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October 27, 2004

Mr. L. V. Blount, Jr., Chairman,
and Members of the Board of Commissioners
Housing Authority of DeRidder
DeRidder, Louisiana

We performed a limited review of the financial records of the Housing Authority of DeRidder (Authority) for the period beginning October 1, 2002, and ending September 30, 2003. We also reviewed the Authority's policies and procedures as well as the board meeting minutes. The scope of our work was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the Authority's financial statements, the Authority's system of internal control, nor assurance as to compliance with laws and regulations.

As part of our limited review, we noted certain matters that 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 - Currently, the executive director receives monthly financial statements and the Board receives quarterly financial statements. The Board should be provided monthly financial statements and budget comparisons for all funds at each Board meeting. A written policy should be adopted that provides for the nature, extent, and frequency of reporting financial information to the Board. The Board should consider meeting monthly instead of quarterly.
 - b. Disbursements - Written procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, when it should be done, and that 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 to ensure that disbursements are for the benefit of the Authority. This policy should provide for adequate documentation to support the business purpose of each disbursement.

- c. Investments - The current investment policy does not contain procedures for ensuring that bank balances and investments are adequately secured. The Authority is also not reviewing the types or securities pledged by its bank to ensure compliance with R.S. 39:1221. The Board should update its investment policy to include procedures that will ensure bank balances and investments are adequately secured. The Board should also ensure that the type of securities pledged by the bank are in compliance with R.S. 39:1221 and reviewed at least annually.
- d. Information Systems - The Authority does not have a written backup contingency and recovery plan. The Authority should develop a contingency and recovery plan and test it at least annually. The Authority should also store a backup copy of all electronic files offsite.

2. Policies and Procedures That Need Review

- a. Purchasing - The Authority does not use purchase requisitions/purchase orders to aid in the purchasing function. Also, the Board does not approve purchases. The Authority should amend its current purchasing policy to include the use of purchase requisitions/purchase orders to provide for approval before purchase. In addition, the Board should review each purchase to determine if it is in the best interest of the Authority.
- b. Telephones - The executive director placed several personal long-distance calls to a family member and did not reimburse the Authority for the calls. The Authority's policy for personal telephone calls states that "when a personal long distance telephone call must be made, the call must not be billed to any Housing Authority telephone number." The policy also states that "long chatty telephone conversations could result in disciplinary action." Several of the calls between the executive director and her family member were in excess of 30 minutes. The Authority should enforce its current telephone policy by periodically reviewing all telephone bills and requiring reimbursement for all personal calls.
- c. Cellular Phones - The Authority owns a cellular phone that is maintained by the executive director. The executive director makes personal calls from this phone. However, she is not required to reimburse the cost of all personal calls. The current cellular phone policy provides for reimbursement of personal calls in excess of the plan minutes. The Board should establish written policies and procedures for the business use and

Mr. L. V. Blount, Jr., Chairman,
and Members of the Board of Commissioners
Housing Authority of DeRidder
October 27, 2004
Page 3

care of cellular phones that (1) require a review of cellular phone contracts annually to determine the appropriate amount of airtime minutes needed per month; (2) require employees who are issued a cellular phone to review their monthly phone bill and identify personal calls made or received; (3) require that each employee is billed, at a standard rate for each minute, for personal calls; and (4) require that monthly bills are reviewed for propriety and reasonableness of phone usage. The Board should also request detailed phone bills from its cellular provider.

- d. Travel - Though the Authority has a travel policy, it provides meal per diem rates that appear considerably higher than those afforded other public employees. The Louisiana Administrative Code - Policy and Procedures Memorandum 49 (PPM-49), which is applicable to state agencies, provides that meals for single day travel are not reimbursable except on a case-by-case basis. Authority policy allows for reimbursement of up to \$26 per day for any single day trip. For overnight travel, PPM-49 also provides that meals will be reimbursed at a rate of \$26 statewide except for New Orleans where \$29 per day is allowed. Meal allowances per the Authority's policy allows for \$50 per day for travel within 100 miles and \$75 per day for travel exceeding 100 miles. The Board should review its travel policy and determine if it is an appropriate use of public dollars. The Board should also ensure that the cost of meal per diem is commensurate with the value received.
- e. Car Allowance - The executive director is paid a monthly car allowance of \$175 in addition to her salary. She also receives \$.32 per mile for all travel outside of DeRidder. The Board should review its policy to determine which method of payment is the most appropriate use of public dollars. The Board should also determine a single method to compensate for travel.

