A Report
to the
Board of
Supervisors

Housing Authority of Maricopa County

Accountability Needs Improvement

August ■ 2012

Executive Summary	1
Introduction	3
Accomplishments	7
HUD Corrective Action Status	8
Financial Administration	22
Bank Accounts	25
Unclaimed Property	28
Purchasing and Procurement	30
Parts, Supplies, and Appliances	32
IT Access Controls	36
Housing Authority Response	38

Maricopa County
Internal Audit
Department

Ross L. Tate
County Auditor

The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

Audit Team Members

Richard Chard, CPA, Deputy County Auditor

Christina Black, CIA, CGAP, Audit Supervisor

Kimmie Wong, MPA, Senior Auditor

Ronda Jamieson, CPA, CGAP, Senior Auditor

Jacob Pacini, MSIM, Senior IT Auditor

Ryan Barber, Associate Auditor

MGT of America, Inc.

Maricopa County Internal Audit

301 West Jefferson Suite 660

Phoenix, AZ 85003

(602) 506-1585

www.maricopa.gov/internal_audit

"Do the Right Things Right!"

Maricopa County
Internal Audit Department

301 West Jefferson St
Suite 660
Phx, AZ 85003-2148
Phone: 602-506-1585
Fax: 602-506-8957
www.maricopa.gov

August 31, 2012

Max W. Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We have completed our review of the Housing Authority of Maricopa County (HAMC). This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- 34 of 54 HUD[1] recommendations need to be completed and closed
- Financial administration practices need improvement
- HAMC has not complied with State unclaimed property laws

Within this report you will find an executive summary, specific information on the areas reviewed, and the Housing Authority's response to our recommendations. We have reviewed this information with the Executive Director and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard, Deputy County Auditor, at 506-7539.

Sincerely,

Ross L. Tate

Ross L. Tate
County Auditor

---

[1] U.S. Department of Housing and Urban Development

Executive Summary

HUD Corrective Action Status (Page 8)

We examined the status of HAMC's efforts to correct operating and administrative problems reported in HUD's August 2010 Management and Financial Review. Although HAMC has implemented corrective action for 20 of the 54 HUD recommendations, 34 of the recommendations still need to be implemented. If findings are uncorrected, this may increase the financial risk to HAMC's operations. HAMC should assess and engage the financial and personnel resources needed to implement and sustain the required corrective action.

Financial Administration (Page 22)

Overall, HAMC has demonstrated weak financial management practices and has not consistently handled some financial transactions in accordance with Generally Accepted Accounting Principles. As a result, HAMC's financial accounting practices and operating assets are vulnerable to errors, abuse, and fraud. HAMC should improve financial administration by: (1) exercising and documenting greater management oversight of accounting functions, (2) organizing work assignments to create functional checks and balances (segregation of duties), and (3) applying consistent policies and procedures to asset capitalization, and other transactions, in accordance with adopted policies and procedures.

Bank Accounts (Page 25)

We found that HAMC consistently reconciled its eight bank accounts for calendar year 2011. We reviewed 16 bank reconciliations and found no material financial irregularities. However, we found improper accounting of voided checks, weak controls over work assignments, and lack of evidence that reconciliations were reviewed by a supervisor. These weaknesses may increase HAMC's financial risks. HAMC should strengthen controls in these areas.

Unclaimed Property (Page 28)

HAMC did not comply with State of Arizona unclaimed property laws. As a result, HAMC overstated revenue and underreported liabilities. Penalties and interest could be assessed when unclaimed property is not properly remitted to the State of Arizona. HAMC should establish policies and procedures to account for unredeemed checks, and should comply with State statutes for unclaimed property.

Purchasing and Procurement (Page 30)

HAMC is not in compliance with its procurement policy. HAMC purchased goods in amounts that exceeded the competitive bidding requirements, and procured services that cumulatively exceeded vendor limits for competitive bidding. HAMC may not be receiving the best value for its dollar. HAMC should review and update its procurement policy and procedures to ensure contracts and purchases are reviewed and to ensure vendor payments do not cumulatively exceed limits.

Parts, Supplies, and Appliances (Page 32)

Accountability over inventories of maintenance parts, supplies, and appliances needs improvement. Although most of the parts and supplies used for public housing maintenance are relatively low cost items, over time, weak accountability increases HAMC's risk of significant inventory loss, misuse, or theft. HAMC should strengthen accountability by implementing consistent policies and procedures that incorporate effective controls for inventory management and security.

IT Access Controls (Page 36)

While only a small group of HAMC users have access to HUD's Voucher Management System (VMS) module, HAMC user access controls need improvement to ensure access is limited based on job responsibilities. Inadequate user access controls may jeopardize system availability and data integrity. HAMC should: (1) establish formal user access management policies and procedures, (2) review current user access profiles and remove users with access beyond their job responsibilities, and (3) ensure user access profiles are consistent with approved user access forms.

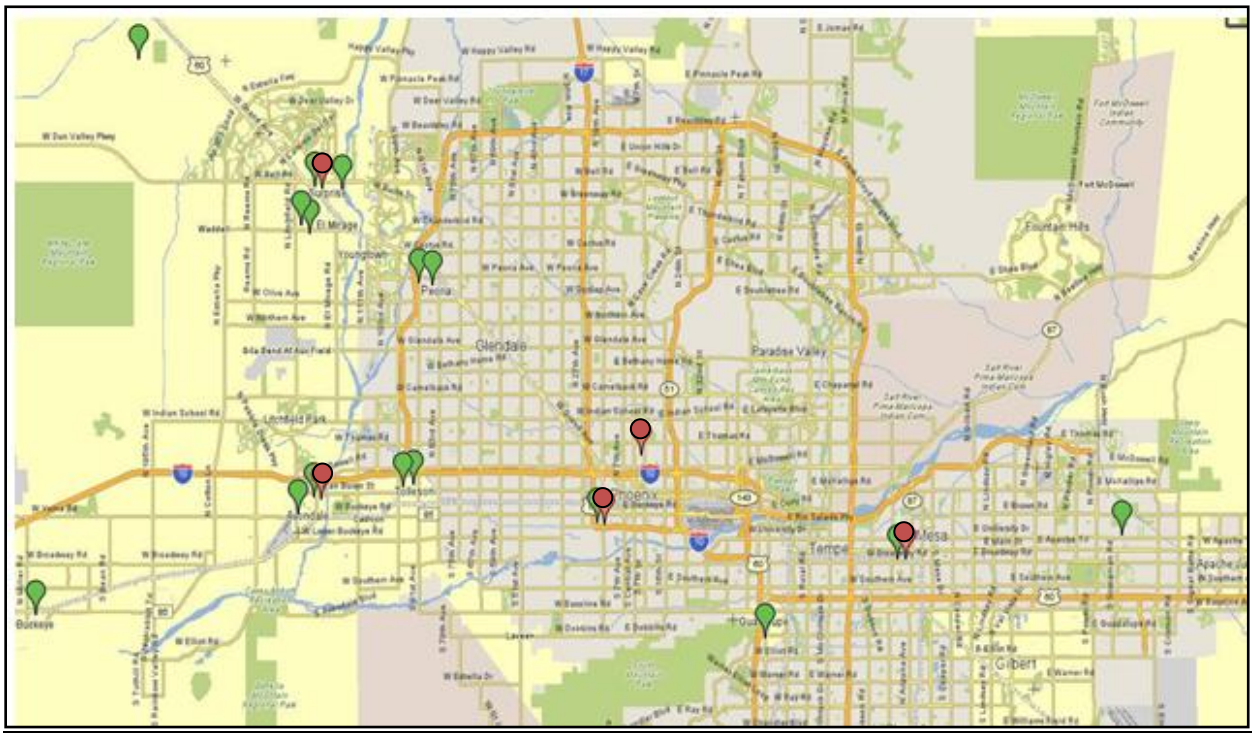
Introduction

Background

The Maricopa County Board of Supervisors (BOS) established the Housing Authority of Maricopa County (HAMC) in 1943 pursuant to Arizona Revised Statute §36-1404. Today, HAMC meets a wide range of affordable housing needs throughout the County. Core programs include Housing Choice Voucher and Public Housing. The Housing Choice Voucher program provides rent subsidies paid to landlords of privately owned housing units on behalf of low-income residents. The Public Housing program provides reduced rental rates for residents of HAMC owned housing units. HAMC also administers a Capital Fund program and the Resident Opportunities and Support Services program. Respectively, these programs account for the modernization and development of public housing units, and provide public housing residents with support services for becoming self sufficient.

The enabling statute allows the BOS to appoint and delegate governing authority to at least five commissioners, collectively constituting a Board of Commissioners. In December 2010, the BOS assumed direct HAMC oversight when it began sitting as the Board of Commissioners. Acting as its governing body, the BOS is able to significantly influence the programs, projects, activities, and levels of services provided by HAMC.

HAMC Service Areas



Red tags are HAMC area offices, green tags are public housing units, and the yellow background is Housing Choice Voucher/Section 8 areas.

Housing Choice Voucher Program (Section 8)

The Housing Choice Voucher program (HCV), also known as Section 8, is a housing rental assistance program funded by the U.S. Department of Housing and Urban Development (HUD). Vouchers are issued to eligible Section 8 households to fill the gap between reasonable market rental rates and household capacity to pay for housing. Utilizing a voucher, a person or family must pay approximately 30 to 40 percent of household income for rent and utilities. HUD regulates the program through Housing Quality Standards. HAMC responsibilities include applicant eligibility, landlord qualification, and physical building inspection.

Public Housing Program

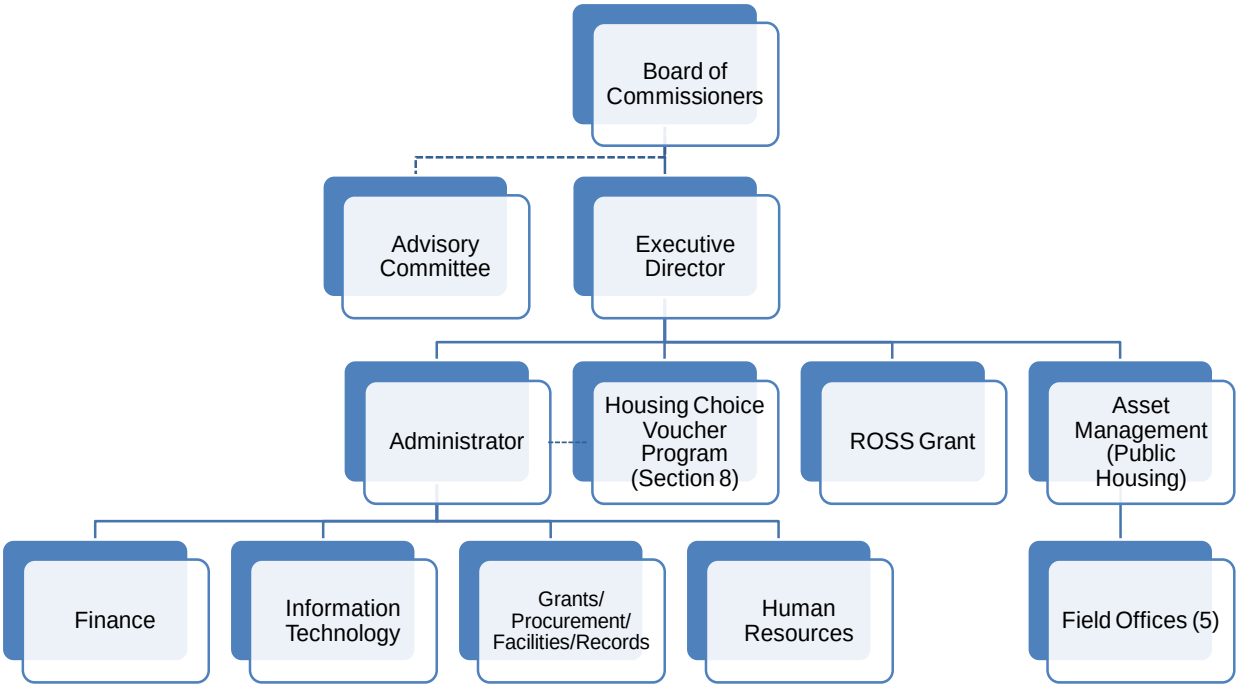
HUD funds the Public Housing program for low-income residents. Eligibility is based on guidelines established by HUD, which require residents to pay monthly rents equal to the greater of 30% of monthly adjusted income or 10% of unadjusted monthly income.

HAMC owns and manages 824 units throughout Maricopa County. The properties are generally located in the smaller cities and unincorporated areas of the County. Most of the larger cities in metropolitan Phoenix operate their own housing agencies. HAMC has properties in Avondale, Buckeye, El Mirage, Guadalupe, Mesa, Peoria, Surprise, and Tolleson, as shown in the previous map.

Organization

HAMC's 54 employees are assigned to four divisions: Administration, Section 8, ROSS Grant, and Public Housing. The divisions are organized according to federal programs and funding.

HAMC Organizational Chart



Reorganization

Between September 2008 and April 2010, HAMC's former executive director allegedly participated in unethical behavior in connection with procurement and human resource management. Reported abuses include hiring friends and family members, using funds for personal expenses, and firing a whistleblower. The executive director resigned in April 2010. Subsequently, HUD conducted a management and financial review, while the County imposed changes to executive leadership and governance.

The BOS established an Advisory Committee to provide counsel on HAMC's operations and management. The Advisory Committee also assists HAMC's current executive director in planning, implementing, and reporting on activities related to the Housing Choice Voucher and Public Housing programs.

