



U.S. Department of Agriculture  
Office of Inspector General  
Western Region  
Audit Report

RURAL HOUSING SERVICE  
FARM LABOR HOUSING PROGRAM  
STATE OF FLORIDA



Report No.  
04601-7-SF  
August 2000



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Western Region - Audit

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DATE: August 3, 2000

REPLY TO

ATTN OF: 04601-7-SF

SUBJECT: Farm Labor Housing Program – State of Florida

TO: Jan E. Shadburn  
State Director  
Florida State Office  
Rural Development

ATTN: Louis E. Frost  
Rural Housing Program Director

This report presents the results of our audit of the Farm Labor Housing Program in the State of Florida. Your June 26, 2000, written response to the draft report is included as exhibit C of this report. Excerpts from your response are incorporated into the relevant sections of the report.

We have accepted your management decision on all findings and recommendations except for Recommendation No. 3 in the report. In order to reach management decision on this recommendation, you need to provide us with a copy of a revised demand letter to Rand Management Company for \$1,783 within 30 days of receipt of this letter.

The Office of the Chief Financial Officer (OCFO), U.S. Department of Agriculture, has responsibility for monitoring and tracing final action on the findings and recommendations. Please note that final action should be completed within 1 year to preclude listing in the semiannual report to Congress. Follow your agency's internal procedures in forwarding final action correspondence to OCFO.

We appreciate the cooperation and assistance provided by your staff during the audit.

/S/  
SAM W. CURRIE  
Regional Inspector General  
for Audit

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## **EXECUTIVE SUMMARY**

### **RURAL HOUSING SERVICE FARM LABOR HOUSING PROGRAM STATE OF FLORIDA AUDIT REPORT NO. 04601-7-SF**

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#### **RESULTS IN BRIEF**

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We performed a review of the Farm Labor Housing Program in the State of Florida as part of a nationwide review of the program. Our objectives were to determine if program borrowers were in compliance with laws and regulations governing the program and evaluate the effectiveness of the Rural Housing Service's controls over project operations. We judgmentally selected three projects for review: two managed by independent management companies and one owned and managed by a housing authority.

Both management companies overcharged their projects for payroll taxes and workmen's compensation premiums, because they failed to update their billing systems to projects when payroll rates changed. One of the companies also charged the unallowable cost of payroll service fees to its project. These costs were unallowable because the management company was also paid a management fee which should have included the cost of payroll processing. As a result, the projects were overcharged \$8,813 in payroll taxes and workmen's compensation premiums from January 1996 through July 1999 and \$3,509 in unallowable payroll service costs during the same period.

The housing authority we reviewed was paid excessive rental assistance because it (1) continued to claim rental assistance on several units after they had become vacant, (2) failed to revise the amount claimed for one unit when a new tenant, entitled to less rental assistance, moved into it, and (3) did not revise its calculation of rental assistance when it received information that one of its tenants had underreported its income. This occurred because the housing authority did not adequately train its employees. In addition, the housing authority failed to reimburse some tenants for their utility allowances, in some cases for as long as one and a half years. According to the housing authority's director, it had just not yet gotten around to disbursing the payments. As a result, the project received \$4,423 in unallowable rental assistance and retained \$1,471 in utility allowances owed to its tenants.

The housing authority also did not maintain the project in compliance with program requirements and the project's management plan. This occurred because the housing authority had not implemented a rehabilitation plan to correct the deficiencies nor had RHS followed up on the maintenance issues noted during its supervisory visit. As a result, the Government's security has been compromised.

The housing authority also failed to follow proper procurement procedures in awarding a contract to one of its employees. The housing authority did not adequately solicit bids, as required by its management plan, and allowed the work to be performed without a written contract. Furthermore, although final payment for the work had already been made, it appeared to us that not all the required work had been completed. The housing authority's director acknowledged that they had not followed the proper procedures. As a result, the project may not have received the most advantageous price and the most qualified contractor for the repair contract.

One management company received a rent increase in 1998 and the other management company received a rent increase in 1999. We determined that the rent increases were justified. We evaluated the effectiveness of RHS' controls over project operations, and except for conditions noted and reported in the Findings and Recommendations section of this report, nothing came to our attention indicating that the controls were ineffective.

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We recommend that RHS:

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## **KEY RECOMMENDATIONS**

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- Require the management companies to reimburse their projects \$8,813 for excess payroll taxes and workmen's compensation premiums charged to their projects. Determine if the companies also overcharged their other USDA-funded projects.
- Require one of the management companies to reimburse its project \$3,509 for unallowable payroll service fees.
- Require the housing authority to reimburse RHS \$4,423 in unallowable rental assistance, and establish controls to prevent future rental assistance overclaims.

- Require the housing authority to pay its tenants \$1,471 in unpaid utility allowances, and establish controls to ensure utility allowances are timely disbursed to tenants in the future.
- Inspect all units of the housing authority's project to determine what maintenance and repairs are needed, and require the housing authority to carry out any indicated maintenance and repairs. Conduct followup inspections to ensure that the maintenance and repairs are properly completed.
- Instruct the housing authority to comply with its management plan by obtaining bid solicitations on all repair contracts over \$1,000, and to inspect the work performed before making payments.

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## **AGENCY RESPONSE**

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In its June 26, 2000, written response to the draft report, the Florida State Rural Development office generally agreed with the report's findings and recommendations, except for Recommendation No. 3.

On May 31, 2000, Rural Development carried out Recommendation No. 3 by issuing a letter to Rand Management Company, demanding that it reimburse Montclair Village \$2,547 for overpaid payroll tax and workmen's compensation premiums, the amount we had recommended for collection. Rand Management Company responded to Rural Development by disagreeing with the amount we determined it owed to Montclair Village, and provided additional information to Rural Development to support their position. Rural Development stated it was prepared to accept Rand Management Company's position, subject to OIG's concurrence.

Applicable portions of Rural Development's response are incorporated, along with our position, in the Findings and Recommendations section of this report. The full text of the response is included as exhibit C of the report.

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## **OIG POSITION**

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We accept Rural Development's management decisions on the recommendations in this report, except for Recommendation No. 3.

We reviewed the information provided by Rand Management Company to Rural Development, and based on this additional

information, revised the amount of excess payroll tax and workmen's compensation premiums due Montclair Village to \$1,783.

In order to reach management decision on this recommendation, please provide us with a copy of a revised demand letter to Rand Management Company for \$1,783.

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# INTRODUCTION

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## BACKGROUND

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Rural Development's Rural Housing Service (RHS) administers rural rental housing programs, as authorized by sections 514, 516, and 521 of the Housing

Act of 1961 (Public Law 87-70), enacted June 30, 1961, to provide loans, grants and rental assistance under the Farm Labor Housing (FLH) program. FLH projects are to be managed in accordance with the Rural Development Instruction 1930-C, Exhibit B, "Multiple Housing Management Handbook."

Loans and grants are made to finance low-rent housing for domestic farm laborers. The funds may be used to build, buy, improve or repair farm labor housing and to provide related facilities. The funds may also be used to buy building sites; purchase basic durable household furnishings; and develop water, sewage disposal, heating and lighting systems. Funds cannot be used to finance debt. As of November 30, 1998, loans totaling \$197 million were outstanding. Fiscal year 1999 appropriations totaled \$20 million.

