

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Berwick Housing Authority
Berwick, Louisiana

August 16, 2000



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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BERWICK HOUSING AUTHORITY
Berwick, Louisiana

Dated June 14, 2000

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

August 16, 2000

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June 14, 2000

**MR. GARRETT GUILLOT, CHAIRMAN,
AND BOARD OF COMMISSIONERS
BERWICK HOUSING AUTHORITY**
Berwick, Louisiana

We have performed a limited examination of the Berwick Housing Authority (BHA). Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

We requested that the executive director of the BHA provide us with a written representation that all financial records and related data were made available to us. However, the executive director provided us with a written representation that they had made available all financial records and related data that we requested. We view this as a significant limitation on the scope of this examination. In fact, numerous financial records requested were not provided to us as disclosed in more detail in the Findings and Recommendations section of this report.

The accompanying report presents our findings and recommendations as well as responses from management of the BHA. We will continue to monitor the findings until the housing authority resolves them. Copies of this report have been delivered to the Honorable John Phillip Haney, District Attorney for the Sixteenth Judicial District of Louisiana; the United States Attorney for the Western District of Louisiana; the U.S. Department of Housing and Urban Development; the Internal Revenue Service; the Louisiana Board of Ethics; and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink, reading "Daniel G. Kyle", is written over a horizontal line.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

ESS:GLM:GCA:lnl

[BHA]

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BERWICK HOUSING AUTHORITY

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BACKGROUND

The Berwick Housing Authorities (BHA) was created by Louisiana Revised Statute 40:391 to engage in the acquisition, development, and administration of a low rent housing program to provide safe, sanitary, and affordable housing to the citizens of the Town of Berwick. The BHA is governed by a five-member board of commissioners who are appointed by the mayor of Berwick. Members of the board serve staggered terms. The BHA has 128 housing units available for occupancy.

The board of commissioners appoints the executive director, who has the authority to employ such housing authority staff and employees necessary to carry out the functions of the housing authority. The executive director is subject to applicable Louisiana Civil Service laws, rules, and regulations in performing his/her functions and responsibilities. The BHA adopted the Louisiana Civil Service *Personnel Manual* as its personnel manual on August 9, 1996. The BHA employees include the executive director, assistant director, office clerk, and two maintenance employees.

The following individuals have served as executive director since April 10, 1995:

<u>Name</u>	<u>Employment Dates</u>
James Vidos	April 10, 1995 - August 31, 1999
Kenneth Dunagin	September 1, 1999 - October 11, 1999
Mary Nunn	November 1, 1999 - present

Mary Nunn worked as the Assistant Director of the Berwick Housing Authority from January 3, 1994, until she resigned on October 4, 1999. On October 12, 1999, she returned to the BHA as an independent contractor. On November 15, 1999, the board of commissioners approved Ms. Nunn as the executive director effective November 1, 1999.

The present board of commissioners has recently been appointed. The following are their names and dates of appointment:

<u>Name</u>	<u>Date of Appointment</u>
Garrett Guillot, Chairman	November 11, 1999
Martha Cox, Co-Chairman	October 14, 1999
Darlene Bowman, Tenant	June 4, 1999
Robert Thigpen	November 11, 1999
Dave Thomas	January 1, 2000

Although funding is provided substantially from federal funds, both federal and state laws apply to the BHA. The general rule is that the more stringent law should apply, regardless of whether it is a federal or state law. In addition, we were informed by the U.S. Department of Housing and Urban Development's Deputy Director of Public Housing in New Orleans, Louisiana, that when there is no federal law addressing a specific issue and there is a state law, the state law should be applied.

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METHODOLOGY

The Legislative Auditor received information alleging that the housing authority's credit card was used to purchase personal items such as clothing and groceries and that certain employees were paid additional compensation in violation of state law.

Our procedures consisted of the following: (1) examining selected housing authority records; (2) interviewing certain employees and commissioners of the housing authority; (3) reviewing applicable Louisiana and federal laws and Attorney General opinions; (4) performing observations and analytical tests; and (5) making inquiries of other persons to the extent we considered necessary to achieve our purpose.

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CONCLUSIONS

The following summarizes the findings that resulted from this limited examination of the BHA. The Findings and Recommendations section of this report provides details for these findings. Management's responses are included in Attachment I.

1. Housing authority employees, upon termination, were paid for annual leave that was not supported by attendance and leave records and were paid for "vacation" leave not provided by Civil Service regulations. In addition, the leave payments were not included in the employees' wages and were not reported to the Internal Revenue Service (IRS).
2. The housing authority's former assistant director and former office clerk were paid as contract labor without a written contract and documentation of the work performed. In addition, the BHA violated Louisiana's ethical standards for public servants by hiring these individuals as contract labor almost immediately after their employment termination. Also, certain contract labor payments were not reported to the IRS and certain contract labor payments were included as wages on IRS Forms W-2.
3. The housing authority's former maintenance supervisor was paid a bonus in violation of Louisiana's constitution and state law. In addition, the bonus payment was not included in the employee's wages and reported to the IRS.
4. Housing authority funds were used to (1) purchase airline tickets for non-employees of the housing authority; (2) purchase personal clothing for the executive director and assistant director; (3) purchase a lady's leather purse; (4) purchase children's items; and (5) purchase groceries and drug items for employees. None of these expenditures appear to have any public purpose. In addition, housing authority funds advanced for travel are unaccounted for by the executive director.
5. Excessive amounts were paid for plumbing work done for the housing authority. In addition, federal procurement regulations were violated by not obtaining price quotations from an adequate number of qualified plumbers.
6. The Louisiana public bid law was violated because bids were not obtained for the purchase of stainless steel screens.
7. Controls over disbursements need to be improved. There were missing credit card charge tickets, petty cash lacked adequate supporting documentation, restaurant meals lacked documentation for business purpose, purchase orders were not used, and approval of invoices was not documented.

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Conclusions (Concluded)

8. The monthly rent paid by current BHA resident employees is significantly less than the required amount.
9. The housing authority violated Louisiana's constitution and state law by paying the former executive director for time that he was not employed.
10. The housing authority continued to pay employees' insurance premiums after their termination.
11. The housing authority did not report the employees' personal use of housing authority vehicles as taxable income as required by federal tax laws.
12. The housing authority is not exercising adequate control over gasoline purchases.
13. The housing authority does not have a formal policy for the use of cellular phones.
14. The housing authority has not provided the Louisiana Department of Civil Service with current personnel information on its employees. In addition, certain payroll documentation is not maintained on all employees.
15. Employees of the BHA received additional compensation as independent contractors, *an arrangement that may be in violation of state law.*
16. The housing authority did not report independent contractor payments to the IRS.
17. Financial statements are not prepared timely.
18. The BHA did not maintain current written minutes of the meetings of the board as required by Louisiana law.

