



Housing Authority of the County of Los Angeles, Alhambra, CA

Intergovernmental Agreements for Supplemental Law Enforcement Services

**Office of Audit, Region 9
Los Angeles, CA**

**Audit Report Number: 2019-LA-1006
July 3, 2019**





To: Marcie P. Chavez, Director, Office of Public Housing, Los Angeles, CA, 9DPH

//SIGNED//

From: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

Subject: The Housing Authority of the County of Los Angeles, Alhambra, CA, Did Not Ensure That Its Intergovernmental Agreements Included the Current HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Housing Authority of the County of Los Angeles' intergovernmental agreements for supplemental law enforcement services.

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 213-534-2471.



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The Housing Authority of the County of Los Angeles, Alhambra, CA, Did Not Ensure That Its Intergovernmental Agreements Included the Current HUD Requirements

Highlights

What We Audited and Why

We audited the Housing Authority of the County of Los Angeles' intergovernmental agreements due to our Public and Indian Housing Intergovernmental Agreements Auditability Survey. The objective of that review was to identify public housing agencies with intergovernmental agreements for potential external reviews due to a previous audit (audit report 2018-LA-1008), which identified the Housing Authority of the City of Los Angeles as not always following U.S. Department of Housing and Urban Development (HUD) requirements and its intergovernmental agreement when it managed its legal services with the City of Los Angeles. Our audit objective was to determine whether the Authority executed and administered its intergovernmental agreements in compliance with HUD requirements, its own policies and procedures, and the terms of its agreements.

What We Found

The Authority generally executed and administered its intergovernmental agreements in compliance with HUD requirements, its own policies and procedures, and the terms of the agreements. In addition, it generally ensured that program expenses for supplemental law enforcement services were adequate in accordance with the terms of its agreements and HUD requirements. However, the Authority did not ensure that its agreements were updated to include the current HUD requirements.

What We Recommend

We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Authority to change its intergovernmental agreements for supplemental law enforcement services to include the current HUD requirements.

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Background and Objective

In 1982, the Los Angeles County Board of Supervisors consolidated three entities – the Housing Authority of the County of Los Angeles, the Community Development Department, and the Redevelopment Agency – to form the Community Development Commission. The U.S. Department of Housing and Urban Development (HUD) provides more than 70 percent of the Commission’s funding. The agency’s four main areas are subsidized housing, housing development and preservation, community development, and economic development.

The Authority manages 2,962 units of public housing at 63 sites throughout Los Angeles County in the following communities: Marina Del Rey, Santa Clarita, unincorporated Los Angeles County, La Puente, Whittier, Long Beach, Lomita, Valencia, and La Crescenta.

The Authority uses intergovernmental agreements to foster greater economy and efficiency for the use of common goods and services. The board must approve these agreements for them to become effective on the date of execution for all parties, unless the parties agree to a later start date. These agreements are generally for a term of 1 year but can be extended in 1-year increments up to 4 years. The Authority executed HUD-funded agreements¹ with the County of Los Angeles to provide master services, such as supplemental law enforcement, information technology, and legal. In addition, the Authority executed an agreement with the City of Long Beach to also provide supplemental law enforcement services.

Some of the supplemental law enforcement services provided through the agreements with the County of Los Angeles and City of Long Beach include but are not limited to the following activities: identify crime and nuisance problems that impact the quality of life within the housing development, develop strategies with Authority management and other law enforcement resources to address the identified drug and gang activity and other crime problems, and prepare reports and maintain files on civil and criminal activities that affect the residency status of housing development residents.

¹ The Authority executed two agreements with the County of Los Angeles. One agreement was for supplemental law enforcement services, and the other agreement was for information technology and legal services.

The table below shows the HUD-funded agreements executed between the Authority and local government agencies, the type of services provided, and the total expenses incurred during the Federal fiscal years reviewed.

Local government agencies	Type of services	Expenses incurred for Federal fiscal years 2016 through 2018
County of Los Angeles	Supplemental law enforcement, information technology, and legal	\$1,604,847 ²
City of Long Beach	Supplemental law enforcement	419,063
Total		2,023,910

Our objective was to determine whether the Authority executed and administered its intergovernmental agreements in compliance with HUD requirements, its own policies and procedures, and the terms of its agreements.

² This amount included \$1,566,073, \$25,146, and \$13,628 in program expenses related to supplemental law enforcement, information technology, and legal services, respectively.

