

## City of Albemarle Department Public Housing: Findings and Observations

- **Finding 1:** The City of Albemarle Department Public Housing (ADPH) is not in compliance with HUD Procurement Policies. ADPH is following the City of Albemarle policy and it has no HUD regulations within the policy to include the ACC, HUD Handbook requirements or the CFR. Without an adequate procurement policy, the PHA lacks the appropriate internal controls to assure the proper expenditure of funds. Additionally, ADPH is not in compliance with the city's procurement policy. ADPH is not following the City of Albemarle policy requirements and delegations. The city finance department has been verbally approving quotes and not following their own policy it has in place.
- **Regulatory citations:**
  - 24 CFR Part 85.36(b)(1) Grantees and sub grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
  - 2 CFR Part 200.320(a) **Informal procurement methods.** When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in [§ 200.1](#), or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost.
  - HUD Handbook 7460.8 REV 2 (2.2.a) PHAs are required to establish and follow a written procurement policy that is consistent with **24 CFR 85.36**.
  - North Carolina General Statutes: Chapter 44A Statutory Liens and Charges and Chapter 143-123 Minimum Number of Bids on Public Contracts.
- **Corrective action:** The ADPH must prepare and adopt a Procurement Policy that complies with the ACC, 24 CFR, HUD handbook, and Federal and State regulations. Expand on following the regulatory citations in their procurement policy. The City finance department must also follow its own policy and be held accountable by the city manager. Once an acceptable policy is adopted by the Board, ADPH must submit an approved copy to the Greensboro Field Office.
- **Finding 2:** The City of Albemarle Department Public Housing (ADPH) did not provide CARES Act funds documentation related to the CARES Act with correct approval signatures to determine if purchases were spent on eligible expenses. Many items purchased that were reviewed are not eligible. Eligible expenses would prevent, prepare for, or respond to the coronavirus.
- **Regulatory citations:**
  - PIH Notice 2020-07 The CARES Act provides authority for PHAs to use Supplemental Operating Funds, Operating Funds, and Capital Funds for

“expenses related to preventing, preparing for, and responding to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and childcare for impacted families.” HUD encourages PHAs to balance operational needs with the health, safety and educational needs of assisted families when prioritizing expenditures to combat coronavirus.

- PIH-2021-24 HUD regulations at 24 CFR 990.325 require PHAs to retain documents related to all financial management and activities funded under the Operating Fund for a period of five fiscal years after the funds were received.
- **Corrective action:** The ADPH must in detail explain what the Cares Act funds were spent on and to explain how the funds were used to prevent, prepare for, or responded to the coronavirus if items were eligible. Provide correct documentations to support all purchases. Once an acceptable response is approved by the Board, ADPH must submit an approved copy to the Greensboro Field Office.
- **Finding 3:** The City of Albemarle Department Public Housing (ADPH) is not involved in the collection of laundry receipts generated at their senior living apartments. The Finance Department periodically visits the housing site, empties the laundry machine cash box, and processes those receipts as a cash collection. ADPH management is not aware of the amounts collected or when the collection takes place.
- **Regulatory citation:** HUD Guidebook 7510.1 II-10 cash must be properly accounted for and adequately safeguarded. The responsibility for safeguarding and accounting for cash rests primarily with the executive director and the chief accountant or financial manager of the HA and the individuals receiving, recording, depositing, and disbursing cash.
- **Corrective action:** The City of Albemarle Public Housing Department must develop a laundry receipts collection policy and procedure where proper internal controls are implemented to safeguard the resources of the Public Housing Program. The Director of Public Housing or designee must be present at the time of collection. Once an acceptable response is approved by the Board, ADPH must submit an approved copy to the Greensboro Field Office.
- **Finding 4:** The City of Albemarle Department Public Housing (ADPH) board of commissioners are receiving 2-5% compensation for their role on the ADPHs board from HUD federal dollars. The mayor is the board chair, and some board members are city council personnel, which is a violation of the state statute. There is no resident board member part of the ADPH board to support the residents.
- **Regulatory citations:**
  - Statute 157-5 An authority shall consist of not less than five nor more than eleven commissioners appointed by the mayor and the mayor shall designate the first chair. No commissioner may be a city official, and commissioners shall receive no compensation for his or her services.
  - 24 CFR § 964.415 Except as provided in [§§ 964.405\(b\)](#) and 964.425, the membership of the governing board of each public housing agency must contain not less than one eligible resident board member.
- **Corrective actions:**
  - Pre the NC state statute 157.5 no commissioner may be a city official, and