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FINDINGS AND RECOMMENDATIONS

**Annual Leave and Vacation Leave Payments
Were Made in Violation of State and Federal Laws**

Housing authority employees, upon termination, were paid for annual leave that was not supported by attendance and leave records and were paid for "vacation" leave not provided by Civil Service regulations. In addition, the leave payments were not included in the employees' wages and were not reported to the Internal Revenue Service (IRS). The State of Louisiana Department of Civil Service (Civil Service) regulations 15.1 and 15.5 and Executive Order MJF 98-23 require the housing authority to establish and maintain daily attendance and leave records. Louisiana Attorney General Opinion (AG) No. 79-40 provides that accurate attendance records must be maintained; otherwise, the annual leave payment would be a violation of Article VII, Section 14(A) of the Louisiana Constitution of 1974. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Annual Leave Not Supported by Attendance and Leave Records

The BHA does not maintain records to account for annual and sick leave earned and taken by employees. In addition, employees do not complete time reports that document hours worked.

From September 7, 1999, through February 17, 2000, four employees were paid, upon termination, the maximum 300 hours of annual leave that is allowable under Civil Service rules. Although attendance and leave records were not maintained to document the number of annual leave hours available for these employees, Executive Director Mary Nunn informed us that the maximum number of hours was paid because she thought that they had been working at the housing authority long enough to accumulate the maximum hours. There was no documentation in the board minutes to authorize these annual leave payments. Executive Director Mary Nunn told us that she calculated and prepared the employees' annual leave payments and that she considered a board member's signature on the check to be the final approval. The following lists the employees and amounts that were paid:

<u>Employee</u>	<u>Title</u>	<u>Payment Date</u>	<u>Amount Paid</u>
James Vidos	Executive Director	September 7, 1999	\$4,665
Kristi Carriere	Office Clerk	September 30, 1999	\$1,887
Mary Nunn	Assistant Director	October 4, 1999	\$2,754
Neal Goulas	Maintenance Supervisor	February 17, 2000	\$2,892

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Findings and Recommendations (Continued)

Employees Paid for "Vacation" Leave Not Provided by Civil Service Regulations

There are no provisions in the Civil Service regulations to pay employees "vacation" leave in addition to annual leave. Also, there is no board policy and no documentation in the board minutes to authorize "vacation" leave payments.

Executive Director Mary Nunn informed us that housing authority employees are paid "vacation" leave in addition to earning annual leave. She said that employees are entitled to two weeks vacation when they have been employed for over one year and that employees are usually paid for their vacation leave when they have not used it. Mary Nunn also informed us that the BHA follows Civil Service regulations and that if Civil Service did not have a policy, then she was doing what was done before she was hired.

The following lists the employees and amounts that were paid upon termination, from October 4, 1999, through February 17, 2000, for "vacation" leave:

<u>Employee</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Time Period Covered</u>
Mary Nunn	October 4, 1999	\$1,265	Four weeks
Kristi Carriere	September 30, 1999	\$419	Two weeks
Neal Goulas	February 17, 2000	\$657	Two weeks

Mary Nunn informed us that she calculated and prepared the "vacation" leave payments. Although other employees were paid for two weeks of "vacation" leave, she was paid for four weeks of "vacation" leave. Ms. Nunn included two weeks "vacation" pay (\$632) with her 300 hours of annual leave check that was dated October 4, 1999. In addition to this payment, Ms. Nunn prepared a separate check on the same day (October 4, 1999) for \$632 for two additional weeks of "vacation" pay. The check signers (Ken Dunagin, former Executive Director and Hebert Estave, former Commissioner) for these two checks informed us that they did not see supporting documentation when they signed the checks.

Leave Payments Not Included in Employees' Wages or Reported to the IRS

The annual leave and "vacation" leave payments as mentioned previously were not reported as wages on the employees' IRS Forms W-2 (Wage and Tax Statement), and the required employment taxes were not withheld and remitted to the IRS.

Mary Nunn informed us that since she was hired in 1994, she prepared the payroll, prepared all the payroll tax reports, and was familiar with how it (payroll) works. However, she said that she didn't know that the annual leave payments should be included as wages on Form W-2. She said that she has never put "vacation" pay on Form W-2. Ms. Nunn stated, "I wasn't told to do that when I first came and so I never did do it." Also, Ms. Nunn said she had no idea payroll taxes were supposed to be withheld on the annual leave payments.

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Findings and Recommendations (Continued)

The "vacation" leave payments were calculated and paid to the employees net of payroll taxes. However, these payments were not reported as wages on Form W-2 nor were the payroll taxes remitted to the IRS.

The housing authority should:

- Recover all unauthorized annual leave and "vacation" leave payments made to employees.
- Amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.
- Require all employees to complete simple time reports to document hours worked. The appropriate supervisor should approve the time reports.
- Maintain simple records to account for annual and sick leave earned and taken by employees.
- Sign checks only after reviewing documentation to support the disbursement.
- Strictly follow the Louisiana Civil Service regulations.

Former Employees Paid as Contract Labor Without a Written Contract and Documentation of Work Performed, and in Violation of State and Federal Laws

The housing authority's former assistant director and former office clerk were paid as contract labor without a written contract and documentation of the work performed. A written contract is necessary to provide the terms and conditions of the contract labor and the fee or rate of pay. Documentation of the services performed is necessary to support the amount paid for contract labor.

In addition, the BHA violated Louisiana's ethical standards for public servants by hiring these individuals as contract labor almost immediately after their employment termination. Louisiana Revised Statute (R.S.) 42:1121(B) prohibits public employees, for a period of two years following termination, from rendering on a contractual basis, to or for the agency with which they were formerly employed, any service that such former employee had rendered during the term of their employment. Also, certain contract labor payments were not reported to the IRS and certain contract labor payments were included as wages on IRS Forms W-2.

Mary Nunn resigned as assistant director and Kristi Carriere resigned as office clerk on October 4, 1999, and September 28, 1999, respectively. Subsequent to their resignations, on October 11, 1999, Kenneth Dunagin resigned as the housing authority's executive director and all members of the board of commissioners resigned (except for the tenant member). Dave Thomas (Berwick Town Clerk) informed us that he asked, on behalf of the Town of Berwick mayor, Mary Nunn and Kristi Carriere to come back to work at the housing authority as contract labor. Mary Nunn said that she and Kristi returned to work on October 12, 1999, as contract labor without a written contract. Ms. Nunn said that she assumed the executive

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director responsibilities as well as her former assistant director responsibilities and that Kristi Carriere was responsible for all the other office work.

Although Mary Nunn was an independent contractor, she was the co-signatory on all checks. Ms. Nunn informed us that she and Dave Thomas signed a signature card at the bank because there was nobody else to sign checks because of the resignations of the executive director and board of commissioners.

