



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

JUL 24 2015

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

On behalf of Secretary Julián Castro, thank you for letter requesting a copy of the Forensic Audit Report of the Omaha Housing Authority (OHA). The following information is from the Department of Housing and Urban Development's (HUD) Office of Public and Indian Housing.

The Department utilized Mayer Hoffman McCann P.C. to perform a forensic and attestation audit to determine whether there were any irregularities in OHA's management of its programs during the period of January 1, 2001 to December 31, 2012. In April 2013, the Department received the Report of Forensic Services, and in October 2013, the Department provided a summary of the report to the OHA.

Per your request, please find enclosed the Report of Forensic Services, which contains several findings related to: 1) fraud; 2) impermissible use of federal funds; 3) governance; and 4) financial management. Since the summary of findings was provided to the OHA, the Department has worked with the OHA to achieve a sustainable level of performance. In December 2013, the Department's Public Housing Agency Recovery and Sustainability (PHARS) team worked with the OHA to develop and implement outcomes and strategies to address each finding.

Most recently, HUD conducted a Quality Assurance Review, and collaborated with the Departmental Enforcement Center (DEC) for an Agency Snapshot Review. The Department is currently negotiating a Repayment Agreement for misallocated funds identified in the Forensic Audit. Further, through collaborations with the DEC, the Department is currently involved in Debarment proceeding against a former OHA Board member due to conflict of interest violations.

As a result of the Department's engagement, OHA's Public Housing Assessment score increased from 65 to 79 with an overall standard performer designation. The OHA also has achieved and continues to maintain occupancy rates of 98 to 99 percent in public housing. The OHA also has worked with a fee accountant to improve internal controls, which proved successful in reducing the number of independent audit findings.

In addition, the OHA Board of Commissioners received training to improve oversight and knowledge of their roles and responsibilities. The OHA Board also has adopted finance policies, and formed subcommittees relating to finance and procurement. These subcommittees' notes are now included in Board packets to improve the Board's knowledge of OHA's finances, business practices, PHA compliance, and general operations. The OHA Board continues to work with the Department to correct deficiencies and to address the root cause of performance issues as it exercises its fiduciary responsibilities.

The Department appreciates your interest in this matter, and will continue to provide enhanced monitoring of the OHA to resolve remaining issues and ensure sustained performance and strong financial management and internal controls.

I hope this information is helpful. Please let me know if I can be of further assistance.

Sincerely,

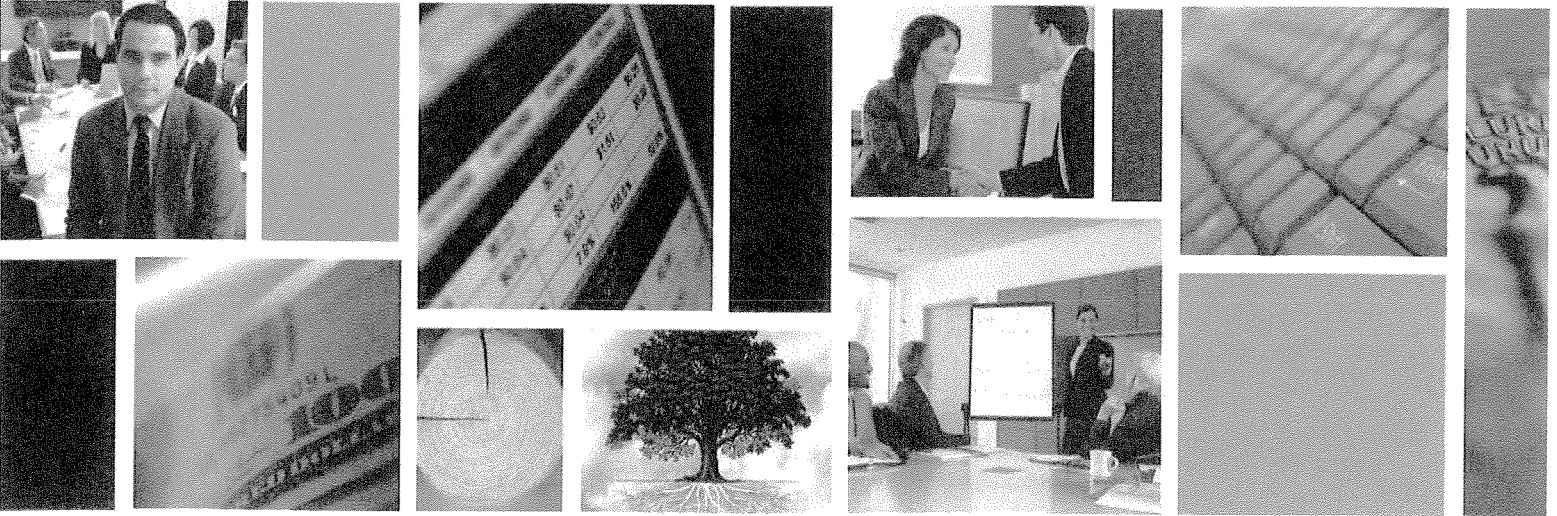


Erika L. Moritsugu
Assistant Secretary for Congressional
and Intergovernmental Relations

Enclosure



Mayer
Hoffman
McCann P.C.
An Independent CPA Firm



Analysis performed and report prepared by
Mayer Hoffman McCann P.C. and
Paragon Management Group (subcontractor)



Prepared exclusively for:

**Department of Housing and Urban
Development (HUD)**

Report of Forensic Services

April 12, 2013



Mayer
Hoffman
McCann P.C.
An Independent CPA Firm

Mayer Hoffman McCann P.C.
An Independent CPA Firm

3 Bethesda Metro Center, Suite 600, Bethesda, MD 20814
Phone: (301) 951-3636 | www.mhm-pc.com | www.cbiz.com

April 12, 2013

Mr. Eric Chambers
Government Technical Monitor
Department of Housing and Urban Development (HUD)
451 7th Street, S.W.
Washington, D.C. 20410

Re: **FORENSIC AUDIT – OMAHA, NE GSA**
Contract/Task Order #: GS-23F-0288N, DU208W-12-T-00001/M001

Dear Eric:

On June 25th, 2012 Mayer Hoffman McCann P.C. was commissioned to conduct forensic and attest audits of the Omaha Housing Authority (OHA). We are pleased to provide the report of our forensic audit. Attest (Agreed-Upon Procedures) results are provided as an independent report under separate cover.

Our forensic audit was performed jointly with our small business partner Sanjay Shah of Paragon Management Group. The following presents both a summary of the results of our review and our more detailed findings and recommendations.

Again, we appreciate this opportunity to be of service.

Very truly yours,

CBIZ MHM, LLC and
Mayer Hoffman McCann P.C., *An Independent CPA Firm*

Greg Allender, CPA
Senior Managing Director and Shareholder
CBIZ MHM, LLC
Mayer Hoffman McCann P.C.

W. Remonde Brangman, CPA, CRMA
Director and Practice Leader
CBIZ MHM, LLC
Mid-Atlantic Risk & Advisory Services

Table of Contents

EXECUTIVE SUMMARY

BRIEF BACKGROUND	1
SCOPE OF WORK	1
SIGNIFICANT WORK PERFORMED AND INFORMATION RELIED UPON	1
METHODS, TOOLS AND VERIFICATION USED IN FORENSIC AUDIT	2
Governance Review	3
Financial Analysis	3
Interviews, Board Minutes and Emails	4
Forensic and Attest Audit Coordination	4
Investigative Tools	5
Compliance Screens	6
Internal Controls Assessment	6
OVERVIEW	7
ACRONYMS	8

DETAILED FINDINGS AND RECOMMENDATIONS

DFR1. FRAUD	10
DFR2. IMPERMISSIBLE USE OF FEDERAL FUNDS [Fund Transfers]	10
DFR3. GOVERNANCE	10
A. Conflict of Interest	10
B. Political Interference / Influence	11
C. Compliance and Legal Oversight	12
D. Board Makeup and Responsibilities	12
DFR4. FINANCIAL MANAGEMENT	13
A. Management and Oversight	13
B. Questioned Costs / Duplicate Payment	14
C. Property Accounting	14
BRIEF BIOS OF KEY PERSONNEL	15
EXHIBIT Listing	19



Executive Summary

BRIEF BACKGROUND

On July 8th, 2012, Mayer Hoffman McCann (MHM) was engaged to conduct a forensic audit of Omaha Housing Authority and conduct testing of transactions based on Agreed Upon Procedures (AUP). The forensic and attest reviews initially covered the period from 2006 to current. MHM was assisted in the forensic review by Paragon Management Group (small business subcontractor).

Contract Extension

On September 17th, 2012 MHM was granted an extension to the period of review of both the forensic and attest audits as follows:

- The forensic audit was extended from 2006 to current to 2001 to current
- The attest audit was extended from 2006 to current to 2004 to current

The basis for the extension was to allow MHM to better understand the decisions that triggered the activities under investigation. We believed that the decision in 2002 by the Omaha Housing Authority (OHA) Board to use Housing In Omaha (HIO) as the developer of new housing units to meet the requirements of the Hawkins settlement (see overview on page 5 for further details) was the starting point of the events that culminated in the discovery of the funds transfers in 2011. The results of our investigation have supported this decision. As a result of this request, HUD granted MHM the full option period (July 8th, 2012 through April 8th, 2013) to continue its investigation of the OHA.

