



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

QUESTIONABLE EXPENDITURES

AT THE

BUNKIE HOUSING AUTHORITY

Report by

Inspector General Bill Lynch

Prepared for

Governor M. J. "Mike" Foster, Jr.

May 2, 2003

File No. 1-03-0036



State of Louisiana

OFFICE OF
STATE INSPECTOR GENERAL

Questionable Expenditures

at the

Bunkie Housing Authority

Report by

A handwritten signature in cursive script, appearing to read "BL", written over a horizontal line.

Inspector General Bill Lynch

Approved by

A handwritten signature in cursive script, appearing to read "M.J.", written over a horizontal line.

Governor M.J. "Mike" Foster, Jr.

April 25, 2003

File No. 1-03-0036

Questionable Expenditures at the Bunkie Housing Authority

Penny McWilliams, Bunkie Housing Authority Director, used federal program funds to pay more than \$6,200 for improper and questionable expenditures.

Mrs. McWilliams:

- May have violated grant provisions by directing and approving payments for non-grant expenditures,
- Paid improper per diem to herself and employees,
- Collected travel expenses twice by receiving mileage reimbursement while drawing a “car allowance”,
- Frequently, without authorization, used program funds to buy meals for herself and employees during routine workdays,
- And paid for a repair to her personal vehicle.

Our review was limited to the activities from Sept. 1, 1999 through Aug. 30, 2002.

Background

The Bunkie Housing Authority was established April 11, 1956, under LSA-R.S. 40:381.

The Authority is an agent of the US Department of Housing and Urban Development (HUD) established to provide subsidized housing to low-income residents. Its administrative and operating costs are federally funded through HUD grants and rent collections, with the Authority receiving no state funding.

A panel of five commissioners appointed by the Mayor of the City of Bunkie handles all policies and community relations governing the Authority. In addition, the Authority employs a staff, which includes the executive director, an administrative secretary, clerk chief and two maintenance workers.

Questionable Expenditures

Page 2

Bunkie Housing Authority is part of district C that also includes Colfax, Grant, Rapides, Alexandria, Leesville, Jena and Pineville Housing Authorities.

The Bunkie Authority has four properties, two in Bunkie, one in Mansura and one in Cheneyville, Louisiana with a total of 106 units.

Non-Program Expenditures

During the period under review, Mrs. McWilliams may have violated grant provisions by directing and approving more than \$2,300 of non-program expenditures.

In order for expenditures to be allowable for program funds, they must be allocable to grant activities.

Mrs. McWilliams directed and approved the use of program funds for items, which were not relative to the administration of the grant. For example, on approximately eight occasions, she purchased football ads with the local paper totaling \$330, spent approximately \$490 for food trays, birthday cakes, and a fruit basket for an employee at the bank, spent more than \$300 for flowers, paid approximately \$95 for scholarship application fees and mailing costs for students at Bunkie High school and donated approximately \$400 for donations to several local organizations, including \$35 to the Mid State Shrine Club.

Per Diem

Mrs. McWilliams collected at least \$1,700 for per diem and paid employees at least \$925 for per diem in violation of the Authority's travel policy.

According to the travel policy attached with resolution number 877 of May 14, 1998, employees may receive per diem for subsistence in lieu of actual expenses. Resolution number 877 established the per diem rate at \$42 per day. The travel policy further allows, "In computing per diem in lieu of subsistence no per diem shall be paid for travel of less than 24 hours duration, except that for such travel requiring departure prior to 8:00 A.M. or return after 6:00 P.M., and which exceeds six hours, per diem shall be paid at the rate of one-fourth the established daily amount for each six hour period, or fraction thereof."

Questionable Expenditures

Page 3

Previous Authority travel regulations allowed “per diem for subsistence in lieu of actual expenses will be paid at a rate not to exceed [\$12.00] per day for employees of the Authority...” Additionally, the regulation stated “...per diem shall be paid at a rate of one-fourth the established daily amount for each six-hour period, or fraction thereof.”

There were at least 36 district meetings conducted during the audit period where Mrs. McWilliams and employees received the \$42 per diem without meeting the requirements of the travel policy. None of these district meetings required overnight stay. In some cases, the per diem was paid in advance.

For example, both Mrs. McWilliams and Carmel Turner, a former employee received the \$42 per diem pay with checks dated November 18, 1999 for a district meeting they were to attend on November 22.

Adding to the problem, the per diems were paid despite the fact that the cost of the meals incurred during the meetings was covered by the Authority.

