

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES



INVESTIGATIVE AUDIT
ISSUED FEBRUARY 27, 2019

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 27, 2019

**MR. BEN TAYLOR, EXECUTIVE DIRECTOR
AND MEMBERS OF THE BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES**
Lake Charles, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

As is explained in greater detail in this report, the Housing Authority of the City of Lake Charles used an independent contractor to inspect its Section 8 housing. The contractor was paid \$17 per inspection (pass, fail, and “no shows,” meaning that a tenant did not show up for the scheduled appointment to allow the inspection to be performed) and received \$400 a month as a fuel allowance. The contractor said he has inspected the Authority’s Section 8 housing since 2000, during which time he and the Authority have signed at least two contracts. However, neither he nor the Authority was able to produce a copy of the written contract. State law requires that such records be kept for at least three years.

In examining the Authority’s records, we found the contractor was paid \$222,161 from October 1, 2015, through September 30, 2018. However, invoices and records did not provide enough detail for us to determine whether the amounts paid out were reasonable. In addition, the Authority’s Section 8 manager told us she did not verify that inspections were performed or reconcile the contractor’s invoices to the electronic scheduling system before approving payment.

As a result, the Authority may not have received adequate value for \$118,473 of the funds expended, which may violate the state Constitution’s prohibition on donation of public funds.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation, or other form of assurance with respect to the information upon which our work was based.

Mr. Ben Taylor, Executive Director
and Members of the Board of Commissioners
Housing Authority of the City of Lake Charles
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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 14th Judicial District of Louisiana and others as required by law.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

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BACKGROUND AND METHODOLOGY

The Housing Authority of The City of Lake Charles (Authority) is a political subdivision of the state of Louisiana, independent from the City of Lake Charles, which established it in 1938. The Authority operates pursuant to La. R.S. 40:381, *et seq.* to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities in Lake Charles, Louisiana. The Authority is governed by a five-member board appointed by the Mayor of the City of Lake Charles. Members of the board serve staggered five-year terms.

The Authority administers multiple housing programs and owns several housing units that it rents directly to low-income tenants. The Authority has also administered a U.S. Department of Housing and Urban Development Section 8 program since 1976.

The Section 8 program provides funds to assist low-income families with their rental payments and establishes a three-way agreement with the Authority, the Participant/Tenant, and the Owner/Landlord of the housing unit. The Section 8 program includes housing choice voucher units, as well as moderate rehabilitation units.

We thank the Executive Director and the Authority's staff for the assistance they provided us during this investigative audit.

The procedures performed during this investigative audit consisted of:

- (1) interviewing employees and officials of the Housing Authority of The City of Lake Charles and other persons, as appropriate;
- (2) examining selected documents and records of the agency;
- (3) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and
- (4) reviewing applicable state laws.

FINDING AND RECOMMENDATIONS

Contractor Paid for Undocumented Inspections

The Housing Authority of The City of Lake Charles (Authority) paid an independent contractor \$222,161 to inspect Section 8 housing from October 1, 2015 through September 30, 2018. The contractor's invoices and records lacked sufficient detail for us to determine whether the amounts the Authority paid for the inspections were reasonable. As a result, the Authority may not have received adequate value for \$118,473 of the funds expended, which may violate the state constitution.¹

The Section 8 housing choice voucher program (Section 8) is the federal government's major program for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Section 8 participants are able to find their own housing, including single-family houses, townhouses and apartments, and are not limited to units located in subsidized housing projects. Between October 1, 2015 and September 30, 2018, the Authority assisted more than 1,200 Section 8 participants annually. During this time, the Authority was required to conduct various inspections of its Section 8 housing.

The Authority contracted with Mr. Jerry Honore to perform those inspections. Mr. Honore told us he has performed Section 8 inspections for the Authority since 2000 and has signed at least two contracts with the Authority. Neither Mr. Honore nor the Authority could provide a contract for Mr. Honore's inspection work. State law² requires that such records be retained for a minimum of three years.

Mr. Honore explained the four types of inspections he performed to verify that houses, townhouses, and apartments met Section 8 requirements:

- (1) an initial inspection before a unit can be included in the program,
- (2) a tenant complaint about a unit,
- (3) an annual inspection, and
- (4) mold remediation inspections.

