



The Housing Authority of the City of Hartford, CT

Public Housing and Housing Choice Voucher Programs

**Office of Audit, Region 1
Boston, MA**

**Audit Report Number: 2017-BO-1007
September 21, 2017**



To: Jennifer Gottlieb-Elazhari, Program Center Coordinator, Hartford Field Office,
Office of Public Housing, 1EGA

//Signed//

From: Ann Marie Henry, Regional Inspector General for Audit, 1AGA

Subject: The Housing Authority of the City of Hartford, CT, Did Not Always Comply
With Procurement Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of procurement for the Housing Authority of the City of Hartford, CT's public housing and Housing Choice Voucher programs.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 617-994-8345.



Audit Report Number: 2017-BO-1007
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The Housing Authority of the City of Hartford, CT, Did Not Always Comply With Procurement Requirements

Highlights

What We Audited and Why

We audited the public housing and Housing Choice Voucher programs at the Housing Authority of the City of Hartford, CT, as a result of a hotline complaint alleging potential noncompliance with procurement requirements. The objective of the audit was to determine whether the Authority complied with U.S. Department of Housing and Urban Development (HUD) and Federal procurement requirements and the Authority's procurement policy.

What We Found

The allegation in the complaint regarding the potential noncompliance with procurement requirements was valid. Authority officials did not always (1) comply with HUD and Federal procurement requirements and their procurement policy and (2) ensure that costs did not exceed contract terms. These deficiencies occurred because Authority officials did not have adequate procedures and controls in place. Also, Authority officials and their procurement consultant were not always aware of or disregarded procurement requirements. In addition, Authority officials did not have an adequate system in place or a complete and accurate contract register to ensure that contracts did not exceed the contract terms. As a result, they paid more than \$2.5 million in unsupported costs and more than \$1.5 million in ineligible costs and may pay more than \$1.6 million in additional funds that may not have been properly awarded.

What We Recommend

We recommend that the Hartford Office of Public Housing's program center coordinator require Authority officials to (1) support that more than \$2.5 million in funds paid were reasonable and allowable or repay the unsupported amount from non-Federal funds; (2) repay from non-Federal sources more than \$1.5 million in ineligible funds paid when costs exceeded contract terms and were paid on expired contracts; (3) determine that more than \$1.6 million in additional funds not yet spent on contracts are reasonable and allowable or reallocate the funds to the appropriate programs and reprocur the services, as necessary; and (4) strengthen internal controls and procedures over procurement and establish effective systems for contract administration.

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Background and Objective

The Housing Authority of the City of Hartford, CT, was incorporated under the laws of the State of Connecticut and operates under a board of commissioners. The Authority owns and operates more than 1,100 Federal public housing units under an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD). The Authority also administers more than 2,200 vouchers through the Housing Choice Voucher program.

HUD provides funds to local housing agencies that manage housing for low-income residents at rents they can afford. Capital and operating program funds are made available to housing authorities to carry out capital and management activities for Federal public housing units. The Section 8 Housing Choice Voucher program provides rental assistance to low- and moderate-income individuals by subsidizing rents with owners of private housing. HUD established these programs to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities.

HUD authorized the Authority the following assistance for fiscal years 2014 through 2016:

Year	Operating Fund	Capital Fund	Housing Choice Voucher	Totals
2014	\$4,080,722	\$2,140,028	\$15,940,567	\$22,161,317
2015	4,269,949	2,088,295	16,063,552	22,421,796
2016	4,022,532	2,109,905	13,183,181	19,315,618
Totals	12,373,203	6,338,228	45,187,300	63,898,731

Authority officials contracted with a consultant to perform procurement of their service contracts for the Public Housing Operating Fund and Housing Choice Voucher programs.¹

The objective of the audit was to determine whether the Authority complied with HUD and Federal procurement requirements and the Authority's procurement policy.

¹ Before our audit period, this consultant also provided procurement services for the Authority's Public Housing Capital Fund program, but these services were procured under its small purchase process using purchase orders.

