Housing Authority of the City of Lafayette

Compliance Audit
Issued January 12, 2011

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 12, 2011

MR. DAN RODRIGUEZ, INTERIM EXECUTIVE DIRECTOR,
AND BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
Lafayette, Louisiana

We have audited certain transactions of the Housing Authority of the City of Lafayette. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the Housing Authority of the City of Lafayette and the Louisiana Legislature. This is a public report. Copies of this report have been delivered to the District Attorney for the Fifteenth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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1600 NORTH THIRD STREET • POST OFFICE BOX 94397 • BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV • PHONE: 225-339-3800 • FAX: 225-339-3870

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Disaster Housing and Assistance Program

Between October 1, 2007, and May 27, 2010, the Housing Authority for the City of Lafayette (HACL) received two Disaster Housing and Assistance Program (DHAP) grants from the United States Department of Housing and Urban Development. During our review of DHAP, we noted that (1) case managers received excessive compensation and pay raises in possible violation of state law; (2) one case manager contract was with a nonprofit corporation, not an individual. Although time sheets were submitted, management cannot identify the individuals that performed the work; and (3) payments were made to case managers subsequent to written contracts being in effect.

Executive Director Compensation

Walter Guillory served as the executive director of HACL from July 1999 until he resigned in October 2010. From December 2005 to November 2009, the HACL Board of Commissioners allowed Mr. Guillory to contract with the Housing Authority for the City of Opelousas (HACO) to serve as HACO's executive director and split his time between the HACL and the HACO. Although Mr. Guillory worked part-time for the HACL during this period, the HACL continued to pay Mr. Guillory a full-time salary that ranged from $111,821 to $154,024. By paying Mr. Guillory a full-time salary during this period, the HACL appears to have paid Mr. Guillory for work not performed or for services grossly inadequate for such compensation. In addition, because the HACL allowed Mr. Guillory to provide services for HACO, for which HACL received no benefit, the HACL appears to have donated its resources in possible violation of the Louisiana Constitution.

Prohibited Contractual Arrangements

During our review, we noted two instances in which HACL employees or immediate family members of employees appeared to have entered into contractual relationships with the HACL. Louisiana Revised Statute (R.S.) 42:1113 provides, in part, that no public servant, or member of such 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.

State Grant Funds

In September 2009, the HACL received $50,000 from a state general fund appropriation "to provide an affordable housing program." However, from September 2009 to December 2009, the HACL used a majority of these funds to purchase a prefabricated "hurricane building" that to date has not been set on a foundation. As a result, the HACL appears to have spent state appropriated funds in a manner not authorized by the appropriation.

Credit Card Usage

The HACL has four credit cards: three in the name of the Housing Authority of Lafayette and one in the name of Walter Guillory. During our review of these credit cards, we noted significant late fees and finance charges on all the cards and a lack of documented business purposes for the purchases.

Clothing Purchases

Mr. Guillory's employment contract with the HACL specifies a clothing allowance. We question the business necessity of this allowance. In addition, we noted one instance in which the clothing allowance was not recorded as income by the HACL on Mr. Guillory's W-2. In a second instance, Mr. Guillory reimbursed the HACL for clothes purchases made on his HACL credit card several months after the purchases.

Professional Services Contracts

During our review, we noted that many professional service vendors were not selected through a competitive process. Professional services typically refer to services such as architecture, engineering, legal, consulting, et cetera. Good business practice dictates that these services be procured through a competitive and transparent process. The process should include public advertisement of the need for the service, submission of proposals, merit-based evaluation criteria, and awards based on evaluation of a qualified evaluation committee.

Disaster Housing and Assistance Program

During our review of the DHAP, we noted that:

(1) case managers received excessive compensation and pay raises in possible violation of state law;

(2) one case manager contract was with a nonprofit corporation, not an individual. Although time sheets were submitted, management cannot identify the individuals that performed the work; and

(3) payments were made to case managers subsequent to written contracts being in effect.

Between October 1, 2007, and May 27, 2010, the HACL received two DHAP grants from the United States Department of Housing and Urban Development (HUD). DHAP is a HUD-Federal Emergency Management Agency (FEMA) pilot grant program to provide rent subsidies for non-HUD assisted families displaced by hurricanes Katrina and Ike. In addition, DHAP provides case managers who assist participants in obtaining financial education, job training, and other social services. The DHAP is administered by public housing authorities because of their local market knowledge and expertise in assisting families through a tenant-based subsidy program.

Between November 2007 and August 2009, the HACL entered into case management contracts with five people. Although HUD requires that all procurement transactions be conducted in a manner providing full and open competition, the HACL did not use competitive proposals in selecting the DHAP case managers. According to HACL management, requests for proposals were not issued nor were any other competitive selection processes used to select the case managers. Management claims that since the DHAP was implemented quickly, there was insufficient time to use a formal competitive selection process. Only three of the five case managers were hired at the beginning of the DHAP; the other two were hired several months later.

Case Manager Compensation

Between November 2007 and August 2009, the HACL entered into case management contracts with five people. Based on our review, it appears that case manager pay rates were significantly higher compared to other DHAPs in the area. As a result, the HACL may have paid case manager salaries that were not commensurate with the services provided. In addition, from March 2008 to December 2009, all five case managers received retroactive pay raises resulting in one-time payments totaling $33,200. Because the case managers were agents of the HACL and may have had an employment relationship with the HACL, these retroactive pay raises may have violated the Louisiana Constitution.[1]

[1] **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

In November 2007, the HACL entered into contracts with the original three case managers. These contracts included hourly rates of $11.08 per hour as well as a vehicle allowance of $600 per month for each case manager. According to the contracts, the case managers were required to perform case management services at the HACL's DHAP office for 40 hours per week between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday. The HACL entered into a second contract with these three case managers in February 2008 with the same terms but an hourly rate of $16.08. In December 2008, the HACL entered into new contracts with the three case managers with an hourly rate of $30. The new contracts did not require case managers to work set office hours at the DHAP office and allowed pay raises upon annual evaluation by the program administrator and approval by the executive director. The HACL entered into a final contract with these case managers in August 2009 with an hourly rate of $37.

