



Issue Date	October 26, 2007
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Audit Report Number	2008-FW-1001
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TO: Jerry D. Hyden
Program Center Coordinator
Office of Public Housing, 6IPH

Gerald R. Kirkland

FROM: Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Housing Authorities of the City of Konawa, City of Langston, City of Pauls Valley, City of Wynnewood, Town of Cheyenne, and Caddo Electric Cooperative Improperly Awarded Their Management Contracts and Did Not Manage Certain Operations or Administer Funds Properly

HIGHLIGHTS

What We Audited and Why

In response to a U. S. Department of Housing and Urban Development (HUD) request, we audited the Housing Authorities of the City of Konawa (Konawa), City of Langston (Langston), City of Pauls Valley, City of Wynnewood, Town of Cheyenne, and Caddo Electric Cooperative. Our objective was to determine whether the housing authorities properly procured Green River Management (Green River) as their management agent, maintained properties, and carried out their financial responsibilities in accordance with HUD rules and regulations and their policies and procedures.

What We Found

The board of commissioners (commissioners) for the six housing authorities did not follow federal procurement requirements and their own procurement policies when they awarded management contracts to Green River. Also, the housing

authorities did not use more than \$199,000 in accordance with requirements and unnecessarily paid a commissioner of Konawa \$5,858 as an insurance agent when they could have purchased the insurance directly from the company. Further, Langston did not maintain its units in good condition or manage certain aspects of its operations in accordance with requirements. As a result, between January 2005 and March 2007 the housing authorities misspent \$205,174. In addition, the housing authorities can put \$84,332 to better use by reprocurring the management agent contracts.

What We Recommend

Our recommendations include requiring

- The housing authorities to reprocur their management agent contracts;
- Langston to correct the physical conditions of its units and implement procedures that ensure its units are maintained in a decent, safe, and sanitary condition;
- The housing authorities to support or repay a total of \$205,174; and
- The housing authorities to comply with HUD and state requirements.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

Generally, Green River did not believe it violated HUD requirements since it received HUD approval for many of the items in the 1980's. Green River requested that we not recommend repayment for the findings because it acted in good faith and disclosed the amounts in each housing authorities operating budget. Green River stated the housing authorities will reprocur their management agent contracts and cease the noted activities. We modified the report as necessary. Green River's response along with our evaluation is included in Appendix B of this report. We included Green River's response since it was contractually responsible for the day-to-day operations of the six housing authorities. Only three of six housing authority chairpersons provided written responses which generally agreed with Green River's response. We excluded enclosures and responses by individual housing authorities because they were too voluminous, but they are available for review upon request.

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BACKGROUND AND OBJECTIVES

The six housing authorities entered into management agreements with Green River Management (Green River) that required Green River to comply with the housing authorities' policies and procedures and their annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD). While the boards of commissioners (commissioners) were responsible for overseeing operations, Green River was responsible for administering the day-to-day activities of the housing authorities, including supervising the housing authorities' staff, collecting rents and other receipts; maintaining and repairing units; disbursing funds; and preparing and maintaining budgets, records, and reports. The table below provides an overview of the housing authorities Green River manages.

Housing authority	Number of units	Year began managing	Fiscal year 2006 funding
Housing Authority of the Caddo Electric Cooperative (Caddo)	34	1982	\$122,057
Housing Authority of the Town of Cheyenne (Cheyenne)	22	1991	68,755
Housing Authority of the City of Konawa (Konawa)	38	1985	78,396
Housing Authority of the City of Langston (Langston)	60	1997	196,415
Housing Authority of the City of Pauls Valley (Pauls Valley)	60	1985	134,698
Housing Authority of the City of Wynnewood (Wynnewood)	28	1980	78,577
Total units and funding	242		\$678,898

Our objective was to determine whether the housing authorities properly procured Green River as their management agent, maintained properties, and carried out their financial responsibilities in accordance with HUD rules and regulations and their policies and procedures.

RESULTS OF AUDIT

Finding 1: The Six Housing Authorities Did Not Properly Procure Green River Management

The housing authorities did not follow HUD's rules and regulations or their procurement policies when they procured Green River as their management agent. Green River did not ensure its managed housing authorities' boards followed requirements. As a result, the housing authorities effectively sole-sourced Green River's contracts and cannot ensure that they received the best services at fair and reasonable cost. Collectively, the housing authorities paid Green River \$189,747 from January 2005 to March 2007 for management services.

Housing Authorities Did Not Follow Procurement Requirements

While the commissioners for the housing authorities were responsible for overseeing the activities of their respective housing authority, they relied on Green River to supervise staff, including those performing procurement activities. Green River was also responsible for complying with all requirements of the housing authorities' annual contributions contracts with HUD.

The housing authorities did not properly procure Green River as their management agent. Rather, they sole-sourced the contracts. Our review of 12 Green River contracts¹ in effect during January 2005 through March 2007 found that the contract files did not contain the following required documentation:

- Independent cost estimates, cost analyses, and profit negotiated as a separate element;²
- Justification for accepting a sole-source bid through a noncompetitive proposal;³ and
- Eligibility verification of the contract awardee.⁴

In addition, six of the advertisements did not allow 21 days for bid preparation in accordance with housing authority procurement policies. Further, the authorities did not advertise the procurements for the 12 contracts on a broad enough basis to attract an adequate number of qualified sources.⁵

¹ Two contracts for each of the six housing authorities.

² 24 CFR [Code of Federal Regulations] 85.36(f).

³ 24 CFR 85.36 (b)(9) and (d).

⁴ 24 CFR 85.36(b)(8).

⁵ 24 CFR 85.36(d).

The housing authorities only advertised in local newspapers, of which the general circulation ranged from 900 to 4,600. Only Green River responded to the advertisements. As the housing authorities' management agent, Green River should have known that the advertisements were insufficient and informed the commissioners.

Rather than advertising in accordance with requirements, the housing authorities awarded the contracts to Green River. Thus, they effectively awarded the contracts as sole-source contracts. While HUD allows housing authorities to sole-source contracts if they justify their selection, the housing authorities did not comply with the requirement.

HUD Prohibited Green River from Procuring Its Management Agent Contracts

In 2003, HUD prohibited Cheyenne from enlisting the services of Green River to conduct the procurement action for management agent services. HUD stated that this action would promote an image of self-dealing.