Rental assistance payments are made to owners of domestic farm labor housing facilities financed by RHS in order to make housing affordable to very-low-income occupants at rates commensurate with their incomes. Rental assistance, with a 5-year term, can be used with loans or combinations of loans and grants to subsidize the difference between basic rent and 30 percent of a domestic farm worker tenant's income. The owners or agents of the owners are responsible for administering the FLH projects in compliance with the Rural Development policies and procedures. In turn, the owner or its representative will receive a reasonable management fee for their services.

The FLH is administered through the Rural Development National Office in Washington D.C., and 46 State offices. Within each State, the program is administered through a number of Rural Development area offices. As of November 30, 1998, RHS' portfolio included 1,049 FLH projects.

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## **OBJECTIVES**

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The objectives of the audit were to determine if the FLH borrowers complied with the laws and regulations that govern the FLH program and to evaluate the effectiveness of RHS' controls over the FLH projects operations. Specifically, we evaluated the reasonableness of the FLH projects' operating and maintenance expenses and determined if rent increases were justified by increased project expenditures.

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## **SCOPE**

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This report was part of a nationwide review of the FLH program. The review covered the selected FLH projects' 1996 through 1998 operating years, but as noted in findings 1 and 2, we also performed a partial review of 1999 records.

We judgmentally selected the State of Florida because it had one of the largest FLH program loan portfolios in the country. As of January 31, 2000, the State of Florida had 25 FLH projects with outstanding loan balances of \$36,457,000. Of the 25 projects, we judgmentally selected three projects for review with outstanding loan balances of \$2,333,000, approximately 6 percent of the total loans outstanding. The sample selection was based on Florida State office staff's opinions and different types of owner or managers. Of the three selected projects, one project was owned and operated by a housing authority (public body) and the other two projects had private owners.

The fieldwork was conducted during June through October 1999 at the Florida State Office; the Tavares and Palm Beach area offices; and the project owners' places of business. (See exhibit B.)

The review was conducted in accordance with generally accepted government auditing standards.

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## **METHODOLOGY**

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To accomplish the objectives of the review, we used the following methodology:

- We interviewed State office officials and reviewed State office records to determine what operating procedures and program policies were used to administer the FLH program. Based on the information we obtained about the projects in the State, we judgmentally selected three FLH projects for review.

- We interviewed area office officials and reviewed the selected project files to determine if the area office staff had administered the FLH projects in accordance with program requirements. Also, we reviewed project budgets, independent audit reports, and other financial data to determine if there were any areas that needed emphasis during our review. We also solicited input from area office officials regarding any problem areas or issues they felt needed attention.
- At the management company or owners' places of business, we reviewed the records to determine if the owners had complied with the projects' management plans and program requirements. We evaluated whether expenses billed to the FLH projects were reasonable, supported and allowable. Additionally, we reviewed a sample of tenant records to evaluate the tenants' eligibility. Lastly, we evaluated the projects' physical condition and determined if any obvious repairs were needed.

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## FINDINGS AND RECOMMENDATIONS

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<b>CHAPTER I</b>	<b>MANAGEMENT COMPANIES CHARGED EXCESSIVE AND UNALLOWABLE PAYROLL EXPENSES TO TWO PROJECTS</b>
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### FINDING NO. 1

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Both of the management companies we reviewed overcharged their projects for payroll taxes and workmen's compensation premiums, and one of them charged unallowable payroll service costs to its project. The management companies charged the excess costs to their projects because they applied incorrect rates when billing the projects. In addition, one management company believed the payroll service fees charged by the contractor were allowable project expenses. As a result, we estimated<sup>1</sup> that the projects were overcharged \$8,813 in excess payroll taxes and workmen's compensation premiums from January 1996 through July 1999 and \$3,509 in unallowable payroll services during the same period.

#### PARENT MANAGEMENT COMPANY

##### Contractor Fees Overcharges.

Parent Management Company (PMC), of Leesburg, Florida, hired a contractor to perform its payroll functions and charged the contractor fees to its projects, including its FLH project, Westside Village Apartments in Plant City, Florida. The contractor billed PMC once a month for payroll costs for all PMC employees, including workmen's compensation premiums and Federal and State payroll taxes paid by PMC. The monthly bill also included the contractor's fee for its services.

RD Instructions<sup>2</sup> state that administrative expenses may be charged

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<sup>1</sup> To derive our estimate, we computed one month's excess payroll tax and workmen's compensation for each year. We multiplied these amounts by 12 months to determine the excess charged for the year. We then added the excess charges for the three years, 1996-1998, and the seven months in 1999.

<sup>2</sup> RD Instruction 1930-C, Exhibit B, paragraph V E 4, a and b, dated August 30, 1993.

to FLH projects only if they do not duplicate any expenses, which are included in the management fee, as specified in the approved management agreement. We concluded that providing payroll checks and other payroll related services to the PMC employees who served the FLH project is part of the administrative responsibility of the management company, and its cost should have been included in PMC's management fee.

From January 1996 through July 1999, we estimated that PMC charged its FLH project \$3,509 in payroll service fees. Since PMC manages 26 other USDA-funded (Rural Rental Housing program) projects along with the Westside Village Apartments, and similarly allocated payroll service costs to these projects as well, we estimated that PMC overcharged a total of \$94,755 in payroll service fees to all 27 projects.

#### Payroll Tax and Workman's Compensation Premium Overcharges.

PMC also overcharged its projects for payroll taxes and workmen's compensation premiums. PMC charged its projects higher amounts for Federal and State unemployment tax and workmen's compensation premiums than it actually paid because it failed to adjust its billing system when the rates for these items changed. PMC was unaware that these rates change on a yearly basis. We noted, however, that the payroll service contractor did use the correct rates when paying and charging PMC for the costs.

We estimated that from January 1996 through July 1999, PMC charged Westside Village Apartments \$7,030 in excess payroll taxes and workmen's compensation premiums. As noted above, PMC also managed 26 other USDA projects, and we estimated that it, in total, overcharged the 27 projects \$189,803 in excess payroll taxes and workmen's compensation premiums.

#### **RAND MANAGEMENT COMPANY**

Rand Management Company (RMC), of Leesburg, Florida, handled its own payroll functions; however, it also applied the incorrect amounts of State and Federal unemployment taxes and workman's compensation premiums to its project, Montclair Village Apartments of Leesburg, Florida, because it also failed to update its billing system when these rates changed. We estimated that the project was overcharged \$1,783 from January 1996 through July 1999. PMC managed 13 USDA projects, and we estimated that it overcharged these projects an additional \$33,115 from January 1996 through July 1999.

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## **RECOMMENDATION NO. 1**

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Instruct the Area Office to require Parent Management Company to reimburse Westside Village Apartments \$7,030 for excess payroll tax and workmen's compensation.

### **AGENCY RESPONSE**

Rural Development issued a demand letter to Parent Management Company on May 31, 2000, demanding the reimbursement of \$7,030 for excess payroll tax and workmen's compensation to Westside Village Apartments.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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## **RECOMMENDATION NO. 2**

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Instruct the Area Office to require Parent Management Company to reimburse Westside Village Apartments \$3,509 for payroll service fees.

