



Housing Authority of the City of Jasper, TX

Public Housing Programs



To: Lorraine D. Walls,
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From: //signed//
Kilah S. White,
Regional Inspector General for Audit, 6AGA

Subject: The Housing Authority of the City of Jasper, TX, Did Not Operate Its Public Housing Programs in Compliance With HUD's Requirements

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

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

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

If you have any questions or comments about this report, please do not hesitate to call me at 817-978-9309.



Audit Report Number: 2017-FW-1006

Date: April 26, 2017

The Housing Authority of the City of Jasper, TX, Did Not Operate Its Public Housing Programs in Compliance With HUD's Requirements

Highlights

What We Audited and Why

In coordination with our Office of Investigations, we audited the Housing Authority of the City of Jasper, TX, because we received a complaint. The complainant's allegations included the executive director's misuse of Authority vehicles and other issues. Our audit objective was to determine whether the Authority operated its Public Housing programs in compliance with the U.S. Department of Housing and Urban Development's (HUD) requirements.

What We Found

The complaint had valid allegations. While the Authority properly administered its rental receipts and payroll for the months tested, it did not properly administer its public housing funds. The improper administration of funds occurred because the executive director did not understand or follow Federal and Authority requirements, and the board did not provide adequate oversight. As a result, the Authority paid \$91,956 in questioned costs.

In addition, members of the Authority's board of commissioners were not properly appointed in a timely manner. The untimely appointments occurred because the prior and current Mayor lacked knowledge about their responsibility to appoint commissioners. Thus, the board did not hold meetings as required and did not provide proper oversight of the Authority.

What We Recommend

We recommend that the HUD Office of Public Housing require the Authority to support or repay questioned costs totaling \$91,956. In addition, we recommend that the Departmental Enforcement Center take appropriate administrative sanctions and seek civil money penalties against the executive director. Further, we recommend that the Associate General Counsel for Program Enforcement determine legal sufficiency, and if legally sufficient, pursue remedies under the Program Fraud Civil Remedies Act against the executive director.

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Background and Objective

The Housing Authority of the City of Jasper, TX, was established in 1975, to serve the residents of the City of Jasper and surrounding areas. When it created the Authority, the City Council of Jasper stated the Authority would be governed by a board of five commissioners appointed by the Mayor. In November 2016, the City Council increased the size of the board from five to seven commissioners due to the Mayor’s concerns about board oversight of the Authority. The board is responsible for establishing operating policies and overseeing the executive director, who manages the Authority’s day-to-day operations. The Authority has three employees, including the executive director.



Figure 1: Main office of the Housing Authority of the City of Jasper, TX

The Authority consists of 60 public housing units. It received the following U. S. Department of Housing and Urban Development (HUD) public housing program funding for fiscal years 2014 to 2016.

Fiscal year	Operating fund	Capital funds	Total
2014	\$87,999	\$62,866	\$150,865
2015	79,685	66,126	145,811
2016	43,972	73,717	117,689

Our audit objective was to determine whether the Authority operated its public housing programs in compliance with HUD’s requirements. Specifically, we wanted to determine whether the Authority (1) properly collected, deposited, and recorded its rental receipts; (2) properly oversaw its credit cards, administrative payments, and payroll; and (3) ensured that its procurements met Federal requirements.

Results of Audit

Finding 1: The Authority Did Not Properly Administer Its Public Housing Funds

The Authority did not properly administer its public housing funds. Specifically, the executive director (1) improperly spent capital funds, (2) used the Authority's vehicle and other equipment for personal use, (3) violated HUD's and the Authority's conflict of interest requirements, (4) used Authority credit cards for questionable purchases, (5) paid for an ineligible training seminar, and (6) did not properly procure two contractors who performed unit repairs. These issues occurred because the executive director either did not understand or did not follow Federal and Authority requirements, and the board did not provide adequate oversight as it relied on the executive director's guidance. As a result, the Authority paid \$91,956 in questioned costs.

The Authority Improperly Spent Its Capital Funds

The Authority improperly spent its capital funds by purchasing a truck not included in its 5-Year Action Plan and spending capital funds prior to receiving them from HUD. These violations occurred because the executive director did not understand or follow Federal requirements. As a result, the Authority improperly spent \$27,818 in 2013, 2014, and 2015 capital funds.

