

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Housing Authority of Abbeville**  
Abbeville, Louisiana

December 10, 2003



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**Grover C. Austin, CPA**

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**HOUSING AUTHORITY OF ABBEVILLE**  
Abbeville, Louisiana

October 28, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the Vermilion Parish Clerk of Court.

December 10, 2003

**HOUSING AUTHORITY OF ABBEVILLE**  
Abbeville, Louisiana

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October 28, 2003

**MR. LOVELIS HEBERT, JR., CHAIRMAN,  
AND BOARD OF COMMISSIONERS  
HOUSING AUTHORITY OF ABBEVILLE**  
Abbeville, Louisiana

We have performed a limited examination of the Housing Authority of Abbeville (housing authority). Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

A limited examination is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying report presents the background, methodology, our findings and recommendations, as well as a response from management of the housing authority. We will continue to monitor the findings until you resolve them. Copies of this report have been delivered to the housing authority and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

ESS:GLM:GCA:ss

[HAABVIL03]

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE Abbeville, Louisiana

#### BACKGROUND

The Housing Authority of Abbeville (housing authority) was created by Louisiana Revised Statute (R.S.) 40:391 to engage in the acquisition, development, and administration of a low rent housing program to provide safe, sanitary, and affordable housing to the citizens of the City of Abbeville. The housing authority is governed by a five-member board of commissioners appointed by the mayor of Abbeville. Members of the board serve staggered multi-year terms. The housing authority has 156 housing units available for occupancy.

R.S. 40:539(C) provides, among other things, that the board is responsible for appointing the executive director and fixing his/her compensation. The executive director has the authority to employ such housing authority staff and employees necessary to carry out the functions of the housing authority. Housing authority employees are subject to the state Code of Governmental Ethics and applicable Louisiana Civil Service laws, rules, and regulations in performing their functions and responsibilities. The housing authority employees include the executive director, assistant director, tenant selection worker, office clerk, and three maintenance employees.

#### METHODOLOGY

The legislative auditor received allegations of possible misuse of public funds. Our procedures consisted of (1) examining selected housing authority records; (2) applying our *Checklist of Best Practices in Government*; (3) interviewing certain employees of the housing authority; (4) reviewing applicable Louisiana and federal laws and Attorney General opinions; and (5) making inquiries of other persons to the extent we considered necessary to achieve our purpose.

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE Abbeville, Louisiana

## CONCLUSIONS

The following summarizes the findings that resulted from this limited examination of the Housing Authority of Abbeville. The Findings and Recommendations section of this report provides details for these findings. Management's response is included in Attachment I.

1. The board of commissioners met in executive session to discuss the executive director's pay, a matter that is not specifically exempted from discussion at open meetings. Contrary to state law, the board took final action in the executive session. In addition, the reason for meeting in executive session was not documented in the minutes and the minutes were not published, as required by law. (See page 5.)
2. The housing authority paid additional compensation to two employees as independent contractors, an arrangement that is generally prohibited by the ethics law. (See page 6.)
3. Contrary to Department of Housing and Urban Development regulations, the monthly rent paid by employee-residents is significantly less than the amount required to be paid. (See page 6.)
4. The housing authority billed excess electricity usage to residents at a rate in excess of the rate actually paid by the housing authority. (See page 8.)
5. The housing authority needs to improve controls over disbursements. (See page 8.)
6. The housing authority did not report the executive director's car allowance as compensation on her Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement), and the required employment taxes were not withheld and remitted to the IRS. In addition, the housing authority did not report all independent contractor payments to the IRS, as required. (See page 10.)
7. The housing authority has not provided the Louisiana Department of Civil Service with current personnel information on all employees. Also, certain payroll documentation was not maintained on all employees. (See page 11.)
8. All fixed assets are not tagged and complete physical inventories of fixed assets are not conducted annually. (See page 12.)
9. The housing authority's written policies and procedures are not complete. (See page 13.)

LEGISLATIVE AUDITOR

HOUSING AUTHORITY OF ABBEVILLE  
Abbeville, Louisiana

FINDINGS AND RECOMMENDATIONS

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**Executive Session**

**The board of commissioners met in executive session to discuss the executive director's pay, a matter that is not specifically exempted from discussion at open meetings. Contrary to state law, the board took final action in the executive session. In addition, the reason for meeting in executive session was not documented in the minutes and the minutes were not published, as required by law.** Louisiana Revised Statute (R.S.) 42:6.1 lists specific reasons for which an executive session can be held; however, discussing employee pay is not one of them. Also, R.S. 42:6 prohibits the board from taking final or binding action in executive session and requires the reason for holding an executive session to be recorded in the minutes. In addition, R.S. 43:171 requires the minutes (proceedings of the board meetings) to be published in a newspaper.

