Issue Date	September 29, 2011
Audit Report Number	2011-AO-1008

TO: Holly Bellino-Knight, Director, Office of Public Housing, 4GPH

//**signed**//
FROM: Nikita N. Irons, Regional Inspector General for Audit, Gulf Coast Region, 11AGA

SUBJECT: The Tennessee Valley Regional Housing Authority, Corinth, MS, Generally Ensured That Its Public Housing Capital Fund Grant Complied With Recovery Act Requirements

HIGHLIGHTS

What We Audited and Why

We initiated an audit of the Tennessee Valley Regional Housing Authority's Public Housing Capital Fund Stimulus Formula Recovery Act Funded grant program as part of our annual audit plan to review American Recovery and Reinvestment Act of 2009 funds. Our objective was to determine whether the Authority properly obligated and expended its Recovery Act capital funds in accordance with requirements, followed Recovery Act requirements when procuring contracts for goods and services, and accurately reported its Recovery Act activities.

What We Found

The Authority generally complied with Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds, and its procurements were made in accordance with Federal and Recovery Act requirements. The

Authority also properly reported Recovery Act Capital Fund grant information in federalreporting.gov.

What We Recommend

This report does not contain recommendations as it contains no findings.

Auditee's Response

We provided the discussion draft of the audit report to the Authority on September 13, 2011, and requested its comments by September 19, 2011. The Authority provided its written response on September 15, 2011, and partially agreed with the finding. The complete text of the auditee's response, along with our evaluation of that response, can be found in the appendix of this report.

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BACKGROUND AND OBJECTIVE

The Tennessee Valley Regional Housing Authority was established in 1969 for the purpose of providing decent, safe, and sanitary housing for eligible individuals, low-income families, the elderly, and persons with disabilities. The Authority is responsible for managing 1,211 conventional public housing units and 1,314 housing choice vouchers in 10 northeastern counties of Mississippi. The mission of the Authority is to promote adequate and affordable housing, economic opportunities, and suitable living environments free from discrimination. The Authority has offices in Corinth and Saltillo, MS, and 10 public housing project offices throughout the 10 counties served.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, which included $13.6 billion for projects and programs administered by the U.S. Department of Housing and Urban Development (HUD). Of the $13.6 billion, $4 billion was allocated as public housing capital funds. Of the $4 billion, the Recovery Act required that $3 billion be distributed as Public Housing Capital Fund Stimulus Formula Recovery Act Funded grants and $1 billion be distributed through a competitive grant process.

On March 18, 2009, the Authority received more than $3.5 million in public housing Recovery Act formula grant funds to carry out capital and management activities. The Recovery Act required the Authority to obligate 100 percent of the funds within 1 year of the date on which funds became available and expend 60 percent within 2 years and 100 percent within 3 years of such date. The Recovery Act also required the Authority to comply with the procurement requirements of 24 CFR (Code of Federal Regulations) Part 85. The Authority obligated and expended the funds within the required timeframe, and the related procurements were made in accordance with 24 CFR Part 85 and Recovery Act requirements. As of June 23, 2011, the Authority had expended 100 percent of its Recovery Act funding.

Further, the Recovery Act required the Authority to report on the use of Recovery Act funding within 10 days after the end of each calendar quarter. Aimed at providing accountability and transparency, the Recovery Act required the Authority to enter the total amount of funds received and spent and a list of projects and activities funded by name, completion status, estimates of jobs created or retained, subaward information, and other payments into federalreporting.gov, which is the central nationwide data collection system for Federal agencies and recipients to use in reporting on their use of Recovery Act funding. Once data have been submitted to federalreporting.gov and reviewed by the funding or awarding agency, the reports are made available to the public via recovery.gov.

Our objective was to determine whether the Authority properly obligated and expended its Recovery Act capital funds in accordance with requirements, followed Recovery Act requirements when procuring contracts for goods or services, and accurately reported its Recovery Act activities.

RESULTS OF AUDIT

Finding: The Authority Generally Ensured That Its Public Housing Capital Fund Grant Complied With Recovery Act Requirements

The Authority generally complied with Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds. It properly obligated and expended funds within the statutory deadlines on capital projects included in its annual and 5-year action plan. Additionally, it ensured that procurements were made in accordance with Federal and Recovery Act requirements. Finally, the Authority properly reported Recovery Act Capital Fund grant information in federalreporting.gov.