SCOPE OF WORK

The Request For Proposal issued by HUD for this examination was focused on the following activities:

- The identification and documentation of any and all wrongdoing, malfeasance, or improprieties that might have occurred during the period of our review and the underlying reasons in terms of control weaknesses, individual responsibilities and non-compliance with applicable rules and regulations
- The need to determine whether all financial numbers reported by The OHA to HUD for the years from 2004 through 2011 were accurate and in accordance with AICPA standards
- The need to document wrongdoing, if any, for possible further action and to implement corrective plan to reasonably ensure that such incidents do not occur in the future.

SIGNIFICANT WORK PERFORMED AND INFORMATION RELIED UPON

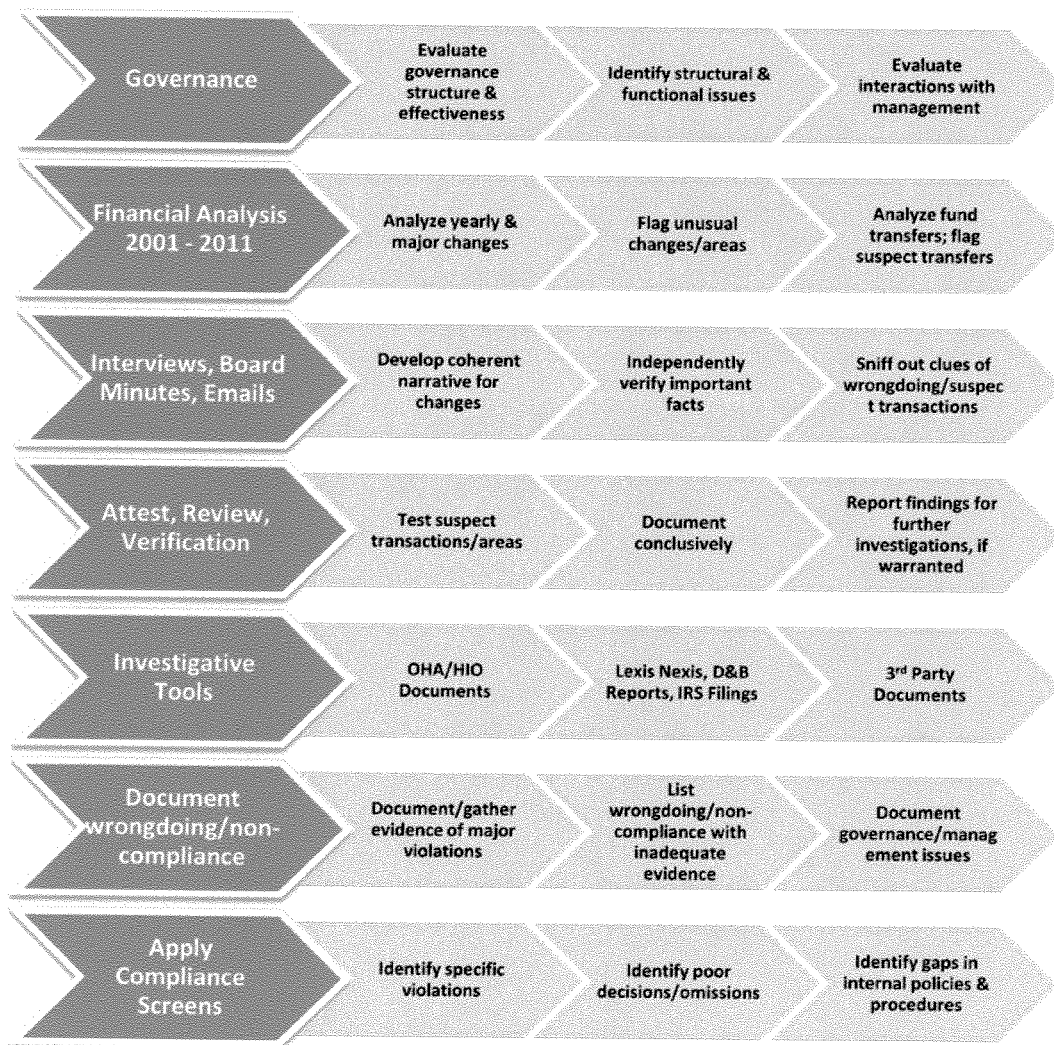
We have relied upon the following documents and sources of information.

- Audited financial statements for OHA, HIO and tax credit partnerships
- Accounting and payroll data from their accounting system (Yardi) and payroll systems (Evolution and Abra).
- Board minutes, agendas and reports for both OHA and HIO
- Financial, payroll, procurement, policies & procedures documents and records
- Reports and documents filed with HUD
- Interviews with former and current board members and employees
- Internal memos and emails from/to OHA and HIO employees
- Articles and information from the print and TV media.
- Reports on or on behalf of OHA/HIO by external companies and organizations

METHODS, TOOLS AND VERIFICATION USED IN FORENSIC AUDIT¹

The graphic below illustrates the approaches, methods and tools used in forensic audit and are followed by a brief description of each major approach, method and tool.

Methods & Tools for OHA Forensic Audit



¹ All information under the section "Methods, Tools and Verification Used in Forensic Audit" is proprietary and hence protected from disclosure requirements.

Governance Review

Approach

Understanding the Governance Structure of the OHA provides significant insight into policies, procedures and management oversight (also see OHA Governance Profiles-Exhibit 5). Our review involved evaluating Board member qualifications, and Board level documentation, interviews, and reporting.

Objectives

- To understand and analyze the macro and micro level organizational structures and how they impact day to day management decisions.
- To evaluate governance structures in comparison to best practices in both the private and public sectors.
- To identify and research all unusual and suspicious Board or Executive level activities and decisions.
- To determine whether the Board is functioning in the best interest of the OHA (as opposed to personal and political agendas).

Methods & Tools

- Performed a review of the governance structure of the OHA that focused on the roles and responsibilities of various Commissioners as well as the current Committee structure.
- Obtained Board policies and procedure documentation and reviewed in comparison with best practices in the private and public sectors including Risk Management, Compliance, Internal Control and Governance standards.
- Evaluated through interview the professional qualifications and Board level experience of the current Board of Commissioners.
- Reviewed Board minutes and other documentation to determine consistency with Board policies and procedures and determine whether the Board attempts to conduct itself in the best interest of the OHA.
- Evaluated whether Board activity encroached on management's responsibility.

Financial Analysis

Approach

Since it was obvious from the RFP that the underlying problem to OHA's situation was a financial one, we wanted to develop a comprehensive understanding of the financial condition and use it as a big canvas in assessing all other variables.

Objectives

- To understand and analyze the macro and micro level financial metrics and how they might have been driving the decisions.
- To develop an understanding of the need – and the underlying problem - for impermissible fund transfers and the answers to “who, how and why” for such fund transfers.
- To identify and research all unusual changes in revenues, expenses and vendor payments.
- To determine whether fund transfers were used for fraudulent purposes.

Methods & Tools

- We imported all accounting data at the transactional level from OHA's accounting system Yardi for the 2004 – 2011 years and developed spreadsheets with PivotTables with the following capabilities:
 - Financial statements– balance sheet and income/expense statement – in summary and detail formats at various levels: cost center (property code in Yardi terminology), program, group of programs, etc.
 - Pattern analysis and conditional formatting to identify unusual changes in expenses.
 - PivotTables with all cash and non-cash transactions for due/to from other fund accounts with the ability to view and analyze at cost center (property code in Yardi terminology), program, group of programs, etc.
- Numerous vendor reports from Yardi.

Interviews, Board Minutes and Emails

Approach

We wanted to develop a coherent narrative of the major events that occurred during the years of our scope of investigation and understand the roles played by individuals. Additionally, we wanted to understand the motives of individuals, and glean clues of possible fraud and/or abuse (also see OHA Management Profiles-Exhibit 6).

Objectives

- To develop an understanding of the patterns of behavior of the organization: culture, personalities, political considerations, motives i.e. professional responsibility, personal enrichment, etc.
- To identify and classify individuals in three categories: decision makers, decision enablers and followers.
- To identify individuals to be investigated based on our forensic analysis, and to identify circles of influence and enrichment i.e. individuals who may be enabling fraud and abuse and/or benefitting from it.
- To identify and document all key decisions made by the officials.

Methods & Tools

- We interviewed all current OHA members, some former OHA and HIO board members, key former and current management personnel, numerous former and current employees, and former and current auditors.
- We reviewed OHA and HIO board minutes and watched video recordings of notable board meetings to identify key and notable events.
- We created and used a searchable database of all emails from 2004. The database exceeded 200GB and contains over a million emails. Similarly, we created a single searchable database of all documents, including board minutes.
 - The primary use of both email and document databases was the fact-checking of the allegations made, the clues received and the versions of events given to us by individuals.

Forensic and Attest Audit Coordination

Approach

Our overall approach to performing the Forensic Audit included the integration of the Attest Audit activities and findings with the Forensic Audit on an ongoing basis throughout the period of review.

Objectives

- To ensure coordination and integration of the Forensic and Attest audit activities.
- To minimize the potential for duplication of effort in the performance of audit activities (including interviews, review of documentation and reporting).
- To ensure that the appropriate expertise is leveraged for each specific task to allow for the maximum benefit and highest quality results.
- To provide HUD with a broader, more robust review that blends the right level of forensic and attest experience throughout the review.

Methods & Tools

- Throughout the review our Forensic and Attest teams met together to discuss the specific work activities being performed by each group. In fact our audit was led initially by our forensic team prior to the attest team for the express purpose of giving the forensic high level review a chance to evaluate the activities and provide more targeted focus for the attest activities.
- The Forensic and Attest teams met weekly to discuss each other's activities and findings to ensure strong knowledge transfer and improve coordination.
- Both Forensic and Attest teams had access to our shared FTP site where all relevant audit documentation was stored (this site was also made available to the HUD team during the review) and the caseware tool used for documenting the Attest work.
- The teams worked together to develop the monthly status report and joined in on all update calls with HUD.

