



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

November 8, 2013

**MEMORANDUM NO:**  
2014-FW-1801

## *Memorandum*

TO: Cheryl Williams  
Director, Public and Indian Housing, 6APH

//signed//

FROM: Gerald Kirkland  
Regional Inspector General for Audit, 6AGA

SUBJECT: The Colfax Housing Authority, Colfax, LA, Did Not Properly Administer Its Programs, Including Its 2009 American Recovery and Reinvestment Act Grant

### **INTRODUCTION**

In accordance with our regional plan to review public housing programs and because of weaknesses identified by the U.S. Department of Housing and Urban Development (HUD), we reviewed the public housing programs of the Colfax Housing Authority, Colfax, LA. Our objective was to determine whether the Authority administered its HUD public housing programs in accordance with regulations and guidance.

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

### **METHODOLOGY AND SCOPE**

The scope of the review generally covered the Authority's financial transactions, expenditures, procurements, American Recovery and Reinvestment Act of 2009 grant, and Housing Choice Voucher and low-rent programs' waiting lists for the period January 1, 2007, through December 31, 2012. We expanded the scope as necessary to meet the audit objective. We conducted the review at the Authority's administrative office in Colfax, LA, the HUD field office and our offices in Baton Rouge, LA, and our office in Houston, TX, from March through July 2013.

To accomplish our objective, we performed the following:

- Reviewed relevant laws, regulations, and other HUD requirements;
- Reviewed the Authority's procurement policy and accounts payable procedures;
- Reviewed the Authority's board meeting minutes and board resolutions;
- Reviewed the Authority's financial statements and reports, bank statements, invoices, and other supporting documentation;
- Reviewed the Authority's procurement and expenditure files;
- Reviewed HUD's monitoring reports;
- Reviewed and analyzed data representing disbursements from the Authority's general fund account;
- Interviewed HUD staff;
- Interviewed former and current Authority staff and board members; and
- Conducted onsite visits to 22 of the Authority's low-rent units.

Because we knew enough about the population to focus on certain items in the population that were potentially problematic, we used the nonstatistical sampling method to select 36 payees with disbursements totaling \$516,231 of the 6,387 transactions totaling more than \$4 million reflected in the Authority's bank statements for the period January 2007 through December 2012. Specifically, for the 36 payees, we identified non-Housing Choice Voucher program disbursements of \$1,000 or more, accumulated disbursements of \$5,000 or more for a single payee, and payees with potential conflicts. In addition, for 14 of the 36 payees, we reviewed the associated procurement files to determine support for costs and compliance with HUD's and other procurement requirements. Additional disbursements associated with these 14 payees totaled \$370,845. Further, the Authority purchased a total of 89 appliances with Recovery Act funds. To verify the existence of these appliances, we used the inventory listing and invoice receipts to randomly select 43 of these appliances, located in 22 of the Authority's low-rent units, for onsite visits.

### **BACKGROUND**

The Authority is a related organization of the Town of Colfax, established to provide safe, decent, and sanitary housing for very low-income families and individuals. It is located at 300 Park Lane, Colfax, LA, and manages 90 low-rent units and 50 housing choice vouchers. The Authority is governed by a five-member board of commissioners, appointed by the mayor of Colfax, who serve staggered multiyear terms. The board hires the executive director, who serves as the board secretary and is responsible for the daily operations of the Authority. The Authority's previous executive director retired in February 2012, and the Authority hired a new executive director in July 2012.

In addition to rental income the Authority received from its low-rent units, HUD provided funds to the Authority as shown in table 1.