The HACL supplied materials and equipment including computers, cell phones, and office supplies for the case managers to perform their duties. The HACL also provided training for the case managers in Baton Rouge, New Orleans, and Houston, Texas. Although the case managers were considered independent contractors and received 1099s, they appear to have been engaged in the performance of a governmental function as agents of the HACL.[2] In addition, the receipt of materials, equipment, training, set working hours, and management supervision appeared to represent an employment relationship between the HACL and the case managers.

The original three case managers received four raises bringing their final rates of pay to $37 per hour (a 234% increase). The two additional case managers received raises that brought their final average compensation to $16 and $19 per hour. There were no documented performance evaluations to support any of the pay raises and some of the raises have no documented approval from the executive director. Based on our review, it appears the hourly rates for the HACL case managers were significantly higher than comparable hourly rates at other DHAPs which ranged from $9 to $20 per hour.

According to Mr. Jonathan Carmouche, former program coordinator for DHAP, the hourly rates were justified by (1) the credentials of the case managers, which included master's degrees and PhDs and (2) the responsibilities of the case managers which included performing intake assessments and housing counseling services in addition to case management services. According to Mr. Carmouche, these factors supported higher rates of pay. Based on our review of the case manager contracts, it does not appear that the work responsibilities of the case managers changed significantly before the raises were granted. Also, we noted that intake assessments and housing counseling services appear to fall under general case management services.

In addition to awarding pay raises applicable to future earnings, HACL management applied the pay raises retroactively to past earnings resulting in additional one-time payments to the case managers made at the time the raises were awarded. According to Mr. Carmouche, there was typically a lag between the time the pay raises were authorized and when funding became available to pay the raise. When funding became available, the pay increase was applied

[2] **R.S. 42:1102 (18) (c)** provides, in part, that "Public employee" means anyone, whether compensated or not, who is engaged in the performance of a governmental function.

retroactively to the period commencing with the authorization of the raise. The amount was paid in a lump sum and referred to as a "one-time pro-ration." The authorization for the raises was not documented by management nor did management document its intention to raise the pay of its case managers before the retroactive pay period. All the case managers received these additional one-time payments. The total value of these additional payments from January 2008 through August 2010 was $33,200.

Historically, the Louisiana Attorney General's Office has opined that "payments of additional compensation to public employees, to be constitutionally valid, must be in the form of salary increases for future services to be rendered, not extra compensation for past services already rendered and recompensed..."[3] In addition, in Opinion 09-0260, the attorney general opined that "paying an employee extra compensation in addition to what is owed to her for work that has been done in the past when the employer is under no legal obligation to do so is a payment of a bonus." The attorney general further stated that "if the clerk's office had not previously obligated itself to pay the employee extra compensation (i.e., a raise), then it cannot pay the employee more than she is owed for extra work completed in the past. To do so would be paying a public employee a bonus in violation of La. Const. art. VII, Sec. 14(A)." Based on this opinion and other attorney general opinions, management may have violated Article 7, Section 14 of the Louisiana Constitution by giving retroactive pay raises to the case managers if they are considered agents of the HACL and/or public employees.[1]

<u>Case Manager Contract With Nonprofit Corporation</u>

During our review of the DHAP case management contracts, we noted that two of the contracts were with the Lafayette Training and Career Development, Inc., a nonprofit corporation registered to Chris Williams. Mr. Williams, a full-time employee at the University of Louisiana Lafayette (ULL), had previously contracted with HACL as a case manager. According to HACL management, its understanding was that Chris Williams was the case manager on these contracts and the time sheets submitted in support of these contracts reflected the hours he worked. We compared the hours recorded on these time sheets with documentation supporting Mr. Williams' work at ULL and found overlapping hours. According to Mr. Williams, other employees of his company, Lafayette Training and Career Development, Inc., performed much of the case management work. As a result, the HACL may have paid an hourly rate not commensurate with the qualifications and experience of the persons actually performing much of the case management work.

From November 30, 2007, through December 1, 2008, the HACL entered into two separate contracts for case management services that were signed by Mr. Williams as the case manager. Neither contract was specific as to whether Mr. Williams or his company was the contracting party. From December 1, 2008, through March 31, 2010, HACL entered into two additional contracts with the Lafayette Training and Career Development, Inc. Payments under all four contracts, with hourly rates ranging from $11.08 to $37, were made payable to Lafayette Training and Career Development, Inc. In October 2009, the HACL began requiring time sheets from the case managers based on recommendations from the external auditor. The time sheets submitted by Mr. Williams were signed "Chris Williams, Case Manager." The hours were

[3] **Attorney General Opinion 01-0272**

typically 5:30 p.m. to 10:00 p.m., Monday through Thursday; 1:00 p.m. to 9:00 p.m. on Fridays; and various hours on the weekends. The hours never exceeded 40 hours per week. The time sheets gave no indication who worked the hours other than the signature, “Chris Williams, Case Manager” at the bottom of the time sheets.

Mr. Williams works at ULL in two capacities--as a full-time counselor in the Department of Special Services and a part-time instructor in the Department of Political Science. His work as a counselor is split evenly between the Upward Bound Program and the Talent Search Program. The work involved travel to area schools to meet with students. Although the travel was documented, Mr. Williams was not required to complete detailed time sheets showing all hours worked. Both Mr. Williams and his supervisors in the Department of Special Services give Mr. Williams’ work hours as approximately 8:00 a.m. to 5:00 p.m., Monday through Friday. University records show that Mr. Williams also taught one political science course in the Fall 2008 and Spring 2009 semesters and the Fall 2009 and Spring 2010 semesters. All political science classes were taught at night.