A total of \$4,971 was paid to Mary Nunn and Kristi Carriere as contract labor before their rehiring on November 1, 1999, as follows:

	<u>October 15, 1999</u> <u>Payments</u>	<u>October 29, 1999</u> <u>Payments</u>	<u>Totals</u>
Mary Nunn	\$1,591	\$1,354	\$2,945
Kristi Carriere	1,089	937	2,026
Total	<u>\$2,680</u>	<u>\$2,291</u>	<u>\$4,971</u>

October 15, 1999, Payments

Although the October 15, 1999, payments (\$2,680) were made only three days after Mary Nunn and Kristi Carriere returned as contract labor (October 12-15, 1999), they both were paid an amount equal to one month's gross salary (the monthly salary amount they were paid when previously employed). In addition to these payments, Maintenance Supervisor Neal Goulas was paid, in addition to his regular paycheck, \$1,670 which was the equivalent of one-month's salary (see finding "Bonus Payment Violates State Law"). There was no documentation of the specific services performed for these payments or the period of time that they covered. However, the October 15, 1999, check copies stated, "Compensation for getting the PHA back on track." (PHA is an acronym for Public Housing Authority.) Mary Nunn said she did not know what time period the payments covered, but the payments were to compensate them for getting things back on track. Mary Nunn stated that there was not a lot of extra work performed, but that they did work some evenings to get things "back completely in line." Dave Thomas was a co-signatory on the checks and informed us that he thought the October 15, 1999, contract labor payments to Mary Nunn and Kristi Carriere were for overtime work to get the housing authority back online and covered the time period until they went back on salary on November 1, 1999.

The required IRS Forms 1099-MISC were not filed with the IRS to report the contract labor payments to Mary Nunn and Kristi Carriere.

October 29, 1999, Payments

Although Mary Nunn and Kristi Carriere were each paid an amount equal to one month's salary on October 15, 1999, both were paid again on October 29, 1999 (the amounts paid equaled their semimonthly salary that became effective November 1, 1999, upon their rehiring). There was no documentation of the specific services performed for the October 29, 1999, contract

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payments to Mary Nunn and Kristi Carriere or the period of time that they covered. Mary Nunn said that the October 29, 1999 payments (\$2,291) covered the period from the time they came back to work (October 12-29, 1999). Although Dave Thomas was a signatory on these October 29, 1999, checks, he could not provide us with an explanation as to why Mary and Kristi were paid.

Instead of reporting the contract labor payments made on October 29, 1999, on IRS Form 1099-MISC, the BHA reported the payments as wages on IRS Form W-2 for 1999.

The housing authority should:

- Require that Mary Nunn and Kristi Carriere repay the \$2,291 that was paid to them on October 29, 1999, or provide documentation of the services provided.
- Amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.
- Require that future contract labor arrangements be in writing covering the terms and conditions of the contract labor and the fee or rate of pay.
- Pay for contract labor only after adequate documentation of the services performed is provided.
- Prohibit independent contractors from signing checks.
- Prohibit payments to independent contractors before the services are performed.
- Prohibit terminated employees from returning to work on a contract labor basis to perform the same services, for a period of two years following termination.

Bonus Payment Violates State Law

The housing authority's former maintenance supervisor (Neal Goulas) was paid a bonus in violation of Louisiana's constitution and state law. In addition, the bonus payment was not included in the employee's wages and reported to the IRS. Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits funds, credit, property, or things of value of the state or of any political subdivision from being loaned, pledged, or donated to or for any person.

On October 15, 1999, Maintenance Supervisor Neal Goulas was paid \$1,670, which was in addition to his regular paycheck. This payment was equal to one month's salary. The description on the check copy stated, "Compensation for getting the PHA back on track," which is the same description used on Mary Nunn's and Kristi Carriere's October 15, 1999, contract labor checks (see finding "Former Employees Paid as Contract Labor Without a Written Contract and Documentation of Work Performed, and in Violation of State and Federal Laws"). Mary Nunn said she decided that Neal Goulas should get additional money for the work he had to catch-up on because he had previously been out on sick leave. She said that Neal did not ask for the payment. Neal Goulas informed us that Mary Nunn said the check was for

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"hardship suffered through Ken Dunagin." Neal Goulas also said he was instructed by Mary Nunn to "take the check and shut up."

The bonus payment was not reported as wages on Neal's IRS Form W-2, and the required payroll taxes were not withheld.

The housing authority should comply with state law and cease paying bonuses. In addition, the housing authority should amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.

Expenditures for Travel, Clothing, Children's Items, Groceries and Drug Items Lacking Public Purpose

Housing authority funds were used to (1) purchase airline tickets for non-employees of the housing authority; (2) purchase personal clothing for the executive director and assistant director; (3) purchase a lady's leather purse; (4) purchase children's items; and (5) purchase groceries and drug items for employees. None of these expenditures appear to have any public purpose. In addition, housing authority funds advanced for travel are unaccounted for by the executive director. R.S. 42:1461(A) provides, in part, that officials, whether elected or appointed, by the act of accepting such employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they are employed. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation. R.S. 14:134 provides that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

Travel Expenses Paid for Assistant Director's Daughter and Board of Commissioner's Wife

Two airline tickets for \$436 (\$218 each) were charged on the BHA's VISA card on March 22, 1999, for Assistant Director Mary Nunn's daughter and Commissioner Hebert Estave's wife. Mary Nunn's daughter and Hebert Estave's wife accompanied them to the HUD Southwest Regional Conference in New Mexico.

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Mr. Estave repaid the \$218 to the BHA for his wife's airfare; however, BHA personnel could not provide evidence that Mary Nunn reimbursed the housing authority for the \$218 for her daughter's airfare. Mary Nunn told us that she could not personally provide us evidence of her \$218 reimbursement because she repaid it in cash. She said that the housing authority should have a deposit slip, but the housing authority looked and could not find it.

Funds Advanced for Travel Unaccounted for by the Executive Director

On November 17, 1999, Executive Director Mary Nunn received a \$400 check from the housing authority for travel expenses to attend a HUD recognition ceremony and accept an award for the housing authority. The BHA received an award on November 19, 1999, for the *Public Housing Assessment System Advisory Score*.

As of June 14, 2000, Mary Nunn had not prepared an expense report to account for the \$400 travel advance or repaid the portion not used for travel. She said that she has some receipts because she spent some of the money on airport parking, shuttle buses, and taxicabs. Mary Nunn stated that she did not spend the whole \$400 and brought back well over \$200. She said that she put the money in her desk drawer and used it if they were short on petty cash to buy things needed for the housing authority. We asked Mary Nunn to provide us with the receipts and she said she did not keep the receipts.

In addition to the \$400 paid to Mary Nunn, \$180 was paid to her for meals for her three days of out-of-state travel to Washington, D.C. On June 4, 1999, the BHA board of commissioners approved the payment of \$60 per day for meals in connection with out-of-state travel and \$40 per day for in-state travel. The payment of \$60 per day for meals is in excess of the federal meal and incidental expense rate of \$46 per day for Washington, D.C. Also, \$216 was paid each night for lodging at the Loews L'Enfant Plaza Hotel, Washington, D.C. This rate is in excess of the federal lodging rate of \$118 each night for Washington, D.C.