**Table 1**

<b>Fiscal year<sup>1</sup></b>	<b>Capital Fund</b>	<b>Operating subsidy</b>	<b>Recovery Act</b>
2007	\$134,120	\$ 203,644	
2008	132,649	227,797	
2009	132,270	256,629	\$167,907
2010	131,196	227,089	
2011	111,373	253,837	
2012	99,495	250,739	
<b>Totals</b>	<b>\$741,103</b>	<b>\$1,419,735</b>	<b>\$167,907</b>

### **RESULTS OF REVIEW**

The Authority did not properly oversee its public housing programs. Specifically, it

- Made disbursements that lacked adequate supporting documentation;
- Made unsubstantiated payments to its employees;
- Issued payroll checks to the previous executive director’s wife, a nonemployee;
- Cashed certificates of deposit without sufficient explanations;
- Misused cash received from salvaged equipment;
- Did not follow HUD’s and its own procurement requirements;
- Could not account for 22 of 89 appliances purchased with Recovery Act funds;
- Did not maintain true and accurate records of its board meetings and resolutions; and
- Did not properly maintain adequate documentation for its housing programs’ waiting lists.

This condition occurred because the Authority lacked proper oversight and adequate internal controls. As a result, it (1) incurred questioned costs totaling more than one million dollars, (2) did not properly award contracts, and (3) lacked integrity in its daily operations.

#### **The Authority Made Questionable Disbursements**

Federal regulations<sup>2</sup> required the Authority to maintain adequate supporting documentation for its expenditures. However, it (1) made disbursements for unsupported expenditures; (2) made unsubstantiated payments to its employees; (3) issued payroll checks to the previous executive director’s wife, a nonemployee; (4) cashed certificates of deposit without sufficient explanations; and (5) misused cash received from salvaged equipment.

<sup>1</sup> The Authority’s fiscal year period is from April 1 through March 31.

<sup>2</sup> Appendix A of 2 CFR (Code of Federal Regulations) Part 225(c)(1)(j)

### *Unsupported Expenditures*

While the Authority had a disbursements policy, it did not establish a level of review or approval before paying vendors and contractors. Instead of following the disbursements policy, Authority staff performed the processes based upon a general knowledge of office procedures. As a result, for 12 of 36 payees reviewed, the Authority incurred more than \$129,000 in questioned costs. Specifically, the Authority could not provide receipts, invoices, or other documentation to support \$129,840<sup>3</sup> for 12 disbursements. In one instance, the Authority included only a copy of its balance sheet showing an accrued liability instead of an invoice. In another instance, the Authority incurred an expense for employee related benefits and did not maintain any file support documentation. See Appendix C for details on the expenditure review results.

### *Payments to Employees Unsubstantiated*

The Authority issued checks, outside of its normal payroll process, to employees for unsubstantiated purposes. Specifically, between January 2007 and December 2012, the Authority issued at least 59 checks from its operating funds totaling \$33,081 to its employees, in addition to the employee's regular pay, without adequate supporting documentation. The Authority could not explain all of the employee disbursements but stated that it issued bonuses to employees.

To provide bonuses to employees, HUD required the Authority to obtain advance approval from the board and the Louisiana State Civil Service<sup>4</sup> office and have independent verification and documentation of the performance measures. HUD also required the Authority to include the bonus amounts in its HUD-approved annual budget. According to the Authority, Louisiana State Civil Service rule 6.16.1, board approval, and its HUD-ranked performance as a standard or higher performer allowed it to pay bonuses to employees. The Authority obtained board approval for the bonuses. However, the Authority neither had State approval for any year nor included the bonuses in any of its HUD-approved budgets; thus, we questioned all of the \$33,081.

### *Payroll Checks Issued to the Previous Executive Director's Wife*

The previous executive director's wife received payroll checks totaling \$2,733 from the Authority between April and July 2012, although she was not an Authority employee, making these payments ineligible. Specifically, in April 2012, 2 months after the previous executive director retired, the Authority rehired him to perform maintenance at the Authority's properties. According to the Authority, it issued checks for this work in his wife's name since he was receiving Social Security disability payments during this period. While the Authority reported the incident to the Colfax police department and its attorney issued three letters demanding repayment, it had not received repayment of these funds.

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<sup>3</sup> This includes \$15,156 paid from the operating fund, \$2,237 paid from Recovery Act funds, and \$112,447 paid from the Capital Fund program.

