



Crisfield Housing Authority, Crisfield, MD

Public Housing Program Operating and Capital Funds



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3BPH

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//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia
Region, 3AGA

Subject: The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its
Public Housing Program Operating and Capital Funds

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Crisfield Housing Authority's public housing program operating and capital funds.

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.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



Audit Report Number: 2018-PH-1007

Date: September 25, 2018

The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds

Highlights

What We Audited and Why

We audited the Crisfield Housing Authority's use of public housing program operating and capital funds because we received a hotline complaint alleging misuse of public housing assets and we had never audited the Authority. The audit objective was to determine whether the Authority administered its public housing program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) requirements and its annual contributions contract.

What We Found

The Authority did not properly administer its public housing program according to applicable HUD requirements and its annual contributions contract. It did not (1) properly administer its operating funds, (2) comply with conflict-of-interest requirements, and (3) comply with capital fund requirements. As a result, the Authority's use of operating funds totaling \$137,500 for security services and more than \$1.4 million for unit repairs were unsupported and it made ineligible payments totaling \$111,568 for unit repairs and repairs to its public housing vehicles using operating funds. In addition, regarding its use of capital funds, the Authority could not show that the prices it paid for products and services totaling \$171,822 were fair and reasonable, and payments it made totaling \$236,284¹ for salaries and other services were ineligible.

What We Recommend

We recommend that HUD direct the Authority to (1) provide documentation to support \$137,500 it paid for security services, or reimburse its operating fund for any costs that it cannot support; (2) reimburse its operating fund \$111,568; (3) submit a retroactive request for a waiver to the conflict-of-interest requirements to support payments of nearly \$1.5 million or reimburse the appropriate fund² for any amount not covered by a waiver; (4) provide documentation to show that purchases of products and services totaling \$171,822 using capital funds were at fair and reasonable prices; and (5) reimburse its capital fund \$170,784. We also recommend that HUD's Departmental Enforcement Center evaluate the apparent conflict-of-interest situations identified in this report and pursue administrative sanctions if warranted.

¹ To avoid double-counting monetary benefits, we reduced this amount by \$65,500 and reported \$170,784 in the related recommendation because \$65,500 of this amount was also included in the unsupported costs reported in the conflict-of-interest finding and recommendation.

² Operating funds of \$1,433,637 and capital funds of \$65,500

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Background and Objective

The U.S. Department of Housing and Urban Development’s (HUD) public housing program was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Operating funds and capital funds are two major components of HUD’s public housing program. Operating funds provide annual operating subsidies to public housing agencies to assist in funding the operating and maintenance expenses of low-income housing units. Capital funds provide annual formula grants to public housing agencies for the development, financing, and modernization of public housing developments and management improvements.

The Crisfield Housing Authority is a public housing agency located in Crisfield, MD. It is governed by a five-member board of commissioners. The board conducts the Authority’s business and establishes policies. The mayor of Crisfield appoints the members to the board. The board hires an executive director to manage the day-to-day operations of the Authority. The executive director is directly responsible for carrying out the policies established by the board and is delegated responsibility for hiring, training, and supervising the Authority’s staff to ensure compliance with applicable requirements. The Authority is located at 115 South Seventh Street, Crisfield, MD. It owns and manages 330 public housing units. HUD authorized the Authority the following assistance for its public housing program for fiscal years 2014 to 2016:

Fiscal year	Operating Fund program	Capital Fund program
2014	\$916,123	\$390,940
2015	1,035,367	398,622
2016	952,877	417,006
Totals	2,904,367	1,206,568

HUD designated the Authority “troubled” on December 28, 2015, due to its fiscal year 2015 public housing authority assessment system score. The main contributors to the low score were scores of 4 out of 25 points in the financial assessment sub-system and 22 out of 40 points in the physical assessment sub-system. HUD removed the “troubled” designation from the Authority on March 31, 2017.

We received a complaint alleging that the Authority was not administering its public housing programs in accordance with Federal requirements. The complaint made several allegations, including misuse of public housing funds and improper use of assets to secure a loan. Because we had not audited the Authority, we performed a comprehensive audit of its HUD-funded

programs. This is the second of two reports that address the Authority's administration of HUD-funded programs.³

Our objective was to determine whether the Authority administered its public housing programs in accordance with applicable HUD requirements and its annual contributions contract.

³ Audit Report 2018-PH-1003, The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Housing Choice Voucher Program, issued March 30, 2018

Results of Audit

Finding 1: The Authority Did Not Properly Administer Its Operating Funds in Accordance With Requirements

The Authority could not adequately support its use of public housing program operating funds totaling \$137,500. The Authority could not

- support payments totaling \$137,500 that it paid for security services provided by its local law enforcement agencies,
- support the eligibility of 14 families participating in its public housing program,
- show that it properly selected families from the waiting list,
- show that it properly charged flat rents to families that chose the pay flat rent, and
- justify charging an extremely low rent amount to eight employees who lived in its public housing units.

These conditions occurred because the Authority lacked procedures and controls to ensure that it administered operating funds in accordance with applicable requirements. As a result, the Authority's use of operating funds totaling \$137,500 was unsupported.

The Authority's Payments for Security Services Were Unsupported

The Authority made unsupported payments of operating funds for security services totaling \$137,500 during our audit period. Although HUD regulations allowed the Authority to use operating funds to pay for these expenses, the Authority was required to maintain documentation to support the expenses.

Payments for Services Provided by the City's Department of Police

The Authority signed an indefinite contract with the City of Crisfield's Department of Police that started on July 1, 2014.⁴ It agreed to reimburse the City for police services in the amount of \$10,000 quarterly. It paid the City \$110,000 for these services during the audit period. All of the payments were unsupported because contrary to article V, section C, of the contract, the City did not provide copies of certified payroll time reports documenting names, employee identification, the hours worked in the Authority's public housing developments, supervisory approval of the reports, and supervisory verification of the necessity for any overtime worked. In addition, a \$10,000 payment for services provided during the period April 1, 2014, to June 30, 2014, was unsupported because the Authority did not have a contract with the City for services for that period.