Personal Clothing Purchases for Executive Director and Assistant Director

Executive Director Mary Nunn and Assistant Director Kristi Carriere purchased, with housing authority funds, clothing that can be worn for work as well as outside of work. There is no written policy relating to the purchase of clothing for office employees nor could we find in the minutes of the board of commissioner's meetings where clothing purchases were approved.

Executive Director Mary Nunn informed us that the clothing purchased was office "uniforms" for Kristi Carriere and herself. The "uniforms" are not of a certain type or color and do not include BHA logo. There is no requirement to wear the "uniforms" and they are not usually worn on Fridays because this is a casual dress day for employees.

Mary Nunn said that two sets (one set for winter and one set for spring/summer) of clothing were purchased for her and Kristi Carriere. The clothes purchased include a suit, dresses, bluejean skirts, sweaters, shirts/tops, pants, belts, and shoes. She said on Fridays, they usually wear what they want, even though they have bluejean skirts that they purchased.

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Findings and Recommendations (Continued)

She said that they don't wear the clothes all the time and that there is not a standard rule as to what to wear.

For the period August 21, 1999, through March 27, 2000, Mary Nunn authorized the purchase of clothing, totaling \$1,858, that was charged on the housing authority's VISA and Sam's Club charge cards. A summary of purchases by vendor follows:

<u>Vendor</u>	<u>Total Cost</u>
Dillards	\$654
Cato Fashions	395
Wal Mart	310
Alumni Shop	193
Sam's Club	119
Cracker Barrel	97
Sears	90
Total	<u>\$1,858</u>

Also, Mary Nunn informed us that she purchased a suit costing \$194 (included in the Dillards purchases above) to wear to the HUD recognition ceremony in Washington, D.C. She said that she bought the suit because she did not have anything "nice enough to wear."

Lady's Leather Purse Purchased

A lady's leather bag (purse) was purchased for \$93 from Seventh Avenue (catalog store) on December 2, 1999. As stated by the catalog, the dimensions are 12¾"w x 11¾"h. Although the housing authority did not have the invoice on file, we obtained a copy from Seventh Avenue.

Although the item purchased was a lady's leather purse, Executive Director Mary Nunn informed us that the purchase from Seventh Avenue was for a travel bag for Kristi Carriere to put her papers in when she goes to their meetings. We asked Kristi Carriere to show us the travel bag, but she said Mary Nunn was using it on her vacation. Mary Nunn informed us that both she and Kristi Carriere have a travel bag and that she did not remember using Kristi's on her vacation.

Children's Items Purchased at Limited Too

Items totaling \$173 were purchased from Limited Too (catalog) on November 11, 1999. Executive Director Mary Nunn informed us that she was familiar with this purchase and that it was uniforms for both her and Kristi Carriere. Kristi Carriere informed us that she ordered this and she was "200% sure" she bought clothing (uniforms).

The housing authority did not have the invoice on file; therefore, we obtained a copy from Limited Too. The invoice included two sets of satin pajamas, a smiley face pillow, an inflatable feather chair, a solid satin hair twister, a daisy magazine holder, and a daisy necklace.

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After informing Mary Nunn what was on the invoice, she said that this must have been personal and that the credit cards could have gotten mixed up. She said maybe Kristi Carriere meant for that to go on her personal credit card and that maybe there is another invoice for the purchase of clothes (uniforms) that Kristi Carriere paid on her credit card. We asked Mary Nunn to provide us a copy of the other invoice charged on Kristi Carriere's credit card. Ms. Nunn did not provide us with the other invoice from the Limited Too.

Other Miscellaneous Children's Items Purchased

The housing authority paid \$18 for a backpack and \$17 for a Looney Tunes watch that was purchased from Sam's Club on August 21, 1999. Mary Nunn informed us that she purchased these items for a child in the housing authority and that she preferred not to identify the name.

The housing authority paid \$12 for a cosmetic bag and \$9 for a trinket box that was purchased from Wal Mart on November 4, 1999. Mary Nunn informed us that these could have "slipped in" on the bill. She said that sometimes they shop for the housing authority and themselves at the same time.

Groceries and Drug Items Purchased for Employees

Housing authority employees purchased groceries (food and food-related items) and drug items with housing authority funds. From August 1, 1999, through April 30, 2000, \$398 was paid for groceries and \$140 was paid for drug items from a local supermarket. Groceries included, among other things, biscuits, sizzler patties, oatmeal, pecans, muffins, bananas, eggs, candy, cookies, Coke, Sprite, Dr. Pepper, apple juice, Ziploc bags, aluminum foil, and Reynolds Wrap. The drug items included Pepcid AC, Roloids, Vicks Formula 44D, Tylenol, Tylenol Sinus, Advil, and Aleve. In addition, from August 21, 1999, through March 29, 2000, groceries totaling \$184 were charged on the BHA's VISA and Sam's Club credit cards.

The housing authority should:

- Adopt a formal travel policy. We suggest that the housing authority adopt the State of Louisiana's travel policies. At a minimum, the policies should (1) prohibit the payment of travel costs for non-employees of the housing authority; (2) require that travel advances be made only for extraordinary travel and be cleared immediately upon completion of the travel (accounted for with appropriate receipts and travel expense report); and (3) limit amounts that employees are reimbursed for meals and lodging.
- Require that Mary Nunn repay the travel expenses for her daughter and repay the portion of the travel advance not supported by appropriate travel related receipts.
- Discontinue purchasing personal clothing for the executive director and assistant director and require that Mary Nunn and Kristi Carriere repay the amounts paid for the personal clothing and accessories.
- Discontinue purchasing children's items and require that Mary Nunn repay the amounts paid for the children's items.
- Cease buying groceries and drug items for employees.
- Discontinue the use of the credit cards (see finding "Lack of Controls Over Disbursements").

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

Excessive Amounts Paid to Local Plumber

Excessive amounts were paid for plumbing work done for the housing authority. In addition, federal procurement regulations were violated by not obtaining price quotations from an adequate number of qualified plumbers. Code of Federal Regulation (24 CFR 85.36) requires that all procurement transactions be conducted in a manner providing full and open competition, and price quotations shall be obtained from an adequate number of qualified sources. Obtaining quotes ensures that goods and services are obtained at the most favorable prices.

From January 1, 1999, through May 18, 2000, a total of \$103,914 was paid to Fromenthal Plumbing & Construction, Incorporated, (Larry Fromenthal, President) for various plumbing jobs for the housing authority. Of this amount, \$98,579 or 94.9% was paid from December 16, 1999, through May 18, 2000, under the administration of Executive Director Mary Nunn, without obtaining price quotations from other plumbers.