<sup>4</sup> The Louisiana State Civil Service approval was applicable only to employees in classified positions. Only board approval was needed for nonclassified employees. Of the Authority's employees, two were in nonclassified positions, which were temporary in nature as their hiring or firing was at the will of the agency.

*Withdrawals From Certificates of Deposit*

The Authority made four withdrawals from three certificates of deposit totaling \$182,005 between July 2008 and September 2012 as shown in table 2.

**Table 2**

Certificate of deposit <sup>5</sup>	Withdrawal amount	Withdrawal date	Current status
1	\$ 10,040	7/18/2008	Closed
2	50,000	4/11/2011	Closed
2	61,965	4/02/2012	Closed
3	60,000	9/28/2012	Open
<b>Total</b>	<b>\$182,005</b>		

According to the Authority’s board resolutions, it made the withdrawals to have more funds to pay Authority expenditures. A review of the bank records showed that the bank transferred the funds from the certificates into the Authority’s general fund checking account. However, the Authority could not explain the specific uses of these funds.

*Misused Cash Received From Salvaged Equipment*

Between January 2010 and August 2012, the Authority’s former executive director and two maintenance employees received \$8,688 in cash from salvaging Authority appliances and equipment at a local salvage yard. Upon receipt, the former administrative assistant kept<sup>6</sup> and monitored the cash and documented its uses with receipts or handwritten notes. Regulations<sup>7</sup> required the Authority to maintain effective control and accountability of all cash, real and personal property, and other assets and ensure that it adequately safeguarded all property and used it solely for authorized purposes. However, the Authority used the cash for personal loans to two employees and barbeques for its staff, vendors, and residents. Of the \$8,688, the Authority did not have any documentation showing that \$7,796 was deposited into its bank account or other use of the funds as shown in table 3.

**Table 3**

Employee personal loans			Barbeques		Salvage funds	
Employee	Loan	Repayment	Vendor	Amount		
1	\$450	\$400	Wal-Mart	\$ 69	Cash (salvage)	\$8,688
1	70	0	Wal-Mart	117	Employee loans	(833)
1	20	0	Dollar General	11	Loans repaid	560
1	60	0	Lowe’s	152	Barbeques	(419)
1	163	160	Dollar Tree	9	Cash Remaining	(200)
1	50	0	Ford Food Center	61	<b>Total</b>	<b>\$7,796</b>
2	20	0	<b>Total</b>	<b>\$419</b>		
<b>Total</b>	<b>\$833</b>	<b>\$560</b>				

<sup>5</sup> The second certificate had two separate cash withdrawals in the amounts listed.

<sup>6</sup> The cash was placed into a plastic bag, referred to as the “kitty.”

<sup>7</sup> 24 CFR 85.20(b)(3)

## **The Authority Did Not Comply With Federal Procurement Requirements**

A review of 14 procurement files showed that the Authority did not have documentation, such as contracts, procurement file documentation, cost analyses and independent cost estimates, to support disbursements to 13 contractors. For the disbursement to these 13 contractors, the Authority did not maintain documentation in its procurement files to support \$671,211<sup>8</sup> in disbursements as shown in table 4. For example, the Authority paid one contractor for foundation repair work at several of its low-rent housing units without a contract and had only a written proposal of the work specifications and estimates. In another example, the Authority paid a contractor to provide services related to heating, ventilation, and air conditioning improvements, but in procuring these services, it did not perform a cost or price analysis to support that the amounts paid for the goods and services were justified. See Appendix D for details on the procurement review results.