⁴ The contract did not have an end date. The terms of the contract remained in effect until either party terminated the contract by giving the other party 30 days' notice.

Payments for Services Provided by the Somerset County Sheriff's Office

The Authority signed a 1-year contract with the sheriff's office that started on September 1, 2015. The Authority agreed to reimburse the sheriff's office a total amount not to exceed \$10,000 per year (\$2,500 per quarter). It signed an indefinite contract with the sheriff's office that started on August 15, 2016, for the same services at the same rates. The Authority paid the sheriff's office \$27,500 for these services during the audit period. All of the payments were unsupported because the Authority had no invoices to support the payments. The Authority stated that it automatically paid the sheriff's office based on the contract. Further, contrary to article V, section C, of the contract, the sheriff's office did not provide copies of certified payroll time reports documenting names, employee identification, the hours worked within in the Authority's public housing developments, supervisory approval of the reports, and supervisory verification of the necessity for any overtime worked. In addition, payments totaling \$14,166 for services provided during the period April 1, 2014, to August 31, 2015, were unsupported because the Authority did not have a contract with the sheriff's office for services during that period.

These conditions occurred because the Authority lacked controls to ensure that it (1) made payments for these services only after it received the documentation required by the contracts with the City and the sheriff's office and (2) always had contracts in place for these services. As a result, payments totaling \$137,500 for these services were unsupported.

The Authority Lacked Documentation To Support Household Eligibility

The Authority's files for 14 families reviewed lacked documentation to show that the families were eligible for assistance under the program. HUD regulations at 24 CFR (Code of Federal Regulations) 960.201 require that applicants meet all eligibility requirements to receive housing assistance. The files lacked the following eligibility documentation:

- 14 files lacked documentation to show citizenship declarations. Regulations at 24 CFR 5.508(c)(1) required the Authority to obtain a written declaration of citizenship from each family member.
- 6 files lacked copies of birth certificates for one or more household members. Chapter 7, paragraph 7-II.C, of the Authority's administrative plan stated that a birth certificate or other official record of birth was the preferred form of age verification for all family members.
- 1 file lacked evidence to show that the Authority used HUD's Enterprise Income Verification system to verify household income since the family was a previous public housing participant. Regulations at 24 CFR 5.233(a)(2)(i) require the Authority to use the income verification system as a third-party source to verify tenant employment and income.

These conditions existed because the Authority lacked procedures to have a supervisor review the files to ensure that staff complied with program requirements. As a result, HUD had no assurance that families residing in public housing units were eligible for assistance and that rent amounts were always calculated correctly. (Appendix C contains a summary of the results of our file reviews.)

The Authority Did Not Maintain Documentation To Support Waiting List Selection and Placements

For 14 of 39 files reviewed, the Authority did not maintain appropriate documentation to show that the families were selected from the waiting list in accordance with its admission and occupancy plan. The files lacked documentation to show each applicant's waiting list position, preference points, and selection from the waiting list. Program regulations at 24 CFR 960.202(c)(2) required the Authority to leave a clear trail showing that each applicant had been selected in accordance with the method established in the Authority's admission policies. This condition existed because the Authority lacked controls to ensure that it complied with program requirements. As a result, there was no assurance that applicants were placed properly on the waiting list and selected fairly from it.

The Authority Did Not Properly Implement Flat Rents

The Authority did not charge 54 families flat rent as required. HUD's Office of Public and Indian Housing Notices 2014-12 and 2015-13 required the Authority to establish flat rents based on the market rent of comparable units in the private, unassisted rental market. At admittance into the program and at annual recertification, assisted families choose to either pay an income-based rent or a flat rent. Generally, HUD required flat rents to be set at rates no lower than 80 percent of the fair market rent for the area based on the number of bedrooms in the housing unit. The Authority did not use the fair market rents to calculate the rent for the 54 families that chose to be charged a flat rent. For example, for one family residing in an efficiency unit, the Authority set the rent amount at \$312 although the rent amount should have been \$392 based on the fair market rent values and HUD's flat rent guidance. As a result, the Authority did not collect the appropriate amount of rent from these families. This condition occurred because the Authority assigned the responsibility for implementing the flat rent requirements to an employee who was not familiar with the public housing program and the Authority lacked procedures to have a supervisor review the files to ensure that staff complied with flat rent requirements. As a result, the Authority undercharged families rent by \$83,674 during our audit period, and we estimate that it will undercharge these families \$38,664 in rent over the next year if it does not correct the flat rent amounts it charges.⁵

The Authority Could Not Justify Employee Rent Amounts

The Authority could not justify charging rent of \$275 per month to eight employees regardless of the number of bedrooms in their housing units. Three of the eight families resided in units that were larger than their need based on family size. HUD Handbook 7465.1, REV-2, chapter 6, section 3(b)(2) states that public housing tenants who work for the public housing agency are subject to all of the occupancy requirements and have all the same rights and responsibilities as other public housing tenants. The handbook also states that the public housing agency may not lower the amount it is required to pay as rent as compensation for employment. Chapter 5,

⁵ We used in our calculations the small area fair market rents for zip code 21817 which is where the Authority and its public housing units are located. Small area fair market rents reflect rents for U.S. Postal ZIP codes, while traditional fair market rents reflect a single rent standard for an entire metropolitan region. We estimated that the Authority would continue to collect less rent over the next year. As of December 31, 2016 (the end of our audit period), we determined that 54 families were underpaying \$3,222 per month ($\$3,222 \times 12 = \$38,664$).