The Authority Properly Obligated and Expended Its Recovery Act Capital Funds

The Authority generally complied with Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds. According to the Recovery Act, the Authority was required to obligate 100 percent of the Recovery Act funds by March 17, 2010. It was required to expend 60 percent of the funds within 2 years and 100 percent within 3 years of that date. In addition, the Recovery Act required the Authority to give priority to capital projects that could award contracts based on bids within 120 days from the date the funds were made available and to use the funds on capital projects included in its annual and 5-year action plan.

The Authority properly obligated and expended its Recovery Act capital funds within the statutory deadlines on capital projects included in its annual and 5-year action plan.[1] For example, it obligated and expended Recovery Act capital funds on new windows and Energy Star light fixtures at multiple sites as shown in pictures 1 and 2.

[1] The Authority obligated 100 percent of its Recovery Act capital funds as of November 06, 2009, and expended 100 percent of the funds as of June 23, 2011.

Picture 1: New window installed at Willow Terrence in Corinth, MS

Picture 2: New Energy Star light fixture installed at Ridgeland Terrence in Blue Mountain, MS

The Authority Properly Procured Services

The Authority had controls and procedures in place to ensure that it properly procured services for multiples sites. It ensured that the contracts were awarded to experienced contractors and the costs were reasonable. The contractors were appropriately evaluated and ranked, and contracts were awarded based on a combination of the contractors' experience and negotiated cost. A review of $3 million disbursed found that (1) funds were disbursed for eligible activities, (2) costs were adequately supported by receipts and payment vouchers, and (3) renovations were completed in accordance with the contract plans and specifications.

For example, the Authority properly procured the installation of heating, ventilation, and air conditioning (HVAC) systems at multiple sites. A review of the contractor's payments for the HVAC systems showed that all costs, totaling $322,137, were adequately supported and services were completed according to the contract. Shown below (pictures 3 through 5) is an example of an HVAC system installed at Beasley Apartments in Sherman, MS.

Picture 3: Digital thermostat

Picture 4: Air handler and condensing coils

Picture 5: Trane heat pump compressor

The Authority Properly Reported Grant Information in Federalreporting.gov

Aimed at providing accountability and transparency, the Recovery Act required grant recipients to report on their use of the Recovery Act funds. Although the Authority underreported the amount of funds received and invoiced in two of the eight quarterly reports reviewed, it was able to correct the errors after the exit conference. Further, the Authority did not report the required information on the projects and activities funded because HUD advised it to report at the grant level. According to HUD, the Federal reporting system did not permit reporting at the project and activity level. Except for details on the projects and activities funded, the Authority properly reported its use of the Recovery Act capital funds in federalreporting.gov.

Conclusion

The Authority generally complied with Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds, and it ensured that procurements were made in accordance with Federal and Recovery Act requirements. The Authority also properly reported Recovery Act Capital Fund grant information in federalreporting.gov.

SCOPE AND METHODOLOGY

Our review period covered March 18, 2009, through June 30, 2011. We performed the work at the Authority's office in Corinth, MS, and the HUD Office of Inspector General's (OIG) office in Jackson, MS, from June 22 through July 29, 2011.

To accomplish our objective, we performed the following steps as they related to the Authority's Recovery Act Public Housing Capital Fund Stimulus formula grant:

- Reviewed relevant laws, regulations, and HUD guidance.
- Reviewed meeting minutes of the Authority's board of commissioners.
- Reviewed the Authority's procurement policies and procedures.
- Reviewed and analyzed the Authority's audited financial statements for the fiscal year ending June 30, 2010.
- Reviewed and analyzed the Authority's 5-year and annual plan for fiscal year 2009.
- Reviewed HUD's monitoring reports and the Authority's 2009 procurement accountability assessment report.
- Reviewed HUD's electronic Line of Credit Control System information.
- Interviewed pertinent HUD staff and the Authority's staff.
- Reviewed and analyzed the Authority's Recovery Act Public Housing Capital Fund formula grant obligations, expenditures, procurements, and quarterly reports.

To determine whether the Authority properly obligated its Recovery Act capital funds, we reviewed procurement records for all four contracts, totaling more than $3.6 million,[2] to ensure that the Authority obligated 100 percent of the funds within 1 year of the date on which funds became available and for capital projects included in its annual and 5-year plan.

The Authority had a universe of 24 payment vouchers, which consisted of 115 invoices. To determine whether the Authority properly expended its Recovery Act capital funds, we judgmentally selected 30 invoices with the largest absolute value, totaling more than $3 million (or 95 percent of the absolute dollar value expended), for review.