Despite this prior prohibition, Green River's president stated that he was responsible for preparing the housing authorities' bid proposal packets for prospective bidders. Green River was responsible for operating the housing authorities in accordance with applicable requirements, including procurement. Thus, Green River had an obligation to recuse itself from the procurement of its own contract to ensure fair and open competition. The selection was inappropriate, and Green River should have advised the commissioners to submit the procurement documentation and justifications to HUD for review.

Conclusion

Because the authorities did not follow requirements, they cannot ensure that they received the best services at a fair and reasonable cost. The housing authorities should support or repay the \$189,747 they paid to Green River from January 2005 to March 2007. Further, the housing authorities should reprocure the management agent contracts in accordance with requirements.

Housing authority	Management fees paid during period
Langston	\$ 44,165
Pauls Valley	43,248
Konawa	33,568
Caddo Electric Cooperative	27,971
Cheyenne	22,016
Wynnewood	18,779
Total	\$189,747

The housing authorities can put an estimated \$84,332 in management fees to better use over the next 12 months by procuring the contracts in accordance with requirements.

Recommendations

We recommend that the public housing program center coordinator

- 1A. Require Langston to either support or repay \$44,165 from nonfederal funds for the inappropriately procured contracts.
- 1B. Require Pauls Valley to either support or repay \$43,248 from nonfederal funds for the inappropriately procured contracts.
- 1C. Require Konawa to either support or repay \$33,568 from nonfederal funds for the inappropriately procured contracts.
- 1D. Require Caddo to either support or repay \$27,971 from nonfederal funds for the inappropriately procured contracts.
- 1E. Require Cheyenne to either support or repay \$22,016 from nonfederal funds for the inappropriately procured contracts.
- 1F. Require Wynnewood to either support or repay \$18,779 from nonfederal funds for the inappropriately procured contracts.
- 1G. Require Langston to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$19,629 to better use in the next 12 months.

- 1H. Require Pauls Valley to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$19,221 to better use in the next 12 months.
- 1I. Require Konawa to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$14,919 to better use in the next 12 months.
- 1J. Require Caddo to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$12,432 to better use in the next 12 months.
- 1K. Require Cheyenne to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$9,785 to better use in the next 12 months.
- 1L. Require Wynnewood to reprocure its management agent contract in accordance with procurement policies and regulations, and submit documentation and justification for its selection for HUD approval, thereby putting an estimated \$8,346 to better use in the next 12 months.

Finding 2: Tenants Lived in Units That Were Not Decent, Safe, and Sanitary.

Of the 12 Langston low-income public housing units inspected, Green River did not maintain 10 of the habitable units in accordance with requirements. This occurred because the commissioners did not ensure that Green River complied with requirements of the annual contributions contract or its management contract to maintain the properties in good repair. As a result, tenants lived in units that were not decent, safe, and sanitary.

Units Were Not Decent, Safe, and Sanitary

According to its contract with Langston, Green River would maintain Langston's units in good repair. In addition, HUD requires housing authorities to maintain units in decent, safe, sanitary condition and in good repair.⁶

Together with HUD and Langston staff, we inspected 12 of Langston's 60 units and found that 10 of the 11 habitable units⁷ had deficiencies. The deficiencies included

- Missing or broken electrical outlet covers and light switch plates,
- Holes in walls and roofs (due to broken or missing turbines),
- Broken door and window seals,
- Mold around a bathtub and growing in the walls of a laundry room, and
- Water in garages due to poor drainage.

HUD requires all areas and aspects of the dwelling unit, including outlets and walls, to be free of health and safety hazards and in good repair. Further, roofs and exterior walls must be free of health and safety hazards, operable, and in good repair; and the units must be free of mold.⁸ The commissioners were responsible for ensuring the units were properly maintained, but they relied on Green River to maintain the units. As shown by the following pictures, Green River did not ensure that the units met these minimum requirements.

⁶ HUD's uniform physical condition standards.

⁷ One of the eleven units was fire damaged.

⁸ 24 CFR 5.703.



Missing electrical outlet cover plate



Hole in a garage wall that exposed pipes



Broken roof turbine exposing the unit to water and small animals



Mold around a bathtub



Mold on a wall



Rags used to fill hole in exterior wall

Recommendations

We recommend that the public housing program center coordinator require Langston to

- 2A. Correct the deficiencies identified during our inspections.
- 2B. Implement procedures to ensure that tenants live in decent, safe, and sanitary units.

Finding 3: Four Housing Authorities Used Funds for Ineligible and Unsupported Expenses

In violation of the housing authorities' annual contributions contracts, four housing authorities used a total of \$9,569 in low-rent public housing funds for ineligible and unsupported expenses. The expenses included meals provided to commissioners, meals at social events for tenants, and health insurance premiums for the president of Green River. In addition, a tenant commissioner for one housing authority was overhoused. Further, the appointment terms for four commissioners at one housing authority had expired. As the management agent, Green River made the inappropriate expenditures for and allowed the inappropriate operations at the housing authorities. As a result, the \$9,569 was not available for operation of the authorities' low-rent public housing programs, eligible tenants may have been deprived of housing, and one housing authority did not have duly appointed commissioners.

Three Housing Authorities Used Low-Rent Funds to Pay for Meals at Meetings

The Konawa, Langston, and Wynnewood housing authorities paid for meals provided at board of commissioners meetings. Langston had meals at its meetings to encourage attendance by both the commissioners and tenants. According to Green River's president, Konawa and Wynnewood commissioners decided to have a light snack or meal at the meetings since the meetings were scheduled near meal times.

Each housing authority's annual contributions contract prohibits the use of funds to pay any compensation for the services of commissioners. Providing meals at the meetings for any reason had the appearance of compensating the commissioners. From June 2005 through February 2007, Langston paid \$1,601 from low-rent funds for commissioners meeting meals. The amounts paid by Konawa and Wynnewood were immaterial. However, the housing authorities should discontinue the practice of paying for meals from federal funds.

Pauls Valley Used Funds to Pay for Tenant Social Events Meals

Pauls Valley held Thanksgiving and Christmas social events for the tenants in 2005 and 2006. Green River allowed the use of \$2,803 in low-rent funds to cater meals at these social events. Requirements⁹ prohibit the use of low-rent funds to pay for meals at social events.