A comparison of the time sheets that Mr. Williams submitted to the HACL with documentation supporting his work at ULL shows an overlap of approximately 91 hours. Specifically, Mr. Williams recorded 32 hours of compensatory time earned through his counselor position that conflict with hours recorded on the time sheets submitted to the HACL and 59 hours of class time for the political science courses he taught that conflict with hours recorded on the time sheets submitted to the HACL. For example, on Sunday, November 8, 2009, Mr. Williams recorded seven hours of compensatory time (overtime) for his ULL job (2:00 p.m. to 9:00 p.m.). On this same day, four hours of time on the time sheet submitted to the HACL was for the DHAP (5:00 p.m. to 9:00 p.m.). The comparison shows four hours of overlap. The total value of the 91 overlapping hours based on Mr. Williams’ rate of pay at the HACL was approximately $3,076.

According to Mr. Williams, the case manager contracts with the HACL were between his company, Lafayette Training and Career Development, Inc., and the HACL, not between himself and the HACL. The time sheets that he submitted to the HACL reflect not only the hours he worked but also the hours of two other employees of Lafayette Training and Career Development, Inc., that also worked on the case manager contract. Mr. Williams added that he signed the time sheets in his capacity as agent and owner of Lafayette Training and Career Development, Inc., and that his signature did not indicate that the hours shown on the time sheet were his hours alone.

Lafayette Training and Career Development, Inc., had no internal records such as time sheets to indicate the specific hours worked by each employee. As a result, Mr. Williams cannot identify which hours on the time sheets submitted to the HACL are hours that he worked and which hours were worked by other employees. Mr. Williams added that the combined hours worked by him and the two other employees were significantly more than the 40 hours recorded on the time sheets. He did not record the excess hours worked over the required 40 hours per week on the time sheets because his company would only be paid for 40 hours per week.

Both Mr. Carmouche and former Executive Director Walter Guillory stated they thought that Chris Williams performed the case management work. Mr. Carmouche was not aware that other employees of Lafayette Training and Career Development, Inc., were performing case management work. HACL records and management practices seemed to support management's understanding that Mr. Williams performed the case management work himself. For example, HACL equipment, including a laptop computer and cell phone, was assigned to Mr. Williams, but not his employees. Mr. Williams was assigned a User ID and password to access federal databases necessary for the case management work while his employees were not. The HACL paid for case manager training for Mr. Williams but not his employees. Finally, HACL management granted pay raises based upon the education credentials of Mr. Williams and its claim that one person was performing multiple functions.

Because HACL management failed to determine which individual employees of Lafayette Training and Career Development, Inc., were performing the case management work, HACL was unable to properly evaluate the qualifications and experience of the persons performing much of the case management work. As a result, the rate of pay, which is based on the qualifications of Mr. Williams and the assumption that individual case managers had multiple responsibilities, may be excessive and the services performed may be inadequate for such payment or compensation.

Payments Made Outside the Scope of Contracts

During our review of case manager contracts, we noted that contracts for all five case managers lapsed in March 2010; however, the HACL continued to pay the case managers through August 2010 without written contracts in effect.

Good business practice and proper internal control dictate that all payments be made pursuant to written contracts. In addition, HUD's case management guidelines suggest that case management services be provided in-house or externally through a contract. Written contracts help ensure that there is authorization for payments and right of recourse for underperformance.

Recommendations

We recommend that the HACL adopt policies and procedures to ensure public funds are spent according to appropriate policies and laws. Such procedures could include the following:

1. Use of requests for proposals to select contractors and evaluate the proposals against objective criteria designed to ensure selection of contractor best able to perform the job duties specified in the contracts.

2. Ensure that all contract payments are made pursuant to written contracts.

3. Require Disclosure of Outside Employment Forms for case workers. Such forms would ensure that the contractors selected would not be prevented from fulfilling contract responsibilities by performing other jobs.

4. Ensure that individual contractors document their work activities through detailed time sheets to increase accountability.

5. Properly document all raises by ensuring there are appropriate signatures, dates, methodology, and justifications in the raise documentation.

6. Discontinue the practice of retroactive pay raises for past work. Such pay may violate the Louisiana Constitution.

Executive Director Compensation

Walter Guillory served as the executive director of HACL from July 1999 until he resigned in October 2010. From December 2005 to November 2009, the HACL Board of Commissioners allowed Mr. Guillory to contract with the Housing Authority for the City of Opelousas (HACO) to serve as HACO's executive director and split his time between the HACL and the HACO. Although Mr. Guillory worked part-time for the HACL during this period, the HACL continued to pay Mr. Guillory a full-time salary that ranged from $111,821 to $154,024. By paying Mr. Guillory a full-time salary during this period, the HACL appears to have paid Mr. Guillory for work that was not performed or for services grossly inadequate for such compensation. In addition, because the HACL allowed Mr. Guillory to provide services for HACO, for which HACL received no benefit, the HACL appears to have donated its resources in possible violation of the Louisiana Constitution.

Beginning in October 2005, Mr. Guillory was in the third year of a five-year contract as the executive director of the HACL. His employment contract included a salary, clothing allowance, regular merit increases as well as workers compensation, insurance coverage, and enrollment in a retirement system. His salary beginning as of October 2005 was $111,821 and his job responsibilities included "procedural and administrative tasks relative to all phases of [HACL] operations and management, and all related work as directed by the Board of Commissioners." On December 15, 2005, the HACL Board of Commissioners adopted a resolution allowing Mr. Guillory to "perform services at the Housing Authority of the City of Opelousas during the work week." The resolution indicated that HACL would charge HACO $70,000 (per year) for Mr. Guillory's services plus additional amounts for taxes and fringe benefits. In addition, the resolution increased Mr. Guillory's salary by $70,000 effective November 4, 2005.