Revenues and Expenditures

HAMC receives nearly all of its funding from HUD. Additional funding comes from public housing rent collections and other grants. HAMC expenditures are primarily budgeted with HUD funds and tenant rents. In fiscal year (FY) 2011, HAMC's operating revenues totaled $21.2 million and operating expenditures totaled $20.8 million, as shown below.

HAMC FY 2011 Revenues and Expenditures	
HUD Operating Grants	$ 17,719,644
Fees and Other Services	2,079,989
Rental Revenue	1,290,593
Grant Revenue	41,418
Other Revenue	66,098
Total Operating Revenues	**$ 21,197,742**
Total Operating Expenditures	**$ 20,797,110**

Source: June 30, 2011 Audited Financial Statement and Reports of Independent Certified Public Accountants

HUD Management and Financial Review

HUD conducted a management and financial review of HAMC in 2010. The purpose of the review was to assess whether HAMC had adequate management and financial internal controls, and whether HAMC was in compliance with statutory, regulatory, and other administrative requirements. In its August 2010 report, HUD reported 40 findings, concerns, and observations that addressed deficiencies with HAMC financial management, governance, personnel management, procurement and contract administration, and capital funds. Corrective action is ongoing for reported issues and recommendations (see Issue 1, page 8).

HUD recently conducted a Limited Financial & Management Review (LFMR). In addition, HUD is currently conducting a Section Eight Management Assessment Program (SEMAP) confirmatory review to help HAMC emerge from their troubled status designation[2].

Scope and Methodology

Audit Objectives

Our audit objectives were to determine if:

- HAMC is adequately addressing the issues listed in the HUD Management and Financial Review Report on Housing.
- HAMC is performing due diligence with bank reconciliations, voided checks, and unclaimed properties.
- HAMC has adequate controls and accounting procedures in place to comply with financial management requirements for program funds.
- HAMC is accounting for and safeguarding maintenance parts and supplies.
- HAMC has appropriate IT user access controls over the Voucher Management System.

We achieved our audit objectives by:

- Interviewing HAMC and HUD personnel.
- Examining and analyzing financial, human resource, and program documents.
- Reviewing HUD contracts, reports, and audits.
- Reviewing June 30, 2011 audited financial statements.
- Comparing standard financial practices with actual practices.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require the following:

- An independent audit staff and audit organization.
- An objective audit staff performing the work.
- Competent staff members who are current with continuing education requirements.
- A system of quality control procedures.
- Sufficient and appropriate evidence based on audit objectives.

[2] *Troubled status* is assigned when a Housing Authority fails to comply with basic Section 8 and SEMAP program requirements as determined through a confirmatory review.

Agency Reported Accomplishments

The Housing Authority has provided the Internal Audit Department with the following information for inclusion in this report.

Improved Governance. The Board of Commissioners and County Manager appointed an Advisory Committee to provide community input and assist in providing direction to the agency. This 10-member committee of housing advocates began meeting monthly in May 2011 to assist and advise the Commissioners and the HAMC Executive Director in planning, implementing, and reporting on housing activities.

New Ideas and Solutions. Changes to HUD and federal policy as well as the expanding need for affordable housing requires new ideas and solutions. HAMC adopted and has been at work in achieving four strategic priorities: *1) Increase opportunities for our residents to move beyond their housing needs towards self-sufficiency; 2) Increase housing options; 3) Promote employee growth and build organizational capacity in support of the agency becoming designated a 'High Performer'; 4) Emphasize performance and results by being responsive to our customers and modernizing our operations.* Additionally, HAMC adopted a Public Housing Development Plan as part of a long-term, multi-faceted strategy to create quality affordable rental housing in the Maricopa County community. This strategy employs tax-credits and public-private ventures to attract capital to meet housing demands, not just for low income families, but also for mixed-income, mixed-finance projects that can attract private capital on the basis of their long term financial viability.

Partnerships. HAMC is an active partner with county, local, state, and federal agencies and programs, as well as the broader public and private sectors to carry out its mission and strategies in meeting a wide range of affordable housing needs throughout Maricopa County. For example, HAMC was a key player in the 209 Jackson property acquisition; a 300-room complex in downtown Phoenix that provides permanent supportive housing to low-income and otherwise homeless individuals. This purchase involved the U.S. Department of Housing and Urban Development, Maricopa County, the Arizona Department of Housing, Arizona Housing Inc., and the Housing Authority of Maricopa County. The project was backed with the support of the Valley of the Sun United Way, the county Human Services Department, the Central Arizona Shelter Services, AHI, and the City of Phoenix. Also, HAMC, Maricopa County, the City of Phoenix, and a myriad of others partner to deliver the Summer Recreation Program to kids of the Coffelt community. The primary goal of Coffelt Recreation Center is to provide youth with an inventory of skills and positive experiences that will help promote self-development. The interactive program is offered at no cost to participants.

Investment in the Community. Through partnerships and with financial assistance provided by organizations such as Arizona Public Service (APS) electric utility company, Southwest Gas Corporation, the Arizona Department of Commerce Energy Commission, Maricopa County Human Services Department, the Foundation for Senior Living, and other organizations, HAMC has invested significantly to install photovoltaic systems, new Energy-Star appliances, replace flooring, kitchen cabinets and countertops, add tub surrounds, upgrade vanities, and install low flow bath fixtures in hundreds of its units. An HAMC modernization project was selected as the winner in the Multi-Family Building category in the 1st Annual National Weatherization Awards for Innovative Weatherization Design for low-and-moderate income housing by the *State and Local Energy Report* magazine.

Issue 1 HUD Corrective Action Status

Summary

We examined the status of HAMC's efforts to correct operating and administrative problems reported in HUD's August 2010 Management and Financial Review. Although HAMC has implemented corrective action for 20 of the 54 HUD recommendations, 34 of the recommendations still need to be implemented. If findings are uncorrected, this may increase the financial risk to HAMC's operations. HAMC should assess and engage the financial and personnel resources needed to implement and sustain the required corrective action.

Criteria

HUD has the authority to establish, monitor, and require compliance with housing authority policies and procedures. Accordingly, HUD's 2010 Management and Financial Review provided the criteria for our evaluation of HAMC's corrective action status.

Condition

HUD identified and reported on 40 findings, concerns, and observations in its August 20, 2010, HAMC Management and Financial Review Report. The report contained 54 specific recommendations for corrective action that HAMC must complete.

HUD's recommendations require corrective action in the areas of finance, governance, personnel management, procurement, and in the capital fund program. Based on our examination, HAMC has implemented corrective action for 37% of the recommendations. HAMC still needs to implement and close the remaining 63%. In 11 cases, we questioned the completion status of findings HAMC identified as closed. The following table summarizes areas of unsatisfactory performance reported by HUD and our assessment of corrective action progress.

Status of HUD Management and Financial Review - August 20, 2010				
Categories	**Findings, Concerns, & Observations**	**Corrective Action Required**	**Corrective Action Completed**	**Percent Completed**
Financial	10	20	6	30%
Governance	5	5	1	20%
Personnel Management	17	18	7	38%
Procurement & Contracts	4	7	3	43%
Capital Fund Program	4	4	3	75%
Totals	**40**	**54**	**20**	**37%**

The following tables summarize HUD findings, concerns, and observations. Our assessment of the status of corrective action is categorized and color-coded as follows:

- Closed – HAMC and HUD closed the item; we concurred.
- Open – HAMC closed the item; HUD has not yet made a determination, as of May 3, 2012.
- Questioned – HAMC and HUD closed the item; we do not concur.

Status of HUD Management and Financial Review Report 2010

Financial Management

Item	Description	Status
Mismanagement of Housing Choice Voucher Program		
1	Make prior-period adjustments to financial statements.	**Closed**
2	Revise administrative fee equity computation.	**Closed**
3	Review impact of bad debt expense and make necessary changes.	**Open** – This problematic issue resulted in HUD forming a team to conduct an upcoming Public Housing Asset Recovery review.
4	Develop and implement procedures and controls for the managing, billing, and collecting of portability vouchers.	**Open** – The last set of submitted procedures were deemed deficient by HUD; HAMC is making edits to the procedures.
5	Pay back $110,826 for deficit from Housing Assistance Payments equity calculation.	**Closed** – HUD reduced repayment amount to $69,803 and later reported that repayment is not necessary.
6	Provide an explanation for the FY09 general ledger discrepancy between the Voucher Management System ($13,132,903) and Housing Assistance Payments expense ($13,514,094).	**Questioned** – HAMC noted issue as closed and HUD closed issue, but in discussion with HUD, HUD stated this is open due to the Schedule of Findings and Questioned Costs issued with HAMC's financial statements (9/30/11).
7	Provide explanation on why income statement accounts were not closed out on the general ledger at the end of FY09.	**Open** – We reviewed HAMC's explanation and determined that its method is not the proper way to close accounts; HUD agreed.

Financial Management (Continued)

Item	Description	Status
Misuse of Program Funds via the Housing Authority Credit Card		
8	Pay back $4,225 for unallowable credit card expenses.	**Open** – HUD is reviewing HAMC's repayment proposal.
9	Develop and implement policy for credit card use.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but our review of one credit card statement showed: – A $6 transaction could not be supported by documentation. – HAMC issued a credit card to an unauthorized user in which 4 transactions totaling $456 were made. We verified the Credit Card Policy was approved by the Board (5/18/10).
HAMC Expenditures of HUD Program Funds on Consultant Contracts Violated 2 CFR Part 225 (OMB Circular A-87) Cost Allowability Requirements and the Annual Contributions Contract		
10	State clearly in procurement policy that consultant contracts are subject to competitive RFPs in accordance with 24 CFR Part 85.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but our review showed HAMC did not clearly state that consultant contracts are subject to competitive RFPs in accordance with 24 CFR Part 85.
11	Ensure procurement policy fully addresses hiring consultants: consultants will only be hired for expertise that is not available on staff, duties assigned to consultants meet OMB A-87 cost acceptability guidelines, and prices paid are reasonable and necessary through competitive procurement.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but our review showed HAMC did not add to the procurement policy the following: – Only hire expertise that is not available on staff. – Duties assigned to consultants have to meet OMB A-87 cost acceptability guidelines.
12	Pay back $40,485 for a consultant contract; HAMC provided a response for repayment of $14,985; therefore, HAMC should pay back the difference of $25,500.	**Open** – HUD is reviewing HAMC's repayment proposal.

Financial Management (Continued)

Item	Description	Status
Severance Pay to Executive Director Did Not Meet Cost Allowability Requirements in 2 CFR Part 225 (OMB Circular A-87)		
13	Pay back $26,300 for executive director severance pay.	**Open** – We verified the Severance Pay Policy was approved by the Board (6/6/12); HUD is reviewing HAMC's repayment proposal.
The Former Executive Director Violated Federal Procurement Requirements and HAMC Policy by Hiring Family Members for Repair Jobs		
14	Provide copy of procurement policy that clearly identifies the prohibited conflicts of interest.	**Closed**
15	Provide internal control policy to prevent misconduct by an executive director.	**Open** – We verified the Ethics Policy was approved by the Board (3/28/12); HUD is reviewing HAMC's response.
Cost Allocations of Indirect Overhead Were Not Properly Distributed to All Programs		
16	Provide a cost allocation plan that is compliant with OMB Circular A-87.	**Open** – We verified the cost allocation plan was approved by the Board (6/22/11); HUD is reviewing HAMC's response.
HAMC Did Not Have Executed General Depository Agreements		
17	Provide a copy of executed General Depository Agreement for bank accounts and investment securities.	**Closed**
HAMC Failed to Adequately Manage Cash Reserves to Maximize Interest Income During FY09		
18	Adopt an investment strategy to safely maximize return.	**Open** – HUD is reviewing HAMC's response.

Governance

Item	Description	Status
Conflict of Interest Violation		
19	Pay back $40,350 for conflict of interest.	**Open** – HUD is reviewing HAMC's repayment proposal.
Failure to Properly Execute Its Authority Over the Executive Position		
20	The Board of Commissioners must develop distinct policies which govern their principle roles and responsibilities for accountability and authority.	**Open** – HUD stated the developed By-Laws were sufficient but were not signed. We verified the By-Laws were approved by the Board as part of the Resolution package (1/13/11 and 3/30/11); HUD is reviewing HAMC's response.
Failure to Adequately Document the Performance Evaluation of the Executive Director		
21	Provide financial and contract documents related to the debt and property equity commitments and the non-restricted funds used to confirm the 8/31/09 performance goals, which should total the amounts as specified; if the documents cannot be provided, pay back the $15,000 deferred compensation that was provided to the executive director.	**Open** – HUD is reviewing HAMC's repayment proposal.

Personnel Management

Item	Description	Status
Failure to Ensure Written Performance Standards for Classified Positions; Failure to Ensure Standard Evaluation Forms are Used; Failure to Ensure Management's Timely Completion and Appropriate Filing of All Required Evaluations for Classified Employees		
22	Develop standardized performance appraisals and conduct training.	**Open** – We verified the Performance Management Process Policy was approved by the Board (6/20/12). We verified HAMC staff attended 2 County performance management trainings in 2011 (3/31/11 and 12/6/11); HUD is reviewing HAMC's response.
Failure to Monitor and Enforce Cell Phone Policy		
23	Regulate, enforce, and bill for excessive cell phone charges.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but our review showed cell phone billings do not show evidence of all bills being reviewed (Sept 2011: 7 of 30 or 23% were reviewed; Oct 2011: 18 of 30 or 60% were reviewed). We verified the Cell Phone Usage Policy was approved by the Board (3/30/11). We reviewed records that cell phone users were reminded of the policy and that employees reimbursed HAMC for personal cell phone charges; one former employee refused to reimburse $464.95, stating the text messages were work-related and were previously discussed with management.
Inconsistent Record Keeping of Employee Files		
24	Ensure supervisors complete and maintain employee files in a consistent manner.	**Questioned** – HAMC noted issue as closed and HUD closed issue. Although the HUD finding was related to supervisors' employee files, we reviewed the centralized source files in HR and found files had consistent documentation for 5 of 5 employee files, but for 4 of 5 files, the documents were disorganized.