We selected three jobs performed by Larry Fromenthal for detailed review. These three jobs totaled \$62,660 or 64% of the \$98,579, paid under the administration of Executive Director Mary Nunn. For each of these jobs, we obtained three competitive quotations. As detailed below, the housing authority paid \$30,310 or 94% in excess of the highest quotation that we received for each of the three jobs.

Job	Amount Paid to Fromenthal	Quote #1	Quote #2	Quote #3	Highest Quote	Excess Amount Paid
Knight St. & Guzzeta St.	\$27,252	\$10,800	\$9,000	\$9,975- \$12,000	\$12,000	\$15,252
Guzzeta St. Unit No. 65	\$4,783	\$2,850	\$700	\$750- \$1,200	\$2,850	\$1,933
Fortin St.	\$30,625	\$5,700	\$7,750	\$15,150- \$17,500	\$17,500	\$13,125
Totals	<u>\$62,660</u>	<u>\$19,350</u>	<u>\$17,450</u>	<u>\$30,700</u>	<u>\$32,350</u>	<u>\$30,310</u>

In addition to not obtaining price quotations from other plumbers for the previous three jobs, Executive Director Mary Nunn did not obtain a written estimate from Larry Fromenthal or approval of the board of commissioners before the start of the work. Also, none of the three jobs were emergency situations.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

Mary Nunn said that as far as she knew, the housing authority always used Larry Fromenthal when an outside plumber was needed for repairs. She said Mr. Fromenthal is the only plumber she called and former Executive Director James Vidos also followed this practice. By contrast, Mr. Vidos informed us that he would call two or three plumbers to get an estimate when plumbing costs were around \$900 to \$1,000 and would get a written bid for plumbing work \$1,500 or more.

Mary Nunn informed us that she did not have a good understanding as to the cost of plumbing repairs. She acknowledged that Larry Fromenthal might cost a little more than other plumbers. She also said that no one inspects Mr. Fromenthal's work and she wasn't aware that they needed to. Ms. Nunn said they trust him.

There was no documentation in the board minutes that the board, before the work was started, approved the plumbing jobs. Mary Nunn said she could not remember whether she told the board before or after the plumbing was done, but she has the power to do what needs to be done around the housing authority. She said that if we did not see formal board approval for any specific plumbing project, it could have been verbal.

The housing authority should strictly comply with the federal procurement procedures and obtain quotations from an adequate number of qualified sources when securing services. We suggest that these quotes be documented as part of the approval process before the services are received. In addition, the executive director should obtain board of commissioner approval for all large expenditures in an open meeting.

Public Bid Law Violation

Executive Director Mary Nunn violated the Louisiana public bid law because bids were not obtained for the purchase of stainless steel screens. R.S. 38:2212.1 requires all purchases for materials or supplies exceeding fifteen thousand dollars to be advertised and let by contract to the lowest responsible bidder.

On January 6, 2000, the housing authority purchased 152 stainless steel screens for \$22,800 (\$150 a screen) and on April 14, 2000, an additional 143 stainless steel screens were purchased for \$21,450 (\$150 a screen). Bids for these screens were not advertised nor were estimates obtained from other vendors.

In addition to violating the public bid law, we counted 39 stainless steel window screens that were not being used. These screens were stored in the maintenance shop. We were informed that these screens were not installed because tenants' window air conditioners prohibit the installation of window screens. The housing authority has no written evidence that the screens were received nor is there written evidence of where the screens were installed.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

The housing authority should strictly comply with the competitive bidding requirements of Louisiana law. In addition, all screens should be properly accounted for and used by the housing authority.

Need to Improve Controls Over Disbursements

Controls over disbursements need to be improved. The control weaknesses are as follows:

- Missing Credit Card Charge Tickets

Housing authority staff could not provide us with 12 VISA charge tickets, totaling \$1,181, that were charged from August 4, 1999, through January 6, 2000. The purchases were made from Wal Mart, Harbor Seafood Restaurant, Cracker Barrel Store, Seventh Avenue Store, Limited Too, and Marilyn's Hallmark Store. On May 31, 2000, we formally requested that copies of these charge tickets be obtained for our review. However, Executive Director Mary Nunn informed us on June 14, 2000, that they were unable to obtain the copies.

- Petty Cash Lacks Supporting Documentation

The housing authority maintains a \$100 petty cash fund. We selected two petty cash replenishments for review of the supporting documentation. Receipts totaling \$109 were maintained as support for a \$100 replenishment of petty cash on April 14, 2000, and receipts totaling \$56 were maintained for a \$90 replenishment on November 17, 1999.

The receipts for the replenishments did not include the person making the purchase and many of the receipts were cash register tapes without the name of the vendor or description of the items purchased. In addition, the receipts were not summarized and coded to the appropriate accounting account codes.

- Restaurant Meals Lack Documentation for Business Purpose

Restaurant meals totaling \$350 were charged on the housing authority's VISA card from August 13, 1999, through March 28, 2000. The meal receipts did not contain the IRS required documentation of the business purpose of the meals and the names of persons participating. Executive Director Mary Nunn informed us that one of the meals was related to a board meeting and the other meals were employee-related, although she could not remember the specific business purpose.

- Purchase orders are not used.
- Mathematical correctness of invoices was not checked before payment (quantities and unit prices were not verified, extensions were not calculated, and totals were not added).
- Approval to pay is not documented on the invoices.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

The housing authority should:

1. Discontinue the use of the VISA credit card. Ensure that paid invoices and all other supporting documentation are filed in an appropriate manner to safeguard them from being misplaced or lost and to prevent unauthorized personnel from having access to them.
2. Ensure that individual petty cash vouchers are used that document the person making the disbursement, items purchased, and approval. The supporting documentation (receipt) should be attached to the voucher. When the petty cash fund is replenished, another form should be used to summarize the petty cash vouchers.
3. Document the business purpose of meals and names of individuals participating.
4. Implement a purchase order system for disbursement of funds over a specified dollar threshold.
5. Require the mathematical correctness of invoices be checked before payment.
6. Require the executive director's approval to be documented on all invoices.

Rent Paid by Employees Who Are Tenants Is Significantly Less Than the Required Amount

The monthly rent paid by current BHA resident employees is significantly less than the required amount. HUD Public Housing Occupancy Handbook Directive Number 7465.1 Rev-2, Chg-2, Chapter 6(3)(b)(2) provides that tenants who happen to work for the housing authority are subject to all of the occupancy requirements. In addition, Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits funds, credit, property, or things of value of the state or of any political subdivision from being loaned, pledged, or donated to or for any person.

Executive Director Mary Nunn and Jimmie Garrett, maintenance employee, are current BHA resident employees and each pays \$40 a month for rent. Documentation as to how the \$40 rent was determined could not be found. Mary Nunn informed us that \$40 a month was the rate in effect at the time she was first employed (January 3, 1994).

Mary Nunn informed us that living in the housing complex is not a condition of their employment and that they were already living there when they started working at the housing authority. Therefore, according to HUD rules, Mary Nunn and Jimmie Garrett are subject to all of the occupancy requirements, including their rent being calculated in the same manner as any other housing authority tenant.