The Authority Improperly Used Its Capital Funds When It Purchased a Truck

The Authority improperly used its 2013, 2014, and 2015 capital funds to purchase a 2014 Ford truck in July 2014. The Authority did not include the truck purchase in its 2010 5-Year Action Plan, as required.¹ The executive director also did not complete the 2015 5-Year Action Plan which included the purchase of the truck until August 3, 2014, the month following the purchase. Additionally, the Authority used 2015 funds even though HUD did not make the 2015 grant funds available until April 13, 2015,² nearly 9 months after the purchase. When notified of the finding, the executive director agreed the Authority had failed to update its Capital Fund 5-Year Action Plan when the board approved the purchase. He further stated that the board could correct the plan at its next meeting, which would make the purchase eligible. The executive director's response reflected a lack of understanding of the requirements, which require an item to be in an approved plan prior to the purchase to be eligible, and which prohibit funds from being spent before they are awarded. As a result, the Authority's truck purchase was an ineligible use of \$24,913 in capital funds.

The Authority Spent 2013 Capital Funds Before HUD Awarded Them

On August 22 and September 5, 2013, the Authority spent 2013 capital funds, which HUD had not yet awarded. HUD's Office of Public Housing did not execute the Authority's 2013 Capital Fund grant agreement until September 9, 2013. The executive director said that the 2013 capital funds were available for obligation. However, he said the HUD Office had not distributed them

¹ 24 CFR (Code of Federal Regulations) 905.200. See appendix C.

² 24 CFR 905.306(a) and (f). See appendix C.

in the system. His statement showed his lack of understanding of the grant funding process as grant funds cannot be spent until awarded. As a result, the Authority improperly spent \$2,905 in capital funds.

The Executive Director Used the Authority's Truck and Equipment for Personal Use

In violation of Federal cost principles,³ the executive director used the Authority's truck, trailer, and golf cart for personal use, including going to various beaches and to and from his residence. The executive director's business use of the truck may have been allowable as an Authority expense. However, he did not have mileage logs to track his business and personal use, which according to the Internal Revenue Service, made all of the costs unallowable as an Authority expense. In addition, the Authority should have reported the executive director's personal use as income on his Internal Revenue Service W-2 form. The executive director admitted to his personal use of the truck and equipment. The board did not know the executive director used the truck and golf cart for personal trips to the beach. As a result, the executive director improperly used the Authority's truck and equipment, which increased the Authority's estimated average annual cost by \$5,888.⁴ In addition, the Authority paid \$770 in repairs for the golf cart during our review period. The Authority's property also diminished in value and the executive director's personal use increased the Authority's liability risk. For our 2-year audit period, the Authority paid a total of \$12,546⁵ for the executive director's ineligible personal use of the truck and other equipment.



Figure 2: Bolivar Beach access stickers on the Authority's golf cart and the 2014 truck assigned to the executive director. Bolivar Beach is 133 miles from the Authority.

³ 2 CFR 200.445(a) and 200.431(f). See appendix C.

⁴ See Scope and Methodology for our calculation of this amount.

⁵ Ibid.

The Executive Director Violated HUD and Authority Conflict of Interest Requirements

In violation of Federal and Authority conflict of interest requirements,⁶ the executive director entered into a consulting services contract with the Authority's fee accountant and sold an Authority vehicle to his daughter. These violations occurred because the executive director failed to fully disclose the conflicts to HUD and the board. As a result, the Authority made ineligible payments to its fee accountant totaling \$4,739 and lost \$1,273 on the sale of the vehicle to his daughter.

The Executive Director Had a Conflict of Interest With the Authority's Fee Accountant

In violation of Federal and Authority requirements,⁷ the executive director had a consulting services contract with the Authority's fee accountant, which created a conflict of interest. He admitted that the contract was still in effect, but stated he had not performed any contract work since 2012. He further stated the board was aware of the conflict and that HUD had granted a waiver. When requesting a waiver to be a consultant, the executive director failed to disclose to HUD that the firm he wanted to consult with was the Authority's fee accountant. HUD's Office of Public Housing noted in a letter that the executive director wanted to work with a firm that provided services to other housing authorities. HUD granted only a temporary waiver to allow the executive director to assess whether a separation of the Authority's administration and the consulting was feasible. As a result, the Authority made ineligible payments totaling \$4,739 to its fee accountant.