Results of Audit

Finding 1: The Housing Authority of the City of Hartford, CT, Did Not Always Comply With Procurement Requirements

Authority officials did not always comply with HUD and Federal procurement requirements and their procurement policy when awarding contracts and for small purchases. In addition, they did not always ensure that costs did not exceed contract terms. These deficiencies occurred because Authority officials did not have adequate procedures and controls in place. Also, Authority officials and the procurement consultant were not always aware of or disregarded procurement requirements. In addition, Authority officials did not have an adequate system in place or a complete and accurate contract register to ensure that contracts did not exceed the contract terms. As a result, they paid more than \$2.5 million in unsupported costs and more than \$1.5 million in ineligible costs and may pay more than \$1.6 million in additional funds for procurements that may not have been properly awarded. HUD also had no assurance that procurements were always fair and open and that costs were reasonable and allowable in accordance with HUD requirements. Further, HUD funds were not protected when Authority officials continued paying for services without contracts in place.

Deficiencies Found on Procurements

Authority officials did not always comply with HUD and Federal procurement requirements and their procurement policy when awarding contracts over the small purchase threshold.² As required by 24 CFR (Code of Federal Regulations) 85.36(b)³ and the Authority's procurement policy, Authority officials did not always maintain adequate records to detail the significant history of their procurements to support that they complied with requirements. Further, they did not maintain the procurement documents in a central file to ensure that the complete history of the procurement was documented and supported. We identified the following deficiencies for 20 procurements on the contract register totaling more than \$10.1 million.⁴ See Appendix C for more details.

² According to the Authority's procurement policy, the small purchase threshold included purchases that were \$50,000 or less. Authority officials used purchase orders for the small purchases and used a contract for purchases over the small purchase threshold.

³ Effective December 26, 2014, regulations at 2 CFR 200.318-200.326 cover procurement requirements. Regulations at 24 CFR 85.36 were in effect during our audit period.

⁴ This includes Federal and non-Federal funding sources.

Deficiency	Procurements with Deficiency
Procurement was not advertised.	3
Public opening of bids were not supported. ⁵	7
Independent cost estimate was not documented and supported before bids and proposals were solicited.	15
Cost or price analysis was not documented and supported.	5
Evaluations and negotiations were not adequately supported. ⁶	5
Responsibility of bidders awarded contracts was not supported. ⁷	16
Contracts did not contain the required contract clauses, including proper option clauses.	14
Contract type was not documented.	13

Procurement documentation maintained in the files also did not show the funding source for 11 of the 20 procurements. Therefore, there was a risk that Authority officials could use the wrong source of funds for contract payments. It was not always clear what the budget or not-to-exceed amount was for all contracts as Authority officials did not always specify the total contract value in the contract. Further, the board approval of contracts did not always clarify the approved amount of the contracts. In two cases, there was no contract value specified in the board approval. The board approval authorizes Authority officials to enter into the contract and should specify how much is authorized. For one procurement, the board-approved amount and the contract values differed by \$100,000. For another procurement, the contract exceeded the Authority's small purchase threshold; however, Authority officials used small purchase procedures and did not obtain board approval.

In addition to the 20 procurements in the contract register, we identified 6 contractors⁸ that were paid for goods and services that were not properly procured. In one case, Authority officials entered into a contract in the amount of \$62,000 but did not competitively procure the service in accordance with their procurement policy. For two contractors, Authority officials issued multiple purchase orders using small purchase procedures that in total exceeded the Authority's small purchase threshold. These services should have been formally advertised and procured in

⁵ Twelve of the 20 procurements were procured using an invitation for bid process.

⁶ Six of the 20 procurements were procured using the competitive proposal process.

⁷ This includes documenting that contractors were not federally debarred or suspended.

