptie & Company, Limited Liability Partnership (HABCO), a public accounting firm, to assist with organizing and reconstructing its accounting records. According to HABCO, the Authority's accounting records were in such disarray that it was difficult to determine which funds belong to the Authority and which funds belonged to its development activities. Additionally, the records were not reliable. HABCO used the bank statement balances as of October 2007 to recreate the financial records and indicated that to recreate prior years' records would be time consuming and too costly due to the amount of work involved. Documentation to support the accounting entries made by the Authority could not be found.

Procedures and Controls Were Inadequate

The problems occurred because the Authority lacked adequate procedures and controls to ensure accountability of funds and related expenses and compliance with its contract with HUD. Additionally, the former board did not provide adequate oversight and monitoring of the Authority's operations. According to the board's former chairperson, the board was unaware of its role and responsibilities about providing guidance and direction for the Authority's operations, including its finances; therefore, it did not properly oversee the former executive director's administration of the Authority's programs.

Conclusion

Because of the Authority's lack of procedures and controls regarding the accountability of funds and its failure to fully comply with its contract with HUD,

the Authority and HUD lacked assurance that HUD funds were used in accordance with program requirements and additional funds were not used for non-HUD development activities.

Recommendations

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to

- 2A. Provide documentation showing that HUD funds were not used for the improper payments cited in this finding or reimburse its low-rent housing program \$33,000 from nonfederal funds.
- 2B. Implement adequate procedures and controls to ensure compliance with its contract with HUD regarding the general fund account.
- 2C. Continue restructuring its books of record as of October 2007 to adequately identify the source and application of funds to ensure compliance with its contract with HUD.

Finding 3: The Authority's Former Executive Director Created a Conflict of Interest as the Resident Agent for the Nonprofit Developments

The Authority's former executive director created a conflict-of-interest relationship as the Authority's executive director and resident agent for its nonprofit developments. The problem occurred because the Authority's former board of commissioners did not provide adequate oversight and monitoring of its operations. As a result, the Authority and HUD could not be assured that the former executive director performed his official duties in the interests of HUD, the Authority, and its residents.

There Was a Conflict of Interest

The Authority's former executive director created a conflict of interest relationship as the Authority's executive director and resident agent for its nonprofit developments. The former chairperson of the Terre Housing Authority Development Corporation issued a memorandum, dated January 1, 1994, authorizing the former executive director to receive \$3,000 annually as the resident agent. The payments eventually increased from \$3,000 to \$5,000. In addition, the former executive director began receiving annual payments from the other three nonprofits, HIGH I Incorporated, HIGH II Incorporated, and the Elderly Housing Development Corporation, in 1996, 1998, and 2000, respectively, which ranged from \$2,000 to \$5,000. For the period 1994 through 2007, the former executive director received a total of \$136,500 as the resident agent for the nonprofit developments.

Conclusion

The problem occurred because the Authority's former board of commissioners did not provide adequate oversight and monitoring of its operations. As a result, the Authority and HUD could not be assured that the former executive director performed his official duties in the interests of HUD, the Authority, and its residents (see findings 1 and 2).

Recommendation

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to

- 3A. Reimburse its low-rent housing program \$136,500 from nonfederal funds for the former executive director's payments as the resident agent of the nonprofits in addition to his salary.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's contract with HUD, and HUD program requirements at 24 CFR (*Code of Federal Regulations*) 85.20.
- The Authority's financial and accounting records, annual audited financial statements from 2006 through 2008, general ledgers from 2006 through 2008, bank statements and cancelled checks, by-laws, policies and procedures, board meeting minutes, organizational chart, correspondence with HUD, annual plans for fiscal years 2000 through 2007, development activity documentation, and the County of Vigo, Indiana's records.
- The nonprofits' articles of incorporation, by-laws, and records.
- The for-profits' board meeting minutes, financial statements, and bank statements.
- HUD's files for the Authority.

We also interviewed the Authority's current and former employees and commissioners, HUD staff, and City officials.

We performed our on-site audit work between July 2008 and February 2009. The audit covered the period October 1, 2006, through June 30, 2008. We extended this period as necessary.

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

INTERNAL CONTROLS

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

- Program operations,
- Relevance and reliability of financial reporting,
- 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.

Relevant Internal Controls

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

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

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

Significant Weakness

Based on our review, we believe that the following item is a significant weakness:

- The Authority lacked adequate procedures and controls to ensure that it complied with its contract and/or HUD's regulations regarding the disposal of real property, maintenance of its general fund account and pooling of funds, maintaining complete and accurate records, and conflict-of-interest relationships (see findings 1, 2, and 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1A		\$1,057,800
2A		33,000
3A	<u>\$136,500</u>	
Totals	<u>\$136,500</u>	<u>\$1,090,800</u>

- 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Board of Commissioners
JOHN WOLF TERESA PRINCE BRYAN KAUFMAN JEFF HARPOLE
TOM HUNT PATRICIA PARKER-ZAIKOVSKY MARSHALL RECTOR

July 9, 2009

U.S. Department of Housing and Urban Development
Office of Inspector General for Audit, Region V
77 West Jackson Blvd, Suite 2646
Chicago, IL 60804-3507

Mr. Wolfe:

We are in receipt of the "Discussion Draft" of the OIG's audit of the housing authorities "Nonprofit activities". Below is a response to each of the findings:

Comment 1

Finding 1: We agree that the 21 properties in question are currently titled in the name of the housing authority and not the not for profit. This appears to be an oversight on the part of administration when the not for profit was converted from an instrumentality to an affiliate. Control over the noted properties started and has remained with the not for profit. This is clear from a review of the not for profits financial statements in which the properties were carried as an asset and the related income and expenses were recognized year after year. It is the opinion of the housing authority that these properties should be properly transferred to the not for profit or alternatively the not for profit be allowed to convert back to an instrumentality.