⁹ Office of Management and Budget Circular A-87 attachment B(14).

Housing Authorities Paid for Green River's President's Health Insurance

Wynnewood provided Green River's president's personal health insurance through its employee health insurance plan. Since Green River's president was a contractor for Wynnewood, he should not be on its employee health insurance plan. Wynnewood paid a portion of the president's insurance premium. Konawa paid the remainder of the premium. Neither of the housing authorities negotiated the insurance as part of their contracts with Green River.¹⁰ As a result, from July 2006 through March 2007, Wynnewood misspent \$2,519, and Konawa misspent \$2,646.

A Tenant Board Member Was Overhoused

Langston has overhoused one tenant commissioner since 1999. According to HUD's Public and Indian Housing Information Center, from May 1999 through April 2007, this tenant commissioner lived in a four-bedroom house while three or fewer people resided in the unit.

On April 24, 2007, shortly after we informed Green River that we wanted to inspect the unit, Langston transferred the tenant from the four-bedroom unit to a two-bedroom unit; she only qualified for a one-bedroom unit.¹¹

Green River had managed Langston since 1997 and, according to its management agreement, was responsible for verifying and certifying eligibility of tenants and recertifying occupants. Thus, Green River should have known that the commissioner was overhoused. As a result of the overhousing, other prospective tenants waiting for a unit may have been deprived of housing for an extended period.

Board Members' Appointment Terms Had Expired

The City of Langston's (City) mayor appointed the Langston commissioners in 1999, 2000, and 2001. The appointments were for three-year terms. Langston had four commissioners with expired terms.

¹⁰ As stated in finding 1, Green River's contracts were effectively sole-sourced.

¹¹ Langston had an unoccupied one-bedroom unit at the time of transfer.

Green River's president informed us that several commissioners had petitioned the City for reappointments. However, the City had not reappointed the commissioners or appointed successors. Green River's president stated that he wrote letters to the City concerning the commissioners' appointments, but he could not provide copies of the letters. Langston should have current appointments for its commissioners.

Conclusion

Green River did not ensure that the housing authorities expended funds in accordance with requirements. It allowed the use of \$9,569 in low-rent public housing funds for ineligible and unsupported expenses such as meals at commissioners meetings and social events and health insurance payments for Green River's president. Also, a tenant commissioner had been overhoused since 1999, and the terms for commissioners at one housing authority had expired.

Recommendations

We recommend the public housing program center coordinator require

- 3A. Langston to discontinue paying for meals at commissioners meetings from federal funds, and repay \$1,601 from nonfederal funds.
- 3B. Konawa to discontinue paying for meals provided at commissioners meetings.
- 3C. Wynnewood to discontinue paying for meals provided at commissioners meetings.
- 3D. Pauls Valley to repay \$2,803 from nonfederal funds for meals provided at tenant social events.
- 3E. Wynnewood to repay \$2,519 from nonfederal funds for Green River's president's personal health insurance premium.
- 3F. Konawa to repay \$2,646 from nonfederal funds for Green River's president's personal health insurance premium.
- 3G. Langston to transfer the tenant commissioner to the authorized size unit.
- 3H. Langston to actively petition the City of Langston to appoint commissioners in accordance with Oklahoma state law and provide evidence of its efforts.

Finding 4: A Board Chairperson Served as the Property Insurance Agent for the Six Housing Authorities

The chairperson of Konawa's board of commissioners served as the property insurance agent for the six housing authorities managed by Green River. The housing authorities paid the chairperson a total of \$5,858 as compensation for the services from July 2006 through February 2007. The housing authorities could have purchased their policies directly from the insurance company, thereby avoiding the additional costs. Because Green River did not ensure that the housing authorities complied with their annual contributions contracts, the housing authorities unnecessarily paid the Konawa chairperson \$5,858.

Conflict of Interest

Konawa's chairperson, who had served as a commissioner since 1978, was the property insurance agent of record for the six housing authorities. Konawa's annual contributions contract prohibits commissioners from receiving financial gain from the authority. Further, Konawa's annual contributions contract states that a present commissioner may not enter into an arrangement in connection with the housing authority during the member's tenure and one year thereafter.¹² Despite these prohibitions, Green River allowed the business relationship to continue. As a result, Konawa inappropriately paid \$889 to its chairperson.

All of the housing authorities purchased property insurance through the same HUD-approved insurance company. The housing authorities could have purchased the insurance directly from the company without going through an insurance agent. However, Green River chose Konawa's chairperson as the insurance agent on the housing authorities' behalf. If Green River had purchased the insurance directly from the company, it would have avoided the \$5,858 in unnecessary fees paid to the Konawa chairperson.

¹² Annual contributions contract, part A, section 19.

Recommendations

We recommend the public housing program center coordinator require

- 4A. Konawa to repay \$889 from nonfederal funds for funds paid to the chairperson and acquire its property insurance directly from an insurance company.
- 4B. Langston to support or repay \$1,754 from nonfederal funds for funds paid to the Konawa chairperson for unnecessary services and acquire its property insurance directly from an insurance company.
- 4C. Wynnewood to support or repay \$359 from nonfederal funds for funds paid to the Konawa chairperson for unnecessary services and acquire its property insurance directly from an insurance company.
- 4D. Pauls Valley to support or repay \$837 from nonfederal funds for funds paid to the Konawa chairperson for unnecessary services and acquire its property insurance directly from an insurance company.
- 4E. Caddo to support or repay \$1,039 from nonfederal funds for funds paid to the Konawa chairperson for unnecessary services and acquire its property insurance directly from an insurance company.
- 4F. Cheyenne to support or repay \$980 from nonfederal funds for funds paid to the Konawa chairperson for unnecessary services and acquire its property insurance directly from an insurance company.

SCOPE AND METHODOLOGY

Our audit period covered January 2005 through March 2007. We expanded the audit period as appropriate. To accomplish our objective, we

- Obtained and reviewed applicable HUD requirements and files on the housing authorities.
- Interviewed the staff of HUD's Office of Public Housing, Green River, the six managed housing authorities, and the housing authorities' insurance company;
- Inspected a representative, nonstatistically selected sample of 37 units at six housing authorities;
- Reviewed financial and procurement data from each of Green River's managed housing authorities; and
- Reviewed and gained an understanding of HUD's, Green River's managed housing authorities', and Oklahoma state regulations and policies, as applicable.