The Authority Sold a Vehicle to the Executive Director's Daughter for Less Than Its Value

In violation of Federal and Authority conflict of interest requirements,⁸ the Authority sold a vehicle to the executive director's daughter. The Authority advertised for bids to sell the vehicle as surplus equipment starting on September 3, 2014, with bids due by September 16, 2014. The Authority opened six bids at its September 23, 2014, board meeting. According to the executive director, the two highest bidders, who bid \$3,000 and \$2,500, did not purchase the vehicle. On November 18, 2014, the board instructed the executive director to readvertise the vehicle. On January 7, 2015, the Authority advertised the vehicle again. On January 20, 2015, the board accepted the sole bid it received, which totaled \$1,727. The executive director did not inform the board that the sole bidder was his daughter. The executive director also stated that he thought that since it was a sealed bid process, there would be no conflict. In addition, he deposited the cash received from another vehicle sale within 1 day of board approval of the sale, but he did not deposit the cash received from his daughter until August 18, 2016, more than 19 months after the sale and 13 days after our audit notification letter. According to the executive director, he did not deposit the money because he had placed the money in the office safe and forgotten about it. The Authority also lost revenue on the sale of the vehicle. We determined the amount of the loss to be the market value of the vehicle minus what was paid by the executive director's daughter or \$1,273.

⁶ 2 CFR 200.112 and 200.318(c)(1). Authority Human Resources Policy, section IX and XI. Procurement Policy, Ethics in Public Contracting section B. Conflict of Interest. See appendix C.

⁷ Ibid.

⁸ Ibid.

The Executive Director Used the Authority's Credit Cards for Questionable Purchases

In violation of Federal cost principles,⁹ the executive director used the Authority's credit cards for questionable purchases.¹⁰ Examples of ineligible purchases included fishing poles and equipment, satellite radio and On Star services for the executive director's Authority vehicle, fuel at cities near the Texas gulf coast, and flowers for funerals. Unsupported purchases included charges that lacked supporting documentation or an explanation of the charge.¹¹ The executive director disagreed that the purchases were a misuse of funds, which showed that he lacked an understanding of Federal costs principles including what costs can be charged to a Federal program. For example, he stated that he donated the fishing equipment, but donations of property to other entities are unallowable.¹² The board lacked knowledge of these questionable charges, because it did not receive the credit card statements for review. As a result, the Authority paid questioned credit card charges totaling \$1,686.

The Executive Director Paid for an Ineligible Training Seminar

Contrary to Federal requirements,¹³ the executive director paid for an ineligible August 2011 training seminar. To support the costs, the Authority provided a generic invoice from a non-United States company. The Authority did not make the check payable to the company on the invoice. Instead, it paid an individual, who was not listed on the company's Web site. Further, the mailing address on the check was for a construction company in Call, TX. The Authority paid excessive amounts for the conference's meal and lodging rates as the amounts exceeded Federal per diem rates. The Authority also lacked supporting receipts for the lodging and meals costs. The executive director admitted that the training was to justify a retreat. An interview with another attendee confirmed that no training took place. Therefore, the \$4,000 the Authority paid for the training was ineligible.

The Executive Director Used Only Two Vendors for Repairs

Contrary to Federal¹⁴ and Authority requirements,¹⁵ the executive director used a single vendor for air conditioning repairs and a single vendor for painting and drywall repairs. The executive director admitted that he did not follow competitive procurement procedures, as he did not have bids or quotes. Therefore, the Authority may not have obtained services totaling \$44,994 at a fair and reasonable cost.

Conclusion

The Authority did not properly administer \$91,956 of its public housing funds. This condition occurred because the executive director either did not understand or did not follow Federal and Authority requirements, and the board did not provide adequate oversight. As a result, the Authority charged \$46,310 in ineligible costs and \$45,646 in unsupported costs to its public housing programs.

