THE HOUSING AUTHORITY OF THE CITY OF OPELOUSAS

COMPLIANCE AUDIT
ISSUED APRIL 20, 2011

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 20, 2011

**MS. JO ANN TYLER, EXECUTIVE DIRECTOR,
AND BOARD OF COMMISSIONERS
THE HOUSING AUTHORITY OF THE CITY OF OPELOUSAS**
Opelousas, Louisiana

Dear Ms. Tyler:

We have audited certain transactions of the Housing Authority of the City of Opelousas. 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 is a public report. Copies of this report have been delivered to the District Attorney for the Twenty-Seventh Judicial District of Louisiana, the United States Attorney for the Western District of Louisiana, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:DD:dl

OHA 2011

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Page

Executive Director Compensation

On October 23, 2009, the Housing Authority of the City of Opelousas (HACO) issued a check in the amount of $43,867 to Housing Consultants, LLC, a corporation owned by executive director, Walter Guillory, which was not formally authorized by the Board and was coded as consultant fees in the accounting records. Because Mr. Guillory was not entitled by contract to the payment and because Mr. Guillory used his position to secure an expenditure of public funds to his corporation, he may have violated state law.[1] In addition, by paying Mr. Guillory a severance payment to which he was not entitled by contract, HACO may have violated Article 7, Section 14 of the Louisiana Constitution.[2]

Following his resignation from HACO, Mr. Guillory contracted with HACO and was paid to serve as a consultant. Because Mr. Guillory contracted with his former agency within two years following his resignation, Mr. Guilloy may have violated state law.[3] In addition, the HACO was overbilled by the Housing Authority of the City of Lafayette (HACL) for Mr. Guillory's fringe benefits, made payments to Mr. Guillory without supporting invoices, and failed to record clothing purchases by Mr. Guillory as income.

Weak Management Controls

During our review, we noted three housing authority programs with serious management control weaknesses: a homeownership program, community band, and a housing authority police force. These programs appear to have been poorly planned, documented, and implemented. The management weaknesses in these three initiatives resulted in the purchase of land and equipment that was never used and the significant loss of equipment. In addition, the public bid law was not followed, contract employees were hired without contracts specifying their responsibilities, and board members appear to have been improperly involved in daily management decisions.

Poor Contract Management Practices

During our review, we noted that many contract employees hired to perform various professional services were hired without written contracts. In addition, several professional service contracts that were available have no documentation indicating they were competitively sourced. Also, one professional service contract appears to have been implemented retroactively and payments to the vendor may violate contract terms. Professional services typically refer to

[1] **R.S. 14:140** provides, in part, that public contract fraud is committed when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership to which he is a member, or to any corporation of which he is an officer, stockholder, or director.
R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

[2] **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.

[3] **R.S. 42:1121 A.(1)** provides, in part, that no former agency head or elected official shall, for a period of two years following the termination of his public service as the head of such agency or as an elected public official serving in such an agency, assist another person, for compensation, in a transaction, or in an appearance in connection with a transaction, involving that agency or render any service on a contractual basis to or for such agency.

services such as architecture, engineering, legal, and consulting. 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.

The Housing Authority of the City of Opelousas (HACO) is a public corporation designed to provide safe and sanitary dwelling accommodations. It is governed by a five-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.

Mr. Walter Guillory served as the executive director for the Housing Authority of the City of Lafayette (HACL) from 1999 to October 2010. On December 15, 2005, the HACL Board of Commissioners adopted a resolution allowing Mr. Guillory to also serve as the executive director for HACO and split his time between the two agencies. According to the resolution, 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 the services provided by Mr. Guillory. At this time, Mr. Guillory was also serving as the executive director of the HACL at a salary of approximately $111,821. Although Mr. Guillory resigned as executive director of the HACO on August 1, 2009, the HACO board issued a resolution on August 5, 2009, allowing Mr. Guillory to continue as executive director until a new executive director was hired. According to records, HACL billed HACO for Mr. Guillory's services through November 16, 2009, which is the date a new executive director began employment with HACO.