section 5.1.b, of the Authority's admission and continued occupancy plan required it to establish occupancy standards to ensure that units were occupied by families of the appropriate size and apply them in a manner consistent with fair housing requirements. Contrary to requirements, the occupancy specialist recertified the rent for these employees at the same extremely low rate annually. The executive director explained that the practice of charging employees an extremely low rent was in effect when he was hired by the Authority in 2002. The executive director viewed this arrangement as an employee benefit and believed that HUD was aware of it. As a result, the Authority collected \$41,809 less in rent from these eight families during our audit period. Unless the Authority corrects this condition, we estimate that it will collect \$25,248 less in rent over the next year from these eight families.⁶

Conclusion

The Authority could not adequately support its use of public housing program operating funds. The Authority lacked procedures and controls to ensure that it complied with applicable requirements. As a result, its use of operating funds totaling \$137,500 was unsupported.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing direct the Authority to

- 1A. Provide documentation to support the \$137,500 paid for security services from operating funds or reimburse its program from non-Federal funds for any costs that it cannot support.
- 1B. Provide the documentation that was missing from the 14 files reviewed. If documentation cannot be provided, the Authority should follow applicable regulations and terminate or modify assistance as necessary.
- 1C. Develop and implement controls to ensure that families are properly selected from the waiting list and that their selection is documented in their tenant files.
- 1D. Correct the rent calculations for the 54 families identified by the audit to properly implement flat rent.
- 1E. Correct the rent calculations for the employees whom it charged an extremely low rent, thereby ensuring that it collects an estimated \$25,248 more in rent over the next year.
- 1F. Develop and implement controls to ensure that it pays for services only after it receives the documentation required to be provided by contract and that provided services are supported by a contract.

⁶ As of December 31, 2016 (the end of our audit period), the eight families underpaid rent by \$2,104 per month (\$2,104 x 12 months = \$25,248).

- 1G. Develop and implement procedures to have a supervisor review tenant files to ensure that the files are accurate and complete and comply with program requirements.
- 1H. Develop and implement procedures to ensure that flat rents are calculated correctly for those families that choose to pay flat rent, thereby ensuring that it collects at least \$38,664 in additional rental income.

We also recommend that the Director of HUD's Baltimore Office of Public Housing

- 1I. Provide training and technical assistance to the Authority to ensure that it properly administers its operating funds in accordance with applicable requirements.

Finding 2: The Authority Did Not Comply With Conflict-of-Interest Requirements

Contrary to the terms of its consolidated annual contributions contract, the Authority allowed conflict-of-interest situations to exist when it paid the husband of its Housing Choice Voucher Program coordinator, the brother of the executive director, and the chairman of its board of commissioners to participate in its public housing program. The Authority paid businesses owned by the three individuals more than \$1.6 million in program funds for unit repairs and repairs to its public housing vehicles.⁷ These conditions occurred because the Authority lacked controls to prevent and detect conflict-of-interest situations and it did not request waivers from HUD. As a result, it improperly paid program funds totaling more than \$1.6 million to individuals who were prohibited by the annual contributions contract from participating in the program.

The Authority Allowed Conflict-of-Interest Situations To Exist

Contrary to the terms of its consolidated annual contributions contract, the Authority allowed three ineligible individuals to participate in its program. The following paragraphs provide details.

- The husband of the Authority's Housing Choice Voucher Program coordinator participated in the program, although it was prohibited. During the period April 2010 to June 2014,⁸ the Authority paid \$827,649 to a business owned by the husband for renovation services, such as drywall replacement, cabinet repair, and other repairs needed in its public housing units. Section 19(A)(1)(ii) of the Authority's consolidated annual contributions contract prohibited the Authority from entering into any contract or arrangement in connection with a project under the contract in which any employee of the Authority who formulated policy or who influenced decisions with respect to the project or any members of the employee's immediate family or the employee's partner had an interest, direct or indirect, during his or her tenure or for 1 year thereafter.
- The brother of the Authority's executive director participated in the program although it was prohibited. The Authority paid \$778,483 during the period December 2010 to June 2015⁸ to a business owned by the brother for repairs to housing units. Section 19(A)(1)(ii) of the Authority's consolidated annual contributions contract prohibited this arrangement.
- The chairman of the Authority's board of commissioners participated in the program although it was prohibited. During the period January 2013 through March 2016,⁸ the Authority paid \$4,573⁹ to an automotive repair shop owned by the board chairman for

⁷ Of this amount, \$1,545,205 was operating funds, and the other \$65,500 was capital funds.

⁸ The Scope and Methodology section of this report explains why payments outside our audit period were reported.

⁹ Of this amount, \$3,381 was paid during our audit period, and the remaining \$1,192 was paid before our audit period.

repairs to the Authority’s vehicles. Section 19(A)(1) of the Authority’s consolidated annual contributions contract prohibited it from entering into a contract or arrangement in connection with the program in which any present or former member or officer of the Authority has an interest, direct or indirect, during his or her tenure or for 1 year thereafter.