⁸ Eight contractors were not included in the contract register but were identified during our review of purchase orders and cash disbursements.

accordance with HUD procurement requirements and the Authority's policy. For the other three contractors, Authority officials were paying on contracts that had expired.⁹ Therefore, Authority officials did not document that competition was fair and open and they received the best price for the goods and services for these six contractors. As a result, the Authority disbursed \$171,610 in unsupported costs and \$365,704 in ineligible costs.

Further, Authority officials did not always properly award purchase orders for small purchases in accordance with HUD and Federal procurement requirements and the Authority's procurement policy.¹⁰ We reviewed 20 small purchase procurements totaling \$342,588. We found eight instances where officials did not document that they requested and received three quotes as required. In two of the eight instances, Authority officials received only two quotes but noted on the purchase order that one or two other vendors did not submit a quote. However, they did not document the request for a quote from these vendors as required by their procurement policy. In five instances, officials did not approve purchase orders before the work was performed. For example, in one instance, the purchase order was approved 6 months after the work was completed. See Appendix C for more details.

These deficiencies occurred because Authority officials did not have adequate procedures to ensure that the complete history of the procurement was adequately documented. In addition, officials were not always aware of or disregarded procurement requirements. As a result, Authority officials disbursed more than \$2.5 million in unsupported costs and may disburse an additional \$1,242,154 in funds remaining on these contracts.

Costs Exceeded Contract Terms

Authority officials exceeded contract terms for 16 procurements,¹¹ including contract values and scope; extended contracts beyond the initial and option-year terms; and did not exercise option years before contract expiration.¹²

Authority officials did not document approved contract modifications before exceeding the contract value for 11 procurements. HUD Handbook 7460.8, REV-2, section 11.4, states that contract and purchase order modifications must be made in writing. In addition, Authority officials did not obtain board approval when changes exceeded 10 percent of the contract value in accordance with the Authority's procurement policy for 10 of the 11 procurements. For example, for one procurement, the board approved \$211,000 for the initial year with the option to extend an additional 2 years; however, Authority officials paid the contractor more than \$379,000 in the first year with no documented board approval or contract modification.

⁹ These three contractors are included under the section "Costs Exceeded Contract Terms".

¹⁰ According to the Authority's procurement policy, the small purchase threshold included purchases that were \$50,000 or less.

¹¹ This includes 13 of the 20 procurements above and 3 contractors reviewed that were not in the contract register.

¹² Either Authority officials issued a letter to the contractor to extend the contract after the contract had expired, or there was no letter of extension to continue services, and Authority officials continued to use those services and pay on the expired contract.

Authority officials added work to one contract that was beyond the original contract scope. They contracted for vacancy rehabilitation work on seven units that had a specific scope of work identified in the invitation for bid. Once under contract, Authority officials added work to the units that was outside the scope and added another unit that was beyond the original scope of work put out to bid.

Authority officials extended the terms of contracts beyond those stated in the contracts in four procurements. For example, one contract had a 1-year term, with the option to extend the contract for 1 additional year. After the base year and 1-year extension, Authority officials claimed to exercise another 1-year option on this contract. However, under the terms of the contract as awarded, there were no further options to exercise. Therefore, any services provided to the Authority by the contractor after the expiration of option year 1 were not valid under the contract in accordance with HUD Handbook 7460.8, REV-2, paragraph 10.8(C)(3)(e).

Authority officials did not exercise the option to extend the contract before the contract expiration as required for eight procurements. HUD Handbook 7460.8, REV-2, paragraph 10.8(C)(3)(e), states that options may not be exercised after the term of the contract has expired as technically, there is no longer a legal and binding contract to extend. The Authority's procurement consultant stated that if the contract was not extended in writing, it was extended verbally. In one case, the contract expired in October 2011, and Authority officials were not able to provide a written extension of the contract. However, they continued to pay this contractor through January 2017.