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

(1) interviewing employees of the HACO;

(2) interviewing other persons as appropriate;

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

(4) gathering documents from external parties; and

(5) reviewing applicable state and federal laws and regulations.

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Executive Director Compensation

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Following his resignation from HACO, Mr. Guillory contracted with HACO and was paid to serve as a consultant. Because Mr. Guillory contracted with his former agency within two years following his resignation, Mr. Guillory may have violated state law.[6] In addition, the HACO was overbilled by the Housing Authority of the City of Lafayette (HACL) for Mr. Guillory's fringe benefits, made payments to Mr. Guillory without supporting invoices, and failed to record clothing purchases by Mr. Guillory as income.

<u>Improper Payment to Company Owned by Walter Guillory</u>

On October 23, 2009, the HACO issued a check in the amount of $43,867 to Housing Consultants, LLC. Mr. Guillory is the sole owner of Housing Consultants, LLC, and the company was registered with the Secretary of State on September 14, 2009. The HACO recorded the $43,867 payment as income and completed an Internal Revenue Service Form 1099 for Housing Consultants, LLC. There is no invoice supporting this payment and it was not included in the invoices routinely submitted to the HACO by the HACL for Mr. Guillory's services. Mr. Guillory's attorney described the purpose of the payment as follows: "The board decided to pay out his [Walter Guillory's] contract based on the amount of time he had left on the contract, which was called a severance package for 6 months, even though he had more time than that left on his contract."

At the time the $43,867 payment was made to Housing Consultants, LLC, Mr. Guillory was in the second year of a five-year written contract with the HACO to be its executive director. The contract, however, included no provision for severance pay but required 45-day written notification to the board of the executive director's intention to terminate the contract. Mr. Guillory provided the board written notification of his intent to resign on June 11, 2009, with

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[5] **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.
[6] **R.S. 42:1121 A.(1)** provides, in part, that no former agency head or elected official shall, for a period of two years following the termination of his public service as the head of such agency or as an elected public official serving in such an agency, assist another person , for compensation, in a transaction, or in an appearance in connection with a transaction, involving that agency or render any service on a contractual basis to or for such agency.

an effective resignation date of August 1, 2009. On August 5, 2009, the HACO board issued a resolution allowing Mr. Guillory to continue as executive director until a new executive director was hired. HACO and HACL records indicate Mr. Guillory was serving in the capacity of HACO executive director at the time the payment was made.

The check to Housing Consultants, LLC, was signed by Mr. Guillory and the board chairman at the time, Mary Doucet. According to Ms. Doucet, Mr. Guillory came before the board and made a request for severance pay, which the board approved. She added that Mr. Guillory brought a written calculation supporting the payment. However, Ms. Doucet could not specify the date of the board meeting when this occurred; could not provide documentation of the calculation supporting the payment; and could not provide any other documentation authorizing the payment. In addition, none of the other board members recall approving a severance payment to Mr. Guillory. Board minutes from June 1, 2009, through the first board meeting with the new executive director on November 18, 2009, show no official board action authorizing payment of severance to Mr. Guillory.

According to Dianne Reed, HACO assistant director, Mr. Guillory directed her to issue the check to Housing Consultants, LLC, and record it as "consultant." She stated that she requested an invoice to support the payment, but none was provided by Mr. Guillory. Ms. Reed stated that Mr. Guillory picked up the check from the HACO office. Mr. Guillory's attorney stated that Mr. Guillory did not direct HACO staff to code the payment as "consultant fees" and was unaware of how HACO coded it. Mr. Guillory's attorney further indicated that the payment was made to the corporation because Mr. Guillory intended to use the funds to capitalize his consulting business.

