



Issue Date	March 24, 2003
Audit Case Number	2003-CH-1011

TO: Patricia Knight, Acting Director of Troubled Agency Recovery Center,
Cleveland Field Office

FROM: 
Heath Wolfe, Regional Inspector General for Audit, Region V

SUBJECT: Coshocton Metropolitan Housing Authority
Comprehensive Improvement Assistance Program
Coshocton, Ohio

INTRODUCTION

We completed an audit of the Coshocton Metropolitan Housing Authority's Comprehensive Improvement Assistance Program for Fiscal Years 1997, 1998, and 1999. The audit of the Housing Authority's Program was conducted as part of a comprehensive review of the Authority. The comprehensive review was performed based upon a request from HUD's Columbus Field Office Coordinator of Public Housing Program Center.

The objectives of the audit were to: (1) determine whether the Housing Authority had adequate management controls for safeguarding cash, other monetary assets, and inventory; (2) review for indicators of possible waste, loss, and misuse of cash, other monetary assets, and inventory; and (3) assess the appropriateness of the Housing Authority's procurement process.

The audit identified that the Housing Authority did not: (1) ensure that \$287,224 of Comprehensive Improvement Assistance Program funds were used according to HUD's regulations; (2) ensure that \$36,408 of Program funds were used in accordance with its Board approved operating budget; (3) procure goods and services in accordance with HUD's regulations; and (4) perform contractor employee wage surveys for its Program. Our report contains three recommendations to address the issues identified in this audit.

In conducting the audit, we reviewed the Housing Authority's policies and procedures for the period January 1999 to April 2002. We also reviewed and evaluated the Authority's: management controls over the Comprehensive Improvement Assistance Program; reliability of

computer-processed data; general ledgers; and the Independent Auditor's Report for July 1, 2000 to June 30, 2001. In addition, we reviewed: the Authority's records; HUD's records; bank statements; cancelled checks; 24 CFR Parts 85 and 968; and HUD Handbooks 4910.1 and 7485.2.

We interviewed the Housing Authority's and HUD's staff regarding the Authority's Comprehensive Improvement Assistance Program. A HUD Construction Analyst inspected a sample of 26 Public Housing units and the exterior of 19 buildings comprising the Authority's Meadows and North Meadows housing developments. Our audit covered the period January 1999 to April 2002. This period was adjusted as necessary. We performed our on-site audit work between March 2001 and May 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please have them contact Ronald Farrell, Senior Auditor, at (614) 469-5737 extension 8279 or me at (312) 353-7832.

SUMMARY

The Coshocton Metropolitan Housing Authority did not follow Federal requirements regarding its Comprehensive Improvement Assistance Program. Specifically, the Authority did not:

- Ensure that \$287,224 of Comprehensive Improvement Assistance Program funds were used according to HUD's regulations;
- Ensure that \$36,408 of Program funds were used in accordance with its Board approved operating budget;
- Procure goods and services in accordance with HUD's regulations; and
- Perform contractor employee wage surveys for its Program.

BACKGROUND

Section 14 of the United States Housing Act of 1937 authorized HUD's Secretary to provide grants to public housing authorities to improve the condition of existing public housing projects and to upgrade the management and operation of these projects.

The Comprehensive Improvement Assistance Program Amendments to the Consolidated Annual Contributions Contract for Fiscal Years 1997, 1998, and 1999, between the Coshocton Metropolitan Housing Authority and HUD, were executed for \$301,238 on March 12, 1998, \$260,000 on January 18, 1999, and \$248,586 on December 2, 1999, respectively.

HUD conducted a monitoring review of the Authority's procurement practices and contract administration procedures in May 2000. The review cited the Authority for its failure to: (1) perform documented inspections of modernization work; (2) follow Federal procurement requirements for major purchases; and (3) conduct contract employee wage surveys during modernization work. The Authority disagreed with HUD's monitoring results.