Personnel Management (Continued)

Item	Description	Status
25	Develop and conduct training for all management and front-line supervisors to ensure files are developed and maintained.	**Closed**
Agency's Exception Rule on Hiring a Relative of an Employee in Violation of Annual Contributions Contract Conflict of Interest Requirements		
26	Pay back $2,408 for conflict of interest hire.	**Open** – HUD is reviewing HAMC's repayment proposal.
HAMC Failed to Regularly Review and Maintain Adequate Files on Employee Driving Records		
27	Develop written procedure to ensure policy implementation on employee driving record maintenance.	**Questioned** – HAMC noted issue as closed as of 6/30/11 and HUD closed issue. HAMC developed a procedure per HUD recommendation, but did not implement the true intent of recommendation, which was to check on employee driving records. The driver's license background checks were not conducted until Feb 2012 (6 months later after closing recommendation). We reviewed 5 employee records and found they did not have the proper authorization forms signed and approved to allow them to utilize HAMC vehicles, and their own personal vehicle, for work. HAMC has a list of drivers and authorizations, but the information is not current.
Inconsistent Implementation of Disciplinary Actions		
28	Develop and conduct training for management and front-line supervisors to ensure equal distribution of disciplinary actions for personnel violations.	**Closed**

Personnel Management (Continued)

Item	Description	Status
Failure to Maintain Adequate File Documentation for Administrative Leave Notification		
29	Develop a notification form letter for administrative leave actions.	**Closed**
Failure to Follow Disciplinary Action Requirements and Employees Rights to Appeal		
30	Develop and conduct training for management and front-line supervisors to ensure all steps of the policy and procedures for disciplinary actions for personnel violations are followed.	**Closed**
Lack of Written Relocation Policy and Procedures		
31	Amend the personnel policy to include relocation obligations and limitations on expenditures.	**Closed**
32	Pay back $840.11 for relocation expenses made without a written policy.	**Open** – HUD is reviewing HAMC's repayment proposal.
Expired Temporary Hiring Contract; Lack of Monitoring of Temporary Hiring Contracts; Lack of Personnel File Maintenance and Record Keeping for Temporary Employees		
33	Maintain personnel temporary hiring records.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but we reviewed 5 temporary employee files and the files do not contain all necessary documentation, such as signed forms; 1 timesheet was missing a supervisor signature, but payment was made anyway.
34	Re-negotiate the expired temporary hiring contract immediately.	**Closed**
Lack of Internal Written Procedures for Applicant Processing/New Hires; Incomplete and Inconsistent Applicant Recruitment Files		
35	Review and ensure all required documentation is included and policies appropriately followed in hiring files.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but we reviewed 5 recruitment files and found 1 recruitment file was missing the approved job requisition form.

Personnel Management (Continued)

Item	Description	Status
Incorrect Use and Payment of Employee Compensation		
36	Notify all employees of personnel policy regarding timely completion, documentation, and supervisor approval of time card; also advise that compensatory time is not permitted.	**Questioned** – HAMC noted issue as closed and HUD closed issue, but we reviewed 55 timecards/timesheets and while compensatory time was not used, supervisors did not approve 13 of the 55 timecards (supervisors signed the front side of the timecard but not the back side, which has the 2nd week of the pay period) (Note: hardcopy timecards are no longer used; HAMC is now on an automated payroll system). Also, 2 overtime leave slips for 1 employee, totaling 3 hours, were not approved (signed) by the supervisor, and the specific overtime hours were also not listed on the timecard, except by HR, in which an overtime notation was made.
Failure to Develop and Adopt a Written Section 3 Policy and Procedures		
37	Develop and adopt a Section 3 Policy.	**Open** – We verified the Section 3 Policy was approved by the Board (12/14/11); HUD is reviewing HAMC's response.

Procurement & Contract Administration

Item	Description	Status
HAMC Procurement Policy Does Not Comply With Federal Requirements		
38	Revise Procurement Policy to comply with federal requirements.	**Closed**
39	Provide training to staff on the revised Procurement Policy.	**Open** – We verified staff was trained on 3/15/12; HUD is reviewing HAMC's response.
HAMC Violated Federal and HUD Small Purchase Procedures, Contract Requirements, and Cost Principles		
40	Pay back the appropriate amounts for costs identified as ineligible or as not being reasonable and necessary.	**Open** – HUD is reviewing HAMC's repayment proposal.
41	Must submit procurement documents and proposed consulting contracts to HUD for review prior to award.	**Open** – We reviewed 4 contracts, 2 of which were consultant contracts; no exceptions noted. MGT of America, Inc, a consultant that we engaged, also reviewed contracts, starting with total vendor payments to determine if a contract should have been in place (certain vendors are exceeding thresholds that should have been competitively bid). MGT results are located within this report.
42	Submit procurement documents and construction contracts to HUD for review.	**Open** – We were unable to locate a construction contract that was developed after HUD's 2010 review. In place of a construction contract, we reviewed 1 major maintenance contract paid out of capital funds; no exceptions noted. We also reviewed 5 small purchase procurements for major maintenance and noted 1 purchase was missing an approval signature, and the documentation and purchase order appeared to be created (by the previous Procurement Manager) after the purchase occurred (the PO and justification were dated after the invoice dates).

Procurement & Contract Administration (Continued)

Item	Description	Status
HAMC Awarded Multiple Construction/Renovation Contracts Using Qualification Based Selection		
43	Ensure procurement staff and key management are trained in proper procurement methods.	**Closed**
HAMC Procurement Files Lacked Adequate Documentation Sufficient to Detail the Significant History of the Procurement		
44	Ensure files have adequate documentation to detail significant history of the procurement.	**Closed**

Capital Fund Program

Item	Description	Status
Payment of Salaries to Employees Placed on Administrative Leave With Pay and Not Working Directly on Capital Fund Projects		
45	Must cease charging the Capital Fund Project grant for payroll charges for two employees on administrative leave and repay the Capital Fund.	**Closed**
Payment of Salaries to Employees Not Working Directly on Capital Fund Projects		
46	Repay the Capital Fund the amount of the overcharges and ensure this practice is discontinued.	**Closed**

Concerns

Item	Category	Description	Status
47	Financial Mgt	*HAMC Health Insurance Costs are Higher Than Normal* Compare health insurance costs with other entities; if higher, explore lower costing alternatives.	**Closed**
48	Financial Mgt	*HAMC Should Develop and Implement Written Guidelines for Several Financial Functions* Provide copy of policies and procedures for travel, credit card, and internal controls.	**Open** – We verified the Travel Policy and Credit Card Policy were approved by the Board (4/25/12, 5/18/10, respectively), but the Internal Controls / Financial Controls Policy is still being edited.
49	Governance	*HAMC Has Two Different Mission Statements* Make changes to mission statement and approve by resolution.	**Closed**
50	Governance	*Board Of Commissioner's By-Laws Do Not Address Primary Responsibilities* Review and revise By-Laws to ensure roles and responsibilities are written in detail and with unanimity.	**Open** – HUD stated the developed By-Laws were sufficient but were not signed. We verified the By-Laws were approved by the Board as part of the Resolution package (1/13/11 and 3/30/11); HUD is reviewing HAMC's response.
51	Personnel Management	*Failure To Properly Document and Approve Employee's Outside Employment* Correct file documentation to ensure the policy has been followed.	**Closed**

Concerns (Continued)

Item	Category	Description	Status
52	Personnel Management	*Failure to Develop and Adopt Its Own Permanent Record Policy* Develop and adopt its own policy that is applicable to HUD programs.	**Questioned** – HAMC noted issue as closed and HUD closed issue. We verified the Records Retention Policy was approved by the Board (12/14/11). However, even though the Records Retention Policy was approved, HAMC has been unable to destroy terminated personnel records going back to 2001 (previously the retention period was 10 years but with the revised policy, the retention changed to 5 years). In addition, we conducted a brief comparison to HUD notices/Code of Federal Regulations to HAMC's Records Retention Policy and found no exceptions.
53	Capital Fund	*Failure to Maintain Proper Control Over Compliance With Capital Funding Obligation and Expenditure Deadlines* Establish system to track obligation/expenditure data for Capital Fund Grants.	**Closed**
54	Capital Fund	*Use of Capital Funds for Property Improvements for Non-Public Housing Program Use* Examine proposed expenditures to determine which program the expense should be appropriately charged to, instead of automatically charging the Capital Fund Program.	**Open** – HUD is reviewing HAMC's response.

Observations

Item	Category	Description	Status
A	Personnel Management	Failure to develop and implement staff training plans.	**Closed**
B	Personnel Management	Failure to develop a continuation of operations plan for disasters and emergencies.	**Closed** -– Although HUD does not require a response for observations, HAMC reports a disaster recovery plan has been drafted.

Note: Items A and B do not require a response according to HUD.

Effect

The HUD August 2010 Management and Financial Review Report summarizes significant findings that, left uncorrected, can increase the financial risk to HAMC's operations.

Cause

Between September 2008 and April 2010, HAMC's (former) executive director allegedly participated in unethical behavior in connection with procurement and human resource management. Uncompleted corrective action for 54 HUD recommendations may be the result of human resource and financial limitations needed to expedite closure of open items.

Recommendations

HAMC should:

A. Review the open and questioned recommendations in the table and determine what additional work is needed to close the issues and sustain corrective action.

B. Assess and engage the financial and personnel resources needed to implement and sustain all unfinished corrective action.

Issue 2 Financial Administration

Summary

Overall, HAMC has demonstrated weak financial management practices and has not consistently handled some financial transactions in accordance with Generally Accepted Accounting Principles. As a result, HAMC's financial accounting practices and operating assets are vulnerable to errors, abuse, and fraud. HAMC should improve financial administration by: (1) exercising and documenting greater management oversight of accounting functions, (2) organizing work assignments to create functional checks and balances (segregation of duties), and (3) applying consistent policies and procedures to asset capitalization, and other transactions, in accordance with adopted policies and procedures.

Criteria

Authoritative accounting organizations, such as the American Institute of Certified Public Accountants, recommend strong internal controls over financial administration. When enforced, such controls serve to reduce the risk of undetected errors, fraud, and abuse. Effective controls include the following:

- Management oversight
- Segregation of duties:
  - Disbursement preparation and approval functions should be segregated from those that record or reconcile disbursement transactions.
  - Payroll processing functions should be segregated from general ledger functions.
  - Access to check-signature stamps or plates should be segregated from those involved in disbursement preparation functions.
  - Payroll review and approval should be performed by an employee not involved with payroll preparation.
- Policies and procedures that distinguish between capital and operating expenditures.

Condition

In order to test controls over financial activities, we selected and reviewed 73% of HAMC's FY 2011 accounts payable expenditures ($4,140,074). We identified the following financial management weaknesses:

- Lack of management oversight.
- Improper recording of capital expenditures (and other transactions).
- Lack of segregation of duties within certain work assignments.
- Lack of detailed account adjustments in HAMC's financial system (an informal and uncontrolled shadow accounting system is used to record detailed adjustments).

Management Oversight

Check requisitions should be reviewed and approved prior to check preparation. Within the sample of transactions we reviewed, we found the following control weaknesses.

- Check requisitions and purchase orders totaling $97,941 were prepared after the goods and services had already been purchased.
- Management review and approval of purchases totaling $551,681 was not evident.
- Supporting documentation for expenditures totaling $189,187 was missing or inadequate.
- Financial policies and procedures remain in draft form and have not been implemented.

Accounting for Capital Expenditures and Other Transactions

Based on our review of transactions, HAMC did not accurately account for capital expenditures, as shown in the following table.

Transaction Error	Amount	Effect
Inaccurate Fixed Asset Inventory	$1,499,948	Fixed asset inventory was not updated to include properly capitalized assets
Improper Capitalization of Expenditures	310,849	Assets were overstated; expenditures were understated
Improper Recording of Capital Assets	35,984	Expenditures were overstated; assets were understated
Improper Recording of Payables as Receivables	61,281	Assets were overstated; liabilities were understated
Total	**$1,908,062**	

Segregation of Duties

Payment Processing:

Payment processing functions are not sufficiently segregated. The HAMC accountant responsible for accounts payable and cash receipts also has the authority to prepare check requisitions, record expenditures in the general ledger, and prepare and sign checks. In December 2010, the Board of Commissioners passed a resolution that required dual signatures for HAMC checks. Dual signatures provide for a second level of review and approval over disbursements. Contrary to this policy, the managers with custody of these two signature stamps allowed one individual (the accountant previously mentioned) to process accounts payable transactions, use the signature stamps, and disburse checks (bypassing the control).

Payroll Processing:

Payroll processing functions are not sufficiently segregated; one accountant is responsible for the entire payroll process. Therefore, the managers do not oversee and review payroll, insurance, benefits, and payments. HAMC managers reported that they do not have the responsibility for ensuring payroll is accurately processed. HAMC disclosed that payroll withholdings from employees were not accurately calculated and deducted from employee paychecks. These errors resulted in outstanding benefit liabilities that should have been paid by employees but were incorrectly paid by HAMC. HAMC reports that correcting these errors has been time consuming.

Shadow Accounting System

We found that HAMC uses an informal and uncontrolled shadow accounting system for many detailed accounting adjustments/calculations. The end result of these calculations is entered into the HAMC financial accounting system. Therefore, detailed accounting adjustments are not recorded in HAMC's financial system, which is used as HAMC's formal financial record. In addition, we found that HAMC's chart of accounts for the financial accounting system does not follow the account structure recommended by HUD.