**Table 4**

<b>Deficiency</b>	<b>Number of files with deficiencies</b>	<b>Total cost</b>
No contract	2	\$ 77,955
No contract or procurement file or documentation	4	208,202
No procurement file or documentation	1	59,300
No contract, cost or price analysis, or independent cost estimate <sup>9</sup>	1	75,833
No cost or price analysis or independent cost estimate	5	249,921
<b>Total</b>	<b>13</b>	<b>\$671,211<sup>10</sup></b>

In addition, the Authority did not ensure that its contracts were necessary and reasonable, or maintain a contract log or contract administration system. Federal procurement regulations<sup>11</sup> required the Authority to comply with Federal cost principles,<sup>12</sup> which state that a cost must be necessary and reasonable for the proper and efficient performance and administration of Federal awards. The Authority's procurement policy stated that it would comply with Federal procurement requirements,<sup>13</sup> including those that must be met to support cost reasonableness. However, the Authority did not ensure that it (1) had records detailing the history of its procurements, including its rationale for the procurement method, selection of contract type, contractor selection or rejection, and basis for contract price; (2) obtained performance and payment bonds; (3) negotiated profit as a separate element of price; (4) included required contract provisions; and (5) selected the proper procurement methods.

<sup>8</sup> The sources of funding consisted of the Capital Fund Program, Recovery Act, and the Authority's operating funds. Total amount excludes \$74,922 of costs questioned under the expenditure review.

<sup>9</sup> 24 CFR 85.36(f) – This part required the Authority to make independent estimates before receiving bids or proposals.

<sup>10</sup> This amount includes \$437,710 paid from capital funds, \$124,009 paid from operating funds, and \$109,492 paid from Recovery Act funds.

<sup>11</sup> 24 CFR 85.36(f)(3)

<sup>12</sup> 2 CFR Part 225

<sup>13</sup> 24 CFR 85.36

As an example of the Authority's failure to ensure that costs were necessary and reasonable, it used the same architectural and engineering contractor for 11 of 12 different projects during a 9-year period without documenting the selection methodology.<sup>14</sup> In another example, the Authority paid a \$200 monthly retainer fee totaling \$13,452<sup>15</sup> from January 2007 through August 2012 to an attorney without knowing what services the attorney provided or whether the cost was necessary or reasonable.

Further demonstrating the Authority's failure to follow procurement requirements, rather than maintaining a contract log or contract administration system as required to ensure that its contractors performed in accordance with the terms, conditions, and specifications of their contracts,<sup>16</sup> the Authority only kept folders that included documentation related to the work performed or completed by the contractor and other procurement related documentation.

### **Appliances Were Missing From the Authority's Inventory**

Between August 23, 2010, and April 25, 2011, the Authority purchased 89 appliances, including 49 refrigerators, 35 gas stoves, and 5 electric stoves, using \$35,315 in Recovery Act funds. Site visits determined that nine appliances were missing. In addition, a comparison of the Authority's inventory records to the invoice purchase receipts determined that an additional five appliances were missing. Further, the Authority's current executive director provided documentation showing that another 8 appliances were missing for a total of 22 missing appliances, consisting of 9 refrigerators, 10 gas stoves, and 3 electric stoves that cost a total of \$8,028. The Authority's inventory policy required it to ensure that the inventoried items were maintained and properly counted to reduce shrinkage and the risk of fraud.

### **The Authority Had Inaccurate and Misrepresented Board Minutes and Resolutions**

Under the former executive director, the Authority did not maintain true and accurate records of its board proceedings and board resolutions. Louisiana State regulations require all public bodies to keep written minutes of all open meetings as public records.<sup>17</sup> However, a review of the board minutes and board resolutions revealed many inaccuracies and misrepresentations. Specifically, the Authority documented records for meetings that did not occur and decisions that board members did not vote on. Without accurate board minutes, the Authority could not ensure that its actions had proper board approval or that the board provided adequate oversight.

### **The Authority Did Not Properly Maintain Its Section 8 and Public Housing Waiting Lists**

The Authority did not maintain adequate documentation to support its Housing Choice Voucher program and public housing waiting lists. At least 12 relatives or associates of the former executive director and former board chairman occupied the Authority's low-rent housing units,

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<sup>14</sup> As required by 24 CFR 85.36(b)9

<sup>15</sup> This total consisted of 65 payments of \$200, one payment of \$400 covering 2 months, and a final payment of \$52.