The chairman told us the December 11, 2001, executive session was held because the board did not want the executive director in the room while they discussed her pay. The chairman said the board unanimously approved a pay raise for her in the executive session; however, he said that he could not remember the exact amount of the raise. The executive director told us she was informed by the board that they approved a \$500 per month raise. Also, the executive director said she did not know the minutes were required to be published.

In the future, the board should:

- Discuss all housing authority matters, including the executive director's pay, in open meetings unless specifically exempted from discussion by state law.
- Take final or binding action (voting) in open meetings and not in executive session.
- Ensure minutes include the reason for holding an executive session.
- Ensure all minutes and other official proceedings of the board are published and keep the newspaper clippings of the minutes as evidence.

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

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#### Additional Compensation Paid to Employees

**The housing authority paid additional compensation to two employees as independent contractors, an arrangement that is generally prohibited by the ethics law.<sup>1</sup>** In addition to paying her salary during the five-month period from March 13, 2003, through August 13, 2003, the housing authority paid \$3,200 to the assistant director to (1) prepare its 2003 Annual Plan (\$1,500); (2) upgrade its software and maintenance log sheets (\$1,000); and (3) prepare and update certain housing authority documents in connection with a HUD site review (\$700). On August 27, 2003, the housing authority paid \$510 to the tenant selection worker (in addition to her salary) for cleaning two apartments. This additional compensation was paid on separate checks to the employees and employment taxes were not withheld. Also, the compensation was not included in the employees' wages and reported to the IRS.

The housing authority should:

1. Strictly prohibit employees from entering into contracts or other transactions with the housing authority.
2. Consider whether such contracted work should be incorporated in an employee's job description. If incorporated in job descriptions, the housing authority should consider whether an increase in the employee's pay is appropriate.
3. Amend the applicable payroll tax reporting forms and submit these to the appropriate federal and state taxing authorities.

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#### Rent Paid by Employee-Residents

**Contrary to Department of Housing and Urban Development (HUD) regulations, the monthly rent paid by employee-residents is significantly less than the amount required to be paid.** HUD Public Housing Occupancy Handbook Directive Number 7465.1 Rev-2, Chg-2, Chapter 6(3)(b)(2) provides that residents who happen to work for the housing authority are subject to all of the occupancy requirements. Also, the housing authority is generally prohibited from giving away things of value to or for any person.<sup>2</sup>

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<sup>1</sup> R.S. 42:1113(A) provides 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.

<sup>2</sup> Article VII, Section 14(A) of the Louisiana Constitution of 1974 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.

LEGISLATIVE AUDITOR

HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

We reviewed the rents paid by employee-residents during the past 3½ years (May 2000 - October 2003) and found the following:

1. A maintenance employee lives in the housing complex and pays \$40 a month or \$178 a month less than the amount required to be paid. Also, for the three-year period (36 months) prior to June 2003, the maintenance employee paid \$20 a month or \$267 a month less than the required amount.
2. During the 19 months that the tenant selection worker lived in the housing complex, she paid \$40 a month for the first three months (November 2001 - January 2002) and \$20 a month for the next 16 months (February 2002 - May 2003) or \$313 and \$333 a month less than required, respectively.
3. A former maintenance employee paid \$40 a month for approximately one year (November 2000 to November 2001) or \$247 a month less than required.

The executive director told us that she used her discretion in charging these minimum rents (\$20/\$40 per month) and that the employees were not required to live in the housing complex as a condition of their employment. However, according to HUD rules, employees who are not required to live in the housing authority are subject to all of the occupancy requirements, including their rent being calculated in the same manner as any other resident. Based upon information provided, the employee-residents should have been paying the fair market value (FMV) rental rate, as summarized below:

<u>Employees</u>	<u>Bedroom Sizes</u>	<u>FMV Monthly Rent Payment</u>	<u>Actual Monthly Rent Paid</u>	<u>Monthly Difference/Benefit</u>
Maintenance	1 bedroom	\$218/\$287	\$40/\$20	\$178/\$267
Tenant Selection Worker	2 bedroom	\$353	\$20/\$40	\$333/\$313
Maintenance (former)	1 bedroom	\$287	\$40	\$247

The difference in the monthly rent that should be paid (FMV) and the monthly rent actually paid (\$20/\$40) is a taxable fringe benefit. This taxable fringe benefit was not included on the employees' Form W-2 and reported to the IRS.

