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Division of Municipal Audit

November 6, 2001

Board of Commissioners  
Lenoir City Housing Authority  
101 Oakwood Drive  
Lenoir City, TN 37771

Ladies and Gentlemen:

We have completed our special purpose examination of certain financial records of the Lenoir City Housing Authority. The examination focused on disbursements for travel expenditures for the period October 1, 1998, to July 31, 2001. However, this scope was expanded when necessary.

A total of \$34,798.74 was disbursed by the agency during the period of our examination for travel and travel-related expenses. All of these disbursements were from the bank account titled "Refinancing Funds," containing the savings from refinancing certain of the agency's bonds. However, according to Directive 97-5, "Guidance on Use and Administration of Savings," issued by the U.S. Department of Housing and Urban Development, Office of Housing, travel costs are not included among the permitted expenditures of savings obtained under the McKinney Act (refinancing funds). Therefore, all travel expenditures appear to have been an unallowable use of refinancing funds.

Our examination detected the following weaknesses related to travel disbursements:

1. Reports documenting the travel and reconciling travel advances to travel expenditures when applicable were not on file for some trips. Lenoir City Housing Authority Resolution No. 00-2, adopted November 19, 1999, states, "Housing Authority representatives receiving advances must turn in expense reports. . . ."

2. Travel reports were not dated or signed by the traveler. (Apparently, the executive director or occasionally her designee, not the traveler, assumed responsibility for reporting travel expenditures.) Lenoir City Housing Authority Resolution No. 00-13 states, "All travel expenses . . . shall be recorded on a form . . . and signed by the traveler."
3. In several instances, travel reports did not provide sufficient documentation of trip details because daily charges within expenditure categories were combined. In addition, agency credit card charges or direct agency payments for registration, lodging, and airfare were combined on the travel reports with expenditures applicable to cash advances in a manner which was confusing and which resulted in errors. Lenoir City Housing Authority Resolution No. 00-2 states, "Claims for travel expenses shall be filed on the standard 'Travel Voucher' forms. . . . This form must show movement and details of expenses."
4. The executive director, who reconciled advances and reviewed expenditures for allowability, did not consistently apply the provisions of the agency's travel policy.
5. In at least three instances, seven to twelve months elapsed between the conclusion of the trip and the deposit of repayment to the agency by the traveler. Lenoir City Housing Authority Resolution No. 00-2 states, "Housing Authority representatives receiving travel advances must turn in expense reports and any monies due the Housing Authority by the fifth (5) day of the following month."
6. Duplicate, prenumbered, miscellaneous receipts were not issued to travelers for some repayments of amounts owed the agency.
7. The executive director identified \$5,679.06 of unallowable and undocumented travel expenditures owed to the agency by travelers. However, because all detailed deposit information and several bank statements for the examination period were missing, we were unable to determine that \$2,131.25 of the total owed was collected and deposited in the agency's bank account.
8. The executive director failed to identify unallowable and undocumented travel expenditures totaling \$3,030.78. As a result, the responsible travelers were not requested to reimburse the agency.
9. In at least two instances, agency checks to vendors for travel expenditures were issued without all of the required information.

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Finally, our examination of documentation supporting expenditures for travel to the PHADA Commissioner's Conference in Miami, Florida, in January 1999 revealed that a former commissioner was requested to reimburse the agency \$1,248.57 more than he actually owed. We have provided details of our analysis to agency personnel.

If you have any questions concerning the above matter, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit