Federal audit blasts Housing Authority

By KEITH LAWRENCE
Advocate staff writer

From June 1985 to the beginning of 1986, the East Baton Rouge Parish Housing Authority misspent more than $1.4 million, including $1.2 million that went to two landlords, according to a federal audit obtained by the Morning Advocate.

The 23-page report by auditors from the U.S. Department of Housing and Urban Development is a scathing attack on the authority's previous management. It singles out former Executive Director Reginald Jones for the harshest criticism.

In the audit's executive summary, it says:

"Poor administration of the authority's programs by the former executive director and lack of effective oversight by the former Board of Commissioners resulted in significant program violations and severe financial problems."

The audit summary

The U.S. attorney's office has been investigating the Housing Authority for 10 months. To date, only Jones and local contractor Charles Quin have been indicted. Both men pleaded guilty earlier this year to conspiring to embezzle $25,000 from the authority through a fraudulent computer software support contract.

Larry Cole, the authority's interim director, said the authority is planning to file lawsuits in an attempt to recover some of the misspent funds. It also hopes to work out a long-range plan with HUD to repay the money.

Cole said the authority has taken steps to resolve the problems that previously existed.

The audit accuses Jones, who resigned under pressure in November 1987, of being overpaid $4,974 in salary, of failing to document travel expenses of $7,946, and of incurring questionable charges of $1,921 for gasoline purchases.

The audit also accuses Jones of having a conflict of interest when he purchased land for a day-care center from Classic Development Inc., whose two principal owners are Ed Cheshire and Lonnie Dyer.

The audit notes that, around the same time Classic was selected landlord for the Project Self Sufficiency program, it sold land next door to the Self Sufficiency site to Jones for his day-care center.

The Morning Advocate reported on some...
Authority

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they disappeared in 1986. Petersen's attorneys say he used the 
help to lose-come single mothers became more 
common in the state. He said local officials have acknowledged that 
the program in East Baton Rouge Parish has been given up.

Another housing assistance program:
The guard was also received a waiver from HUD before 
participating in the Section 8 program. Interim Director 
Colin said he was told that the boards were given to 
the family. He said that the HUD program was still 
under "review" and that the family would be moved to 
another area in the coming months. He added that the 
medical staff were not involved in the review process.

The audit also found that the Department of Housing and Urban Development (HUD) had not been able to verify the accuracy of the data reported by the federal government. HUD had not conducted any reviews of the data reported by the federal government in recent years.

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Reginald Jones borrowed $97,222 from that line of credit for Section 8 payments, according to authority officials. In January, Dellocono said his bank’s business with the authority had nothing to do with Stanhope’s participation in the Section 8 program. He also said that the bank’s loan department approved the line of credit extended to the authority.

Irvin was landlord to 32 improperly certified tenants, Cole said. In January, Irvin said he knew Reginald Jones, but was not “buddy-buddy” with him. He added that he does not feel like he was shown preferential treatment in getting renters for his apartments.

DiVincenti, who had 28 improperly certified tenants, said he didn’t even meet Jones until one or two months after he began renting units to Section 8 tenants. He said he merely informed the Section 8 office that he had some available units and was instructed to make an appointment with an inspector.

The inspector told DiVincenti he needed to make some improvements to his units, and DiVincenti said he complied. He said the Section 8 office then began sending him tenants to live in his units.

He said he is shocked that Cole recommended he not be reimbursed.

“IT’S TRUE I’M STILL HERE!” Cole said. “I did nothing wrong. I’m stuck for six months’ rent,” he said. “I have no connections to Reginald Jones. I never did anything with him.”

Haylock, who had at least 40 improperly certified tenants at Bervyn Courts, said he believes his company has been wronged and is owed hundreds of thousands of dollars.

“We feel like we’re the ones who suffered,” he said.

In response to the audit, Cole wrote HUD that the authority “will be filing a number of civil suits for the purpose to recapture the funds improperly paid to others.”

The authority had sued Classic Development for $441,000 in an attempt to recapture money that was paid for vacant apartments and improperly certified tenants. Cole said the amount sought in the suit from Classic may be amended to about $900,000.

Classic has filed a $47 million suit against the authority for past and future rent it claims is owed. The Classic-owned apartments now are vacant because the water has been shut off, a result of past-due water and sewer bills. Cheshire said negotiations are ongoing to have the property taken over by local banks.

Cole also said in his response to the audit that HUD’s staff in New Orleans is partly to blame because it “should have been able to detect the ongoing improprieties in the program long before October of 1987.”

He said a HUD memo in April 1986 indicated HUD knew about the land transaction between Jones and Classic and that Section 8 tenants “were being steered” to Classic’s self-sufficiency site.

“I believe HUD should accept some of the (financial) responsibility because it failed in its oversight,” Cole said. “HUD knew about this long before they showed up in Baton Rouge in October 1987.”

Cole said he hopes to work out a plan with HUD that would allow the authority to repay the illegally spent money over the next seven to 10 years. He said the only money that the authority generates is excess administration fees earned through the Section 8 program.

“At the rate of $8,000 to $10,000 a month, we’re talking about a long period of time” it would take for the authority to repay HUD, Cole said. If HUD doesn’t accept the repayment plan, “I don’t know of no other solution,” Cole added.

HUD has indicated it would let the authority know some time in August whether it would agree to the repayment plan.

Cole also said that the authority has, or is in the process of, implementing all the recommendations contained in the audit for improving the authority.

Board chairman Buddy Wehre said the community needs to be more involved with the Housing Authority’s activities to ensure a similar situation does not recur. “Let’s be forever on our guard that we as a board of commissioners and we as a community don’t let this happen again,” Wehre said.