We estimated that HUD can put \$84,332 to better use over the next 12 months by requiring the housing authorities to reprocure their management agent contracts (recommendations 1G through 1L). We estimated the amount by calculating the average amount the housing authorities paid Green River over the last 27 months and multiplying the result by 12 ($\$189,747/27 \text{ months} = \$7,027.67/\text{per month} * 12 \text{ months} = \$84,332$).

We performed fieldwork at Green River's office in Ada, Oklahoma, from March through August 2007. We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Procurement policies,
- Maintenance of units,
- Occupancy standards, and
- Cash management.

We assessed the relevant controls identified above.

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

Significant Weaknesses

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

- The housing authorities did not follow procurement policies when procuring for a management agent; and
- Langston's units were not decent, safe, sanitary, and in good repair.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>	Funds to be put to better use <u>3/</u>
1A		\$ 44,165	
1B		43,248	
1C		33,568	
1D		27,971	
1E		22,016	
1F		18,779	
1G			\$ 19,629
1H			19,221
1I			14,919
1J			12,432
1K			9,785
1L			8,346
3A	\$1,601		
3D	2,803		
3E	2,519		
3F	2,646		
4A	889		
4B		1,754	
4C		359	
4D		837	
4E		1,039	
4F		980	
Totals	<u>\$ 10,458</u>	<u>\$ 194,716</u>	<u>\$ 84,332</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 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 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if HUD implements our recommendations, it will put \$84,332 to better use.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Green River Management, Inc.

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October 8, 2007

Mr. Gerald R. Kirkland
Regional Inspector General for Audit
U. S. Department of Housing and Urban Development
Region VI, Office of Inspector General
819 Taylor Street, Room 13A09
Fort Worth, TX 76102

Attn: Mr. William Nixon

Dear Mr. Nixon:

Please accept this response to the draft audit report on Green River Management, Inc., Ada, OK.

Green River Management, Inc. has received and reviewed the draft audit report and attended the exit conference on September 20, 2007 in Oklahoma City, OK.

Finding No. 1 – Housing Authorities Did Not Follow Procurement Requirements

Response – There are no independent cost estimates, cost analyses or profit negotiated as a separate element of documentation in the files for the contracts in effect between January 2005 and March 2007. There was no documentation in the files for justifying for accepting a "sole-source bid through a noncompetitive proposal" for the contracts in effect between January 2005 and March 2007. There was no documentation of eligibility verification of the contract awardee in the files for the contracts in effect between January 2005 and March 2007.

Although there is no documentation in the files, the Commissioners of each Authority did discuss the reasonability of the proposed price in view of the price paid during the prior contract periods. The initial contracts for each of the Housing Authorities [as best as can be determined] were either sent to HUD for review or were discussed with HUD representatives by the Board Chairpersons to ensure proper conduct prior to executing a contract with Green River Management, Inc. Most of the initial contracts were executed during the 1980s and it was the first time most of the Housing Authorities had entered into management contracts [as opposed to hiring an Executive Director]. It is probable that the Commissioners were not aware of the specific requirements. Green River Management, Inc.'s proposed pricing was based on the Housing Authorities' Operating

Comment 1

Comment 2

Budgets, the Housing Authorities' financial conditions, the amounts budgeted and paid for services of the prior administrator. In every case, Green River Management, Inc. saved the Housing Authorities money by providing management services and fee accounting services at a lower amount, plus eliminating FICA and unemployment taxes being paid on behalf of the Executive Director. This was demonstrated to the Boards of Commissioners and to HUD. The Boards of Commissioners were satisfied with the reasonability of the price and the services provided. It is probable that the Chairpersons discussed the process with HUD representatives and either received approval or assurance that the procurement was acceptable. As best as can be determined now, there has never been more than one proposal received by any of the Housing Authorities. HUD apparently approved the initial contracts which led the Housing Authorities to the belief that they had acted properly.

Subsequent RFPs and contracts were procured in a similar manner depending on guidance and direction from HUD. Subsequent pricing proposals from Green River Management, Inc. were generally based on cost-of-living increases of 3% per year [or the amounts approved by HUD for staff pay increases] and additional requirements made by HUD for reporting or record keeping which increased the work load, etc. In every instance, Green River Management, Inc. successfully demonstrated to the Boards of Commissioners the reasonability of the price for the services provided.

HUD representatives and Independent Auditors have reviewed Housing Authorities records for years, including the management contracts, procurement practices, etc. and never wrote-up a finding regarding this matter. This led the Housing Authorities to believe that they acted properly.

Comment 3

Green River Management, Inc. has assured the Housing Authorities that they were not de-barred, suspended or under Limited Denial of Participation each time a proposal was submitted to the Housing Authorities. There is not a copy of documentation included in the files; however, there is only a statement included in the proposal.

Comment 4

The audit draft alleges that the Housing Authorities did not advertise the procurements on a broad enough basis to attract an adequate number of qualified sources. Each Authority has advertised in a newspaper of general circulation, the County Seat newspaper and usually other local newspapers. In virtually every area, there are other property management firms managing property; however, none of them have submitted proposals. Green River Management, Inc. has made the Boards of Commissioners aware verbally that only one proposal was received and that the Boards of Commissioners were not obligated to contract with the only firm that made a proposal. They were advised that they can re-advertise, that they can advertise in the Daily Oklahoman or that they can directly contact other management companies and request proposals.

Comment 5

In 2003 HUD conducted a remote monitoring at Cheyenne Housing Authority. One of the areas that was reviewed was the procurement of management services and the management contract. HUD advised the Housing Authority that Green River Management, Inc. should reclude its self from the procurement process. The Chairman of the Board of Commissioners worked directly with HUD representatives in procuring the management services. The Chairman ran advertisements in two (2) newspapers. The advertisements were placed in The Elk City Daily News and The Cheyenne Star. Elk City is the largest city in Beckham County and Cheyenne is the County Seat of Roger Mills County. Each advertisement was published two (2) times, twenty-seven (27) days from the date of the first advertisement until the deadline for responses. Only one (1) proposal was received. It appears that the Chairman submitted all of the procurement documents to HUD for review. The Chairman told Green River Management, Inc. that he was told over the phone by the HUD representative that "everything looks fine; whatever the Board wants to do is ok". The Housing Authority did receive a letter from the HUD Field Office closing the remote monitoring.