### **AGENCY RESPONSE**

Rural Development issued a demand letter to Parent Management Company on May 31, 2000, demanding the reimbursement of \$3,509 for payroll service to Westside Village Apartments.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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## **RECOMMENDATION NO. 3**

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Instruct the Area Office to require Rand Management Company to reimburse Montclair Village Apartments \$1,783 for excess payroll tax and workmen's compensation premiums.

### **AGENCY RESPONSE**

Rural Development issued a letter to Rand Management Company on May 31, 2000, requiring it to reimburse Montclair Village \$2,547 for overpaid payroll tax and workmen's compensation premiums, the amount we recommended for collection in our draft audit report.

In its response to the demand letter, Rand Management Company disagreed with the amount we determined it owed to Montclair Village, and provided additional information to Rural Development to support their position. Rural Development stated it was prepared to accept Rand Management Company's position, subject to OIG's concurrence.

### **OIG POSITION**

We reviewed the information provided by Rand Management Company to Rural Development, and based on this additional information, revised the amount of excess payroll tax and workmen's compensation premiums due Montclair Village to \$1,783.

In order to reach management decision on this recommendation, please provide us with a copy of a revised demand letter to Rand Management Company for \$1,783.

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## **RECOMMENDATION NO. 4**

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Instruct the Area Office to require Parent Management Company to determine the amount of unallowable payroll service fees and excess payroll taxes and workmen's compensation premiums it charged to the 26 other USDA projects it manages, and reimburse the projects accordingly.

### **AGENCY RESPONSE**

Rural Development issued a letter to Parent Management Company on May 31, 2000, requiring it to determine the amount of excess payroll taxes, workmen's compensation premiums, and payroll service fees charged to other 26 complexes and reimburse them accordingly. Parent Management Company was given 90 days to complete the action.

**OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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**RECOMMENDATION NO. 5**

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Instruct the Area Office to require Rand Management Company to determine the amount of excess payroll taxes and workmen's compensation premiums it charged to the other 13 USDA projects it manages, and reimburse the projects accordingly.

**AGENCY RESPONSE**

Rural Development instructed Rand Management Company by letter dated May 31, 2000, to determine the amount of any excess payroll tax and workman's compensation it may have charged to the other 13 projects and to reimburse the projects accordingly.

**OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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**RECOMMENDATION NO. 6**

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Instruct the Area Office to require Parent Management Company and Rand Management Company to establish internal controls to ensure that correct payroll taxes and workmen's compensation premiums are charged to all projects.

**AGENCY RESPONSE**

Rural Development issued letters to Parent Management Company, and Rand Management Company on May 31, 2000, requiring them to establish internal controls to prevent future miscalculations regarding the appropriate amount of premiums for payroll taxes and workmen's compensation.



**OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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**RECOMMENDATION NO. 7**

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Instruct the Area Office to inform Parent Management Company that payroll service costs are not allowable project expenses.

**AGENCY RESPONSE**

Parent Management Company was informed by Rural Development's May 31, 2000, letter that payroll service costs are not allowable project expenses.

**OIG POSITION**

We accept Rural Development's management decision on this recommendation.

<b>CHAPTER II</b>	<b>HOUSING AUTHORITY RECEIVED EXCESSIVE RENTAL ASSISTANCE PAYMENTS</b>
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## **FINDING NO. 2**

The Pompano Beach Housing Authority (PBHA), of Pompano Beach, Florida, received excessive rental assistance payments for its FLH project, the Golden Acres Farm Labor Housing project (also in Pompano Beach). In some instances, PBHA failed to accurately adjust its rental assistance claim when units changed tenants or became vacant, and in one case failed to adjust the amount claimed when it found that a tenant had inaccurately reported his income. PBHA also failed to reimburse some tenants' utility allowances. These errors resulted from PBHA not adequately training its employees, or overlooking the need to make timely utility allowance payments to its tenants. As a result, the project was overpaid \$4,423 in rental assistance and retained \$1,471 in excess utility allowances owed to the project tenants.

RD Instructions<sup>3</sup> state that borrowers will maintain accounts and records necessary to conduct their operation successfully and from which they may accurately report operational results to RHS for review. Form RD 1944-29, Project Worksheet for Credit and Rental Assistance, is submitted by the borrower each month to report the amount of rental assistance earned. This form requires the borrower to calculate the amount due on a unit-by-unit basis. The borrower or its representative must certify that the information included on the form is true to the best of their knowledge.

During 1998 and 1999, PBHA overclaimed rental assistance for five of its project's units. In one case, excessive rental assistance was collected for eight months after one tenant had moved out and another tenant, entitled to a lesser amount of rental assistance, moved in. PBHA continued to place the original tenant on the project worksheet and charge rental assistance at the higher rate. In four other cases, PBHA collected an additional month's rental assistance on vacant units for the month after the tenant had moved out.

In another case, PBHA failed to recalculate the tenant's rental assistance amount after receiving information that the tenant's income was actually substantially higher than he had reported. The tenant

<sup>3</sup> RD Instruction 1930-C, Exhibit B, paragraph XIII C, dated August 30, 1993.

certified to an annual income of \$3,900, but PBHA subsequently received an income verification from the tenant's employer showing the tenant's income was actually \$10,800. PBHA should have acted on this information by recalculating the rental assistance amount, which had been based on the higher income amount (\$10,800) certified by the tenant's employer, but failed to do so. As a result, PBHA received excessive rental assistance totaling \$4,423. A PBHA employee responsible for tenant certifications stated that these errors occurred because she was new to the job and was not adequately trained in completing project worksheets and tenant certifications.

We also noted that for the period January 1998 through July 1999, PBHA failed to reimburse utility allowances totaling \$1,471 to its tenants. The project manager stated that they had not gotten around to reimbursing the tenants.

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## **RECOMMENDATION NO. 8**

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Instruct the Area Office to collect the \$4,423 in unallowable rental assistance from the Pompano Beach Housing Authority,

### **AGENCY RESPONSE**

In a May 19, 2000, letter to the Pompano Beach Housing Authority, Rural Development demanded repayment of \$4,423 for the excess rental assistance.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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## **RECOMMENDATION NO. 9**

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Instruct the Area Office to require the Pompano Beach Housing Authority to pay its tenants the \$1,471 in utility allowances they are due.

### **AGENCY RESPONSE**

In a May 19, 2000, letter to the Pompano Beach Housing Authority, Rural Development demanded repayment of the \$1,471 to its tenants.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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## **RECOMMENDATION NO. 10**

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Instruct the Area Office to require the Pompano Beach Housing Authority to establish internal controls to ensure that utility allowances are paid to its tenants in a timely manner, and project worksheets and tenant certification files are completed accurately to avoid overclaims of rental assistance on vacant units.

### **AGENCY RESPONSE**

Rural Development instructed its Area Office to require the Pompano Beach Housing Authority to establish internal controls to ensure that utility allowances are paid to tenants in a timely manner and project worksheets and tenant files are accurately completed to prevent overclaims of rental assistance for vacant units.