Investigative Tools

Approach

To investigate all leads from our forensic analysis as well as from external sources based on objective, independent and authoritative sources, and to document any fraud, conflict of interest or non-compliance with references to specific laws, regulations, policies, etc. with a very high standard for supporting documents.

Objectives

- To identify key individuals of interest from forensic analysis who were either key decision makers and/or suspected to be unjust beneficiaries and focus the investigation on them and on their circles of influence.
- To investigate all leads and classify the results in three categories: reportable leads with substantiation, unsubstantiated leads and partially substantiated leads that might warrant further investigation.
- To document and report all substantiated leads of fraud, conflict of interest and non-compliance with reference to applicable laws, regulations, policies, etc. with the supporting evidentiary documents.
- To document and report, if any, partially substantiated leads that might warrant further investigation.
- To determine the potential for loss or theft of critical assets.
- To determine the adequacy of OHA policies and procedures in deterring fraud, conflicts of interests, and non-compliance with reference to applicable laws, regulations, etc.

Methods & Tools

- We screened all leads, allegations and clues first through the filter of personal enrichment or conflict of interest. The leads determined to involve personal enrichment or conflict of interest, and individuals connected with such leads, received much deeper scrutiny. The leads determined to involve just poor or bad judgment, however deplorable, passed through a different set of additional filters i.e. financial analysis, time pressures, etc. for a better understanding validation of our determination.
- The preferred standard for substantiation was something in writing or print.
- IDEA software was used to identify and investigate statistical anomalies in financial records.
- Lexis Nexis, which provides a search service for fraud detection on behalf of government agencies, was used to develop profiles of individuals, organizations and companies, and identify possible external links among them.
- IDEA was used to run specific high risk fraud pattern analysis involving matching payroll and HR data with Vendor/Supplier data to identify potential for fictitious employees, duplicate payroll, inaccurate vendor, and employee profile information etc.
- Performed an analysis of the property accounting in Yardi in addition to performing site visits, and evaluating property transactions during the period under review.
- Evaluated cash transactions using IDEA and various statistical and high risk pattern analysis.

Compliance Screens (performed as part of the Attest AUP procedures- see Attest Report)

Objectives

- To identify all in scope HUD programs and their compliance requirements.
- To evaluate how OHA monitors compliance across its various programs.
- To determine whether transactions involving HUD program funding are in compliance with the specific compliance requirements.

Methods & Tools

- Performed a review of the requirements for all HUD programs considered in scope for our task order
- Reviewed funding drawdown activity for proper authorization and documentation.
- Reviewed a random sample of transactions for each program to determine if they met the program compliance requirements.
- Evaluated overall program management and monitoring activities for compliance.

Internal Controls Assessment

Objectives

- To identify the key components of the internal control environment.
- To evaluate whether OHA utilizes a risk based approach that assesses inherent and residual risk.
- To evaluate the key financial controls involved in the management of HUD funds for design and operating effectiveness.
- To determine whether potential breakdowns in control would effect the financial reporting of OHA.

Methods & Tools

- We reviewed financial policies and procedures to assess whether controls were in place and effective.
- Financial controls were tested during our attest audit procedures.
- Forensic tests performed (specifically analytical procedures) based on the above methodology also provided a perspective on the effectiveness of controls.
- A review of OHA governance also provided specific insight into the control environment.

Our Attest Audit report provides specific procedures that were performed to assess the internal control environment.

OVERVIEW

Our forensic investigation into the management affairs of the OHA reveals a picture of an organization not unlike many Housing Authorities with significant public funding. The lure of millions of public dollars often creates a motivation for those who would like to make a name for themselves whether well intending or not. The story painted by our results shows an organization driven by individuals focused in large part on doing the public good, lacking in the experience and know-how to effectively lead a Housing Authority, yet at times willing to influence policies and procedures to benefit political allies, friends and family. The organization during this time fell into deep financial distress as a result of poor management, inadequate oversight, and a lack of understanding of low income housing.

The primary event that triggered this financial slide was the Hawkins settlement in 1994. The Hawkins settlement represented a class action civil case filed by Mary Hawkins against the OHA, the City of Omaha, and HUD for violating fair housing laws by, among other things, concentrating public housing in a specific area of Omaha with large minority populations. It further directed the replacement and de-concentration of public housing units demolished by the OHA. This settlement required that OHA by October 31, 2006 replace 521 public housing units that were demolished in the early 1990s. In complying with the requirements of the settlement, OHA made a number of flawed business decisions that ultimately led to the development and occupation of properties that were not able to sustain themselves financially. Further management did not allow for the cost of moving ineligible tenants out of these units and the time and cost required to replace them with eligible tenants. Losses were incurred from development through ongoing operations for the period from 2002 to date. Our review indicates that the full financial picture had not been shared with the Board of Commissioners until the departure of the Financial Director Stanley Timm.

To facilitate the development of housing units in compliance with the Hawkins settlement, OHA (with direction from HUD) established mixed financing vehicles to generate private funding support. Through its partially controlled non-profit entity Housing In Omaha (HIO), OHA was able to participate in multiple Tax Credit Partnerships where HIO was the General Partner.

This investigation was triggered by the reporting of significant fund transfers from restricted accounts for purposes not sanctioned by HUD. Our review indicates that these funds were not used for fraud or personal gain by any of the officers or management of the company but rather to cover financial deficits created by the development efforts undertaken and operations of the eight mixed-finance projects developed to meet the Hawkins settlement terms. The Hawkins settlement developments created significant financial losses for HIO and funding was transferred from OHA to keep the organization afloat.

Our results show significant issues over the period from 2002 through 2011 related to the use of government funds, inaccurate financial reporting, ineffective governance, and poor financial management / internal control.

This report will highlight our findings based on the following categories:

1. Fraud
2. Inappropriate Use of Federal Funds [Fund Transfers]
3. Governance
4. Financial Management

The following list of acronyms is presented to aid the reader of the Detailed Report, which begins on the following page. OHA Governance Profiles (current Board of Commissioners) and Key Management Profiles will be sent under separate cover.

ACROYNMS

HUD	Department of Housing and Urban Development
OHA	Omaha Housing Authority
HIO	Housing In Omaha
LLPs	Tax Credit Partnerships
COCC	Central Office Cost Center
HCVP	Housing Choice Voucher Program
RFP	Request For Proposal
ROSS	Resident Opportunity Self Sufficiency Grant
AIM	Institute and Applied Information Management
ED	Executive Director
FD	Finance Director

Detailed Findings and Recommendations (DFR)

Our findings and recommendations are grouped under these categories: fraud, fund transfers/deficits, governance, and financial management.

DFR1. FRAUD

Findings:

Our forensic review involved a variety of investigative tools designed to identify the more common fraudulent activities as well as those more specific to housing authorities. Our data analytics were performed against all major data sources at OHA. While minor potentially fraudulent activity was noted during our review, the amounts were not significant to be considered material enough to warrant further scrutiny. We recognize that all fraudulent activity, when identified, should be investigated and the perpetrator's punished, at a minimum, to discourage individuals from committing such crimes. Given the vast scope of our investigation and the amount of significant findings, we decided to focus our time and attention on the most critical activities.

DFR2. IMPERMISSIBLE USE OF FEDERAL FUNDS [Fund Transfers]

Findings:

1. Fund transfers to HIO were made frequently and regularly by Stanley Timm (former Finance Director (FD) and Executive Director (ED), and occasionally by Cindy Miserez, (former Finance Manager) mainly from the public housing, 5H homeownership and Section 8 accounts without the knowledge or approval of the HIO and/or OHA board. As of December 31, 2012 the outstanding balance stands at \$1,438,317 for 5H Homeownership Account and \$1,103,287 for Section 8 Account. Such fund transfers constitute inappropriate and impermissible use of federal funds as public housing, 5H homeownership and Section 8 funds are to be used only for the approved programmatic use of the corresponding program and not for funding deficits in development activities or mixed finance projects. Stanley Timm indicated that several Finance Department staff had knowledge of the fund transfers and in some cases participated in making the journal entries.
2. The underlying causes that necessitated the fund transfers were deficits in HIO in two stages. One was the "development" stage in which it incurred a deficit of \$1.6 million while striving to meet the deadline for meeting Hawkins settlement terms (See Exhibit 1) The other stage is "operations" in which HIO essentially has been paying for and allocating expenses to the eight tax credit partnerships (LLPs) for managing and maintaining the eight mixed finance properties. (HIO is the general partner in all of these eight LLPs) A number of factors i.e. opaque and complex accounting, and departure and subsequent limited availability of the former Finance Director Tim Bohling make it difficult to accurately estimate the operational deficits but the funds transferred from restricted accounts to fund both the developmental and operational deficits stand at \$ 2,541,604. Also, the combined trial balance (unaudited) for the eight LLPs show a total liability of \$2,758,725 as of December 31, 2012 to HIO. (See Exhibit 2, balances in the highlighted Account # 144-0000 & 312-1000). Since HIO didn't have surplus funds of its own, it funded these deficits by transferring funds from 5H Homeownership and Section 8 Accounts, as explained earlier in Finding # 1. We estimate that the total deficits were several hundred thousand to a million dollars higher since HIO generated \$386,000 in cash surplus from its commercial properties and OHA has transferred funds from COCC in the last 3 years to fund HIO operations.
3. Lack of due diligence performed by HIO or OHA board members. Adequate Financial scrutiny performed by HIO and OHA board members should have identified the funds transferred and the underlying financial losses leading to the transfers. Interestingly, Pat Jung who was a retired KPMG

partner and HIO board member from 2005 through 2009 seemed to be the only HIO board member who asked pointed questions about HIO's finances, deficits, etc. However, he told us that he didn't ask how the deficit was funded because he thought HIO was a part of OHA, and not a separate entity. He also said he relied on external auditors to inform the board if impermissible fund transfers were being made. Eide Bailey and Frankel Zaccharia were the auditors during Pat Jung's tenure on HIO board and they didn't seem to have raised any questions between 2005 and 2009. We understood from interviews with OHA board members that in some cases they didn't attend the HIO meetings to maintain the wall of separation between OHA and HIO. While HIO was set up to be an independent entity, it was controlled by OHA because OHA nominated 3 out of 5 board members. William Begley who was both HIO President (2005 – 2011) and OHA Board Chair (2006 – 2010) and who bragged about his accounting expertise to us had no clue about the fund transfers. He expressed profound disappointment when we told him that Stanley Timm had admitted to making fund transfers.

