



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 6, 2005

Ms. Joan Van Aernam, Executive Director,
and Members of the Board of Commissioners
Housing Authority of DeQuincy
500 South Grand Avenue
DeQuincy, LA 70633

Dear Ms. Van Aernam:

We performed a limited review of the financial records of the Housing Authority of DeQuincy (Authority) for the period beginning January 1, 2002, and ending December 31, 2004. We also reviewed the Authority's policies and procedures as well as the Board meeting minutes. The scope of our work was significantly less than that required by *Government Auditing Standards* in the audit of the Authority's financial statements; therefore, we are not offering an opinion on the Authority's financial statements, the Authority's system of internal control, nor assurance as to compliance with laws and regulations.

As part of our review, we noted certain matters that we want to bring to the attention of the Board and management for consideration. We offer the following comments and suggestions:

1. Lack of Policies and Procedures

- a. Financial Reporting: Monthly financial statements are not submitted to the Board for review. The Board should be provided with the monthly financial statements and budget comparisons for all funds. The Authority should develop and implement a written policy that provides for the nature, extent, and frequency of reporting financial information to the Board.

Payroll Processing: The Authority failed to report miscellaneous income totaling \$20,427 for eight contract workers in 2002 and income totaling \$53,684 for nine contract workers in 2003. For the same years, the Authority also failed to include, as income, the value of Ms. Van Aernam's personal use of the Authority van.

Ms. Joan Van Aernam, Executive Director,
and Members of the Board of Commissioners
Housing Authority of DeQuincy
April 6, 2005
Page 2

Internal Revenue Service (IRS) regulations require filing a Form 1099-MISC for any nonincorporated entity earning \$600 or more in any year. IRS regulations also require reporting personal use of business assets. Management's failure to submit 1099-MISC forms and include Ms. Van Aernam's personal use of the Authority's vehicle may subject the Authority to fines by the IRS.

The Authority should ensure that 1099-MISC forms are filed in a timely manner for all individuals and partnerships that earn more than \$600 in any calendar year. The Authority should also implement procedures to properly report the personal use of Authority vehicles.

- b. Information Systems: The Authority does not have a written back-up contingency and recovery plan in the event of a disaster. The Authority should develop a contingency and recovery plan and store a back-up copy of all electronic files offsite or in a fire proof filing cabinet. The Authority should also periodically test its contingency and recovery plan.

2. Noncompliance With Policies and Procedures

- a. Purchasing: Though the Authority uses purchase orders to aid in the purchasing function, the Board does not approve purchases. The Authority should amend its current purchasing policy for the use of purchase requisitions/orders and establish a purchase order threshold that requires prior approval by the Board. The Board should review each purchase over the preset threshold to determine if it is in the best interest of the Authority, if funds are available and budgeted, and purchasing laws have been followed.

The Authority also allows family members and contract workers to sign vendor receiving reports for Authority merchandise. The Authority should implement policies and procedures that require only employees to accept delivery or pick up Authority merchandise.

- b. Disbursements: The Authority's current policies and procedures provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done. However, the Authority has not followed its written policies and procedures for processing disbursements.

Ms. Joan Van Aernam, Executive Director,
and Members of the Board of Commissioners
Housing Authority of DeQuincy
April 6, 2005
Page 3

In several instances, payments were made without an invoice, a receiving report, or any supporting documentation. Also, the Authority pays \$200 per month for inspections of all occupied units. However, in 2004, the Authority paid for inspections of 144 occupied units that were not documented by inspection reports.

In addition, for several months in 2002, Ms. Van Aernam was the lone signee of vendor payment checks. Currently, all checks require two signatures--the executive director and one Board member. However, Board members would sometimes pre-sign checks. This practice, which according to Ms. Van Aernam and the Board, was discontinued in November 2004.

The Authority should adhere to its current policies and procedures. The Authority should also add additional policies and procedures to ensure that funds are disbursed in a manner consistent with expectations and to ensure that disbursements are for the benefit of the Authority. These policies and procedures should require supporting documentation for all payments prior to the expenditure of funds. They should also require Board members to review the supporting documentation for each expenditure prior to signing checks. Finally, the Authority should avoid paying for undocumented services.

