

DHA audit finds snags

Old software blamed for \$3.8M discrepancy in rental aid records

KIM HORNER Staff Writer
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A new audit has found that the Dallas Housing Authority mismanaged a rental assistance program for the poor and recommends that the agency either return \$3.8 million to the federal government or properly account for the funds.

The audit by the U.S. Department of Housing and Urban Development's Office of Inspector General states that DHA collected the federal money for the rental program based on "inaccurate, unreliable and altered records."

The report, issued Dec. 5, also states that the local housing authority violated HUD requirements by not allowing families from other areas to transfer into its rental assistance program.

Ann Lott, housing authority president and chief executive officer, said the agency can provide documentation to support the HUD payments. She said the agency's record-keeping problems largely stem from outdated DOS software, which is being replaced.

"I am concerned about the findings in this report, and I've taken the necessary steps to address the problems," Ms. Lott said. The audit, the first in a series of three reports, covers January 2005 to December 2006.

Ms. Lott said the agency referred some families to other area housing agencies during 2005 and 2006 because it was focused on administering rental vouchers to 7,600 families displaced by hurricanes Katrina and Rita.

Mayor Tom Leppert, who makes appointments to the housing authority's five-member board, said the audit's findings were unacceptable. He said the problems are management's fault and gave Ms. Lott six months to solve them.

That deadline coincides with the end of Ms. Lott's employment contract.

"We've got six months to fix it," Mr. Leppert said. "If not, then we're going to have to make some changes."

Ms. Lott said she expects to be able to turn around the agency's accounting practices, and acknowledged the consequences for failure.

"I'm confident the mayor won't have a reason to look for someone else in six months," she said.

It will take at least eight months for the housing authority to switch from its outdated computer system to a more modern, Windows-based system. But Mr. Leppert said that he is confident he can adequately assess by mid-June whether the changes that need to be made are in place.

Concerns raised

DHA came under fire a year ago when former board Chairman Guy Brignon raised concerns about its financial management. That prompted a vote - which was later reversed - not to renew Ms. Lott's contract. An internal audit last year found several examples of sloppy bookkeeping at the agency.

The move to terminate Ms. Lott led to a backlash from community leaders, who praised her work improving public housing and taking in hurricane evacuees. After weeks of turmoil, the board voted in January to extend Ms. Lott's contract 18 months. That contract provides for a \$170,000 annual salary.

The concerns raised in the new audit center on the administration of rental vouchers for people who transfer to DHA from other communities. The agency has had as many as 2,300 using the "portable" vouchers at one time, Ms. Lott said.

The audit states that DHA failed to maintain proper records for the program. In some cases, the agency billed both HUD and the local housing authorities that originally administered the vouchers. As a result, DHA collected duplicate payments, according to the audit.

The report did not state how many people seeking to transfer their vouchers to DHA were turned away. DHA claimed it had agreements with neighboring housing agencies to accept portable vouchers, but it did not provide any evidence of those agreements, according to the audit. HUD received complaints from several agencies concerning DHA's practices, the audit states.

The audit did not state whether DHA's actions prevented anyone from receiving assistance. DHA officials said Monday that families were able to transfer their vouchers to other local agencies.

The inspector general's office, an independent investigative arm of HUD, recommends that HUD require DHA to straighten out its accounts, establish a system to ensure the agency operates in compliance, repay administrative fees associated with the vouchers, and either account for or repay the \$3.8 million to HUD.

'Good people'

DHA board Chairwoman Betty Culbreath, who was appointed by former mayor Laura Miller in January during the board turmoil over Ms. Lott's performance, said the agency has taken steps to improve its recordkeeping, including appointing a finance committee and approving a \$1.2 million, five-year computer contract.

"I think that we are headed in the right direction," she said. Board member Thomas Karol agreed.

"These are really good people, very honorable and want to do the right thing," he said. "It's not the kind of problem I think is a crisis. I don't see theft; I don't see bribery or corruption. I see we need to do better with our software."