These conditions occurred because the Authority lacked controls to prevent and detect conflict-of-interest situations and it did not request waivers from HUD. Although section 19 of the consolidated annual contributions contract permitted HUD to waive conflict-of-interest requirements for good cause, the Authority did not request waivers. It incorrectly believed that these situations were allowed as long as it disclosed them in its annual audited financial statements and its board approved of the arrangement. As a result, the payments totaling more than \$1.6 million were ineligible. However, for nearly \$1.5 million of the \$1.6 million the Authority paid to the brother of the executive director and the husband of its Housing Choice Voucher program coordinator, HUD stated that it verbally waived the conflict-of-interest requirements for work performed on its public housing units to recover from Hurricane Sandy. The following chart shows the payments made before and after Hurricane Sandy affected Crisfield, MD.¹⁰

Payee	Payments before Hurricane Sandy	Payments after Hurricane Sandy	Totals
Husband of the Housing Choice Voucher Program coordinator	\$192	\$827,457 ¹¹	\$827,649
Brother of the executive director	106,803	671,680 ¹²	778,483
Totals	106,995	1,499,137¹³	1,606,132

Paragraph 14.4D of HUD Handbook 7460.8, REV 2, required the Authority to submit requests for waivers to the HUD field office for approval by HUD headquarters if the HUD field office recommended approval. It stated that HUD headquarters would determine whether good cause existed for approving a waiver under the consolidated annual contributions contract. Since the HUD field office stated that it verbally expressed approval for the Authority to conduct business with otherwise prohibited parties, we considered the related payments totaling nearly \$1.5 million unsupported because these payments required a decision by HUD headquarters’ officials.

HUD’s Review Identified This Issue

HUD conducted an on-site public housing authority recovery and sustainability initiative assessment of the Authority in May 2016 and identified this issue. HUD found that to expedite

¹⁰ On October 28, 2012, Hurricane Sandy moved up the eastern seaboard of the United States, making landfall near Atlantic City, NJ, on October 29, 2012.

¹¹ Of this amount, \$794,957 was operating funds, and the other \$32,500 was capital funds.

¹² Of this amount, \$638,680 was operating funds, and the other \$33,000 was capital funds.

¹³ Of this amount, \$2,650 was paid with operating funds during our audit period, and the remaining \$1.4 million was paid before our audit period.

the construction and renovations required to rehouse displaced tenants after Hurricane Sandy, the Authority contracted with businesses that had family connections to Authority staff that would be classified as conflicts of interest. The husband of an Authority employee owned one of the businesses and the brother of the executive director owned the other business. HUD stated that the Authority contracted with these businesses despite the conflict of interest. HUD also found that the Authority contracted with an automotive repair business owned by a member of the board of commissioners. It stated that there was no supporting documentation that indicated HUD issued a waiver that would exempt the conflict of interest. HUD recommended that (1) conflicts of interest should be avoided whenever possible; and (2) when a conflict arises and cannot be circumvented, the Authority should follow its procurement policy for detailed instructions on how to process and seek a waiver from HUD to proceed. However, the negotiated recovery agreement did not address these recommendations in the action plan.

Conclusion

The Authority allowed three ineligible individuals to participate in its program. These conditions occurred because the Authority lacked controls to prevent and detect conflict-of-interest situations and it did not request waivers from HUD to resolve the conflicts. HUD stated that it verbally waived the conflict-of-interest requirements for work performed on the Authority's public housing units to recover from Hurricane Sandy. Therefore, as a result, the Authority made ineligible payments totaling \$111,568¹⁴ and unsupported payments totaling nearly \$1.5 million.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing require the Authority to

- 2A. Reimburse its program \$111,568 from non-Federal funds for the ineligible payments it made due to the conflict-of-interest situations identified by the audit.
- 2B. Submit a retroactive request for a waiver to the conflict-of-interest requirements to support payments totaling \$1,499,137¹⁵ or reimburse the appropriate fund from non-Federal funds for any amount not covered by a waiver.
- 2C. Develop and implement controls to prevent and detect conflict-of-interest situations.

We also recommend that the Director of HUD's Departmental Enforcement Center

- 2D. Evaluate the apparent conflict-of-interest situations in this report and pursue administrative sanctions if warranted.

¹⁴ \$111,568 = \$4,573 + \$192 + \$106,803

¹⁵ Of this amount, \$1,433,637 was operating funds and the other \$65,500 was capital funds.

Finding 3: The Authority Did Not Comply With Capital Fund Program Requirements

Contrary to HUD regulations and program requirements, the Authority improperly procured products and services and used capital funds for ineligible purposes. Specifically, it (1) did not always maintain documentation to show that it procured products and services according to procurement requirements; and (2) used capital funds to pay for employee salaries, concrete and unit repairs, and security services that did not meet program eligibility requirements. These conditions occurred because the Authority lacked controls to ensure that it complied with applicable requirements. As a result, it could not show that the prices it paid for products and services totaling \$171,822 were fair and reasonable, and its payments totaling \$236,284 for salaries and other services were ineligible.

The Authority Did Not Adequately Document Procurement of Products and Services

Of more than \$1 million in program funds that the Authority disbursed to 25 vendors during the audit period, it did not have documentation to support its procurement of products and services totaling \$171,822 from 11 vendors. The Authority purchased products and services from

- 11 vendors without having prepared independent cost estimates. The Authority's procurement policy stated that for all purchases above the micropurchase threshold (purchases less than \$2,000), it was required to prepare an independent cost estimate before solicitation. The policy also stated that the level of detail was required to match the cost and complexity of the item to be purchased. The Authority could not provide documentation to show that it complied with the above requirements. As a result, purchases totaling \$171,822 were unsupported.
- 5 vendors without documentation to show that it competitively procured products and services. Section 1.3 of HUD Handbook 7460.8, REV-2, reminded the Authority that among other items, the Federal uniform administrative requirements required it to ensure an environment of full and open competition in all procurement matters. To meet this requirement, the Authority's procurement policy stated that for any purchases below the small purchase limit of \$100,000, it was required to obtain a reasonable number of quotes, preferably three, and for purchases less than \$2,000 only one quote was required if that quote was considered reasonable. It also stated that the Authority would award the purchase to the qualified vendor that provided the best value and if it awarded the purchase for reasons other than lowest price, documentation had to be maintained in the contract file. Since the Authority did not have documentation to show that it purchased services and products competitively, purchases totaling \$84,467 were unsupported.
- 1 vendor without creating contracts as required by paragraph 5.10(B) of HUD Handbook 7460.8, REV 2. The Handbook stated that contracts for construction work costing more than \$2,000 but not more than \$100,000 were required to incorporate the clauses for general conditions for small construction and development contracts, and the applicable Davis-Bacon Act wage decision. To incorporate the required clauses, there needed to be a contract. Since the Authority paid for these services without having contracts in place, purchases totaling \$38,958 were unsupported.