The housing authority should strictly comply with HUD rules and change the rent paid by the employee-resident (maintenance employee) to conform to guidelines used for all other residents. Also, the housing authority should amend the applicable payroll tax reporting forms to include the fringe benefit amounts and submit these to the appropriate federal and state taxing authorities.

**HOUSING AUTHORITY OF ABBEVILLE**

Abbeville, Louisiana

Findings and Recommendations (Continued)

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**Incorrect Electricity Rate Billed to Residents**

**The housing authority billed excess electricity usage to residents at a rate in excess of the rate actually paid by the housing authority.** The *Dwelling Lease* (agreement) provides that utilities consumed in excess of the authorized amounts will be charged to the resident's account as an additional required payment. The agreement further provides that excess usage for electricity will be billed at the rate paid by the housing authority for the period.

Our review of excess electricity billed to residents in September 2003 and October 2003 revealed that residents were billed \$0.1200 (12 cents) per kilowatt hour; however, the housing authority actually paid \$0.1051 per kilowatt hour in September and \$0.1039 in October to the City of Abbeville (electricity provider). Therefore, based on our calculations, certain residents were overcharged a total of \$1,607 in September and \$1,269 in October. The executive director informed us that she mistakenly included the housing authority's water and sewer costs with the electricity costs in her calculation of the monthly electricity rate billed to residents.

The housing authority should make the appropriate adjustments to all resident accounts that were incorrectly billed for excess electricity in September and October 2003. Also, we suggest the housing authority review its electricity rate calculations and billings to residents prior to September 2003 to determine whether additional adjustments are necessary.

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**Need to Improve Controls Over Disbursements**

**The housing authority needs to improve controls over disbursements.** We reviewed 20 disbursements, totaling \$51,275, made during the period from July 1, 2002, through August 31, 2003. Our review of these 20 disbursements, including our general observations and inquiries, revealed the following:

1. The executive director failed to file formal expense reports to account for the expenditure of \$600 advanced to her (\$350 on September 13, 2002, and \$250 on November 15, 2002). The executive director informed us the advances were made based on her estimates of meal and mileage costs to attend Louisiana Housing Council (LHC) meetings held in Westlake and Alexandria, respectively.
2. The housing authority paid meal and mileage costs that were in excess of travel policy limits. The housing authority's travel policy allows for the payment of meal costs up to \$25 per day, including tips, without receipts and allows for payment of mileage at \$0.25 per mile.

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

The executive director and assistant director were each paid \$174 for meals and tips (without receipts) in connection with the three-day (May 20-23, 2003) LHC Annual Conference held in Baton Rouge. However, this was \$198 (\$99 each) more than the amount allowed under the policy (3 days x \$25 per day = \$75 allowed for each). In addition, both were paid \$111 for mileage that was calculated at the rate of \$0.37 per mile or \$72 (\$36 each) more than the amount allowed under the policy (\$0.25 per mile x 300 miles = \$75 allowed for each).

3. In addition to her salary, the housing authority paid the executive director to clean the office. During the eight-month period from January 1, 2003, to August 31, 2003, she was paid \$2,120 to clean the office. Although the board chairman and/or vice chairman are signatories on housing authority checks, we found no formal board approval for this additional compensation paid to the executive director or documentation as to how the pay was calculated.
4. Itemized credit card charge tickets/receipts were not always maintained and attached to the VISA monthly statements.
5. In addition to purchasing office and maintenance supplies from the Wal Mart store, the housing authority purchases snack foods and drinks for employees. For example, the April 25, 2003, payment of \$244 to Wal Mart included \$44 for drinks (Dr. Pepper, Gatorade, Coke, and Big Red) and \$14 for snack foods (Fritos, Cheetos, Twinkies, Pringles, and Rold Gold).
6. The housing authority maintains a petty cash fund; however, individual petty cash vouchers are not prepared to document the (1) person making the disbursement; (2) items purchased; and (3) approval.
7. Completed purchase order forms were not attached to paid invoices.

The housing authority should:

- Develop a standardized form to be used when funds are advanced for travel purposes and require the signature of the official or employee receiving the funds.
- Require the executive director to submit to the housing authority an accounting (documentation, receipts, etc.) of the expenditure of the \$600 advanced to her.
- Require the completion of expense reimbursement forms, including all appropriate supporting documentation, in a timely manner after travel is completed.
- Seek reimbursement of excess meal and mileage costs paid to the executive director and assistant director.
- Require formal board approval for all compensation paid to the executive director.