Mr. Brignon, who resigned from the DHA board in January after raising concerns about Ms. Lott's leadership, issued a statement supporting Mr. Leppert's decision to give the housing authority a deadline to solve its financial issues.

"All of my public statements about DHA have called for accountability on all the complex financial matters that must be addressed by the agency and its leadership," he said. "I want to commend Mayor Leppert for his resolve and commitment to preserve DHA's mission and protect the taxpayers' dollars."

Support for deadline

Dallas County Commissioner John Wiley Price, who defended Ms. Lott in January, said Monday that Mr. Leppert's six-month timeframe seems fair to her and to the housing authority.

"Everybody is on notice. [The mayor] could have taken a different position, and he didn't. I applaud him for not rushing to judgment," he said.

Mr. Price said that if Ms. Lott fails to meet the mayor's benchmarks and is dismissed, he wouldn't expect the sort of protests that were seen last winter.

Deputy Mayor Pro Tem Dwaine Caraway said he too doesn't expect there will be protests this time around if Ms. Lott is dismissed.

"I think those protests would have ensued had an immediate decision, point blank, been made today. [This way] there was a valid due process and opportunity given," he said.

Audit Findings

An audit by U.S. Department of Housing and Urban Development's Office of Inspector General found that the Dallas Housing Authority mismanaged a program that provides rental assistance vouchers to the poor. Here are some key findings:

- The authority had "inaccurate, unreliable and altered" records for its rental assistance program for families that wanted to transfer from another area.
- The agency received nearly \$3.8 million from HUD based on the inaccurate records.
- The authority's "inefficient and ineffective" record-keeping contained information in 2005 and 2006 for families that had left the program as far back as 1997.
- DHA violated HUD requirements by denying and discouraging families from transferring their vouchers to the agency.
- The agency billed both HUD and other housing authorities for some of the vouchers, resulting in double payments.
- The authority had inconsistent information regarding the vouchers. A report from one department stated the agency had taken in 730 families from other housing authorities in 2005, while another department's information listed 822 families.

Source: U.S. Department of Housing and Urban Development's Office of Inspector General

Audit notes DHA progress

Dallas: Housing agency still must fix financial statements, tenant files

KIM HORNER Staff Writer
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An audit of the Dallas Housing Authority released Thursday found that the agency has corrected several accounting problems identified in a previous audit.

The 2006 annual audit conducted by Yeager & Boyd LLC of Birmingham, Ala., cited two problems regarding inaccurate financial statements and errors in tenant files.

But the audit noted significant progress from the agency's 2005 annual audit, which was conducted by the Dallas office of the multinational firm KPMG. The 2005 audit found inaccurate financial statements, accounting errors and inadequate documentation for requests for federal reimbursements.

DHA officials said the new audit shows that the agency has worked to improve its accounting. The agency has hired four certified public accountants and upgraded accounting software.

"We have done what we said we're going to do, and that audit is proof," DHA spokeswoman Michelle Raglon said. "We're really on a solid foundation. Taxpayers can now know the money is going where it should be."

The problems outlined in the 2005 audit led to turmoil at the agency and the near-removal of Ann Lott as the agency's president and chief executive last year.

Concerns about the housing authority surfaced again in December, when a new audit, this time by the federal government, found that the agency mismanaged a rental assistance program for the poor. The audit by the U.S. Department of Housing and Urban Development's Office of Inspector General recommended that the agency either return \$3.8 million to the federal government or properly account for the funds.

Mayor Tom Leppert gave Ms. Lott until June to fix problems outlined in that audit. Mr. Leppert did not return a call for a comment on the agency's 2006 audit.

DHA board chairwoman Betty Culbreath said Thursday that the agency continues to work to resolve the problems outlined in the federal audit. She said Richard Betz, the agency's new chief financial officer hired in September, has fixed weaknesses in the accounting system. And the agency has spent \$1.2 million to upgrade software that caused problems in the federal audit. The agency's board of commissioners also has formed a finance committee to ensure better oversight. "I'm pleased that we have made progress," she said.