4. OHA's independent auditors failed to raise the questions regarding fund transfers. Eide Bailey, the auditors for the 2001 through 2006 years, did not raise questions regarding fund transfers in their management letters. Frankel Zaccharia, the auditors for the 2007 through 2010 years, did not raise questions regarding the permissibility of the fund transfers until in the 2010 audit. By then, the news of Stanley Tim's departure and the fund transfers made by him were in the public news.

Recommendations:

1. OHA simultaneously and urgently needs to create a realistic plan to a) eliminate operational losses on a cash basis in the three properties we identified and b) to repay the funds transferred to the source programs/accounts from non-federal and/or Central Office Cost Center (COCC) funds. Because of the enormity of the continuing losses and the size of the funds to be repaid, the City of Omaha may have to get involved in solving the problem.
2. OHA should set up a separate bank account for each of the major programs: public housing, capital fund, HIO, Housing Choice Voucher Program (HCVP) and COCC, and set up strict restrictions on fund transfers between these accounts. The compliance plan that we are recommending later should incorporate independent testing at least annually to ensure that no impermissible transfers are made.
3. OHA's signature scheme should be altered to incorporate two signatures on all checks over \$10,000 and for all fund transfers. In addition to two signatures, OHA should consider obtaining a liability insurance policy that covers employee fraud, embezzlement, etc. (should this not already exist). The ED together with one of the following OHA/HIO management/board members may be authorized signatory:
 - a. Finance Director,
 - b. General Counsel,
 - c. OHA Board Chairman, and where applicable,
 - d. HIO Board Chairman

DFR3. GOVERNANCE

The findings under governance are grouped in the following sub-categories: Conflict of Interest, Political Interference/Influence, Compliance and Legal Oversight, Board Makeup and Responsibilities, Questioned Costs and Property Accounting.

A. Conflict of Interest

Findings:

1. Fred Conley, the current OHA Board Chair/Commissioner, appears to have engaged in conflicts of

interest in pushing for and awarding at least two contracts to Davis Group and refused to sign the statement signed by all board members disavowing conflict of interest, among other things. Moreover, we have uncovered documents that suggest that he doctored or colluded with Davis Group to doctor procurement disclosure documents to hide his conflict of interest during the Request for Proposal (RFP) process and the awarding of the contract(s). (See Exhibits 3 and 4) He has also violated sections of 24 CFR 85.30, U.S. Code, Title 18, Part 1, Chapter 47, and Section 1001 and the Nebraska Housing Agency Act.

2. Karen Watson, a current OHA Commissioner, disclosed her conflict of interest during discussion about the contract for the audit engagement with Hayes & Associates LLC, but rather than recusing herself from the discussion as the board policy required her to do, she participated in discussion and decision-making.

Recommendations:

1. Fred Conley's actions require strong corrective action. Moreover, HUD should carefully consider our findings about his involvement in disclosure statements that sought to hide his conflict of interest, and take appropriate action.
2. Karen Watson should receive a warning and be required to follow board policies related to conflicts of interest.
3. The board should ensure the enforcement of all policies.

B. Political Interference/Influence

Findings:

1. We found pervasive political interference/influence under Frank Brown/William Begley era (2003 - 2010) and much more subdued but very much obvious political influence under the current board in which Fred Conley and Ben Gray are the two elected officials serving on the board as Commissioners.
2. A job was specifically created in Housing In Omaha (HIO) for Frank Brown, who served as OHA Board Chair during 2001 – 2006 years, in which he was paid \$285,052.28 between July 2006 and February 2010, excluding the cost of employee benefits. During this period, HIO was incurring deficits, necessitating fund transfers. This position amounted to an unnecessary transfer of functions already being performed by OHA staff and added to HIO's losses.
3. Frank Brown allowed a friend, Steve Davis, to stay in one of the HIO properties free of rent. When someone informed OHA, Frank Brown advocated for a preferential deal in which Steve Davis paid half of the rent he should have paid.
4. Fred Conley/Ben Gray have unduly influenced several management decisions i.e. reversing a staff termination through extraordinary change in personnel policy, pushing contracts to preferred vendors against management's recommendations, raising the question as to whether they were serving the "constituents' interests" or OHA's best interests. Through their leadership, the board has usurped management's discretion by adopting a personnel policy that allows employees to appeal their terminations directly to the board. So far, the board has reversed one termination thereby sending a message that the employee (Rachelle Tucker), is "protected".
5. William Begley, the former OHA/HIO Chair, pushed for contracts to two vendors: Fireguard and Security Equipment Inc. He also personally made sure that these two vendors had the highest priority when it came to payments. Together with Frank Brown, Mr. Begley appears to have created a culture of fear and intimidation that unduly influenced management decisions.

Recommendations:

1. Structurally, we believe that elected officials serving on the OHA Board is detrimental to OHA's interests. The City of Omaha should amend its charter so that only individuals who possess appropriate backgrounds, rather than elected political representatives, are nominated to serve on the board.
2. We recommend that the OHA Board amend its bye-laws to allow no more than one political representative to serve on the Procurement Committee at any given time. This will eliminate or reduce undue pressure on the management to award contracts to certain vendors against their professional judgments.
3. We recommend that William Begley's actions be referred to an appropriate authority for further investigation.

C. Compliance and Legal Oversight

Findings:

1. OHA received up to 95% its revenues from HUD in FY 2011 and hence requires but lacks a dedicated focus on regulatory compliance and legal oversight at the board and management levels. OHA faces a total liability of \$2.8M from this report. Incidentally, OHA had to pay back \$2.7M in 2006 for almost identical actions – impermissible fund transfers and inappropriate use of the funds – in the nineties. On the surface, they need a single-minded focus on financial risk management. At a deeper level, they need to focus regulatory compliance and better oversight.

Recommendations:

1. The board should establish a Risk Management Committee that would focus on Enterprise risks, regulatory compliance, legal and internal control matters. We would recommend that at least one attorney should serve on this committee in addition to a member of the Audit Committee. The Committee should oversee the establishment of formal enterprise risk management and regulatory compliance plans including a mechanism to ensure that all issues are identified, monitored and remediated in a timely manner.
2. OHA management should be structured to provide effective reporting to the Risk Management Committee with those responsible having dotted line reporting on matters of risk and compliance. OHA General Counsel should be assigned the express responsibility for legal and regulatory compliance matters.

D. Board Makeup and Responsibilities

Findings:

1. Several Board members have served multiple 5 year terms, (e.g. Nell Winford, the Resident Director has been serving on the board since 2001). Multiple 5 year terms go against best practice in Board governance and limit the influx of persons with new blood and new ideas. In addition, we found through our investigations that Nell Winford has routinely received benefits in access of expenses necessary to discharge her official duties. Such actions violate Nebraska Housing Agency Act which prohibits housing authority commissioners from receiving anything other than reimbursement for necessary expenses for the discharge of their official duties.

Recommendations:

1. Board members should not be allowed to serve more than one consecutive term.
2. We further recommend that the existing Resident Commissioner be retired and a replacement found.

DFR4. FINANCIAL MANAGEMENT

A. Management and Oversight

Findings:

1. The deficits described earlier in this report can be directly traced to a lack of solid HUD and/or real estate development experience. Stanley Timm, who worked as City of Omaha Finance Director prior to joining OHA/HIO, had solid financial management credentials but no expertise in HUD programs and/or real estate development. For example, had he had requisite HUD experience, he would have planned for the difficulties and time gap in receiving HUD subsidy for several properties. He engaged in optimistic "best case" planning instead of acknowledging the potential worst case scenarios. Of course, the worst case scenario seems to have occurred in many instances. While the hindsight is 20/20 and we cannot imagine the time pressures of complying with the Hawkins settlement were at the time, nevertheless we believe that poor decisions were made regarding the assumptions behind financial sustainability of certain properties i.e. Ernie Chambers Court, Keystone & North Omaha Homes which continue to lose hundreds of thousands of dollars every year on a cash basis. (We are looking into the specific reasons for the losses and will explain or revise this finding in the final report)
2. Key person risk - Tim Bohling, who recently left OHA, seemed to be the only person with knowledge behind many accounting/financial decisions i.e. administrative allocations, capital fund spending, etc. While he brought pure accounting expertise to OHA that was sorely lacking, but with revenues over \$50 million in annual revenues OHA needs at least two sets of different skillsets: strategic financial leadership and HUD/accounting expertise.
3. Both OHA and HIO boards lacked members with requisite financial expertise. The current board seems to have a banker (Scott Bradley) who is financially savvy in general; but even he admitted the steep learning curve in understanding the complex HUD regulations and restrictions.
4. Financial reporting to the boards runs into hundreds of pages with voluminous data but no intelligence. The board packages are normally around 150 pages with the majority comprised of financial information. The commissioner and / or board member position is not a full time designation and therefore these individuals would not be expected to absorb this much information, understand the issues and exercise effective oversight.