Based on Mary Nunn's and Jimmie Garrett's adjusted monthly income, as shown on rent calculation forms maintained in their tenant file, they should be paying the maximum (ceiling) rent rate reduced by the utility allowance. According to the provisions in the housing authority's *Residential Lease Agreement*, Mary Nunn's monthly rent should be \$290 (an increase of \$250 each month) and Jimmie Garrett's monthly rent should be \$198 (an increase of \$158 each month) as summarized on the following page.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

<u>Employee</u>	<u>Bedroom Size</u>	<u>Monthly Ceiling Rent Rate</u>	<u>Less: Monthly Utility Allowance Allowed</u>	<u>Monthly Rent Payment Should Be</u>
Mary Nunn	3 bedroom	\$315	(\$25)	\$290
Jimmie Garrett	1 bedroom	\$220	(\$22)	\$198

In addition, the difference in the monthly rent that should be paid (fair market value) and the \$40 monthly rent paid by the two employees is a taxable fringe benefit. This taxable fringe benefit has not been included on the employees' Form W-2 and reported to the IRS.

The housing authority should strictly comply with HUD rules and immediately revise Mary Nunn's and Jimmie Garrett's monthly rent to conform with guidelines in the *Residential Lease Agreement*. Also, the housing authority should amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.

Former Executive Director Paid for Time Not Employed

The housing authority violated Louisiana's constitution and state law by paying the former executive director for time that he was not employed. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Former Executive Director Kenneth Dunagin was hired September 1, 1999, and he resigned on October 11, 1999. Upon his resignation on October 11, 1999, he was paid \$5,000 (\$3,750 net after taxes). This payment was for the two-month period October 1, 1999, through November 30, 1999. Therefore, Mr. Dunagin was paid for the period October 12, 1999, through November 30, 1999, or \$4,083, even though he was not employed at the BHA during that period of time.

Although Mr. Dunagin did not have a written employment contract, Hebert Estave, former commissioner, informed us that he understood that Mr. Dunagin would be paid for three months. Also, Kenneth Dunagin said that he had a verbal agreement with the board of commissioners for a 90-day probation period (September 1, 1999, through November 30, 1999).

The housing authority should comply with state law and cease paying employees who are no longer employed.

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

**Insurance Premiums Paid
for Terminated Employees**

The housing authority continued to pay employees' insurance premiums after their termination. Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits the funds, credit, property, or things of value of the state or of any political subdivision from being loaned, pledged, or donated to or for any person.

The BHA pays 100% of the medical and dental insurance premiums for employees and their dependents. During the period from January 1, 1999, through April 2000, the BHA continued paying monthly medical and dental insurance premiums, totaling \$3,049, for three employees after their termination as follows:

<u>Employees</u>	<u>Termination Month</u>	<u>Subsequent Months Paid</u>	<u>Total Premiums Paid</u>
Kristi Carriere	September 1999	October 1999	\$579
Neal Goulas	February 2000	March and April 2000	\$1,311
James Vidos	August 1999	September and October 1999	\$1,159

The housing authority should comply with state law and cease paying insurance premiums for terminated employees.

**Personal Use of Vehicles
Not Reported as Taxable Income**

The housing authority did not report the employees' personal use of housing authority vehicles as taxable income as required by federal tax laws. An employer-provided vehicle is considered a fringe benefit under the federal employment tax laws. Employees are generally required to maintain adequate records substantiating their business use of the vehicle.

The housing authority owns two vehicles (Dodge Caravan and Ford Truck) that are used by the executive director and the maintenance supervisor for personal use. These employees do not maintain records substantiating their business use of the vehicles. For the year ended December 31, 1999, the housing authority did not determine the value of the personal use and include it in the employees' wages.

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

The housing authority should comply with appropriate employment tax laws and record-keeping requirements. In addition, the housing authority should amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.

**Gasoline Purchases Lack
Adequate Control**

The housing authority is not exercising adequate control over gasoline purchases. Good controls over gasoline purchases require that only housing authority vehicles are receiving gasoline, the supporting receipts for gasoline purchases identify the vehicle and include the odometer readings, and the supporting receipts are reviewed promptly for reasonableness (number of gallons received, miles traveled, and miles per gallon).

The housing authority has three different gasoline credit cards (Texaco, Shell, and Conoco). The executive director and the assistant director each have all three gasoline credit cards and the maintenance supervisor has a Shell credit card. All supporting receipts (charge tickets) for gasoline purchases were not maintained and those available did not identify the vehicle receiving the gasoline or the odometer readings. From January 6, 2000, through April 30, 2000, \$1,374 was paid for gasoline. This is an average of \$344 each month.

The housing authority should use only one company credit card, which should be maintained at the office and checked out only when fuel is needed. Upon return of the credit card, the charge ticket should be turned in that identifies the vehicle and documents odometer readings. These charge tickets, in addition to matching with the monthly gasoline company statement, should be reviewed by management to ensure that the number of gallons received, miles traveled, and miles per gallon are reasonable.

Policy for Use of Cellular Phones Needed

The housing authority does not have a formal policy for the use of cellular phones. A formal policy would provide guidance for the business use and care of the cellular phones and the extent to which the cellular phones may be used for personal calls.

The housing authority has three cellular phones and does not have a formal policy for their use. The housing authority's cellular phone bill for March 2000 totaled \$182. There was no evidence of review for propriety and reasonableness of phone usage. We were informed that the executive director, assistant director, and maintenance each have one of the cellular phones in their possession. Also, phone logs are not maintained that document the dates of the calls, phone numbers called, persons called, and business purpose of the calls.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

The board of commissioners should determine the number of cellular phones needed and the individuals to whom cellular phones should be assigned. In addition, the housing authority should adopt a formal policy for the business and personal use of cellular phones and review the detailed monthly phone bill to ensure that the housing authority's policy is being followed.

Payroll Records Not Complete

The housing authority has not provided the Louisiana Department of Civil Service with current personnel information on its employees. In addition, certain payroll documentation is not maintained on all employees. The Department of Civil Service Rule 15.3 requires the housing authority to report personnel actions and status changes.

Civil Service Records Not Up to Date

Executive Director Mary Nunn informed us that the employee records at the Department of Civil Service are not up to date. She said they have not had the time to work on this. She informed us that Neal Goulas, former maintenance employee, has not been removed, and that the recently hired maintenance employee and office clerk need to be added. In addition, she informed us that Civil Service hasn't been informed about her position change to executive director.

Our review of the housing authority's Civil Service records revealed, in addition to the information provided by Mary Nunn above, that the Department of Civil Service has no record of Kristi Carriere's employment at the housing authority. Kristi began employment at the housing authority on June 2, 1997.