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

- Ensure paid invoices and all other supporting documentation are filed in an appropriate manner to safeguard them from being misplaced or lost. Disbursements should be supported by adequate documentation prior to payment.
- Cease purchasing food and drinks for employees.
- Ensure individual petty cash vouchers are used that document the person making the disbursement, items purchased, and approval. The supporting documentation (receipt) should be attached to the voucher. When the petty cash fund is replenished, another form should be used to summarize the petty cash vouchers.
- Attach completed purchase orders to corresponding vendor invoices upon receipt and review for propriety of items and charges.

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#### **Car Allowance and Independent Contractor Payments Not Reported to IRS**

**The housing authority did not report the executive director's car allowance as wages on her Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement), and the required employment taxes were not withheld and remitted to the IRS. In addition, the housing authority did not report all independent contractor payments to the IRS, as required.** As a general rule, most benefits provided to workers are considered taxable wages for federal income tax purposes unless they specifically are excluded from income by a provision of the federal tax code. Absent such specific exclusion, employer-provided benefits are subject to employment taxes. There is no specific exclusion for the car allowance benefit in the federal tax code. Also, the IRS requires the housing authority to file Form 1099-MISC to report payments made to each person to whom at least \$600 was paid for contracted services.

For calendar year 2002, the executive director was paid \$1,800 (\$150 per month) for her car allowance. The executive director informed us that her car allowance has never been included on her Form W-2 and that employment taxes were never withheld or paid on the allowance.

Also, for the 2002 year, the housing authority failed to file Form 1099-MISC on at least three individuals who were paid in excess of \$600 for contract labor. The housing authority paid three different individuals as independent contractors to (1) paint and wash apartments; (2) perform office related work; and (3) perform security services.

The housing authority should:

- Amend the executive director's Form W-2 and payroll reporting forms (for all applicable years) to include the car allowance payments and submit to the appropriate federal and state taxing authorities.

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

- In the future, report the executive director's car allowance as wages and withhold the required employment taxes and remit to the IRS.
- Report all independent contractor payments to the IRS by filing the required Form 1099-MISC.

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#### Payroll Records Not Complete

**The housing authority has not provided the Louisiana Department of Civil Service with current personnel information on all employees. Also, certain payroll documentation was not maintained on all employees.** The Department of Civil Service Rule 15.3 requires the housing authority to report personnel actions and status changes.

#### Civil Service Records Not Up to Date

The executive director informed us that records at the Department of Civil Service are not up to date with the housing authority's records. She told us that two employees have not been added to civil service positions and that there are certain employee pay rates that are different in civil service records. She said they have not had the time to work on this.

#### Payroll Documentation Lacking

Our review of payroll and personnel records on October 23, 2003, revealed the following:

- Employee time sheets are not always prepared. Time sheets were last prepared for the month ending June 30, 2003 (approximately four months ago). In addition, the June 2003 time sheets did not evidence the employee's signature or the signature/approval of the executive director. Also, the specific times of day worked by employees (e.g., 8:30 a.m. - 4:30 p.m.) were not documented on time sheets.
- The specific times of day that overtime was worked were not always documented.
- Absentee/leave slips were not completed by employees to support time taken off from work.
- Personnel files were not maintained on two full-time employees.
- Job descriptions were not available on all employees.
- Documentation relating to approved salary/wage amounts was not on file for all employees.
- Form I-9 - "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and

## LEGISLATIVE AUDITOR

### HOUSING AUTHORITY OF ABBEVILLE

Abbeville, Louisiana

Findings and Recommendations (Continued)

Naturalization Service. In addition, the state income tax withholding form (Louisiana Form L-4) was not maintained on employees.

The housing authority should:

1. Immediately inform the Department of Civil Service about all employee (unclassified and classified) status changes and other personnel actions that have taken place. In the future, the housing authority should strictly comply with civil service rules.
2. Require employees to prepare and sign their time sheets (regular time and overtime) and submit to executive director for approval prior to payment. Also, time sheets should evidence the actual time of day worked by employees.
3. Require employees to prepare absentee (leave) forms/slips to support time taken off from work. The leave forms should be approved by the executive director and filed with the appropriate time sheets.
4. Maintain personnel files and current job descriptions for all employees. The personnel files should include, among other things, documentation relating to approved salary/wage amounts paid to employees.
5. Maintain the completed Form I-9 - U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6, 1986.
6. Maintain the State of Louisiana Employee Withholding Exemption Certificate Form L-4 on all employees.