Recommendations:

1. While looking for their next Finance Director, OHA would be well advised to look for someone with experience in strategic financial leadership/real estate management and deep expertise in HUD programs and accounting.
2. Currently, there is an amendment under discussion in the Nebraska state legislature that would bar elected representatives from serving on the OHA board and require all OHA Commissioners to get NAHRO certification within a year of the appointment. We strongly endorse the idea as this will eliminate political interference/influence and bring the requisite understanding and expertise to even the Commissioners with professional backgrounds.
3. Financial reporting needs to be completely revised with fewer more succinct reports (e.g. not more than 5 pages of financial reports including financial notes). The lack of intelligent financial reporting has significantly contributed to the lack of effective oversight and guidance by OHA/HIO commissioners and board members.

B. Questioned Costs/Duplicate Payment

Findings:

1. **ROSS Grants:** We found in our review that OHA awarded and prepaid contracts in the early part of 2007 to "spend up" the ROSS grant funds. Subsequently, there were no controls in place to ensure the proper use and documentation of the funds by the vendors in accordance with federal grant rules and regulations. This resulted in alleged personal use of the funds by Rachelle Tucker (not material in amount). Federal grant rules and regulations do not allow "prepayment" of services, if the services were to be rendered after the grant period was over. Also, no acceptable documentation was submitted by Metropolitan Community College for their \$146,000 contract and by ENCAP/GOCA for their \$90,000 contract.
2. **Duplicate Payment:** OHA has made a duplicate payment in the amount of \$47,000. The duplicate payment occurred because OHA had created and used two versions of the vendor name: AIM Institute and Applied Information Management. It also appears that OHA claimed at least \$22,000 twice from ROSS Grants.

Recommendations:

1. **ROSS Grant:** OHA should be required to pay back \$236,000 for the prepaid contracts. OHA should establish more effective controls around all grant funds including authorization and approval controls to prevent such instances from occurring in the future (see recommendation on Risk Management Committee). OHA has created a liability of \$350,000 in anticipation of having to repay the questioned expenses.
2. **Duplicate Payment:** OHA should be required to repay \$22,000 to HUD, as they have charged the ROSS grants twice. OHA board should attempt to recoup the duplicate payment from the vendor.

C. Property Accounting

Findings:

1. Property accounting is inaccurate and incomplete. OHA records and tracks building improvements by program rather than program/property.
2. We also found that capitalization of expenses was not consistent and accurate because they were not embedded into the daily accounting procedures.
3. Without a detailed property accounting (i.e. listing of fixed assets) the property book values and corresponding depreciation schedules are inaccurate and possibly misleading. Misleading property book values would lead to inaccurate gain or loss calculations at the time of a sale. Also, incorrect depreciation expense could impact the calculation of the HUD subsidy.

Recommendations:

1. We recommend that OHA hire an independent company to appraise all real estate properties and update their books accordingly.
2. OHA should consider purchasing a fixed asset software module and institute revised procedures for property accounting.

Brief Bios of Key Personnel



Greg Allender, CPA

Shareholder, Mayer Hoffman McCann P.C.
President and Senior Managing Director
CBIZ MHM, LLC of Maryland

Expertise

- Not-for-Profits
- Audit and Business Advisory
- Board and Audit Committee Development
- Fundraising / Membership
- Compliance Audits
- Government Auditing Standards
- OMB Circulars
- Strategic Planning, Operational and Financial Consulting
- Internal Control Reviews
- Due Diligence

Representative Experience

- Provided consulting services to a variety of not-for-profits related to their Board and Audit Committee development. Focus areas included Board and Committee roles and accountability, code of ethics and conflict of interest guidelines, performance management and accountability by transforming mission goals into Organizational realities, member selection and leadership succession planning.
- Led the financial and compliance audits for a half a billion dollar international charitable organization. Oversaw all aspects of the engagements, including complex accounting pronouncements, overseas site visits, client relationship management and Board presentations.
- Implemented "SOX" for several not-for-profit clients working closely with Audit Committees on governance and internal control matters. Improved Organizational effectiveness, performance improvement, financial strategy and benchmarking for best practices.

Representative Clients

- Catholic Relief Services
- United Way of Central Maryland
- Goodwill Industries
- American Lung Association
- The ARC of Baltimore
- United Cerebral Palsy
- Maryland School for the Blind
- St. Mary's Seminary and University
- Harford Community College
- ASTM International
- Growth Horizons
- Kilimanjaro International, Inc.
- Association for Intl. and Practical Training
- U.S. Office of Housing and Urban Development (HUD)
- Government National Mortgage Association (Ginnie Mae)
- National Science Foundation (NSF)

Background

Education

B.S., Accounting and Business Management, Elon University, 1989

Certifications and Professional Affiliations

- Certified Public Accountant, Maryland
- American Institute of Certified Public Accountants (AICPA)
- Maryland Association of Certified Public Accountants (MACPA)
- Greater Washington Society of Certified Public Accountants (GWSCPA)

Civic Organizations

- Associated Catholic Charities – Board Member
- Business Volunteers Unlimited
- Elon University School of Accountancy – Advisory Board Member

W. Remonde Brangman, CPA, CRMA

CBIZ MHM, LLC - Director
Practice Leader, Mid-Atlantic Risk Advisory Services



Remonde Brangman has over 30 years experience providing governance, risk and internal controls advisory services to leading financial services entities and governmental organizations (supporting various U.S. and foreign governments). He is the Risk Advisory Practice Leader in the D.C. market and former Executive Vice President of the D.C. Chapter of the Institute of Internal Auditors. Mr. Brangman regularly speaks on Risk Management topics, is a keynote speaker for Audit Executive events, and has published articles and white papers on the subject. He is the firm's resident expert on the new International Risk Management Standard ISO 31000. Mr. Brangman is also a seasoned Forensic Accountant with over 21 years of fraud investigation and forensic accounting experience. As a Risk Advisory consultant, Mr. Brangman has extensive knowledge of best practices in Risk Management and Internal Control.

Expertise

- Corporate Governance
- Enterprise Risk Management
- Regulatory Compliance – (including Sarbanes-Oxley 404)
- Internal Audit co-sourcing and outsourcing
- Risk Assessment
- Internal Audit Quality Assessment Review
- Forensic Accounting
- Fraud Risk Assessment
- Control Self Assessment
- Project Management
- Internal Controls & Business Process Review and Documentation
- Risk Convergence

Experience

- Responsible for leading and developing the CBIZ Mid Atlantic Risk Advisory Practice with a focus on government and quasi-governmental entities (e.g., Ginnie Mae, Fannie Mae and Freddie Mac), non-profits, and large corporate accounts.
- During his nine-year tenure with Ernst & Young LLP, Mr. Brangman led several large Sarbanes Oxley implementations for top 100 global organizations, led their DC area practice providing services to large mortgage clients, (including GSEs) and led their practice in Bermuda, Bahamas and Cayman Islands. He has provided guidance to overseas governments and regulators in risk management and internal controls and led audits, risk assessments and internal control activities for a variety of organizations.
- While in Bermuda, Mr. Brangman was the lead advisor to the Bermuda Government as well as its primary business regulator (The Bermuda Monetary Authority). During that time he provided strategic direction for their risk management framework and supported the Internal Audit function. He also led the implementation of an Enterprise Risk Management framework for the Bermuda Monetary Authority.
- Mr. Brangman has been responsible for leading compliance reviews, including Sarbanes-Oxley, section 404, for several leading global businesses.
- Former Chief Audit Executive for Butterfield Bank, a \$10 billion global full service Bank with responsibility for Fraud investigations and AML/BSA Compliance.

Background

Education

- B.S. – Accounting, New York Institute of Technology

Professional Memberships and Offices

- Certified Public Accountant (NY, DC) and Chartered Accountant (Bermuda)
- Certified in Risk Management Assurance (CRMA) by the Institute of Internal Auditors
- Internal Audit Quality Review Certification from the Institute of Internal Auditors (IIA)
- Former Executive Vice President, D.C. Chapter of The Institute of Internal Auditors
- Member of the American Institute of Certified Public Accountants (AICPA)
- Member of the Greater Washington Society of Certified Public Accountants (GWSCPA)
- Member of the Association of Governmental Accountants (AGA)

Speaking Engagements and Publications

- "Embedding Risk Management Into the Organizational Culture" (CPE session), Greater Washington Society of CPAs, Washington, DC, May 2012
- Not-For-Profit Risk Management, The New Best Practice," a CBIZ MHM Whitepaper, Spring 2012
- "Effective Risk Management – Substance Over Form," *CBIZ BIZGrowth Strategies*, Spring 2012
- "Evaluating Vendor Risk – An Emerging Practice," *CBIZ BIZGrowth Strategies*, Winter 2011
- "ISO 31000," DC Chapter of the IIA, Annual Meeting, Washington, DC, October 2011
- "Cost of fixing fraud less than cost of facing fraud," *Washington Business Journal*, October 2011
- "Risk Management for Nonprofits" (workshop), 11th Annual Public Private Partnership Conference for Nonprofits, Washington, DC, August 2011
- Keynote speaker, DC Chapter of the IIA, Chief Audit Executive Meeting, April, 2011
- Spokesperson for CBIZ at the Washington Business Journal's CFO Awards luncheon, July 2011

Civic Organizations

- Member of the American Red Cross Disaster Action Team
- Musician and worship leader at Christ Community Church in Ashburn VA
- Past Council Member, Ambulance Driver and Instructor for St John Ambulance Brigade (UK equivalent to Red Cross)

Sanjay Shah, MBA

Paragon Management Group Inc.
President



Sanjay Shah founded Paragon Management Group Inc. in January 2005, which is a certified 8a participant with GSA Schedule Contract in *Schedule 520, Financial and Business Solutions (FABS)*. He has over 24 years' experience as CFO, senior executive and management consultant in public, private & nonprofit sectors in the areas of finance, budgeting, forensic accounting, system/process improvements, regulatory reports, performance & investigative audits and technology implementations/customizations. Mr. Shah is a forensic & financial systems expert, having led several forensic projects for New York City Children Services. He is a subject matter expert in child welfare and healthcare funding, and has led over two dozen engagements involving GAAP, GASB, OMB Circulars A-87, A-110, A-123, A-133, etc.

