

LEGISLATIVE AUDITOR

STATE OF LOUISIANA



HOUSING AUTHORITY OF THE

TOWN OF HAYNESVILLE

AUDIT REPORT
ISSUED MARCH 17, 2004

**LEGISLATIVE AUDITOR
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March 17, 2004

**MR. SHERMAN BROWN, CHAIRMAN,
AND MEMBERS OF THE BOARD
OF COMMISSIONERS
HOUSING AUTHORITY OF THE
TOWN OF HAYNESVILLE**
Haynesville, Louisiana

We have audited certain transactions of the Housing Authority of the Town of Haynesville. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the Housing Authority of the Town of Haynesville's financial statements or system of internal control nor assurance as to compliance with laws and regulations. Also, as part of our audit, we applied our *Checklist of Best Practices in Government* to the procedures and practices of the Housing Authority of the Town of Haynesville.

The accompanying report presents our finding and recommendations as well as management's response. Copies of this report have been delivered to the Housing Authority of the Town of Haynesville board members and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin".

Grover C. Austin, CPA

First Assistant Legislative Auditor

JLM:EKL:DGP:dl

[HAYVLEHA04]

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Improper Payments for Vacation Leave

The Authority’s policy provides for all employees to receive one week of paid vacation each year. For many years, management has interpreted this policy to allow each employee to take a week off from work and receive pay for that week, while also receiving an additional week of pay. For example, for a bi-weekly pay period in which an employee takes off from work one week, the employee receives a paycheck amounting to three-weeks pay; one week for the hours worked, one week for the week the employee took off from work, and one additional week for the “paid vacation.” This practice has the effect of paying the employee twice for the same week. During the period from January 1999 through December 2003, the Authority paid employees an additional \$5,572 in this manner. These payments originally applied to all employees, classified and unclassified. During 2002, the Authority’s auditor informed management this practice was improper. Thereafter, these payments were limited to the unclassified executive director and assistant director. The Authority recorded the extra week of pay as vacation pay in its books with all applicable state and federal taxes withheld.

<u>Employee</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Rene Buggs	\$189	NA	\$212			\$401
Yolanda Coleman - Assistant Director	NA	\$526	607	\$639	NA	1,772
Vernon Jackson	NA	NA	336			336
Carolyn Tyson	366	NA	407			773
Terry Washington	NA	NA	303			303
A.D. Williams - Executive Director	NA	NA	646	665	\$676	1,987
TOTALS	\$555	\$526	\$2,511	\$1,304	\$676	\$5,572

Note: NA = Records were not available for this period.

While no official board action interpreted the Authority’s policy in this manner, board members are aware of the existing practice. In addition, employees have received this extra week of pay automatically without submitting any supporting documentation.

Also, the Authority did not consistently maintain payroll records; therefore, we can not completely determine the amount of additional compensation given to all employees.

The Louisiana Constitution prohibits the donation of public funds to employees¹ whether classified or unclassified. In addition, state law (R.S. 44:36)² requires that the Authority maintain its payroll records for a period of three years.

¹ Article VII, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, 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, association, or corporation, public or private.

² Louisiana Revised Statute 44:36 provides, in part, that all persons and public bodies having custody or control of any public record shall exercise diligence and care in preserving the public record for the period of time specified for such record.





RECOMMENDATIONS

The Housing Authority of the Town of Haynesville, Board of Commissioners (Board) should exercise greater control and scrutiny over the use of Authority funds. The Board Chairman should have final review of all payments to ensure that the payments are necessary and in compliance with Louisiana law. In addition, the Board should:

- Review the provisions of the Louisiana Constitution regarding donation of public funds and ensure that all payments are for an allowable purpose
- Cease paying employees unearned compensation
- Train management on proper payroll procedures, including vacation compensation

Authority funds should be used in an effective manner. The Board should ensure that an adequate review of services is made before expending Authority funds to ensure that all payments are an effective use of these dollars.