- 1 vendor after the contract expired. The contract for security services expired in July 2007 and was not renewed until July 1, 2014. The Authority continued to pay the vendor without a contract in place including \$9,682 for services during the period April 1, through June 30, 2014, which was in our audit period. The Authority's procurement policy required it to maintain a system of contract administration to ensure that contractors performed in accordance with their contracts. Without a contract, the terms of the relationship, as well as the rights and responsibilities of the Authority and the vendor, were unknown. Since the Authority paid for these services without having a contract in place, purchases totaling \$9,682 were unsupported.

Since the Authority did not have documentation to show that it complied with requirements, payments totaling \$171,822 were unsupported. (Appendix D contains the results from our review of capital fund disbursements. Some disbursements had more than one deficiency. Appendix E shows the deficiencies and questioned costs.)

The Authority Used Capital Funds To Pay for Ineligible Costs

The Authority improperly used capital funds totaling \$236,284 to pay for ineligible employee salaries, concrete and unit repairs, and security services. It used funds totaling \$161,102 to pay salary costs for three employees who performed duties associated with public housing rent collection, day care, and youth programs. Regulations at 24 CFR 905.200(b)(15) state that any administrative costs, including salaries and employee benefit contributions, must be related to a specific public housing development or modernization project. The work performed by the three employees noted above was related to the administration of public housing. It was not work related to developing or modernizing a public housing project. The Authority also used funds totaling \$65,500 to pay two businesses owned by individuals who were prohibited from participating in the program due to apparent conflict-of-interest situations (see finding 2). Further, the Authority also used capital funds totaling \$9,682 to pay for security services. Regulations at 24 CFR 905.202(h)(1) state that costs for security guards or ongoing security services are ineligible. The Authority agreed that it spent capital funds on services that did not meet program eligibility requirements. It explained that since the items were listed in its annual plan which was reviewed by HUD, HUD approved it to spend funds on the identified services. Since the Authority made payments for prohibited expenses that were not program related, the payments totaling \$236,284 were ineligible. (Appendix E shows the deficiencies and questioned costs.)

HUD's Review Identified Problems

In its May 2016 public housing authority recovery and sustainability initiative assessment HUD found that the Authority incurred ineligible expenses for security services and salaries for its day care and youth sports staff. HUD recommended that (1) the executive staff should participate in training directed toward the capital fund and request technical assistance from the Baltimore HUD Field Office; (2) the Authority should request a budget revision to eliminate the ineligible capital fund expenses including costs for security services and salaries for day care and youth sports staff; and (3) the executive staff participate in procurement training to reacquaint themselves with the procurement policy. The negotiated recovery agreement addressed the recommendation for the Authority to eliminate ineligible expenses in the action plan. The action

plan required the Authority to correct its 2016 capital fund plan and not include ineligible expenses on its 2017 capital fund plan. The action plan did not include the Authority repaying its program for the ineligible expenses that HUD identified during its review.

Conclusion

Contrary to HUD regulations and program requirements, the Authority improperly procured products and services and used capital funds for ineligible purposes. These conditions occurred because that Authority lacked controls to ensure that it complied with applicable requirements. As a result, the Authority could not show that the prices it paid for products and services totaling \$171,822 were fair and reasonable and its payments totaling \$236,284 for salaries and other services were ineligible.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing require the Authority to

- 3A. Provide documentation to show that products and services totaling \$171,822 were purchased at fair and reasonable prices. For any amounts determined to be unreasonable and not supported, the Authority should reimburse the program from non-Federal funds.
- 3B. Reimburse its program \$170,784¹⁶ from non-Federal funds for the ineligible salary payments and ongoing security payments.
- 3C. Develop and implement controls over its procurement actions to ensure that prices paid for goods and services are reasonable.
- 3D. Develop and implement controls to ensure that program funds are used for eligible activities only.

¹⁶ To avoid double-counting, we reduced the ineligible amount reported in this recommendations by \$65,500 paid to two vendors because that amount was included in the unsupported costs reported in recommendation 2B. The calculation is $\$236,284 - \$33,000 - \$32,500 = \$170,784$.

Scope and Methodology

We conducted the audit from January 2017 through July 2018 at the Authority's office located at 115 South Seventh Street, Crisfield, MD, and our offices located in Richmond, VA, and Baltimore, MD. The audit covered the period April 2014 through December 2016 but was expanded to include the period April 2010 to April 2014 to review payments the Authority made to individuals who were prohibited from participating in its public housing program because of apparent conflict-of-interest situations. We included these payments to determine whether the conflict-of-interest situations existed before the Hurricane Sandy disaster in October 2012.

To accomplish our objective, we reviewed

- Applicable regulations; the Authority's administrative plan; HUD's program requirements at 24 CFR Parts 990, 960, and 905; Office of Public and Indian Housing notices; HUD's Financial Management 7475.1 Guidebook; and HUD's Public Housing Occupancy Guidebook.
- The Authority's program files, including household files; family data; financial records; procurement files; annual audited financial statements for its fiscal years ending March 31, 2014, 2015, and 2016; policies and procedures; board meeting minutes; and organizational chart.
- HUD's report from its May 2016 public housing authority recovery and sustainability initiative on-site assessment.

We also interviewed the Authority's employees and HUD staff.