Expertise

- Forensic Accounting
- Financial/Accounting Systems
- Financial Management
- Compliance Audits
- Financial Reviews
- Technology Implementation/Customizations
- Program/Project Management
- Business Process Review and Reengineering
- Financial Modeling/Analysis
- Data Analytics/Report Writer
- Regulatory Reports

Forensic/HUD Experience

- Worked as CFO of Chinese American Planning Council, Inc. and its affiliates, the largest Asian social service agency in the country with several HUD-financed housing projects. Streamlined accounting/reporting and played a key role in compliance with HUD rules and regulations.
- While researching for a Quality Improvement Plan for a NYC Children Services (ACS) in response to federal A-87 review, he suspected malfeasance and asked for and received permission to review and analyze 12 years of financial records of a union. His report detailed a sophisticated pattern of overbilling and violation of federal & HHS rules & regulations, and may result in recoupment of between \$7 and \$25 million in federal funds.
- Investigated a nonprofit and their financial records of over 10 years and conclusively documented malfeasance, lack of internal controls and abuse of authority by key employees. This nonprofit had been investigated by NYS & NYC Comptroller's Office & NYC Department of Investigation but none of them had found comprehensive pattern of malfeasance.
- Led a team for financial monitoring of two federally-funded Head Start agencies and found one of them in the process of tampering of financial documents.
- Liaised with and assisted NYC Department of Investigation in a number of investigations.

Financial Management/Technical Assistance Experience

- Designed & conducted comprehensive financial reviews of over two dozen nonprofit organizations funded by NYC Children Services (ACS) with more than 50% federal funds. Designed the format of the reviews after consultation with ACS officials and it contained the following major components: evaluation of financial condition and financial management, analysis of cost structure, evaluation of board effectiveness and governance, short term and long term prognosis and remedial plan.
- Provided technical assistance to the management and the board of trustees of several nonprofits on a number of financial management issues, governance & internal controls.
- Provided audit preparedness services to many nonprofits, and assisted them in remedying the audit findings.

Background

Education

- MBA in Finance, University of Scranton, PA
- Bachelors of Commerce with major in Accounting, University of Calcutta, India
- Certificate Courses in Basic and Advanced Programming in Microsoft Access
- Certificate Course in Microsoft Project

Professional Memberships and Offices

- Co-chair from 2004 to 2008 of Nonprofit Special Interest Group (SIG), The Financial Executive Networking Group (www.thefeng.org), the premier professional networking group for 32,000+ senior financial executives.

Speaking Engagements and Publications

- "Ten Steps for Evaluating Your Financial Management", New York Nonprofit Press, September 2004
- "Ten Steps for Realizing Technology Potential for Nonprofits", a presentation at Nonprofit industry conference.

Civic Organizations

- Founder & volunteer, Senior Citizen Programs, Indian American Cultural Association of Westchester

Wilfredo Corps, CGFM

Director, Mid-Atlantic Government Services Practice
Mayer Hoffman McCann P.C.
CBIZ MHM, LLC



Wilfredo Corps has significant experience designing and directing various special projects as required by the CFO Act, as well as experience with federal government costs incurred audits and agreed-upon procedures reviews. He has managed multiple teams with multiple professionals on numerous engagements.

Wilfredo's professional experience before joining Mayer Hoffman McCann P.C. includes positions with BearingPoint, a private consulting firm, Reed and Associates, CPAs, and the Defense Contract Audit Agency (DCAA). His bilingual (English/Spanish) abilities have proven extremely valuable in his audit work.

Expertise

- Grant Auditing
- Government Contracting
- Contract and grant financial and compliance audits
- Audits of Financial Statements
- SAS 70 Audits
- Indirect Rate Negotiations
- Agreed-Upon Procedures reviews
- CFO Act Analysis of Audit Deficiencies
- Federal Government Contractors
- Recipients of Federal Grants
- Internal Control Assessments, Reviews and Re-engineering projects

Representative Clients

- Center for Medicare and Medicaid Services (CMS)
- Corporation for National and Community Service (CNCS)
- Defense Cash Accountability System (DCAS)
- Defense Finance and Administration Services (DFAS)
- Defense Logistics Agency (DLA)
- Health Resources and Service Administration (HRSA)
- Housing and Urban Development Department (HUD)
- National Science Foundation (NSF)
- Office of National Drug Control Policy (ONDCP)

Background

Education

B.S.B.A.—Accounting, University of Puerto Rico, 2000

Professional Licenses and Memberships

- Certified Governmental Financial Manager (CGFM)
- Association of Government Accountants
- Greater Washington Society of Certified Public Accountants (GWSCPA)

Speaking Engagements

- "How to Prepare for a Federal Audit," SRA International 2011 Annual Meeting, October 24, 2011, Montreal, CANADA.

Civic Organizations

- Casa del Pueblo Ministries, Board of Trustees, President and Treasurer

EXHIBITS (Attached)

EXHIBIT 1 – INCOME AND EXPENSE STATEMENT FOR 7HIODEV, HIO'S DEVELOPMENT ACTIVITIES

EXHIBIT 2 – 7HIOTAX (Eight Mixed Finance Projects) Trial Balance – 2012

EXHIBIT 3 - DISCLOSURE STATEMENT IN SECTION 3 RFP

EXHIBIT 4 – DISCLOSURE STATEMENT IN OHA WORKER'S COMPENSATION PROPOSAL

EXHIBIT 5 – OHA GOVERNANCE PROFILES

EXHIBIT 6 – OHA MANAGEMENT PROFILES

Income and Expense Statement for 7HIODEV, HIO's Development Activities

Exhibit 1

Sum of Balance acct	sdesc	Line Item Type	year					Grand Total
			2004	2005	2006	2007	2008	
7049999	TOTAL TENANT REVENUES	Subtotal					1,371.68	1,371.68
7069999	TOTAL HUD GRANTS AND SUBSIDY	Subtotal					(463,705.93)	(463,705.93)
7129999	TOTAL INVESTMENT INCOME	Subtotal					(6,446.76)	(6,446.76)
7199999	TOTAL OTHER INCOME	Subtotal					(32,736.75)	(32,736.75)
7999999	TOTAL REVENUES	Subtotal		6,386.68	(614,070.46)	(542,311.22)	(503,519.76)	(1,853,514.76)
9119900	TOTAL ADMIN SALARIES	Subtotal		6,386.68	(814,070.46)	(542,311.22)	(503,519.76)	(1,853,514.76)
9169999	TOTAL OTHER ADMIN EXPENSES	Subtotal	2,184.14	31,227.08	911,752.87	634,683.35	(4,839.32)	1,541,596.90
9199999	TOTAL ADMINISTRATIVE EXPENSES	Subtotal	2,184.14	31,227.08	911,752.87	634,683.35	(4,839.32)	1,541,596.90
9299900	TOTAL OTHER RESIDENT SERVICES	Subtotal					15,457.87	1,255,156.61
9299999	TOTAL RESIDENT SERVICE EXPENSES	Subtotal					15,457.87	1,255,156.61
9399999	TOTAL UTILITY EXPENSES	Subtotal				307.50		307.50
9419999	TOTAL MAINTENANCE SALARIES	Subtotal			20.00	4,599.07		4,619.07
9429900	TOTAL MAINTENANCE MATERIALS	Subtotal			123,395.48	24,776.03		148,171.51
9439999	TOTAL MAINT SERVICES AND CONTRACTS	Subtotal			12,936.83	7,390.46		20,327.29
9499999	TOTAL MAINTENANCE EXPENSES	Subtotal			136,332.31	32,166.51		168,498.82
9519999	TOTAL PROTECT SERV SALARIES	Subtotal			167,289.33	41,042.89	1,999.00	210,331.22
9599999	TOTAL PROTECT SERVICE EXPENSES	Subtotal			167,289.33	41,042.89	1,999.00	210,331.22
9619999	TOTAL INSURANCE EXP	Subtotal			2,590.48	4,774.59		7,365.07
9699999	TOTAL GENERAL EXPENSES	Subtotal			238,820.51	240,533.94		479,354.45
9729000	NET CASUALTY LOSS	Subtotal			238,820.51	256,060.94	17,838.88	512,720.33
9729900	TOTAL OTHER EXPENSES	Subtotal			35.00	643.28		678.28
9729999	TOTAL OPERATING EXPENSES	Subtotal			35.00	643.28		678.28
9799900	TOTAL NON-OPERATING EXPENSES	Subtotal	2,184.14	31,227.08	1,918,629.56	1,550,277.77	30,456.43	3,532,774.98
9799999	TOTAL EXPENSES	Subtotal	2,184.14	31,227.08	1,918,629.56	1,550,277.77	30,456.43	3,532,774.98
9999990	NET OPERATING INCOME (LOSS)	Subtotal	2,184.14	37,613.76	1,042,367.53	1,008,540.68	(472,489.20)	1,618,216.91