<sup>16</sup> 24 CFR 85.36(b)(2)

<sup>17</sup> Louisiana Revised Statute 42:20

and 4 received housing choice vouchers. According to the current executive director and a board member, the Authority's previous management placed some of the relatives into units ahead of others on the waiting list. For example, according to the current executive director, in May 2011, a homeless, terminally ill veteran applied and was approved for a public housing unit. However, the Authority placed the former board chairman's daughter, who was not on the waiting list, before the veteran. We could not validate this or other improprieties since the Authority did not maintain a public housing waiting list and the Housing Choice Voucher waiting list had incomplete documents, missing pages, overlapping time periods, and duplicate information.

### **The Authority Lacked Proper Oversight and Adequate Internal Controls**

The Authority did not have proper oversight and adequate internal controls. Specifically, it did not instruct its board members regarding their roles and responsibilities. In addition, while the Authority had a disbursements policy, the policy did not establish a level of review or approval before disbursements were made to vendors and contractors, and instead of following the disbursements policy, Authority staff performed the processes based upon a general knowledge of office procedures. Further, the Authority did not properly maintain its written policies and procedures as it could not locate its February 2005 to June 2013 admissions and occupancy policy, which governs its low-rent program.

### **RECOMMENDATIONS**

We recommend that the Director, Office of Public Housing, New Orleans, LA, require the Authority to

- 1A. Support or repay \$129,840, which includes \$15,156 to its operating fund, \$2,237 to HUD for its transmission to the U.S. Treasury, and \$112,447 to its Capital Fund program, in unsupported disbursements. Repayment must be from non-Federal funds.
- 1B. Support or repay to its operating fund \$33,081 in disbursements to employees for bonuses that were improperly awarded, duplicated pay periods, and unidentified purposes under the applicable years. Repayment must be from non-Federal funds.
- 1C. Repay its operating fund \$2,733 for funds paid to the previous executive director's wife when she was not an employee. Repayment must be from non-Federal funds.
- 1D. Perform a reconciliation of its bank and expenditure transactions to determine the specific uses of the \$182,005 in operating funds withdrawn from the three certificates of deposit and identify any missing funds. If the Authority cannot support the use of funds, it should repay its operating fund from non-Federal funds.
- 1E. Support that it properly used \$7,796 in cash from salvaged appliances and equipment or repay the money from non-Federal sources to its low-rent program.
- 1F. Support or repay to HUD \$437,710 in capital funds spent for any amounts that it cannot support for contracts that did not have procurement records, contracts, cost or price analyses, or independent cost estimates. Should the Authority provide sufficient



procurement documentation, require the Authority to provide invoice documentation to support \$21,686 paid to James Decker Builders, \$1,049 paid to Pan American Engineers, and \$49,695 paid to KDC Construction Company, or repay HUD any amounts that it cannot support, as questioned under recommendation 1A. Any repayments must be from non-Federal funds.

- 1G. Support or repay \$124,009 to its operating funds any amounts that it cannot support for contracts that did not have procurement records, contracts, cost or price analyses, or independent cost estimates. Should the Authority provide sufficient procurement documentation, require the Authority to provide invoice documentation to support \$225 paid to Van's Plumbing Repairs & Construction and \$30 paid to Mike Estes, PC, or repay to its operating fund any amount it cannot support, as questioned under recommendation 1A. Any repayments must be from non-Federal funds.
- 1H. Support or repay \$109,492 paid from its Recovery Act funds to HUD for its transmission to the U.S. Treasury any amounts that it cannot support for contracts that did not have procurement records, contracts, cost or price analysis, or independent cost estimate. Should the Authority provide sufficient procurement documentation, require the Authority to provide invoice documentation to support \$2,237 paid to Pan American Engineers, or repay to HUD for its transmission to the U.S. Treasury any amounts that it cannot support, as questioned under recommendation 1A. Any repayment must be from non-Federal funds.
- 1I. Provide complete, accurate inventory records to identify the appliances purchased with Recovery Act funds and the number missing. The Authority should support or repay \$8,028 to HUD for its transmission to the U.S. Treasury the cost of any appliance that it cannot account for. Any repayment must be from non-Federal funds.
- 1J. Develop adequate written accounting and disbursement policies and procedures.
- 1K. Maintain a contract administration system, which ensures that (1) procurement requirements are followed consistently; (2) a contract log needed to review its record of procurement actions and contractors is maintained; and (3) contractors perform in accordance with the terms, conditions, and specifications of their contracts as required by 24 CFR 85.36(b)(2).
- 1L. Provide HUD-approved training to its Board to ensure the commissioners receive written instructions on their roles and responsibilities.