Payroll Documentation Lacking

In addition to attendance and leave records not being maintained as mentioned previously (see finding "Annual Leave Payments Were Made in Violation of State and Federal Laws"), our review of payroll and personnel records revealed that the following documents were not maintained for all employees:

- Form I-9 – "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service.
- The Employee's Withholding Allowance Certificate Form W-4 and State of Louisiana Employee Withholding Exemption Certificate Form L-4.
- Department of Civil Service "Personnel Action Form" (SF-1).

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

The housing authority should:

1. Immediately inform the Department of Civil Service of all employee (unclassified and classified) status changes and other personnel actions that have taken place. In the future, the housing authority should strictly comply with Civil Service rules.
2. Maintain the completed Form I-9 – U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6, 1986.
3. Maintain the Employee's Withholding Allowance Certificate Form W-4 and State of Louisiana Employee Withholding Exemption Certificate Form L-4.
4. Maintain the Personnel Action Form (SF-1) on all employees.

Employee Contractual Arrangement May Violate Ethics Law

Employees of the BHA received additional compensation as independent contractors, an arrangement that may be in violation of state law. R.S. 42:1113(A) prohibits an employee of the BHA from entering into any contract or other transaction that is under the supervision or jurisdiction of the BHA.

The BHA paid Neal Goulas, former maintenance employee, \$35 each month to read the BHA's gas meters. The BHA now pays Kristi Carriere, Assistant Director, \$50 each month to read the gas meters. This additional compensation is paid on a separate check to the employee and employment taxes are not withheld. In addition, the compensation is not included in the employees' wages and is not reported to the IRS.

The housing authority should cease paying employees additional compensation as independent contractors. Reading the gas meters should be part of the routine duties of the BHA's maintenance department and if considered necessary, the BHA should increase the rate of pay for reading the gas meters. In addition, the housing authority should amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.

Independent Contractor Payments Not Reported to IRS

The housing authority did not report independent contractor payments to the IRS. The IRS requires the BHA to file Form 1099-MISC to report payments made to each person to whom at least \$600 was paid for services. In addition to employing two full-time maintenance workers, the housing authority paid tenants and other individuals as independent contractors

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Continued)

to perform services such as picking up trash, cleaning, painting, and for repair/renovation work. The BHA failed to file Forms 1099-MISC for these payments. During 1999, the housing authority paid \$15,847 to five individuals as follows:

<u>Name</u>	<u>Amount</u>
Alton Guidry	\$6,800
Joe Packer	4,350
Joyce Gates	2,446
Debra Butler	1,463
Cheryl Garrison	788
Total	<u>\$15,847</u>

The housing authority should report these independent contractor payments to the IRS by filing the required Form 1099-MISC.



Timely Financial Statements Needed

Financial statements are not prepared timely. On May 17, 2000, we were informed that the monthly financial statements for January through April 2000 were not available for our review. We were informed that the financial statements were not prepared because the housing authority's contract accountant was waiting for the completion of the 1999 audit before it processed the monthly transactions for 2000.

Without monthly financial statements, the executive director and board of commissioners cannot effectively monitor the financial operations of the housing authority and compare actual with budgeted amounts. Monthly financial statements that report the operations of the housing authority compared to the budgeted amounts should be prepared timely.



Board Minutes Not Current

The BHA did not maintain current written minutes of the meetings of the board as required by Louisiana law. R.S. 42:7.1 requires the BHA to keep written minutes of all open meetings and these minutes should be available within a reasonable time after the meeting.

LEGISLATIVE AUDITOR

BERWICK HOUSING AUTHORITY

Berwick, Louisiana

Findings and Recommendations (Concluded)

As of May 17, 2000, the March 20, 2000, formal board minutes were not prepared. In addition, Executive Director Mary Nunn informed us that her compensation was discussed and approved at the November 15, 1999, board meeting. Although we verified the discussion and approval with a commissioner, we did not find this matter documented in the minutes. The BHA should maintain accurate and timely written minutes.

Attachment I

Management's Responses

BERWICK HOUSING AUTHORITY
P.O. BOX 231
BERWICK, LOUISIANA 70342

August 14, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2000 AUG 15 AM 10:07

RE: Berwick Housing Authority

Dear Mr. Kyle:

I am writing this letter to provide comments from the Berwick Housing Authority to the draft report of 2000 audit examination. Berwick Housing Authority requests the legislative auditor to note:

- **TRANSMITTAL LETTER**

There were no limitations placed on the legislative auditor to review any records or documents during the examination. The executive director fully cooperated and provided any and all documentation requested by the legislative auditor. The executive director did not restrict the legislative auditor in any fashion and the legislative auditor could have reviewed any records deemed importation. Berwick Housing Authority believes there was no limitation on the examination. Further, if the legislative auditor now wants to review any records the Berwick Housing Authority will fully cooperate and promptly comply with any requested documentation.

- **ANNUAL/VACATION LEAVE**

The Berwick Housing Authority permits payment of annual leave. Leave payments are based upon services performed. The Berwick Housing Authority has employee earnings and payroll records to verify and justify all annual payments. *Earnings and payroll records are kept contemporaneously with performance of services by individual employees.* These records verify each individual employee has worked and earned time for which each payroll payment is made. This is an independent verification of work and services

being performed. These records are kept at offices of Berwick Housing Authority and are available for inspection and copying by the Legislative Auditor. Although there may be no time clock records, these records fully support payment of annual leave in the maximum hours to the employees listed. This procedure has been approved by the independent auditor for the Berwick Housing Authority, Mike Estes, P.C. Reference to independent auditor's report dated June 13, 2000, is made for support of approval of annual leave payment.

Berwick Housing Authority is contacting HUD to determine its policy on the payment of vacation leave in addition to annual leave Berwick. Housing Authority will abide by the policy directive of HUD.

Any employee or past employee who has received vacation pay in violation of HUD policies will be required to repay.

Berwick Housing Authority will have its independent auditor, Mike Estes, CPA, prepare all necessary tax forms. Also, the Berwick Housing Authority will have its independent auditor, Mike Estes, CPA, conduct or assist in the holding of an in-house seminar to train Berwick Housing Authority employees on the technical tax reporting requirements for all Berwick Housing Authority activities.

- **CONTRACT LABOR**

In October 1999 the Berwick Housing Authority was under crisis situation. The executive director and several employees had resigned and the Housing Authority was in a state of turmoil. In order to turn things around the Housing Authority required extra work and services to be performed by employees. This extra work was beyond the scope of the normal duties and jobs of the employees. Attached is a brief description of services performed by Neal P. Goulas, Kristie Carriere, and Mary Nunn. Although the better procedure would have been to have kept time records there is independent verification that work was performed which justifies payments made. It is important to note that the Berwick Housing Authority has received the benefit of the services, time and efforts performed by these individuals. To deny the individuals payment for their services would be a violation of federal and state laws and inappropriate by requiring the employees to perform extra duties without compensation.