In December 2005, the HACL began billing HACO for consulting fees, benefits, and other expenses for Mr. Guillory's services. On November 4, 2006, Mr. Guillory entered into a contract with the HACO to be its new executive director. The job responsibilities in the HACO contract were identical to those in his HACL contract. The contract amount was $70,000 and the length of the contract was three years. Mr. Guillory's combined salary for his executive director positions at the HACL and the HACO reached $241,758 during his last year as the executive director of the HACO. Although Mr. Guillory resigned as the executive director of the HACO on August 1, 2009, HACL continued billing HACO for Mr. Guillory's services through November 16, 2009. Following his resignation from the HACO, the HACL increased Mr. Guillory's HACL salary from $154,024 to $186,014.

During this period, the HACO made monthly payments to the HACL for Mr. Guillory's salary and benefits based on its contract with Mr. Guillory. These amounts (salary, benefits, and expense allowances) were then added to Mr. Guillory's HACL salary which was never reduced to reflect time he spent working for the HACO. In fact, Mr. Guillory's HACL salary increased because of merit increases after he divided his time between the HACL and the HACO. As a result, it appears that HACL increased Mr. Guillory's salary after effectively reducing his HACL work hours. In addition, it appears that Mr. Guillory was paid two full-time salaries for splitting his time between two housing authorities. As a result, Mr. Guillory may have been paid for work not performed or for services grossly inadequate for such compensation.

According to Mr. Guillory, he worked Tuesdays and Thursdays at the HACL and Mondays and Wednesdays at the HACO. He stated that he worked Friday mornings at the HACO and Friday afternoons at the HACL and sometimes he worked on weekends. He added that both housing authority boards knew and approved of him splitting time between the two housing authorities. The contracts in effect between Mr. Guillory and the HACL during the period he worked at both housing authorities were signed by the HACL board chairman at the time, Buddy Webb. However, there are no board minutes or board resolutions indicating full board approval of the contracts by vote.

By allowing Mr. Guillory to perform services for the HACO without adjusting his HACL salary and providing Mr. Guillory with the benefits that the HACL received from HACO, the HACL appears to have donated its resources to the HACO in violation of the Louisiana Constitution.[1]

To determine if an expenditure of public funds is in accordance with Article 7, Section 14 of the Louisiana Constitution, the Attorney General in Opinion 09-0018 indicated that "the public entity must have the legal authority to make the expenditure" and must show the following:

(1) a public purpose for the expenditure or transfer that comports with the governmental purpose the public entity has the legal authority to pursue;

(2) the expenditure or transfer; taken as a whole, does not appear to be gratuitous; and

(3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

Because the HACL allowed Mr. Guillory to provide services for HACO, for which HACL received no benefit, the HACL does not appear to have met these criteria.

Lack of Documented Approval of Merit Increases

Each of Mr. Guillory's contracts provided for annual merit increases ranging from 4% to 8.5%. His contracts stated that these increases were to be based on annual satisfactory evaluations by the Board of Commissioners. Management of the HACL was unable to provide documentation that these evaluations were performed or that the Board of Commissioners approved the raises. In addition, when the board entered into new contracts with Mr. Guillory, the compensation level increased significantly. For example, his contract covering the one-year period beginning August 7, 2008, provided for a salary of $131,000. His subsequent contract, covering the one-year period beginning November 16, 2009, included a salary of $186,024 (42% increase). However, there are no official board minutes or resolutions indicating the full board approved these new compensation levels.

Good business practice and proper internal control dictate all raises be supported with documentation indicating the reason for the raise and authorization for the raise. Since Mr. Guillory reports to the board, the documentation should reflect full board approval for all raises.

<u>Lack of Cooperative Endeavor Agreement</u>

The HACL board resolution authorizing Mr. Guillory to provide Consultant/Executive Director Services to the HACO authorizes the HACL to bill the HACO for Mr. Guillory's consultant fee, the benefits calculated on this fee, plus 50% of Mr. Guillory's travel, training, per diems, clothing allowance, and vehicle expenses. These provisions were not codified in a written cooperative endeavor agreement between the two housing authorities. During our review, we noted that the HACL billed the HACO for substantially more in benefit and other expenses than authorized per this board resolution.

HACL billing records to the HACO show that from November 2005 through November 2008, the HACL billed 100% of Mr. Guillory's health insurance premiums to the HACO. In December 2008, the HACL began billing half of these health insurance premiums to the HACO. The HACL did not bill the pro-rated amount of these premiums based on the portion of Mr. Guillory's salary paid by the HACO as required by the board resolution. As a result, the HACO appears to have been improperly billed for approximately $22,193 for health insurance premiums it was not obligated to pay.

The HACL board resolution also allowed the HACL to bill the HACO for 50% of Mr. Guillory's business expenses. HACL records indicate these expenses were typically incurred on Mr. Guillory's HACL credit card and 50% of these expenses were then billed to the HACO per the board resolution. However, from April 2008 through November 2009, Mr. Guillory also had a HACO credit card in his name. During this period, Mr. Guillory incurred fuel, hotel, meal, and other business expenses on this HACO credit card. The HACL billings to HACO do not appear to have been adjusted to account for the HACO's payment of these credit card expenses. As a result, the HACO may have been improperly billed for business expenses by the HACL.

Good business practice and proper internal control dictate that billings between government agencies be conducted pursuant to a written cooperative endeavor agreement or other formal contract. Such contracts are helpful in ensuring proper authorization and accountability. By clearly specifying the responsibilities of both parties, such agreements lessen the possibility of improper billings.

Recommendations

We recommend that the HACL adopt policies and procedures to ensure public funds are spent according to appropriate policies and laws. Such procedures could include the following:

1. Ensure that all contracts have documented support of the full board through board resolutions.

2. Ensure that all merit and other raises are supported with proper documentation including the reason for the increase and proper approval of the increase by the board.

3. Ensure proper management control by insisting the executive director work full-time. The size of the Housing Authority of Lafayette is not commensurate with an executive director who works part-time hours. The requirement to work full-time hours should be codified in the contract for the executive director.

