



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-256751

May 10, 1994

Congressional Committees

This report contains the results of our review of the financial transactions of the National Commission on Severely Distressed Public Housing as mandated by the Housing and Community Development Act of 1992 (Public Law 102-550). The Commission began operations in fiscal year 1991 with a mission to propose a national action plan to eradicate severely distressed public housing by the year 2000. The Commission submitted its proposed plan to the Congress in August 1992 and ceased operations by the end of the year. The General Services Administration (GSA) provided the accounting and disbursing services for the Commission. GSA also provides these services to other similar government entities.

To assist us in the review, we engaged an independent public accounting (IPA) firm, Arthur Andersen & Co., whose work we subsequently reviewed, to perform specific procedures agreed upon with congressional staff members. Enclosure I presents the IPA's report which details the agreed upon procedures and other matters related to the scope of work performed. The procedures were designed to determine if the Commission's obligations and expenditures appeared reasonable and appropriate. Over the life of the Commission, it disbursed approximately \$2 million for contracts, travel, payroll, and miscellaneous transactions.

Except for some minor administrative procedural problems discussed below, the IPA's report, with which we concur, stated that nothing came to its attention that caused it to believe that the disbursements of the Commission were not properly authorized, supported, and recorded. While the Commission did not always adhere to proper administrative procedures, the amounts involved were not material, and we concluded that the transactions appeared to be appropriate and reasonable. The IPA's report identified the following administrative problems:

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- Contracts and purchase orders were not always approved by officials with signature authority. (See pages 2 and 3 of the attachment to the IPA's report.)
- Expenses and invoices were not always supported by documentation. (See pages 2 and 4 of the attachment to the IPA's report.)
- Travel expenses related to one voucher selected for review were not adequately supported by documentation. (See page 4 of the attachment to the IPA's report.) In following up on the IPA's findings related to the travel voucher, we requested additional explanation and documentation to justify the itinerary as well as the lodging and laundry costs. While these costs are not significant, as of the date of this report, we had not received the necessary documentation to support this voucher.

RECOMMENDATIONS

Considering the potential for overpayments on the contracts and travel reimbursements cited in the IPA's report, we recommend that the Administrator of the General Services Administration direct the External Services Division to review and reconcile the payments made by the Commission and take appropriate actions to recover any funds due the government. Further, GSA should take the appropriate steps to ensure the proper performance of its accounting and disbursing support operations for entities similar to the Commission.

If you have any questions concerning the results of this work, please contact me on (202) 512-8549.



John W. Hill, Jr.
Director, Audit Support
and Analysis

Enclosure

List of Committees

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing and
Community Development
Committee on Banking, Finance and Urban Affairs
House of Representatives

The Honorable Marge Roukema
Ranking Minority Member, Subcommittee
on Housing and Community Development
Committee on Banking, Finance and Urban Affairs
House of Representatives

The Honorable Paul S. Sarbanes
Chairman, Subcommittee on Housing and
Urban Affairs
Committee on Banking, Housing and Urban Affairs
United States Senate

The Honorable Christopher S. Bond
Ranking Minority Member, Subcommittee on
Housing and Urban Affairs
Committee on Banking, Housing and Urban Affairs
United States Senate

COMMENTS FROM ARTHUR ANDERSEN & COMPANY

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ARTHUR ANDERSEN & CO. SC

August 13, 1993

Arthur Andersen & Co.

1500 K Street NW
Washington DC 20004-2707
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Mr. Charles A. Bowsher
Comptroller General
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

At your request, we have performed the following agreed-upon procedures with respect to the financial transactions of The National Commission on Severely Distressed Public Housing ("the Commission") for the fiscal years 1991 through 1993.

- a. We confirmed with the United States Treasury the total amount disbursed for the Commission on its appropriation, noting that the total amount disbursed was \$2,219,317.73.
- b. We obtained the microfiche listing of obligations from the General Services Administration ("GSA") Budget Office accounting history files for fund code 948 for fiscal years 1991 through 1993. For all items to be tested, we requested the GSA External Services Office to print a history of the transactions and provide copies of the transaction documentation. Copies of the transaction documentation were provided except where otherwise indicated in Attachment I to this report.
- c. We reviewed and tested the obligations and expenditures for the following contracts of the Commission.

