The Commonwealth of Massachusetts
Office of the Inspector General

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August 31, 2015

Janice Rogers, Esq.
Chairman
Board of Commissioners
Framingham Housing Authority
One John J. Brady Drive
Framingham, MA 01702

Re: The FHA's Procurement Practices, Internal Controls and Management Oversight

Dear Ms. Rogers:

The Office of the Inspector General (OIG) received a complaint that Kevin Bumpus, the former Executive Director of the Framingham Housing Authority (FHA), submitted reimbursement requests to the FHA in the months prior to his departure for items he bought for his personal use. The OIG found no evidence that the FHA reimbursed Mr. Bumpus for personal purchases. The OIG considers that matter to be closed.

During its review, however, the OIG identified procurement, internal control and oversight deficiencies that render the FHA vulnerable to fraud, waste and abuse. The OIG did not review or audit all of the FHA's practices and procedures. The findings discussed below came to the OIG's attention while reviewing the complaint against Mr. Bumpus. The OIG requests that the FHA provide a written response outlining the corrective actions it will take in response to the OIG's findings. The OIG would appreciate this response by September 30, 2015.

I. Complaint Against the Former Executive Director, Kevin Bumpus

Before June 2014, the FHA did not have its own credit card. The FHA relied on employees, including Mr. Bumpus, to use their personal credit cards for FHA-related purchases. The FHA would then reimburse employees for the purchases. The OIG reviewed Mr. Bumpus' reimbursement requests for January 2013 through May 2014, and another oversight agency conducted a limited asset inventory to determine whether the FHA had the items Mr. Bumpus allegedly purchased for himself. These reviews found no evidence that Mr. Bumpus submitted reimbursement requests to the FHA for items he bought for his personal use.

II. Procurement, Internal Control and Oversight Concerns

A. Credit Card Policy

Before June 2014, the FHA did not have a written credit card policy. Similarly, the FHA's Board of Commissioners (Board) did not pre-approve the Executive Director's business expenditures or routinely review the supporting documentation for reimbursement requests. Instead, the Board relied on the Executive Director or Finance Director to review the supporting documentation and verify reimbursement requests – including their own requests. The Board then reviewed a list of the purchases for which the Executive Director (or other employee) sought reimbursement; the list contained only the dollar amount and a brief description of the purchase.

In June 2014, the Board adopted a written credit card policy. The Office recognizes the Board for taking this important step to improve its controls over expenditures. However, the policy gives enforcement and oversight authority to the Executive Director. Having the Executive Director review, approve and sign the reimbursement checks for his expenditures violates internal control practices and creates risks for fraud, waste and abuse. The Board is responsible for overseeing the Executive Director and ensuring that the FHA's funds are spent appropriately. To fulfill these responsibilities, the Board must review and approve the Executive Director's expenditures and credit card use.

B. Credit Cards and Accounts with Local Retailers

The FHA maintains store credit cards and membership reward accounts with a number of businesses, including Staples and Home Depot. Without adequate oversight and control, employees could purchase items for their personal use or make store returns and keep the refunds or credits for personal use. The new credit card policy should include procedures and safeguards to ensure that all retail cards are used appropriately.

Further, the FHA must comply with Chapter 30B, which requires the use of specific procurement methods – sound business practices, a quote process, or a formal bid or proposal process – depending on the anticipated cost of the goods or services. The FHA's routine use of store credit cards to purchase materials and supplies raises concerns about its compliance with Chapter 30B. For example, the FHA charged nearly $57,000 at Home Depot between January 2013 and June 2014; this included purchasing refrigerators and stoves for tenants' units. Similarly, the FHA buys almost all of its office supplies from Staples, spending nearly $12,000 at the store during the same time period. While the cost of an individual item (*e.g.*, a refrigerator or a box of printer paper) may not require the use of Chapter 30B's more formal procedures, the authority's total annual purchases of an item (*e.g.*, 20 refrigerators or 200 boxes of paper) may trigger those procedures. If the FHA can estimate its yearly demand for an item (such as refrigerators), then it must use a formal bid or quote process to obtain the best price for the estimated quantity of that item.

The Executive Director must ensure that all procurements adhere to Chapter 30B and the FHA's own procurement policy. Likewise, the Board is responsible for overseeing the Executive Director. If it does not already do so, the Board should put a process in place to ensure that all purchases comply with Chapter 30B and the FHA's procurement policy. At a minimum, the FHA should have a centralized purchasing office that uses uniform procurement procedures and maintains adequate records of all purchases.

Finally, please note that the FHA may purchase goods and services through the Commonwealth's statewide contracts. For instance, there is a statewide contract for office supplies (OFF36) that may offer competitive pricing.

C. Vehicle Benefits

Shortly after he began as the Executive Director, Mr. Bumpus asked the Board to let him to use one of the housing authority's vehicles. He apparently wanted the vehicle for his daily commute, which was approximately 100 miles roundtrip. The Board agreed, and provided Mr. Bumpus with a vehicle during his tenure as Executive Director. The FHA paid for the vehicle, its maintenance and repair, and allowed Mr. Bumpus to fill the car at the town's gasoline pumps free of charge. According to FHA staff, Mr. Bumpus had exclusive use of the vehicle, including at night and on weekends.