commissioners shall receive no compensation for his or her services. The membership of the governing board of each public housing agency must contain not less than one eligible resident board member. The ADPH board members must comply with the 157-5 statute and 24 CFR 964.415. Having a board with no city council members on it and the board chair not the mayor is the course of action the ADPH must take. Once an acceptable action is adopted by the Board, ADPH must submit an approved copy to the Greensboro Field Office.

- Complete an assessment of funds paid to Board members as compensation and reimburse the PHA from nonfederal funds. ADPH must send copy of assessment along with evidence of repayment or a repayment plan to the Greensboro Field Office.
- **Finding 5:** The City of Albemarle Department Public Housing (ADPH) is not in compliance with Low-Income Housing Utility Allowances as well Surcharges for excess consumption of PHA-furnished utilities in its properties.
- **Regulatory citations:**
  - 24 CFR 965 SUBPART C is to implement HUD policies in support of national energy conservation goals by requiring PHAs to conduct energy audits and undertake certain cost-effective energy conservation measures. All PHAs shall complete an energy audit for each PHA-owned project under management, not less than once every five years.
  - 24 CFR 965.502 Establishment of utility allowances by PHAs.
- **Corrective action:** The ADPH must prepare a utility allowance schedule. The provisions of the subpart C apply to all PHAs with PHA-owned housing. Once an acceptable policy is adopted by the Board, ADPH must submit an approved copy to the Greensboro Field Office.
- **Finding 6:** The City of Albemarle Department of Housing (ADPH) is in breach of the Annual Contributions Contract (ACC) with HUD. Amhurst Gardens/Elizabeth Heights (NC075000001) properties are covered under the ACC. The breach was found to be in Section 4 - Mission of the HA and Section 5 - Covenant to Develop and Operate. The City of Albemarle actions over the Albemarle Housing Authority Department seems to not be aware of such contractual Agreement.
- **Regulatory citations:**
  - Annual Contributions Contract (ACC) The PHA agrees to administer the program in accordance with HUD regulations and requirements.
  - Contract Number: A-4163; form HUD-53012-A Tax ID: 56-6001163; Dated: October 10, 1985
  - Title 24 of the Code of Federal Regulations
  - 2 CFR 200.313 (2) A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years
- **Corrective action:** The ADPH must start progress over physical conditions, key management operations over capital funds on adequacy of contract administration and budget controls, work orders and annual inspections. The Housing Authority shall develop and operate all projects covered by the ACC and all applicable statues, executive

orders, and regulations issued by HUD, as they shall be amended from time to time. The Housing Authority shall also ensure compliance with those requirements by any contractor or subcontractor engage in the development or operation of Amhurst Garden/Elizabeth Heights. Once proper and skilled individuals are hired and maintenance department is properly staffed, and all policies and procedures related to the maintenance department are established (Maintenance plan nor preventative maintenance scheduling), a follow up visit will be performed to confirm and clear this finding.