Because Mr. Guillory was not entitled by contract to the payment and because Mr. Guillory used his position to secure an expenditure of public funds to his corporation, he may have violated state law. In addition, by paying Mr. Guillory a severance payment to which he was not entitled by contract, HACO may have violated Article 7, Section 14 of the Louisiana Constitution.[7] We attempted to discuss this matter with Mr. Guillory, but he declined our request for an interview. In Mr. Guillory's response to this audit, his attorney supplied a document indicating that the HACO Board Chairman, Michael Levier, was empowered by the HACO board at the June 1, 2009 board meeting to extend a six-month severance package to Mr. Guillory. This document was purportedly signed and dated by Mr. Levier and Mr. Guillory. However, the document is not on HACO letterhead and Mr. Levier has no specific recollection of the document; could not confirm or deny that he signed the document; and has no specific recollection of the referenced board meeting of June 1, 2009.

<u>Prohibited Contractual Relationship</u>

The HACO signed a consulting agreement with Mr. Guillory and hired a new executive director on November 16, 2009. According to his contract, Mr. Guillory was to provide "transition assistance and training of the [new] executive director and provide advice to the board on the overall administration, supervision, directing and coordinating of the activities of the housing authority." Before the effective date of his contract, Mr. Guillory was the executive

[7] See footnotes 4 and 5.

director of the HACO. State law prohibits an agency head from entering into a contractual relationship with his agency for two years following the termination of his service.[8] Because Mr. Guillory entered into a contractual relationship with the HACO before the end of this two-year period, he may have violated state law.

According to the consulting contract, Mr. Guillory was to receive $55,000 per year for a period of four years. From December 7, 2009, to January 7, 2010, HACO issued four payments totaling $8,462 to Mr. Guillory for consultant fees. There were no time sheets or invoices to support the payments. On January 10, 2010, Jo Ann Tyler, HACO executive director, sent correspondence to Mr. Guillory requesting supporting documentation for work performed and further indicating that he would be paid based on an hourly rate for documented work. No further payments were made under the contract and Mr. Guillory terminated the agreement through written correspondence dated May 6, 2010.

The consulting contract did not include any provision authorizing office space and supplies to Mr. Guillory. However, HACO records indicate that Mr. Guillory was provided the use of a public housing unit as an office, thereby making it unavailable for rent. HUD regulations do not allow public housing units to be taken off line except under limited circumstances. The HACO did not receive approval from HUD to take this unit off line. In addition, the HACO purchased office furniture and supplies for Mr. Guillory costing approximately $5,000.

Because no time interval occurred between Mr. Guillory's consulting contract with the HACO and his prior service as executive director, he may have violated Louisiana law. Proper internal controls dictate that board members and management be aware of and act in accordance with state law governing post-employment contracts.

<u>HACO Over Billed for Benefits and Expenses</u>

Mr. Guillory's service as the HACO executive director was codified in a contract between Mr. Guillory and HACO. However, Mr. Guillory did not bill HACO for his services, rather, HACL billed HACO for Mr. Guillory's salary, benefits, and expenses. This billing arrangement between the HACO and the HACL was never formalized through a cooperative endeavor agreement or any other type of contract. During our review of the billing, we noted that the HACO appeared to have been over billed for Mr. Guillory's benefits and expenses.

No HACO business records, board minutes, or board resolutions were provided to us specifying how the billings for Mr. Guillory's salary, benefits, and expenses were to be handled. However, there is a HACL board resolution authorizing Mr. Guillory to provide Consultant/Executive Director Services to the HACO that 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.

[8] **R.S. 42:1121 A.(1)** provides, in part, that no former agency head or elected official shall, for a period of two years following the termination of his public service as the head of such agency or as an elected public official serving in such an agency, assist another person, for compensation, in a transaction, or in an appearance in connection with a transaction, involving that agency or render any service on a contractual basis to or for such agency.

We noted that the HACL billed 100% of Mr. Guillory's health insurance premiums to the HACO from November 2005 through November 2008 resulting in over billings to the HACO of approximately $22,193. In addition, the HACL billed the HACO 50% of Mr. Guillory's expenses, such as travel and meals, since he was splitting his time between the two agencies. However, from April 2008 through November 2009, Mr. Guillory also had a HACO credit card in his name. The HACL billings to the HACO do not appear to be reduced for these HACO credit card expenses of Mr. Guillory that the HACO paid directly.