These deficiencies occurred because the Authority did not have an adequate system in place and the contract register was not accurate or complete, including any modifications, to ensure that contract amounts and dates were not exceeded and that option years were extended in a timely manner and in accordance with requirements. Further, the Authority's accounting system did not encumber funds for each contract to ensure that costs did not exceed the contract value. Additionally, Authority staff and the procurement consultant were not always aware of or disregarded procurement requirements. As a result, Authority officials paid more than \$1.5 million¹³ in ineligible costs and may incur an additional \$375,526 in costs for contracts that have expired, which could be used on eligible contracts.

Conclusion

Authority officials did not always comply with HUD and Federal procurement requirements and their own procurement policy. This condition occurred because Authority officials did not have adequate procedures and controls in place and were not always aware of or disregarded procurement requirements. In addition, they did not have an adequate system in place or a complete and accurate contract register to ensure that contracts did not exceed the contract terms.

¹³ This amount includes the \$365,704 questioned for the three contractors in the section "Deficiencies Found on Procurements".

As a result, Authority officials paid more than \$2.5 million in unsupported costs and more than \$1.5 million in ineligible costs and may pay more than \$1.6 million for procurements that may not have been properly awarded. Further, HUD had no assurance that the award of contracts and small purchases was always fair and open and that costs were reasonable and allowable in accordance with HUD requirements. HUD funds also were not protected when Authority officials continued paying for services without contracts in place.

Recommendations

We recommend that the Hartford Office of Public Housing's program center coordinator require Authority officials to

- 1A. Support that \$2,533,377¹⁴ in costs were reasonable and allowable program expenses in accordance with requirements or repay from non-Federal funds the appropriate programs any amounts they cannot support.
- 1B. Repay the appropriate programs from non-Federal funds the \$1,524,604¹⁵ in ineligible funds paid when costs exceeded contract terms.
- 1C. Determine the appropriateness of the remaining balance of \$1,242,154 on unsupported contracts to ensure costs were reasonable, reprocure the subject contracts, or reallocate the funds to the appropriate program.
- 1D. Reprocure expired service contracts to ensure estimated balances of \$375,526 are used on eligible contract.
- 1E. Reprocure any service contracts necessary and ensure that the contracts are properly awarded in accordance with HUD requirements.
- 1F. Strengthen and implement controls and procedures over procurement, including monitoring consultants, to ensure that procurement activities meet HUD requirements.
- 1G. Establish and implement an effective system to ensure that payments do not exceed approved contract values.
- 1H. Establish and implement an effective system to maintain a complete and accurate contract register to ensure proper contract planning and administration.

¹⁴ This includes \$2,217,678 in unsupported costs for the sample of 20 procurements over the small purchase threshold, \$171,610 for three contractors not in the contract register, and \$144,089 for small purchases.

¹⁵ This includes \$1,158,900 in ineligible costs for the sample of 20 procurements over the small purchase threshold and \$365,704 for three contractors not in the contract register.

We also recommend that the Hartford Office of Public Housing's program center coordinator

- 1I. Provide technical assistance to the Authority to ensure that responsible staff and board members receive necessary procurement training.

Scope and Methodology

We performed our audit work at the Authority's office in Hartford, CT, from October 2016 to June 2017. Our audit covered the period January 1, 2014, through September 30, 2016, and was expanded as necessary.

To accomplish our objective, we

- Reviewed relevant procurement laws and regulations pertaining to the Public Housing Operating Fund, Public Housing Capital Fund, and Housing Choice Voucher programs.
- Reviewed the Authority's procurement policies and procedures.
- Interviewed Authority officials, the Authority's procurement consultant, and HUD Office of Public Housing staff located in Hartford, CT.
- Reviewed the Authority's contract register¹⁶ and contracts to determine the universe of contracts executed during the period January 1, 2014, to October 26, 2016, that exceeded the Authority's small purchase threshold, which was up to \$50,000.
- Selected and reviewed the Authority's files and records for all 20 procurements in the universe of contracts, which included 27 contracts¹⁷ totaling more than \$10.1 million, of which more than \$5.7 million was disbursed using Federal funds through January 24, 2017.¹⁸
- Selected and reviewed a sample of 20 small purchase orders totaling \$342,588 from a universe of 99 purchase orders totaling more than \$1.3 million that were over the Authority's micropurchase limit¹⁹ to determine if the Authority followed small purchase procedures. This amount represented 25 percent of the more than \$1.3 million in purchase orders above the Authority's micropurchase threshold. The purchase orders were randomly selected. We did not use statistical samples; therefore, our results were not projected.