The Area Office advised the Pompano Beach Housing Authority on May 19, 2000, to establish internal controls to accomplish the 2 items above.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

<b>CHAPTER III</b>	<b>PROJECT MAINTENANCE AND SAFETY CONCERNS CONTINUE</b>
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### **FINDING NO. 3**

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PBHA has not maintained its FLH project in compliance with program requirements and the project's management plan. RHS conducted a project review in early 1997 and noted a number of deficiencies, and

PBHA agreed to take corrective action. However, on our review in late 1999, we found the maintenance deficiencies continued to exist. As a result, the government's security has been compromised.

RD Instruction 1930-C, exhibit B, paragraph X, specifies that various types of maintenance be carried out. The project's management plan, revised June 1997, Part VIII, provides more specific requirements. It requires PBHA to conduct regular maintenance inspections and rectify any problems promptly to prevent problems from becoming serious. It also requires that PBHA schedule maintenance and repairs for installed equipment in accordance with the manufacturer's recommendations. The plan further states that the owner must maintain a comprehensive interior and exterior painting schedule for the project.

In January 1997, the RHS area office inspected the FLH project and concluded that 17 units inspected needed major renovations. In August 1999, we inspected 24 of the 176 project units, including 14 of the units that the area office had visited in 1997, and found that significant maintenance and repair deficiencies continued to exist, as detailed in the following table:

CONDITIONS NOTED	NUMBER OF UNITS NOTED	PERCENTAGE OF 24 UNITS INSPECTED
Units without operable smoke detector	13	54.16%
Caulking needed around bathtub, toilet and sink	4	16.66%
Refrigerator or stove need repair and replacing	6	25.00%
Kitchen cabinet need repair and replacing	13	54.16%
Vanity in bathroom rotted	2	8.33%
Missing/damaged window/ door	16	66.66%
Wall heater need repair or replacing	1	4.16%
Interior and/or exterior needs painting	11	45.83%
Decay on building need repairing	9	37.5%
Roaches	2	8.33%
Grounds need cleaning of trash and paper	24	100.00%
Vinyl floor needs replacing	5	20.83%
Attic fan inoperable	4	16.66%
Electrical switch and/or receptacles don't work	5	20.83%
No cover on electrical outlet	1	4.16%
Tile falling off bathroom wall	1	4.16%
Toilet loose and needs fixing	1	4.16%
Door decaying	1	4.16%
Trees need trimming – on buildings	4	16.66%

We also found that the project's grounds were poorly maintained. There was much debris on the grounds, such as carpeting and trash; and untrimmed trees were obstructing streets, sidewalks and gutters.

At the time of our inspection, in August 1999, we found evidence that PBHA had taken followup inspections, as it had agreed to do in its response to RHS' review report, of only 3 of the 17 units cited in the supervisory visit report. PBHA's director agreed with this condition and stated that the corrective action has been initiated.

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## **RECOMMENDATION NO. 11**

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Instruct the Area Office to require PBHA to inspect all of the project's units and determine what maintenance and repair work is needed. Require PBHA to perform all necessary maintenance and repair work to bring the project into compliance with program requirements and the project's management plan.

### **AGENCY RESPONSE**

Rural Development instructed its Area Office to require the Pompano Beach Housing Authority to inspect all of the projects' units and determine what maintenance and repair work is needed. The Housing Authority was also required to perform all necessary and maintenance and repair work to bring the project into compliance with program requirements and the project's management plan.

The Area Office advised the Pompano Beach Housing Authority of these requirements on May 19, 2000.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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## **RECOMMENDATION NO. 12**

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Instruct the Area Office to conduct annual followup visits to ensure that the required maintenance and repairs are done in accordance with program requirements and the project's management plan.

### **AGENCY RESPONSE**

Rural Development instructed its Area Office by letter dated May 9, 2000, to conduct annual follow-up visits to ensure that the required maintenance and repairs are done in accordance with the program requirements and the project management plan.

**OIG POSITION**

We accept Rural Development's management decision on this recommendation.



<b>CHAPTER IV</b>	<b>HOUSING AUTHORITY IMPROPERLY AWARDED REPAIR WORK TO ITS EMPLOYEE</b>
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#### **FINDING NO. 4**

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PBHA improperly awarded a repair job to its own employee without adequately soliciting bids from independent contractors. PBHA did not follow the bid procedures as outlined in its management plan. As a result, the project may not have received the most advantageous price and the most qualified contractor to complete the repair work.

The project's management plan, revised June 1997, Part VIII, Section F, required the director of PBHA to solicit bids for major repairs of \$1,000 or more that cannot be handled by the normal maintenance staff. The plan required the director to solicit bids from minority and other contractors who have a proven cost and performance record.

PBHA paid \$12,500 to a full-time employee, who was not a licensed contractor, to rehabilitate one unit of the FLH project that had been damaged by a fire. According to its files, PBHA called two contractors for the job, but one was not interested and the other did not respond. Beyond this, we found no evidence that a formal bid solicitation process was ever initiated by the PBHA for this job; for example, there were no job specifications for a contractor to bid on.

Furthermore, there was no written contract for the work. PBHA staff stated that there was only an oral agreement. We found no documentation of the work to be performed or evidence that the job was inspected by the PBHA upon its completion. The only written documentation of the work was a single-page cost estimate, submitted by the employee, briefly describing the work to be performed. This was approved by the PBHA board and signed by PBHA's director.

We determined that the employee took four and a half months to complete the job. Based on the estimate, the employee was to receive \$4,000 to begin the job and \$4,500 upon completion of the work. The first \$4,000 was paid on July 16, 1998 and the final payment was made on November 25, 1998, approximately four and a half months later. As a result the unit was not rented until January 1999.

In August 1999, approximately 9 months after receiving the final payment for the job, we observed that some of the repair work specified in the estimate had not been performed. For example, we noted that shingles had not been replaced and the building exterior had not been painted.

PBHA's director agreed that this job should have gone through the bid solicitation process. The director also stated that PBHA did not inspect the work done by the employee; they left that up to the city inspectors.

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## **RECOMMENDATION NO. 13**

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Instruct the Area Office to require the PBHA Director to ensure that all repair contracts over \$1,000 are awarded in compliance with the project's management plan, i.e., formal bid solicitations are offered. Also, require PBHA to conduct an inspection at the completion of all repair and maintenance contracts to ensure that the completed work meets the bid specifications.

### **AGENCY RESPONSE**

Rural Development instructed its Area Office to require the Pompano Beach Housing Authority to complete all repairs over \$1,000 by formal bid solicitation. The Housing Authority was also required to inspect all such completed work to insure completion and compliance with bid specifications.

The Area Office advised the Pompano Beach Housing Authority of these requirements on May 19, 2000.

### **OIG POSITION**

We accept Rural Development's management decision on this recommendation.