The statement that Green River Management, Inc.'s president made to the auditor was based on direction provided by HUD representatives, over the phone, "you work for the Housing Authorities, if they direct you to prepare the procurement documents then that is what you should do". This statement was made most recently in 2005 to the president of Green River Management, Inc. over the phone. It is confusing sometimes to know what to do, how much to help the Housing Authorities in some situations, what is practical and reasonable, particularly when assisting small housing authorities with limited staff and limited resources. Green River Management, Inc. has made every effort to help and guide the Housing Authorities with the direction provided from HUD and still not appear self-serving.

While it is true that Green River Management, Inc. needs the work and the contracts from the Housing Authorities, it is not worth doing anything illegal or unethical intentionally. The Housing Authorities and Green River Management, Inc. are reviewed frequently and constantly under scrutiny of the public, Cities, Commissioners, HUD, etc. Since these contracts are the primary source of income and livelihood for Green River Management, Inc., it is not in its best interest to knowingly commit any illegal or unethical acts. The penalties and damage to its reputation are much too severe.

The Housing Authorities may not have complied with every requirement in the procurement procedure. The Housing Authorities and Green River Management, Inc. may have relied too heavily on verbal advice, direction and guidance from HUD over the years and the Housing Authorities and Green River Management, Inc. may have become complacent in the procurement of management services, but the Housing Authorities and Green River Management, Inc. thought they were doing the right and proper thing. They

acted in the best interest of the Housing Authorities to the best of their ability and knowledge. The Housing Authorities did review the initial and subsequent proposals and contracts to determine price reasonability for the services that were provided. The Housing Authorities were satisfied that they received the best services for the best price. If this had not been the case, the Housing Authorities would not have continued to renew the management contracts with Green River Management, Inc.

It is requested that the recommendation for the Housing Authorities to repay the fees paid to Green River Management, Inc. for the period from January 2005 through March 2007 be reconsidered since the Housing Authorities received full benefit of all of the services provided by Green River Management, Inc. and were satisfied with those services. Each Housing Authority does agree to reprocur the management agent contracts in accordance with HUD requirements. It would be most helpful to the Housing Authority Board Chairpersons if HUD would specify in writing what and how HUD wants the Housing Authority to procure the management services.

Please see the enclosed responses from the Housing Authority of the City of Wynnewood and the Housing Authority of the Caddo Electric Cooperative.

Finding No. 2 – Tenants Lived in Units That Were Not Decent, Safe, and Sanitary

Response – There are sixty (60) dwelling units at Langston Housing Authority. Fifty-four (54) are family units and six (6) are one bedroom units usually occupied by elderly or single families. There are two (2) full-time and one (1) part-time maintenance staff to inspect units, service workorders that are initiated by residents or that are written up by staff during the course of their duties, to handle emergency workorders, to purchase parts and materials [this means a trip to Guthrie, 24 miles, Stillwater, 70 miles or Oklahoma City, from 80 to 100 miles], to make vacant units ready for re-occupancy, to maintain common areas [lawns, trees, alleyways, ditches], to perform drive-by inspections of residents units to insure that the lawns are maintained, trash picked up, abandoned vehicles are removed, unauthorized pets are not present, gutters and downspouts are intact, roof turbines are secure, vinyl siding is secure, etc. The Housing Authority uses some contractors to assist with some of the vegetation control and some repairs. This is not an excuse, merely an attempt to show that staff has their hands full on a daily basis.

The deficiencies that were noted at the time of the inspection have been corrected and copies of workorders have been faxed to the OKC Field Office.

Comment 6

The missing or broken electrical outlet covers and light switch plates have been replaced.

The hole in a garage wall that exposed pipes [picture in the draft audit report] is where a plumbing access panel had been taken from the wall. A new access cover was ordered and has been installed.

Broken roof turbine exposing the unit to water and small animals is shown in the picture. This turbine has been replaced.

Broken door and window seals are shown in the draft audit report. This was apparently in unit # 21. The door system has been replaced.

Mold around a bathtub and growing in the wall of a laundry room is shown in the draft audit report. The wall has been cleaned, treated, sealed and repainted. The bathtub surround has been removed, the wall cleaned, treated and fiberglass reinforced panels installed over the wall and the bathtub shower surround replaced. All joints have been resealed.

Water in garages due to poor drainage is shown in the draft audit report. There were several garages that suffered water this year. This has been the second wettest year in Oklahoma history. There is poor drainage at several dwelling units due to some of the units being approved to be built in low areas with no drainage. The Housing Authority has corrected seven (7) of the locations and has plans to correct several more in the near future.

Rags used to fill hole in exterior wall is shown in the draft audit report. The rags have been removed and the area around the freeze-proof faucet has been sealed.

The deficiencies have been corrected.

Procedures are in place that provide for an annual inspection of each unit. The Housing Authority has an inspection by REAC every year or every other year and the maintenance staff report any deficiencies that they note during their routine work schedule. The Housing Authority relies on and encourages residents to report deficiencies at their units to assist the Housing Authority.

Finding No. 3 – Four Housing Authorities Used Funds for Ineligible and Unsupported Expenses

Response – The Housing Authority of the City of Wynnewood has discontinued paying for meals at Housing Authority Meetings.

Comment 7

Comment 8

The Housing Authority of the City of Konawa has discontinued paying for meals at Housing Authority Meetings.

The Housing Authority of the City of Langston has discontinued paying for meals at Housing Authority Meetings.

The Housing Authority of the City of Pauls Valley has paid for meals at Tenant activities. HUD has encouraged housing authorities to promote resident activities, encourage resident participation in housing authority activities and even suggested that housing authorities serve refreshments to encourage attendance at such gatherings. HUD funds \$25.00 per occupied unit per year through the Operating Budgets' subsidy program to encourage resident participation. The Housing Authority spent \$24.98 per unit per year for these activities that are defined as "social events". Many of the residents bring food, such as salads, desserts, vegetables, etc. to contribute. Residents, Commissioners, staff and guests of residents donate money at these gatherings. Churches, nursing homes and other organizations have donated and continue to donate funds to continue these gatherings of the residents. The donations that were deposited into the Housing Authority General Fund were not calculated to offset the amounts recommended to be repaid.