¹⁶ The contract register was as of November 17, 2016.

¹⁷ Some procurements had multiple contracts awarded to multiple contractors.

¹⁸ Payments on contracts were also made using non-Federal funds, including central office cost center and State funds. Federal funds were determined from the cash disbursements journal by general ledger account.

¹⁹ The Authority's micropurchase limit was up to \$4,000. This amount exceeds HUD's limit of \$3,500.

- Selected eight contractors²⁰ that, based on our review of the cash disbursements and purchase order database, were paid close to or more than \$150,000 for less than a 3-year period and were not on the contract register to determine whether the Authority had a contract in place and if not, whether the contractors should have been competitively procured. Two of these contractors had a contract with the Authority but were also paid more than \$150,000 in purchase orders. We did not perform a full review of the procurement of these eight contractors. We did not use statistical samples; therefore, our results were not projected.

To achieve our objective, we relied in part on the Authority's computer-processed data. We used the data to determine the amount of funds spent on the contracts we reviewed. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes. We also used the Authority's contract register to determine our universe of procurements over \$50,000 to review; however, since it was not always accurate and complete, we cannot be certain that our universe of procurements included all procurements over \$50,000. We also used the Authority's purchase order database to select a sample of small purchase procurements for review. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

²⁰ We did not include utility or insurance companies that exceeded \$150,000 or housing subsidy payments made by Authority officials.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of resources is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not establish and implement adequate controls to ensure compliance with procurement requirements and its own procurement policy (finding 1).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A.		\$2,533,377	
1B.	\$1,524,604		
1C.			\$1,242,154
1D.			375,526
Totals	1,524,604	2,533,377	1,617,680

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendation to support the reasonableness and allowableness of the unsupported contracts or reprocore the subject contracts, HUD would be assured the remaining \$1,242,154 not yet spent on contracts would also be considered reasonable and allowable. Additionally, if the Authority implements our recommendation to reprocore its expired contracts, HUD would be assured the remaining \$375,526 expected to be paid on the expired contracts would be spent on eligible contracts.

Appendix B

Auditee Comments and OIG's Evaluation


Ref to OIG Evaluation

Auditee Comments

HOUSING AUTHORITY OF THE CITY OF HARTFORD 180 JOHN D. WARDLAW WAY, HARTFORD, CT 06106 (860) 723-8400

September 13, 2017

Ann Marie Henry
Regional Inspector General for Audit
Region 1 Boston
U.S. Department of Housing and Urban Development
Office of Inspector General
10 Causeway Street, Room 370
Boston, MA 02222



Re: Draft HUD OIG Audit Report transmitted August 24, 2017

Dear Ms. Henry-

Thank you for the opportunity to provide written comments to the HUD Office of Inspector General's ("OIG") draft audit report generated as a result of the recent audit of the Housing Authority of the City of Hartford (the "Authority") Public Housing and Housing Choice Voucher Program procurement records. The Authority recognizes that, as a steward of public housing operating funds, it must ensure that all housing related goods and services are provided to Hartford's low income residents in a cost efficient, responsible and transparent manner in accordance with both Federal and Connecticut law.

The Authority welcomed the detailed assessment of its procurement records and has done everything in its power to be transparent and helpful during the audit process and to assist the OIG in its work. The Authority takes its public mandate seriously and believes that any indication of a deficiency, substantive or procedural, provides an opportunity for improvement. The Authority wishes to stress that the audit does not assert any allegation of fiscal impropriety, with the OIG's assertions primarily revolving around record keeping and contract administration.