With a \$250 million budget, the housing authority provides housing assistance to 60,000 people throughout the Dallas area.

Problems had been noted

Housing authority's annual audits found 'material weaknesses'

KIM HORNER Staff Writer
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Accounting problems at the Dallas Housing Authority were documented for two years before an audit of its 2005 books led to turmoil at the agency.

Routine annual audits of the DHA's 2003 and 2004 finances include several examples of "material weaknesses," or problems, including inaccurate financial records, inadequate documentation and lack of safeguards to prevent misstatements or fraud.

Given the ongoing scrutiny of DHA, *The Dallas Morning News* reviewed the agency's audits going back to 1999.

The reports covering 2003 and 2004 reveal that the agency's independent auditors cited recurring problems with sloppy accounting and lack of safeguards.

Auditors from multinational firms Grant Thornton and KPMG noted no serious problems with the housing agency before 2002. Most recently, the firm Yeager & Boyd of Birmingham, Ala., gave the agency a clean bill of financial health in a 2006 audit.

Ann Lott, the DHA's president and chief executive, said Thursday that the most recent report shows the agency has made progress.

"We're moving forward. We're taking the steps necessary to get everything back on track," Ms. Lott said. She said the agency is upgrading its computer software, which she said has caused most of the accounting problems, hired new staff and developed new policies and procedures for oversight.

The housing authority repeatedly has struggled with recordkeeping and compliance with federal requirements, according to audit documents from 2003 to 2005.

The 2003 audit, by Grant Thornton, recommended a "comprehensive review" of the DHA's finance department after finding several errors in its financial statements. Auditors said the housing agency should evaluate the competency of employees and provide training and hire an additional certified public accountant.

The firm also recommended the chief financial officer or controller review ledger entries. In a response included in the document, the housing authority said staff turnover led to some of the mistakes. The agency agreed that it needed additional staff with better qualifications. "With the replacement in key positions of quality staff, management will be able to return to a specified review procedure for journal entries," DHA stated in the document.

But in 2004, KPMG found that DHA still didn't have another staff person reviewing journal entries. The housing authority agreed again and said it would solve the problem.

The auditors also found that DHA lacked appropriate safeguards to detect compliance problems in its housing voucher program. The 2004 audit also found examples of inadequate documentation.

The firm's 2005 audit of the housing authority found that many of the problems remained, including inaccurate financial statements, recordkeeping and lack of procedures to prevent problems.

DHA's auditors criticized

HUD finds fault with firm, which had been favorable to Dallas

KIM HORNER Staff Writer

Published March 31, 2008

The auditing firm that gave the Dallas Housing Authority a clean bill of financial health - after others found serious deficiencies - has been disciplined by regulators and criticized by the federal government for its auditing work.

The Alabama State Board of Public Accountancy investigated Yeager & Boyd LLP, and in August reached a settlement with firm partner Robert Boyd. In it, he agreed to make "improvements in his policies and procedures for auditing housing authority clients."

The Alabama investigation stemmed from a 66-page report by the U.S. Department of Housing and Urban Development that said the firm failed to meet professional auditing standards. That report was based on reviews of Yeager & Boyd audits of housing agencies in places including Detroit; Cook County, Ill.; and Gary, Ind.

The president and CEO of the Dallas Housing Authority said she had been unaware of the Alabama disciplinary action or the critical HUD report before she was asked about it by a reporter last week.

Ann Lott said Friday she plans to discuss the matter with the agency's board of commissioners. "I've got to make sure there's nothing about this that would cast any cloud on their credibility," Ms. Lott said of Birmingham-based Yeager & Boyd. She said she was pleased with the firm's work because of its understanding of housing authorities.

Mr. Boyd said Friday he disputes HUD's findings and can disprove them. He said he signed the settlement with the state of Alabama to confirm what the firm already does: strive to improve its procedures and send staff to continuing education courses. The settlement also included a \$1,100 payment to cover the state board's administrative costs.