Recommendations From Checklist of Best Practices

As part of our audit, we applied our *Checklist of Best Practices in Government* and noted certain matters we want to bring to the attention of the Board and management for consideration. We offer the following comments and suggestions:

1. Lack of Policies and Procedures

- a. Financial Reporting: The Authority does not have written policies and procedures for producing financial statements. The Authority should adopt written policies and procedures that provide the nature, extent, and frequency of reporting financial information to management and the governing body.
- b. Disbursements: The Authority does not maintain a cash disbursement or transaction journal and fails to support all disbursements with adequate documentation. Written procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and the procedures followed meet management's expectations. The Authority should develop procedures to ensure that funds are disbursed in a manner consistent with expectations and that disbursements are for the benefit of the Authority. This policy should provide for adequate documentation to support each disbursement, including the business purpose.
- c. Credit Cards: Written policies and enforced procedures that provide guidance for the business use and supporting documentation of credit cards should be established. The credit card statement alone does not provide sufficient documentation of individual purchases. The Authority should require detailed documentation of each credit card purchase.
- d. Cellular Phones: The Authority owns cellular phones and allows employees to make personal calls from these phones. However, employees are not required to reimburse the cost of personal cell phone calls. Written policies and procedures for the business use and care of cellular phones should be established that (1) contain criteria for the issuance of cellular phones to employees based on employee duties and responsibilities; (2) require a review of cellular phone contracts annually to determine the minimum amount of airtime minutes needed per month and negotiate a new contract when the existing contract expires; (3) require employees who are issued a cellular phone to review their monthly bills and identify personal calls made or received; (4) require employees to reimburse the Authority at a standard rate for each minute for personal calls; and (5) require review of the monthly bills for propriety and reasonableness of phone usage.
- e. Records: The Authority does not have a formal records retention schedule and its records are not immediately filed and preserved in an orderly fashion. Also, the Board meeting minutes are not published. The Authority should develop a records retention schedule and seek approval from the Louisiana Secretary of State. The Authority should also ensure that Board minutes are published to comply with state law (R.S. 43:171).
- f. Inventories: The Authority should adopt a written policy containing procedures that provide for the accurate accountability of inventory. This policy should include the detailed procedures for using purchase and work orders to maintain a current inventory list. Periodic physical inventory counts should be conducted to ensure accuracy of inventory.



Housing Authority of the Town of Haynesville

- g. Information Systems: Written policies and procedures including Internet access, files that can and can not be downloaded from the Internet, and identifying critical and non-critical data should be established by the Authority. Critical data should be backed up regularly and stored in a secure location. In addition, the Authority should have a contingency or recovery plan in the event of a disaster.

2. Noncompliance With Policies and Procedures

- a. Grants and Gifts: The Authority has made donations to the local Boys and Girls Club and purchased flowers and gifts for employees. Article VII, Section 14 of the Louisiana Constitution provides, in part, 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, association, or corporation, public or private. The Authority should comply with the Louisiana Constitution and not purchase flowers and gifts for employees. The Board should review purchases to ensure that they are for the benefit of the Authority and comply with Article VII, Section 14 of the Louisiana Constitution.
- b. Travel: The Authority's written travel policy is not being adhered to. Although the travel policy requires reimbursement of expenses incurred (upon presentation of receipts), Authority employees receive travel advances. The Authority should ensure compliance with its written travel policy requiring that all employees prepare expense reports with supporting receipts for all travel.
- c. Payroll and Attendance: Employee personnel files are not complete. Personnel files should contain, at a minimum, (a) documentation of the employee's approved pay rates; (b) a completed Form I-9 for all employees hired after November 6, 1986; (c) completed federal and state income tax withholding forms (Forms W-4 and L-4); (d) an employment application form; and (e) a job description. The Authority should review each employee personnel file and ensure that the minimum requirements are met.
- d. Accounts Receivable: Tenant deposits are not deposited into a separate bank account, but are aggregated with rent payments into the general fund bank account. To ensure an appropriate accounting, the Authority should put tenant deposits into a separate bank account.
- e. Capital Assets: Not all of the Authority's movable property is tagged and documentation of past annual physical inventories could not be located. Authority management should inspect and ensure that all movable property is tagged and routinely inventoried. The Authority should also maintain the results of the inventory.
- f. Ethics: The Authority purchased gifts and supplies from a business owned by a board member. State law (R.S. 42:1113) provides, in part, that no appointed member of any board or commission shall bid on or enter into any contract, subcontract, or any other transaction which is under the supervision of the appointed member. To comply with Louisiana law, the Authority should stop doing business with board members. The Authority should also review other relationships to ensure that those relationships are not contrary to Louisiana law.