Notes:
A. Revenues are in negative amounts and expenses in positive. There was a total loss of \$1,618,217
B. Source of data: OHA's accounting system Yardi

Trial Balance

For The Period January 2012 - December 2012

Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
111-0100	CASH - OPERATING	220,748		28,283	192,465
111-1000	CASH - VENDOR PAYMENTS	-1,940	1,940		0
112-0000	CASH - RESTRICTED	35,897	1		35,898
112-3000	REPLACEMENT RESERVE	222,883		40,722	182,161
113-3000	OPERATING RESERVE	638,118		127,784	510,334
113-3500	OHA HUD OPERATING RESERV	284,547	264		284,811
125-0000	A/R OTHER	9,173		9,173	0
125-0400	A/R NON DWELLING RENT	3,119	3,148		6,267
125-5000	A/R - LIMITED PARTNER	1,026,902			1,026,902
125-5002	DUE FROM GP	60,000			60,000
126-0000	A/R TENANTS	76,237	73,493		149,730
126-0100	ALLOWANCE FOR A/R TENANTS	-63,331			-63,331
142-0000	PREPAID INSURANCE	0	17,201		17,201
144-0000	INTERFUND BALANCE	-280,569		13,073	-293,643
161-0000	LAND	1,463,052			1,463,052
162-0000	BUILDINGS	27,221,095			27,221,095
162-0025	BUILDINGS - COMMERCIAL	671,475			671,475
162-0030	BUILDINGS - ACQUISITION	450,000			450,000
162-0050	BUILDINGS - INELIGIBLE	88,112			88,112
162-0100	BUILDING IMPROVEMENTS	1,323,943	68,014		1,391,957
162-0200	CONTRACT WORK IN PROCESS	0			0
162-0500	WIP - Property Tax	0	37,515		37,515
163-0000	DWELLING EQUIPMENT	439,814			439,814
164-0000	SITE IMPROVEMENTS	765,315			765,315
166-0000	ACCUMULATED DEPRECIATION	-18,640,848		377,614	-19,018,463
166-0025	ACCUM DEPR - COMMERCIAL	-211,846		17,217	-229,063
166-0050	ACCUM. DEPR. INELIGIBLE BLD	-11,385		2,186	-13,571
166-1000	ACCUM. DEPR. FURN	-354,994		41,787	-396,780
166-2000	ACCUM. DEPR. SITE IMPROVE	-496,079		110,666	-606,744
174-0100	TAX CREDIT FEES	71,655			71,655
174-1000	ACCUMULATED AMORTIZATION	-25,854		4,777	-30,631
174-3010	DEFERRED FINANCING COSTS	22,615			22,615
174-3011	DEFERRED FINANCING COSTS	-22,615			-22,615
174-3020	SYNDICATION COSTS	60,638			60,638
176-0000	INVESTMENT IN JOINT VENTUR	0	1,000		1,000
312-0000	ACCOUNTS PAYABLE	-122,795	13,713		-109,082
312-1000	A/P GENERAL PARTNER	-2,355,822		109,460	-2,465,082
312-2000	ACCRUED MGMT FEE	-29,911			-29,911

Trial Balance

For The Period January 2012 - December 2012

Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
315-0000	ACCRUED R/E TAXES	-179,712		61,176	-240,888
321-1100	ACCRUED PAYROLL	0			0
321-1200	ACCRUED PAYROLL TAXES	0			0
330-1000	ACCRUED NIFA FEE	0	12,170		12,170
330-2000	ACCRUED AUDIT FEES	-23,850		18,130	-41,780
330-3000	ACCRUED EFN FEE	0		4,303	-4,303
341-0000	TENANT SECURITY DEPOSIT	-71,949		12,132	-84,081
341-0100	DEPOSIT REFUND ACCOUNT	-87	1,035		948
342-0200	TENANT PREPAID RENT	-13,311		341	-13,651
343-0000	MORTGAGE PAYABLE - CURRE	-386,402	16,024		-370,378
343-0001	ACCRUED INTEREST GP	-19,732			-19,732
343-0002	ACCRUED INTEREST TIF	-4,247		12,154	-16,400
343-0003	ACCRUED INTEREST BRIDGE	-11,886		82,081	-93,966
345-0100	CONTRACT RETAINAGE	-27,078		1,630	-28,708
351-0001	LOAN PAYABLE CDBG	-1,172,268			-1,172,268
351-0002	LOAN PAYABLE OHA	-7,081,535		315,309	-7,396,844
351-0004	MORTGAGE TIF US BANK	-124,749	13,178		-111,571
351-0005	MORTGAGE BRIDGE LOAN	-309,954			-309,954
351-0006	MORTGAGE AHP BANK OF THE	-20,250			-20,250
351-0007	ACCRUED INTEREST LONG TER	-134,981		6,000	-140,981
351-0009	ACCR INT L-T CDBG LOAN	0		4,000	-4,000
351-0010	NOTE - DED TRUST	-340,980		13,848	-354,828
351-0011	LOAN HOME FUNDS	-352,500			-352,500
351-0102	MORTGAGE-HIO	-867,461		38,228	-905,689
351-0202	MORTGAGE-OHA # 2	-346,927		14,462	-361,389
351-0302	BRIDGE LOAN EFN X	-274,453			-274,453
351-0402	BRIDGE LOAN EFN IX	-13,929			-13,929
353-0100	FSS ESCROW	0		3,912	-3,912
507-0100	CAPITAL ACCOUNT GENERAL P	-2,381,493			-2,381,493
507-0200	CAPITAL ACCOUNT LIMITED PA	759,997			759,997
507-0300	CAPITAL ACCOUNT SPECIAL LI	-80			-80
507-0500	CAPITAL Investing Member	-82,472			-82,472
508-0100	NET INVESTED IN CAPITAL ASS	-12,682,797			-12,682,797
512-0000	RETAINED EARNINGS	13,627,334		6,801	13,620,532
703-0000	DWELLING RENTS	0		452,676	-452,676
703-0500	DWELLING RENTS SUBSIDY	0		100,945	-100,945
704-0100	LATE FEES	0		11,508	-11,508
704-0200	LEGAL FEES	0		1,655	-1,655

Trial Balance

For The Period January 2012 - December 2012

Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
704-0300	MAINTENANCE FEES	0		8,974	-8,974
704-0500	OTHER TENANT REVENUE	0		8,007	-8,007
704-0700	FRAUD RECOVERY REVENUE	0		15,063	-15,063
712-0000	INTEREST INCOME - RESTRICT	0		3,001	-3,001
715-0100	MISCELLANEOUS INCOME	0	120		120
715-0150	Commission Income	0		158	-158
715-0300	DONATIONS - GENERAL	0		163	-163
911-0000	ADMIN SALARIES	0	87,176		87,176
912-0000	AUDIT EXPENSE	0	23,650		23,650
912-0100	ALLOC AUDIT EXPENSE	0	6,480		6,480
913-0000	MANAGEMENT FEE	0	35,259		35,259
913-0020	BOOKKEEPING FEE	0	20,333		20,333
913-0030	NIFA MONITORING FEE	0	43,679		43,679
913-0040	MHEG MONITORING FEE	0	23,936		23,936
915-0000	ADMIN EMPLOYEE BENEFITS	0	21,604		21,604
916-0100	LEGAL SERVICES - OUTSIDE	0	525		525
916-0600	MEMBERSHIPS	0	700		700
916-0700	TELEPHONE	0	4,977		4,977
916-0800	LEGAL SERVICES - INTERNAL	0	2,479		2,479
916-0900	FORMS AND PRINTING	0	303		303
916-1001	POSTAGE	0	30		30
916-1002	OFFICE SUPPLIES	0	247		247
916-1005	COMPUTER EQUIPMENT	0	103		103
916-1006	NETWORK CONNECTION LEAS	0	3,788		3,788
916-1010	CONSULTING	0	796		796
916-1011	BANK FEE	0	391		391
916-1015	MISCELLANEOUS EXPENSE	0	100		100
916-1030	PROPERTY TAX	0	208,555		208,555
918-0010	FRONT LINE SERVICE FEES	0	27,379		27,379
922-0300	RELOCATION - MOVING EXPEN	0	450		450
924-0300	FRONT LINE SERVICE FEE	0	22,374		22,374
931-0000	UTILITY - WATER	0	15,654		15,654
932-0000	UTILITY - ELECTRIC	0	41,979		41,979
933-0000	UTILITY - GAS	0	12,584		12,584
938-0000	UTILITY - SEWER	0	11,447		11,447
941-0000	MAINTENANCE SALARIES	0	270,332		270,332
942-0100	APPLIANCES	0	10,153		10,153
942-0200	PAINT	0	1,222		1,222