4. Ensure that the billing arrangements with the HACO are formally codified in a cooperative endeavor agreement or other formal contract to ensure proper accountability.

5. Properly segregate expenses at the agency where they are incurred to ensure proper accounting control and to prevent one agency's revenue from being used to pay another agency's expenses.

Prohibited Contractual Arrangements

R.S. 42:1113 provides, in part, that no public servant, or member of such 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. During our review, we noted two instances in which HACL employees or immediate family members of employees appeared to have entered into contractual relationships with the HACL. These contractual relationships are detailed as follows:

Housing Inspections

HACL records indicate that before December 2008, DHAP inspections were performed by an HACL employee and an independent contractor. Both individuals resigned. Jonathan Carmouche, former assistant director of the HACL, began performing the inspections in December 2008 with Mr. Guillory's approval. This arrangement was later codified by contract. At the time he performed these inspections, Mr. Carmouche was also the program coordinator for the DHAP and had oversight responsibilities over the housing inspection process. By contracting to perform a function over which he had oversight responsibility, Mr. Carmouche created a conflict of interest and may have violated Louisiana law.[4]

According to Mr. Guillory, he allowed Mr. Carmouche to perform the housing inspections, but they could only be performed outside Mr. Carmouche's regular work hours and on weekends. Mr. Carmouche was paid $75 per inspection and received approximately $31,245 for housing inspections between December 2008 and August 2010. This amount was combined with his regular salary and regular withholdings were applied to the combined salary.

HACL records include a contract providing for Jonathan Carmouche to perform DHAP housing inspections. The contract has an effective date of December 1, 2008. However, the contract was not signed until March 1, 2010. According to Mr. Carmouche, auditors discovered that payments were made for housing inspections without a supporting contract. Once this was brought to the agency's attention, a contract was drafted and signed at this later date.

The creation of a written contract codifying Mr. Carmouche's authority to perform DHAP housing inspections created an inappropriate relationship between Mr. Carmouche and the HACL that may violate the state's prohibition against public employees contracting with their own agency.[4] In addition, it is poor business practice for a management employee to perform a function over which he has oversight responsibility.

Also, the housing inspections performed by Mr. Carmouche were poorly documented. During our review, we noted numerous instances where the housing inspection forms were missing dates, addresses, signatures, and other relevant information. Also, there were several instances where some of the housing inspection forms supporting a particular payment were dated subsequent to that payment. Mr. Carmouche stated that he may have been somewhat sloppy in his record keeping for the housing inspections.

Section 8 Vouchers

Marvalette Briggs is a Housing Manager I in the Abbeville office of HACL. Ms. Briggs has been employed by HACL from 2005 to present. She manages Section 8 Housing in Vermilion Parish. HACL records indicate that Ms. Briggs' husband, Wayne Briggs, and his company, WB Rentals, entered into Housing Assistance Payment Contracts with HACL to participate in the Section 8 program.

[4] **R.S.42:1113A.(1)** states, 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 at least one instance, Ms. Briggs signed the Housing Assistance Payment Contract with WB Rentals on behalf of the HACL. WB Rentals received approximately $23,756 in housing assistance payments from the HACL for Section 8 tenants from November 2005 through January 2010. Mr. Briggs received approximately $3,004 in housing assistance payments from the HACL for Section 8 tenants in 2005.

According to Ms. Briggs, her husband, Wayne Briggs, rented two houses to Section 8 tenants. She stated she was advised by her supervisor that these houses had to be put into a corporation to avoid a potential conflict of interest. Her husband created WB Rentals and put the houses into this corporation and continued renting them to Section 8 tenants. She was also advised that she could not handle the tenant files for these houses and further stated that she did not handle the files. Ms. Briggs added that last December, her husband took his houses out of the Section 8 program.

Louisiana law prohibits employees or members of employees' immediate family from contracting with the agency where they work. Because an immediate family member of Mr. Briggs contracted with the HACL where Ms. Briggs worked, a conflict of interest was created that may violate Louisiana law.[4]

<u>Recommendations</u>

We recommend that the HACL adopt policies and procedures to ensure public funds are spent according to appropriate policies and laws. Such procedures could include the following:

1. Implement training to ensure that agency employees understand the Louisiana Ethics Code and are aware of the prohibition against employees or immediate family members of employees contracting with their agency.

2. Ensure that all payments for housing authority inspections are properly supported with complete and accurate housing inspection forms.

3. Use a competitive process to obtain housing inspection services to ensure that costs are not excessive.

State Grant Funds

In September 2009, the HACL received $50,000 from a state general fund appropriation to provide "…an affordable housing program." The appropriation was later reduced by $2,500 to $47,500. The HACL subsequently entered into a cooperative endeavor agreement with the Louisiana Department of Treasury detailing how the funds were to be spent. From September 2009 to December 2009, the HACL used a majority of these funds to purchase a prefabricated "hurricane building" that to date has not been set on a foundation. As a result, the HACL appears to have spent state appropriated funds in a manner not authorized by the appropriation.

The HACL entered into a cooperative endeavor agreement with the State of Louisiana Treasury which described the purpose of the funds as "To improve the safety of the citizens living in the affordable housing program by obtaining design plans of an improved foundation on affordable housing homes to withstand hurricane force winds." The deliverable specified in the cooperative endeavor agreement was to "Put out and obtain bids, select, hire and pay a company to design plans for construction of a foundation on affordable housing homes to withstand hurricane force winds."

Between September and December 2009, HACL spent all $47,500 of the appropriation. The funds were spent as follows: $30,000 for a prefabricated metal "hurricane building," a $12,260 advance for site work and sidewalks, and $5,250 for rezoning the plat. Although the "hurricane house" was shipped to HACL, it has not been erected nor has the foundation or parking lot been completed. The $12,260 advance was returned to the HACL by the contractor because of permit problems and other difficulties.