- c. Ethics Policy: Louisiana Revised Statute 42:1113¹ prohibits public employees and their family members from entering into any contract with that employee's agency. However, Ms. Van Aernam's sons, Wes and Scott Spears, earned \$1,138 and \$960, respectively, as contract laborers for the Authority. By allowing her children to provide compensated services to the Authority, Ms. Van Aernam may have violated this provision.

¹ R.S. 42:1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

In addition, in 2002, the U.S. Department of Housing and Urban Development inquired about allegations that Ms. Van Aernam's relatives were hired to work at the Authority. Though Ms. Van Aernam conceded the use of relatives, she falsely stated that none of her family members earned enough to require a 1099-MISC form.

The Authority should abide by Louisiana law and not hire contractors that are family members of employees. Adhering to the policy adopted in September 2004 should prevent future instances.

- d. Travel: Travel reimbursements for the past three years have been poorly documented and inconsistent. In some cases, instead of each traveler receiving his/her own per diem, Ms. Van Aernam paid for all meals for all travelers and was reimbursed cash at a per diem rate. In addition, travel reimbursements were not submitted on a standard form listing the traveler or the reason for travel, and in most cases, no receipts were included. The travel policy adopted in September 2004 adequately addresses the Authority's travel needs and should be implemented. The Authority should also begin using the travel reimbursement form included in the policy and ensure that proper documentation is received prior to settling travel claims.
- e. Telephone: The Authority's cell phone policy is inadequate and is not enforced. The policy requires reimbursement for any calls in excess of the plan minutes. However, over the past three years, cell phone air time has exceeded the plan minutes on several occasions. Ms. Van Aernam has not reimbursed the Authority for the additional charges claiming that the additional charges were due to many business calls while traveling. No detailed cell phone bills prove or deny her contention.

The Authority should review past bills to determine the amount, if any, Ms. Van Aernam owes for exceeding the plan minutes. The Authority should also establish written policies and procedures for the business use and care of cellular phones that (1) require a review of cellular phone contracts annually to determine the appropriate amount of airtime minutes needed per month; (2) require employees who are issued a cellular phone to review their monthly phone bill and identify personal calls made or received; (3) require that each employee is billed, at a standard rate for each minute, for personal calls; and (4) require that monthly bills are reviewed for propriety and reasonableness of phone usage.

Ms. Joan Van Aernam, Executive Director,
and Members of the Board of Commissioners
Housing Authority of DeQuincy
April 6, 2005
Page 5

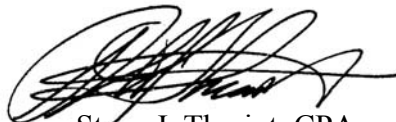
In addition, the Authority does not retain detailed billing records for its telephones or cellular phones. The Board should request detailed phone bills from its cellular and telephone providers. These bills should be maintained and reviewed monthly for the propriety and reasonableness of phone usage.

- f. Gasoline Charges: The Authority has a maintenance truck and a van, but a service log is maintained only for the truck. The Authority should maintain a detailed service log for both vehicles. The Authority should also require that the individual gasoline receipts for both vehicles be attached to the monthly vendor statements.

Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

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

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

SDP:JLM:DGP:dl

DEQUINCY05

Housing Authority City of DeQuincy
500 S. Grand Ave.
P.O. Box 126
DeQuincy, La. 70633

Board of Directors
Ira "Bud" Royer Chairman
Ralph Mitchell, Vice Chairman
Wesley Wells
Jerry Bell
Loyce Weaver

Executive Director
Joan VanArenam

Phone 337 7862381
Fax 337 7863204

March 16, 2005

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Steve Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *Housing Authority of DeQuincy*

Dear Mr. Theriot:

I am in receipt of and thank you for your March correspondence wherein you graciously provided me and the Board with some comments and suggestions regarding policy and procedures as well as perceived non-compliance with policies and procedures. As I indicated during the audit, I welcomed your critique of the Housing Authority of DeQuincy (hereinafter referred to as "The Authority") so that we may more proficiently run and manage our affairs. In review of your recommendations, I believe that implementations of some of the policies and procedures would be extremely beneficial. However, at the same time, I feel compelled to provide a written explanation as a first time viewer may be left with the wrong impression while reading your comments and recommendations. I would like to point out that The Authority has only two office staff personnel, one full-time maintenance person, and one part-time maintenance person. We are extremely limited in our resources and manpower; therefore, some adjustments have to be made simply in order to get matters achieved in order to satisfy and accommodate our occupants.