Epp Associates
 Joseph Foote Associates
 ICF Incorporated
 Maplan Associates
 The National Center for Neighborhood Enterprise
 Mary Scroggins
 TAG Associates (August 1991)
 TAG Associates (October 1992)

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MEMBERSHIP SERVICES & CO. INC.

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Specifically, except as otherwise indicated in Attachment I, we noted that:

- o the contracts were properly authorized,
 - o payments were properly authorized and supported by appropriate documentation,
 - o the detail of services provided by the contractor per the contractor invoice agreed with the scope of work per the contract, and
 - o calculations and footings were correct.
- d. We selected a dollar unit sample of the obligations and the related expenditures for travel using a materiality threshold of \$20,000. Specifically, except as otherwise indicated in Attachment I, we noted that:
- o the travel authorizations were properly completed and approved,
 - o the travel vouchers were properly completed and authorized,
 - o supporting documentation existed,
 - o calculations and footings were correct,
 - o outstanding advances were collected or applied to future trips properly, and
 - o the purposes of the trips were indicated on the travel authorizations and vouchers and that these purposes were commensurate with the travelers' positions and duties for official travel.
- e. We performed analytical procedures for payroll, noting that the total payroll appeared reasonable, considering the number of employees.
- f. We performed a nonstatistical sample of five transactions for each of the following three types of transactions--(1) communications, (2) printing, and (3) supplies. Specifically, except as otherwise indicated in Attachment I, we noted that:
- o the amounts of the obligation, expenditure, and payment agreed with the invoice,
 - o the name of the payee agreed with the invoice,
 - o if for goods or services, we noted that:
 1. the goods received or services performed were in accordance with a purchase order, contract, or other agreement,
 2. the quantities, prices, and amounts agreed with the purchase order or certified invoice as appropriate,
 3. all applicable deductions were made and credited to the proper account in the correct amount,
 4. the correct accounting citation was recorded, and
 5. a responsible official indicated approval of the vouchers for payment.

ENCLOSURE I

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Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the elements referred to above. Had we performed additional procedures or had we made an audit of the financial statements of the Commission in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the elements specified above and does not extend to any financial statements of the Commission taken as a whole. However, except as noted in Attachment I, nothing came to our attention that caused us to believe that the disbursements of the Commission were not properly authorized, supported and recorded.

This report is intended solely for the information of the Comptroller General of the United States of America. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,

Arthur Andersen & Co.

ATTACHMENT I

This attachment details specifically the matters, by functional area, which we noted during the performance of the agreed-upon procedures.

Contracts**Eco Associates**

Invoice numbers one through six provide no detail of reimbursable expenses described as travel and other expenses. The contract states that direct reimbursable costs should not exceed the Government per diem rate. Compliance with this provision could not be assessed by the Commission unless detail of the expenses was provided by the contractor. Total reimbursable expenses without supporting detail were \$7,557.

No scope of work was attached to the contract provided to us by GSA. Therefore, we were unable to test whether or not the services provided by the contractor per the contractor invoice agreed with the scope of work per the contract.

ICF Incorporated

Contractor invoice number three and supporting documentation could not be located by GSA. Therefore, we were unable to test this invoice and the Commission's related payment to the contractor.

The contract specifies that monthly progress reports are to be made by the contractor to the Commission. These reports were not available for our review because they were to be maintained by the Commission; therefore, we could not test compliance with this provision of the contract.

Mappian Associates

We noted that a purchase order was properly authorized. The purchase order stated that the contractor was to provide "consulting services at \$40/hour. Individual task orders will be issued for each site." No task orders were provided by the Commission to GSA. Therefore, we could not test contractor compliance with task orders, if any.

We also noted that reimbursement for expenses incurred by the contractor was not specifically authorized by the purchase order. Unitemized expenses were claimed on the contractor invoices for December 1, 1991 through January 31, 1992 and February 1, 1992 through March 31, 1992. The Commission paid \$2,478 to the contractor for these expenses.

The National Center for Neighborhood Enterprise

The contractor invoices did not provide detail of the tasks completed. Therefore, we were unable to test whether or not the services provided by the contractor per the contractor invoice agreed with the scope of work per the contract.