If the house, townhouse, or apartment fails inspection, the landlord has 30 days to correct any deficiencies and have it re-inspected. Mr. Honore told us he received \$17 per inspection and a \$400 monthly allowance for fuel. He also told us he received \$17 for each "no show."^A

The Authority uses web-based management software (PHA-Web) designed for use by public housing authorities with as many as 10,000 units to track inspections of its Section 8

^A A "no show" is when the tenant or owner fails to show up at their residence at the scheduled time of their home inspection. Since the tenant or owner is not there to open the door, the inspection cannot be completed.

housing. The Authority schedules inspections, documents the results of inspections, and determines when a unit is due to have an annual inspection using PHA-Web. When inspections are needed, the Authority mails a notice to tenants and/or landlords prior to inspection informing them of the date and time of the scheduled inspection. The Authority's Section 8 manager told us she schedules inspections in the same area on the same day when possible.

Mr. Honore said he prints the schedule at the beginning of his work day from PHA-Web and performs the scheduled inspections. According to Mr. Honore, if the unit is at an apartment complex, the maintenance person can open the unit for him to perform the inspection if the tenant or landlord is unavailable. Otherwise, the tenant, landlord, or a person the tenant sent in the tenant's place must be present for Mr. Honore to perform an inspection. In the event the tenant or landlord is not available, Mr. Honore said he documents the visit as a "no show" and invoices the same amount (\$17) he would have invoiced had he performed the inspection. He also said he uses a checklist-type form to complete the inspection and a camera to document his findings. He submits the results of the inspections to the Section 8 manager for review and entry to the PHA-Web software to document if the home passes or needs further corrective action.

Mr. Honore told us he usually works Monday through Friday from 8:00 a.m. - 3:00 p.m.^B and rarely performs inspections on the weekend. He said he submits an invoice to the Section 8 manager every two weeks that provides the total number of inspections, including "no shows," he performed during that period. The Section 8 manager told us that she did not verify that inspections were performed or reconcile the invoice to scheduled inspections in PHA-Web before she approved the invoice for payment. She also stated that the inspector is paid the usual inspection fee even if the tenant or owner is not there (i.e., "no shows") and the inspection is not performed. Mr. Honore told us he kept notes of the inspections performed, including "no shows," and used those notes to compile the total inspections for each invoice he submitted to the Authority; however, he did not retain those records.

According to its Executive Director, the Authority had a written contract with Mr. Honore but was unable to locate it. He told us that Mr. Honore's contract provides for \$17.00 per inspection, which includes "no shows," and a \$400 monthly fuel allowance. We reviewed and summarized Mr. Honore's invoices and compared them to the reported inspections in PHA-Web from October 1, 2015 to September 30, 2018 in the following table.

^B The letter provided to the tenants and property owners gives the date of inspection and the time between 8:00 a.m. and 3:00 p.m. Mr. Honore told us he occasionally performs inspections after 3:00 p.m., but he will never do one after 5:00 p.m.

Housing Authority of the City of Lake Charles Section 8 Housing Inspections			
	10/1/2015 to 9/30/2016	10/1/2016 to 9/30/2017	10/1/2017 to 9/30/2018
Inspections Invoiced (includes “no shows”)	4,594	4,899	2,779 ^C
Inspections per PHA-Web	1,444	1,621	1,955
Undocumented Difference	3,150	3,278	824 ^D
Rate per inspection	\$17	\$17	\$17
Payment for Undocumented Difference	\$53,550	\$55,726	\$9,197^E
Total No. of Section 8 Housing Units at 9/30	1,388	1,250	1,228
Average number of inspections invoiced per pay period	191	204	115

The foregoing table shows that the number of “Inspections Invoiced” decreased substantially for the year ended September 30, 2018, while the number of Section 8 units remained nearly the same. The “Undocumented Difference” in both 2016 and 2017 exceeded 3,100. In January 2018, the Authority began tracking “no shows;” the undocumented difference in 2018 dropped substantially, down to 824.^D

We discussed the summary of Mr. Honore’s invoices with the Authority’s Section 8 manager. She told us she was unable to explain the decrease in inspections invoiced by Mr. Honore in Fiscal Year 2018. She said the Authority used the PHA-Web software to schedule and document completed inspections but did not begin tracking “no shows” until January 2018. This means “no show” data was available for only the last nine months of the 36 months we reviewed.

We also spoke to Mr. Honore about the difference between invoiced inspections and completed inspections and why the number of invoiced inspections fell from 4,899 in FY 2017 to 2,779 in FY 2018. Mr. Honore told us the difference between invoiced inspections and completed inspections represented “no shows” and that he did not have documentation of the specific housing units that were “no shows.” He also stated there were fewer Section 8 units in 2018, which resulted in fewer inspections.^F However, the summary of his invoices shows that more inspections were documented as completed in 2018 than in each of the prior two years, but the undocumented difference (i.e., “no shows”) was smaller. He also stated that he kept track of the “no shows,” but did not retain that documentation. Mr. Honore said that he occasionally received calls while in the field to perform unscheduled inspections and sometimes forgot to

^C The Authority began documenting “no shows” in January 2018.