These district meetings were generally held after the regular workday in Alexandria approximately 45 miles from the Authority’s main office and lasted approximately two and one half hours.

Mileage

Mrs. McWilliams improperly collected mileage expenses twice by receiving at least \$1,000 in mileage reimbursement for travel to the district meetings while drawing a \$100 per month car allowance.

Any grant related expenditures should be charged to the grant only once.

For example, she collected \$40.77 mileage expense for the October 1999 district meeting and \$30.87 and \$29.25 for the Nov. 16 and Nov. 22, 1999 district meetings. For these two months, she received \$200 for car allowance.

Mrs. McWilliams no longer receives mileage reimbursement or a car allowance because in March 2002, the commissioners purchased an agency vehicle for her use.

Routine Meals

Mrs. McWilliams used program funds to buy lunches for herself and other employees during routine workdays. During the review period, at least \$200 was spent for personal lunches.

Mrs. McWilliams did not justify the purchases for herself and office employees but tried to justify the meals for maintenance employees working at the housing units in Cheneyville and Mansura. The Cheneyville units are approximately nine miles and Mansura units are approximately 16 miles from the main office.

In order for grant expenditures to be allowable, it must be allocable to grant activities. These purchases are routine everyday costs to the employee and not grant activities.

For example, on February 29 and June 9, 2000, Mrs. McWilliams reimbursed both maintenance workers for meals purchased at the Chicken Palace Restaurant because both were working at the Mansura property.

While the total of both reimbursements was only \$12.02, there is no justification for her use of Authority funds.

On May 17, 2001, Mrs. McWilliams purchased sirloin steaks, bread, potatoes and steak sauce from Winn-Dixie. The check voucher listed the goods as maintenance department supplies. The purchase total was \$32.92.

Personal Vehicle

On Sept. 30, 1999, Mrs. McWilliams improperly expended \$93 of Authority funds to purchase and have brake pads installed on her personal vehicle.

Mrs. McWilliams had no authorization to use Authority funds for personal use.

At the time of purchase, Mrs. Williams was receiving a car allowance of \$70 per month.

The Commissioners were made aware of this situation and took disciplinary action.

Conclusions:

1. Penny McWilliams may have violated grant provisions by directing and approving payments of at least \$2,300 for non-program expenditures.
2. Penny McWilliams improperly paid \$1,700 per diem to herself and \$925 per diem to employees.
3. Penny McWilliams collected travel expenses twice.
4. Penny McWilliams used program funds to purchase meals for her and other employees for routine workdays.
5. Penny McWilliams used \$93 of Housing Authority funds to purchase and have installed parts for her personal vehicle.

Recommendations:

6. The Housing Authority should conduct a review of expenditures for the time period not covered by this review.
7. The Housing Authority should seek reimbursement from Mrs. McWilliams for all improper expenditures.
8. Refer to the proper authorities.

Management Response:

See Attached.

Questionable Expenditures

Page 6

IG Comment:

The Housing Authority's justification for its miscellaneous expenditures was that it has historically utilized agency funds (in reasonable sums) for public relations and promotional purposes.

While federal guidelines allow public relations costs, these costs are limited to the scope and mission of the agency. In our opinion, the purchase of football ads to commend the local high school's athletic department, gifts, flowers, and donations to civic organizations does not meet federal criteria.

BL/AB

File No. 1-03-0036

**OF THE CITY OF BUNKIE
P.O. BOX 1036
712 KELLER STREET
PHONE: (318) 346-6838
FAX: (318) 346-6844 & (318) 346-9237
BUNKIE, LOUISIANA 71322-5036**

April 17, 2003

Mr. Bill Lynch
State Inspector General
Division of Administration
Office of Inspector General
State Capitol Annex
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095

RE: File No. 1-03-0036

Dear Mr. Lynch:

On behalf of the Housing Authority of the city of Bunkie, please know that I appreciate the opportunity to respond to the draft report resulting from your review of this Agency's operations. I trust that this response will be considered prior to your completion of the final report for submission to Governor Foster.

We do not dispute the generalized representations within your report regarding this Agency's expenditure of funds. You should know, however, that these expenditures were authorized, made in good faith and consistent with Agency policy. You also should know that this Agency's operations are funded by tenant rental payments, HUD subsidies and Capital Fund Program grants. I offer this information responsive to the several references in your report to the expenditure of grant funds and the need to satisfy grant requirements.

Since your report references expenditures in general terms, we deem it unnecessary to respond to each expenditure. Our response, according to category, follows.