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 and in describing expected deliverables to each party. By clearly specifying the responsibilities of both parties, such agreements lessen the possibility of improper billings as noted above.

Clothing Allowance

From October 1, 2008, to December 28, 2008, Mr. Guillory purchased approximately $4,673 of clothing on his HACO credit card. Although Mr. Guillory's contract included a $5,000 business allowance, we question the business necessity of this purchase. In addition, these purchases were not reported to Mr. Guillory as income. On June 11, 2010, Mr. Guillory reimbursed the HACO $2,800 for clothing purchases.

Because the value of the clothing does not appear commensurate with a reasonable expectation of benefit to the agency and because HACO funds appear to have been lent to Mr. Guillory which he later repaid, these expenses may violate the Louisiana Constitution.[9]

Recommendations

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

1. Ensure contract employees are only paid pursuant to written invoices, which serve as evidence for work performed.

2. Review billings for contract employees to ensure that invoiced amounts are compatible with contract provisions. This will reduce the chance of over billings as noted during our audit.

3. Implement training to ensure board members and staff members are aware of the state prohibition against contracting with their agency during and after employment.

[9] See footnote 5.

4. Seek recovery of the $43,867 payment to Mr. Guillory. This payment was not authorized per Mr. Guillory's contract and appears to have been misrepresented by the agency.

5. Seek recovery of the $22,193 of benefit expenses for Mr. Guillory billed by the HACL. These payments made by the HACO to the HACL were not owed according to HACL's own board resolution.

Weak Management Controls

During our review, we noted three housing authority programs with serious management control weaknesses: a homeownership program, community band, and a housing authority police force. These initiatives appear to have been poorly planned, documented, and implemented. The management weaknesses in these three initiatives resulted in the purchase of land and equipment that was never used and significant loss of equipment. In addition, the public bid law was not followed, contract employees were hired without contracts specifying their responsibilities, and board members appear to have been improperly involved in daily management decisions.

Homeownership Program

The HACO implemented a homeownership program in November 2006. The purpose of the program appears to have been the creation of a low-income housing development within the city limits funded through tax credits from the Louisiana Housing Finance Authority (LHFA). HACO residents that completed the homeownership program would be allowed to live in the development with the option of eventually purchasing their units.

Between November 2006 and October 2009, the HACO purchased 10 acres of land valued at approximately $88,000 and spent an additional $52,409 for development and other costs. An additional $73,335 of HACO funds was paid to a contractor to implement a "Pilot Program for Homeownership" that prepared residents for homeownership. Despite the initial outlay of funds, the HACO was not successful in obtaining the tax credits from the LHFA to provide the balance of funding for the program. As a result, the low-income housing was never constructed and the development was not completed.

Because the HACO failed to secure adequate funding before program implementation, the low-income housing development was never completed despite the expenditure of approximately $213,744 ($88,000 land; $52,409 development costs; and $73,335 Pilot Program for Homeownership). The HACO is currently attempting to recoup some costs by selling the land that was purchased. However, the development and other costs cannot be recouped. It should also be noted that although the HACO purchased the 10 acres of land through a bank line of credit, it did not obtain Louisiana Bond Commission approval for the purchase.

Community Band

The community band appears to have been implemented in June 2009 based on documentation supplied by the HACO. Based on interviews with HACO staff, it appears the purpose of the band was to provide a recreational activity for children in the community. A review of HACO board minutes shows no discussion or formal approval of this proposed activity. In addition, HACO management was unable to supply a written plan, budget, or list of participants. Between June 2009 and November 2009, 16 contract employees were hired for the band development. The pay rates ranged from $10 to $30 per hour. HACO management can provide no contracts, job descriptions, or evidence of competitive selection for any of these employees.

Between June 2009 and November 2009, the HACO paid approximately $88,050 for expenses of the community band. The expenses included compensation to the 16 contract employees totaling approximately $47,755. In addition, the HACO purchased 113 musical instruments for approximately $36,495 and a bus for $3,800. The HACO was unable to supply any documentation indicating competitive procurement of the musical instruments as required by state law.[10] Finally, an inventory of the musical instruments identified 71 missing musical instruments totaling $21,613. To date these instruments are still missing.