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**EXHIBIT A – SUMMARY OF MONETARY RESULTS**

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	Excessive Payroll Expenses	\$7,030	Questioned cost – Recovery Recommended
2	Unallowable Admin. Costs	\$3,509	Questioned cost – Recovery Recommended
3	Excessive Payroll Expenses	\$1,783	Questioned cost – Recovery Recommended
4	Unallowable Rental Assistance & Unreimbursed Utility Allowances	\$5,894	Questioned cost – Recovery Recommended
TOTAL MONETARY RESULTS		\$ 18,216	

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**EXHIBIT B – ENTITIES/SITES VISITED**

ORGANIZATION/PROJECT	LOCATION
Rural Development:	
Florida State Office	Gainesville, Florida
Tavares Area Office	Tavares, Florida
Palm Beach Gardens Area Office	Palm Beach Gardens, Florida
Management Companies/Housing Authorities	
Parent Management Company	Leesburg, Florida
Rand Management Company	Leesburg, Florida
Housing Authority of Pompano Beach	Pompano Beach, Florida
Projects:	
Westside Village	Plant City, Florida
Montclair Village Apartments	Leesburg, Florida
Golden Acres Apartments	Pompano Beach, Florida

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## EXHIBIT C – RURAL DEVELOPMENT'S RESPONSE TO THE DRAFT REPORT



United States  
Department of  
Agriculture  
Rural Development

Florida/Virgin Islands  
4440 Northwest 25<sup>th</sup> Place  
Post Office Box 147010  
Gainesville, FL 32614-7010

RURAL HOUSING  
SECTION  
Telephone: 352-338-3464  
Fax: 352-338-3436  
TDD: 352-338-3499

June 26, 2000

USDA, Office of Inspector General  
Western Region-Audit  
75 Hawthorne Street, Suite 200  
San Francisco, CA 94105

Attention: [ ]

Re: Rural Housing Service  
Farm Labor Housing Program  
State of Florida  
Audit Report No. 04601-7-SF

This audit was conducted as part of a nationwide review of the Farm Labor Housing Program. The audit was conducted by teams of Auditors from the San Francisco, CA Regional Office and from the Atlanta, Georgia Regional Office. The audit was conducted from about September of 1999 through February of 2000.

The Farmworker Housing Program (Farm Labor Housing Section 514 and 516) provides housing for domestic farm workers who work both full and part time in the production and harvest of agricultural commodities. Many of the occupants are considered migrant farm workers and follow the work stream of harvest from South Florida up through the Florida peninsular and on into the more northern states as the harvest season progresses. The southern part of Florida is home base for many of those workers and they return to the South Florida area each fall as the harvest in the north draws to a close. The South Florida vegetable production period is the winter months' stretching from the fall planting season in the month of October to about the May/June citrus harvest, when the northward movement cycle again takes place. The housing complex operators do much of the housing maintenance during the slack season (summer) when the farm workers are not in occupancy.

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## **EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT**

**The Florida portion of the audit resulted in four (4) findings.**

- 1. Management companies charged excessive and unallowable payroll expenses to two projects.**
- 2. Housing authority received excessive rental assistance payments.**
- 3. Project maintenance and safety concerns continue.**
- 4. Housing Authority improperly awarded repair work to its employee.**

**These four (4) findings resulted in 13 recommendations that will be addressed in this response to the audit.**

**Finding number one (1) stated that two management companies, Parent Management Company and Rand Management Company, due to a mistake in computing payroll taxes and workmen’s compensation, overcharged the complexes they were managing for those expenses.**

### **Recommendation No. 1**

**Instruct the Area Office to require Parent Management Company to reimburse Westside Village Apartments \$7,030 for excess payroll tax and workmen’s compensation.**

#### **Agency Response:**

**A demand letter was sent May 16<sup>th</sup> to Parent Management Company by Area Office and on May 31<sup>st</sup> a second letter was sent from the State Director demanding the \$7,030 be paid to Westside Village. The demand from the State Director included the USDA Auditor worksheets showing how the reimbursement was determined. At this date Parent Management has advised that they are still working with their contractor to resolve the issue. They have also verbally advised that they do not believe that they will be fully in agreement with the amount of the demand. We are awaiting their formal response to the demand. (Copies of letters attached).**

### **Recommendation No. 2**

**Instruct the Area Office to require Parent Management Company to reimburse the Westside Village Apartments \$3,509 for payroll services.**

#### **Agency Response:**

**The demand letters referred to in recommendation No. 1 also included the demand for reimbursement of the contractor fee of \$3,509.**

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## **EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT**

### **Recommendation No. 3**

**Instruct the Area Office to require Rand Management Company to reimburse Montclair Village \$2,547 for excess payroll tax and workmen’s compensation premiums.**

#### **Agency Response:**

**Letters demanding that Rand Management reimburse Montclair Village \$2,547 for overpaid payroll tax and workmen’s compensation was sent on May 31, 2000.**

**Rand Management has responded to the demand letter. They have challenged the finding after examining the USDA Audit worksheets and re-computing the reimbursement due payments. According to their computations Montclair Village actually owes Rand Management \$351.78 over the 1996-97-98 and 99 years. A copy of their computation and documentation is attached. We believe that their challenge has merit, and unless OIG Audit believes otherwise, are prepared to accept their computation and documentation.**

### **Recommendation No. 4**

**Instruct the Area Office to require Parent Management Company to determine the amount of unallowable payroll service fees and excess payroll taxes and workman’s compensation premiums it charged to the 26 other USDA projects it manages, and reimburse the projects accordingly.**

#### **Agency Response:**

**Parent Management Company was required by written letter dated May 31<sup>st</sup> to determine the amount of any over compensation paid by the other 26 rental complexes managed by Parent and to refund any overcharge determined to be due.**

### **Recommendation No. 5**

**Instruct Rand Management Company to determine the amount of excess payroll tax and workman’s compensation premiums it charged to the other 13 USDA projects it manages, and reimburse the projects accordingly.**

#### **Agency Response:**

**Rand Management was instructed by letter dated May 31<sup>st</sup> to determine the amount of any excess payroll tax and workman’s compensation it may have charged to the other 13 projects and to reimburse the projects accordingly.**

**Rand Management has responded that it has completed its determination. They determined that there had been overcharges in years and**

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## **EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT**

undercharges in others and that the complexes owe Rand Management \$4,233.39 more in undercharges than Rand owed the complexes for overcharges. (See attached determination)

### **Recommendation No. 6**

Instruct the Area Offices to require Parent Management Company and Rand Management Company to establish internal controls to ensure that the correct payroll taxes and workman’s compensation premiums are charged to all projects.

#### **Agency response:**

The two management companies were requested to instigate a method of internal controls to prevent future miscalculations regarding the appropriate amount of premiums for payroll taxes and workmen’s compensation in a letter dated May 31<sup>st</sup>. (See attached)

### **Recommendation No. 7**

Instruct the Area Office to inform Parent Management Company that payroll service costs are not allowable project expenses.

#### **Agency Response:**

Parent Management Company was informed by letter dated May 31<sup>st</sup> that payroll service costs are not allowable project expenses. We are in agreement in this case that the cost of a contract for payroll costs is not an allowable cost; however, we do not agree that this is always the case. It would depend on the management agreement and management plan, and if the cost had been approved by Rural Development as a project cost as a part of the approval of the agreement and plan.

### **Finding No. 2**

Housing Authority received excess rental assistance payments

### **Recommendation No. 8**

Instruct the Area Office to collect the \$4,423 in unallowable rental assistance from the Pompano Beach Housing Authority.