The DHA hired Yeager & Boyd to audit its 2006 books following three years of independent audits by multinational firms Grant Thornton and KPMG. Those firms found recurring problems, including inaccurate bookkeeping, inadequate documentation and a lack of safeguards to prevent mistakes or fraud.

Yeager & Boyd's audit, released within weeks of the firm's Alabama settlement, found that DHA had dramatically improved.

Concerns over the 2005 independent audit nearly led to the termination of Ms. Lott's employment contract. Most recently, Mayor Tom Leppert has given Ms. Lott until June to fix accounting problems at DHA cited in a separate, federal audit. Mr. Leppert appoints the agency's five-member board, which hires the director.

HUD provides most of the funding for the Dallas Housing Authority, which has an annual budget of more than \$250 million and provides affordable housing to about 60,000 area residents. The housing authority paid Yeager & Boyd \$217,000 to conduct the 2006 annual audit. The firm's contract also includes work on the upcoming 2007 audit.

Yeager & Boyd has 25 years of experience auditing public housing authorities, according to its bid proposal to DHA. The firm said it performs at least 65 audits a year and 90 percent of them involve public housing authorities. Those include the housing authorities in Maricopa County, Ariz.; Mobile, Ala.; and Chattanooga, Tenn.

But the firm's work raised concerns at HUD. The federal agency sent its report to the Alabama State Board of Public Accountancy, which opened an investigation in October 2006.

"We generally found that they were not adhering to generally accepted accounting practices," HUD spokesman Brian Sullivan said.

HUD's report, which examined several Yeager & Boyd audits of public housing authorities, stated that the firm did not adequately look for fraud in an audit and failed to check whether programs were in compliance with HUD requirements. It also stated the firm took shortcuts in planning and conducting an audit.

Mr. Boyd said his firm sent a response to HUD that disproved the findings. He said his firm's documents show that auditors checked for compliance and adequately planned and conducted its audits. He took issue with HUD's comment that his firm did not adequately look for fraud. "That's a very subjective comment, and our track record on fraud discovery is unequalled," he said.

Annual independent audits haven't been the only reports on the DHA's finances. The agency has been the subject of two recent reports by HUD's investigative arm, the Office of Inspector General.

The most recent was released last week, and focused on the DHA program that provides housing vouchers to help pay part of residents' rent. It found that in 2005 and 2006 the DHA lacked safeguards to prevent financial misstatements and fraud. An earlier report, issued in December, found that the DHA mismanaged part of a subsidized rent program. That report led

Mr. Leppert to set his June deadline to fix the problems.

Ms. Lott, who has blamed the problems on outdated software and staff turnover, has said she expects to be able to account for the funds by June. Mr. Leppert's deadline coincides with the end of Ms. Lott's \$176,000-a-year contract.

Ms. Lott, who has run the DHA since 2001, has more than 20 years experience with the housing authority and worked there when current HUD Secretary Alphonso Jackson led the local agency. The Dallas Housing Authority owns and operates public housing developments in areas including Uptown, Oak Lawn and West Dallas, and administers about 17,000 vouchers that pay a portion of low-income residents' rent in private apartments.

Audit notes corrections

A recent audit by the Alabama firm Yeager & Boyd determined the Dallas Housing Authority fixed problems, called "material weaknesses," cited by previous auditors. Its findings include:

- "Deficiencies in the process to ensure the financial statements are accurately and properly prepared and presented in accordance with accounting principles generally accepted in the United States of America."
- "The Authority implemented controls to mitigate the majority of errors that created audit adjusting entries in the current year under audit." Auditors noted less serious problems with inaccurate financial statements.
- DHA's financial statements did not reflect a \$20.5 million payment from the Federal Emergency Management Agency to help Hurricane Katrina evacuees.
- "The Authority implemented controls to mitigate the majority of errors that created audit adjusting entries in the current year under audit." Auditors noted less serious problems with inaccurate financial statements.
- "Adequate supporting documentation does not exist to substantiate payroll costs claimed for federal reimbursement..."
- "The allocations for payroll costs were reviewed for the current year under audit. The allocations appear reasonable. This finding is cleared."
- "...the Authority did not have appropriate documentation to substantiate that program costs were paid for by entity funds prior to submitting a request for reimbursement from the federal government."
- "The reimbursement requests were tested for the current year under audit. The Authority provided adequate supporting documentation for the requests. This finding is cleared."