Comment 9

Funds have been budgeted in the Operating Budgets for Tenant Services, which is the accounting classification that HUD indicated should be used, approved by the Board of Commissioners and HUD. The Housing Authority should not be required to repay these amounts. The activities were undertaken in good faith, to encourage resident participation. The amounts were budgeted and approved. The Housing Authority will no longer conduct these activities for residents using Housing Authority funds.

The Housing Authority of the City of Wynnewood Board of Commissioners received a travel reimbursement based on \$15.00 per Commissioner, per Meeting. The rationale for this was Oklahoma Statute 63, Section 1058 B and Oklahoma Statute 74-500.1, except that O.S. 74-500.1 - .18 shall not apply to travel reimbursements made by political subdivisions. No further guidance could be identified in regards to political subdivisions. The draft audit states that Oklahoma State law requires overnight travel to be eligible for a per diem payment. Statute 63-1058 does not say that. It says that a commissioner may be entitled to necessary expenses...or a per diem payment not to exceed Thirty-five Dollars...

Comment 10

The Commissioners who were on the Board of Commissioners in the late 1980s construed Oklahoma Statute 63, Section 1058 to mean that they could receive up to two

(2) quarters of the per diem rate since the Regular Meetings started at 5:30 p.m. and usually lasted until 7:00 p.m. They approved to receive a payment of \$10.00 per Meeting [this was later increased to \$15.00 per Meeting]. Two (2) quarters of per diem at the \$35.00 per day rate would have been \$17.50. The funds were budgeted and approved in the Operating Budgets. The expenses were charged as a travel expense. The Housing Authority's records have been audited numerous times and the Housing Authority has been reviewed by HUD numerous times and there has never been any indication that this practice was not proper. The payments were made in good faith [based on the Board's approval] and accepted in good faith because the Board Members and Green River Management, Inc. thought that the practice was legal and proper.

The Board of Commissioners will no longer be issued a travel reimbursement check. However, in view of the fact that the present Board of Commissioners and Green River Management, Inc. thought the practice was legal and proper, it is requested that there be no requirement that the funds be repaid.

Green River Management, Inc.'s president's health insurance was provided through the Housing Authority of the City of Wynnewood's employee health insurance plan. During the mid to late 1980s, the Housing Authority elected to provide health insurance to staff members as an incentive and to promote employee retention. It was found that group policies were more reasonable price wise than individual policies. The smallest reputable group plan that the Housing Authority could identify required a three (3) person group. The Housing Authority increased the work hours for one part-time employee to thirty (30) hours per week so she would qualify. HUD had indicated that Housing Authorities could pay 100% of a single person's health care. The Board of Commissioners approved for Green River Management, Inc.'s president to be included on the group policy in order to achieve a three (3) member group. Back at that time, Housing Authorities were required to send the policy information to HUD for review. This was done and the Housing Authority never heard another word about the matter. The expense was budgeted in the Operating Budget and approved by the Board of Commissioners and by HUD. The amount was considered a part of the contract payment to Green River Management, Inc. by the Housing Authority. During a HUD review in the year 2000, HUD reviewed the management contracts for Wynnewood, Konawa and Langston as a part of an over-all management review and this was discussed at that time. There did not appear to be any problem, at the time.

In February 2006, the Housing Authority of the City of Konawa approved to pay one-half of Green River Management, Inc.'s president's health care cost as a part of compensation to the Management Agent. This was also negotiated as a part of the management contract effective September 1, 2006. The expense has been budgeted in the Operating Budget and approved by the Board of Commissioners.

Comment 11

It is the position of the Housing Authorities that the funds were not misspent, the expenses were made in good faith, budgeted and approved in the Operating Budget and thought to have HUD's approval. It is requested that the Housing Authority not be required to repay the money in view of the fact that the Housing Authorities understood that they were acting properly and with HUD's concurrence. .

Comment 12

A Tenant Board Member was overhoused at the Housing Authority of the City of Langston. The draft audit implies that when the auditor scheduled inspections of units in April 2007, the Housing Authority hurried and transferred the resident. This is not the case. The auditor stated that the inspection was for the purpose of determining the conditions of the units at six (6) housing authorities. The Housing Authority has made occupying vacant units a priority. The Housing Authority's Admissions and Occupancy Policy Tenant Selection and Assignment Plan gives priority for new admissions over Administrative Transfers to correct occupancy standards. Green River Management, Inc. tried to follow the Plan to the best of its ability. The Project Manager indicates that a recertification was processed for the resident in March 2007. This brought up the issue of transferring the Tenant Commissioner, again. There was a one (1) bedroom unit vacated in January 2007 and the Project Manager was processing one (1) bedroom applicants for this unit. Several applicants were processed and ultimately offered the unit but refused to accept the offer. Several applicants failed to respond to requests for information and were inactivated. A two (2) bedroom unit was vacated on 3/21/07 and the Tenant Commissioner was scheduled for transfer to that unit. Efforts were continued to process applicants for the one (1) bedroom unit. Green River Management, Inc. should have been more diligent in following up on this matter and assisted the Project Manager to initiate the transfer at an earlier date and to the proper sized unit.

Comment 13

Board Members' appointment terms had expired. While it is true that Commissioners are appointed for three (3) year terms or to fill out an unexpired term, Oklahoma State Statute 63, Section 1058 says that a Commissioner shall serve until his successor has been appointed and qualified. The four (4) Commissioners at the Housing Authority of the City of Langston were serving legally under the Oklahoma State Law.

On July 12, 2007, Green River Management, Inc. wrote the Mayor of the City of Langston a letter [copy enclosed] requesting formal reappointment of the four (4) Commissioners. On July 27, 2007, Green River Management, Inc.'s president talked to the Mayor directly regarding this matter. The Mayor stated that he would present the matter to the City Council on August 9, 2007 for consideration. To this date the Housing Authority has not received anything from the City confirming the appointments. According to the Oklahoma State Law, these Commissioners are serving legally.