The "hurricane building" is currently located at the HACL maintenance building at 801 W. Gillman Street in Lafayette. The building has not been assembled and is located in two large storage bins next to the maintenance building. The site for the building includes no foundation or parking lot. Because the funds were not used to provide an affordable housing program nor were they used to obtain plans for construction of a foundation to withstand hurricane force winds, HACL appears to have spent state appropriated funds in an unauthorized manner and violated its cooperative endeavor agreement with the State of Louisiana.

Recommendations

We recommend the HACL adopt policies to ensure compliance with appropriation language and the subsequent cooperative endeavor agreement to ensure public funds are spent properly. In addition, we recommend the HACL reimburse the Louisiana Department of the Treasury the $47,500 appropriation because the funds were not used for the purpose stated in the appropriation or the cooperative endeavor agreement.

Credit Card Usage

The HACL has four credit cards: three in the name of the Housing Authority of Lafayette and one in the name of Walter Guillory. During our review of these credit cards, we noted significant late fees and finance charges on all of the cards and a lack of documented business purposes for the purchases.

From October 2007 through August 2010, the HACL paid approximately $3,032 in finance charges on the four cards. In addition, the HACL paid approximately $705 in late fees and $125 in over the limit fees on the four cards. The charges were incurred because the HACL did not pay the credit card bills timely and in full each month. As a result, significant balances were maintained on the cards during the period we reviewed.

Although the credit card statements were supported with receipts and invoices, the business purpose of the purchases was not documented. For example, there were several meal purchases without written documentation of the business purpose of the meals.

Proper internal controls and good business practice dictate that agency credit cards only be used for business related purposes. The business purpose should be documented to ensure accountability. In addition, payments on the cards should be made timely and in full to ensure that unnecessary costs are not incurred.

Recommendation

We recommend that all credit card purchases be supported with written documentation of the business purpose of the purchase. The credit card statement alone is not adequate documentation, as it does not provide sufficient detail to support the propriety of charges.

Clothing Purchases

Mr. Guillory's employment contract with the HACL specifies a clothing allowance. We question the business necessity of this allowance. In addition, we noted one instance in which the clothing allowance was not recorded as income by the HACL on Mr. Guillory's W-2. In a second instance, Mr. Guillory reimbursed the HACL for clothes purchases made on his HACL credit card several months after the purchases.

Because the value of the clothing allowance granted to the executive director appears to not be commensurate with a reasonable expectation of benefit to the agency, this expense may violate the Louisiana Constitution.[5]

In addition, Mr. Guillory purchased approximately $1,539 of clothes on his HACL credit card in 2007. The $1,539 was not reimbursed or reported as income on his W-2. In 2008, Mr. Guillory's clothing allowance was increased to $5,000. During 2008, Mr. Guillory purchased approximately $4,300 of clothes on his HACL credit card. On March 6, 2009, he reimbursed HACL for these clothes purchases.

According to Louisiana Attorney General Opinion 92-597 the use of a public credit card for personal expenses is only permissible "in cases of extraordinary emergency if that official or employee promptly remits payment to the public agency, is given authority by the public entity, and reimburses the public entity as soon as possible after the charges are made and prior to receipt of the bill." By not collecting reimbursement for clothes purchases in 2007 and not collecting reimbursement in a prompt manner in 2008, the HACL may have violated the Louisiana Constitution.[1]

Recommendation

We recommend that the HACL discontinue the practice of granting a clothing allowance to the executive director and ensure that all compensation paid to the executive director complies with employment contract terms and is reported as taxable income.

[5] **See AG Opinion 09-0018 on page 11.**

Professional Services Contracts

During our review, we noted that many professional service vendors were not selected through a competitive process. Professional services typically refer to services such as architecture, engineering, legal, consulting, etc. Good business practice dictates that these services be procured through a competitive and transparent process. The process should include public advertisement of the need for the service, submission of proposals, merit-based evaluation criteria, and awards based on evaluation of a qualified evaluation committee.

As part of our audit procedures, we requested copies of all professional services contracts as well as the accompanying requests for proposals (RFPs) or other competitive selection documentation. The HACL was unable to provide documentation of competitive selection for most of the professional services contracts. The missing documentation includes RFPs, advertisements, evaluation criteria, and award letters. Professional services contracts lacking competitive selection documentation include grant development, youth empowerment, and controller/fee accountant services, and others.

HUD procurement guidelines recommend the use of competitive proposals when the "nature of the requirement is such that the PHA [public housing authority] needs to evaluate more than just price to be sure that the prospective contractor understands the PHA's needs and can successfully complete the contract." Competitive procurement can be accomplished through solicitation of price quotes, sealed bids, or competitive proposals using RFPs or requests for qualifications. By not using competitive procurement for the acquisition of many of its professional services, HACL may have violated HUD procurement guidelines as well as good business practices.

Recommendation

We recommend that the HACL adopt policies and procedures to ensure public funds are spent according to appropriate policies and laws. Such procedures could include the following:

1. Develop a detailed and comprehensive written purchasing policy that conforms to HUD procurement guidelines. The policy should include detailed instructions on purchasing procedures as well as standardized forms.

2. Ensure that all professional services are acquired through a documented competitive selection process that conforms to the agency's purchasing policy.

3. Ensure that all documentation of competitive selection procedures, including advertisement, proposal, evaluation, and selection documents, be maintained in a central location to support the relevant contracts.

The Housing Authority of the City of Lafayette (HACL) is a public corporation designed to provide safe and sanitary dwelling accommodations. It is governed by a seven-member board of commissioners and has an executive director to manage day-to-day operations. It is primarily dependent upon the United States Department of Housing and Urban Development (HUD) for funding.

The Louisiana Legislative Auditor (LLA) received information alleging improper expenditures of public funds. As a result, LLA reviewed available HACL records to determine the credibility of the information. The procedures performed during this audit included:

(1) interviewing employees of the HACL;

(2) interviewing other persons as appropriate;

(3) examining selected documents and records of the HACL;

(4) gathering documents from external parties; and

(5) reviewing applicable state laws and regulations.