Trial Balance

For The Period January 2012 - December 2012

Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
942-0300	CLEANING SUPPLIES	0	1,793		1,793
942-0400	HVAC MATERIALS	0	5,332		5,332
942-0500	LANDSCAPING MATERIALS	0	174		174
942-0600	PLUMBING MATERIALS	0	10,331		10,331
942-0700	ELECTRICAL MATERIALS	0	2,021		2,021
942-0850	PEST CONTROL SUPPLIES	0	3,813		3,813
942-0900	MAINTENANCE TOOLS	0	4		4
942-1000	MAINTENANCE MATERIALS	0	29,565		29,565
942-1010	MAINTENANCE EQUIPMENT	0	155		155
942-1100	FEE FOR SERVICE	0	183		183
943-0100	ELEVATORS - CONTRACTED SE	0	11,219		11,219
943-0200	HVAC - CONTRACTED SERV	0	27,547		27,547
943-0500	PEST CONTROL - CONTRACTED	0	3,159		3,159
943-0700	TRASH - CONTRACTED SERV	0	4,302		4,302
943-0750	LANDFILL FEES - CONTRACTED	0	730		730
943-0800	CLEANING - CONTRACTED SER	0	6,700		6,700
943-0900	PAINTING - CONTRACTED SERV	0	8,600		8,600
943-1000	ARBORIST - CONTRACTED SER	0	1,260		1,260
943-1100	CARPET REPL - CONTRACTED	0	64,388		64,388
943-1300	CONCRETE WORK - CONTRACT	0	15,295		15,295
943-1400	ELECTRICAL - CONTRACTED S	0	7,230		7,230
943-1600	PLUMBING - CONTRACTED SER	0	5,238		5,238
943-1700	ROOF REPAIRS - CONTRACTED	0	1,075		1,075
943-1800	VEHICLE MAINTENANCE	0	1,296		1,296
943-1850	MAINTENANCE EQUIPMENT RE	0	141		141
943-1900	WINDOW REPLACEMENT-CONT	0	4,210		4,210
943-2000	INSPECTIONS - CONTRACTED S	0	693		693
943-2100	REOP - Outside Maintenance	0	94		94
943-2500	OTHER - OUTSIDE MAINT	0	8,762		8,762
945-0000	MAINTENANCE EMPLOYEE BEN	0	14,306		14,306
951-0200	FRONT LINE SERVICE FEES	0	8,256		8,256
952-0100	SECURITY & MONITORING	0	11,649		11,649
953-0000	SECURITY EQUIPMENT & MATE	0	1,287		1,287
961-0000	INSURANCE - LIABILITY	0	12,957		12,957
961-0050	INSURANCE - PROPERTY	0	57,005		57,005
964-0000	BAD DEBT EXPENSE	0	402		402
967-0200	INTEREST EXP-BRIDGE X	0	33,677		33,677
967-0201	INTEREST EXP-BRIDGE XI	0	48,403		48,403

Trial Balance

For The Period January 2012 - December 2012

Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
967-0300	INTEREST EXP-H.I.O.	0	147,687		147,687
967-0400	INTEREST EXP-OHA LOAN	0	329,771		329,771
967-0501	INTEREST EXP-TIF LOAN	0	14,563		14,563
967-0601	INTEREST EXP - CDBG	0	23,848		23,848
972-0200	CASUALTY LOSS CONTRACTS	0	56,088		56,088
972-0300	CASUALTY LOSS PROCEEDS	0		48,953	-48,953
973-0000	HAP EXPENSE	0			0
973-0500	UTILITY REIMBURSEMENT	0	4,005		4,005
974-0000	DEPRECIATION EXPENSE	0	549,470		549,470
974-0100	AMORTIZATION EXPENSE	0	4,777		4,777
999-0030	TRANSFERS BET PROGRAMS &	0		572,606	-572,606
		<u>0</u>	<u>2,700,960</u>	<u>2,700,960</u>	<u>0</u>

REQUEST FOR PROPOSALS (RFP) NO.100729, ECONOMIC EMPOWERMENT AND OPPORTUNITY
CONSULTING SERVICES

(Attachment C)

15) Professional relationships with any Commissioner or Officer of HA:

George Achola, OHA's Legal Council: Davis Companies have an ongoing professional relationship given the past and current OHA placements for insurance since George's OHA employment.

Gale Sayers, OHA's Human Resources Director: Davis Companies have an ongoing professional relationship given the past and current OHA placements for insurance since Gale's OHA employment.

Fred Conley, OHA Commissioner: Davis Companies have an ongoing professional relationship given the past and current OHA agreements for placements for insurance. Both Dick and Fred are elected and/or appointed public officials and have public and personal ongoing public official relationships. Both Fred and Dick will be serving on the North Omaha Foundation community-based volunteer non-profit. A member of OHA board reviewed the relationship between Davis Companies and Fred and took no further action.

Ben Gray, City Councilmember and OHA's Commissioner: Davis Companies have an ongoing professional relationship given the past and current OHA or City contractor development services agreements or insurance placements since elected to the City Council or appointed to OHA board. Both Dick and Ben are elected and/or appointed public officials and have an ongoing public and personal public official relationships. Both Ben and Dick serve on the Empowerment Network community-based volunteer organization.

Relationship Disclosure Statement – Attachment C Question 15

The Davis Agency has been working with the Omaha Housing Authority for over 25 years. Given this history, we have developed many professional relationships with board members and all levels of OHA staff. There is one individual in particular that might rise to the level of OHA's threshold. Commissioner Fred Conley has known the agency CEO Dick Davis since high school. As they both have served the Omaha and north Omaha community diligently in the past, they have worked together on various nonprofit/community projects. However, this relationship has been vetted through several board meeting and through OHA's and the City's legal counsel. It was determined that no conflict of interest existed.

Due to the extensive involvement in the community, Davis Agency officers and staff have served on nonprofit or public committees and boards along with OHA staff members or officers.

Exhibit 5 - OHA GOVERNANCE PROFILES

The following table profiles the current Board of Commissioners:

	From	Profession	Brief OHA profile
Fred Conley *	2009	Consultant	Chairman, Elected official, documented conflicts of interest, law degree. Very intelligent individual focused on constituents of North Omaha. Known to influence / override management decisions. Antagonistic with ED Cliff Scott. Pushed for Forensic Review and fully endorses MDSTRUM organizational report. No prior housing related expertise.
Jennifer Taylor	2011	Lawyer	Vice Chairman OHA (also served on HIO board). Has pushed for stronger ethical policies. Works closely with General Counsel and gets along well with management. Understands the value of strong governance. Expressed concerns with Board leadership and has positioned herself as VC to improve leadership effectiveness.
Ben Gray	2010	Councilman	Elected official with focus on constituent needs of North Omaha. Supports Fred Conley on most if not all decisions. Appears genuine and has good rapport with most board members. Antagonistic with General Counsel and often challenges management. No housing or business related expertise.
Nell Winford *	2001	Resident	Resident Commissioner with longest tenure. Appears genuinely interested in residents. Tends to vote with the decisions of those she believes are most interested in the residents. Has taken advantage of this position to obtain transportation at OHA expense (Custom handicapped van used exclusively for her transportation) as well as a larger than normal housing accommodation (larger than the standard for a single resident).
Scott Bradley	2011	Banker	Retired Banker with a keen interest in better understanding the financial reporting at OHA. While not an accountant, he takes the time to study the detailed financial reports in order to summarize them at the Board level. Has housing experience through his banking career. Appears genuine and keen to make a difference.
Leonard Romano	2012	YMCA ED	A Non-Profit turnaround specialist with strong funding and development background. A new member with significant potential to contribute to the OHA Board. Has strong marketing, development and fund raising acumen.
Karen Watson *	2012	Non Profit ED	A former business executive with Union Pacific. She was appointed to OHA based on Fred Conley's recommendation to the Mayor. Ambitious and apparently looking to make a positive impact. Sits on the procurement committee but does not appear to have the strength to challenge Fred Conley and Ben Gray. Has had a conflict of interest that was not handled according to OHA policy.

- Individuals noted specifically in our detailed findings and recommendations.

Exhibit 6 - OHA MANAGEMENT PROFILES

Name	Period	Experience	Brief Profile
Clifford Scott ED	2011 to present	Former ED of Youngstown Metropolitan Housing Authority	Over 9 years of public and private sector housing knowledge and experience. Has made significant improvement in OHA since joining in 2011. Has provided significant support to this forensic investigation. Very focused on accomplishing results.
Stanley Timm* ED (former FD)	2006 to 2010	Former Finance Director for City of Omaha	No prior public or private housing experience. Admitted transferring funds from restricted accounts. Provided significant support to this forensic investigation. Struggled with the burden of housing issues due to the Hawkins settlement.
Brad Ashford	2004 to 2006	Attorney/Judge and Clothing company owner.	Executive Director during 2003 – 2006 years when he led the efforts to comply with Hawkins settlement terms. Former OHA Board member. Was responsible for the successful completion of the Hawkins settlement requirements. Currently, a state legislator – ran for Mayor in 2013 election. Keenly interested in improving the OHA governance (proposed new legislation to restrict political influence at OHA board level).
George Achola	2005 to present	Legal Counsel	Very knowledgeable regarding housing compliance and legal matters. Was brought in to assist management in working through the complex legal agreements involved with the mixed financial tax credit partnership. Has put his job on the line several times by opposing the board and raising issues affecting the OHA to outside stakeholders. Previously had his license suspended for theft. Was hired during the suspension period by William Begley. Provided a wealth of information to the investigative team. Often taken on operational management roles.
Gale Sayers-Proby	2008 to present	HR Manager	Fairly competent but focused more on operational management than HR. Does not seem to have strong political alliances since not a native of Omaha. Has also put job on the line by opposing OHA Board members.
Tim Bohling *	2006 to present	Finance Director	A fairly competent CPA but lacking in leadership skills for the position. Unable to adequately present the financial status of the OHA in Board level reporting. Claimed not to know about impermissible fund transfers but it is hard to believe since he was the Finance Director and his staff made the journal entries for fund transfers.
Frank Brown *	2006 to 2008	ED HIO	Minor small business experience (company failed). No private or public housing experience and very limited management experience. Elected official. Took advantage of position to get a job created for him at HIO. Rather than making a contribution through his job, seemed to have impeded normal functioning for personal power.

- Individuals noted specifically in our detailed findings and recommendations.