The Coshocton Metropolitan Housing Authority was established under Section 3735.27 of the Ohio Revised Code. The Authority contracts with HUD to provide low and moderate-income persons with safe and sanitary housing through rent subsidies. A five member Board of Commissioners governs the Authority. The Chairman of the Board is R. Dale Smith. During the audit, the Authority's former Executive Director Edward Ross resigned effective June 1, 2001. The Authority's current Executive Director is Gregory Darr. The Authority's books and records are located at 823 Magnolia Street, Coshocton, Ohio.

FINDING

The Authority Lacked Controls Over Its Comprehensive Improvement Assistance Program

The Coshocton Metropolitan Housing Authority did not follow Federal requirements regarding its Comprehensive Improvement Assistance Program. Specifically, the Authority did not: (1) ensure that \$287,224 of Comprehensive Improvement Assistance Program funds were used according to HUD's regulations; (2) ensure that \$36,408 of Program funds were used in accordance with its Board approved operating budget; (3) procure goods and services in accordance with HUD's regulations; and (4) perform contractor employee wage surveys for its Program. The Authority lacked procedures and controls to ensure Program funds were used according to Federal requirements. As a result, the Authority's tenants were subjected to substandard housing conditions and Program funds were not used efficiently and effectively.

Federal Requirements

24 CFR Part 968.115(d) requires all improvements funded with Comprehensive Improvement Assistance Program funds to meet the modernization standards as prescribed by HUD.

HUD Handbook 7485.2, Public Housing Modernization Standards, page 1-5, states the Handbook's objective is to bring projects up to a level equivalent to that intended by the HUD Minimum Property Standards for Multifamily Housing located in HUD Handbook 4910.1.

Page 6-3 of HUD Handbook 4910.1 requires all work be performed in a workmanlike manner and in accordance with good usage and accepted practices. All materials will be made and installed so they perform in accordance with their intended purposes.

Sample Selection And Inspection Results

We selected a non-representative sample of the Authority's Public Housing units using Computer Assisted Audit Tools, including ACL computer software application. We used the sample selected to perform inspections of the Authority's Public Housing units. A statistical sample of 32 Public Housing units was selected from the Authority's 131 units. Of the 32 Public Housing units, we selected 26 units located at the Authority's Meadows or North Meadows housing developments to determine whether the Comprehensive Improvement Assistance Program assisted housing rehabilitation work was performed correctly. The remaining six Public Housing units were not located at the Housing Authority's Meadows or North Meadows housing developments and were not assisted with the Authority's Program funds.

During August and September 2001, a HUD Construction Analyst inspected the 26 Public Housing units selected and the exterior of the 19 buildings, including the Authority's office, comprising the Authority's Meadows and North Meadows housing developments. HUD's Construction Analyst has a bachelor's degree in Architecture Design with 24 years experience in the architecture and construction trades. The Authority declined our invitation to have one of its staff members accompany us during the housing inspections because no one from its staff was available.

We provided the inspection results to HUD's Director of the Cleveland Field Office of Public Housing Hub and the Authority's Executive Director. The inspection results were subsequently provided to HUD's Cleveland Field Office of the Troubled Agency Recovery Center when the Authority was designated as a troubled housing authority in January 2003.

The Authority Used Its Improvement Program Funds For Rehabilitation Work That Did Not Meet HUD's Standards

Contrary to Federal regulations, the Authority did not ensure that \$287,224 of Comprehensive Improvement Assistance Program funds was used to improve its Public Housing developments in accordance with HUD's minimum property standards. The Authority paid a contractor \$85,824 of Fiscal Year 1998 Program funds for the complete removal and replacement of roof shingles at the Authority's Meadows and North Meadows housing developments' buildings and the installation of vinyl siding on all the buildings except the maintenance garage. The Authority also paid another contractor \$201,400 of Fiscal Year 1999 Program funds for the complete removal and replacement of furnaces and the addition of central air conditioning for the 106 public housing units at the Authority's Meadows and North Meadows housing developments.