^D 283 documented “no shows” were included in the “Undocumented Difference” part of the housing inspections table to maintain consistency.

^E This does not include the 283 documented “no shows” from January 2018 to September 2018.

^F There were 1,250 Section 8 units in 2017; that number dropped 22 to 1,228 in 2018. The number of completed inspections entered into PHA-Web increased during this time from 1,621 in 2017 to 1,955 in 2018.

record those inspections. He said he prefers the method that the Authority is using now of tracking “no shows,” because they are documented in PHA-Web.

We spoke with four Section 8 tenants listed as “no shows” in 2018 about their inspection experiences. One did not receive the inspection notice until the day before the inspection and was unable to make arrangements to be home. One was home, but never heard a knock on the door. One stated she received two appointment notices from the Authority for the same day – one for an inspection and the other for income verification. Since she had to go to the Authority office to verify her income, she was not there for the scheduled inspection. Three of the four stated that when they missed inspections a notice was left on their door. Because the Section 8 manager approved the inspection invoices without documentation of which units were invoiced for inspection and “no-show,” the Authority may have improperly donated public funds to Mr. Honore, which may violate the state constitution.¹

Recommendations

We recommend the Authority consult with its legal counsel to determine the appropriate actions to take, including recovery of excessive payments. In addition the Authority should:

- (1) Ensure that all contracts are in writing, signed, and maintained as required by state law;
- (2) Require the contractor to document and record no show inspections; and
- (3) Reconcile “no show” inspections to the contractor’s invoice prior to payment.

LEGAL PROVISIONS

¹ **Louisiana Constitution Article VII, Section 14(A)** states that, “Prohibited Uses. 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....”

² **Louisiana Revised Statute 44:36(A)** states, in part, “All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made....”

APPENDIX A

Management's Response

HOUSING AUTHORITY of THE CITY of LAKE CHARLES

"Providing safe, decent, affordable housing to low income Families"

S. Benjamin Taylor, JR.
Executive Director

Commissioners:
Nicole Miller
Chester Moses
Pastor Charles Robertson
Robert Shannon
Joseph Thomas

February 14, 2019

Daryl G Pupera CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

RE: Housing Authority of the City of Lake Charles response to investigative audit

Dear Mr. Pupera

The Housing Authority of The City of Lake Charles submits the following response to the draft investigative audit dated February 4, 2019. The Housing Authority of The City of Lake Charles thanks your office for the professionalism of the staff sent to review and investigate complaints on various financial matters of our agency.

The Housing Authority of The City of Lake Charles has reviewed the draft report in detail and agrees with the one finding the Legislative Auditor and their recommendations. The Housing Authority of The City of Lake Charles has already begun implementation of the recommendations listed in the draft audit report. In addition to the outlined recommendations the Housing Authority of The City of Lake Charles will engage an independent licensed auditor to review and provide guidance on current policies and procedures, ensuring best practices are implemented with the Housing Authority of The City of Lake Charles.

The Housing Authority of The City of Lake Charles has a proven record of success in both management and development of additional affordable housing within the city limits of Lake Charles. The Housing Authority of The City of Lake Charles consistently files its audits timely with your office and to the Department of Housing and Urban Development through an

Independent third-party auditing firm, and consistently show evidence of compliance in our financial policies and procedures demonstration proper management of public funds. Additionally, the US Department of Housing and Urban Development has ranked the Housing Authority of The City of Lake Charles as a high performer under the Housing Choice Voucher program under the Section 8 Management Assessment Program. The authority is currently under the Rental Assistance Demonstration program which will result in completely renovated public housing units Authority wide, in a public/private partnership. The Housing Authority of The City of Lake Charles does not abuse the public's trust and continues to provide services and housing to over 2,130 families of which 650 of those families are elderly and/or disabled.

The Authority appreciates the cooperation of the Legislative Auditor throughout this review process. We look forward to correcting the findings outlined and continuing to work with the Legislative Auditor to ensure the best services are provided through proper execution of policies and procedures. Thank you for the opportunity to respond to the finding as presented in the draft report. Should you need any additional information do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Benjamin Taylor, Jr.', with a stylized flourish at the end.

S. Benjamin Taylor, Jr.

Executive Director

CC: Nicole Miller, Chair
Chester Moses, Vice Chair
Robert Shannon
Vergie Green