In response to your recommendations, I would like to provide the following facts and response:

- 1(a). Financial Reporting: Thank you for your recommendation as I was unaware that it was necessary for the Board to receive the financial statements monthly. Since it has been brought to our attention, we have made the necessary changes and are proceeding accordingly.

Mr. Steve Theriot
March 16, 2005
Page 2

- 1(b). Payroll Processing: Thank you for your recommendation regarding contract labor as I was misinformed regarding how contract labor should be addressed. In fact, I have remedied the problems for the years in question as I have forwarded the proper and necessary documentation. Secondly, we have adopted a policy wherein we will have the contractor execute a W-9 when doing any and all work for The Authority.

I must take issue of the fact that you suggest that The Authority failed to include as income the value of my personal use of The Authority van. As I indicated during the audit, I only live approximately an eighth of a mile from The Authority. Therefore, the approximated distance that I will use the van per day would be 1.6 miles. As I stated during the audit, I felt it prudent under the circumstances to have the van at home rather than at The Authority. It is common knowledge and it has been well documented that we have had repetitive problems regarding vandalism. Therefore, I thought that it would be in the best interest of The Authority to have it protected at my home. This recommendation has been looked into and we will comply with your recommendation.

- 1(d). Information Systems: Thank you for your recommendation as we will be adopting a policy that will safeguard and protect in the event of fire and/or disaster.
- 2(a). Purchasing: The Board will amend the policy as recommended and will establish a purchase order threshold as suggested. I further welcome any comments that you have after consideration of the above facts.

Mr. Steve Theriot
March 16, 2005
Page 3

- 2(b). Disbursements: Regarding disbursements as stated in your correspondence, these issues have been addressed. Your recommendations are appreciated.
- 2(c). Ethics Policy: As I indicated during the audit in September, 2004, The Authority agreed not to hire any family members even for the most menial tasks. I do want to clarify that I “falsely stated” that none of family members earn enough to require a 1099-MISC form. I previously stated that I was misinformed as I thought the threshold amount to require a 1099 filing was \$1,000.00. This is precisely why I uniformly did not send 1099’s for any contract laborer that did not earn in excess of \$1,000.00. This was a mistake on my part, and I readily accept that. However, I would like to point out that my sons were hired during exigent circumstances wherein work had to be done on some houses. During that time, my maintenance man quit and I was simply without personnel. At the same time, I had to satisfy my tenants. Therefore, I did what I had to do to service my occupants and complete the REAC inspection for our Authority.
- 2(d). Travel: Regarding travel reimbursements as stated in your correspondence, these issues have been addressed pursuant to a revised travel policy implemented on March 8, 2005. Travel expenses are reimbursed at the federal per diem rate. Again, your recommendations are appreciated.
- 2(e). Telephone: You recommended several changes regarding The Authority’s cellular phone usage. To address the issues identified in your report, The Authority no longer utilizes Sprint cell phones. Nextel walkie talkies are now used by The Authority personnel as its sole means of communication with other Authority personnel. Furthermore, the new policy implemented prohibits any Authority personnel from utilizing the walkie talkies for personal use.
- 2(f). Gasoline Charges: Thank you for your recommendation regarding gasoline charges. The Authority now maintains a service log on both the maintenance truck and the van.

Mr. Steve Theriot
March 16, 2005
Page 4

With kind regards, I remain

Sincerely yours,

A handwritten signature in cursive script that reads "Joan Van Aernam". The signature is written in black ink and is positioned above the printed name.

JOAN VAN AERNAM