HUD's Construction Analyst determined that the Authority did not assure that housing rehabilitation work was performed correctly or, in some cases, even provided. The Authority's former Executive Director said he assumed the responsibility for monitoring the work. He said he retired from HUD as a supervisor with contracting and construction experience. Housing work that was performed incorrectly or that was not provided related to the following items: roof shingles installed unevenly and erratically; shingles not secured properly; storage building

roofs not installed correctly or completely; flashing improperly installed; sheathing underlayment warped and uneven indicating rotting; open holes through ceilings for heating and cooling lines; condensation lines smaller than required by the furnace manufacturer; and water pumps used as the primary method to drain condensation water contrary to the furnace manufacturer's recommendations.

HUD's minimum property standards require all work be performed in a workmanlike manner and in accordance with good usage and accepted practices. All materials must be made and installed so they perform in accordance with their intended purposes. The following pictures show examples of housing rehabilitation work that was improperly performed or not provided.

Shingles on the "P" building installed unevenly and erratically. Dips in the roof indicate that the sheathing is rotted and needs replaced.



Shingles on the “J” building’s roof incorrectly installed around a vent pipe. This will allow water penetration.



The roof is bowing on the “B” building indicating that sheathing needs to be replaced. Some shingles were improperly installed and are not laying flat on the roof surface. Vinyl siding installation is incomplete.



The heating and cooling lines run through the ceiling and a hole is left open for the unit located at 735 Magnolia Drive.



A water pump is used as the primary method to drain condensation water for the unit located at 843 Magnolia Street. This installation is contrary to the furnace manufacturer's recommendations.



HUD's Construction Analyst estimated the cost to correctly repair the Authority's roof and siding work at approximately \$238,776. The repair estimate includes \$40,163 to completely replace all the vinyl siding because the work was not performed properly. An additional \$3,000 is needed to repair fascia and soffitts damaged by the contractor during his siding and shingle replacement work. The cost to repair the roof includes \$12,335 for new sheathing for the 19 buildings and 43 storage sheds. The remaining \$183,278 is required for the complete replacement of all the roofing including flashing, drip edges, and ridge vents that were either incorrectly installed or not installed by the contractor. Lastly, HUD's Construction Analyst

determined that it would cost approximately \$29,640 to correct the deficiencies resulting from the installation of the furnaces in the Authority's 26 housing units inspected.

24 CFR Part 968.140 states it is the responsibility of the Public Housing Authority, not HUD, to provide adequate and competent supervisory and inspection personnel during the housing work regardless of whether the work is performed by contracted labor and with or without the services of an architect to ensure work quality and progress. The problems occurred because the Authority's former Executive Director did not ensure that the contractors performed the housing work according to their agreements with the Authority. As a result, HUD funds were not used efficiently and effectively.

The Authority Inappropriately Used \$36,408 For Payroll Costs

Contrary to the Housing Authority's Board approved operating budgets, the Authority used \$26,000 of its Fiscal Year 1998 and \$24,858 of its Fiscal Year 1999 Comprehensive Improvement Assistance Program Grant funds to pay the former Executive Director's salary and benefits. The Authority's Board authorized the use of \$5,000 of Fiscal Year 1998 Program funds to pay the salary and benefits of the former Executive Director when it approved the Authority's operating budget for Fiscal Year 1998. When the Board approved the Authority's operating budget for Fiscal Year 1999, it approved the use of \$9,450 of Program funds to pay the salary and benefits of the former Executive Director. Therefore, the Authority inappropriately used \$21,000 (\$26,000 less \$5,000) and \$15,408 (\$24,858 less \$9,450), respectively from its Fiscal Years 1998 and 1999 Comprehensive Improvement Assistance Program Grant funds to pay the salary and benefits of the former Executive Director. As a result, HUD and the Authority lack assurance that Program funds were used efficiently and effectively, or benefited the Authority's Public Housing residents.

The Authority Did Not Follow Federal Procurement Regulations

The Authority did not follow HUD's regulations when it purchased \$389,240 of goods and services for its Fiscal Years 1997, 1998, and 1999 Comprehensive Improvement Assistance Programs. 24 CFR Part 85.36(b)(9) requires the Authority to maintain records sufficient to detail the significant history of a procurement, such as the rationale for the method of procurement and the basis for the contract price. Part 85.36(c)(1) requires all procurement transactions be conducted in a manner providing full and open competition.