Effect

The lack of management oversight, transaction review and approval, and proper segregation of duties leaves HAMC vulnerable to errors, abuse, and fraud, increasing the risk of potentially misleading financial reports. A shadow accounting system lacks transparency and data security; therefore, account balances can be easily changed and manipulated without detection.

Cause

HAMC did not implement financial policies, procedures, and controls. In addition, HAMC did not organize work assignments in a manner that promotes strong internal controls; for example, managers reported that they did not have a responsibility to ensure payroll was accurately processed.

Recommendations

HAMC should:

A. Finalize and implement financial policies, procedures, and controls.

B. Review and approve transactions at the appropriate management level.

C. Report capital assets and transactions accurately.

D. Segregate accounting duties such as processing payments, signing checks, and processing payroll.

E. Record accounting adjustments in HAMC's financial accounting system.

F. Organize and structure the chart of accounts to comply with HUD guidelines.

Issue 3 Bank Accounts

Summary

We found that HAMC consistently reconciled its eight bank accounts for calendar year 2011. We reviewed 16 bank reconciliations and found no material financial irregularities. However, we found improper accounting of voided checks, weak controls over work assignments, and lack of evidence that reconciliations were reviewed by a supervisor. These weaknesses may increase HAMC's financial risks. HAMC should strengthen controls in these areas.

Criteria

Under the Uniform Commercial Code (UCC) §4-404, banks have no obligation to honor checks, other than certified checks, that are older than six months old.

The American Institute of Certified Public Accountants recommends:

- Segregating responsibilities between those preparing bank account reconciliations and those disbursing funds.
- Reviewing and approving all bank account reconciliations (and signing the reconciliation as evidence of the review and approval).
- Investigating unusual reconciliation items (by an individual who is not responsible for receipts and disbursements).
- Investigating checks that have not been cashed for a considerable amount of time.

Condition

Background

For the period we reviewed, HAMC maintained eight bank accounts, including two accounts that were maintained for the City of Peoria under an intergovernmental agreement. HAMC later closed one City of Peoria account in November 2011 after the Peoria Section 8 program was consolidated with HAMC in July 2011.

Bank Reconciliations

We independently confirmed with bank institutions all of HAMC's bank account balances for June 30, 2011, and November 30, 2011, and noted no exceptions.

We determined that complete bank account reconciliations were prepared for each of the eight bank accounts under HAMC's control during 2011. We conducted detailed examinations of two reconciliations for each bank account, for a total of 16 reconciliations. We traced balances and items to supporting documentation, identified unredeemed checks over six months old, reviewed account activity for voided checks, and determined if secondary reviews of the reconciliations were evident. Exceptions are summarized on the following table.

Bank Account Reconciliations – Summary of Exceptions		
Tests	**Number**	**Comments**
Reconciliation Completed	0	No exceptions.
Supporting Documentation Included	0	No exceptions.
Unredeemed Checks Over 6 Months Old	5	5 of 16 reconciliations had unredeemed checks that were over 6 months old.
Management Review	8	8 of 16 reconciliations included initials that indicated management had reviewed the reconciliations. However, management did not date the review.

Voided Checks

HAMC voided a total of 618 checks valued at $253,900 in 2010 and 348 checks valued at $283,900 in 2011. We found that voided checks were incorrectly credited to an "Other Income" account instead of an unclaimed property account, as required by Arizona statutes. Proper accounting of unclaimed property is described in Issue 4 (page 28). We tested a sample of 50 voided checks from 2011. Our findings are summarized in the table below.

Voided Checks – Summary of Exceptions					
	Sample		**Exceptions**		
Account	**Number**	**Value**	**Number**	**Value**	**Description**
HAMC Public Housing	20	$31,267	9	$1,746	Eight stale-dated checks were incorrectly credited to the "Other Income" account when voided. One Utility Assistance Payment (UAP) reimbursement check was incorrectly credited to the "Other Income" account when voided.
HAMC Section 8	20	49,014	2	273	Two UAP reimbursement checks were incorrectly credited to the "UAP – Voucher" account when voided.
Peoria Public Housing	2	3,825	1	550	One stale-dated check was incorrectly credited to the "Other Income" account when voided.
Peoria Section 8	8	10,922	2	196	One check was not actually voided. One UAP reimbursement check was incorrectly credited to the "Other Income" account when voided.
Totals	**50**	**$95,028**	**14**	**$2,765**	

In addition, we determined that the City of Peoria Section 8 bank account had been closed even though the bank account had two unredeemed checks totaling $61.59.

HAMC reported that for both accounts, the accountant for the City of Peoria programs was responsible for performing accounts payable and bank reconciliations. These functions should have been segregated so that effective checks and balances would be in place. The accountant subsequently retired and the job duties were split between two other accountants.

Effect

Although we did not find material bank account irregularities, financial risks increase when cash accounting duties are not segregated and independently reviewed. These risks include undetected bank errors, missing receipts, unauthorized disbursements, and fraudulent reconciliation items.

As described in Issue 4 (page 28), improper accounting for voided checks violates state laws for unclaimed property.

Cause

HAMC did not establish internal procedures to ensure that unredeemed checks are investigated on a regular basis and that voided checks are properly accounted for. Improper accounting of voided checks may be a result of insufficient training.

Recommendations

HAMC should:

A. Ensure that financial personnel are appropriately trained in accounting for voided checks.

B. Ensure all unredeemed checks are investigated and resolved prior to closing bank accounts.

C. Ensure that the preparer and reviewer of bank account reconciliations sign and date the reconciliation documents.

D. Ensure that the employee responsible for accounts payable is not responsible for related bank account reconciliations.

Issue 4 Unclaimed Property

Summary

HAMC did not comply with State of Arizona unclaimed property laws. As a result, HAMC overstated revenue and underreported liabilities. Penalties and interest could be assessed when unclaimed property is not properly remitted to the State of Arizona. HAMC should establish policies and procedures to account for unredeemed checks, and should comply with State statutes for unclaimed property.

Criteria

Arizona Revised Statute (ARS) §44-301 defines an apparent owner as a person whose name appears on record to the property held, which can be evidenced by money, check, warrant, draft, deposit, interest, or dividend.

ARS §44-302 and §44-307 specify that unclaimed property held by a court, government, governmental subdivision, or agency is presumed abandoned if it is unclaimed by the apparent owner and is presumed abandoned two years after the property becomes distributable. A holder of property that is presumed abandoned is required to report the property to the State.

ARS §44-326 provides for interest assessments of one and one-half percent per month, or a fraction of a month, for failure to report or send the State any and all unclaimed property. Penalties may also be assessed for willful failure to comply. Potential penalties could include: 1) a civil penalty of $100 for each day the report is withheld or the duty is not performed, up to a maximum of $5,000, and 2) a civil penalty of 25% of the value of the property that should have been paid or delivered.

Condition

In connection with our review of bank account reconciliations (Issue 3, page 25), we found that voided checks were incorrectly recorded as “Other Income” or as “Utility Assistance Payment” instead of being recorded as “Unclaimed Property” (a liability account).

In order to determine the value of misclassified, unredeemed, voided checks, we examined all 2010 and 2011 recorded entries to two financial system accounts: “Other Income” and “Utility Assistance Payments.” The following table summarizes $18,187 of voided checks that should have been treated as unclaimed property.

Voided Checks Not Recorded as "Unclaimed Property"			
Misclassified as "Other Income"	**2011**	**2010**	**Total**
HAMC – Public Housing	$3,787	$1,511	$5,298
City of Peoria – Public Housing	550	0	550
City of Peoria – Section 8	273	0	273
Subtotals	**$4,610**	**$1,511**	**$6,121**
Misclassified as "Utility Assistance Payment"			
HAMC – Section 8	$2,050	$10,016	$12,066
Totals	**$6,660**	**$11,527**	**$18,187**

Effect

Improper accounting of voided checks has understated financial liabilities and overstated revenue. Our review identified $18,187 of misstated unclaimed property in 2010 and 2011. Failure to report unclaimed property may lead to interest and penalty assessments from the State.

Cause

HAMC was unaware of the State's unclaimed property law.

Recommendations

HAMC should:

A. Establish policies and procedures to properly account for voided checks identified as unclaimed property.

B. Ensure that financial and accounting personnel are appropriately trained on State unclaimed property laws and procedures.

C. Investigate and correctly classify all previously posted voided checks.

D. File an Unclaimed Property Voluntary Compliance Agreement with the State.

E. Report unclaimed funds to the State.

Issue 5 Purchasing and Procurement

Summary

HAMC is not in compliance with its procurement policy. HAMC purchased goods in amounts that exceeded the competitive bidding requirements, and procured services that cumulatively exceeded vendor limits for competitive bidding. HAMC may not be receiving the best value for its dollar. HAMC should review and update its procurement policy and procedures to ensure contracts and purchases are reviewed and to ensure vendor payments do not cumulatively exceed limits.

Criteria

Procurement

The HAMC procurement policy requires the agency to award contracts based on competitive bidding. Amounts greater than $50,000 shall be approved by the Board of Commissioners. For vendor purchases greater than $2,000, and up to $50,000, the agency shall obtain at least three quotes. The policy specifically states that all contracts in excess of $50,000 shall not be divided to circumvent this requirement. Further, HAMC policy requires supervisory review and proper documentation of procurement transactions and payments to vendors.

Conflicts of Interest

Arizona Revised Statute (ARS) §38-503 states that any employee of a public agency who has, or whose relative has, a substantial interest in any contract, sale, purchase, or service to the agency shall disclose that interest, and refrain from voting or participating in any manner in that contract, sale, or purchase.

ARS §41-2613 states that causes for vendor debarment or suspension include conviction for embezzlement, theft, fraudulent schemes, bid rigging, perjury, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which affects the responsibility as a state contractor.

Condition

Procurement

HAMC is not in compliance with its procurement policy. We found HAMC purchased goods in amounts that exceeded the competitive bidding requirements, and procured services that cumulatively exceeded vendor limits for competitive bidding. We found several large purchases that were not competitively bid or sole sourced.

We reviewed vendors based on: (1) cumulative payment amounts during the fiscal year and (2) findings reported by HUD reviewers related to telecommunication services. We included all vendors paid more than $5,000, and all of those with payments for telephone, cellular phones, or data/Internet services. The results of our review are summarized in the following table.

FY 2011 Procurements	Number of Vendors Reviewed	Exceptions To Policy *	Exception Rate
All vendors with cumulative totals more than $50,000	26	22	84%
All vendors with cumulative totals between $5,000 and $50,000	10	5	50%
All vendors with payments for telecommunication services	5	0	0%
Totals	**41**	**27**	**65%**

* Note: We tested vendor transactions against numerous policy statements, including competitive bidding requirements, contracting rules, change order procedures, supervisory approvals, tracking, and documentation.

Conflicts of Interest

We selected 13 of the 41 vendors identified above, and 35 HAMC employees with potential authority to purchase items or enter into contracts. We performed public record searches on the selected vendors and employees. We did not find evidence of any debarred vendors, revoked contractor licenses, related parties, or conflicts of interest.

Effect

HAMC is exceeding its authority by authorizing procurements without proper approval. HAMC may not be receiving the best value for its dollar, and risks purchasing goods and services from vendors who are not acting in HAMC's best interests.

Cause

HAMC lacks sufficient monitoring and enforcement of procurement policies and procedures. Discussions with procurement and finance staff indicated that site managers were responsible for making their own purchases. Managers are delegating their procurement authority to employees and are not performing reviews as required by HAMC policy.

Recommendations

HAMC should:

A. Review and update the procurement policy, and corresponding procedures, to ensure that all procurements are appropriately documented and reviewed for compliance prior to contract award or purchase.

B. Implement procedures to ensure that vendors do not individually or cumulatively exceed competitive bidding limits.

Issue 6 Parts, Supplies, and Appliances

Summary

Accountability over inventories of maintenance parts, supplies, and appliances needs improvement. Although most of the parts and supplies used for public housing maintenance are relatively low cost items, over time, weak accountability increases HAMC's risk of significant inventory loss, misuse, or theft. HAMC should strengthen accountability by implementing consistent policies and procedures that incorporate effective controls for inventory management and security.

Criteria

Recipients of federal funds are expected to comply with federal guidelines. The Code of Federal Regulations (HUD Standards for Financial Management Systems) requires recipients to maintain effective control and account for all funds, property, and other assets. Assets must be safeguarded and used solely for authorized purposes. HAMC uses the HUD Housing Manager's Procedures Manual (November 2005) as a guide for managing maintenance assets. The manual requires that each organization should:

- Manage inventory controls and maintain adequate inventory levels
- Conduct annual physical inventories
- Store inventories in secure locations
- Record serial numbers for capital assets (such as appliances) in inventory records

Background

HAMC has 4 site offices and 12 warehouses that contain inventories of maintenance parts, supplies, and appliances. The warehouses contain various items such as batteries, air filters, caulk, paint, hardware, closet rods, weed killer, sprinklers, light fixtures, doors, range hoods, counters, fans, sinks, stoves, and refrigerators.

Over the past year, HAMC has been testing a computerized inventory management system at the Southwest Area (Avondale) site office. This trial inventory system is a module in the Housing Management System (HMS), which is used for general accounting. However, the module has not been fully implemented at Avondale and has not been introduced at the other three site offices.

We obtained an unaudited Madison warehouse inventory listing printed from the trial inventory system (Madison is one of the Avondale site warehouses). In our review, we identified roughly 86% of the inventory items were less than $25, 13% ranged from $25 to $100, and 1% from $100 to $420. This illustrates that HAMC maintenance inventories are generally low cost items, while appliances are high cost items. The total inventory value reported at June 30, 2011, in the FY 2011 audited financial statements was $106,126.