Following this constructive and proactive spirit, the Authority instituted the following changes during the audit process:

- a. Hired several key new staff to oversee the Authority's procurement process, record keeping, and contract administration functions. Procurement had previously been administered by a contracted third party, and that responsibility has been brought in-house.
- b. Redesigned internal procedures for procurement; rewrote and modernized the procurement policy for transparency of procurement and to match federal limits and requirements; scheduled initial staff trainings on policy and procedure and began work with its external software provider to provide system solutions and subsequent trainings.
- c. Took action on those still-existing contracts identified by the OIG as lacking proper records and re-procured contracts as necessary. A list of such contracts and their status is attached to this response.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1

In response to the OIG's recommendations, the Authority offers the following comments:

1A. Support that \$2,533,377 in costs were reasonable and allowable program expenses in accordance with requirements or repay from non-Federal funds the appropriate programs any amounts they cannot support. *The Authority intends to provide the HUD Hartford Field Office ("Field Office") evidence that such costs were reasonable and allowable during the audit resolution process.*

1B. Repay the appropriate programs from non-Federal funds the \$1,524,604 in ineligible funds paid when costs exceeded contract terms. *The Authority intends to take steps to ratify many (if not all) fund expenditures classified by the OIG as ineligible and prove to the satisfaction of the Field Office that such expenditures were reasonable during the audit resolution process.*

1C. Determine the appropriateness of the remaining balance of \$1,242,154 on unsupported contracts to ensure costs were reasonable or reallocate the funds to the appropriate program. *The Authority has already re-procured many of the subject contracts and will provide evidence of such re-procurement or the reasonability of expenditure of the remaining amounts due under the subject contracts to the Field Office during the audit resolution process.*

1D. Re-procure expired service contracts to ensure estimated balances of \$375,526 are used on eligible contract. *The Authority has already re-procured many of the subject contracts and will provide evidence of such re-procurement or the reasonability of expenditure of the remaining amounts due under the subject contracts to the Field Office during the audit resolution process.*

1E. Re-procure any service contracts necessary and ensure that the contracts are properly awarded in accordance with HUD requirements. *The Authority has already re-procured many of the subject contracts and will continue to follow proper procurement procedures, will provide proof of the same to the Field Office during the audit resolution process.*

1F. Strengthen controls and procedures over procurement, including monitoring consultants, to ensure that procurement activities meet HUD requirements. *As previously indicated, the Authority has already made substantial progress in strengthening its controls and procedures and will continue to work with the Field Office during the audit resolution process to ensure all controls and procedures are acceptable and adequate.*

**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

In addition to the comments above, the Authority requests the following revisions to the language of the draft audit:

- a. The Authority believes that re-procurement of contracts with a balance of "Funds to be Put to Better Use" in Appendix C should apply as a recommendation for all such contracts. Accordingly, the Authority would like Section 1C of "Recommendations" on page 11 of the draft audit to be revised to read as follows (revision marked in italics):

"Determine the appropriateness of the remaining balance of \$1,242,154 on unsupported contracts to ensure costs were reasonable, *re-procure the subject contracts* or reallocate the funds to the appropriate program."

- b. The Authority believes that re-procurement of contracts with a balance of "Funds to be Put to Better Use" in Appendix C should apply as a recommendation for all such contracts. Accordingly, the Authority would like number 3 of Appendix A of the draft audit to be revised to read as follows (revision marked in italics):

"Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, de-obligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in pre-award reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendation to support the reasonableness and allowableness of the unsupported contracts *or to re-procure the subject contracts*, HUD would be assured the remaining \$1,242,154 not yet spent on contracts would also be considered reasonable and allowable. Additionally, if the Authority implements our recommendation to re-procure its expired contracts, HUD would be assured the remaining \$375,526 expected to be paid on the expired contracts would be spent on eligible contracts."