## APPENDIX A

### SCHEDULE OF QUESTIONED COSTS

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Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$ 129,840
1B		33,081
1C	\$2,733	
1D		182,005
1E		7,796
1F		437,710
1G		124,009
1H		109,492
1I		8,028
<b>Totals</b>	<b>\$2,733</b>	<b>\$1,031,961</b>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

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#### Ref to OIG Evaluation

#### Auditee Comments

	<p style="text-align: center;"><b>COLFAX HOUSING AUTHORITY</b> <b>P.O. BOX 179     300 Park Lane</b> COLFAX, LA 71417</p> <p>Board Members: Eugene Couvillion, Chairman; Clara Crayton, Kimberline Williams, Gwendolyn Allen Consondra Davis., Executive Director.</p> <p style="text-align: center;">September 16, 2013</p> <p>TO: U.S. Department Of Housing and Urban Development Office of Inspection General</p> <p>From: Consondra Dorsey-Davis Executive Director</p> <p>Re: Colfax Housing Authority, LA122, Plan of Action In response To the Findings of the Audit Report of HUD's Office of Inspector General</p> <p>This reported finding covers the Authority's financial transactions, procurements, ARRA 2009 grant, and the programs, Low-Rent and Voucher Choice, administered by the Colfax Housing Authority for the period covering January 01, 2007 through December 31, 2012.</p>
Comment 1	1A: Supporting documentations were found for the funds totaling \$134,703, in unsupported disbursement.
Comment 2	1B: The Authority shall review the amount totaling \$33,081, in disbursements to employees and provide supporting documentations or repay to its operating fund account.
Comment 2	1C: No supporting documentation for this disbursement. Letters of Demand has been sent in pursue of recouping the amount owed to the operating fund account.
Comment 2	1D: The Authority has begun a reconciliation of its expenditure to account for the use of \$182,005.00 received from the three certificates of deposits.

**Ref to OIG Evaluation**

**Auditee Comments (continued)**

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|-----------|--|
| Comment 2 | 1E: Of the \$8,688 cash received for salvage sales, only \$297.17 was deposited into the operating funds account. The remaining balance of \$7,796, no supporting documentation for this disbursement show proper usage. The Authority will pursue recouping the amount owed to the operating fund account   |
| Comment 3 | 1F: The 2009 vehicle in the amount \$16, 305, was purchased from Futurell Chevrolet, a vendor with the OSP. The Authority procurement policy revised and approved on 02/17/2005, states that the purchase of a vehicle, not exceeding \$25,000, does not have to be advertised and let out for bids. \$18, 000, was placed in the 2009 CFP under line 1475- Non dwelling Equipment and approved by the local HUD field office.   |
| Comment 2 | 1G: Supporting documents or repayment shall be made to HUD for the amount of \$437,710, used in capital funds. Invoice documents have been received and attached to the payments mentioned within this line item totaling \$75,667.  |
| Comment 2 | 1H: The Authority shall follow the recommendation to show support or repay \$122,774 to its operation funds.   |
| Comment 2 | 1I: The Authority shall follow the recommendation to show support or repay \$109,492 to the U.S. Treasury.   |
| Comment 2 | 1J: The Authority shall show support or repay any funds owed to the U.S. Treasury for the cost of any appliances that it cannot account for. Through the Authority's program software, it is able to maintain an up to date and accurate account of its inventory. Of the 89 appliances 6 were re-purchased, four gas stoves and 2 refrigerators. 83 appliances have been accounted for. \$18,672 was returned to the Authority due to a credit. No known supporting document to show the disbursement. The refund was issued in four separate checks. No known disbursement in those amounts. |
| Comment 2 | 1K: The Authority will review all policies and procedures and revise accordingly as recommended.   |
| Comment 2 | 1L: The Authority shall follow the recommendation to maintain accurate contract administration system to assure all specifications are followed as required.   |
| Comment 2 | 1M: Members have received written instructions on their roles and responsibilities. The Authority will provide HUD approved procurement training to Board Members. The Authority will provide management training to employees to assure clarification that the programs are maintained accurately and specifications are followed as required.  |