However, the Authority's former Executive Director preferred to use a simplified acquisition method to procure goods and services. In October 1997, the Authority's Board of Commissioners approved a resolution permitting non-competitive purchases, referred to as a simplified acquisition method of procurement, up to \$50,000. The Authority then procured architectural services on two occasions (\$15,793 and \$5,207), paving services (\$6,240), and recreational site work (\$2,000). Additionally, the Authority's Board of Commissioners approved resolutions permitting the non-competitive procurement of roofing services (\$85,824), refrigerators and stoves (\$72,776), and the installation of new furnaces in 106 public housing units (\$201,400). As a result, HUD and the Authority lack assurance that Program funds were used efficiently and effectively.

The Authority Did Not Perform Contractor Employee Wage Surveys

The Authority did not conduct contractor employee wage surveys for housing rehabilitation work performed with its Fiscal Years 1998 and 1999 Comprehensive Improvement Assistance Programs. 24 CFR Part 85.36(i)(5) requires the Authority to ensure that contractor employees are paid no less than the prevailing wages for the area as determined by the Secretary of Labor for all construction contracts awarded by the Authority in excess of \$2,000. The Authority was required to perform wage surveys for roof replacement work paid with its Fiscal Year 1998 Program funds and the furnace replacement work paid with the Fiscal Year 1999 Program funds.

The Authority's former Executive Director said the roofing contractor provided wage survey reports. However, the Authority's documentation for the roofing work lacked any wage surveys. Additionally, no wage surveys were conducted for the furnace replacement work because the Authority's former Executive Director took it upon himself to make a wage rate determination. The former Director said the information provided by HUD did not contain the appropriate rate for the contractor's employees. The Authority's former Executive Director said he could not remember if he submitted his wage rate determination to HUD for approval as required by HUD Handbook 7485.1. Wage surveys must be performed to prevent the possibility of wage disputes between contractors and their employees, and ensuing work stoppages. As a result, HUD and the Authority lack assurance that Program funds were used in accordance with HUD's regulation.

AUDITEE COMMENTS

We presented our draft audit memorandum report to the Housing Authority's Executive Director and HUD's staff during the audit. The Authority's Executive Director provided his comments on the draft memorandum.

We held an exit conference with the Authority's Executive Director and HUD's staff on February 20, 2003. We included the Executive Director's comments in Appendix B of this report. We provided a copy of this audit memorandum report to the Authority's Executive Director and its Chairman of the Board of Commissioners.

[Excerpts paraphrased from the comments provided by the Housing Authority's Executive Director on our draft audit memorandum report follows. Appendix B, pages 16 to 23, contains the complete text of the comments for this finding.]

The recommendations require the Housing Authority must reimburse HUD from non-Federal funds for any rehabilitation work that cannot be completed correctly and for the inappropriate use of funds for the former Executive Director's salary. This request will be impossible as the Housing Authority's income source is limited to all Federal funding such as Public Housing Operating Assistance, Section 8 Choice Voucher Assistance, Capital Fund Program funds, Contract Administrative Fees earned for administering Federal Section 8 Project-Based Housing Assistance Payments, as well as potential administrative fees earned from the Public Housing Drug Elimination and Tenant Opportunities Programs. The other source of funds for repayment

consideration would be from the Housing Authority's employee dishonesty insurance claim with its insurer.

The Housing Authority's current administration supports the finding. The new administration followed HUD's procurement and funds draw down guidelines. HUD's Troubled Agency Recovery Center is presently assisting the Authority to strengthen internal controls.

The Housing Authority's current administration supports the finding. Contractors were hired to correct the improper installation and replacement of roof sheeting underlayment, improper installation of the roof flashing, and finish the siding installation. The services of an architect were obtained to oversee the repair work. The Authority's administration will hire an architect to oversee all construction projects exceeding \$2,000. The necessary repairs will be completed on the furnaces and central air conditioning prior to the cooling season of 2003.

The Authority's former Executive Director left a substantial track record of misusing funds without Board of Commissioners' approval and/or deviating from the amounts approved by the Board. HUD's Troubled Agency Recovery Center is presently assisting the Authority to strengthen internal controls.