To achieve our objective, we relied in part on computer-processed data such as family data, disbursement and receipts registers and other data from the Authority's computer system. We also accessed HUD's Public and Indian Housing Information Center system and obtained other family information reported by the Authority such as flat rent amounts. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

During the audit period, the Authority received more than \$2.6 million in operating funds and more than \$1 million in capital funds. For the operating funds, we reviewed the Authority's bank statements and cash receipts journal to determine the amount of operating funds received. We reviewed all receipts to determine whether the Authority allocated the operating funds in accordance with asset management requirements.

To determine whether the Authority ensured that eligibility requirements were met and whether the Authority properly selected families from its waiting list, we accessed HUD's Public and Indian Housing Information Center system and determined that 43 families were admitted into the program during our audit period. Based on data in the system, we selected 7 of the 43 families for review because they were either potentially overhoused, over-income or reported

zero income. We selected the remaining seven families randomly based on the date of their admission into the program, from the oldest to the most recent date. We reviewed the tenant files of the families, which included income, eligibility, and other documentation needed for program participation. Since we did not use a statistical sample, our results applied only to the files reviewed. Therefore, we did not project our results to the universe.

We reviewed the Authority's audited financial statements for its fiscal years ending March 31, 2014, 2015, and 2016. In the notes to the financial statements, the Authority disclosed related-party transactions with an automotive repair business managed and owned by the chairman of the Authority's board of commissioners, a construction business managed and owned by the brother of the Authority's executive director, and a construction business managed and owned by the husband of an Authority employee. During those 3 years, the Authority paid \$4,573 to the automotive repair business owned by the chairman of the Authority's board of commissioners, \$369,680 to the construction business managed and owned by the brother of the Authority's executive director, and \$463,955 to the construction business managed and owned by the husband of an Authority employee. The executive director stated that the work performed by his brother and the husband of an Authority employee was to repair damage to units that was caused by Hurricane Sandy. The executive director provided us a list of payments the Authority made to the two businesses owned by these two individuals for the period April 2010 to June 2015. To determine whether the funds to pay for Sandy-related damage were operating funds, we obtained the asset management project ledgers for 2012-2014 and determined that the Authority made payments from operating funds. Additionally, for the repairs to the Authority's vehicles, we were able to trace the individual's payments to the asset management projects' operating fund ledgers.

For the review of capital funds, the Authority did not maintain a contract register so we reviewed the capital funds disbursement ledger, which showed that the Authority had disbursed funds totaling more than \$1 million to 25 vendors. (See appendix D.)

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- 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 applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority lacked procedures, and controls to ensure that it administered operating and capital funds in accordance with applicable program requirements (findings 1 and 3).
- The Authority lacked controls to prevent and detect conflict-of-interest situations (finding 2).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$137,500	
1E			\$25,248
1H			38,664
2A	\$111,568		
2B		1,499,137	
3A		171,822	
3B	170,784		
Totals	282,352	1,808,459	63,912

- 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.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In these cases, the funds to be put to better use represent additional rent the Authority will collect over the next year because it will correctly calculate rent amounts for its assisted employees and families that choose to pay flat rent.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



HOUSING AUTHORITY OF CRISFIELD

P.O. BOX 26
CRISFIELD, MARYLAND 21817
TELEPHONE 410-968-0288

August 17, 2018

David Kasperowicz
Regional Inspector General for Audit
U. S. Department of Housing and Urban Development
Office of Inspector General
100 Penn Square East, Suite 10205
Philadelphia, PA 19107

Dear Mr. Kasperowicz:

Attached please find status report and additional documentation in reference to the final draft from our OIG audit. I have also sent this to Kimberly Harrison and will be forwarding the hard copy to you via the postal service.

Please let me know should you have any questions. Thank you for all your help in this matter.

Sincerely,

Charles Goldsborough
Executive Director

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

1A. Attached is the 4 prepopulated amps for 2015 along with the COCC budget

And if you total the 4 amps, it will total the same as the COCC.

Comment 2

1B. CHA. have provided documentation that these activities were approved by HUD.

Comment 3

1C. CHA. is currently working on replacing missing documents.

Comment 4

1D. Will make sure documentations are in file.

Comment 5

1E. 2018 flat rents are already implemented. Our rents were so low that

when we implemented the flat rents from previous years that some were over 40%

increase and HUD says that they should be phased in. That is what we were trying to do.

Comment 6

1F. Working with HUD for approval. We have asked for a waiver.

Comment 7

1G. We will ask for an invoice before paying them, even though

the amount is stated in the contract.

Comment 8

1H. This was done before Sandy. We are still in recover from Sandy and are still

working with FEMA to repair apts.

Comment 9

1I. 2018 flat rents are in place.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Comment 10
Comment 11
Comments
11 and 12

Auditee Comments

2A. We will discuss with HUD.

2B. We will talk with Hud to see if they will resolve this.

2B. and 2C. We disclosed this to HUD before anybody was hired and

disclosed to our auditors and a resolution was made as we were

Instructed to do. This was a presidential declared emergency. Also

PIH 2012-2 states that you can use money from HUD funds in an

Emergency and it even states flood if the money is paid back.

We clearly showed that we received more money from FEMA and

Flood Insurance and this was deposited in our general fund for payback.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 13
Comment 14

Comment 15

Comment 16
Comment 17

Comment 18

3A. Line 7 Appendix D. We provided you with a Propane contract that was solicited for bids. Line 10,11,16,18,21,22 and 23. Attached is a report from Fema which is a third party stating on page 4, line 4 that we followed procurement policies for equipment and repairs. On page 3, top of the page, he even says that this was for lawn equipment stoves and frigs. Commercial washers and dryers etc. I will highlight these items. Line 15 a copy of the contract was provided to you. Line 17, we provided you with a contract from the year 2000. We cannot buy these smoke detectors from anyone but them. These are special smoke alarms that are intergrated into their system. They radio in every day are when there is an alarm.