To determine whether the Authority followed procurement regulations, we examined two of the four contracts, the architectural services contract and the largest construction contract, which totaled more than $2.2 million, to ensure that goods and services were procured in accordance with 24 CFR Part 85.

In addition, the Authority renovated 447 public housing units with its Recovery Act funding. We used stratified random sampling to select 59 units for site inspections. Of the 59 units, we

[2] The Authority was awarded more than $3.5 million in Recovery Act capital funds. It obligated more than $3.6 million, thus overobligating its Recovery Act capital funds by $138,907. The Authority used its regular Capital Fund program to cover the additional costs.

conducted site inspections of 15 units at the Authority's Willow Terrace, West Hills, Fort Robinette, Ridgeland Terrace, Beasley Apartments, Highland Circle, and Quinn Mattox housing developments to determine whether the repairs and rehabilitation complied with the requirements of the contract plans and specifications. We did not identify any significant issues. Therefore, we did not review the remaining 44 units since the site inspections of the 15 units were sufficient to conclude with a 90 percent confidence level that the risk that significant issues existed was less than 10 percent.

To determine whether the Authority properly entered Recovery Act information into federalreporting.gov, we examined all receipts and expenditures during our audit period. We then compared that information to that reported in federalreporting.gov.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

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:

- Control over the obligation and expenditure of Recovery Act capital funds.
- Control over properly entering Recovery Act information into federalreporting.gov.

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.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance on the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

APPENDIXES

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

Tennessee Valley Regional Housing Authority
P. O. Box 1329, Corinth, Mississippi 38835-1329, A.C. 662-286-8437, FAX 662-287-1996
mail@tvrha.com
TTY/TDD Customers Dial - 711 or 1-800-855-1000 {Voice} 1-800-582-2233 {TTY/TDD}

September 15, 2011

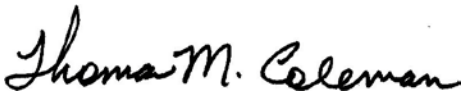
Ms. Kimberly Sandifer, Assist Regional Inspector General
U. S. Department of Housing & Urban Development
Office of Inspector General for Audit, Gulf Coast Region
100 West Capitol Street
Dr. A. H. McCoy Federal Building
Jackson, MS 39269

RE: Written comments regarding ARRA Audit for Tennessee Valley Regional Housing Authority

Dear Ms. Sandifer:

These are our written comments regarding our ARRA Audit by your agency:

(1) The Authority underreported the amount of funds received and invoiced in two quarters and
(2) Failed to provide a list of projects and activities funded by name, to include the description, completion status, and estimates of jobs created or retained in all eight quarters.

Ref to OIG Evaluation	Auditee Comments
Comment 1	Response (1): The Authority has been able to go into FederalReporting.gov and correct this underreporting of funds for the 2nd Quarter of 2011 which is our final report. We adjusted the under $25,000 total amount to $76,233.67 and the over $25,000 total amount to $3,473,363.33 with a grant total of $3,549,597.00. Our employee did review the online training materials as requested by the Executive Director; however, we felt that the materials were not easy to understand and that training should have been provided by HUD.
	Page 2 OIG Response September 15, 2011
Comment 2	Response (2): The Authority was not required to include description, completion status, and estimate of jobs created or retained at the Amp-level per e-mail from our Jackson Field Office dated 8/17/2011.
	Should you need any additional information, please do not hesitate to contact me.
	Respectfully,
	TENNESSEE VALLEY REGIONAL HOUSING AUTHORITY
	
	Thomas M. Coleman Executive Director
	TMC/bgr
	Att: e-mails dated 9-12-2011 & 8-17-2011
	CC: Holly Bellino Tim Plummer

OIG Evaluation of Auditee Comments

Comment 1 We acknowledge the Authority for taking action to correct its underreporting of funds received and invoiced. The Authority revised its final quarterly report after the exit conference. We reviewed the Authority's revised final quarterly report and verified that it corrected the error. We removed this finding from the report.

Comment 2 The Authority provided documentation to support HUD's guidance to report at the grant level. We reviewed the documentation and confirmed that HUD advised the Authority to report on its use of the funds at the grant level. According to HUD, the Federal reporting system did not permit reporting on the projects and activities. Therefore, we removed this finding from the report.