Condition

Based upon interviews, document reviews, and general observations at 2 of the 12 warehouses, we concluded that HAMC accountability over maintenance parts, supplies, and appliances should be improved. We observed the following control weaknesses:

General Accountability

- A formal tracking system is not currently in place for 3 of the 4 site offices; a partially implemented automated inventory system exists at the Avondale site office.
- Inventory tracking consists of performing annual physical inventory counts; more frequent comparisons of physical inventories with purchase and requisition records are not performed.
- Site managers rely on maintenance workers' knowledge of inventory levels when ordering materials.
- Work orders did not identify the warehouse that provided the part, supply, or appliance.
- The trial inventory system has been overridden to reflect physical inventory counts without formally recording the adjustments.

Appliances

We conducted a walk-through of the Avondale and Coffelt warehouses, which constitute 2 of the 12 storage locations. HAMC implemented various security measures to safeguard maintenance parts and supplies from unauthorized persons and deterioration. These measures include alarms, metal screens, gates, secured windows, and locks. However, appliances, such as refrigerators, stoves, and cooling units, lacked protection from both authorized and unauthorized persons. We observed the following control weaknesses:

- New appliances are stored in a warehouse, but are not recorded in a formal inventory list until placed in a housing unit.
- Cooling units at the Coffelt warehouse are outside, enclosed by a failing barbed-wire fence.

Inventory Counts

We obtained an inventory list from the Madison warehouse trial inventory system. As part of our review, we selected a sample of 15 categories from the inventory system. The categories included a total of 69 item units recorded in the system. During the physical observation, we counted 78 units; an overage of 22 units and a shortage of 13 units. The variances indicate that assets could be vulnerable to loss, misuse, and theft.

Parts, Supplies, and Appliances Summary of Physical Inventory Observation at the Madison Warehouse			
Items	**Recorded Unit Count**	**Observed Unit Count**	**Variance: Positive (Negative)**
No Variances: • Other Items	25	25	0
Positive Variances:			
• Refrigerators	2	9	7
• Exhaust Fans	1	2	1
• Paint (gallons)	10	17	7
• Other Items	1	8	7
Sub-Total	14	36	22
Negative Variances:			
• Medicine Cabinets	8	6	(2)
• Other Items	22	11	(11)
Sub-Total	30	17	(13)
Totals	**69**	**78**	**9**

Returned & Obsolete Items

No written policies exist for handling product returns or disposing of obsolete items. HAMC reported that product returns to vendors are coordinated by site managers in conjunction with the HAMC Finance Division accountant. Obsolete items are usually not sold, because they are kept for parts or are hauled away by a recycling or disposal company.

HAMC reported that some used appliances were sold for scrap. No policies and procedures are in place to guide the sale or disposal of obsolete items or to provide assurance that all such disposals were recorded in formal inventory schedules and the HAMC financial system. Weak inventory control practices prevent a reviewer from determining whether all scrap sales were properly accounted for.

In a similar manner, based upon HAMC's weak inventory controls and informal product return practices, it is impossible for a reviewer to identify inventory returns that should be credited to HAMC.

Effect

Inventory control weaknesses increase HAMC's risk for loss, misuse, or theft of maintenance parts, supplies, and appliances. HAMC recorded in their inventory system two refrigerators instead of nine.

Cause

HAMC policies and procedures have not been established and communicated to site managers. Site managers may not have had sufficient training to implement inventory system improvements.

Recommendations

HAMC should:

A. Formalize written policies and procedures for inventory management and accountability.

B. Complete the testing of the HMS inventory module and determine if it should be fully implemented at all site offices.

C. Communicate formal inventory management policies and procedures to site managers and provide training to them as needed.

Issue 7 IT Access Controls

Summary

While only a small group of HAMC users have access to HUD's Voucher Management System (VMS) module, HAMC user access controls need improvement to ensure access is limited based on job responsibilities. Inadequate user access controls may jeopardize system availability and data integrity. HAMC should: (1) establish formal user access management policies and procedures, (2) review current user access profiles and remove users with access beyond their job responsibilities, and (3) ensure user access profiles are consistent with approved user access forms.

Criteria

COBIT is an international, generally accepted, information technology (IT) control framework. We use COBIT for guidance to evaluate IT control requirements, technical issues, and business risks. The COBIT framework includes the following recommendations[3]:

- Establish and maintain approval procedures for system user accounts. Include specifics as to who grants access privileges and who approves access levels.
- Establish and maintain a formalized process for requesting, establishing, issuing, suspending, modifying, and closing user accounts (and related user privileges). Perform regular management reviews of all accounts and related privileges.

The Federal Information System Controls Audit Manual (FISCAM) provides a methodology for performing IT control audits in accordance with generally accepted government auditing standards. FISCAM recommends instituting policies and procedures for formal authorization of user access to information resources. Policies should address[4]:

- User access for routine operations.
- Emergency access.
- Data sharing (and disposition) with external groups.
- Segregation of duties.

Condition

HAMC uses the VMS module of the HUD software application for tracking vouchers and cash draws on federal funds awarded to HAMC. Users with coordinator-level access can approve user access and establish user lists within the HUD system. Coordinators are added and removed based on authorization from the HAMC Director.

---

[3] COBIT Section DS5.4, User Account Management

[4] FISCAM Section AC-3.1, User Accounts are Appropriately Controlled

During our review of VMS user access controls, we determined the following:

- HAMC did not have formal policies and procedures for establishing, modifying, or removing VMS module user access.
- HAMC has 24 active HUD users; 5 have access to the VMS module. In the last 12 months, only 1 of the 5 VMS users actually accessed the VMS module, indicating that only 2 employees need to have access to VMS (main user and one backup).
- 3 of the 5 users (60%) with VMS access did not have proper authorization for the VMS module, based on a review of the IT Systems Access and Permission Forms.
- HAMC has 6 users with coordinator access; 4 of the coordinators (66%) do not utilize the system to add or modify users. Because coordinators can grant, modify, or delete user access within the HUD system, including their own, the number of coordinators should be strictly limited (e.g., one main coordinator and one backup coordinator).
- HAMC has 31 terminated HUD users; 2 with coordinator access. (The terminated coordinator permissions have since been removed and application access revoked.)

Effect

Formal policies help to ensure that user access to VMS is properly authorized and that access levels are appropriate, based on current job responsibilities. Inadequate user access controls may jeopardize system availability and data integrity.

Cause

HAMC is resistant to make changes based on the perceived complications with the Federal HUD hierarchal environment.

Recommendations

HAMC should:

A. Establish formal policies and procedures over user access management (add, change, delete) for the VMS module.

B. Review and update current VMS and coordinator user access profiles based on job responsibilities.

C. Ensure user access profiles are consistent with approved IT Systems Access and Permission Forms.

Housing Authority Response

AUDIT RESPONSE
HOUSING AUTHORITY OF MARICOPA COUNTY
August 28, 2012

Issue #1 – HUD Corrective Action Status

HAMC has implemented corrective action for 22 of the 56 HUD recommendations, 34 of the recommendations still need to be implemented and closed.

Recommendation A: Review the open and questioned recommendations in the table and determine what additional work is needed to close the issues and sustain corrective action.

Response: Concur in part, and in progress. HAMC spent 2012 laser focused in its accountability and responsiveness to the HUD 2010 HUD Management and Financial Review corrective action plan, and as a result, significantly improved HAMC's organizational health and operations. HAMC submits that all corrective actions other than those pertaining to repayment plans and procurement are closed.

HAMC's proposed repayment plan is currently under HUD's review. HAMC concurs and HUD acknowledges that while many of the procurement issues of the past have been identified and rectified, elements of the Procurement and Contract Administration findings remain open and require follow up review and action. HUD's July 10, 2012 corrective action plan response and determinations are attached and support this text (Attachment A).

HAMC will fully review and address corrective actions identified by Internal Audit as having been closed by HAMC and HUD, but does not concur.

Target Completion Date: 06/28/13

Benefits/Costs: Improved process and increased accountability.

Recommendation B: Assess and engage the financial and personnel resources needed to implement and sustain all unfinished corrective action.

Response: Concur – in progress. In May 2012, HAMC contracted with a firm provide financial technical assistance to include conducting an evaluation of Finance staffing levels and competencies. The assignment is approximately 40% complete with an anticipated completion by 11/12 (refer to Attachment B).

Target Completion Date: 03/29/13

Benefits/Costs: Improved process and increased accountability.

Issue #2 – Financial Administration

Overall, HAMC has demonstrated weak financial management practices and has not consistently handled financial transactions in accordance with Generally Accepted Accounting Principles.

Recommendation A: Finalize and implement financial policies, procedures, and controls.

Response: Concur — In Process. Financial policies and procedures have been written and circulated for review and comment to County Finance Director and the County Transition Liaison. However, the policies and procedures require further careful review as well as incorporation of the many recommendations made in this document.

Target Completion Date: 06/28/13

Benefits/Costs: Improved processes, increased accountability, and reduced liability to the Housing Authority.

Recommendation B: Review and approve transactions at the appropriate management level.

Response: Concur. HAMC will address the identified control weaknesses.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability and reduced liability to the Housing Authority.

Recommendation C: Report capital assets and transactions accurately.

Response: Concur— In Progress.

Target Completion Date: 03/29/13

Benefits/Costs: Improved process and increased accountability.

Recommendation D: Segregate accounting duties such as processing payments, signing checks, and processing payroll.

Response: Concur – In Process. For example, check signing by dual signature is now largely an electronic process with appropriate network restrictions (PrintBoss). When the check stamp is needed, the checks are given to the custodian of the final signature (Administrator), and the Administrator now stamps the check and gives to her assistant to distribute/mail out.

As for payroll processing, the process has been largely segregated. In early 2012, HAMC outsourced this function to PayChex. Employees enter their own time, managers approve the time, and an accountant processes the payroll. Human Resources will take on the formal role of payroll review to include review of insurance and benefits payments.

HAMC has addressed and corrected previous errors it identified in outstanding benefit liabilities that should have been paid by employees.

Target Completion Date: 03/29/13

Benefits/Costs: Increased accountability and reduced liability to the Housing Authority.

Recommendation E: Record accounting adjustments in HAMC's financial accounting system.

Response: Concur.

Target Completion Date: 1/31/13

Benefits/Costs: Improved process and increased accountability.

Recommendation F: Organize and structure the Chart of Accounts to comply with HUD guidelines.

Response: Concur—In Process. The updated HUD Chart of Accounts along with the Financial Data Schedule (FDS) accounts are currently being updated to the HAMC's general ledger system. This update will allow for the quick ratio indicators measured by HUD to score the Housing Authority.

Target Completion Date: 1/31/13

Benefits/Costs: Improved process and increased accountability.

Issue #3 – Bank Accounts

We found that HAMC consistently reconciled its eight bank accounts for calendar year 2011. However, we found improper accounting of voided checks, weak controls over work assignments, and lack of evidence that reconciliations were reviewed by a supervisory.

Recommendation A: Ensure that financial personnel are appropriately trained in accounting for voided checks.

Response: Concur. The accounting for voided checks is also adhering to the guidance on escheated checks and proper reporting to the State for unclaimed property.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability and reduced liability to the Housing Authority.

Recommendation B: Ensure all unredeemed checks are investigated and resolved prior to closing bank accounts.

Response: Concur. The finance procedures will be updated to explain the accountability for processing an unredeemed check.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability and reduced liability to the Housing Authority.

Recommendation C: Ensure that the preparer and reviewer of bank account reconciliations sign and date the reconciliation documents.

Response: Concur. An improved process has been created. The document form has been updated to ensure both the preparer and the reviewer sign and date. Improved practices will be formally documented in policy.

Target Completion Date: 1/31/13

Benefits/Costs: Improved process and increased accountability.

Recommendation D: Ensure that the employee responsible for accounts payable is not responsible for related bank account reconciliations.

Response: Concur. In the short term, the employee has been advised they are not reconciling the related accounts payable bank accounts. This task has been assigned to one of the other Finance staff. Improved practices will be formally documented in policy.

Target Completion Date: 1/31/13

Benefits/Costs: Improved processes, increased accountability, and reduced liability to the Housing Authority.

Issue #4 – Unclaimed Property

HAMC did not comply with State of Arizona unclaimed property laws.

Recommendation A: Establish policies and procedures to properly account for voided checks identified as unclaimed property.

Response: Concur. Procedures are in progress and will be made a part of the financial policies.

Target Completion Date: 03/29/13

Benefits/Costs: Improved process and increased awareness of regulatory changes.

Recommendation B: Ensure that financial and accounting personnel are appropriately trained on State unclaimed property laws and procedures.

Response: Concur.

Target Completion Date: 1/31/13

Benefits/Costs: Improved process and increased accountability.

Recommendation C: Investigate and correctly classify all previously posted voided checks.

Response: Concur—in progress. Investigation has started for the Section 8 checks for the time period 2005 - present. Soon the same will be performed on Public Housing voided checks.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability.

Recommendation D: File an Unclaimed Property Voluntary Compliance Agreement with the State.

Response: Concur—Completed

Target Completion Date: Approved by the State August 22, 2012 (see Attachment C)

Benefits/Costs: Increased accountability.

Recommendation E: Report unclaimed funds to the State.

Response: Concur.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability and reduced liability to the Housing Authority. Please see attached notice.

Issue #5 – Purchasing and Procurement

HAMC is not in compliance with its procurement policy. HAMC purchased goods in amounts that exceeded competitive bidding requirements and procured services that cumulatively exceeded vendor limits for competitive bidding.

Recommendation A: Review and update the procurement policy, and corresponding procedures, to ensure that all procurements are appropriately documented and reviewed for compliance prior to contract award or purchase.