3B. You have proof that these were approved by HUD>

3C. However during a presidential declared emergency for our town we did not have time to do a cost analyst has you have said we should have done. I refer you to CFR24 85-36 41 (B) which state The public exigency or emergencyfor the requirement will not permit a delay resulting from competitive solicitation .

3D. We have complied since 2016 and on when PHARS told us that they were Ineligble expenses. We though they were fine because HUD was approving them.

OIG Evaluation of Auditee Comments

- Comment 1 Based on the additional documentation that the Authority provided with its written comments, we have removed from the report the finding and recommendation related to the Authority's central office cost center (COCC).
- Comment 2 The Authority stated that it provided documentation to show that payments for security services totaling \$137,500 were approved by HUD. We disagree. The Authority has not provided documentation to show that HUD approved these services. Moreover, as stated in the audit report, the payments for security services were unsupported because the Authority lacked copies of certified payroll time reports and executed contracts. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD to support the payments and HUD will evaluate it to determine whether it satisfies the recommendation.
- Comment 3 The Authority stated that it is currently working to replace the missing documents. However, the Authority's response did not address the second part of the recommendation that directed it to follow applicable regulations and terminate or modify assistance as necessary, if it cannot provide adequate documentation. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.
- Comment 4 The Authority stated that it will make sure that documentation is in the files. However, the Authority's response did not address the actions of developing and implementing controls to ensure that families are properly selected from the waiting list and that their selection is documented in their files. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.
- Comment 5 The Authority stated that it had already implemented flat rents for 2018. It also stated that in previous years, the implementation of the flat rents resulted in some increases of 40 percent, that HUD directed those rents to be phased-in, and that is what it was trying to do. We did not see phasing-in of rents as an issue for the 54 families we reviewed. As stated in the report, the Authority did not use the fair market rents to calculate the rent for the 54 families that chose to be charged a flat rent during our audit period. The Authority needs to correct the rent calculations for the 54 families that are paying inaccurate flat rents. As part of the audit resolution process, the Authority will have the opportunity to work with HUD to correct the flat rent amounts for the 54 families and HUD will ensure that the Authority's corrective actions satisfy the intent of the recommendation.

- Comment 6 The Authority stated that it was working with HUD and had requested a waiver regarding its employees that paid extremely low rent amounts. The Authority's action is noted. As part of the audit resolution process, HUD will evaluate the Authority's actions and determine whether they satisfy the recommendation.
- Comment 7 The Authority stated that it will request invoices before paying amounts stated in contracts. However, the Authority's response did not address the actions of developing and implementing controls to ensure that it pays for services only after it receives the documentation required to be provided by contract and that provided services are supported by a contract. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.
- Comment 8 The Authority stated it had developed and implemented procedures to have a supervisor review tenant files to ensure that the files were accurate, complete, and complied with program requirements. We did not review files for families that the Authority admitted into its program prior to Hurricane Sandy. Therefore, we cannot comment on whether the Authority had developed and implemented procedures. We reviewed files for families that the Authority admitted into its program after Hurricane Sandy occurred and found that the Authority lacked procedures for supervisors to review tenant files. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.
- Comment 9 The Authority stated that it already had flat rents in place for 2018. The Authority's statement is noted. However, the Authority's response did not address the actions of developing and implementing procedures to ensure that flat rents are calculated correctly for those families that choose to pay flat rent. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.
- Comment 10 The Authority stated that it will discuss with HUD the reimbursement of ineligible payments totaling \$111,568 that it made due to the conflict-of-interest situations identified by the audit. The audit determined that the payments totaling \$111,568 were ineligible and we recommended that HUD require the Authority to reimburse its program. As part of the audit resolution process, HUD and OIG will agree on the corrective action to be taken to satisfy the recommendation.
- Comment 11 The Authority stated that it will have a discussion with HUD regarding a waiver to the conflict-of-interest requirements to support payments totaling nearly \$1.5 million or reimburse the appropriate fund from non-Federal funds for any amount not covered by a waiver. As part of the audit resolution process, HUD and OIG will agree on the corrective action to be taken to satisfy the recommendation.

Comment 12 The Authority stated that it disclosed to HUD and its auditors that it was planning to hire the Housing Choice Voucher Program coordinator's husband and the executive director's brother to perform repair work on its public housing units damaged by Hurricane Sandy. It also stated that its board passed a resolution approving of this arrangement as it was instructed to do. The Authority cited Public and Indian Housing Notice 2012-2, which allowed it to use HUD funds in an emergency including damage resulting from a natural occurrence such as windstorm or flood. It also stated that it received funds from the Federal Emergency Management Agency and flood insurance and it deposited those funds into its general fund as reimbursement.

The Authority's actions to disclose the situation and have its board pass a resolution were prudent. We agree that the Authority could use HUD funds to pay for repair work on its public housing units damaged by Hurricane Sandy. However, the point of the finding is that the Authority's consolidated annual contributions contract prohibited it from entering into contracts with certain persons that would create conflict-of-interest situations. The contract allowed HUD to waive the conflict-of-interest requirements for good cause; however, the Authority did not request waivers. We recommended that the Authority submit a retroactive waiver request to HUD to support the payments it made to the Housing Choice Voucher Program coordinator's husband and the executive director's brother to perform repair work on its public housing units damaged by Hurricane Sandy. As part of the audit resolution process, HUD will determine whether the Authority's corrective actions are appropriate and satisfy the intent of the recommendation.

Comment 13 The Authority stated that it provided to us a contract for the purchase of propane that it solicited for bids. As shown in the audit report, the Authority did not provide to us a contract, documentation to show that it made the purchase competitively, and documentation such as cost estimates to show that the prices paid were fair and reasonable. As part of the audit resolution process, the Authority can provide documentation to HUD to support the costs. HUD will review the documentation provided by the Authority, determine whether it satisfies the recommendation, and provide its determination and the documentation to OIG for review and concurrence.