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A Board Chairperson served as the property insurance agent for the six (6) housing authorities. The Board Chairperson has prepared a statement regarding this matter and it is included with this response.

For years Green River Management, Inc. solicited bids from insurance agencies to place the coverage for the housing authorities. Most of the coverage had to be written separately, because it seemed the market for housing authority insurance was decreasing year after year and the prices were increasing at a dramatic rate. For a number of years Alexander & Alexander from Dallas, TX provided a market for the required coverage, although the coverage was with different companies. The separate coverage, with different companies, seemed to increase the prices even more and in some cases coverage was cancelled because some insurance companies stopped doing business in Oklahoma or coverage would be dropped for a housing authority because it only had one small policy with a company. Apparently the small premium was not worth the trouble of the insurance company to continue coverage.

As markets for small housing authorities seemed to continue to decrease, it was determined to request bids for one combined policy that included all of the required coverage. A number of agencies were sent bid requests and coverage was written through a number of agencies of different agencies for a number of years. It was thought that a larger policy with an insurance company would possibly reduce the chances of having coverage cancelled.

The Chairperson at the Housing Authority of the City of Konawa wrote several policies for the Housing Authority when Green River Management, Inc. started working for the Housing Authority. From what Green River Management, Inc. understood from HUD, via telephone, that this practice was acceptable to HUD in small towns where options were limited and the amounts were not excessive. HUD indicated that this was particularly the case when the price justified the Housing Authorities' selection. Green River Management, Inc. discussed the matter with HUD again, via telephone, when the Chairperson quoted a cheaper rate [over \$1,300.00 per year] for better property and liability coverage [higher property values and replacement cost] than other agencies had bid. Green River Management, Inc. was told, basically, the same thing as before. Since superior coverage was written at one Housing Authority, it followed that other Housing Authorities could benefit from similar savings. Green River Management, Inc. requested a bid from the Chairperson at Konawa for insurance coverage. The Housing Authorities did receive a much better price for combined coverage with higher property values and replacement cost coverage. This seemed to be in the Housing Authorities' best interests and seemed to have HUD's approval.

Comment 14

As insurance markets continued to decrease and Housing Authority Insurance [HAI] Group started writing insurance coverage for housing authorities, the Chairperson at the Housing Authority of the City of Konawa brought to Green River Management, Inc.'s attention that coverage could be placed with HAI and that HUD approved HAI without taking bids. He also stated that he was an agent for HAI and the only agent in Oklahoma, at that time. Green River Management, Inc. called HUD and was told that if a housing authority wanted to place coverage with HAI that HUD would waive the bid requirements. HUD did not indicate that the housing authorities had to, or could, go directly with HAI.

This seemed to be in the best interest of the Housing Authorities, at the time. It was not considered that ten (10) years later an effort to do what was in the best interest of the Housing Authorities by securing insurance coverage at the seemingly best rate [and with HUD approval] would be construed by someone as a conflict of interest and violations of the Annual Contributions Contract.

During the exit conference on September 20, 2007, it was stated by OIG that if the Housing Authorities could support paying the insurance agent a fee, the fact would be considered in the final recommendations.

It seems apparent that no one knows the insurance business other than an insurance company or an insurance agent. Most people are not trained to know what coverage they need, how to go about securing that coverage, how to negotiate with insurance companies for the best coverage or premiums, how to fill out the applications for insurance, how to provide the information that insurance companies require for different types of coverage, what to report or do to reduce risks, the things that could help get better coverage, lower premiums, what deductibles to request or even how to file a claim for a loss. Insurance agents have provided these services. Insurance agents charge a fee for their services. Generally it is not apparent how much that fee is nor is it apparent how it is paid. It is a part of the cost of insurance. Green River Management, Inc. did not feel qualified to negotiate directly with an insurance company or underwriter for the coverage that the Housing Authorities needed.

The insurance agent for HAI, the Chairperson of the Housing Authority of the City of Konawa, completed the application for coverage for the Housing Authorities, traveled to each Housing Authority, measured each building, took photographs of the buildings, advised of any conditions that might affect the insurability of the property and identified items that could affect the liability of the Housing Authority [like playground equipment, condition of the equipment, things that the Housing Authority could do to improve insurability], etc. The agent completes the renewal application each year. He reviews

coverage and values with Green River Management, Inc. annually at renewal, recommends any changes [such as higher property values depending on building costs] and goes to the property and takes new photos and measurements when the Housing Authorities builds new structures or re-roofs the property. The agent is contacted and consulted any time it is suspected that a claim should be filed with the insurance company. If a claim is needed, the agent initiates the claim. The insurance agent states that he also provides other services to his clients. For example, on several occasions the insurance agent also communicated with and forwarded documentation to Mr. Jerry Hyden, of the OKC, HUD Field Office concerning insurance coverage concerns regarding an employee situation at the Yale Housing Authority.

Green River Management, Inc. did use/choose the Housing Authority of the City of Konawa's Chairperson as the agent because he is/was the only agent in the State of Oklahoma for HAIG. He is a licensed insurance agent and familiar with coverage, property values and the insurance industry as a whole and Green River Management, Inc. and the Housing Authorities felt that it was in the Housing Authorities' best interest to use someone that they knew and trusted to work in their best interests. It seems that the 10% fee paid to the agent is fair for the services that are provided. It is requested that the recommendations for repayment of the amounts paid to the agent be reconsidered since the services have been provided by the agent.

It was also stated during the exit conference that each Housing Authority could negotiate a fee with the agent each year for the services that he provides. That being the case, the Housing Authorities requests that information in writing for future reference.

Please see the enclosed copies of correspondence from the Housing Authority of the City of Wynnewood and the Housing Authority of the Caddo Electric Cooperative.

Internal Controls and Significant Weaknesses

The Housing Authorities did not follow procurement policies when procuring for a management agent.

The Housing Authorities and Green River Management, Inc. conducted the procurement of management agent services in the manner they understood was proper and acceptable to HUD, based on direction and review by HUD. While it is apparent, now, that there are significant actions that were not documented in the files, the Boards of Commissioners did determine that the services and the costs of the services were in the best interest of the Housing Authorities and executed the management contracts. The services were provided in a satisfactory manner and payment was made in good faith. It is the Housing Authorities' intent to reprocur management agent services following

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advice and specific guidance from HUD. It is requested that the recommendation that the Housing Authorities repay the amounts paid to Green River Management, Inc. be reconsidered and reversed.