#### **Agency Response:**

By a letter dated May 19, 2000, the Pompano Beach Housing Authority was advised by Letter of the need to repay the \$4,423 in excess rental assistance

The Pompano Beach Housing Authority repaid the \$4,423 in excess Rental Assistance to Rural Development on June 16, 2000 with their check number 022352.



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## **EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT**

### **Recommendation No. 9**

**Instruct the Pompano Beach Housing Authority to pay its tenants the \$1,471 in utility allowances they are due.**

#### **Agency Response:**

The Pompano Beach Housing Authority, on December 12, 1999 paid by check \$1,362.70 due to the tenants and credited a tenant \$108.30 for unpaid charges, for a total of \$1,471 in due utility allowances.

### **Recommendation No. 10**

**Instruct the Area Office to require the Pompano Beach Housing Authority to establish internal controls to insure that utility allowances are paid to its tenants in a timely manner, and project worksheets and tenant certification files are completed accurately to avoid over-claims of rental assistance on vacant units.**

#### **Agency Response:**

The Area Office was instructed to require the Pompano Beach Housing Authority to establish internal controls to (1) insure that utility allowances were paid to tenants in a timely manner and (2) to insure that project worksheets and tenant files are accurately completed to prevent overclaims of rental assistance for vacant units.

The Area Office advised the Pompano Beach Housing Authority on May 19, 2000 to establish internal controls to accomplish the 2 items above.

The Pompano Beach Housing Authority has established a method of internal controls to insure that the items (1) and (2) above will be complied with in the future.

- (1) A copy of the check paying the prior months utility allowance will be provided to the Area Office along with the Project worksheet for double checking the compliance with the internal control process.
- (2) Prior to submission of the project worksheet to the Area Office, the Pompano Beach Housing Authority staff will crosscheck the list of units with the project move-out records. In addition, the site maintenance will examine the worksheet to insure that no vacant unit is shown as occupied on the worksheet. Two persons will compute and crosscheck the Verification of Tenant Income for all new verifications to insure a correct tenant income is being reported on the project worksheet.

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## **EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT**

### **Finding Number 3**

**Project maintenance and safety concerns continue.**

### **Recommendation No. 11**

**Instruct the Area Office to require Pompano Beach Housing Authority to inspect all of the projects’ units and determine what maintenance and repair work is needed. Require Pompano Beach Housing Authority to perform all necessary and maintenance and repair work to bring the project into compliance with program requirements and the project’s management plan.**

#### **Agency Response:**

**The Area Office was so instructed and by letter dated May 19, 2000, required the Pompano Beach Housing Authority to inspect all the project’s units and determine what maintenance and repair work is needed.**

**The project was inspected and a list of units’ repairs prepared. These items are incorporated into the Annual Capital Item Repair Plan. The anticipated amount of dollars needed to accomplish the repairs is \$78,205 that will be paid from project operation and maintenance funds and from the Capital Item Replacement Reserve funds.**

**In addition, the determination was made to re-speckle and re-paint the inside of all unit walls and to re-paint all the trim for the outside surfaces of buildings. The painting was placed for public bids, and bids were opened and tabulated on June 12, 2000. The bidding procedure was done in accordance with the Governmental Public Bidding requirements of the State of Florida.**

### **Recommendation No. 12**

**Instruct the Area Office to conduct annual follow-up visits to ensure that the required maintenance and repairs are done in accordance with the program requirements and the project management plan.**

#### **Agency Response:**

**The Area Office was advised by letter dated May 9, 2000 of the Audit Findings and Recommendations. The Area Office has advised the Pompano Beach Housing Authority of the requirement of annual follow-up visits. The Pompano Beach Housing Authority advised by letter dated June 20, 2000 that, “The Housing Authority of Pompano Beach welcomes your annual visit to this community to ensure that it is being adequately maintained. As a matter of fact, we encourage your annual visits”.**

## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

### Finding No. 4

Housing Authority improperly awarded repair work to its employee

### Recommendation No. 13

Instruct the Area Office to require the Pompano Beach Housing Authority Director to ensure that all repair contracts over \$1,000 are awarded in compliance with the project’s management plan, i.e., formal bid solicitations are offered. Also require Pompano Beach Housing Authority to conduct inspection at the completion of all repair and maintenance contracts to ensure that the completed work meets the bid specifications.

#### Agency Response:

By letter dated May 19, 2000 the Pompano Beach Housing Authority was advised to complete all repairs over \$1,000 by formal bid solicitation. The Pompano Beach Housing Authority was advised to inspect all such completed work to insure completion and compliance with bid specifications.

The Pompano Beach Housing Authority responded by letter dated June 20, 2000 stating that they accepted the advice of using Rural Development instructions in procurement of their repair and maintenance contract work. They also stated their intention of inspecting all such work prior to final acceptance and payment of the repairs.

We appreciate the opportunity to comment on this audit. The recommendations are helpful in the continuation of effective oversight and management of the Labor Housing 514/516 Loan portfolio in Florida.

Sincerely,



LUCY A. BARTLETT  
State Director

Attachments:

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## EXHIBIT C – RURAL DEVELOPMENT'S RESPONSE TO THE DRAFT REPORT



**United  
States  
Department of  
Agriculture**

**Rural  
Development, RHS  
(352) 338-3435  
FAX 338-3437**

**4440 N. W. 25th Place  
P. O. Box 147010  
Gainesville, FL  
32614-7010**

May 31, 2000

Parent Management Company  
Ms. Barbara Magalski  
P. O. Box 492228  
Leesburg, Florida 34749-2228

Dear Ms. Magalski:

I am writing in regards to the Rural Housing Service audit recently completed by the Office of Inspector General (OIG) of the farm labor-housing program. This audit was performed in our state as part of a nationwide review to determine if program borrowers were in compliance with laws and regulations governing this program and to evaluate the effectiveness of our controls over project operations.

The OIG audit report has indicated that as the management agent for Westside Village Apts. in Plant City you have overcharged this project for payroll taxes and workman's compensation premiums. The reason for the overcharges is that you failed to update your billing systems to this project when payroll rates changed. The audit reflects that Westside Village Apts. was overcharged \$7,030 from January 1996 through July 1999. Therefore, you are required to reimburse Westside Village Apts. \$7,030 for these overcharges within 30 days of receipt of this letter. Enclosed is the auditor's worksheet on how the dollar amount of \$7,030 was calculated.

The audit also reflected that Parent Management Company hired a contractor to perform its payroll functions and charged the contractor fees to its projects, including the farm labor housing project. The contractor billed PMC once a month for payroll costs for all PMC employees, including workmen's compensation premiums and payroll taxes paid by PMC. The monthly bill included the contractor's fee for its services. From January 1996 through July 1999, PMC charged Westside Village Apts. \$3,509 in payroll services fees. Therefore, you are required to reimburse Westside Village Apts. \$3,509 for these overcharges within 30 days of receipt of this letter. Enclosed is the auditor's worksheet on how the dollar amount of \$3,509 was calculated.