- **Finding 7:** The City of Albemarle Department Public Housing (ADPH) is not in compliance with HUDs cost allocation guidelines. The PHA did not provide a written cost allocation plan, or the methodology used for the cost allocations. The PHA provided a listing of employees charged to the public housing program with the percentage of those wages charged to the PIH program. These percentages are applied to the wages earned for the period and are posted to the general ledger as an adjusting entry journal. (ADPH) does not allocate shared cost among its programs using a reasonable documented basis. The budget provided by the ADPH titled “City of Albemarle YTD Budget Report” identified the FY2021 annual budget along with actual cost for the same period. No cost allocations were identified in the report and no shared cost were identifiable. At minimum, the Public Housing Program should share cost with the Housing Choice Program. Discussions with management revealed that there is no documented allocation plan for shared cost.
- **Regulatory citations:**
  - 24 CFR Part 990.315(2) HUD may direct the PHA to submit its complete operating budget with detailed supporting information and the Board resolution if the PHA has breached the ACC contract, or for other reasons, which, in HUD's determination, threaten the PHA's future serviceability, efficiency, economy, or stability. When the PHA no longer is operating in a manner that threatens the future serviceability, efficiency, economy, or stability of the housing it operates, HUD will notify the PHA that it no longer is required to submit a complete operating budget with detailed supporting information to HUD for review and approval.
  - 2 CFR 200.405 A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.
  - 2 CFR 200 Subpart E The Non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices. The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- **Corrective action:** The ADPH must prepare and adopt a cost allocation plan where employees whose activities support multiple programs or projects record their time worked according to the ADPHs cost allocation plan. ADPH should apply their adopted cost allocation method at the time of budget development and illustrate the application of the allocation in a manner like HUD Form 52566. The ADPH must develop, document, and implement a cost allocation plan for shared cost following the CFR guidance ADPH

must submit an approved copy of the plan and a complete operating budget with detailed supporting information that is approved and adopted by the Board, to the Greensboro Field Office.

- **Finding 8:** The City of Albemarle Department Public Housing (ADPH) does not complete material inventory counts at least every two years. The ADPH did not provide a copy of a material inventory count or reconciliations. Discussions with the maintenance staff revealed that they purchase items in bulk and place them into stock until the item is needed for a maintenance repair. Upon performing a repair, the inventory is relieved through the work order process. A review of the June 30, 2021, Financial Data Schedule line 143 reflects an inventory balance of zero. Maintenance staff also stated that no inventory count has been performed in over 8 years. An on-site inspection of the various warehouses and cargo compartments on several maintenance trucks used by the PHA revealed a limited amount of inventory on hand. The warehouses also contained 7 central air conditioners, a refrigerator, doors, and flooring. None of these items were accounted for on any inventory list.
- **Regulatory citations:**
  - 2 CFR 200.311 Except as otherwise provided by Federal statutes or by the Federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity.
  - 24 CFR 905.308(a) The PHA shall comply with the requirements of [24 CFR part 5](#) (General HUD Program Requirements; Waivers), [2 CFR part 200](#), and this part.
- **Corrective Action:** The ADPH must develop, document, and implement an inventory process following the CFR guidelines. The ADPH must perform a physical inventory of materials and the results reconciled with inventory records at least every 2 years. Once an acceptable policy is adopted by the Board, ADPH must submit an approved copy to the Greensboro Field Office.
- **Finding 9:** The City of Albemarle Department Public Housing (ADPH) does not use an adequate control system to perform physical capital asset inventories. Discussions with management revealed that the Finance Office forwards a copy of a Capital Asset Inventory Report along with a Capital Asset Inventory Verification form to all departmental directors. The departmental directors are instructed to annotate the form as no changes, additions, and or corrections with applicable supporting documentation. For the period ending April 2022 the Public Housing Department reported no changes on the Capital Asset Verification form. Consequently, our on-sight inspection of the ADPH warehouses revealed that a 2003 Ferris Lawn Mower and a 2014 Chevy Silverado listed on the Capital Asset Inventory Report were not identifiable. Management agreed with our observation.
- **Regulatory citations:**
  - 2 CFR 200.313 (2) A physical inventory of the property must be taken, and

the results reconciled with the property records at least once every two years.  
(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