Langston's units were not decent, safe, sanitary and in good repair.

While there were deficiencies in ten (10) of the eleven (11) units that were inspected, this does not make all of the units not decent, unsafe or unsanitary. There is no evidence that these deficiencies had been reported by the residents so a work order could be prepared and corrections made, with the exception of water in some of the garages. This had been reported and the Housing Authority had contacted several potential contractors in an effort to have the problem corrected. In addition to that, the Housing Authority staff has gone to several of the units and hand dug trenches around the units in an effort to drain the excess water away from the units until permanent repairs could be made. In addition to the efforts being made by the Housing Authority to identify and correct deficiencies, the Housing Authority is considering contracting with an inspection firm to make annual inspections of all units.

Green River allowed its managed Housing Authorities to expend ineligible and unsupported payments for various activities.

Green River Management, Inc. does not "allow" the Housing Authorities to do anything. The Boards of Commissioners of the Housing Authorities determine what is "allowed" and what is approved. Green River Management, Inc. tries to advise and to recommend courses of action; the Boards of Commissioners do not always follow the recommendations. Green River Management, Inc. makes every effort to secure valid guidance from HUD, from the regulations, past experience, meetings, workshops, etc. Green River Management, Inc. has not taken action on behalf of the Housing Authorities unless it was approved by the Boards of Commissioners or expressly required by HUD.

Comment 15

Comment 16

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All of the Housing Authorities are agreeable to reprocurring management agent services, negotiating a fee with the HAI insurance agent or go direct to HAI for insurance coverage, cease using Housing Authority funds for food, make a more concerted effort at the Housing Authority of the City of Langston to get current appointments for the Commissioners, to improve the identification of and correction of maintenance deficiencies at the Housing Authority of the City of Langston and to work more closely with HUD for specific and written guidance regarding interpretation of policies and regulations. Green River Management, Inc. and the Housing Authorities have the desire and intention to follow all guidelines, regulations and policies to the best of their abilities and knowledge.

Sincerely,


Ronnie L. Morehead

Enclosures

cc: Chairpersons of 6 Housing Authorities
Mr. Jerry D. Hyden

OIG Evaluation of Auditee Comments

Comment 1: Green River was responsible for complying with the housing authorities' annual contributions contracts. Green River agreed it did not have the required procurement documentation. Green River provided no supporting documentation that the commissioners discussed the contracts or that it sent the contracts to HUD initially or since the 1980s. Green River should have informed the commissioners of their responsibilities and of the requirements.

Comment 2: Without cost estimates, competitive procurement, commissioners that are aware of their responsibilities, evidence that the commissioners sent the contracts to HUD, or HUD approval of the contracts, Green River has no evidence to support its statements.

Comment 3: The purpose of the requirement is to ensure that contractors are eligible through independent verification.

Comment 4: We maintain our position that the housing authorities did not advertise on a sufficiently broad enough basis as evidenced by only Green River bidding. It could not provide any documentation of the discussions it had with commissioners.

Comment 5: Green River stated HUD informed Cheyenne that Green River should recuse itself from the procurement of management agent services. According to Green River, Cheyenne's chairman worked directly with HUD concerning the procurement. Green River relied upon conversations with this chairman to manage other housing authorities. Green River should ensure that the housing authorities it manages follow HUD requirements. Obviously, Green River should not be involved with the procurement of its contract. However, as management agent, Green River should ensure that commissioners follow HUD requirements. With respect to Cheyenne, HUD did not review the entire procurement process. Cheyenne's management agent procurement file did not contain the necessary elements as stated in the report. Further, Green River should not apply guidance received verbally from a commissioner at one housing authority as support for another housing authority's actions.

Comment 6: The housing authorities' agreement to reprocore their management agent contracts is appropriate. However, the housing authorities will need to justify to HUD that they paid a reasonable price for the fees it paid since it improperly procured the contracts.

Comment 7: We commend the Housing Authority of the City of Langston for correcting the deficiencies.

Comment 8: The various housing authorities' discontinuing the practice of using housing authority funds for these activities is appropriate.

Comment 9: Public and Indian Housing Notice 2001-3 states eligible resident participation activities include consultation and outreach for public housing residents that support active interaction between the housing authority and the residents. Green River did not include documentation of how Pauls Valley used the funds. Pauls Valley financial documentation

showed two entries in other income with notes stating Thanksgiving dinner and Christmas dinner totaling \$195. We deducted this amount from the total in the report.

Comment 10: We excluded the section concerning per diem payments to commissioners from our report based upon review of the response. While the per diem payments were not clearly ineligible, we maintain the payments were not reasonable under the circumstances. Such payments if provided should be reviewed by the commissioners yearly to determine need and reasonableness. We agree with Wynnewood's position of discontinuing per diem payments to Wynnewood's commissioners.

Comment 11: Despite what occurred in the past, Green River needs to negotiate its president's personal health insurance cost through its management agent contract. Green River's management agent contract with Wynnewood did not include a personal health insurance clause. As for the management agent contract for Konawa, Konawa did not procure the contract within applicable HUD requirements as stated in the report.

Comment 12: Green River did not provide documentation to support Langston's efforts in transferring the tenant commissioner prior to March 2007. The tenant commissioner continues to be overhoused.

Comment 13: Langston's current commissioners' terms expired in 2002, 2003, and 2004. The only evidence of Green River petitioning the City of Langston in writing was in July 2007; three to five years after the members' terms expired. Green River should ensure that Langston's commissioners have current appointments.

Comment 14: The conflict of interest resides in Konawa paying the insurance agent/board chairperson, not in obtaining the actual insurance coverage 10 years earlier. Green River should expend existing housing authorities' funds based upon the facts and requirements currently in effect. As management agent, Green River should have kept abreast of current facts and requirements and informed commissioners of changes that impacted the expending of current funds. Further, the annual contributions contract between HUD and each housing authority specifies the mandatory and optional insurance coverage for housing authorities. Finally, Green River did not provide evidence of services provided, negotiations, nor contracts between the insurance agent and the housing authorities.

Comment 15: We omitted from the final report.

Comment 16: Implementation of these actions will improve the housing authorities' operations.