This letter is intended for the information and use of the management of the DeRidder Housing Authority and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Mr. L. V. Blount, Jr., Chairman,
and Members of the Board of Commissioners
Housing Authority of DeRidder
October 27, 2004
Page 4

I trust that this information will assist you in the efficient and effective operations of the Authority. Should you have any questions, contact me at (225) 339-3839.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written in a cursive style.

Steve J. Theriot, CPA
Legislative Auditor

DP:JLM:DGP:dl

DERHA04

DeRidder Housing Authority

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337/463-7288 * fax 337/463-3671 * dha600@bellsouth.net

Katie Anderson
Executive Director

October 6, 2004

Steven J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Sir,

Please find enclosed the management's response to the draft fraud & abuse audit report on the Housing Authority of DeRidder.

The Housing Authority of DeRidder has been rated a "**High Performer**" for the past five years by the U.S. Department of Housing and Urban Development and our goal is to continue to attain this rating for the future. We are reviewed in four different areas including Financial, Management, Physical, and Resident Services. In addition, upon my advice, the Board of Commissioners has chosen to have an annual audit performed by a Certified Public Accounting firm regardless of whether the Housing Authority has met the threshold for this requirement. Any non-compliance with polices, or requirements by the state, has strictly been an oversight and will be corrected in accordance with our management response.

Feel free to contact our office if you need any additional information concerning these responses.

Sincerely,



Katie Anderson
Executive Director

Enclosure: Management Response

**Management Response to the
Louisiana Legislative Auditors Review of the
DeRidder Housing Authority, DeRidder, La.**

October 8, 2004

1. Lack of Policies and Procedures

- A. Financial Reporting: Financial reports are currently submitted to all Board Commissioners at their quarterly meetings. Monthly Financial Statements, including a budget comparison, are prepared by the Housing Authority's fee accountant and are reviewed by the Executive Director on a monthly basis. The DeRidder Housing Authority has prepared a written policy establishing procedures for providing Monthly Financial Statements to each Board Commissioner for consideration of adoption at their next meeting. In addition, the Board will discuss the consideration of changing their quarterly meeting schedule.
- B. Disbursements: A policy identifying specific written procedures for disbursing funds has been prepared and is being considered for adoption at the next meeting of the Board of Commissioners.
- C. Investments: While the current investment policy does not contain written procedures for ensuring that balances and investments are adequately secured, the Housing Authority has an unwritten procedure whereby the bank balances and investments are reviewed annually to ensure that they are adequately secured and appropriately pledged. The Board will review the current policy and revise it to document the unwritten procedures.
- D. Information Systems: The DeRidder Housing Authority currently has an unwritten procedure providing a back up contingency and recovery plan for all information systems. All files are backed up to a on a minimum of a weekly basis and are stored in a fire proof safe. The Authority will prepare a written policy stating these procedures for consideration of adoption at the next meeting of the Board of Commissioners.

2. Non-Compliance with Policies and Procedures:

- A. Purchasing: The Authority currently has a purchasing policy which complies with the Louisiana State Public Bid Law, but will review and amend the policy to establish a procedure utilizing purchase requisitions / purchase orders and the provision for their consideration of approval. The Board of Commissioners will consider adoption of the amended policy at their next appropriate meeting.

- B. Telephones: The Authority's current Personnel Policy identifies how personal telephone calls will be handled. As an oversight, this policy has not been complied with. Effective immediately, the policy will be adhered to by all employees and any personal call costs that have been inappropriately billed to the Housing Authority will be reimbursed by the employee. Telephone bills will be reviewed monthly for compliance with the policy.
- C. Cellular Phone: The Authority currently has an adopted cellular phone policy that provides that employees will reimburse the Housing Authority for all calls in excess of the plan minutes. The current cell phone billing does not provide a detail billing to identify specific calls whether business or personal. The Board will review the current policy to establish a procedure for identification and reimbursement of personal calls at a standard rate, or offering the option of an employee owned cellular phone with all business related calls being reimbursed to the employee at the same specified rate. This amended policy will be offered for consideration of adoption at the next appropriate meeting of the Board of Commissioners.
- D. Travel: The Authority has currently adhered to the board adopted Travel Policy. The Board will review the current policy to determine if the rates established are reasonable and appropriate. Any revisions necessary will be considered for adoption at the next appropriate meeting of the Board of Commissioners.
- E. Car Allowance: The current provision for a car allowance for the Executive Director was established by resolution of the Board of Commissioners in 1966. Currently the Board of Commissioners are reviewing this policy for consideration of either eliminating the Car Allowance and providing a vehicle for the use of the Executive Director as is the standard for most Housing Authorities in the state, or changing the amount and process for compensation of travel. This policy will be reviewed at the next meeting of the Board of Commissioners and will be amended to establish the method designated and approved by the majority of the Board of Commissioners.