Comment 2

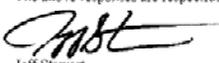
Finding 2: We agree with the finding. Additional research will be conducted to assure that the funds were not reimbursed by the not for profit. If no evidence of reimbursement is located, the housing authority will seek reimbursement from the not for profit. The not for profit has indicated a willingness to reimburse said funds, upon verification of the oversight.

Comment 3

Finding 3: We agree that the former Executive Director received "resident agent fees" totaling \$136,500 during the period noted. We disagree that the housing authority should reimburse these funds to the low rent program from nonfederal funds. There appears to be no evidence to support that the former executive director performed his resident agent duties on housing authority time. Further, there is nothing to indicate the housing authority benefited or was harmed by payment of these funds. Although the most recent contract includes a conflict of interest clause, a review of the personnel file indicates the prior board was aware of the payments from the managed entities. Exhibit A is titled "Resolution 99-18" and appears to be a position description and salary justification.

The housing authority could pursue a civil action to recover the funds from the former executive director. However, this would require substantial legal fees, with no guarantee of a favorable ruling or successful collection of any judgment. If the funds are required to be recovered, it would seem appropriate that they be repaid to the not for profit, who should also be responsible for recovering said funds. We do not have an opinion on the appropriateness of these payments, however we do not believe the responsibility for recovery or reimbursement should be that of the housing authority.

The above responses are respectfully submitted this day July 9, 2009.


Jeff Stewart
Executive Director
Housing Authority of the City of Terre Haute

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OIG's Evaluation of Auditee Comments

- Comment 1** The Authority agrees with the finding; however, it contends that the properties should be properly transferred to the nonprofit or alternatively the nonprofit be allowed to convert back to an instrumentality. The Authority should consult with HUD regarding the appropriate course of action regarding the disposition of the properties.
- Comment 2** The Authority disagrees that it should reimburse the payments paid to the former executive director from nonfederal funds. We disagree. Although the Authority provided a board resolution that showed the approval of the payments to the former executive director, the Authority's contract with HUD states that neither the Authority nor any of its contractors or their subcontractors may enter into any contract, subcontract, or arrangement in connection with a project under in which any of the following classes of people has an interest, direct or indirect, during his or her tenure or for one year thereafter, unless this requirement is waived by HUD. The Authority did not provide any documentation to support that HUD waived this requirement; therefore, the Authority violated its contract with HUD.
- Comment 3** The Authority should consult with HUD regarding the appropriate course of action to pursue collection of the payments made to the former executive director. The payments violated the conflict of interest clause in its contract with HUD; therefore, the payments were not appropriate and should be reimbursed.

Appendix C

FEDERAL REQUIREMENTS AND THE AUTHORITY'S EMPLOYMENT CONTRACT

Finding 1

Section 308(A) of its 1969 contract with HUD states that the Authority at any time may determine any personal property, and, with the approval of the government, any real property, constituting a part of any project, which is no longer real property, constituting a part of any project, which is no longer useful or necessary to the development or operation of such project, to be excess to the needs of such project. Section 308(B) of the contract states that excess real property shall be sold as soon as practicable at public sale for not less than the fair value unless other disposition or method of disposition is approved by the government.

HUD's requirements at 24 CFR 970.1 state that when HUD approves the disposition of real property of a project, in whole or in part, the authority shall dispose of it promptly by public solicitation of bids for not less than fair market value, unless HUD authorizes negotiated sale for reasons found to be in the best interest of the authority and the federal government.

Finding 2

Section 5 of its 1996 contract with HUD states that the Authority shall develop and operate all projects covered by this contract in compliance with all of the provisions of this contract and all applicable statutes, executive orders, and regulations issued by HUD, as they shall be amended from time to time, including but not limited to those regulations promulgated by HUD Title 24 of the *Code of Federal Regulations*, which are hereby amended from time to time. The Authority shall also ensure compliance with such requirements by any contractor or subcontractor engaged in the development or operation of a project covered under this contract.

Section 9(C) of the contract with HUD states that the 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 Authority may withdraw funds from the general fund only for (1) the payment of costs of developments and operations of the projects under contract with HUD, (2) the purchase of investment securities as approved by HUD, and (3) such other purposes as may be specifically approved by HUD.

Section 10 of the contract with HUD states that the Authority may deposit into an account covered by a general depository agreement, by lump sum transfer of funds from depositories of other projects or enterprises in which HUD has no financial interest, amounts necessary for current expenditures of items chargeable to all projects and enterprises of the Authority.

HUD's regulations at 24 CFR 85.20 require the following:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records, which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payroll time and attendance records, contract and subgrant award documentation, etc.

Finding 3

Section 14 of the Authority's employment contract with its former executive director, dated October 27, 2003, states that the director shall devote all professional time, effort, skill, and ability to the Authority described in the contract. During the term of this contract, the director shall not be engaged in any other housing, professional, or business activity whether or not such housing, professional, or business activity is pursued for gain, profit, or other pecuniary advantage without the express written consent of the Authority.

Section 19(A)(1) of its 1996 contract with HUD states that neither the Authority nor any of its contractors or their subcontractors or their subcontractors may enter into any contract, subcontract, or arrangement in connection with a project under this contract in which any an interest, direct or indirect, during his or her tenure or for one year thereafter.