Please send two checks, one in the amount of \$7,030 and the other in the amount of \$3,509 to the following address:

**Rural Development  
Attn: Mr. Greg Caruthers  
750 South Military Trail, Suite J  
West Palm Beach, FL 33415**

Since you also serve as the management agent for twenty-six (26) other USDA projects you are required to determine the amount of excess payroll taxes, workmen's compensation premiums, and payroll service fees charged to these complexes and reimburse them accordingly. Therefore, you

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

have 90 days to complete a review of your records to determine the overcharges and send a report of your findings to my office. Additionally, you must take measures to establish internal controls to ensure that correct payroll taxes and workmen’s compensation premiums are charged to all projects. You are also advised that payroll service costs are not an allowable project expense. Please send your report and the internal control measures you have established for payroll taxes and workmen’s compensation to the following address:

Rural Development  
Attn: Mr. Joseph P. Fritz  
P. O. Box 147010  
Gainesville, Florida 32614-7010

Once the report has been received it will be reviewed with the findings from the audit. Based on the audit and the documentation you provide, should reimbursements need to be paid individually to projects you will be advised by my office.

If you have any additional questions or concerns, please call me directly or Mr. Fritz at 352-338-3465.

Sincerely,

LUCY A. BARTLETT  
State Director

CC: RDM’s

Attachments

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## EXHIBIT C – RURAL DEVELOPMENT'S RESPONSE TO THE DRAFT REPORT



*United  
States  
Department of  
Agriculture*

*Rural  
Development, RHS  
(352) 338-3435  
FAX 338-3437*

*4440 N. W. 25th Place  
P. O. Box 147010  
Gainesville, FL  
32614-7010*

May 31, 2000

Rand Management Company  
Mrs. Flora Jo Haber  
300 W. Dixie Avenue  
Leesburg, Florida 34748

Dear Mrs. Haber:

I am writing in regards to the Rural Housing Service audit recently completed by the Office of Inspector General (OIG) of the farm labor-housing program. This audit was performed in our state as part of a nationwide review to determine if program borrowers were in compliance with laws and regulations governing this program and to evaluate the effectiveness of our controls over project operations.

The OIG audit report has indicated that as the management agent for Montclair Village Apts. you have overcharged this project for payroll taxes and workman's compensation premiums. The reason for the overcharges is that you failed to update your billing systems to this project when payroll rates changed. The audit reflects that Montclair Village Apts. was overcharged \$2,547 from January 1996 through July 1999. Therefore, you are required to reimburse Montclair Village Apts. \$2,547 for these overcharges within 30 days of receipt of this letter. Enclosed is the auditor's worksheet on how the dollar amount of \$2,547 was calculated. Please send the check to the following address:

Rural Development  
Attn: Mr. Ron Whitfield  
32245 Merry Road  
Tavares, Florida 32778

Since you also serve as the management agent for thirteen (13) other USDA projects you are required to determine the amount of excess payroll taxes and workmen's compensation premiums charged to these complexes and reimburse them accordingly. Therefore, you have 90 days to complete a review of your records to determine the overcharges and send a report of your findings to my office. Additionally, you must take measures to establish internal controls to ensure that correct payroll taxes and workmen's compensation premiums are charged to all projects. Please send your report and the internal control measures you have established for payroll taxes and workmen's compensation to the following address:

Rural Development  
Attn: Mr. Joseph P. Fritz  
P. O. Box 147010  
Gainesville, Florida 32614-7010

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

Once the report has been received it will be reviewed with the findings from the audit. Based on the audit and the documentation you provide, should reimbursements need to be paid individually to projects you will be advised by my office.

If you have any additional questions or concerns, please call me directly or Mr. Fritz at 352-338-3465.

Sincerely,



LUCY A. BARTLETT  
State Director

CC: RDM's

Attachments

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## EXHIBIT C – RURAL DEVELOPMENT'S RESPONSE TO THE DRAFT REPORT



**United States  
Department of  
Agriculture**

**Rural  
Development**

**Area Five Office  
(561) 683-2285  
FAX (561) 683-6249**

**750 S. Military Trail  
Suite J  
West Palm Beach, Florida  
33415**

May 19, 2000

Housing Authority of Pompano Beach  
Mr. Ralph Adderly  
P.O. Box 2006  
Pompano Beach, FL 33061-2006

RE: OIG Audit

Dear Mr. Adderly;

We have received the OIG Audit report for Pompano Beach Housing Authority. The following are the findings and requirements of the audit.

1. PBHA failed to accurately adjust its rental assistance claim to this agency when tenants changed units or the units became vacant. This has resulted in \$4,423 in rental assistance received by the PBHA to which it was not entitled on 5 units. This must be repaid to this agency within 20 days of this letter.
2. The PBHA failed to reimburse tenants for utility allowances. This resulted in \$1,471 being retained by the Housing Authority to which the tenants were entitled. Please supply evidence all tenants have been provided all utility allowances (past) due. Form RD 1949-29, Project Worksheet for Interest Credit and Rental Assistance is submitted monthly to report the amount of rental assistance earned. This form required you to calculate the amount of rental assistance due on a unit to unit basis. You must provide a certification that the information included on these forms is true and correct to the best of your knowledge. Please provide the above within 20 days.
3. Provide me with the internal controls you have established to ensure that all utility allowances are paid to the appropriate tenants in a timely manner, and the project worksheets and tenant certifications are completely accurate, in order to avoid over claims of rental assistance due. As this is the 4<sup>th</sup> time this has occurred in approximately 4 years you should give this a great deal of importance.
4. OIG has determined you have failed to maintain the Farm Labor Housing units in compliance with program requirements and the PBHA management plan. They noted in early 1997 the Agency found a number of deficiencies and the PBHA agreed to take corrective action. However, their review in 1999 shows the same deficiencies existed. The PBHA failed to comply with Rural Development Instruction 1930-C, Exhibit B paragraph X of Instruction, the PBHA Management Plan and the prior agreement with this Agency to make plans to correct the deficiencies noted.

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

PBHA – OIG  
Page 2

The PBHA Management Plan requests regular maintenance inspections and to promptly rectify the deficiencies noted. This was not accomplished.

The PBHA is required to maintain all installed equipment in accordance with manufacture recommendations and to maintain a comprehensive interior and exterior painting schedule. This was not accomplished.

OIG reports the project grounds were poorly maintained. There was much debris on the grounds, such as carpeting, trash, untrimmed trees, etc.

Of the 17 units inspected by this Agency in 1997, they found evidence that only 3 had even been inspected by the Housing Authority. The report indicates the PBHA Director agreed these conditions existed and stated that the corrective action had been initiated. (the same as in 1997)

The PBHA must inspect all of the units, determine what maintenance and repair work is needed on a unit by unit basis. You are then to provide a plan as to how to correct all of these maintenance issues.

In the future this office will conduct annual visits to ensure this community is being adequately maintained.

5. Bidding Procedures: OIG reports improperly awarded repair contracts, without bid solicitations, made to individuals with potential conflict of interest. They report the repair work was not inspected by PBHA, not completed; yet full payment was rendered.

In addition, the PBHA prepared no specifications for the work or prepared a written contract.

The PBHA must follow RD instructions and your own management plan (formal bid solicitations) for all work in excess of \$1,000. Further, the PBHA must conduct inspections of the work to be completed to determine if the bid specifications have been met.

The Director of PBHA must provide this Agency a certification of intent to comply with these requirements.

