




Issue Date July 27, 2010

Audit Report Number 2010-BO-1006

TO: Donna J. Ayala, Director, Office of Public Housing, Boston Hub, 1APH

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

SUBJECT: The Waltham Housing Authority, Waltham, MA, Needs To Improve Controls Over Its Interprogram Fund Transactions, Procurement, and Travel for Its Housing Choice Voucher and Low-Income Public Housing Programs

HIGHLIGHTS

What We Audited and Why

We conducted this audit as part of the Office of Inspector General's (OIG) annual goals for audits of the Section 8 Housing Choice Voucher (Voucher) and low-income public housing (low-income) programs. Our audit objective was to determine whether the Waltham Housing Authority (Authority) employed acceptable management and financial practices to efficiently and effectively administer the use of Voucher and low-income program funds in compliance with its annual contributions contracts and U.S. Department of Housing and Urban Development (HUD) requirements.

The specific audit objectives included the following: (1) did the Authority account for the use of its Section 8 administrative and local reserves to ensure proper use, (2) were interprogram transactions relating to the Voucher and low-income programs properly accounted for, (3) did the Authority comply with HUD procurement regulations regarding contracted service for administering the Federal programs, and

(4) did the Authority ensure that travel incurred for the Federal programs was in accordance with HUD guidance.

What We Found

The Authority generally administered the Voucher and low-income programs efficiently and effectively and in compliance with its annual contributions contract and HUD regulations. The Authority also generally accounted for the use of its Section 8 administrative and local reserves to ensure proper use. However, it did not (1) properly account for and report interprogram fund transactions between its Federal and State programs, resulting in nearly \$3.9 million in unsupported transactions being recorded in its program accounts; (2) provide support and justification for \$551,828 in contracts to show that the contracts were properly documented; and (3) 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 more than \$3.9 million in interprogram fund transactions that were 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 \$551,828 in contracts or reimburse its operating funds from non-Federal 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 in the body of the report 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 the Authority a draft report on June 25, 2010, and held an exit conference with officials on June 29, 2010. The Authority provided written comments on July 23, 2010. 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

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 and low-income public housing (low-income) programs are administered by the Waltham Housing Authority (Authority) for the City of Waltham, MA. HUD contracts with the Authority to administer 715 units through annual contributions contracts.¹ For fiscal years ending September 30, 2007 and 2008, the Authority received and expended \$10.3 million in Voucher program funds and for the low-income program, \$1.4 million in operations and \$723,000 in capital funds. The annual contributions contracts require the Authority to follow appropriation laws, HUD requirements, and public housing notices.

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 objective was to determine whether the Authority employed acceptable management and financial practices to efficiently and effectively administer the use of Voucher and low-income program funds in compliance with its annual contributions contracts and HUD requirements. The specific audit objectives were to determine whether the Authority (1) accounted for the use of its Section 8 administrative and local reserves in a timely manner, (2) used Voucher and low-income program funds only for the administration of the program and properly accounted for and reported interprogram fund transactions, (3) followed its procurement practices, and (4) ensured that travel incurred for the Federal programs was in accordance with HUD guidance.

¹ As of December 31, 2009, the Authority had 715 Federal units (265 public housing units and 450 Section 8 units) and 583 State units (248 elderly units, 297 family units, and 38 State-leased units).

RESULTS OF AUDIT

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

The Authority's interprogram fund transactions were not 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 more than \$3.9 million in transactions recorded in the interprogram accounts as of September 30, 2008, between its Federal and State programs. This deficiency could result in a misstatement of program revenues or expenses.

The Authority Had Ongoing Issue With Interprogram Accounts

The Authority had not balanced its interprogram receivables and payables between its Federal and State programs.² Before our audit, the Authority had not made an effort to reconcile the interprogram fund accounts, and the Authority's accounting procedures did not always readily identify whether the Authority used its Federal 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.

² Federal programs – Low-rent public housing, Public Housing Capital Fund, Section 8 Housing Choice Voucher program, and State and local programs – State Consolidated Housing and State Chapter 705 Housing, State Chapter 689 Housing, State Chapter 707 Housing, and State Modernization Program.

The Authority used its Voucher and low-income program accounts 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 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 Federal 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 and low-income programs restrict the use of program funds for payment of expenses associated with those programs (see appendix D).