SOURCES: DHA audits by KPMG and Yeager & Boyd

DHA chief Lott abruptly resigns

Agency's leader faced increasing scrutiny after critical audits

KIM HORNER Staff Writer

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Ann Lott, the beleaguered president and chief executive officer of the Dallas Housing Authority, unexpectedly resigned Tuesday.

Ms. Lott quit effective immediately when faced with disciplinary action during a special closed-door meeting of the agency's board of commissioners, said Betty Culbreath, the board's chairwoman. Ms. Lott, through a spokeswoman, declined to comment. Her contract ends Sept. 1.

Ms. Lott had served as the agency's chief since 2001, and had faced increased scrutiny after the agency was the subject of critical federal and local audits that found poor accounting practices at the agency.

A draft of a third audit by the U.S. Department of Housing and Urban Development's Office of Inspector General outlines additional problems, including \$20 million in questionable costs for rental payments. They included some payments for people who had died.

The board called Tuesday's meeting, but did not post an agenda on its Web site as it usually does. The five-member board had concerns about the findings in a draft of the pending audit, Ms. Culbreath said. She also said the board discussed problems involving city permits for a new public housing development in Far North Dallas because the development did not meet landscaping requirements.

"The long and short of it is, if anything is wrong, the buck stops with the head," she said. Ms. Culbreath refused to discuss details of the federal audit. She said the board did not ask Ms. Lott to resign.

"Ms. Lott has done a lot for the authority," said Ms. Culbreath, who has publicly clashed with Ms. Lott. "I believe what she did was in the best interest of the agency."

Latrisa Davis, a DHA board member who represents public housing residents, said she was shocked by Ms. Lott's decision.

"I'm saddened that it came to that. Ann's a great leader. I felt like she was going to do a great job in getting the agency back on its feet," Ms. Davis said. "The residents and the people she's worked with are going to miss her."

Dallas County Commissioner John Wiley Price, who publicly spoke out against a 2006 attempt to unseat Ms. Lott after an unfavorable financial audit, said Ms. Lott had been treated "harshly." Mr. Price said he hopes Mayor Tom Leppert will appoint new board members. Three of the five people on the DHA board, including Ms. Culbreath, saw their terms expire earlier this year. Mr. Leppert hasn't reappointed them or named successors.

"We have been and will continue to evaluate the situation at the DHA," the mayor said through a

spokesman Tuesday evening. "We would also expect to get a better understanding of the actions taken today. The DHA is an extremely important organization to Dallas. The board ultimately will decide who will fill the role of president/CEO. We have board appointments pending, and we will take appropriate action in the coming weeks."

Troy Broussard was named interim director, according to the DHA, which said it will conduct a national search for Ms. Lott's successor.

Ms. Lott joined the DHA in 1985 as a management clerk earning \$5.96 an hour. At the time, the agency was being sued over segregated conditions.

Ms. Lott, who earned about \$180,000 a year as president and CEO, has been credited with continuing to carry out those improvements by rebuilding West Dallas properties and Roseland Homes near CityPlace.

Timeline: Ann Lott and the DHA

March 2001 - After more than 15 years with the DHA, Ann Lott is named the agency's president and chief executive officer.

November 2005 - Ms. Lott is lauded for stepping forward to administer special vouchers for thousands of Hurricane Katrina evacuees.

December 2006 - The DHA drops plans to sell its Little Mexico Village public housing project in Oak Lawn, a proposal that was a source of conflict between Ms. Lott and the agency's board.

January 2007 - Guy Brignon, DHA board chairman, resigns after expressing concerns about sloppy bookkeeping and a failed effort to sever Ms. Lott's contract. The board votes instead to extend Ms. Lott's contract and give her a raise.