The Housing Authority's current administration agrees with the finding. The Authority's Architect said the former Executive Director released him from the contract oversight responsibility. However, the Authority's former Executive Director did not assume the responsibility to complete the contractor employee wage surveys.

Procedures and controls were implemented regarding budgets, procurement, rehabilitation work, payroll documentation, and Capital Fund Programs. HUD's Troubled Agency Recovery Center made additional recommendations that will be presented to the Authority's Board of Commissioners at the regularly scheduled March meeting.

OIG EVALUATION OF AUDITEE COMMENTS

The Housing Authority must ensure that the \$287,224 of housing work cited in this finding is completed correctly using non-Federal funds. If the Authority is unable to ensure the work is completed correctly, then the Authority should reimburse its Comprehensive Assistance Improvement Program (now the Capital Fund Program) from non-Federal funds the applicable amount of work not completed correctly or not provided. Contrary to the Housing Authority's Board approved operating budgets, the Authority used \$21,000 of its Fiscal Year 1998 and \$15,408 of its Fiscal Year 1999 Program funds to pay its former Executive Director's salary and benefits. Therefore, the Housing Authority should reimburse HUD \$36,408 from non-Federal funds. While the Housing Authority's income source is limited to Federal funds, the Authority earns administrative fees from administering its Section 8 Project-Based Housing Assistance Program as well as its own Section 8 Tenant-Based Housing Assistance Program. These administrative fees can be used to reimburse HUD. In addition, the Housing Authority could use any funds recovered by its insurance carrier as well as management fees it may earn in

the future as a management agent for a multi-family project for which the Board of Commissioners is associated.

The actions taken by the Authority, if fully implemented, should correct the problems identified in this audit memorandum report.

RECOMMENDATIONS

We recommend that HUD's Acting Director of Troubled Agency Recovery Center, Cleveland Field Office, assure that the Coshocton Metropolitan Housing Authority:

- 1A. Ensures that the \$287,224 of housing work cited in this finding is completed correctly using non-Federal funds. If the Authority is unable to ensure the work is completed correctly, then the Authority should reimburse its Comprehensive Assistance Improvement Program (now the Capital Fund Program) from non-Federal funds the applicable amount of work not completed correctly or not provided.
- 1B. Reimburses its Comprehensive Assistance Improvement Program (now the Capital Fund Program) \$36,408 from non-Federal funds for the inappropriate use of the funds cited in this finding.
- 1C. Implements procedures and controls to follow HUD's regulations regarding the procurement of housing rehabilitation work and performance of wage surveys for its Comprehensive Improvement Assistance Program (now the Capital Fund Program).

MANAGEMENT CONTROLS

Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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

- Program Operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and Reliability of Data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with Laws and Regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding Resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed all of the relevant controls identified above during our audit of the Coshocton Metropolitan Housing Authority's Comprehensive Assistance Improvement Program (now the Capital Fund Program).

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

Based upon our review, we believe the following items are significant weaknesses:

- Program Operations

The Housing Authority's Comprehensive Assistance Improvement Program was not operated according to Program requirements. Specifically, the Authority failed to: (1) ensure that Program funds were used to improve its Public Housing developments in accordance with HUD's minimum property standards; (2) ensure that \$36,408 of Program funds were used in accordance with its Board approved operating budget; (3) procure goods and services in accordance with HUD's regulations; and (4) perform contractor employee wage surveys for its Program (see Finding).

- Validity and Reliability of Data

The Authority did not maintain accurate books of records to: detail the significant history for the procurement of the Program's goods and services; and verify that contractor employee wage surveys were conducted for its Program (see Finding).

- Compliance with Laws and Regulations

The Housing Authority did not follow HUD's regulations when it failed to: (1) ensure that its Comprehensive Improvement Assistance Program funds were used to improve its Public Housing developments in accordance with HUD's minimum property standards; (2) ensure that \$36,408 of Program funds were used in accordance with its Board approved operating budget; (3) procure goods and services in accordance with Federal requirements; and (4) perform contractor employee wage surveys for the Program's housing work (see Finding).