⁹ 2 CFR 200.403(a), 200.403(g), and 200.404. See appendix C.

¹⁰ See appendix D for a listing of the questioned charges.

¹¹ 2 CFR 200.403(g). See appendix C.

¹² 2 CFR 200.434(a). See appendix C.

¹³ 2 CFR 200.404. See appendix C.

¹⁴ 2 CFR 200.320. See appendix C.

¹⁵ Procurement Policy, Procurement Methods and Requirements. See appendix C.

Recommendations

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

- 1A. Repay from nonfederal funds \$27,818 to its Capital Funds program from non-Federal funds for the ineligible purchase of the truck and expenditure of 2013 funds before they were available.¹⁶
- 1B. Repay from nonfederal funds its HUD programs \$7,446¹⁷ for the executive director's personal use of the Authority's equipment, and amend the executive director's prior Internal Revenue Forms W-2 to include the annual personal use of \$5,888 as income.
- 1C. Repay from nonfederal funds its HUD programs \$4,739 paid to its fee accountant, which had a conflict of interest with the executive director.
- 1D. Repay from nonfederal funds its HUD programs \$1,273 lost on the conflict of interest sale of the Authority's vehicle to the executive director's daughter.
- 1E. Repay from nonfederal funds its HUD programs \$1,034 for ineligible charges on the Authority's credit cards.
- 1F. Support or repay from nonfederal funds its HUD programs \$652 for unsupported charges on the Authority's credit card.
- 1G. Repay from nonfederal funds its HUD programs \$4,000 paid for an ineligible 2011 training conference.
- 1H. Provide support for the reasonableness of the unit repairs costs totaling \$44,994 and repay from nonfederal funds any unsupported or unreasonable amount.
- 1I. Provide training for the Authority's commissioners on their responsibilities and duties.
- 1J. Require the Authority to update its policies and procedures so that they contain current Federal guidance.

We recommend that the Director, Departmental Enforcement Center

- 1K. Take appropriate administrative sanctions, including suspension, limited denial of participation, or debarment against the executive director.
- 1L. Seek civil money penalties, as appropriate, against the executive director.

¹⁶ \$24,913 + \$2,905 = \$27,818

¹⁷ The total ineligible amount equaled \$12,546. However, the ineligible amount included depreciation expense of \$2,550 per year for the truck. As we questioned the total purchase cost of the truck in recommendation 1A, we reduced the repayment amount to include only fuel, insurance, and the golf cart repair costs, which totaled \$7,446.

We recommend that the Associate General Counsel for Program Enforcement

- 1M. Determine legal sufficiency and, if legally sufficient, pursue remedies under the Program Fraud Civil Remedies Act against the executive director.

Finding 2: The Authority’s Board Was Not Properly Appointed in a Timely Manner

The Authority’s board was not properly appointed in a timely manner. This condition occurred because the prior and current Mayor lacked knowledge about their appointment responsibilities. The executive director said he discussed this issue with the two Mayors and at board meetings, but he did not provide documentation to support his statements. As a result, the board did not hold all meetings as required by its bylaws and did not provide proper oversight of the Authority (finding 1).

The Board of Commissioners Was Not Properly Appointed in a Timely Manner

The current and prior Mayor did not properly appoint board commissioners in a timely manner. During our audit period of January 1, 2014, to December 31, 2015,

- One of the five commissioner positions was vacant for the entire period.
- Another commissioner lacked a certificate of appointment for 4.5 of the 24 months.¹⁸
- A third commissioner died in October 2015, and his position was not filled until almost 4 months later, which resulted in the board having only three commissioners.
- The Mayors signed all of the certificates of appointment from 6 to 9 months after the commissioners’ terms began.¹⁹

The executive director said the Authority discussed these problems several times at board meetings and he notified both the prior and current Mayor of the issues. However, the executive director did not provide documents to support his statements, and the board minutes did not contain such discussions. In addition, the current and prior Mayor stated that they were not aware of and had not been properly briefed by the executive director about their appointment responsibilities. As a result, the board did not always hold its meetings as required by its bylaws. For the audit period, the board did not hold 4 of its 14 required board meetings (2 regular and 2 annual) and 2 meetings had to be rescheduled because the board lacked a quorum.