- **BONUS PAYMENTS**

As indicated before, the Berwick Housing Authority was in a state of turmoil in the fall 1999. Neal Goulas had been injured in September and could not complete his duties at that time. No replacement employee did the work in the absence of Mr. Goulas. Numerous activities and services had been unperformed. Once Neal Goulas was able to return to work extra work activities

were assigned. Attached is a brief statement for some of the services rendered. The payment made to Neal P. Goulas was fair and reasonable and although loosely termed as a "bonus" the payment represents payment for extra work performed beyond normal duties. The Berwick Housing Authority received benefits for the time and work performed by Neal P. Goulas.

- **EXPENDITURES TRAVEL, ETC.**

The Berwick Housing Authority accepts if any employee has received personal benefits from funds of the Berwick Housing Authority repayment must be made. Appropriate action would be taken to receive repayment if employees are unable to submit evidence of past repayment.

Formal policy for purchase of uniform clothing will be adopted by the Board.

- **EXCESSIVE AMOUNTS PAID TO LOCAL LABORER**

Statements of the services performed by Fromenthal Plumbing and Const., Inc. were provided to the Legislative Auditor. For further description of some of the work the below statements are made:

A. There were broken lines in various areas. These units had no clean outs, and had reoccurring problems. Past director James Vidos had plans to do the necessary work to correct this problem when CIAP monies came in. Since no CIAP was done this year we continued with the work planned. This work not only solved the problems, but also allowed Berwick Housing Authority Maintenance crew to handle other problems and not have to call the plumbers.

B. Sewer line tub was collapsed. Raw sewage was leaking under the tub and onto the ground causing an extreme health hazard. This work was taped on video. The video shows detailed work. Mr. Fromenthal was 6 ft deep under the slab of the house.

C. Repaired a 3" water valve that was leaking. There was possible sewer contamination due to the collapsed sewer line. The unit had no sewage. Temporary lines were hooked up so tenant could use. All lines were then traced and a camera was installed in the system in order to assess damage to lines. Clean outs were put for 7 units. Mr. Fromenthal cleaned all lines with jets.

Much of the work performed was underground activities for which there was inability to make a concrete determination of the work needed and costs to perform the work before the award of the work orders. Further, the scope of the jobs exceeded original estimates. The Berwick Housing Authority has

independently reviewed that Fromenthal Plumbing performed all of the work for which bills were received. The Berwick Housing Authority has received substantial benefit for the work performed by Fromenthal Plumbing. The Berwick Housing Authority believes after the fact estimates of the jobs when the individual has been unable to make a contemporaneous observation of all underground and hidden work performed is an unfair and inaccurate comparison. The Berwick Housing Authority believes the bills submitted were proper. The Berwick Housing Authority will initiate procedures and comply with obtaining quotations before authorizing work.

Mr. Fromenthal is a local inspector for plumbing work and no independent inspection was required. Mary Nunn did check on progress of the work.

The plumbers that the auditors received bids from did not know the details of what work needed to be done. The plumbers did not have proper maps and information available to Mr. Fromenthal. Before bid quotations are placed in the report each bidder should meet with Mr. Fromenthal to discuss and review work performed and the extent and difficulty in each job.

- **STAINLESS STEEL SCREENS**

Attached is a copy of Section 08321 of HUD Guidelines for Security Screens. Before purchasing screens the executive director had the item budgeted and approved by HUD. The executive director made inquiry as to whether the screens could be purchased from several sources and there were no other sources at the time in this area. Under the guidelines submitted by HUD the purchase of the screens was proper. The costs of the screens was a reasonable costs.

Mary Nunn called several different places and no one handled this type of screen nor did they want to. Quality Glass and Lock was willing to get the material to fabricate the screens. The screens were installed on the windows by Quality Glass and Lock along with the Berwick Housing Authority Maintenance crew. Tenants with air conditioners store the screens for that window in the maintenance shop so they are safe. When a tenant moves the screens are placed back in the window unless the next tenant uses the same window for an ac unit.

Request will be made of independent auditor to conduct in person training seminar on requirement and procedure for public bid laws.

- **IMPROVE CONTROL OVER DISBURSEMENTS**

The Berwick Housing Authority agrees that improve controls over

disbursements is an appropriate action. This will be performed.

- **RENT PAID EMPLOYEES**

Tenant employees are an asset to the Berwick Housing Authority. They provide on the spot supervision and direct knowledge of activities within the housing authority. By having tenant employees the housing authority is able to keep a firm knowledge and control of housing authority activities. The Berwick Housing Authority prides itself on being a superior HUD development and having tenant employees is a vital asset in this regards. Inquiries are being made with HUD to determine whether the payment by tenant employees can be properly adjusted.

- **FORMER EXECUTIVE DIRECTOR**

When hiring Kenneth Dunnagin the Berwick Housing board made an obligation to assure employment for three months minimum. This is an acceptable employment condition for a management level prospective employee. The board believed it had a legal obligation to honor its commitment for three-month minimum salary compensation. The fact that the employment was terminated before the 3 months does not change the obligation agreed upon before employment.

- **INSURANCE PREMIUMS**

In certain instances there are special reasons for payment of insurance premiums. Neal P. Goulas was an employee injured on the job and had previously received workers compensation.

In the future the Berwick Housing Authority will inform all employees that upon employment termination insurance premiums will also be terminated.

- **PERSONAL USE OF VEHICLES**

The Berwick Housing Authority has always informed employees that personal use of vehicles is prohibited. Stricter controls will be made for this.

- **GASOLINE PURCHASES**

Procedures will be implemented to assure more adequate control over gasoline purchases.

- **CELLULAR PHONES**

Employees are restricted to use of cellular phones for business purposes. Formal policy for use of cellular phones will be updated.

- **PAYROLL RECORDS**

The Berwick Housing Authority will request independent auditor to provide detailed plan for keeping of payroll records. Request for in person seminar and training of employees will be made.

- **EMPLOYEE CONTRACTUAL AGREEMENT**

It is not the practice of the Berwick Housing Authority to pay employees additional compensation as independent contractors. However, if an employee performs services beyond those normally called for in their employment it is proper to pay additional payment for these services. The Berwick Housing Authority will appropriately adjust the wage payments for additional work duties assigned and not treat this as independent contractors.

- **INDEPENDENT CONTRACTOR PAYMENTS**

The Berwick Housing Authority is requesting independent auditor to conduct seminar on proper compliance with reporting on federal forms. It is to be noted that HUD regulations do encourage tenants to perform work on each of the units. All of the payments made were in compliance with HUD regulations.

- **TIMELY FINANCIAL STATEMENTS**

The Berwick Housing Authority is requesting independent auditor to assist in providing financial statements on a faster basis.

- **BOARD MINUTES**

The Berwick Housing Authority will encourage employees to prepare minutes on a more current basis.

I trust that the legislative auditor will incorporate these comments in its report and take appropriate action to amend the report.



GARRETT GUILLOT, Chairman
Board of Commissioners