Comment 14 The Authority stated that documentation provided by a third party showed that it followed its procurement policies for equipment and repairs. The Authority provided a project worksheet from a third party (the Federal Emergency Management Agency) that addressed a vendor that assisted with renovations that were not part of our review. We did not identify procurement deficiencies related to the other vendor addressed in the third party documentation.

Comment 15 The Authority stated that it provided to us a copy of the contract for pest control services (line 15 of Appendix D in the report) and a copy of a contract from 2000

for the purchase and installation of smoke detectors (line 17 of Appendix D in the report). It asserted that it can purchase the smoke detectors from only the vendor that it paid. The Authority provided to us contracts for the purchases of pest control services and purchase and installation of smoke detectors. However, the Authority did not provide documentation to show that it purchased the pest control services competitively and to justify its purchase of the smoke detectors from a sole source. In addition, for the purchases of the pest control services and the smoke detectors, the Authority did not provide documentation such as cost estimates to show that the prices paid were fair and reasonable. As part of the audit resolution, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether the Authority's corrective actions are sufficient to satisfy the intent of the recommendation.

Comment 16 The Authority stated it provided to us proof that the salaries and security services were approved by HUD. However, as noted in the audit report, HUD determined that the Authority incurred ineligible expenses for the salaries of its day care and youth sports staff and for security services in its May 2016 public housing authority recovery and sustainability initiative assessment. Although HUD recommended that the Authority request a budget revision, it did not require the Authority to repay its program for the ineligible expenses identified. Because the Authority's use of capital funds for salaries of its day care and youth sports staff and for security services was ineligible, it needs to reimburse its program from non-Federal funds. As part of the audit resolution process, HUD and OIG will agree on the corrective action to be taken to satisfy the recommendation.

Comment 17 The Authority stated that during the declared emergency it did not have time to perform cost analyses to ensure prices paid for goods and services were reasonable. Although we understand the limitation the Authority experienced as a result of the disaster, the Authority paid for the purchases in question during the period April 2014 to December 2016. Hurricane Sandy struck Crisfield on October 28, 2012. The Authority needs to develop and implement controls over its procurement actions to ensure that prices it pays for goods and services are reasonable. As part of the audit resolution process, HUD will determine whether the Authority's corrective actions are sufficient to satisfy the intent of the recommendation.

Comment 18 The Authority agreed that the salaries of its day care and youth sports staff and security services were ineligible capital fund activities. It was not aware that ineligible expenses needed to be repaid. The Authority's response did not address the recommendation that directed it to develop and implement controls to ensure that program funds are used for only eligible activities. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will determine whether it satisfies the recommendation.

Appendix C

Summary of Results of File Reviews

Tenant file	Lacked citizenship declaration	Lacked birth certificates	Lacked evidence of use of Enterprise Income Verification system
1	X	X	X
2	X		
3	X		
4	X	X	
5	X	X	
6	X		
7	X	X	
8	X	X	
9	X	X	
10	X		
11	X		
12	X		
13	X		
14	X		
Totals	14	6	1

Appendix D

Results From Review of Capital Fund Disbursements

#	Reason for disbursement	Amount disbursed	Unsupported amount	Ineligible amount
1	Loan repayment	\$221,660		
2	General fund transfers	197,912		
3	Purchase and installation of transformers	108,243		
4	Section 8 salary	63,818		\$63,818
5	Day care salary	50,927		50,927
6	Youth club salary	46,357		46,357
7	Propane service	38,958	\$38,958	
8	Concrete repair	33,000		33,000
9	Unit repair	32,500		32,500
10	Purchase of lawn equipment	26,642	26,642	
11	Purchases of appliances	24,033	24,033	
12	Modernization salary	22,268		
13	Loan repayment	20,715		
14	Furnace repair	20,000		
15	Pest control	15,800	15,800	
16	Purchases of appliances	15,796	15,796	
17	Purchase and installation of smoke detectors	12,909	12,909	
18	Purchase of generators	11,890	11,890	
19	Audit services	11,500	11,500	
20	Security services	9,682		9,682
21	Purchase of equipment	6,875	6,875	
22	Furnace installation	5,300	5,300	
23	Purchase of furnace supplies	2,119	2,119	
24	Purchase of lawn equipment	1,600		
25	Purchase of supplies	1,592		
Totals		1,002,096	171,822	236,284

Appendix E

Schedule of Deficiencies and Questioned Costs

#	Reason for disbursement	Violations noted*					Unsupported amount	Ineligible amount
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>		
1	Section 8 salary					X	\$63,818	
2	Day care salary					X	50,927	
3	Youth club salary					X	46,357	
4	Propane service	X	X	X			\$38,958	
5	Concrete repair					X	33,000 ¹⁷	
6	Unit repair					X	32,500 ¹⁷	
7	Purchase of lawn equipment	X					26,642	
8	Purchases of appliances	X					24,033	
9	Pest control	X	X				15,800	
10	Purchases of appliances	X					15,796	
11	Purchase and installation of smoke detectors	X	X				12,909	
12	Purchase of generators	X					11,890	
13	Audit services	X	X				11,500	
14	Security services				X	X	9,682	
15	Purchase of equipment	X					6,875	
16	Furnace installations	X	X				5,300	
17	Purchase of furnace supplies	X					2,119	
Totals		11	5	1	1	6	171,822	236,284¹⁷

*** Violations noted during review**

1. No cost estimates
2. No competition
3. No contracts
4. Contract expired
5. Payment prohibited

¹⁷ To avoid double-counting questioned costs, we did not include these costs in recommendation 3B because they were included in recommendation 2B (\$236,284 - \$33,000 - \$32,500 = \$170,784). Payment was prohibited due to the apparent conflict of interest.