Upon learning of his responsibilities concerning the Authority, the current Mayor took steps to address some of the identified issues. The Mayor worked to ensure that all commissioner positions were filled and all commissioners had a valid certificate of appointment.

Recommendations

We recommend the that Director of the Houston Office of Public Housing

- 2A. Provide technical assistance to the Mayor and the board concerning their responsibilities regarding the Authority.
- 2B. Monitor the Authority to ensure it is holding its board meetings, as required by its bylaws.

¹⁸ According to the State of Texas Local Government Code 392.032(c) a certificate of appointment is conclusive evidence of the proper appointment of the commissioner.

¹⁹ Ibid.

Scope and Methodology

We performed our audit from August 2016 through February 2017 at the Authority's office located at 200 Myrtis Street, Jasper, TX, and the Office of Public Housing in Houston, TX. The audit generally covered the period from January 1, 2014, through December 31, 2015. We expanded our audit to include a training conference the Authority held in 2011, and the Authority's 2013 capital funds.

To meet the audit objectives, we performed the following:

- Reviewed and obtained an understanding of the relevant laws and program regulations, and the Authority's relevant policies and procedures.
- Tested a sample of the Authority's rental receipts and its deposits to determine whether the Authority properly collected and deposited its rental income. The sample consisted of rental receipts and deposits for 2 nonconsecutive months, July 2014 and May 2015. For July 2014 and May 2015, the Authority's deposits totaled \$76,602 and \$13,637 respectively. For each month, we compared the Authority's bank statement deposits to its accounts receivable reports. We also reconciled the rent roster to the month's deposit slips. We did not project the results of this sample to the population.
- Reviewed 100 percent of the Authority's checking account bank statements and 88 percent of the money market bank account statements for the review period. Since the Authority did not provide an electronic check register to determine a universe for our review, we skimmed its checking account bank statements and reviewed the following high-risk items based on our knowledge of the program area.
 - 42 payroll checks totaling \$54,016 and accompanying supporting documentation for the first 6 months of the audit period. We tested for proper approval and documentation, unapproved payments, and questionable transactions. We did not project the results of this sample to the population.
 - Capital Fund expenditures totaling \$121,718 for fiscal years 2013, 2014, and 2015 Capital Fund grants, which totaled to \$200,283. Since the Authority charged 2014 expenditures to its 2013 grant, we expanded our scope to include 2013 capital funds. We did not review the Authority's operating budget line item for fiscal years 2013 through 2015, which totaled to \$39,000.
 - All of the Authority's VISA and Walmart credit card statements for the audit period that contained charges.
 - All payments and invoices made to two vendors that provided drywall and painting and heating and air conditioning services.
 - All payments made to the Authority's fee accountant. We also reviewed letters and other documents concerning the executive director's consulting for the fee accountant.
 - All payments made for fuel and automobile insurance.

- Determined the annual operating cost of the executive director's vehicle. Based on the average annual insurance, fuel, and depreciation costs, we estimated that the average cost of the executive director's vehicle was \$5,888 annually and \$11,776 for the 2 years. As the executive director did not track his personal use of the golf cart, we included the \$770 for golf cart repairs during the audit period as ineligible and determined the total ineligible amount to be \$12,546.
- Reviewed documents related to the sale of two surplus vehicles, including newspaper advertisements, bids received, board resolutions, and bank deposits of funds received to determine whether the Authority properly disposed of them. We estimated the market value of the vehicle sold to the executive director's daughter by comparing the current Kelley Blue Book value as of December 2016 to the highest bid received by the Authority in September 2014. We selected the lower of the two values, \$3,000, as the market value. We then determined the Authority's loss on the sale by subtracting the amount received from the market value.
- Reviewed an invoice and a check issued for training conducted in 2011 to determine whether the Authority had support for the payment. We researched the company on the invoice and check payee information. We also compared the amount paid for lodging and meals to Federal lodging and per diem rates.
- Reviewed all available certificates of appointment, board meeting notices, and meeting minutes for the audit period.
- Interviewed the City of Jasper's city manager and secretary, prior and current Mayor, Authority staff, four commissioners, and Office of Public Housing staff.

We conducted a data reliability assessment of the Authority's bank statements, which it provided in an electronic image format. We used the bank statements for our rental deposit testing and to select various checks for our review. The deposit and check amounts in the bank statements matched the source documents we reviewed in the Authority's records. Thus, we determined the bank statements to be sufficiently reliable for our review. We did not assess the reliability of the Authority's electronic financial statement information as it was used for only background information.

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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective(s).

Internal Controls

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

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

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

Relevant Internal Controls

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

- The Authority's controls, including its policies, procedures, and board oversight, to ensure compliance with HUD's public housing program requirements.

We assessed the relevant controls identified above.

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

Significant Deficiencies

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

- The Authority's controls did not prevent it from improperly administering some of its public housing funds (finding 1).
- The board did not provide adequate oversight, including holding meetings as required (findings 1 and 2).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$27,818	
1B	7,446	
1C	4,739	
1D	1,273	
1E	1,034	
1F		\$ 652
1G	4,000	
1H		44,994
Totals	46,310	45,646

- 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

Comment 1

.....

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Housing Authority of The City of Jasper

April 25, 2017

On Monday, April 10, 2017, I attended a meeting at the Jasper Housing Authority concerning an audit by the HUD OIG. The audit was based on a complaint against Executive Director John Molt of the Housing Authority of the City of Jasper. The meeting was also attended by Sam Job, Co- Chairman of the Authority's Board of Commissioners, and Randy Sayers, Mayor of Jasper.

Having discussed the findings of the audit with the Assistant Regional Inspector General, Sam Job and I will meet with the Authority's Board of Commissioners and share the audit's findings. The Authority's Board of Commissioners will work with the HUD to ensure that violations are corrected and the Authority is following HUD guidelines and policies.

If our Board of Commissioners can be of future assistance, please contact me.

Bobby L. South,
President BOC HAOTCOJ

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.....

OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed to work with HUD to ensure the violations are corrected.

We acknowledge the Authority's response. In addition, the executive director provided receipts for questioned hotel costs charged on the Authority's VISA credit card at the exit conference. As a result, we removed \$1,032 in unsupported costs. However, the lodging receipts showed that two travelers obtained lodging costing \$129 a night at Galveston, TX, for 4 days for a 2.5-day housing conference. As a result, we added \$258 to ineligible costs as the Authority should have paid lodging for only 3 days.

Appendix C

Criteria

2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Subpart B - General Provisions

...

Section 200.112 Conflict of interest.

The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

Subpart D – Post Federal Award Requirements Procurement Standards

...

Section 200.318 General procurement standards.

(a) The non-Federal entity must use its own documented procurement procedures, which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part...

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity...

Section 200.320 Methods of procurement to be followed.

The non-Federal entity must use one of the following methods of procurement.

(a) *Procurement by micro-purchases.* Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be

awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) *Procurement by small purchase procedures.* Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) *Procurement by sealed bids (formal advertising).* Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price...

(d) *Procurement by competitive proposals.* The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids...

(f) *Procurement by noncompetitive proposals.* Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate.

Subpart E - Cost Principles

Basic Considerations

...

Section 200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...
- (g) Be adequately documented.

Section 200.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.

- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

General Provisions for Selected Items of Cost

...

Section 200.431 Compensation - fringe benefits.

(f) *Automobiles.* That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

Section 200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.

Section 200.445 Goods or services for personal use.

(a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

24 CFR Part 905 - The Public Housing Capital Fund Program

Subpart A - General

Section 905.100 Purpose, general description, and other requirements.

...

(b) *General description.* Congress appropriates amounts for the Capital Fund in HUD's annual appropriations. In order to receive a Capital Fund grant, the PHA [public housing agency] must:

- (1) Validate project-level information in HUD's data systems, as prescribed by HUD;
- (2) Have an approved CFP [Capital Fund program] 5-Year Action Plan;
- (3) Enter into a Capital Fund Annual Contributions Contract (CF ACC) Amendment to the PHA's Annual Contributions Contract (as defined in 24 CFR 5.403) with HUD; and
- (4) Provide a written certification and counsel's opinion that all property receiving Capital Fund assistance is under a currently effective Declaration of Trust and is in compliance with the CF ACC and the Act....