- Safeguarding Resources

The Housing Authority did not ensure that \$287,224 of Comprehensive Improvement Assistance Program funds were used to improve its Public Housing developments in accordance with HUD's minimum property standards and inappropriately used \$36,408 in Comprehensive Improvement Assistance Program funds for the salary and benefits of the Authority's former Executive Director (see Finding).

FOLLOW-UP ON PRIOR AUDITS

This is the first audit of the Coshocton Metropolitan Housing Authority's Comprehensive Improvement Assistance Program by HUD's Office of Inspector General. The latest Independent Auditor's Report for the Authority covered the period ending June 30, 2001. The Report contained no findings.

Appendix A

SCHEDULE OF INELIGIBLE COSTS

<u>Recommendation Number</u>	<u>Ineligible Costs 1/</u>
1A	\$287,224
1B	<u>36,408</u>
Totals	<u>\$323,632</u>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law, contract, or Federal, State, or local policies or regulations.

Appendix B

AUDITEE COMMENTS



The Coshocton Metropolitan Housing Authority

March 10, 2003

Mr. Edward Kim
Assistant Regional Inspector General for Audit
U. S. Dept of HUD-Office of Inspector General
200 North High Street – Room 334
Columbus, OH 43215

RE: OIG DRAFT AUDIT REPORT: COMPREHENSIVE IMPROVEMENT
ASSISTANCE PROGRAM

Dear Mr. Kim:

Coshocton Metropolitan Housing Authority has received draft audit findings for the audit period March, 2001 through May, 2002. We would like to make note that the audit ran for fourteen months due to the condition of the financial documentation or lack thereof. The draft findings were received nine months after the audit period. Our response time was limited to approximately 30 days of which limits our ability to comprise a substantial written response. Therefore, our response is completed with limited time and available information to make supportive comments.

Within the findings, it has been stated that Coshocton Metropolitan Housing Authority must repay, reimburse, or return funds with “non-Federal funds”. This request will be impossible as the Coshocton Metropolitan Housing Authority’s income source is limited to all Federal funding i.e., Public Housing, Operating Assistance; Section 8 Choice Voucher assistance; Contract Administrative Fees earned for monitoring Federal Section 8 Project Based HAP, and Capital Fund Improvements, as well as potential administrative fees earned from PHDEP and TOP grants. Other consideration to recapture the funds would only be from our employee dishonesty claim presented to Gallagher-Basset.

As of February 24, 2003 the Troubled Authority Recovery Center-North in Cleveland, Ohio has been assigned to our Housing Authority for ongoing assistance and improvement with the new administration.

823 Magnolia Street, Coshocton, Ohio 43812
Phone: (740) 622-6300 ~ ~ Fax: (740) 622-5567

Finding: Lacked Controls Over Its CIAP

The current housing authority administration supports the finding. However, the new administration has been following to the best of our ability, HUD procurement guidelines and drawing funds from the CFP program only when matching expenses have been reviewed by internal policy and pre-audited by our fee accountant. The Troubled Authority Recovery Center is presently assisting to add strength and internal controls to prevent further misappropriation of funds.

Finding: Authority Used Its Improvement Program Funds for Rehabilitation Work That Did Not Meet HUD's Standards

Present administration has reviewed overall comments and supports such findings. However, the current administration secured a roofing contractor immediately to correct the improper installation and replacement of sheeting underlayment, open holes, and improper installation of flashing. Ongoing repairs/replacement, bidding of contracts for outstanding noted work is presently in progress with the oversight of Charles Gallagher Architect. The previous administration chose to eliminate the architect from oversight for one reason or another, however, the present administration will secure present and future architectural overview on all projects exceeding \$2000.00.

Additionally, a contract was negotiated with G & M Construction to finish the installation of the siding and repair and/or replace the improperly installed product, under the supervision of Charles Gallagher Architect. The authority's Board of Commissioners pursued action against the Stevens contract and was advised by the Board's legal council that collection matters would be futile as the company and Mr. Stevens personally were viewed as being noncollectable.