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Management's Response

THE HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
115 Kattie Drive • Phone (337) 233-1327 • Fax (337) 593-9942
Lafayette, Louisiana 70501
Email: dan.rodriguez@hud.gov

January 11, 2011

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

We acknowledge receipt of the draft of the audit report. The housing authority will begin implementation of the recommendations immediately.

1. The Housing Authority of the City of Lafayette is currently without a Board and HUD is managing this agency pending overall management improvement, designation of an Executive Director, and a resolution of the current Board membership.
2. The auditor's recommendations are acknowledged and the local HUD Field Office in New Orleans will take responsibility to insure the recommendations are implemented by the Housing Authority of the City of Lafayette.
3. We recommend the New Orleans PH Director, Ms. Cheryl Williams, and the Lafayette Consolidated Government Parish President, Joey Durel, receive copies of the final Audit Report.

If you have any questions, please feel free to contact me in Lafayette at 337-233-1327, ext. 113 or 713-718-3175 (Houston HUD office) or on my cell, 832-418-0217.

Sincerely,

Dan Rodriguez
U. S. Department of Housing and Urban Development
Interim Executive Director, Lafayette Housing Authority

LAW OFFICES OF

MAILING ADDRESS:
P.O. Box 80944
LAFAYETTE, LA 70598-0944

* ALSO ADMITTED IN TEXAS
LL.M. Health Law

FRANK W. DAWKINS
117 NORTH LOCKSLEY DRIVE
LAFAYETTE, LA. 70508

TELEPHONE
337-298-7864
FACSIMILE
337-233-9535

Email: fdawkins48@gmail.com

January 7, 2011

Mr. Daryl G. Purpera
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2011 JAN 10 AM 10: 18

Re: Draft Compliance Audit
Lafayette Housing Authority

Dear Mr. Purpera:

In response to the Legislative Auditor's Office's Draft Compliance Audit of the Lafayette Housing Authority, the former Executive Director, Walter Guillory, responds through counsel as follows:

(1) In connection with Paragraph three (3) under the heading "Executive Director Compensation", it is stated that "although Mr. Guillory resigned as the executive director of the HACO on August 1, 2009, HACL continued billing HACO for Mr. Guillory's services through November 16, 2009." The reason for this is that Sandra Poirier, HACL accountant, was behind in the billing to HACO and this was her responsibility, not Mr. Guillory's.

(2) Under the sub-heading "Lack of Documented Approval of Merit Increases", Mr. Guillory's salary increase from $131,000 to $186,024 was made on motion of HACL board member Donald Fusilier and seconded by board member John Freeman, and approved by the Board in executive session. Lydia Bergeron, HACL human resources director, was present and should have made notes of what was done by the Board in this regard. All of Mr. Guillory's merit raises were approved by HACL Board Chairman Buddy Webb, and Lydia Bergeron at HACL has documentation of Webb's written approval.

(3) Under the sub-heading "Lack of Cooperative Endeavor Agreement", Mr. Guillory was unaware of any legal requirement for a "corporate endeavor agreement". Any billings from HACL to HACO were handled by HACL accountant, Sandra Poirier, who indicated to Mr. Guillory that the internal auditors of HACL recommended that this was the best way to handle splitting Mr. Guillory's costs between the two agencies.

(4) Under the same sub-heading, it is stated that "it should be noted that from April 2008 through November 2009, Mr. Guillory also had a HACO credit card in his name. During this period Mr. Guillory incurred fuel, hotel, meal, and other business expenses on this HACO credit card. The HACL billings to HACO do not appear to have been adjusted to account for the HACO's payment of these credit card expenses. As a result, the HACO may have been improperly billed for business expenses by the HACL." Mr. Guillory believes that these expenses were never properly allocable to HACL, but rather, only to HACO, and therefore should not have been billed by HACL to HACO. Thus, there was no adjustment in this regard that should have been made.

(5) Under the heading "Section 8 Vouchers", Mr. Guillory was unaware of what Marvalette Briggs and her husband, Wayne Briggs, were doing in Vermilion Parish in allowing Mr. Briggs to effectively contract with HACL to participate in Section 8 housing rental contracts whereby Wayne Briggs, through his company, received Section 8 rentals through HACL, when his wife was employed at HACL. It was only after a HUD review when this was brought to Mr. Guillory's attention by Linda Anderson, HACL Section 8 supervisor, and subsequently, Wayne Briggs' rental contracts were terminated.

(6) Under the heading "Disaster Housing and Assistance Program", under the sub-heading "Case Manager Compensation", with respect to raises granted to case managers, Mr. Guillory instructed Jonathan Carmouche to make sure that any hourly increases were within the program budget. Carmouche indicated to Mr. Guillory that the initial hourly rates paid to case managers was not in line with similar programs elsewhere, and that the increases would get HACL's DHAP case managers more in line with other programs around the country.

(7) Under the heading "State Grant Funds", there was an apparent mis-understanding regarding adjustments to the cooperative endeavor agreement based upon emails between Mary Williams of the Louisiana Department of the Treasury and Lydia Bergeron of HACL on July 10, 2009 and July 14, 2009, when Williams indicated that adjustments in the cooperative endeavor agreement could be effected as requsted by Bergeron with respect to using some of the grant funds for a parking lot and to finish paying for the home. I attach a copy of the email exchange between these two.

I appreciate the brief extension granted to get this response to you.

Very truly yours,

Frank Dawkins

FRANK W. DAWKINS

Enclosure

Lydia Bergeron

From: Mary Williams [MWilliams@treasury.state.la.us]

Sent: Tuesday, July 14, 2009 8:18 AM

To: Lydia Bergeron

Cc: Walter Guillory

Subject: RE: Grant Money

YES, we can make the below adjustments to the cooperative endeavor agreement.