December 2007 - An audit by the inspector general of the U.S. Department of Housing and Urban Development finds that the DHA could not account for nearly \$3.8 million it received from HUD to provide rental assistance. Dallas Mayor Tom Leppert gives the DHA six months to fix its problems. "If not," he said, "then we're going to have to make some changes."

March - A review of DHA audits back to 1999 reveals documented problems with inaccurate financial records and inadequate financial safeguards.

July - The DHA board changes its e-mail policy in response to Ms. Lott's habit of adding biblical passages to her official correspondence. An earlier meeting on the matter included a shouting match between Ms. Lott and the DHA board's chairwoman, Betty Culbreath.

DHA subsidized deceased clients

Payments flagged in report; agency defends overall performance

KIM HORNER Staff Writer

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The Dallas Housing Authority has spent nearly \$20 million on questionable rental assistance payments, including money for 45 people who had died, according to a new federal audit of the agency.

Most of the questionable spending involved ineligible clients, clients not reported to the federal government, and duplicate payments to landlords, according to a draft report on an audit by the U.S. Housing and Urban Development Office of Inspector General.

The report is the last of three federal audits, all of which have been critical of the DHA's accounting practices and its management of rental assistance vouchers.

"Although the Authority reorganized its leased housing department and made other changes, it failed to correct systemic weaknesses and continued to mismanage its voucher program," the report said.

The auditors recommended that HUD require the housing authority to establish policies and procedures to fix the problems and justify or repay the \$20 million. Auditors also recommended that HUD take administrative sanctions against the agency.

Ann Lott, president and chief executive officer of the DHA, resigned on Tuesday after board members called a special meeting to discuss concerns about the findings and possible disciplinary action, board chairwoman Betty Culbreath said. She would not discuss the report.

In a written response to the audit, the DHA acknowledged mistakes. But it noted that it has "successfully provided housing for over 15,000 low-income families."

"DHA contends that while its processes and systems were less than perfect, it managed the overall program effectively," the agency said.

The agency questioned a finding that it "continued to be unable to assure HUD that it administered any aspect of its program in compliance with requirements." The agency emphasized that HUD gives it a rating as a "standard performer."

"This sweeping statement is scurrilous and unfairly characterizes the Authority," the DHA wrote. "Such unfounded commentary by an organization such as the OIG significantly and unjustly erodes the Authority's standing and the public trust. DHA respectfully requests the OIG to modify and/or strike any subjective language in its final report."

With an annual budget of more than \$250 million, the DHA provides housing assistance to

60,000 area families.

This latest federal audit of the agency, which covers January 2006 through March 2008, is the most critical yet. It is expected to be officially released soon. Findings include:

- The DHA spent more than \$11 million for 872 clients that it did not report to the federal government. The agency says it will demonstrate that the families were eligible and will enter them into the HUD system.
- The agency provided nearly \$8 million for 2,305 clients after it terminated them from the rental assistance program. The DHA agrees and will review records to determine if overpayment has been recovered. A new software program will allow staffers to place a hold on such payments, according to the agency.
- The agency spent more than \$250,000 on duplicate payments to 376 landlords. The agency agrees and will seek to recover the funds.
- The DHA spent \$167,000 on 45 clients whose Social Security numbers identified them as dead. Between January 2006 and December 2007, the agency paid assistance for 235 clients whose Social Security numbers indicated they were dead as of April 2007. The authority confirmed that it provided assistance on behalf of dead clients and will seek to recover the funds. The agency may transfer the payments to eligible surviving family members.
- Caseworkers had up to 800 clients each, twice the number of other housing agencies. The agency responded that it has reduced caseloads to 500 clients per case manager and added training.
- The DHA's own compliance department reported problems, including error rates as high as 91 percent, in 2006. But the problem continued. Federal auditors recommended that the authority's board should require the compliance officer to report directly to the board and the chief executive officer. The DHA responded that its compliance officer will share reviews with the board.
- The DHA has been told repeatedly about weaknesses in its system to detect problems including fraud. The agency responded by saying it continues to identify and correct problems.
- The agency did not consistently try to recover overpayments.