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### Fixed Assets

**All fixed assets are not tagged and complete physical inventories of fixed assets are not conducted annually.** Good internal controls over fixed assets require that (1) detailed fixed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed fixed asset records; and (3) a complete physical inventory be conducted at least on an annual basis.

The housing authority should:

- Perform a complete physical inventory at least annually and follow up on items not found.
- Identify [tag] assets that belong to the housing authority and include the tag number on the listing of fixed assets.

**HOUSING AUTHORITY OF ABBEVILLE**

Abbeville, Louisiana

Findings and Recommendations (Concluded)

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**Written Procedures**

**The housing authority's written policies and procedures are not complete.** Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations. Written procedures aid in the continuity of operation and for cross-training of staff.

The housing authority does not maintain written policies and procedures for the following:

- Code of Ethics, including annual certification letters from board members and employees attesting to their compliance
- Preparing, monitoring, and amending the budget
- Nature, extent, and frequency of financial reporting information provided to board
- Processing, reviewing, and approving payroll, including procedures relating to time/attendance records and overtime
- Processing, reviewing, and approving disbursements, including the use of credit cards and purchase orders
- Recording, tagging, and safeguarding of fixed assets
- Accounting for the business and personal use of cellular telephones
- Computer contingency and recovery plan in the event of a disaster, including procedures to test the plan periodically
- Monitoring security pledged to ensure that housing authority deposits are fully secured

We strongly encourage the development, adoption, and implementation of policies and procedures for these matters.

# Attachment I

## Management's Response

# *Abbeville Housing Authority*

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December 2, 2003

Grover C. Austin, CPA  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

## **FACSIMILE TRANSMISSION: 225-339-3870**

RE: Abbeville Housing Authority

Dear Mr. Austin:

This letter is to serve as the response of the Abbeville Housing Authority to the findings of your office as transmitted to us by letter dated November 21, 2003. While your office has not disclosed to us the nature of the allegations received by it that prompted this review, we are pleased to note that there are no substantive findings regarding the management of the Abbeville Housing Authority and certainly nothing that would denote any improprieties on the part of the Abbeville Housing Authority, its Directors, or employees. As you know, the regular annual audit of the Abbeville Housing Authority performed by its independent auditor was completed the day before your review began and it also made no findings of improprieties. As to each of the specific areas addressed in the report, the Abbeville Housing Authority has the following response:

### **Executive Session:**

This finding refers to the December 11, 2001, regular meeting of the Board of Directors of the Abbeville Housing Authority. Although the minutes refer to an executive session having taken place, that was merely the result of the preparation of the minutes tracking the outline of the agenda for that meeting. Upon consultation with our attorney, who was present at that December 11, 2001, meeting, we were reminded that there was not an executive session. Rather, the Board or Directors asked the Executive Director to leave the room in which the meeting was taking place in order that the Board could discuss a possible pay raise for the Executive Director. The meeting was conducted at all times in open session. The vote taken on the compensation for the Executive Director was taken in open session. Since there is an agenda item for an executive session on every agenda for the meetings of the Board of Directors, the request to the Executive Director to leave the room was interpreted in the minutes as entry into executive session. There was, however, no vote taken to enter into an executive session and no business of the Board of Directors was ever discussed or transacted in executive session. A request will be

made at the next regular meeting of the Board of Directors to amend the minutes of the December 11, 2001, meeting to correct that item. Regarding the matter of publication of the minutes of meetings, this was apparently an oversight, and the minutes of all meetings of the Board of Directors will be published in the official journal of the parish.

**Additional Compensation Paid to Employees:**

The work referred to in this finding was work that had been performed in the past by outside sources for the same consideration as reflected in the finding. For that particular year, it was more expedient to have the work prepared in house. Since these were matters outside the scope of the job description of the employee performing the work and since the amount was already budgeted to be performed by yet to be determined outside sources, it was thought to be acceptable to pay the employee the budgeted funds for this work. Since the preparation of the annual plan is the only matter that is a consistent yearly requirement, the job description of the assistant director will be amended to include preparation of the plan as part of the duties of the position, and the pay will be amended accordingly. The Abbeville Housing Authority will no longer contract with or pay extra compensation to an employee beyond the salary of that position. All applicable tax reporting forms will be amended to reflect this compensation.