Police Force

In May 2009, the HACO purchased five 2009 Dodge Chargers for a proposed housing authority police force. The cost of the five vehicles was $103,515. In subsequent months, the HACO purchased an additional $127,558 in equipment for the police force. The equipment included radio systems, uniforms, pistols, tactical gear, and a police dog. HACO management could provide no documentation of a feasibility study or budget supporting the creation of this police force. In addition, there was no discussion or formal approval of the proposed police force in HACO board minutes. Finally, HACO management was unable to provide evidence of competitive procurement for much of the police equipment purchased.

One contract employee was hired as a security consultant. However, the HACO could not supply a contract, job description, or evidence of competitive selection for this contract employee. In addition, HACO documentation shows payment for drug screenings and law enforcement training for several individuals that were not subsequently hired. Finally, HACO documents and interviews with HACO staff indicate that HACO board members were involved in interviews of potential employees as well as the purchase of equipment.

The HACO could supply no documentation indicating why the police force was disbanded. According to HACO management, the City of Opelousas Police Department refused to post-certify members of the HACO police force. Since the HACO was unable to certify its officers, the program was disbanded and much of the equipment sold at auction with deep discounts.

[10] **R.S. 38:2212.1.A(1)(a)** states that all purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part.

Recommendations

We recommend the HACO adopt the following procedures to strengthen program management and board oversight:

1. Strengthen board oversight by ensuring that major programs are thoroughly reviewed by, researched, and have the documented approval of the board.

2. Ensure that major programs are not implemented without adequate research, review, and planning. Efforts should be documented through written plans, feasibility studies, and budgets. Also, project funding should be secured before program implementation.

3. Strictly adhere to the public bid law. As political subdivisions of the state, housing authorities are subject to the public bid law which requires sealed bids for purchases over $30,000.

4. Require written contracts that specify work responsibilities, duration of employment, and rates of pay for all contract employees.

5. Ensure that the selection of contract employees is performed competitively and transparently and the selection process is fully documented.

6. Ensure that board members are not involved in the day-to-day management decisions.

Poor Contract Management Practices

During our review, we noted that many contract employees hired to perform various professional services were hired without written contracts. In addition, several professional service contracts that were available have no documentation indicating they were competitively sourced. Also, one professional service contract appears to have been implemented retroactively and payments to the vendor may violate contract terms. Professional services typically refer to services such as architecture, engineering, legal, or consulting. 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 reviewed the contract employees of the HACO. HACO management was unable to provide contracts for most of these contract employees. Missing contracts included services for a security consultant and physical therapist. In addition, several available professional service contracts had no accompanying requests for proposals (RFP) or other competitive selection documentation. The missing documentation included RFPs, advertisements, evaluation criteria, and award letters. Professional service contracts lacking competitive selection documentation include a community police consulting contract and the Pilot Program for Homeownership.

The HACO contracted with a company, Vital Communications, to develop and publicize a "Pilot Program for Homeownership." Services were provided from December 2006 to October 2009 and Vital Communications received approximately $73,335 in total compensation during this period. The HACO entered into two memorandums of understanding with Vital Communications. Neither contract was dated so we cannot determine when the contracts were signed. However, an addendum to the first contract indicates it was implemented retroactively. The second contract has no conclusion date. It appears to have been in effect from July 1, 2007, to the end of payments in October 2009.

Both contracts state that the HACO will "pay for services of the Consultant as presented in Requisition/Invoice request for payments, or, generally, at an amount established by agreement to be One Thousand, Five Hundred ($1,500) Dollars monthly…" The $1,500 was increased to $2,000 in the second contract. HACO records indicate Vital Communications received these monthly payments. However, the HACO also reimbursed other expenses of Vital Communications totaling $4,539. These expenses included brochures, labels, envelopes, phone bills, and mileage which were not specified in the contracts. In addition, Vital Communications was allowed to use a HACO public housing unit as its office thereby making it unavailable for rental. HUD regulations do not allow public housing units to be taken off line except under limited circumstances. The HACO did not receive approval from HUD to take this unit off line.