The Board did not amend Mr. Bumpus' contract or adjust his salary to account for this additional benefit. The Board did not require Mr. Bumpus to keep a vehicle log or otherwise ensure that he only used the car for FHA business. The OIG raises the following for future Board consideration:

- The use of a vehicle for commuting gave Mr. Bumpus a benefit worth approximately $10,000 a year.[1] Yet the Board provided Mr. Bumpus with the vehicle and related perks without renegotiating his contract to reflect these benefits. As part of its fiduciary responsibilities, the Board should address all fringe benefits during contract negotiations. The Executive Director's contract should contain all of the elements of his compensation, including a detailed description of all benefits and any rules or limitations that apply to those benefits (such as a limitation on when or how the Executive Director can use an FHA vehicle). Finally, the Board should document the reasons for giving the Executive Director (or any other employee) valuable benefits, such as a vehicle.

- When it gave Mr. Bumpus a car, the Board failed to follow its own vehicle policy. The 2003 policy, which is still in effect, states that "persons formally authorized to take a vehicle home shall reimburse the Authority for any commutes <u>over ten miles</u>"

[1] Mr. Bumpus had a daily roundtrip commute of approximately 100 miles. An average work-year is 249 days. The state mileage reimbursement rate is 45 cents per mile. Multiplying 100 by 249 provides the estimated total number of commutes Mr. Bumpus made in a year. Multiplying this total by the reimbursement rate totals $11,205. The OIG rounded the total estimate to $10,000 to account for vacation and other leave time taken by Mr. Bumpus.

(emphasis added). The Board, however, did not require Mr. Bumpus to reimburse the FHA for any portion of his 100-mile commute. All FHA employees, including the Executive Director, are subject to all Board-approved policies. The Board should have required Mr. Bumpus to follow the vehicle policy.

- The FHA did not monitor Mr. Bumpus' use of the town's gasoline supply to ensure that he used this benefit appropriately. There are no allegations that Mr. Bumpus abused this privilege. Nevertheless, the FHA should have a mechanism to review fuel usage to prevent theft, waste and abuse. The Board may find the OIG's *Municipal Fuel Management Advisory*, which is available on the Office's website, helpful in this regard.

- As indicated above, Mr. Bumpus received a valuable benefit from the FHA: unlimited and exclusive use of a vehicle at the FHA's expense. For this benefit, the FHA reported to the Internal Revenue Service (IRS) that Mr. Bumpus earned annual taxable compensation of $660. After Mr. Bumpus' departure, the FHA obtained an opinion from a certified public accountant "that the use of the Commuting Rule valuation method [to estimate the $660 taxable benefit] was both appropriate and defendable."[2] Given the valuable benefit that Mr. Bumpus received – including free fuel, car repair and maintenance – the Board should consult with its legal counsel and the Department of Revenue to confirm that the Board appropriately handled the tax implications for this fringe benefit. This determination could impact current and future employees.

D. Inventory Controls

The FHA should introduce greater controls for the use and return of its equipment and other assets. For example, when Mr. Bumpus resigned, he had two laptops, two tablet computers and nine cell phones. He returned these items only after the FHA specifically asked for them. In addition, the FHA's inventory system had no record of the fact that Mr. Bumpus had nine cell phones.

Mr. Bumpus' possession of four computers and nine cell phones was likely not the most efficient use of the FHA's resources. Also, allowing employees to have more than one cell phone or computer creates opportunities for abuse (*e.g.*, an employee could sell the items or give them to friends and family). Additionally, the FHA's incomplete inventory system increases the risk of theft or misuse of the authority's assets.

To better protect its assets, the FHA should (1) evaluate each employee's equipment needs to ensure efficient resource allocation; (2) require employees to return old equipment (*e.g.*,

[2] The IRS's guide to the Commuting Rule is available at www.gpo.gov/fdsys/pkg/CFR-2012-title26-vol2/pdf/CFR-2012-title26-vol2-sec1-61-21.pdf.

cell phones and computers) when they receive new equipment, as well as upon their departure from the FHA; and (3) ensure that its asset inventory system is complete and up-to-date.

Conclusion

The specific allegations against Mr. Bumpus are not supported by evidence. However, the OIG's review identified concerns with the Board's oversight of the Executive Director, as well as weaknesses in the FHA's credit card policies, procurement practices, vehicle policy and inventory system. The Board has a fiduciary duty to oversee the Executive Director and to ensure that the FHA has adequate internal controls. Further, exercising oversight and maintaining a proper internal control environment will reduce the FHA's vulnerability to fraud, waste and abuse. The Board therefore must introduce and enforce more stringent policies for procurement and asset management; and it must ensure that management enforces these policies.

The OIG looks forward to receiving the FHA's corrective action plan by September 30, 2015. In the meantime, please do not hesitate to contact Neil Cohen, Deputy Director of the Office's Audit, Oversight and Investigations Division, if you have any questions or concerns.

Thank you for your cooperation during this review.

Sincerely,

Glenn A. Cunha
Inspector General

cc: Sarah Glassman, Acting Associate Director, Public Housing Division, Department of Housing and Community Development