**Rent Paid By Employee-Residents:**

The fact that some employees were allowed to live in units of the Abbeville Housing Authority and pay the minimum rental had always been considered as part of their compensation. The independent auditors had never made note of and had never instructed the management of the Abbeville Housing Authority to report the rental differential as income. For these cases, the Abbeville Housing Authority will report the rental differential as to each employee as income and issue the applicable amended state and federal tax forms. Additionally, all residents, including employees, will pay the fair market value for all units.

**Incorrect Electricity Rate Billed to Residents:**

For those residents who paid an incorrect utility rate due to the calculation error, the necessary credits will be calculated and applied to the affected residents. Additionally, the Abbeville Housing Authority has contacted the City of Abbeville, the utility provider for the Abbeville Housing Authority, and has arranged for the installation of a new metering system to insure that this miscalculation does not occur in the future. The current metering system actually predates the current administration of the Abbeville Housing Authority.

**Need to Improve Control Over Disbursements:**

As to each item discussed in this finding, the response is as follows:

1. The formal expense reports were prepared and submitted to the accountants and auditors for the Abbeville Housing Authority, as in the normal course of business. The items are first submitted to Housing Solutions Alliance in Iowa, Louisiana, and then to Mike Estes in Dallas, Texas. Apparently, the receipts for these two items have been misplaced in the course of those two independent reviews. The Board of Directors is aware of the expenditures, however, and approved the amounts. In the future, the management of the Abbeville Housing Authority will maintain multiple copies of receipts and invoices. Duplicates of the receipts have been requested and will be obtained and submitted.
2. These payments were in accordance with the accepted travel reimbursement policies of the Board of Directors of the Abbeville Housing Authority. In order to additionally formalize this policy, the Board of Directors will seek approval of these expenditures that have already been made by motion at the next regular meeting and request formal adoption the revised travel policy at the same meeting. The necessary forms have already been prepared.
3. This arrangement was an informal one and one of which the Board of Directors was aware. The Executive Director has indicated, however, that she will no longer perform this service and that this function will be contracted to outside sources with the formal approval of the Board of Directors.
4. Those specific receipts in question were actually maintained in the office of the Abbeville Housing Authority, but were just not attached to the particular monthly statements. They have now been attached.
5. These purchases were simply a courtesy for the employees, especially the ones who perform the more physically demanding work of the Abbeville Housing Authority. This practice has been discontinued.
6. The necessary forms for the petty cash disbursement and replenishment have been prepared and implemented.
7. The purchase order procedure will be more closely examined to insure that the orders are completed and that all corresponding invoices are attached.

**Car Allowance and Independent Contractor Payments Not Reported to IRS:**

It was the understanding of the Abbeville Housing Authority that car allowance payments were not considered wages and did not need to be reported as income and this, again, is something that the independent auditors for the Abbeville Housing Authority have never indicated to the management of the Abbeville Housing Authority as being required. In order to resolve any dispute, however, the appropriate amended state and federal tax reporting forms will be issued regarding the car allowance. All of the indicated Form 1099-MISC will also be prepared and filed.

**Payroll Records Not Complete:**

All of the necessary civil service records will be updated and maintained and the payroll documentation procedure will be refined to maintain complete records for each employee. The suggested forms for overtime and leave will be implemented.

**Fixed Assets:**

All of the fixed assets of the Abbeville Housing Authority will be identified, numbered, tagged, and an inventory kept for accounting and insurance purposes.

**Written Procedures:**

The suggestions made by your office for preparation of written policies and procedures are being reviewed. A formal manual of those policies and procedures will be prepared and submitted to the Board of Directors for approval.

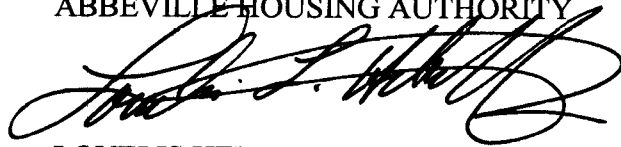
We hope that you find this response sufficient. The Abbeville Housing Authority appreciates the work done by your office and the courtesies extended to the management and staff during your review. Should you require any additional information, please do not hesitate to contact us. Thanking you for your cooperation in this matter, we remain,

Sincerely,

ABBEVILLE HOUSING AUTHORITY

  
RUTH RICHARDSON,  
Executive Director

ABBEVILLE HOUSING AUTHORITY

  
LOVELIS HEBERT, JR.,  
Chairman