Thanks,

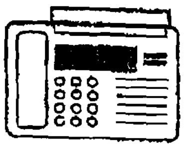
Mary

From: Lydia Bergeron [mailto:lhahumres@eatel.net]
Sent: Friday, July 10, 2009 3:07 PM
To: Mary Williams
Cc: Walter Guillory
Subject: Grant Money

Dear Mary:
>Thank you for telling me that Governor Jindal has extended the deadline from June 30 to December 31, 2009 to spend the grant money as directed by the State Treasury Dept.
>I have two questions regarding the grant money and would appreciate a copy of your reply being e-mailed to Mr. Walter Guillory, Executive Director of the housing authority.
>In addition to the actual purpose….."obtaining design plans of an improved foundation on affordable housing homes to withstand hurricane force winds," can some of this grant money be used for a parking lot surrounding the home and last question, can we use some of this money to finish paying for the home?
>Your assistance with these questions will be deeply appreciated.
>Many thanks,
>Lydia

F A X

LAW OFFICE OF HAROLD D. REGISTER JR
216 RUE LOUIS XIV
LAFAYETTE, LA 70508
337-981-6644



To: Daryle Purpera
Fax no: 225-339-3987

From: HAROLD D. REGISTER, JR.
Fax no: 337-981-6692

Date: 01/05/2010

Regarding:
Dr. Chris Williams

PAGE 1 OF 5

Comments:

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LAW OFFICE OF HAROLD D. REGISTER JR.
A PROFESSIONAL LAW CORPORATION 216 RUE LOUIS XIV LAFAYETTE LOUISIANA 70508
P.O. BOX 80214 LAFAYETTE LOUISIANA 70598-0214
PH. 337-981-6644 FAX 337-981-6692 hdrjr@cox-internet.com

January 4, 2011

DARYL G. PURPERA
LOUISIANA LEGISLATIVE AUDITOR
PO BOX 94397
BATON ROUGE, LA 70804-9397

Regarding: Dr. Christopher Williams

Dear Mr. Purpera:

Please find attached the response of Dr. Williams and the LTCDC which consists of three (3) documents. Should you have any additional questions please contact me at your earlier convenience.

Again on behalf of Dr. Williams and staff, we thank you for your quality of work and professionalism.

Wishing you the very best, I am

Sincerely,

H. D. Register, Jr.

Harold D. Register Jr.

HDRjr:tg
Cc: Christopher Williams

Lafayette Training and Career Development Center
715 NW Evangeline Thruway
Lafayette, La 70501
(337) 233-3898

Lafayette Training & Career Development Center

Daryl G. Pupena, CPA, CFE
Legislative Auditor

The following is the response from Lafayette Training and Career Development Center, Inc. to the compliance auditor report of the Housing Authority of Lafayette.

This response will be limited to the report and specifically related to the section entitled "case manager contract with non-profit corporation". (LTCDC)

The LTCDC is a twenty-two year old firm located and based in Lafayette, Louisiana. The agency employs over 10 people in various disciplines of expertise (ie, LCSW, counselors, clerical, facilitators, accountants, motivational speakers, financial literacy etc).The LTCDC was a contractor for the LHA to help implement the DHAP contract. LTCDC preformed case management, intake, and input of information to case files, landlord contacts, reconciliation of monthly rent payments, home visits, exit interviews and numerous other duties prurient to the successful completion of the DHAP contract. Our agency served 100's of families and family members.

The services provided by LTCDC and six additional contractors have resulted in a net income over expenses in excess of 1.5 million dollars to the Lafayette Housing Authority.

The agency has attached affidavits from employees who performed work prurient to the success of the Lafayette Housing Authority DHAP contract.

Therefore, the 91 hours identified as overlapping was provided by LTCDC. The employees put in more than the minimum 40 hours per week. During the period of the contract LTCDC has provided minimally 5,440 hours of work product to the LHA netting over 1.5 million dollars in revenue after all expenses have been paid. All payments in fulfillment of the tenants of the contract were made payable to the LTCDC.

I would like to thank you and your staff for the meticulous work done during the review of this contract.

Sincerely

Chris Williams, Ph. D.
Executive Director

I, Paula Scott attest to the fact that I work for Lafayette Training and Career Development Center and performed duties to successfully complete the requirements of the Disaster Housing Assistance Program (DHAP) as assigned.

The work performed was completed during the day, evenings and weekends.

Paula Scott
Name

Paula Scott
Signature

12-31-10
Date

Edith Berard
Witness

Gary Sonn
Witness

Notarized in my presence on the 31st Day of December 10 in Lafayette Parish, Lafayette LA

H.D. Register Jr.
Notary/Lawyer Harold D. Register Jr.
16264

I, Michelle Mouton attest to the fact that I work for Lafayette Training and Career Development Center and performed duties to successfully complete the requirements of the Disaster Housing Assistance Program (DHAP) as assigned.

The work performed was completed during the day, evenings and weekends.

Michelle Mouton
Name

Michelle Mouton
Signature

12-31-10
Date

Edith Berard
Witness

Gary Sum
Witness

Notarized in my presence on the 31st day of December 2010 in Lafayette Parish, Lafayette, LA

H. D. Register, Jr. / Notary Public
Harold D. Register Jr.
16764

Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397
Daryl G. Purpera, CPA, CFE

December 22, 2010

Dear Mr. Purpera:

This letter is in response to your letter to me dated December 21, 2010 pertaining to the compliance audit report of the Housing Authority of Lafayette.

As you can clearly see in your audit findings, I took measures to avoid a Louisiana law violation of conflict of interest. For corrective action purposes and compliance with Louisiana laws, the units have been taken out of the Section 8 program.

Thank you for your assistance in this matter.

Sincerely,

Marylette Briggs

Response from Mr. Jonathan Carmouche

In a letter dated December 21, 2010, we asked Mr. Carmouche to respond, in writing to this report; Mr. Carmouche has chosen not to respond.