Comment 3

The Authority is grateful for this opportunity to respond to the OIG draft audit report. The integrity of the Authority's procurement activities is critical to the success of its Public Housing and Housing Choice Voucher Programs. The Authority is focused on continuous improvement and preventing any future deficiencies of the sort cited in the draft audit. As the Authority moves forward with its Public Housing and Housing Choice Voucher Programs, it does so with a resolute commitment to maintain its procurement protocols and safeguards not only in accordance with the OIG's recommendations, but also in accordance with all applicable laws and best practices.

Very Truly Yours,



Annette Sanderson
Executive Director

**Ref to OIG
Evaluation**

Auditee Comments

<u>Authority Progress with Respect to Appendix C Procurements</u>	
1733-14	No Funds Identified by OIG
1731-14	Cancelled
1736-14	Complete
1768-16	Payments being made timely
1746-15	Re-Procured
1729-14	Re-Procured
1738-14	Re-Procured
1724-13	In Process of Re-Solicitation (bids due October 5, 2017)
1686-13	Re-Procured
1769-16	Re-Procured
1753-16	Complete
1727-14	Re-Procured
1772-16	Complete
1720-13	Complete
1741-14	Complete
1740-14	Re-Procured
1728-14	Re-Procured
1718-13	Re-Procured
1737-14	Re-Procured
1754-16	Expired, services brought in house

OIG Evaluation of Auditee Comments

- Comment 1 The Authority acknowledged the finding and recommendations and has begun taking corrective action to address the deficiencies identified. The Authority should continue to work with HUD during the audit resolution process to close out the recommendations.
- Comment 2 OIG revised recommendation 1C to include reprocurring the subject contracts.
- Comment 3 OIG revised number 3 of Appendix A to include reprocurring the subject contracts.

Appendix C

Schedule of Sampled Procurements

Procurement Number or Purchase Order	No. of Contracts or Purchase Orders	Procurement Value (initial term with option years and/or change orders)	Federal Funds Disbursed	Deficiencies	Unsupported Costs	Ineligible Costs	Funds to be Put to Better Use	Total Questioned Costs
Sample of 20 Procurements Over the Small Purchase Threshold								
1733-14	1	\$2,457,712	\$2,326,201		\$0	\$0	\$0	\$0
1731-14	3	2,400,000	217,251	3, 6, 7, 8, 12	0	209,112	41,531	250,643
1736-14	1	556,000	656,637	3, 4, 6, 7, 8, 12	556,000	100,637	0	656,637
1768-16	1	289,654	2,115	2, 3, 6, 9	2,115	0	287,539	289,654
1746-15	5	1,090,440	170,924	2, 3, 6, 7, 8, 9, 12	152,597	18,327	457,790	628,714
1729-14	1	634,200	674,033	2, 3, 6, 7, 9, 12	422,800	251,233	39,649	713,682
1738-14	1	450,000	317,940	3, 5, 6, 7, 8, 12	147,500	170,440	136,500	454,440
1724-13	1	144,485	174,825	3, 4, 6, 7, 8, 12	166,178	8,646	53,996	228,820
1686-13	1	421,200	135,950	3, 5, 6, 7, 8, 12	64,595	71,355	37,077	173,027
1769-16	1	387,724	31,529	3, 5, 6, 7, 8	31,529	0	356,195	387,724
1753-16	1	132,908	132,908	4, 9	132,908	0	0	132,908
1727-14	1	335,910	182,096	2, 3, 6, 7, 8, 9, 12	52,120	129,976	9,364	191,460
1772-16	1	82,000	39,212	9 ²¹	0	0	0	0
1720-13	1	83,000	76,950	1, 6	76,950	0	6,050	83,000
1741-14	1	99,216	99,221	1, 2, 4, 9, 12	82,924	16,297	0	99,221
1740-14	1	170,000	71,100	3, 5, 6, 7, 8, 9, 12	53,720	17,380	80,580	151,680
1728-14	1	188,032	185,663	3, 5, 6, 7, 8, 12	123,716	61,947	10,921	196,584
1718-13	2	153,492	191,180	2, 3, 6, 7, 8, 9, 12	96,648	94,532	25,900	217,080
1737-14	1	44,616	46,396	2, 3, 6, 7, 8, 9, 12	37,378	9,018	20,588	66,984

²¹ We did not questioned costs related to this procurement due to the funding source not being documented since this is an administrative issue.