## OIG Evaluation of Auditee Comments

Comment 1 The Authority provided additional documentation with its written response related to the questioned costs for 9 of the 13 disbursements discussed in the draft memorandum. Due to its size, we did not include this documentation in the final memorandum. Based upon our review, we determined that the documentation (1) was not sufficient to support five of the disbursements; (2) partially supported the questioned costs for three of the disbursements; and (3) fully supported the questioned costs for one disbursement. As such, we revised the memorandum and reduced the questioned costs by \$4,864 (\$134,704<sup>18</sup> - \$129,840 for the remaining 12 unsupported disbursements) as shown in table 5.

**Table 5**

<b>Payee</b>	<b>Original questioned amount</b>	<b>Revised questioned amount</b>	<b>Difference</b>
Mike Estes, PC	\$ 530	\$ 30	\$ 500
Pan American Engineers, Inc.	3,322	0	3,322
Van's Plumbing Repairs and Construction	1,050	225	825
KDC Construction Company	36,895	36,895	
Town of Colfax	9,186	9,186	
CitiBusiness Card	294	77	217
Colfax Banking Company	2,725	2,725	
KDC Construction Company	12,800	12,800	
Pan American Engineers, Inc.	3,286	3,286	
Petron, LLC	7,754	7,754	
Petron, LLC	32,263	32,263	
James Decker Builders	21,686	1,686	
LHC Employee Benefits	2,913	2,913	
<b>Total</b>	<b>\$134,704</b>	<b>\$129,840</b>	<b>\$4,864</b>

Comment 2 The Authority generally agreed with our conclusions and recommendations and asserted that it has taken or will take the appropriate actions to resolve the recommendations. We recognize the Authority's efforts in addressing the errors identified in the memorandum and improving its processes.

Comment 3 The Authority disagreed and commented that, per its procurement policy, a vehicle purchase not exceeding \$25,000 does not require advertisement for bids. In addition, the Authority indicated that its HUD approved budget included \$18,000 under line item 1475-Non dwelling Equipment of 2009 capital funds; thus, suggesting that the budget allowed for the vehicle purchase. We agree that the procurement policy did not require advertisement for bids and that the HUD approved budget included \$18,000 under the line item. We removed this issue from the audit memorandum even though the Authority did not properly justify in its files that this vehicle purchase was an emergency purchase.

<sup>18</sup> The total \$134,704 differs from the \$134,703 referenced in the auditee comments under 1A due to rounding.