Chief to get \$90,000 in severance

Half-year's salary wasn't called for in her contract; HUD says payment is board's prerogative

KIM HORNER Staff Writer

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Ann Lott, the Dallas Housing Authority official who resigned Tuesday when faced with disciplinary action, will receive about \$90,000 in severance pay.

The payment, about half of her annual salary, wasn't called for under Ms. Lott's contract in the event of her resignation.

But Betty Culbreath, chairwoman of the agency's board of commissioners, said the board decided to offer the severance pay in light of Ms. Lott's 23 years of service to the DHA. She most recently worked as the agency's president and chief executive, and had been under fire as several federal audits showed the DHA was beset by a variety of accounting and other problems. Ms. Culbreath said the amount of severance pay was the same as what Ms. Lott would have received had her contract been allowed to expire Sept. 1.

"We thought it was fair, given the time she had been on the job and the contributions she made to the agency," Ms. Culbreath said. She said Ms. Lott did a good job of providing social services and leading the agency out of a court settlement to desegregate public housing. Ms. Lott could not be reached for comment.

The U.S. Department of Housing and Urban Development provides most of the agency's \$250 million annual budget. A spokeswoman for the federal agency said it's the board's prerogative to determine a severance package.

"Providing severance pay isn't an uncommon business practice. The terms of this agreement don't strike us as outside the norm," Patricia Campbell said. "If they gave her one to two years', we would look at that differently."

Ms. Lott resigned after board members raised the prospect of disciplining her. They had concerns about the findings of an audit by HUD's Office of Inspector General.

That office has not released the final document. But a draft of the audit report said the authority has spent nearly \$20 million on questionable rental assistance payments, including more than \$167,000 for 45 people who had died. Most of the questionable spending involved ineligible clients, clients not reported to the federal government, and duplicate payments to landlords.

Ms. Culbreath said Wednesday that the agency can unknowingly provide assistance to people who have died if the person's family or landlord does not notify the DHA, as they are supposed to. She said the agency should discover if a person has died during an annual recertification required by HUD.

"If a person expires and the landlord doesn't notify you and the family doesn't notify you, you don't really know that until the annual certification time comes up. That's one of the problems," Ms. Culbreath said.

The report recommends that the DHA use a federal database to check clients' Social Security numbers.

The DHA acknowledged problems and said it has taken action on 204 possibly deceased clients identified by the federal audit. The agency removed the deceased people from the program and

provided assistance to eligible remaining family members or terminated the contract. The DHA is seeking to recover payments.

If HUD determines that a landlord intentionally accepted rental payments after a tenant died, the agency refers the case to its Office of Inspector General for further investigation, Ms. Campbell said.

The federal audit is the last of three scheduled by the Office of Inspector General. Each has criticized the agency's handling of rental vouchers and finances. The latest audit did not discuss the board's role in the agency's problems.

Ms. Culbreath said she did not know about the problems outlined in the audit until she saw the draft document. She said staffers did not tell the board that the agency had trouble complying with federal regulations.

"That was inappropriate. The board should have been made aware of that," Ms. Culbreath said. She said that at its Aug. 19 meeting, the board plans to act on a recommendation in the federal report and have the agency's compliance officer report directly to the board instead of the president and chief executive.

To address problems cited in the federal audits, Ms. Campbell said, HUD has sent a team of experts to work with local housing authority officials. She said the team specializes in "addressing complex or challenging issues in a public housing authority, particularly with regard to financial operations."

Although such teams can signal that HUD is considering taking over operations of a housing authority, Ms. Campbell said, "That's not on the table right now."

New faces on DHA board

After critical audits, CEO's departure, mayor replaces two

KIM HORNER Staff Writer
Published November 5, 2008

Mayor Tom Leppert replaced two Dallas Housing Authority commissioners Tuesday, bringing new leadership to the board after a year of turbulence at the agency.