The HACO's procurement policy states, "Procurements shall be conducted competitively to the maximum extent possible." Exceptions are limited to sole source purchases, emergency purchases, and instances where competition is deemed inadequate or HUD authorizes the use of noncompetitive proposals. By not using competitive procurement for the acquisition of many of its professional services and allowing payments that appear to be outside contract terms, the HACO may have violated its procurement policy as well as good business practices.

Recommendation

We recommend that the HACO 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 contract employees have a signed, written contract specifying their compensation, responsibilities, expected results, and duration of service.

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 contracts.

4. Ensure all contracts are properly dated and cover a specific period of time. Contracts should also not be implemented or paid retroactively.

5. Ensure contract payment terms are clearly defined and no payments are authorized outside the scope of the contract payment terms.

Management's Response

The Housing Authority of the City of Opelousas

JOE ANN TYLER
Executive Director

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March 30, 2011

Daryl G. Purpera, CPA, CFE
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RE: Compliance Audit Report

Dear Mr. Purpera:

On behalf of the Board of Commissioners, I thank you for affording the Housing Authority the opportunity to respond to your draft Compliance Audit Report. You should know that I was hired as Executive Director of the Housing Authority on **November 16, 2009**. Since the events set forth in your report pre-date my employment, I have no personal knowledge of and did not participate in the events cited. Additionally, only two Board members from the time these events occurred remain seated as current members of the Board of Commissioners. As such, the availability of information to prepare this response has been limited. Despite these limitations, I have done my best to meaningfully respond to your findings:

1) **Improper Payment to Company Owned by Walter Guillory:** The Housing Authority cannot dispute your finding that Mr. Guillory was issued a check through Housing Consultants, LLC in the amount of $43,867.00 on October 23, 2009, purportedly as severance pay. No Resolution by the Board of Commissioners authorizing this payment has been located.

2) **Prohibited Contractual Relationship:** The Housing Authority cannot dispute your finding that a contract for consulting services was awarded to Mr. Guillory within two years of his tenure as Executive Director. Upon learning of this contractual agreement and having no knowledge of any service being provided by Mr. Guillory, my questioning of the propriety of this contract prompted Mr. Guillory to terminate the contract.

   The Housing Authority also cannot dispute your finding that Mr. Guillory converted a public housing unit to an office within which office furniture and supplies were provided. Upon information and belief, this occurred while Mr. Guillory served as Executive Director and prior to his contracting to provide consulting services.

3) **HACO Overbilled for Benefits and Expenses:** The Housing Authority cannot dispute your findings regarding the billing arrangement for Mr. Guillory=s services as Executive Director through invoices from the Housing Authority of the City of Lafayette. No CEA, contract or other documentation memorializing an agreement between HACO and HACL exists, nor has documentation been located to explain the billing process for Mr. Guillory=s benefit entitlements. HACO's intention is to reconcile all billings from HACL to determine whether reimbursements are owed.

4) **Clothing Allowance:** The Housing Authority cannot dispute your finding regarding Mr. Guillory's purchase of clothing pursuant to the business allowance authorized within his employment contract as Executive Director.

5) **Homeownership Program:** The Housing Authority cannot dispute your findings regarding the Homeownership Program which has never been properly funded nor implemented. Your findings regarding the sums expended for the purchase of land, development, costs and the pilot program are similarly undisputed.

6) **Community Band:** The Housing Authority cannot dispute your findings regarding the community band. Substantial funds were expended without formal approval, project plans, budgets, contracts or the like. Every effort possible has been made by the Housing Authority to locate and obtain possession of the musical instruments purchased, but the majority of the instruments remain missing.

7) **Police Force:** The Housing Authority cannot dispute your findings regarding the purchase of vehicles and related equipment for the creation of a police force. For liability, budgetary and other reasons, the maintenance of a Housing Authority police force is ill-advised. Much of the equipment purchased has been sold and the Housing Authority intends to maintain security within its developments through its own employees and the assistance of the Opelousas Police Department.