- 24 CFR 905.308(a) The PHA shall comply with the requirements of [24 CFR part 5](#) (General HUD Program Requirements; Waivers), [2 CFR part 200](#), and this part.
- **Corrective Action:** The ADPH must document and adopt a Capital Asset Inventory Count policy that ensures at minimum, that the Finance Department assist the Public Housing Department with visual inventory counts. The control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft must be investigated. The policy must also require the Finance Department representative to attest (by signature) to the final count. ADPH must perform a Capital Asset Inventory Count for the period ending June 30, 2023. Once an acceptable policy is adopted by the Board, ADPH must submit an approved copy to the Greensboro Field Office and the results of their June 30, 2023, Capital Asset Inventory count.
- **Finding 10:** The City of Albemarle Department Public Housing (ADPH) uses HUD resources for non-allowable cost. During the review we identified HUD CARES ACT funding was used for the purchase of a security cameras/pole systems (\$43,307) and several rubber speedbumps (\$6,297). Both expenditures are not CARES ACT eligible expenses. Furthermore, the speed bumps were placed on the City of Albemarle owned streets. The Finance Department revealed that HUD funds were used to purchase a portion of a 2014 Chevy Silverado (\$1,100) that was listed on the PHA's Capital Asset Listing. In a written correspondence ADHP revealed that the truck is exclusively used by the Public Works Department. Our on-sight inspection of the ADPH warehouses revealed that a 2003 Ferris Lawn Mower (\$6,865) listed on the Capital Asset Inventory Report was not identifiable. Management agreed with our observation.
- **Regulatory citations:**
  - PIH Notice 2020-07: CARES Act FY 2020 Operating Fund (4/28/20)
  - 2 CFR 200.313 (c) *Use.* (1) Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, whether the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency.
  - CFR 905.308(a) The PHA shall comply with the requirements of [24 CFR part 5](#) (General HUD Program Requirements; Waivers), [2 CFR part 200](#), and this part.
- **Corrective action:** The City of Albemarle Department of Public Housing (ADPH) must repay \$57,569 to HUD using nonfederal funds. ADPH must only use HUD funding for eligible items.
- **Observation 1:** The City of Albemarle Department Public Housing (ADPH) Board members need training to understand their responsibilities and role as board members related to working with the Executive Director in keeping with HUDs mission. Finance personnel are also lacking HUD Procurement understating and training.

- **Corrective action:** All board members and ADPH staff be trained through the most current HUD PHA training available. Require all finance personnel working with ADPH federal funds be trained with the most current HUD training available.
- **Observation 2:** The City of Albemarle Department Public Housing (ADPH) should look at separating itself from the city and running the ADPH as a standalone PHA. The finance department along with the city manager are making decisions on how to use the ADPH Federal funds and not always including the Executive Director (ED). ADPH is having difficulties with getting quotes and POs approved through finance. In addition, the ED of ADPH along with the city manager do not receive monthly financial reports that illustrate detailed actual cost compared to budget. Finance is staffed with a full-time accountant that is funded 95% by HUD funds. This accountant reports directly to the finance director and has no accountability to the ED at ADPH. The ED has asked for support and training from the accountant; however, it is often canceled, and no training and little support is given to the ED. Discussions with housing and finance management revealed that no monthly financial reports are provided to the Director of Housing. According to the City's Finance and Accounting Specialist 1381 job description, a distinguishing feature of this position is to prepare financial reports and conduct financial analysis.
  - **Corrective action:** ADPH management should review the benefits of allowing the ADPH to separate itself from the city. ADPH must provide the results of their review to HUD. The finance department must provide the ED with monthly financial statements. At a minimum the financial statements should include a budget verse actual report and a narrative for variances of 10% or more. The accountant must support the ED with all his financial concerns with the LIPH and HCV/Section 8 programs as he requests if the accountant continues to be paid 95% from federal funds. The accountant must create and provide copies of the financial reports to give to the Director of housing monthly. At minimum, a budget verse actual report must be provided. Significant variances should be explained in a written narrative.
- **Observation 3:** The City of Albemarle Department Public Housing (ADPH) does not follow its policy for evictions and terminations within their public housing program. Talking with ADPH staff we were informed previous EDs did not support following evictions and terminations per policy. Not all tenants are being held to the lease agreements in keeping up with basic house cleaning duties nor are tenants being held accountable for paying rent on time.
  - **Corrective action:** ADPH staff need to be following their public housing policies with in their ACOP. Inspections and documentation need to be included in each tenant's file holding each tenant accountable for the unit's conditions as well as paying rent on time if not evictions need to be taking place following the ADPH's polices.
- **Observation 4:** The City of Albemarle Department Public Housing (ADPH) Finance Department stated that they do not verify that expenditure requests are allowable costs