(e) *Obligation and expenditure requirements.* A PHA must obligate and expend its Capital Funds in accordance with §905.306 of this part.

...

Section 905.108 Definitions.

Expenditure. Capital Funds disbursed by the PHA to pay for obligations incurred in connection with work included in a CFP 5-Year Action Plan that has been approved by the PHA Board of Commissioners and HUD. Total funds expended means cash actually disbursed and does not include retainage....

Obligation. A binding agreement for work or financing that will result in outlays, immediately or in the future. All obligations must be incorporated within the CFP 5-Year Action Plan that has been approved by the PHA Board of Commissioners and HUD.

Subpart B – Eligible Activities

Section 905.200 Eligible activities.

(a) *General.* Activities that are eligible to be funded with Capital Funds as identified in this section include only items specified in an approved CFP 5-Year Action Plan as identified in §905.300, or approved by HUD for emergency and natural disaster assistance, other than presidentially declared natural disasters and emergencies...

...

Section 905.202 Ineligible activities and costs.

The following are ineligible activities and costs for the CFP:

...

(b) Activities and costs not included in the PHA’s CFP 5-Year Action Plan, with the exception that expenditures for emergencies and disasters, as defined in §905.204 of this subpart, that are not identified in the 5-year Action Plan because of their emergent nature are eligible costs...

Subpart C – General Program Requirements

...

Section 905.306 Obligation and expenditure of Capital Fund grants.

(a) *Obligation.* A PHA shall obligate each Capital Fund grant, including formula grants, Replacement Housing Factor (RHF) grants, Demolition and Disposition Transitional Funding (DDTF) grants, and natural disaster grants, no later than 24 months after, and emergency grants no later than 12 months after, the date on which the funds become available to the PHA for obligation, except as provided in paragraphs (c) and (d) of this section...

(f) *Expenditure.* The PHA shall expend all grant funds within 48 months after the date on which funds become available, as described in paragraph (a) of this section. The deadline to expend funds may be extended only by the period of time of a HUD-approved extension of the obligation deadline. No other extensions of the expenditure deadline will be granted. All funds not expended will be recaptured.

Texas Local Government Code

Section 392.032 Appointment of Commissioners of a County Housing Authority.

...

(c) A certificate of the appointment of a commissioner shall be filed with the county clerk. The certificate is conclusive evidence of the proper appointment of the commissioner.

Human Resources Policy of Jasper Housing Authority

Section IX, Conflict of Interest

A conflict of interest exists when:

- A Housing Authority employee stands to profit by a decision he or she may make on behalf of the agency.
- An employee takes advantage of his/her position with the agency for personal gain,

financial or otherwise.

- An employee’s business loyalty to the Housing Authority can be prejudiced by personal benefits, actual or potential, from another source.
- Any situation exists that compromises the integrity of the Authority due to an external relationship with a vendor or provider of services to the agency.

No employee, then, should be, or have the appearance of being, subject to the influences, interest or relationships which conflict with the best interests of the agency.

Section XI, Outside Employment

In general, employees should not engage in outside employment.

With the approval of the Board of Commissioners, the Executive Director may be permitted to engage in work activities for another employer...

Care should be taken by the Board or the Executive Director when giving such approval that the activities the employee may engage in are not inconsistent or incompatible with the mission, goal, or obligations of the agency in general, nor with the specific work responsibilities of the employee in question.

If permission is given, but the enterprise later becomes inconsistent/incompatible in any manner with the continued employment with the agency, the Authority may make cessation of the outside employment a condition of continued employment with the Authority.

Housing Authority of the City of Jasper – Procurement Policy Ethics in Public Contracting

...

B. Conflict of Interest

No employee, officer, or agent of this PHA shall participate directly or indirectly in the selection or in the award or administration of any contract if a conflict, real or apparent, would be involved. Such conflict would arise when a financial or other interest in a firm selected for award is held by:

- 1) an employee, officer or agent involved in making the award;
- 2) his/her relative (including father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, sister-in-law, brother-in-law, stepdaughter, stepson, stepmother, stepfather, stepbrother, stepsister, half brother, half sister);
- 3) his/her partner; or
- 4) an organization which employs, is negotiating to employ, or has an arrangement concerning prospective employment of any of the above.