8) **Poor Contract Management Practices:** The Housing Authority cannot dispute your findings regarding the contractual relationships with outside entities during the relevant time period.

Your recommendations regarding each audit finding have been considered. Our response below includes actions already taken to address the cited improprieties as well as continuing efforts to rectify past errors in the Agency's operations.

1) The Housing Authority has discontinued all business relationships with Mr. Guillory.

2) The Housing Authority's attorney is evaluating the possibility of seeking recoupment of funds improvidently paid directly to or on behalf of Mr. Guillory. Decisions on this option have been hampered by the multitude of continuing audits and investigations of the Housing Authority by state and federal regulatory authorities.

3) All current employees of the Housing Authority are appropriately recognized by and authorized by the Department of State Civil Service. Assuring such compliance necessitated the termination of certain employees previously employed by the Agency on a contractual basis.

4) All contractual relationships with outside vendors and providers previously existing under the prior administration have expired. Current contracts for services, equipment and supplies are competitively let in accordance with applicable procurement requirements.

5) Policies and procedures applicable to all aspects of the Housing Authority's operations have been updated or developed for approval by the Board of Commissioners.

6) Written invoices are required for all contractors prior to payment for services rendered. Such are reviewed for accuracy and to insure the service provided is within the scope of services under contract.

7) Policies on ethical requirements/prohibitions and dual employment have been provided for review to the Board of Commissioners.

8) The Housing Authority is continuing to streamline programs and activities. New programs will be thoroughly evaluated prior to implementation. Written plans, budget proposals, feasibility studies, etc. will be utilized prior to implementation.

9) Strict adherence to public bid laws will be required in the future, and appropriate file documentation maintained to support all contractual, bidding and procurement activities.

10) Board activities and expenditures will be appropriately discussed and decided in accordance with Louisiana's Open Meetings Law, with formal Resolutions to be maintained to evidence Board activities.

11) Board members will soon undergo extensive training conducted by NAHRO regarding their responsibilities and requirements imposed by policy,

regulation and express law.

In considering this response, please understand that I fully recognize the seriousness and impermissibility of the errors and omissions cited in your findings. As Executive Director, I accept full responsibility for addressing the concerns cited by you. Considerable progress has been made in the past eighteen months to address these issues, many of which were identified prior to the audits/investigations which have been conducted over the past several months. Be assured that the audit process by your office has been of considerable value and every effort is being made to protect against the recurrence of the findings set forth in your report.

Yours Truly,

Joe Ann Tyler
Opelousas Housing Authority
Executive Director

cc: Commissioner Harvey Darbonne
Board Chairman

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March 29, 2011

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

**Re: Draft Compliance Audit
Opelousas Housing Authority (HACO)**

Dear Mr. Purpera:

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

(1) Your draft concludes that Walter Guillory was improperly paid a severance pay in the amount of $43,867 without board approval. Your draft report says that former board chairman, Mary Doucet, "could not specify the date of the board meeting when this occurred; could not provide documentation of the calculation supporting the payment; or any other documentation authorizing the payment. In addition, none of the other board members recalls approving a severance payment to Mr. Guillory."

I attach for your convenience a signed memo dated June 2, 2009, from Walter Guillory to former board chairman Michael Levier, signed by both men, memorializing the HACO board meeting of June 1, 2009, where the board voted to extend a six (6) month severance package to Walter Guillory consisting of six (6) months of continued salary plus other benefits under his contract, to take effect on the mutually agreed termination date of Mr. Guillory's contract with HACO, August 1, 2009. This totally contradicts your draft finding with respect to this payment made to Mr. Guillory. Please take this document to Mr. Levier and the other then board members, show this to them to refresh their memories, then ask if they voted for the severance pay to Mr. Guillory.