TAG Associates, Inc. (August 1991)

The title of the signer of the contract was the Co-Chairman of the Commission, Mr. Vincent Lane. Ms. Donna Moeley Coleman, whose signature was on the contract as a witness, was the only authorized procurement official on file with GSA in August of 1992. Therefore, the contract was not signed by an authorized procurement official.

In progress billing #3 the contractor billed and was paid for 89 hours of work. The detail supporting this work totals only 87 hours. The additional two hours paid were \$320.

In progress billing #5 the Commission's payment does not agree to the amount of the invoice. The overpayment was corrected by the contractor on progress billing #7.

Progress billing #6 does not recompute. The detail indicates that the contractor intended to reduce the total amount of the invoice for the cost of a plane ticket purchased for the contractor directly by the Commission. Instead the cost of the ticket was added to the total. This overpayment was corrected by the contractor on progress billing #7.

Also progress billing #6 had no receiving report or other form of authorization from the Commission indicating that the invoice was accepted for payment. The amount paid was \$29,816.

In progress billing #7 the amount paid does not equal the detail of the invoice. This error was caused by the exclusion of a credit in the Commission's calculation of the amount paid. The Commission overpaid the invoice by \$415.

Progress billing #11 had no receiving report or other form of authorization from the Commission indicating that the invoice was accepted for payment. The amount paid was \$20,000.

TAG Associates, Inc. (October 1992)

Mr. Vincent Lane, Co-Chairman of the Commission, signed the contract for the Commission. Only Ms. Mary Moffit and Ms. Carmelita Pratt had signature authority for procurement on file with GSA at the time of this contract and neither of their signatures were on the contract. Therefore, the contract was not signed by an authorized procurement official.

Communications, Printing and Supplies

The blanket purchase agreement for ACT number 89588006 in the amount of \$2,000 did not contain the authorizing signature of a Commission official.

ACT number 03504914 for an intergovernmental purchase in the amount of \$3,976 was obligated twice due to a GSA processing error. We noted that a purchase order for this transaction had been properly authorized and submitted by the Commission. However, neither a vendor invoice or receiving report was on file with GSA. Intergovernmental transactions are not reflected in the GSA vendor payment history file, therefore we were unable to assess whether the vendor had been paid.

A purchase order was not on file with GSA for ACT number 09540972, an intergovernmental transaction in the amount of \$18,114.

Our review of the invoice for ACT number 96880085 indicated that there was no description of the purchased goods on the invoice. The goods were described as "miscellaneous supplies, quantity 1," in the amount of \$656.

Travel

Travel Authorization

We noted that many of the travel authorization forms were completed incorrectly. The daily per diem authorized was not multiplied by the number of authorized travel days to calculate the total estimated cost. This resulted in understatement of the amounts authorized and obligated.

For ACT number 89589539, the ACT number per the travel voucher did not match the ACT number per the travel authorization. However, we noted that the voucher and the authorization agreed for the dates of travel, destination, traveler and amount.

For ACT number 96879821, the following was noted.

- The trip route per the travel authorization was from Seattle to San Juan to St. Thomas to Washington, D.C. The trip route per the travel voucher was San Juan to St. Thomas to St. Croix to San Juan. The total expenses claimed per the travel voucher were \$1,788; the total amount authorized per the travel authorization was \$2,262.
- The length of this trip was two weeks. This is ten days longer than a Commissioner's trip to the same location, which we also tested (ACT number 96880522).
- A non-itemized per diem was claimed each day, but laundry expense totaling \$58 was also claimed over two days.
- Lodging in San Juan was claimed for \$97. The authorized maximum for the location per the travel authorization was \$93.
- Lodging in St. Croix was claimed for \$134 although this destination was not listed on the travel authorization.

For ACT number 96879782, Chicago was listed as a destination on the travel voucher but it was not listed on the travel authorization. An extra \$180 related to the Chicago destination was included on the travel voucher but not on the travel authorization.

Missing Receipts

The following transactions did not have the appropriate receipts.

<u>ACT number</u>	<u>Description</u>	<u>Amount</u>
03504969	lodging, Atlantic City	\$214
	photos for presentation	266
06460275	rental car	100
89588190	telephone calls	23
96879782	airport parking	47
	transportation of materials	22
96879821	laundry	37
96880522	airport parking	40

Clerical Errors

The voucher for ACT number 03504024 did not foot by an immaterial amount of \$0.30.