Response: Concur—In progress.

Target Completion Date: 06/28/13

Benefits/Costs: Improved process and increased awareness of regulatory changes.

Recommendation B: Implement procedures to ensure that vendors do not individually or cumulatively exceed competitive bidding limits.

Response: Concur. Formal cumulative spend monitoring and procedures will be developed and implemented.

Target Completion Date: 08/30/13

Benefits/Costs: Improved process and reduced liability.

Issue #6 – Parts and Supplies

Accountability over inventories of maintenance parts, supplies, and appliances should be improved.

Recommendation A: Formalize written policies and procedures for inventory management and accountability.

Response: Concur.

Target Completion Date: 1/31/13

Benefits/Costs: Improved process and increased awareness of regulatory changes.

Recommendation B: Complete the testing of the HMS inventory module and determine if it should be implemented at all site offices.

Response: Concur—Completed. This inventory module has been piloted at a site for the last year, and HAMC has decided on implementation roll out of 10/12 and full implementation 03/13.

Target Completion Date: Complete

Benefits/Costs: Increased accountability and reduced liability.

Recommendation C: Communicate formal inventory management policies and procedures to site managers and provide training to them as needed.

Response: Concur—Inventory control policies and procedures need to be developed. HMS Inventory module training will be required for site management teams. Implementation and ongoing inventory management expectations will be written into the performance management plans of employees responsible for this business process.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability and reduced liability.

Issue #7 – IT Access Controls

While only a small group of HAMC users have access to HUD's Voucher Management System (VMS) module, HAMC user access controls need improvement to ensure access is limited based on job responsibilities.

Recommendation A: Establish formal policies and procedures over user access management (add, change, delete) for the VMS module.

Response: Concur.

Target Completion Date: 1/31/13

Benefits/Costs: Increased accountability.

Recommendation B: Review and update current VMS and coordinator user access profiles based on job responsibilities.

Response: Concur.

Target Completion Date: 09/30/12

Benefits/Costs: Increased accountability and reduced liability to the Authority.

Recommendation C: Ensure user access profiles are consistent with approved IT Systems Access and Permission Forms.

Response: Concur.

Target Completion Date: 09/30/12

Benefits/Costs: Increased accountability.

Approved By: _____ 8-30-2012
Executive Director **Date**

Attachment A

U.S. Department of Housing and Urban Development

Phoenix Field Office
One North Central, Suite 600
Phoenix, Arizona 85004-4414
www.hud.gov/arizona.html

OFFICE OF PUBLIC HOUSING

July 10, 2012

Ms. Gloria Muñoz
Executive Director
Housing Authority of Maricopa County
2024 N. 7th Street, Suite. 101
Phoenix, AZ 85006-2101

Subject: FY2010 Management and Financial Review Corrective Action Plan - Response

Dear Ms. Muñoz,

We have reviewed the Housing Authority of Maricopa County's (HAMC) responses dated February 29, 2012, March 22, 2012, April 24, 2012 and June 4, 2012 to the actions and plans taken and targeted completion dates identified in the management review's Corrective Action Plan.

Several of the CAP responses to the findings and concerns have been satisfied and are closed. However, there are several findings which remain open and must be responded to within 60 calendars days from the date of this letter.

Section I:	**Financial Management - Corrective Action (CA)**	**Closed Findings**
Finding #1.1c:	Bad Debt Expense (VMS)	Closed - 2/29/12
Finding #1.2:	Standard Operating Procedures (*)	Closed - 2/29/12
Finding #1.5:	Income Statement Account FY2009	Closed - 2/29/12
Finding #5.2:	Internal Control (Same as Finding 10)	Closed - 2/29/12
Finding #6:	Cost Allocation Plan	Closed - 2/29/12
Finding #8:	Investment Policy	Closed - 2/29/12
Concern #2:	Financial Policies	Closed - 2/29/12

Section I:	**Financial Management – Corrective Action (CA)**	**Open Findings**
Finding #2.1	Unallowable Credit Card Expense	Repayment Plan
Finding #3.3:	Bilsten Contract	Repayment Plan
Finding #4:	Severance Pay Executive Director	Repayment Plan

***Note: Finding 1.2 is closed however, HAMC must provide to the Field Office copies of any correspondence with the Quality Assurance Division associated with the QAD report review findings of October 24, 2011.**

Section II: Governance – Corrective Action (CA) **Closed Findings**
Finding #10: Failure to Properly Execute Authority (ED) Closed - 6/04/12
Finding #11: Executive Director Performance Evaluation Closed- 2/29/12

Section II: Governance – Corrective Action (CA) **Open Findings**
Finding #9 Conflict of Interest Repayment Plan

Section III: Personnel Management - Corrective Action (CA) **Closed Findings**
Finding #12: Written Performance Standards/Classified Employees Closed - 2/29/12
Finding #24: Section 3 Policy Closed - 2/29/12

Section III: Personnel Management - Corrective Action (CA) **Open Findings**
Finding #15: Personnel Policy-Hiring of family members Repayment Plan
Finding #20: Relocation Policy and Procedures Repayment Plan

Section IV: Procurement & Contract Administration - Corrective Action (CA) Closed Findings
Finding #26: Procurement documents and proposed consulting contracts are no longer required to be submitted to HUD for review prior to award. Closed - 2/29/12

Section IV: Procurement & Contract Administration - Corrective Action (CA) Open Findings
(See additional open procurement finding corrective actions under the repayment plan section below)
Finding #25: Procurement Training and Policy - HUD has concern that procurement policy and training material submitted on March 22, 2012, may be incomplete or misinterpreted. HUD will provide HAMC with the specific deficiencies related to this finding in a following-up review (report) scheduled for July 16, 2012. It is further noted that HAMC only provided HUD with its policies not its procedures. A copy of the HAMC procurement procedures should be provided at time of follow-up review.

Finding #25 (b): Procurement Training and Policy - HUD has concern that procurement policy and training material submitted on April 24, 2012, may be incomplete or misinterpreted. HUD will provide HAMC with the specific deficiencies related to this finding in a following-up review (report) scheduled for July 16, 2012. It is further noted that HAMC only provided HUD with its policies not its procedures. A copy of the HAMC procurement procedures should be provided at time of follow-up review.

Section V: Capital Funds - Corrective Action (CA) **Open Finding(s)**
Concern #8: Improper Charge of Funds - Finding to remain open with a target date of 08/31/2012. PHA has not responded to finding.

Repayment Plan - Corrective Action (CA) **Open Findings**
On February 29, 2012, HAMC submit its repayment plan to HUD for acceptance and approval. The repayment plan is based on funds identified in ineligible consulting contracts and lack of operational internal controls that should not have been paid by the housing authority in violation of requirements such as procurement practices, reasonable cost and necessity, and ineligible cost.

As part of the repayment plan, HAMC will use property management and bookkeeping fees to cover expenses not related to direct expenses but, used for covering indirect personnel cost such

as gross salaries and benefits and state and federal employee payroll taxes. The total earned and paid to HAMC is $176,837.53 during 10/2008 – 2/2011. Indirect charges during that time amounted to $151,130.46 a difference of $25,707. HAMC proposes to use these funds to pay the HCV and Public Housing program unallowable expenses in this report.

There are number of open findings in which HAMC is proposing a reduction in the repayment amount as described in HUD's August 20, 2010 report. HAMC must provide to HUD additional explanation and/or documentation as evidence to support the proposed reduced amounts. The documentation should include evidence of the total funds related to the HCV or public housing programs that were actually paid against the questionable purchase order and/or contractual expense amount approved.

1) Governance: Finding 9 - HAMC proposes the reduction of the Conflict of Interest finding for World Class Consultant contract from $40,350.00 to $3,825.00. HUD acknowledges that $24,000 for NSP has been addressed, however; there remains a total of $16,350.00 unresolved. It should be noted that of the $16,350.00, funds in the amount of $12,525 was paid from HAMC's account 500 and $3,825 from account 900.
2) Procurement: Finding 26 - Website Development (Arvisu) - $5,085.00
3) Procurement: Finding 26 - Public Relations (Arvisu) - $11,610.00
4) Procurement: Finding 26 - Admin Assistant (Gaynor) - $7,145
5) Procurement: Finding 26 - World Class (Madison Heights) - 0
6) Procurement: Finding 26 - World Class (Long Term Goals) - 0

All other finding amounts requiring repayment as submitted and described in the February 29, 2012 proposed repayment plan are acceptable and approved.

Finally, attached is an updated Corrective Action Plan which illustrates open and closed corrective actions as of the date of this letter.

If you have any questions, please contact Margaret Skiffer at (602) 379-7185 or Margaret.M.Skiffer@hud.gov.

Sincerely,

Barbara Gallegos
Program Center Coordinator

c. Irma Hollamby
Karen Mofford

HUD MANAGEMENT AND FINANCIAL REVIEW
March 15-26, 2010

CORRECTIVE ACTION PLAN

SECTION I: FINANCIAL MANAGEMENT FINDINGS	CORRECTIVE ACTION	ACTIONS PLANNED/TAKEN	TARGET DATE	COMPLETION DATE
1. Mismanagement of Housing Choice Voucher Program	1. a) HAMC must make the prior period adjustments to the FY2008 financial statements to correct the material misstatements made relating to the accounting entries to the *Allowance for Uncollectible Accounts* contra account and the *bad debt expense* account for the Housing Choice Voucher Program.	A prior period adjustment will be completed for FY2008 financial statements as part of the annual audit as appropriate	01/31/2011	**12/31/2010 Closed**
	b) The Administrative Fee Equity computation is to be revised. A reversal of the *bad debt expense* may erase the Admin Fee operating deficit for FY2008, and the necessity to pay for the deficit with non-HUD funds that goes along with it.	The Administrative Fee Equity computation will be revised as necessary	12/31/2010	**12/31/2010 Closed**
Lead: Karen	c) HAMC is to review impact of the *bad debt expense* on the administrative expense line item in the Voucher Management System (VMS) and make changes as necessary.	HAMC will review the HAP vs. Admin. Reversal. Journal entries will be made as necessary	02/29/2012	**2/29/12 Closed**
Lead: Debbie	2. HAMC must <u>develop and implement standard operating procedures</u>, as well as internal controls, for activities related to managing, billing, and collecting of portability vouchers for the HCV program	Procedures for Portability Voucher Management have been completed and submitted to HUD	02/29/2012	**2/29/12 Closed** **10/24/11 QAD Report Finding 3**
	3. HAMC must pay back to the Housing Choice Voucher program, from non-Federal sources, $110,826, the amount of the deficit from the HAP Equity Calculation for FY2009. If the Authority does not have the on-Federal	The repayment amount has been reduced to $69,803 by HUD. HAMC will submit revised HAP Equity Calculations to HUD for review.	03/31/2011	**12/31/2010 Closed**

Lead: Karen	assets to pay this amount, they are to submit a plan to repay the funds over time. Revisions in the Admin Fee Equity computation (see corrective action #1) may result in unrestricted Admin Fee reserves being used to pay the Hap Equity deficit.	HAMC will submit a repayment plan to HUD for approval.	03/31/2011	**12/31/2010 Closed**
Lead: Karen	4. HAMC must review and provide an explanation for possible discrepancy in HAP expenses listed in VMS for FY2009 ($13,132,903) and HAP expenses listed in general ledger ($13,514,094)	HAMC will reconcile VMS and the general ledger. A written explanation of any differences noted will be submitted to HUD.	03/31/2011	**03/31/2011 Closed**
Lead: Karen	5. HAMC must provide an explanation why income statement accounts were not closed out on their general ledger at the end of the FY 2009 fiscal year.	A written explanation and justification has been developed and submitted to HUD.	02/29/2012	**02/29/12 Closed**
2. Misuse of Program Funds via the Housing Authority Credit Card. **Lead: Karen**	1. HAMC must reimburse the HUD programs in the amount of $4,225 for unallowable expenses charged to the credit card.	HAMC will submit a repayment plan for the unallowable expenses.	08/31/2012	**Repayment Plan under Review**
Lead: Connie	2. HAMC must develop and implement a written policy on credit card use for Authority employees.	The Credit Card Policy has been submitted to HUD. See Resolution 000224	12/08/2010	**12/08/2010 Closed**
3. HAMC Expenditures of HUD Program Funds on Consultant Contracts Violated 2 CFR Part 225 (OMB Circular A-87) Cost Allowability Requirements and the Annual Contributions Contract (ACC). **Lead: David**	1. HAMC must state clearly in their procurement policy that consultant contracts are to be subject to competitive Requests for Proposals, in accordance with 24 CFR Part 85.	Procurement Policy under 1.0 General Provisions subsection 1.1 Purpose was submitted to HUD. See Resolution 000247	12/08/2010	**12/08/2010 Closed**
	2. The HAMC must ensure their procurement policy and procedures fully address hiring consultants to ensure the following: consultants will only be hired for expertise that is not available on staff, that the duties assigned to consultants meet OMB Circular A-87 (through competitive procurement).	Procurement Policy 2.4 Competitive Proposals & Qualifications Based Selection was submitted to HUD. See Resolution 000247	12/08/2010	**12/08/2010 Closed**