within HUD rules and regulations. According to finance personnel their primary concern is to ensure that the Board of Commissioners have provided appropriation authority for all expenditure requests. There is no current audit completed on the LIPH program that anyone from ADPH could provide to HUD staff for review. The Finance Director and the Accountant are the only ones with access to eLOCCS, the Public Housing Director is the one who must have access to the federal dollars to know what the balances are to help manage the LIPH program.

- **Corrective action:** The Finance Department must review expenditure request for allowable cost eligibility under HUD's guidelines along with any other city oversight responsibilities. The Finance Department Accountant must obtain HUD specific financial and accounting training to better assist them with determining allowable cost when processing expenditure request. The Public Housing Director must have access to eLOCCS for oversight and management of the LIPH programs federal dollars. ADPH must get an audit done of the ADPH program to include the HCV/Section 8 program and send the results to the Greensboro Field Office.
- **Observation 5:** The City of Albemarle Department Public Housing (ADPH) does not manage HUD funds in a responsible manner. Over the years ADPH has purchased a bed bug machine (\$9,204), aluminum fencing (\$28,220) and galvanized chains and posts (\$7,931). According to the PHA staff none of its employees are certified to operate the bed bug machine. In addition, CARES Act spending documents revealed that ADPH recently outsourced bed bug eradication services at the cost of \$6,000. ADPH management also indicated that the aluminum fencing will be removed soon because it does not meet commercial residence standards, and the galvanized chains and post will be removed because REAC considers the chains and posts to be a tripping hazard. In conjunction with the purchases outlined above, the PHA purchased doors at a cost of \$1.265M. The number of doors purchased could not be readily identifiable in the procurement file. More importantly, since 2018 the physical condition score for ADPH is 22 out of 40 (substandard).
  - **Corrective action:** The City of Albemarle Department of Public Housing (ADPH) must manage their resources in a manner that does not promote irresponsible spending.

**Overall Conclusion:** The City of Albemarle Department Public Housing (ADPH) internal control system is failing. As stated by the Finance Department Management their focus is to assure that spending is authorized by the Board of Commissioners and not on administering and providing oversight of the PIH program resources in accordance with existing rules and regulations.

The City of Albemarle Department of Public Housing recent spending patterns of purchasing capital assets that are not suitable for its use, the missing capital assets outlined in this report, the purchase of improvements to city streets, and the use of Public Housing funds to pay for a portion of a truck that is used exclusively by another city department provides clear evidence that the oversight and lack of internal controls over the resources of HUD's funds are concerning.

The above issues along with the recent dismissal of the facilities maintenance supervisor for fraudulent behavior and the multitude of allegations presented to us from ADPH staff is of great concern. We highly encourage the ADPH to examine the benefits of separating itself from the city or ensure the appropriate oversight and uses of federal dollars. The city's accountant that is funded at 95% performs duties at the discretion of the Finance Director as oppose to the Housing Director. The Housing Director's ability to obtain resources, tools, or reports to administer the LIPH program in an efficient manner are subservient to the desires of the Finance Department. A standalone PHA will re-align authority and enhance the Housing Directors abilities to manage the ADPH operations and strengthen the PHAs internal controls.