The Authority and Fee Accountant Acknowledged Interprogram Account Transactions Imbalances of More Than \$3.9 Million

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 more than \$3.9 million in interprogram account balances that were out of balance between its Federal and State programs. 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 fluctuated monthly based on operational activity. However, the fee accountant also stated that these interprogram accounts among programs had never been reconciled or reduced to zero. The Authority's management and the fee accountant realized that each of the programs participating in the revolving fund account must reimburse the revolving fund for the expenditures it had paid out on behalf of the program. Without it there is no assurance that money placed into the revolving fund is only used for expenses of the specific program placing the funding into the revolving fund. The Authority admitted that there was no process in place to reconcile its interprogram accounts, which contained funding for both 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 \$3,995,635 in interprogram transactions that were out of balance between its Federal and State programs or to include repayment from non federal funds for amounts not supported.
- 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

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 or 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,
- Properly support payments made on contracts,
- Ensure that procurement activities showed no appearance of conflict of interest,
- Obtain proper contractual signatory authority, 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 and follow effective management controls over the procurement process. As a result, the Authority paid \$551,828 in questioned costs, for which it could not ensure that services obtained were most advantageous to the Authority. This amount included \$523,900 in unsupported costs and \$27,928 in ineligible costs procured from October 1, 2008, through September 30, 2009. In addition, without formal contract documents, the Authority was at risk for overbilling and paying for unauthorized or substandard goods and services.

The Authority Did Not Comply With Procurement Regulations

The Authority did not comply with its requirements when procuring consulting services, professional services, maintenance and trade services, and supplies. The Authority's procurement policy stated that the Authority would comply with HUD's annual contributions contract and the procurement standards at 24 CFR (Code of Federal Regulations) 85.36. Section 5(A) of the annual contributions contract further requires the Authority to comply with all provisions of the contract and all applicable regulations issued by HUD. Procurement regulations at 24 CFR 85.36 require the Authority to

- Conduct all procurement³ in a manner that provides full and open competition;
- Maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders;
- Determine that proposed price is fair and reasonable; and
- Maintain sufficient records to show the history of the procurement.

Our review of 31 consulting services, professional services, maintenance and trade services, and supply contracts disclosed that the Authority could not produce records sufficient to detail the significant history for 25 of them. The files of the 25 contracts selected for review lacked documentation or rationale for the method of procurement, contract pricing arrangements, accepting or rejecting bids or offers, or basis for the contract price.

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. The Authority's process for procurement and contracting showed deficiencies and/or noncompliance with HUD regulations cited above.

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. As a result, HUD had no assurance that \$551,828, expended for consulting services, professional services, maintenance and trade services, and supplies procured between October 1, 2008, and September 30, 2009, was a fair and reasonable price and that the procurements resulted in the best quality and/or pricing for goods and services obtained.

The Authority Did Not Maintain a Contract Log

The Authority failed to maintain a current, accurate, and complete contract log. Some departments did not use one at all. The only existing contract log, maintained by the capital assets manager, did not provide a complete list of all active contracts in force with the Authority. Although the Authority had an adequate written procurement policy, this condition, in part, was a result of its fractured procurement system. The Authority's procurement activities were distributed among four key Authority personal. The Authority's executive director, assistant executive director, capital assets manager, and maintenance director each participated in the procurement process at some level.

³ 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.

Generally, the Authority's executive director finalized all contracts. However, the communication among these individuals may not have been collaborative in nature. For example, some maintenance contracts were found to be negotiated and signed by the maintenance director without the knowledge of the executive director. The executive director acknowledged these issues and was instituting a centralized logging system, whereby all department heads would have "real time" visibility.

Contract Signatures Were Unauthorized

The executive director, as the chief procurement officer, did not adequately monitor contracts prepared by department heads. The executive director failed to notice that three maintenance contracts, totaling \$29,760, were signed by the maintenance director. The executive director did not delegate approval authority to Authority personal; therefore, the executive director was the only employee authorized to sign contracts. The executive director acknowledged the oversight and stated that he would ensure that all department heads were aware of the policy.

Procurement Documents for Consulting Services Were Inadequate

The Authority obtained services from two consultants without conducting the required procurement process. It could not provide adequate documentation to support that the consulting services were procured at a fair and reasonable price. It was unable to provide a contract for a consultant that provided financial consulting services and could not provide documentation showing justification, oral or written, for its selection. As a result, it was unable to demonstrate that contracting and paying the consultants more than \$11,000 between October 1, 2008, and September 30, 2009, was most advantageous to the Authority.

There Was a Potential Conflict of Interest

The Authority participated in procurement for pest control services that resulted in the services being awarded to a company that had an Authority employee

ownership interest. A search of State records found that the Authority employee had an ownership interest since early 2005. HUD prohibits public housing agency employees or officers from participating in the selection, award, or administration of contracts supported by Federal funds if a conflict of interest, real or apparent, would be involved.