Terdema Ussery, president and chief executive officer of the Dallas Mavericks, will be board chairman. He replaces Betty Culbreath, who became board chairwoman in January 2007. Pedro Aguirre, president and chief executive officer of Aguirre Roden Inc., was appointed to

replace Dallas banker Rod Washington.

Terms for Ms. Culbreath, Mr. Washington and commissioner Tom Karol ended in March. Mr. Leppert reappointed Mr. Karol, chief executive officer of Bradco Supply Corp.

The appointments come after the DHA faced three critical federal audits in the last year. The most recent, released by the U.S. Department of Housing and Urban Development's Office of Inspector General in July, found that the agency spent nearly \$20 million on questionable rental assistance, including for 45 people who had died.

Mr. Leppert, who appoints the agency's five-member board, said he wanted to bring new expertise to the DHA.

"I felt there was progress being made. Clearly, some of the issues still have to be addressed," he said.

In addition to bringing in new commissioners, Mr. Leppert said he plans to create a four- or five-member advisory board to help guide the agency.

Last week, the board named five finalists to become the new DHA president and chief executive officer.

Mr. Leppert said the new commissioners will participate in choosing the successor to Ann Lott, the former chief who resigned in July.

DHA officials say they corrected the issues cited in the audits and added new policies and procedures to prevent future problems.

Ms. Culbreath said she was pleased with the appointments and that she was "ready to move on." "I had accomplished in my 19 months at DHA what I wanted to, and now the agency is moving in the right direction, and the audit issues have been addressed," she said. "Things are in place now, so it should be smooth sailing."

The DHA, with an annual budget of more than \$250 million, provides housing assistance - mostly through rent subsidies - to 60,000 residents.

Housing agency tightens accounting after federal audits

It will repay \$1.2M to HUD, including return of rent aid for the dead

KIM HORNER Staff Writer
Published August 23, 2009

The Dallas Housing Authority has fixed problems cited in three federal audits, including sloppy bookkeeping, lack of financial safeguards and mismanagement that led to rent payments for people who had died, according to HUD.

The local agency will now repay \$1.2 million to the U.S. Department of Housing and Urban Development in installments through 2013.

Now that DHA has updated records, officials anticipate that most of the total should be recouped from landlords who mistakenly received rent payments.

The agency's five-member board of commissioners voted unanimously Monday to approve the last of the repayments, and HUD has signed off on the plan.

MaryAnn Russ, who became DHA's president and CEO in February, said the agency has provided more training and hired more middle managers to ensure that its programs are properly run. "We have cleaned up our accounting and become more professional, and we're running our programs the way they're supposed to be run," Russ said. "Now we have systems in place to make sure the money is spent properly."

The DHA receives most of its \$170 million annual budget from HUD, and the agency has worked to resolve problems cited in the audits since the first reported problems in December 2007.

The local housing agency, which has gone through executive and board leadership changes, is implementing new policies and procedures.

"They're moving forward with them," HUD spokeswoman Donna White said of the new practices. "We don't expect these problems to creep up again."

HUD's Office of Inspector General issued three critical audits detailing how the DHA mismanaged rental assistance to low-income residents:

- The most recent audit, from July 2008, discovered that the agency mismanaged rental assistance payments, recommending that DHA account for \$20 million in questionable payments on behalf of people who had moved, were ineligible or had died. The DHA has tracked most of the funds but will repay \$978,701.84 to HUD.
- An audit in March 2008 found that the DHA lacked safeguards to protect federal funds. The inspector general recommended that the agency document \$32.4 million that it had received. Financial safeguards were added, and the DHA did not have to repay any amount.
- The first audit recommended in December 2007 that the DHA repay \$3.7 million or document that it was eligible for rental assistance federal funds. After extensive reviews of

files, the agency justified most of the payments. The agency is repaying \$221,894.62.

Dallas Mayor Tom Leppert, who has appointed new board members to govern the DHA, said that the housing provider is "making good progress."

Ann Lott, the agency's former president and chief executive, resigned in July 2008 when the last audit was released. At the time, in a written response to the report, she disputed some of the findings and said the agency was addressing problems.