



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

March 7, 2007

Ms. Wanda Davis, Executive Director,
and Board of Commissioners
Alexandria Housing Authority
2558 Loblolly Lane
Alexandria, LA 71309

Dear Ms. Davis:

We performed a limited examination of the financial records of the Alexandria Housing Authority (AHA) for the period beginning May 1, 2002, and ending January 31, 2006. This examination was performed in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain allegations my office received regarding certain contracts the AHA has for professional services. The scope of our work was significantly less than that required by *Government Auditing Standards* in the audit of the AHA's financial records; therefore, we are not offering an opinion on the AHA's financial statements or 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 of Commissioners and management for consideration. We offer the following comments and suggestions:

1. The AHA has two contracts with SMART, Inc. (SMART) for program management services and development services. Of the \$1,288,293 paid to date, we could not determine the purpose for \$429,089 paid by the AHA to SMART from May 2002 to January 2006.

In May 2002, the AHA contracted with SMART for program management services to revitalize and reduce the vacancy rate at the Wooddale Park and Sycamore Place housing developments. The total contract amount was \$450,547. SMART began work on this contract in May 2002 and was paid \$417,390 for work completed through August 31, 2003. Thereafter, the AHA changed the scope of the vacancy reduction program by deciding to demolish and rebuild the Wooddale Park and Sycamore Place housing developments. In August 2003, the AHA contracted with SMART for the second instance for development services. The total contract amount was \$2,434,796. To date, the AHA has paid SMART \$870,903 for work performed under this second contract.

In both contracts, the invoices submitted to the AHA by SMART included a description of the work performed but, in most cases, did not associate the work performed with specific contract deliverables. The AHA's management did not maintain a record of deliverables completed nor does it have a system to measure the contractor's performance. We met with SMART on three separate occasions to discuss the invoices submitted to the AHA. We were able to correlate documented services to contract deliverables for \$859,204, or 67%, of the \$1,288,293 paid to SMART under both contracts. We were unable to determine that the remaining \$429,089 paid to SMART was in accordance with contract deliverables.

We recommend the AHA require SMART to provide a reconciliation of all services provided per the contracts to the amounts invoiced and to resolve all unsupported payments. The AHA should also require all vendors with professional services contracts to provide a detailed invoice that directly relates to the contract deliverables to allow AHA management to assess the reasonableness of costs and to determine if the services conform to the contract deliverables before approval of the invoice for payment.

2. On at least four occasions during the period November 2004 to April 2005, Ms. Davis violated the AHA's check authorization policy. The housing authority's policy allows the executive director, Ms. Davis, to co-sign checks up to \$25,000 but reserves check signing authority for payments exceeding \$25,000 to the chairman and vice-chairman. Ms. Davis directed the accounting department to reduce single checks exceeding \$25,000 to smaller, multiple checks below \$25,000 to allow her to co-sign the checks. We recommend the AHA comply with its check authorization policy and discontinue the practice of splitting payments for invoices over the policy limit.
3. Mr. Patrick Waller, an AHA employee since October 2004, may have violated Louisiana law¹ by working for SMART as a consultant in 2005, the same time period SMART was under contract with the AHA. Ms. Davis, Mr. Waller, and Mr. Knox LaSister, CEO of SMART, all stated Mr. Waller performed work for SMART in early 2005; however, they were unaware of any ethical conflict with Louisiana law.

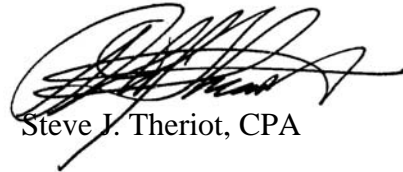
¹ Louisiana Revised Statute 42§1111.C.2 provides, in part, that no public servant and no legal entity in which the public servant exercises control or owns an interest in excess of twenty-five percent, shall receive any thing of economic value for or in consideration of services rendered, or to be rendered, to or for any person during his public service unless such services are. . . (d) Neither performed for nor compensated by any person from whom such public servant would be prohibited by R.S. 42:1115(A)(1) or (B) from receiving a gift. Louisiana Revised Statute 42§1115(A) provides, in part, that no public servant shall solicit or accept, directly or indirectly, any thing of economic value as a gift or gratuity from any person or from any officer, director, agent, or employee of such person, if such public servant knows or reasonably should know that such person: (1) Has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency.

Ms. Wanda Davis, Executive Director
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We recommend the AHA report the facts and background of this instance to the Louisiana Board of Ethics and to inform all current employees of the ethical standards required by Louisiana law.

This correspondence represents our findings and recommendations as well as management's response (see attachment). This correspondence is intended primarily for the information and use of the Alexandria Housing Authority and its management. I trust this information will assist you in the efficient and effective operations of the AHA. Should you have any questions, contact me at (225)339-3800.

Sincerely,



Steve J. Theriot, CPA

DD:JM:KK:dl

Attachment

ALEXHA07

Bridgett Brown

ATTORNEY-AT-LAW
POST OFFICE BOX 1790
3504 MASONIC DRIVE, SUITE B
ALEXANDRIA, LOUISIANA 71309-1790

Telephone: (318) 443-9000
Fax: (318) 443-1444

February 16, 2007

Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Audit-Alexandria Housing Authority

Dear Mr. Theriot:

I am writing to respond to the findings in the recent audit of the Alexandria Housing Authority conducted by your office.

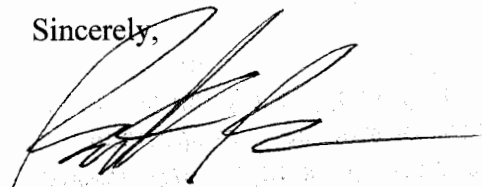
First, the Alexandria Housing Authority has retained the services of legal counsel to review the findings of your office, its contracts with Smart, Inc. and to make recommendations on how to recover any overpayments to Smart, Inc. Once that legal review is done, the Alexandria Housing Authority will proceed quickly to recover any overpayments made to Smart, Inc.

Second, the Chairman of the Housing Authority's Board of Commissioners has reviewed the check authorization policy with the Executive Director and has received assurances that the policy will be followed in all future instances.

Third, the Alexandria Housing Authority has self-reported the possible violation of the Louisiana Ethics Code by one of its employees, Patrick Waller. I enclose a copy of the letter for your records. Additionally, the Authority will schedule a training session with all of its employees to insure that they receive the necessary information to avoid any future violations of the code.

Thank for your assistance in this matter.

Sincerely,



Bridgett Brown