...

Procurement Methods and Requirements

...

B. Micro Purchases (greater than \$50 but not exceeding \$2,000)

- 1) General
 - a. For any amounts above the Petty Cash ceiling, but not exceeding \$2,000, only one quote is required provided the quote is considered reasonable.
 - b. To the greatest extent feasible, and to promote competition, small purchases should be distributed among qualified sources.
 - c. Award shall be made to the qualified vendor that provides the best value to the PHA.
 - d. The PHA shall not break down requirements aggregating more than the Micro Purchase threshold into several purchases that are less than the applicable threshold merely to: (1) permit use of the Small Purchase procedures or (2) avoid any requirements that apply to purchases that exceed the Micro Purchase threshold.
- 2) Cost Analysis

No formal cost or price analysis is required. Rather, the execution of a purchase by the Contracting Officer through a Purchase Order or other means shall serve as the Contracting Officer's determination that the price obtained is reasonable, which may be based on the Contracting Officer's prior experience or other factors
- 3) Solicitation

Quotes may be obtained orally (either in person or by phone), by fax, in writing, or e-mail

C. Small Purchases (Over \$2,000 but not exceeding \$50,000)

- 1) General
 - a. PHA shall obtain a reasonable number of quotes, preferably three.
 - b. To the greatest extent feasible, and to promote competition, small purchases should be distributed among qualified sources.
 - c. Award shall be made to the qualified vendor that provides the best value to the PHA. If award is to be made for reasons other than lowest price, documentation shall be provided in the contract file.
 - d. The PHA shall not break down requirements aggregating more than the Small Purchase threshold into several purchases that are less than the applicable threshold merely to: (1) permit use of the Small Purchase procedures or (2) avoid any requirements that apply to purchases that exceed the Micro Purchase threshold.
- 2) Cost Analysis
 - a. A comparison with other offers shall generally be sufficient determination of the reasonableness of price no further analysis is required.
 - b. If a reasonable number of quotes is not obtained to establish reasonableness through price competition, the Contracting Officer shall document price reasonableness through other means, such as prior purchases of this nature, catalog prices, the Contractor Officer's personal knowledge at the time of purchase, or any other reasonable basis.
- 3) Solicitation

Quotes may be obtained orally (either in person or by phone), by fax, in writing, or e-mail.

Appendix D

Schedule of Questioned Credit Card Charges

Transaction date	Credit card	VISA vendor and Walmart item	Expense charged	Ineligible amounts	Unsupported amount
12/11/2013	VISA	MDA Beaumont	Maintenance materials		\$ 319
12/17/2013	VISA	On Star	Service agreement	\$ 232	
1/07/2014	VISA	On Star	Service agreement	4	
1/27/2014	VISA	Enterprise Rent-A-Car	Travel/training		193
2/18/2014	VISA	TLF Always Remembered Flowers	Office supplies	50	
5/26/2014	VISA	Chevron, Winnie, TX	Travel/training		55
9/01/2014	VISA	Shell Oil, Crystal Beach, TX	Travel/training		43
1/29/2015	VISA	Sirius XM account	Office supplies	146	
3/17/2015	VISA	Dominy's (Conoco Gas and Convenience) Kirbyville, TX	Travel/training		12
4/13/2015	Walmart	Shakespeare fishing rods - two	Maintenance materials	30	
4/13/2015	Walmart	Ozark Trail mesh chair	Maintenance materials	15	
4/13/2015	Walmart	16-inch open top tote bag	Maintenance materials	19	
5/12/2015	VISA	Cedar Tree Restaurant	Travel/training		30
7/29/2015	VISA	TLF Forever Yours Flower	Office supplies	58	
8/20/2015	VISA	Moody Gardens Hotel	Management improvements	258	
9/03/2015	Walmart	Coleman 10 X 10 gazebo	Maintenance materials	115	
10/05/2015	VISA	TLF Always Remembered Flowers	Office supplies	106	
Totals				1,034²⁰	652
Total questioned amount (ineligible and unsupported)					1,686

²⁰ The table total contains a \$1 difference due to rounding.