Additionally, according to the executive director, the Authority had used this vendor for several years, and its services were procured from a State vendor contract. The State contract with the pest control company expired in June 2008 and was not renewed according to State records. At the time of our review, the executive director could not produce a valid contract and stated that a contract was not needed because the services were purchased from the State contract. As a result, the services provided from October 1, 2008, and September 30, 2009, in the amount of \$15,477 was unsupported.

A Contract Exceeded Limits

The Authority awarded a flooring contract in 2008 to a local flooring company using small purchase procedures. During the review period, the Authority expended more than \$137,000 in flooring costs, exceeding the small purchase limit by \$37,000. It failed to set adequate contractual terms by not ensuring that a “not to exceed” clause was established within the contract. The Authority failed to properly management the contract by not recognizing that contract costs were going to exceed the \$100,000 threshold set forth for small purchases. Therefore, it could not justify that paying the flooring contractor \$137,856 between October 1, 2008, and September 30, 2009, was fair and reasonable.

The Authority Paid for Architect and Engineering Services Outside the Contract

The Authority signed an indefinite quantity contract on April 1, 2004, with a local architectural firm. The 3-year contract was to provide for specifically identified task orders, which included design work for the Authority’s new administration building addition. During the contract period, delays were encountered due to zoning issues with the City of Waltham. The architect and engineering contract ended March 31, 2007, according to the agreement. Addition construction did not start until June 2009. On July 15, 2008, the architectural firm submitted an invoice for payment and was paid \$27,928 for services performed outside the

contract's period of performance. The Authority did not amend its contract or rebid a new contract to allow for the unforeseen delays.

In addition, the architect and engineering contractor submitted an invoice; dated December 21, 2009, for payment in the amount of \$10,184 for services rendered under the initial April 1, 2004, contract. The invoice did not provide dates of services, and it could not be readily determined when the services were performed. As of the end of our field work, this invoice had not been paid. Another architect and engineering contract was entered into with the same firm on February 11, 2008, 10 months after the initial contract expired in April 2007. As a result, there was a 10-month "gap," during which the Authority should not have received services from the architectural firm. Therefore, the Authority paid a total of \$27,928 in ineligible costs.

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 contracts to ensure that services were always valid, necessary, and reasonable. As a result, the Authority disbursed \$551,828 for consulting services, professional services, maintenance and trade services, and supplies without knowing whether pricing was most advantageous and reasonable for the Authority. 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 \$523,900 in operating funds for consulting services, professional services, maintenance and trade services, and supplies was reasonable or reimburse its operating funds from non-Federal funds for the applicable amount.
- 2B. Repay its public housing program \$27,928, using non-Federal funds, for the ineligible payments made through December 31, 2009, plus any further

payments made to the architect and engineering contractor associated with the April 2004 contract.

- 2C. 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.
- 2D. Maintain documentation supporting the basis for contracts awarded, including history of procurement and appropriate analysis and signed copies of contracts.
- 2E. Maintain documentation supporting delegation of authority for those individuals responsible for procurements.

RESULTS OF AUDIT

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 basic travel requirements. Specifically, 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 expenses⁴ applicable to various travel locations. This condition occurred because the Authority had not developed an adequate travel policy. As a result, it could not ensure that travel expenses incurred by its employees and charged to its various programs were always valid, necessary, and reasonable.

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

The Authority's travel policy was a half-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 the 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.

⁴The 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 Revise 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.

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

SCOPE AND METHODOLOGY

We conducted the audit between December 2009 and May 2010. Our fieldwork was conducted at the Authority's main office located at 110 Pond Street, Waltham, MA. Our audit covered the period October 1, 2007, to December 31, 2009, 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 capital assets, Section 8 administrator, maintenance director, and fee accountant to determine policies and procedures to be tested;
- Reviewed the financial statements, general ledgers, journal voucher entries, 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, and the consolidated annual contributions contracts between the Authority and HUD to determine the Authority's compliance to applicable HUD procedures;
- For the period October 1, 2008, through September 30, 2009, we drew a representative sample of vendors to determine whether the Authority procured services and/or supplies in accordance with its own procurement policy or 24 CFR 85.36;
- For the period October 1, 2008, through September 30, 2009, obtained an electronic data file of all disbursements made through the Authority's revolving account and sorted the data in ascending order by dollar amount to determine the amount of high-dollar amounts by vendors for any irregular activity;
- For the period September 30, 2003, to September 30, 2009, determined what documentation the Authority maintained to support its general ledger - journal vouchers in the use of its Section 8 and local operating reserves; and
- For the period October 2007 through December 2009, 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

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.