Relative to the HVAC installation, the previous Executive Director ignored and rejected proper installation of condensation pumps to properly dispose of water to an outside source causing the first level ceilings to be destroyed. Our administration has been contracting with the installer to correct the previous administrations decision. After receiving approved 2001 CFP funds this issue has been on a fast track for resolution prior to the cooling season of 2003. Interior units have been repaired from the ceiling issues noted at the time of OIG inspections.

Finding: Authority Inappropriately Used \$36,408 for Payroll Costs

Previous Executive Director left a substantial track record of misappropriating funds without Board approval, or with Board approval and different amounts or without disclosure from the Five Year PHA Plan.

The Troubled Authority Recovery Center is assisting the present administration to insure internal controls are in place to prevent recurrence. The recommendation for reimbursement of \$36,408.00 is not feasible as previously stated above.

Finding: Authority Did Not Follow Federal Procurement Regulations

The Board of Commissioners extended their full support to the previous Executive Director assuming his compliance to basic procurement regulations. Presentations to the Executive Board did indicate that all requirements were being met. As previously noted, the previous Executive Director was a retired HUD veteran from the Contracting Division which would lend to the Board's assumptions that these requirements were being met. There were no notices being sent to any Board members from officials of the U. S. Department of Housing and Urban Development during Mr. Ross' tenure. Therefore, the Board could only rely upon the information and documentation presented to them. The new administration shares all communications in its Board packets monthly.

Finding: Authority Did Not Perform Contractor Employee Wage Surveys

It is of the understanding from conversations with Charles Gallagher Architect the previous Executive Director relieved Mr. Gallagher from his role to oversee the requirements of contracts and did not assume the responsibilities to complete wage surveys.

Recommendation 1C: Procedures and controls have been implemented regarding budgets, procurement, rehabilitation work, maintenance of payroll documentation and CFP programs under the new administration. The Troubled Authority Recovery Center is in the process of reviewing the policies and procedures and have made recommendations to strengthen same. New policy recommendations will be presented to the Board of Commissioners in its regularly scheduled March meeting.

Management Controls: Procedures and controls have been implemented regarding budgets, procurement, rehabilitation work, maintenance of payroll documentation and CFP programs under the new administration. The Troubled Authority Recovery Center is in the process of reviewing the policies and procedures and have made recommendations to strengthen same. New policy recommendations will be presented to the Board of Commissioners in its regularly scheduled March meeting.

Respectfully submitted,



Gregory J. Dart
Executive Director

GJD/jn

cc: Tarc Team
Board of Commissioners

Appendix C

The Honorable Susan Collins, Chairman, Committee on Government Affairs, 172 Russell Senate Office Building, United States Senate, Washington, DC 20510

The Honorable Joseph Lieberman, Ranking Member, Committee on Government Affairs, 706 Hart Senate Office Building, United States Senate, Washington, DC 20510

The Honorable Thomas M. Davis, III, Chairman, Committee on Government Reform, 2348 Rayburn Building, House of Representatives, Washington, DC 20515-4611

The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform, 2204 Rayburn Building, House of Representatives, Washington, DC 20515

Andy Cochran, Committee on Financial Services, 2129 Rayburn House Office Building, United States House of Representatives, Washington DC 20515

Clinton C. Jones, Senior Counsel, Committee on Financial Services, B303 Rayburn Building, United States House of Representatives, Washington DC 20515

Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice, Drug Policy & Human Resources, B373 Rayburn House Office Building, United States House of Representatives, Washington, DC 20515

W. Brent Hal, United States General Accounting Office, 441 G Street, NW, Washington, DC 20548

Steve Redburn, Chief of Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Building, Washington, DC 20503

Linda Halliday (52P), Department of Veterans Affairs, Office of Inspector General, 810 Vermont Avenue, NW, Washington, DC 20420

Kay Gibbs, Committee on Financial Services, 2129 Rayburn House Office Building, United States House of Representatives, Washington DC 20515

Gregory Darr, Executive Director of Coshocton Metropolitan Housing Authority

R. Dale Smith, Chairman of the Board of Commissioners for Coshocton Metropolitan Housing Authority