## Appendix C

### EXPENDITURE REVIEW RESULTS

Payee	Total disbursements	Supported	Unsupported	Funding source	Comment(s)
N.J. Bonnette	\$ 27,950	\$ 27,950			
Mike Estes, PC	11,030	11,000	\$ 30	Operating	Exceeded contract amount
Pan American Engineers, Inc.	3,322	3,322			
Petron, LLC	55,438	55,438			
Robert L. Kennedy	200	200			
Service Air & Electrical Co.	10,347	10,347			
Van's Plumbing Repairs and Construction	1,050	825	225	Operating	Incomplete documentation
Bass International Software	2,000	2,000			
Chevron & Texaco Credit Card	743	743			
Dempsey Business Systems	6,505	6,505			
Service Air & Electrical Co.	70,670	70,670			
Arthur Gallagher Risk Management	31,548	31,548			
Foster Construction, Inc.	87,099	87,099			
Futrell Chevrolet, Inc.	16,305	16,305			
KDC Construction Company	36,895		36,895	Capital Fund	No invoice
Lowe's Home Improvement	2,111	2,111			
Sayes Office Supply	1,223	1,223			
Town of Colfax	9,186		9,186	Operating	No invoice
Allstate Insurance Company	1,215	1,215			
Bayou State Alarms & Communications	6,877	6,877			
CitiBusiness Card	294	217	77	Operating	No support/explanation for costs
Colfax Banking Company	2,725		2,725	Operating	Insufficient documentation
Fidelity National Property	6,840	6,840			
Housing Solutions Alliance	7,785	7,785			
KDC Construction Company	12,800		12,800	Capital Fund	No invoice
Lindsey Software Systems, Inc.	16,860	16,860			
Lowe's Home Improvement	2,262	2,262			
Lowe's Home Improvement	710	710			
Lowe's Home Improvement	269	269			
Mike Estes, PC	10,230	10,230			
Pan American Engineers, Inc.	8,692	5,406	3,286	Capital Fund (\$1,049); Recovery Act (\$2,237)	Partially supported
Petron, LLC	7,754		7,754	Capital Fund	No invoice
Petron, LLC	32,263		32,263	Capital Fund	No invoice
Price Office Supply & Equipment	434	434			
James Decker Builders	21,686		21,686	Capital Fund	No invoice
LHC Employee Benefits	2,913		2,913	Operating	No invoice/other documentation
<b>TOTALS</b>	<b>\$516,231</b>	<b>\$386,391</b>	<b>\$129,840</b>		

## Appendix D

### PROCUREMENT REVIEW RESULTS

Contractor	Total Disbursements	Unsupported	Funding Source	Comment(s)
James Decker Builders	\$205,286	\$205,286	Capital Fund	No contract or procurement file to document the history of procurement (Note: Unsupported amount includes \$21,686 questioned under expenditure review)
Bayou State Alarms & Communications, LLC	9,001	9,001	Capital Fund	No contract or procurement file to document the history of procurement
Housing Solutions Alliance	28,387	28,387	Operating	No cost analysis or independent cost estimate
KDC Construction Company	78,300	78,300	Capital Fund	No contract (Note: Unsupported amount includes \$49,695 questioned under expenditure review)
Robert L. Kennedy	13,452	13,452	Operating	No contract or procurement file to document the history of procurement
Mike Estes, PC	59,330	59,330	Operating	No procurement file to document history of procurement (Note: Unsupported amount includes \$30 questioned under expenditure review)
Pan American Engineers, Inc.	13,590	13,590	Capital Fund and Recovery Act	No cost analysis or independent cost estimate and insufficient records to detail the history of the procurement (Note: Unsupported amount includes \$3,286 questioned under expenditure review)
Petron, LLC	75,833	75,833	Capital Fund	No contract; no cost analysis or independent cost estimate; insufficient records to detail the history of the procurement and no performance and payment bond
Foster Construction	109,492	109,492	Recovery Act	No cost analysis or independent cost estimate
Service Air & Electric	81,017	81,017	Capital Fund	No cost analysis or independent cost estimate; insufficient records to detail the history of procurement details; no performance and payment bond; contract did not include all provisions as required
N.J. Bonnette	49,350	49,350	Capital Fund	No contract; insufficient records to detail the history of the procurement; no written justification to support use of procurement method
Van's Plumbing Repairs and Construction	2,374	2,374	Operating	No contract or procurement file to document the history of procurement (Note: Unsupported amount includes \$225 questioned under expenditure review)
Lindsey & Company	20,721	20,721	Operating	No costs analysis or independent cost estimate
<b>TOTALS</b>	<b>\$746,133</b>	<b>\$746,133</b>		