Lead: David				
Lead: Karen	3. The Authority must repay the Low Rent Housing program, from non-Federal sources, $40,485, the amount paid on the consultant contracts with Bilsten and Associates.	HAMC will submit a repayment plan to HUD for approval.	08/31/2012	**Repayment Plan under Review**
4. Severance Pay to Executive Director Did Not Meet Cost Allowability Requirements in 2 CFR Part 225, (OMB Circular A-87). **Lead: Karen**	The HAMC must pay back to the HUD programs from non-Federal funds the cost of the severance pay and benefits paid to the former Executive Director that exceeds the normal severance benefit for an employee with 20 months service. This amount is estimated to be approximately $26,300.	HAMC will submit a repayment plan to HUD for approval.	08/31/2012	**Repayment Plan under Review**
5. The Former Executive Director Violated Federal Procurement Requirements and HAMC Policy by Hiring Family Members for Repair Jobs. **Lead: David**	1. The HAMC must provide a copy of their procurement policy that clearly identifies the prohibited conflicts of interest that is acceptable to HUD.	Procurement Policy 6.0 Ethics in Public Contracting Subsection 6.2 Conflict of Interest was submitted to HUD. See Resolution 000247	12/08/2010	**12/08/10 Closed**
Lead: Laura	2. The Authority must provide a copy of an internal control policy (acceptable to HUD) that includes internal controls for preventing misconduct by an Executive Director.	HAMC will provide copies of the declarations signed by executive director and deputy director. HAMC will revise its Conflict of Interest and Ethics policies for consistency with County policies. A copy of the revised policy will be provided to HUD for review.	02/29/2012 02/29/2012	**02/29/12 Closed** **02/29/12 Closed**
6. Cost Allocations of Indirect Overhead Were Not Properly Distributed to All Programs **Lead: Karen**	Provide a cost allocation plan that is compliant with OMB Circular A-87. Include the methodology for allocating costs of employees working in more than one program as well as indirect cost allocations for expenses such as the cost of operating and maintaining facilities	The cost allocation overhead for NSP and Peoria will be reviewed for inconsistency and revised accordingly. HAMC will request technical assistance if necessary to complete a cost allocation plan	02/29/2012	**02/29/12 Closed**

7. HAMC Did Not Have Executed General Depository Agreements **Lead: Karen**	HAMC must provide copies of executed General Depository Agreements for program bank accounts and investment securities.	General Depository Agreements were submitted to HUD	12/08/2010	**12/08/2010 Closed**
8. The HAMC Failed to Adequately Manage Cash Reserves to Maximize Interest Income During Fiscal Year 2009. **Lead: Karen**	In accordance with the Authority's Investment Policy, it is to adopt an investment strategy to safely maximize the return on Authority reserves. A copy of the strategy and policy is to be provided to HUD.	An investment strategy and policy will be updated and documented, and a Resolution adopting the policy will be submitted to HUD	02/29/2012	**02/29/12 Closed**
CONCERN	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
1. Housing Authority Health Insurance Costs are Higher Than Normal **Lead: Laura**	HAMC should compare health insurance costs they are paying with health insurance costs paid by Maricopa County and other local municipalities. If HAMC costs are significantly higher, the Authority should research and explore lower costing alternatives.	The current insurance plan is locked in until June 2011. HAMC will review its current insurance plan with its broker and with the County to determine the lowest cost option for benefits consistent with those offered to County employees	06/30/2011	**06/30/2011 Closed**
2. HAMC Should Develop and Implement Written Guidelines for Several Financial Functions. **Lead: Karen & Laura**	Provide copy of financial policies and procedures for the Authority that includes: Travel policy, Credit Card Policy and Internal Controls Policy.	The Credit Card Policy has been submitted to HUD. See Resolution 000224	12/08/2010	**12/08/2010 Closed**
		The travel policy will be updated and submitted to HUD	02/29/2012	**02/29/12 Closed**
		The Internal Control policy for financial operations will be provided to HUD.	02/29/2012	**02/29/12 Closed**

SECTION: II GOVERNANCE FINDINGS	CORRECTIVE ACTION	ACTIONS PLANNED/TAKEN	TARGET DATE	COMPLETION DATE
9. Conflict of Interest Violation **Lead: David**	The Authority must repay within the time period as specified in the report the total disbursed amount of $40,350.00 to World Class Services. This payment must be paid with non-federal funds as described.	HAMC will submit a repayment plan will be submitted to HUD for review and approval	08/31/2012	**Repayment Plan under Review**
10. Failure to Properly Execute its Authority over the Executive Director Position. **Lead: Karen & Connie**	The Board of Commissioner's must develop distinct policies which govern their principle roles and responsibilities for accountability and authority, and submit to HUD.	Maricopa County is in the process of dissolving the existing Board of Commissioners and establishing a new Board of Commissioners to oversee HAMC operations. A new set of bylaws will be developed for the Board of Commissioners in relation to this action. The revised bylaws will be submitted to HUD for review once completed.	02/29/2012	**06/04/12 Closed**
11. Failure to Adequately Document the Performance Evaluation of the Executive Director. **Lead: Laura**	The Board must provide to HUD all financial and contract documents related to the debt and property equity commitments and the non-restricted funds used to confirm the August 31, 2009 performance goals. These records should total the amounts as specified. If this documentation cannot be provided, the Authority must repay the $15,000 of deferred compensation provided to the Director from non-Federal funds.	HAMC will submit repayment plan will be submitted to HUD for review and approval.	02/29/2012	**02/29/12 Closed**
CONCERN	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
3. HAMC Has Two Different Mission Statements **Lead: Connie**	The Commission must insure that staff is aware that the mission statement must be approved by the Commission. Any changes to the mission statement must be approved by resolution.	The HAMC Board of Commissioners by-laws were updated to reflect the Mission Statement in Agency Plan Resolution 000263	12/08/2010	**12/08/2010 Closed**

4. Board of Commissioner's By-Laws Do Not Address Primary Responsibilities **Lead: Connie**	The Commission should review and revise its By-Laws to insure their roles and responsibilities are written in detail and with unanimity. An update of the By-Laws must be provided to HUD as part of the response report.	Maricopa County is in the process of dissolving the existing Board of Commissioners and establishing a new Board of Commissioners to oversee HAMC operations. A new set of bylaws will be developed for the Board of Commissioners in relation to this action. The revised bylaws will be submitted HUD for review once completed.	02/29/2012	**02/29/12 Closed**
SECTION: III PERSONNEL MANAGEMENT FINDINGS	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
12. Failure to Insure Written Performance Standards for Classified Positions; Failure to Ensure Standard Evaluation Forms are Used; Failure to Ensure Management's Timely Completion and Appropriate Filing of all Required Evaluations for Classified Employees. **Lead: Laura**	The HR Manager must develop and submit for Board approval standardized performance appraisal forms by position type. The HR Manager must conduct training for all management staff on the agency's personnel policy and procedures, required forms, and establish timelines for all required appraisal evaluations in the personnel policy. The HR Manager must provide HUD with the date of the scheduled training as part of the agency's response to this report. HR must also submit a copy of the training agenda, a signed attendee list and all relevant material from the training to HUD within 30 days of the completion date of the training.	HAMC will create measurable performance standards for all positions. HAMC will work with Maricopa County; to create a standard performance plan and evaluation forms; and to create a tickler system to ensure timely completion and filing of performance evaluations. HAMC will create a training plan for its employees. This plan will be updated periodically as needed. Training agendas and relevant training materials will be submitted to HUD as requested.	02/29/2012 02/29/2012 02/29/2012	**02/29/12 Closed** **02/29/12 Closed** **02/29/12 Closed**
13. Failure to Monitor and Enforce Cell Phone Policy	HR and Accounting Department must review all excessive cell phone charges. HR must insure the appropriate supervisor send a letter of reprimand (Progressive stages 1) to employees in default informing them of their default and requirement to pay the charges due or face the next progressive step of reprimand. HR must send a reminder letter to all employees who are provided cell phones, explain the policy, insure	HAMC will enforce its current cell phone policy and insure consistency among employees. HAMC Accounting will review all cell phone billings going forward. Employees with excess charges will be required to repay these charges within the designated time frame as specified by the policy.	03/31/2011	**03/31/2011 Closed**

Lead: Laura	the development of a standard and formal notification to employees of excessive cell phone chares due, and stress the re-enforcement of the repayment policy. The HAMC may want to impose a payment plan/due date (within one week of notification) as a part of its cell phone enforcement policy. A copy of the letters enforcing the policy and any policy amendments must be sent to HUD as part of this response.	A copy of the revised policy will be sent to HUD.		
14. Inconsistent Record Keeping of Employee Files. **Lead: Laura**	The HR must insure all supervisors complete and maintain employee files in a consistent manner. The HR must develop and conduct training for all management and front-line supervisors to insure these files are developed and maintained. The HR Manager must provide HUD with the date of the scheduled training as part of the agency's response to this report. HR must also submit a copy of the training agenda, a signed attendee list and all relevant material from the training to HUD within 30 days of the completion date of the training.	HAMC will develop a file check list for all official employee records. This system of record keeping will be approved by the new executive director. A copy of the checklist will be provided to HUD. HAMC will train appropriate individuals on the file checklist. Training agendas and relevant training materials will be submitted to HUD.	03/31/2011 03/31/2011	**03/31/2011 Closed** **03/31/2011 Closed**
15. Agency's Exception Rule on Hiring a Relative of an Employee in Violation of ACC Conflict of Interest Requirements. **Lead: Karen**	The HAMC must repay all of the employee's wages from December 2, 2009 to January 8, 2010. Total number of hours worked is approximately 172x$14.00 or $2408.00	HAMC will submit a repayment plan for the unallowable expenses.	06/30/2011	**03/31/11 Closed**
16. HAMC Failed to Regularly Review and Maintain Adequate Files on Employee Driving Records. **Lead: Laura**	HR must <u>develop a written procedure on how it will insure the implementation of this policy.</u> The procedure must also show what HAMC will do to enforce the policy. A <u>copy of the procedures and process must be submitted to HUD</u> as part of this report response.	HAMC will develop a policy and procedures consistent with the County's policies and procedures and submit them to HUD for review.	06/30/2011	**06/30/11 Closed**
17. Inconsistent Implementation of Disciplinary Action.	HR should conduct a sample annual review of the disciplinary actions and progressive steps issued by management to insure the consistency of procedures taken and actions given by each manager are in accordance with	HAMC will create measurable performance standards for all employees. HAMC will work with Maricopa County to create a standard performance plan and	08/15/2011	**09/30/11 Closed**

Lead: Laura	personnel policy. The HR must develop and conduct training for all management and front-line supervisors to insure the equal distribution of disciplinary actions for personnel violations. The HR Manager must provide HUD with the date of the scheduled training as part of the agency's response to this report. HR must also submit a copy of the training agenda, a signed attendee list and all relevant material from the training to HUD within 30 days of the completion date of the training.	evaluation forms, and to create a tickler system to ensure timely completion and filing of performance evaluations. Disciplinary actions and progressive steps will be developed consistent with County policies. HAMC will create a training plan for its employees. This plan will be updated periodically as needed. Training agendas and relevant training materials will be submitted to HUD.	08/15/2011 08/15/2011	**09/30/11 Closed** **09/30/11 Closed**
18. Failure to Maintain Adequate File Documentation for Administrative Leave Notification. **Lead: Laura**	The HAMC should develop a notification form letter for Administrative Leave actions. This letter will ensure all areas of the policy requirements are stated within. A copy of the letter should be sent to HUD in the response to this report.	HAMC will develop a notification form letter for administrative leave actions that is consistent with County policy. A copy of the letter will be sent to HUD when developed.	06/30/2011	**03/31/2011 Closed**
19. Failure to Follow Disciplinary Action Requirements and Employees Rights to Appeal.	HR must insure management is following personnel disciplinary procedures in all cases. HR must develop and conduct training for all management and front-line supervisors to insure all steps of the policy and procedures of disciplinary actions for personnel violations are followed. The HR Manager must provide HUD with the date of the scheduled training as part of the agency's response to this report. HR must also submit a copy of the training agenda, a signed attendee list and all relevant material from the training to HUD within 30 days of the completion date of the training.	HAMC will develop and conduct training for all management and front-line supervisors to insure all steps of the policy and procedures of disciplinary actions for personnel violations are followed. Training agendas and relevant training materials will be submitted to HUD as requested.	08/15/2011 08/15/2011	**09/30/11 Closed** **09/30/11 Closed**

Lead: Laura				
20. Lack of Written Relocation Policy and Procedures **Lead: Laura**	The HR must amend the Personnel Policy if it plans to offer payment for relocation for new hires. The policy should include authorization of obligations and limitation of expenditures. If the Authority does not intend to pay relocation for new hires, the Authority should submit a Board Resolution to that effect. The Authority must repay within the time period as specified in this report the total amount of $1000.00 distributed to the employee for relocation. This payment must be paid with non-Federal funds as described.	HAMC will develop a relocation policy for new hires. HAMC will provide HUD with documentation of the actual reimbursement paid of $840.11. HAMC will submit a repayment plan for the unallowable expenses.	08/15/2011 03/31/2011	**03/31/2011 Closed** **03/31/2011 Closed**
21. Expired Temporary Hiring Contract; Lack of Monitoring of Temporary Hiring Contracts; Lack of Personnel File Maintenance and Record Keeping for Temporary Employees. **Lead: Laura**	HAMC through its HR department must maintain personnel temporary hiring records and monitor the compliance of the contractual services to assist in determining contract renewal. HR must develop and provide to HUD its record keeping process on temporary hires. HR through its procurement division must re-negotiate the expired agreement immediately (30 calendar days), and upon execution send a copy to HUD as part of the response to this report.	HAMC will develop a recordkeeping system for temporary personnel hiring records. HAMC will provide a copy of the re-negotiated contract with Goodwill to HUD.	03/31/2011 03/31/2011	**03/31/2011 Closed** **03/31/2011 Closed**
22. Lack of Internal Written Procedures for Applicant Processing/New Hires; Incomplete and Inconsistent Applicant Recruitment Files. **Lead: Laura**	As a part of the response to this report, HR Manager must review the recently hired applicant files to insure all required documentation is included and policies appropriately followed. After this review, HR must submit to HUD its results and assurance that all current and future records are in compliance with its policy.	HAMC will review its Merit Rules-written procedures for recruiting and the contents of applicant files for consistency with County policy and procedures. A check list will be prepared for all files. HAMC will ensure that all current and future records are in compliance with its policy.	08/15/2011	**09/30/11 Closed**