Mr. Guillory asked that the payment be made to Housing Consultants, LLC as he intended to start a consulting business under that name, and intended to use this severance pay as his start-up capital for that venture. Ms. Lisa Manuel, HACO's contract accountant in Opelousas, was contacted by Mary Doucet to verify the amount of the six (6) month severance pay. Ms. Manuel can verify that this payment was for the six (6) months period the Board had voted to approve for severance payment and not for "consulting fees." Mr. Guillory treated these funds as personal income to him and paid taxes on this income.

(2) The draft report indicates that "from December 7, 2009, to January 7, 2010, HACO issued four payments totaling $8,462 to Mr. Guillory for consulting fees. Mr. Guillory only recalls receiving only two checks, each in the amount of approximately $2,500.00, for a total of approximately $5,000.00, and would like to see the four payments that the draft report is referring to. The HACO board had asked Mr. Guillory to be a consultant following the effective date of his resignation of August 1, 2009. Mr. Guillory was unaware of any State law prohibiting him from serving as a consultant for two years following the effective date of his resignation.

(3) Regarding office space provided to Mr. Guillory by HACO, he denies ever using any such space that may have been set aside for his use as a consultant, as he met with the new Executive Director in her office during the brief time he consulted with HACO.

(4) The alleged over-billing by HACL to HACO was not Mr. Guillory's doing. He did not control the billing by HACL to HACO, which was the responsibility of Sandra Poirier, the HACL contract CPA.

(5) Mr. Guillory is not sure where your office is getting the sum of $4,673 allegedly spent by him on clothing. He knows that he actually spent approximately $2,800 on clothing which was charged to his HACO credit card, which he later reimbursed HACO for on advice from Opelousas attorney Mark Falcon. To his knowledge, no use of his HACO credit card was ever billed to HACL.

(6) Regarding the community band, former Board Chairman Michael Levier made the decision to form the band before Walter Guillory had an opportunity to investigate its propriety. Michael Levier and his designated band director ordered all the band instruments which were delivered to HACO, and Mr. Guillory had no alternative but to sign the check paying for those band instruments after they were delivered. Levier and the band director were the persons responsible for hiring the contract employees hired for the band development, and Walter Guillory had no choice but to sign their checks once they had been hired by Levier and the band director. Additionally, Michael Levier was the person who purchased the bus, as Walter Guillory had no idea that Levier was buying a bus for use by the band.

(7) Board members were responsible for expenses incurred in the attempt to establish a HACO police force, including purchase of vehicles, firearms and other equipment. Mr. Guillory even attempted to talk the board out of making the decision to

establish a HACO police force by bringing in the Opelousas Police Chief, Perry Gallow, to dissuade the Board from taking this action. Walter Guillory has a letter from OPD Chief Perry Gallow corroborating this statement which undersigned counsel will forward to you upon receipt.

Over time, the Board and its members gradually took over control of the day-to-day management of HACO, including major purchasing decisions, which led to Walter Guillory's decision to resign as Executive Director. The community band and the nascent HACO police force were primary examples of the Board members' takeover of day-to-day management of HACO and its expenditures.

I hope that this assists your office in its preparation of its report.

Very truly yours,

FRANK W. DAWKINS

Enclosure: memo re: board approval of six (6) months
severance pay for Walter Guillory

cc: Mr. Walter Guillory

To: **Mr. Michael Levier**
From: **Mr. Walter Guillory**
Date: **June 2, 2009**
Re: **Severance Package**

Pursuant to the Opelousas Housing Authority Board of Commissioners meeting conducted yesterday, June 1, 2009, I Michael Levier, Chairman of the Board of Commissioners have been empowered by the board to extend a six (6) month severance package to Walter Guillory. The severance package will consist of six (6) months of continued salary and all the benefits presently existing under the contract of employment between Walter Guillory and the Opelousas Housing Authority. The severance package will take effect on the date of the mutually agreed termination of the contract between Walter Guillory and the Opelousas Housing Authority, August 1, 2009.

6/3/09
DATE

MICHAEL LEVIER
Chairman of the Board of Commissioners

6-3-09
DATE

WALTER GUILLORY