BACKGROUND AND METHODOLOGY

The Housing Authority of the Town of Haynesville is a political subdivision of the Town of Haynesville. Its purpose is to provide decent, safe, and sanitary housing for eligible families. It maintains and leases 120 low-rent housing units in Haynesville.

The United States Department of Housing and Urban Development (HUD) has the responsibility for administering low-rent housing programs. The primary source of revenue for the Housing Authority of the Town of Haynesville is HUD grants. A five-member board of commissioners appointed by the mayor of Haynesville governs the housing authority. The housing authority employs six full-time employees, including the executive director, assistant director, two maintenance persons, and one part-time employee.

The legislative auditor received allegations of possible improper expenditures at the housing authority. The procedures performed during this audit consisted of (1) interviewing employees of the housing authority; (2) applying our *Checklist of Best Practices in Government*; (3) examining selected records of the housing authority; (4) performing observations and analytical tests; and (5) reviewing applicable Louisiana laws.





MANAGEMENT'S RESPONSE



Haynesville Housing Authority

P. O. Box 751

Haynesville, LA 71038

March 4, 2004

*Mr. Grover C. Austin
First Assistant Legislative Auditor
Office of Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397*

Dear Mr. Austin:

Enclosed are the Housing Authority's Response to the Audit Finding and Best Practice Checklist. If you have any questions, please contact me at 318-624-1272.

Respectfully Submitted,

A.D. Williams
A.D. Williams
Executive Director

Management Response Finding

Vacation Pay

The Authority will cease paying employees unearned compensation. Also, the authority will maintain payroll records according to state law.

Management Response Checklist of Best Practice

1. Lack of Policies and Procedures

- a. Financial Reporting: The Authority will adopt policies and procedures for the production of financial statements with board approval.
- b. Disbursements: The authority maintains a cash disbursement record and transaction journal monthly. This report is done by the fee accountant. A written policy will be adopted to explain cash disbursement procedures with board approval.
- c. Credit Cards: The Authority has a written policy awaiting board approval.
- d. Celluar Phones: The Authority has a written policy awaiting board approval.
- e. Records: The Authority will maintain a formal records retention schedule and filed accordingly. Board meeting minutes will be posted and published in order to comply with LA Revised Statue 43:171.
- f. Inventories: The Authority will adopt a written policy for the accurate accountability of inventory.
- g. Information Systems: The Authority will adopt a written policy for internet access with board approval.

Management Reponse
Non-Compliance with Policies and Procedures

- a. Grants and Gifts: The Authority will cease donating public funds to Boys and Girls Club and purchasing flowers and gifts for employees to comply with the LA Constitution Article VII, Section 14.
- b. Travel: The Authority will comply to written policy.
- c. Payroll and Attendance: The Authority will ensure minimum requirements for employee personnel files are met.
- d. Accounts Receivable: The Authority will deposit future tenant deposit into a separate bank account upon board approval.
- e. Capital Assets: The Authority will appoint someone to tag all moveable property and document for inventory.
- f. Ethics: The Authority will cease purchasing gifts and supplies from the business owned by a board member.