Procurement Number or Purchase Order	No. of Contracts or Purchase Orders	Procurement Value (initial term with option years and/or change orders)	Federal Funds Disbursed	Deficiencies	Unsupported Costs	Ineligible Costs	Funds to be Put to Better Use	Total Questioned Costs
1754-16	1	72,000	18,000	1, 3, 4, 6, 7, 8, 9	18,000	0	54,000	72,000
Subtotals	27	10,192,589	5,750,131		2,217,678	1,158,900	1,617,680	4,994,258
Sample of 20 Small Purchases								
22165	1	49,500	49,500	10	43,951	0	0	43,951
23712	1	39,390	39,390	10	39,390	0	0	39,390
15774	1	36,654	36,654	10	36,654	0	0	36,654
17363	1	7,370	7,370	10, 11	7,370	0	0	7,370
21454	1	6,951	6,796		6,796	0	0	6,796
25851	1	5,550	5,550	10, 11	5,550	0	0	5,550
21893	1	4,378	4,378	10, 11	4,378	0	0	4,378
17225	1	4,830	3,864		0	0	0	0
17226	1	10,390	10,390		0	0	0	0
17817	1	49,143	13,651		0	0	0	0
19343	1	8,486	8,486		0	0	0	0
19450	1	4,056	4,056	11	0	0	0	0
20805	1	15,000	15,000	10	0	0	0	0
22877	1	4,364	4,364	11	0	0	0	0
22960	1	8,320	8,320		0	0	0	0
26324	1	9,250	9,250	10	0	0	0	0
20301	1	28,068	28,068		0	0	0	0
20613	1	9,340	9,340		0	0	0	0
22130	1	36,038	36,038		0	0	0	0
23039	1	5,510	5,510		0	0	0	0
Subtotals	20	342,588	305,975		144,089	0	0	144,089
Totals	47	10,535,177	6,056,106		2,361,767²²	1,158,900²³	1,617,680²⁴	5,138,347

List of Deficiencies

1. Procurement was not advertised.
2. Public opening of bids were not supported.

²² This total does not include \$171,610 in unsupported costs disbursed to three of the six contractors reviewed that were not in the contract register and that were not properly procured.

²³ This total does not include \$365,704 in ineligible costs disbursed to three of the six contractors reviewed that were not in the contract register and that had expired contracts.

²⁴ This includes the remaining balances of \$1,242,154 on unsupported contracts and \$375,526 in costs estimated to be paid on expired contracts.

3. Independent cost estimate was not documented and supported before bids and proposals were solicited.
4. Cost or price analysis was not documented and supported.
5. Evaluations and negotiations were not adequately supported when the competitive proposal process was used.
6. Responsibility of bidders awarded contracts was not supported.
7. Contracts did not contain the required clauses, including proper option clauses.
8. Contract type was not documented.
9. Funding source for contract was not documented.
10. No documentation to show that three quotes were requested or received.²⁵
11. Purchase order was not properly approved.²⁶
12. Costs exceeded contract terms.

²⁵ The Authority may have requested at least 3 quotes for purchase order number 20805 and 26324; however, they did not properly document the request. They obtained at least 2 quotes; therefore, we did not question any costs related to these purchase orders. The Authority did not request any quotes for purchase orders 22165, 23712 and 15774. Therefore, we questioned the costs related to these purchase orders as unsupported.

²⁶ Purchase orders 19450 and 22877 were not approved timely; however, this is an administrative issue and these costs were questioned under procurement number 1724-13.