Relevant Internal Controls

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

- Controls over management, financial and operational;
- Controls over expenditures to ensure that they are eligible, necessary, and reasonable;
- Controls over accounting for cost allocations and interprogram receivables and payables;
- Controls over the use of the local operating reserves;
- Controls over procurements;
- Controls over vehicles and gasoline charges;
- Controls over travel expense vouchers; and
- Controls over direct and indirect salary allocations.

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:

- Insufficient accounting controls and procedures for reconciling and clearing interprogram payables and receivables (see finding 1).
- Inadequate procurement documentation to support its procurement practices (see finding 2).
- Lack of policies and procedures regarding payment of travel expenses (see finding 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>
1A.		\$3,995,635
2A.		\$523,900
2B.	\$27,928	
Total	\$27,928	\$4,519,535

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 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

Waltham Housing Authority
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WALTHAM, MASSACHUSETTS 02451-4505
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July 23, 2010

Office of the Inspector General
Thomas P O'Neill Jr. Federal Building
10 Causeway Street, Room 370
Boston, MA 02222-1092
Attn: Robert Doocey

Re: Response to Findings in OIG Audit Report of June 25, 2010

Comment 1

Finding Number 1: The OIG found that the WHA did not reconcile its program accounts monthly thereby causing considerable inter-program imbalances. The OIG recommended putting into place procedures and internal controls to prevent such imbalances and to make corrections to correct the imbalances that had previously occurred.

Response: The WHA fee accountant is now responsible for monthly reconciliation of all program accounts. Advances to the revolving account from program accounts are now exactly pro-rated by the Executive Director, or in his absence the Assistant Executive Director, prior to transferring funds to the revolving account which assures that there will be no or perhaps minimal imbalances. The WHA has also established a separate Section 8 checking account to pay landlords which significantly reduces the commingling of program funds. The Audit finding states that the WHA used its Voucher account as a revolving fund to make all of its vendor payments; we feel this statement is incorrect. The Authority had a revolving fund to make vendor payments. These disbursements included payments made for the voucher program. As of the date of the Audit all Voucher HAP and specific Voucher payments were made directly from a Section 8 Voucher Checking account as stated above. The WHA will cooperate with the Public Housing Office to reconcile and provide supporting information regarding the inter-program transfers

This finding was also a finding of the independent audit for the year ending September 30, 2008. As per the 2009 audit just completed in June 2010, that finding was considered resolved by the independent Auditor. A copy of the audit has been previously submitted to HUD by the auditor.

Comment 1

Finding Number 2: The OIG found that there were instances where the WHA did not comply with HUD procurement regulations and the WHA procurement policy.

Response: The WHA shall work with the Office Public Housing in resolving the supporting information for the operating costs questioned in the audit. The Authority has also instituted changes in the manner in which it executes and tracks contracts. A new contract log for will be implemented which will allow for better oversight of contracts. An internal review of all vendors' contracts has been commenced.

Ref to OIG Evaluation

Auditee Comments

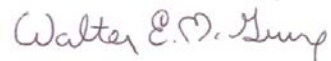
Comment 1

Page Two: WHA Response to Findings in OIG Audit Report of June 25, 2010

Finding 3: The OIG found that the WHA's travel policy did not ensure valid, necessary and reasonable travel costs.

The WHA incurs minimal costs for travel as travel has been traditionally limited to mileage incurred in the local area. With the exception of the local NAHRO conference overnight expenses are not incurred. However recognizing the fact that this practice could change, the WHA realizes that its travel policy needs to be updated to ensure that only legitimate travel costs are incurred for the future. Therefore the WHA will be updating and expanding its travel policy and will obtain the necessary Board approval.

Very truly yours,



Walter E. McGuire
Executive Director

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 QUESTIONED CONTRACTS

Description	# of contracts	Unsupported	Ineligible	Total
Consultants	2	\$11,556	\$0	\$11,556
Material/supplies	3	\$49,406	\$0	\$49,406
Professional services	3	\$55,898	\$27,928	\$83,826
Maintenance/trade services	17	\$407,040	\$0	\$407,040
Total	25	\$523,900	\$27,928	\$551,828

Appendix D

RESTRICTIONS OF THE ANNUAL CONTRIBUTIONS CONTRACTS

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.”

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.”