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Secretary of Agriculture, Washington, D.C. 20250  
Hearing Impaired Number: (352) 338-3499*

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

PBHA – OIG  
Page 3

As a report is required back to OIG, all of this information is required to be submitted to this office no later than 20 days from the date of this letter. We will then write a report to OIG as to the actions taken and planned.

If you have questions, please feel free to contact this office.

Sincerely,



GREGORY L. CARUTHERS  
Rural Development Manager

Cc: Joe Fritz, MFH Coordinator

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Secretary of Agriculture, Washington, D.C. 20250  
Hearing Impaired Number: (352) 338-3499*

---

## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

### *Housing Authority Of Pompano Beach*



EXECUTIVE DIRECTOR  
Ralph W. Adderly

P.O. Box 2006  
321 West Atlantic Boulevard  
Pompano Beach, Florida 33061  
POM 785-7200 (TDD) FAX: (954) 942-8142

June 20, 2000

Gregory L. Caruthers  
Rural Development Manager  
750 South Military Trail  
Suite J  
West Palm Beach, Florida 33415

RECEIVED  
GAINESVILLE  
JUN 22 2000  
FL STATE OFFICE  
RURAL DEVELOPMENT

**RE: OIG Audit Response to your letter dated May 19, 2000**

Dear Mr. Caruthers:

This correspondence is in response to your letter dated May 19, 2000, but received in my office June 1, 2000. The following is our reply to the findings and requirements of the audit.

1. We are forwarding a check in the amount of \$4,423.00. We are unable to challenge this figure and the allegation that the Housing Authority received rental assistance for five (5) units which we were not entitled to unless we are able to identify the tenants. The OIG Audit report would provide us with this information but, unfortunately, we were not provided a copy.
2. Enclosed you will find copies of the checks of the tenants at issue. Unlike the above issue, we are able to track this amount by utilizing our rental register.
3. Monthly, we will provide you with a copy of the form you requested. Please note that it is a RD-1944-29 form, rather than a RD-1949-29 form. We will also provide you with a copy of the utility checks.
4. When the physical inspection was done in 1997, it was difficult to distinguish which units had which deficiencies according to the physical inspection. Nevertheless, all of the deficiencies stated in your agency's 1997 report were corrected except for repairs such as cabinets, which we are presently in the process of completing. We received correspondence from Mr. Larry Purnell dated January 28, 1997, stating that a follow-up visit to the complex would be scheduled within ninety (90) days. Thus, in light of our anticipating your revisit, the units in question were completed and inspected. Last year when we were initially informed of the OIG's coming, we did a revisit to these units again because we anticipated that they may visit these units. Therefore, we ensured that everything in these units were completed with the exception of Unit 19's cabinets, which were not totally in place.

Equal Housing and Employment Opportunity

BOARD OF COMMISSIONERS

Jimmie Glenn, Chairman

1

Joseph Smith, Vice Chairman

Woodrow Potter

Gladys M. Sutton

Patricia Mack

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

(a) Also, we had not done interior repainting, but if you will note, during your supervisory visit, the deficiencies that you found in the units, the Housing Authority was well aware of. If you look at our budgets for the years 1998 – 2000 (previously submitted) and our capital plan (see enclosures), it was included, along with other maintenance matters such as cabinets, interior and exterior painting, sprinkler, re-tiling bathrooms, etc. We previously submitted our Management Plan, Project Manager, and Maintenance Plan to your agency. We will follow these plans and along with your agency’s technical assistance, the Pompano Beach Housing Authority will meet FHMA compliance.

(b) You also commented regarding the maintenance of the interior and exterior structure. We have completed exterior painting Phase 1 and Phase 2 of Golden Acres. We have also sent out and received bids (see enclosures) for the interior painting of Golden Acres.

(c) You stated in your findings that the OIG reports that the grounds were poorly maintained, i.e. there was debris on the grounds such as carpeting, trash, untrimmed trees, etc. When OIG was here, bids were already out for the tree trimming, which commenced in October (see enclosures). Moreover, we explained to you our problem about the trash. We have a group of 200 to 300 children that pass through our units twice per day, on their way to and from school. We also have two (2) bus stops and five (5) mom and pop stores. Thus, on any given day, there will be some paper and trash. Carpet and bulk trash are picked up weekly. Furthermore, Broward Sheriff’s Office brings code enforcement to speak to the tenant and the Housing Authority on the second Saturday of each month. They have given accolades to the tenants and management regarding their upkeep of the property. We will continue to do our best to maintain the grounds on a very timely basis.

(d) You noted that out of the 17 units inspected by your Agency in 1997, only three (3) had been inspected by the Housing authority. We find this statement to be incorrect. To support our position, we are enclosing several completed inspection sheets on seventeen (17) units for the years 1997 through 2000. We have addressed this issue in our Maintenance Plan and we will adhere to our Maintenance Plan.

The Housing Authority of Pompano Beach welcomes your annual visit to this community to ensure that it is being adequately maintained. As a matter of fact, we encourage your annual visits.

5. The bidding procedures were discussed with the staff, the contractors, and myself. The OIG, staff, and the contractors seem to be concerned as to whether [ ]. I had several conversations with [ ] regarding the concerns he had. I assume this OIG report has no findings [ ] of any sort. The biggest

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## EXHIBIT C – RURAL DEVELOPMENT’S RESPONSE TO THE DRAFT REPORT

question concerns the cabinets. An initial bid was done but the Board of Commissioners and I mistakenly believed that it was acceptable to utilize the same contractor who we were using at the time to complete the other cabinets. However, we had to re-bid in light of the amount being over the \$25,000 threshold, which I also explained to you in my letters and conversations.

I assume that when you state that the PBHA prepared no specifications for the work or prepared a written contract, you are referring to a specific contract because we have specs on work being contracted out. Unfortunately, this is another example wherein we need the OIG report in order to rebut these allegations because the above allegation may not be totally accurate.

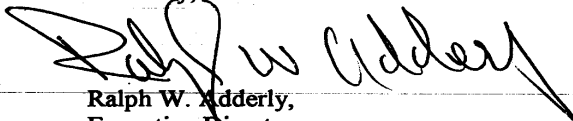
We will accept your advice by using the RD instructions in procurement in our solicitation. Also, to my knowledge, we inspect all work that is complete and someone signs off on the work, either maintenance, the Project Manager, or myself.

Moreover, I am enclosing a list of improvements scheduled this year for Golden Acres.

Finally, since you are unable to provide me with a copy of the OIG audit, I would greatly appreciate it if you would advise me as to an alternative means for obtaining a copy of the OIG Audit report.

We have attempted to thoroughly and accurately respond to your letter of May 19, 2000, to the best of our ability but if there are any further inquiries or concerns, please feel free to contact this office.

Sincerely,



Ralph W. Adderly,  
Executive Director  
Housing Authority of Pompano Beach

RWA/pw

Enclosures

Cc: Joseph P. Fritz  
Board of Commissioners

N-8laptop c:\response to Caruther OIG Audit Report

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## ABBREVIATIONS

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FLH	Farm Labor Housing
PBHA	Pompano Beach Housing Authority
PMC	Parent Management Company
RD	Rural Development
RHS	Rural Housing Service
RMC	Rand Management Company