Miscellaneous Expenditures

The Housing Authority historically has utilized Agency funds (in reasonable sums) for public relations and promotional purposes. Local newspaper ads have expressed the Agency's support for sporting and other activities within the Bunkie community. We have sponsored safe driving/drunken driving advertisements as a public service. We have also sponsored groups and associations (Rotary Club, Shrine Club, Boy Scouts, etc.) for public relations purposes. Food trays, flowers and the like have been purchased for open houses, to express sympathy/appreciation and in furtherance of tenant relations.



OF THE CITY OF BUNKIE
P.O. BOX 1036
712 KELLER STREET
PHONE: (318) 346-6838
FAX: (318) 346-6844 & (318) 346-9237
BUNKIE, LOUISIANA 71322-5036

April 17, 2003

Such expenditures were with the knowledge of and often at the request of Board members. This practice long pre-dates the existing Board and Executive Director. This practice is specifically identified in our Admissions and Continuing Occupancy Policy (Attachment "A") which states that the Housing Authority "shall make public service announcements" and "shall endeavor to establish or maintain good relationships with members of the local news media and community service personnel". Funds are budgeted by HUD to further positive tenant relations. The sponsorship of scholarships for tenants is an accepted practice fostered by the Public Housing Authorities Director's Association (Attachment "B").

RESOLUTION -- The Housing Authority intends to seek guidance regarding HUD's philosophy that we foster public relations, support community activities and promote our services. Pending such clarification, no further expenditures of this nature will occur.

Per Diem

The Board of Commissioners and the Executive Director of this Agency were unaware of the "travel policy" referenced in your report. This policy, to our knowledge, was not attached to Resolution #877 (Attachment "C") which reduced the daily per diem from \$75.00 to \$42.00. As such, this Agency has for years paid per diem at the full daily rate for business travel beyond the City of Bunkie.

RESOLUTION -- The Board intends to adopt and henceforth fully comply with the Travel Policies and Procedures (PPM #49) promulgated by the Division of Administration.

Mileage

Resolution #493 (Attachment "D") authorized a monthly car allowance for this Agency's Executive Director in the amount of \$70.00. Note the specific reference therein that this benefit was authorized "...for doing business with personal vehicle within the City of Bunkie." Resolution #935 (Attachment "E") authorized mileage reimbursement for the Executive Director at the rate of .32¢ per mile. Resolution #936 (Attachment "F") increased the monthly car allowance for the Executive Director to \$100.00. These Resolutions evidence the Agency's expressed intention of providing a fixed reimbursement per month to the Executive Director for local travels within and about the City of Bunkie for business reasons and a separate and distinct mileage reimbursement for travels beyond the City of Bunkie.

Resolution -- This practice is no longer of concern in view of this Agency's purchase of a vehicle for the Executive Director's use.



**HOUSING AUTHORITY
OF THE CITY OF BUNKIE
P.O. BOX 1036
712 KELLER STREET
PHONE: (318) 346-6838
FAX: (318) 346-6844 & (318) 346-9237
BUNKIE, LOUISIANA 71322-5036**

Mr. Bill Lynch
Page 3 of 3
April 17, 2003

Routine Meals

The Housing Authority has utilized Agency funds to occasionally purchase meals for its employees and inmates providing labor free of charge. Additionally, as stated, food items were purchased on May 17, 2001, for State Employee Appreciation Day. Such purchases have been authorized by the Board of Commissioners for a number of years. See, for example, (Attachment "G") dated December 18, 1990.

Resolution -- Meals will only be provided at Agency expense in accordance with PPM #49.

Personal Vehicle

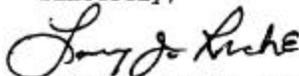
The Board of Commissioners became aware of the Executive Director's expenditure of funds for repairs to her personal vehicle during June, 2002.

Resolution -- Full reimbursement was received from the Executive Director. Additionally, corrective action was imposed by the Board.

As stated, the concerns identified in your draft report do not evidence ill-practices by a lone individual but rather, reflect a lack of awareness that this Agency's practices run afoul of regulations applicable to the Housing Authority of the City of Bunkie as a public entity. To the extent that the Housing Authority has failed to comply with such rules, policies and regulations, we apologize and assure you that corrective measures have been taken and full compliance will occur in the future. I must reiterate that certain of your concerns reflect practices which have historically been acceptable within our Agency. Be assured that these concerns have been addressed and these practices will not recur.

If you wish to further discuss this matter, I am available to meet with you at your convenience.

Sincerely,



Larry J. Riche, Chairman
Bunkie Housing Authority