23. Incorrect Use and Payment of Employment Compensation **Lead: Laura**	Payroll/HR must send official notification to all employees (regular, contracted, granted funded) regarding the personnel policy requirements regarding the timely completion, documentation and supervisor approval of their time card, and advise them that compensatory time is not permitted.	HAMC will notify all employees of the procedures for completion and approval of timecards. Staff will be reminded that compensatory time is not permitted.	01/31/2011	**01/31/2011 Closed**
24. Failure to Develop and Adopt a Written Section 3 Policy and Procedures **Lead: Laura**	The Authority must develop and adopt a Section 3 policy (it is recommended this be incorporated into the Personnel Policy), train staff accordingly and maintain accurate records associated with the requirements. A copy of the policy/procedures must be provided to HUD as part of the response to this review.	HAMC will work with Maricopa County Human Services to adopt and utilize a Section 3 policy that is consistent with the one currently in use with the CDBG, HOME, and NSP programs. HAMC will ensure staff attend Section 3 compliance specific to public housing and section 8 programs.	02/29/2012	**02/29/12 Closed**
CONCERN	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
5. Failure to Properly Document and Approve an Employee's Outside Employment **Lead: Laura**	HR must correct the file documentation to insure the policy has been followed by informing the employee that they are required to request in writing and receive written approval from their supervisor. A copy of the supervisor's approval must be placed in the employee's personnel file. A copy of the revised request and approval must be submitted to HUD as part of the response to this report.	HAMC has corrected the employees' personnel files. Documentation will be sent to HUD	12/08/2010	**12/08/2010 Closed**
6. Failure to Develop and Adopt its Own Permanent Record Policy.	The Authority must develop and adopt its own policy that is applicable to HUD-funded programs. The Authority must train its management staff on the policy and provide a copy of the policy to all staff to ensure implementation and compliance. A copy of the policy must be provided to HUD as part of the	HAMC will adopt a records retention policy and a records retention schedule that is consistent with the County's policy and records retention schedule. A copy of the policy and retention schedule will be made available to	06/30/2011	**09/30/11 Closed**

Lead: Laura	response to this report.	all employees. A copy of the policy and schedule will also be provided to HUD when completed.		
OBSERVATION	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
1. Failure to develop and implement staff training plans. **Lead: Laura**	HR should work with all department areas to ensure a staff training plan is developed that includes annual mandatory trainings and position specific training that would improve employees ability to effectively complete the job.	Observation noted and will be taken under advisement with new executive director.	08/15/2011	**Response Not Required**
2. Failure to Develop and Adopt a Continuation of Operations Plan for Disasters and Emergencies. **Lead: Debbie & Rosha**	The Authority should develop and train staff o a Continuation of Operations Plan for Disasters and Emergencies. The Plan should ensure the Authority is adequately prepared for an emergency to efficiently and effectively facilitate IT Security, evacuation of residents and reduce facility property damages.	Observation noted and will be taken under advisement with new executive director.	08/15/2011	**Response Not Required**
SECTION: IV PROCUREMENT & CONTRACT ADMINISTRATION FINDINGS	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
25. The HAMC Procurement Policy Does Not Comply with Federal Requirements **Lead: David**	The Procurement Policy and Procedures must be revised to correct the deficiencies noted and referred to, and to ensure consistency between the two documents. The revisions must be approved by the Commission and training on the new revised documents as well as part 85.36, HUD Procurement Handbook, and 24 CFR Part 225 must be provided to appropriate staff, including management staff, and at least one member of the Commission. A copy of the revised document, the adopting resolution, a list identifying employees trained on the revisions, and the date of the training must be provided to the HUD Office.	Procurement Policy 2.0 Procurement Methods Subsection 2.2 Simplified Acquisition, paragraphs C & D submitted to HUD. See Resolution 000247. HAMC will create a training plan for its employees. This plan will be updated periodically as needed. Training agendas and relevant training materials will be submitted to HUD as requested.	12/08/2010 02/29/2012 02/29/2012	**12/08/10 Closed** **Under Follow-up Review** **Remain Open Under Follow-up Review** **Remain Open Under Follow-up Review**

26. The HAMC Violated Federal and HUD Small Purchase Procedures, Contract Requirements, and Cost Principals. **Lead: David**	The HAMC must repay the appropriate accounts for the costs identified in this finding as ineligible or as not being reasonable and necessary. Payment must be made with non-Federal funds. Evidence of repayment must be provided to HUD. In addition, <u>until further notice, any procurement documents and proposed consulting contracts must be submitted for HUD review prior to award.</u>	HAMC will develop a repayment plan will be submitted to HUD for review and approval. Expenditures related to NSP were authorized by Maricopa County Human Services. HAMC will work with Maricopa County to obtain justification for these expenditures and support from the HUD office of Community Planning and Development that these expenditures were necessary and reasonable for the success of the NSP Program. Prior to award, HAMC will submit all procurement documents and proposed consulting contracts to HUD for review. Prior to award all proposed construction contracts $25,000 and over (including id documents) will be submitted to HUD for review.	08/31/2012 02/29/2012 Further notification from HUD Further notification from HUD	**Repayment Plan Under Review** **CPD Addressed NSP 02/16/12 Closed** **7/10/12 Closed** **7/10/12 Closed**
27. HAMC Awarded Multiple Construction/Renovation	HAMC should ensure that procurement staff and key management are trained in proper procurement methods.	The Qualification Based Selection (QBS) was ceased and an approved Procurement Policy is being used. See Resolution 000247.	09/30/2010	**12/08/10 Closed**

Contracts Using Qualification Based Selection (QBS). **Lead: David**	The training under the Corrective Action for Finding #25 will also suffice to close this finding.	All staff including those purchasing supplies, maintenance and AMP site managers will be trained on procurement.	09/30/2011	**12/08/10 Closed**
28. HAMC Procurement Files Lacked Adequate Documentation Sufficient to Detail the Significant History of the Procurement. **Lead: David**	Corrective action identified for Finding #25 will be sufficient to address this finding.	Procurement Policy submitted to HUD. See Resolution 000247 See Also response to Finding #25	12/08/2010 12/31/2011	**12/08/10 Closed** **12/08/10 Closed**
SECTION: V CAPITAL FUNDS FINDINGS	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
29. Payment of Salaries to Employees Placed on Administrative Leave with Pay and Not Working Directly on Capital Fund Projects **Lead: Laura-Judy-Karen**	The HAMC must cease charging the CFP grant for the payroll charges for the two employees for the administrative leave period and repay the Capital Fund the amount of the over charges, and ensure that this practice is discontinued in the future. Payment for the salary/benefits cost should be charged to the appropriate program. The HAMC must also make available to the personnel preparing Capital Fund payment request the names and amounts to be charged, in order to ensure that personnel charges are pertinent to the Capital Fund Program. Submit a copy to HUD of the corrected charges to the appropriate accounts.	HAMC will discontinue charging the capital fund for two employees on administrative leave and will adopt practices to avoid doing so in the future. HAMC has completed a reconciliation of time charged to the capital fund for these employees and reimburse the capital fund as appropriate. A copy of the correction will be submitted to HUD when completed.	12/08/2010	**12/08/2010 Closed**
30. Payment of Salaries to Employees Not Working Directly on Capital Fund Projects.	The HAMC must repay the Capital Fund the amount of the over charges, and ensure that this practice is discontinued in the future. The HAMC must also make available to the personnel preparing Capital Fund payment request the names and amounts to be charged,	HAMC will discontinue charging the capital fund for employees not directly working under that fund, and will adopt practices to avoid doing so in the future. HAMC will complete a reconciliation of time	12/08/2010	**12/08/2010 Closed**

Lead: Laura-Judy-Karen	in order to ensure that personnel charges are pertinent to the Capital Fund Program. A copy of the corrected charges to the appropriate account should be submitted to HUD.	charted to the capital fund for these employees and reimburse the capital fund as appropriate. A copy of the correction will be submitted to HUD when completed.		
CONCERN	**CORRECTIVE ACTION**	**ACTIONS PLANNED/TAKEN**	**TARGET DATE**	**COMPLETION DATE**
7 Failure to Maintain Proper Control Over Compliance with Capital Funding Obligation and Expenditure Deadlines **Lead: Donna**	The HAMC needs to establish a system that tracks obligation/expenditure data for their Capital Funds Grants. This system should be coordinated with the HAMC's Physical Needs Assessment and REAC and Annual Unit Inspections as well as the Annual and 5-year PHA Plans to ensure that the funds are properly and promptly obligated and expended for the improvement of the physical condition and long-term viability of its Public Housing developments. A copy of tracking system should be submitted HUD.	HAMC will establish a tracking system for obligation/expenditure of capital fund grants. A copy of the tracking system will be provided to HUD for review.	03/31/2011	**03/31/2011 Closed**
8 Use of Capital Funds for Property Improvements for Non-Public Housing Program Use. **Lead: Karen**	The HAMC needs to examine proposed expenditures to determine which program the expense should be appropriately charged to, instead of automatically charging the Capital Fund Program.	HAMC will establish procedures to review proposed expenditures for property improvements to ensure the expenditures are charged to the proper housing programs. A copy of the procedures will be provided to HUD for review.	08/31/2012	**Remain Open**

PROPOSED SERVICES

The Scope of Services Requested

Casterline Associates PC stands ready to deliver the Housing Authority's Scope of Services as outlined in the RFP:

- Provide guidance and technical assistance in addressing Fiscal Year 2011 Voucher Management System (VMS) validation review and annual single audit findings including:
- Reconstruct VMS Financial Records back to 2004. Net Restricted Assets (NRA) and Unrestricted Net Assets (UNA) must be reconstructed and reported correctly within the VMS System. Casterline Associates, PC will work with the Quality Assurance Division and the Financial Management Center within the U. S. Department of Housing and Urban Development to settle the accounts. Casterline Associates, PC will develop procedures to facilitate accurate UML reporting.
- The Consultant will administer the conversion plan to the Management Fee for Service approach for a central office. The work will require rolling out best practices for creating a central office cost center (COCC) to be implemented by June 30, 2012. The Consultant will provide strategies to manage costs within the earned administrative fee revenues
- Evaluate processes including HCV Program financial management and quality control, budgeting, internal control and accounting functions.
- Conduct an evaluation of staffing levels and staff competencies and advise a recommended training plan on the capabilities of HAMC's software system (HAB, Inc.), HUD accounting procedures, GASB and GAAP regulations.
- Assess the organizations readiness and make recommendations to property implement Section 8 Project Based program and comply with associated regulations and standards.
- Enforce all aspects of confidentiality of client information according to the standards of the Privacy Act of 1974, {U.S.C. § 552A}.

Attachment C

STATE OF ARIZONA

Department of Revenue

Janice K. Brewer
Governor

John A. Greene
Director

August 22, 2012

Housing Authority of Maricopa County
Attn: Gloria Munoz
2024 N. 7th Street, Ste. 101
Phoenix, AZ 85006-2155

Re: Voluntary Compliance Agreement

Dear Ms. Munoz:

I have attached a copy of the executed Voluntary Compliance Agreement for the Housing Authority of Maricopa County. I appreciate your efforts to comply with applicable Arizona statutes. Please file the report within 120 days as outlined in the agreement. Report forms and instructions can be obtained on our website at the following link: http://www.azunclaimed.gov/holders/Forms.html.

Very truly yours,

Joshua A. Joyce

Joshua A. Joyce
Administrator, Unclaimed Property

MARICOPA COUNTY HOUSING
12 AUG 23 AM 10: 52

Attachment C (Continued)

COPY

AUG 1 6 2016

UNCLAIMED PROPERTY
VOLUNTARY COMPLIANCE AGREEMENT

This Agreement is made and entered into by and between the State of Arizona Department of Revenue (the "Department") and Housing Authority of Maricopa County, (the "Holder"), a United States corporation incorporated under the laws of the Unites States Housing and Urban Development Section 8 & Section 9.

The Department has commenced a voluntary compliance program to encourage unclaimed property holders to comply with Arizona Unclaimed Property Laws, A.R.S. §§ 44-301 *et seq.*, and to establish a practice of proper reporting and delivery to the Department of moneys that are presumed to be abandoned under the Unclaimed Property Laws.

The Holder has not previously complied with Arizona's Unclaimed Property Laws, and represents that it is eligible for participation in the Department's voluntary compliance program because: a) it is not currently under examination nor, to its knowledge, has it been notified by the Department, or by anyone acting on behalf of the Department, of the Department's intention to conduct an unclaimed property examination of the Holder, and b) it has voluntarily notified the Department of its potential unclaimed property liability.

In consideration of the foregoing, the Department and the Holder agree as follows:

1. Within 120 days after execution of this agreement, the Holder will file with the Department a report which will include all delinquent unclaimed property that became subject to reporting under the Unclaimed Property Laws during the last ten (10) years. With the report, the Holder will deliver to the Department all of the property that is included in the report.

2. Together with the report, the Holder agrees to provide to the Department owner names and last known addresses, amounts, dates, and such other identifying information as the Holder possesses.

3. The Department releases the Holder, its successors and assigns from all claims, demands, interest, penalties, actions or causes of action the Department may have regarding the property identified and delivered to the Department pursuant to this agreement.

HOLDER:

Date: 8-10-2012

Signed: Gloria Munoz

Typed or Printed Name: Gloria Munoz

Title: Executive Director