Results of Audit

Finding: The Authority Did Not Ensure That Its Intergovernmental Agreements Included the Current HUD Requirements

The Authority generally executed and administered its intergovernmental agreements in compliance with HUD requirements, its own policies and procedures, and the terms of its agreements. In addition, it generally ensured that program expenses for supplemental law enforcement services were adequate in accordance with the terms of its agreements and HUD requirements. However, the Authority did not ensure that its agreements were updated to include the current HUD requirements. We attributed this condition to the Authority's lack of oversight because it relied on its procurement policies and procedures manual, which included outdated HUD requirements. Therefore, those outdated requirements were included in its agreements. As a result, the Authority did not ensure that its agreements included the current HUD requirements, which could increase the possibility of noncompliance with HUD requirements and not focus Federal resources toward improving program performance and outcomes.

The Authority Generally Executed and Administered Intergovernmental Agreements in Compliance With Applicable Requirements

The Authority generally ensured that it executed and administered its intergovernmental agreements with the County of Los Angeles Sheriff Department and City of Long Beach Police Department in compliance with HUD requirements, its own policies and procedures, and the terms of the agreements. The Authority complied with HUD requirements at 2 CFR (Code of Federal Regulations) 200.318(e) by fostering greater economy and efficiency with efforts to promote the cost-effective use of shared services in selecting the sheriff and police to perform supplemental law enforcement services to reduce crimes at the Authority's various housing sites (appendix B). Specifically, the Authority selected these law enforcement agencies as sole-source providers due to the jurisdictions where the housing sites were located.

The Authority stated that both agencies were familiar with crimes at the housing sites and had trained personnel with the capacity and resources to address crime proactively. In addition, the agreements included the program description, purpose, goals, and measurements to meet HUD requirements at 2 CFR 200.202(b)(1) (appendix B). These agreements also included all applicable contract provisions, such as breach of contract terms, termination, and debarment and suspension, to meet HUD requirements at 2 CFR 200.326 (appendix B). According to HUD requirements at 2 CFR 200.328(a), the Authority is responsible for oversight of the operations of the program-funded supplemental law enforcement activities (appendix B). The Authority demonstrated its oversight by monitoring the sheriff's and police's monthly submissions of billing and service reports related to supplemental law enforcement operations and performance. These billings included periodic performance and service reports, which detailed supplemental law enforcement activities performed at specific housing sites, such as patrolling and responding to calls. As a result, the Authority generally executed and administered the intergovernmental

agreements in compliance with HUD requirements, its own policies and procedures, and the terms of the agreements.

The Authority Generally Ensured That Program Funds Were Supported and Eligible

The Authority generally ensured that \$381,543 in reviewed program funds for supplemental law enforcement services performed by the sheriff and police complied with the terms of its intergovernmental agreements and HUD requirements. Specifically, it ensured that \$297,714 and \$83,829 in expenses incurred by the sheriff and police, respectively, for supplemental law enforcement services at specific housing sites were supported and eligible. For example, the Authority provided accounts payable payment requests, invoices, itemized monthly service reports, annual summary reports, purchase orders, advices,³ and a canceled check to support these expenses. As a result, it ensured that \$381,543 in reviewed program funds for supplemental law enforcement services was supported and eligible in compliance with the terms of its agreements and HUD requirements.

The Authority Did Not Ensure That the Current HUD Requirements Were Included in Its Intergovernmental Agreements

The Authority did not ensure that its procurement policies and procedures manual⁴ and intergovernmental agreements included the current HUD requirements. Specifically, the Authority included outdated HUD requirements at 24 CFR Part 85 in its procurement manual and agreements for supplemental law enforcement services with the sheriff and police (appendix B). The Authority was required to include HUD requirements at 2 CFR Part 200 to comply with its procurement bulletin and HUD Notice SD-2015-01 (appendix B). According to the procurement bulletin and HUD Notice SD-2015-01, the Authority was to follow HUD requirements at 2 CFR Part 200 on December 26, 2014 (appendix B). However, it decided to delay following the procurement standards until July 1, 2016, as allowed by HUD requirements at 2 CFR 200.110(a) (appendix B). The purpose of the outdated HUD requirements at 24 CFR Part 85 was to establish uniform administrative rules for Federal grants, whereas the purpose of the current HUD requirements at 2 CFR Part 200 was to streamline the Federal Government's guidance on administrative requirements, cost principles, and audit requirements to focus Federal resources toward improving program performance and outcomes (appendix B).

After we completed our fieldwork, the Authority took corrective action by updating its procurement manual to replace the outdated HUD requirements at 24 CFR Part 85 with the current HUD requirements at 2 CFR Part 200 (appendix B). This action occurred after we brought the issue to the Authority's attention. In addition, the Authority acknowledged that its agreements did not include the current HUD requirements and stated that it would change its agreements to include the current HUD requirements.

The Authority needed to change the agreements to include HUD requirements at 2 CFR Part 200 to ensure that its staff followed the current HUD requirements related to supplemental law enforcement services provided through the agreements (appendix B). In addition, the

³ Advices are proofs of payment that are similar to automatic clearinghouse payments.

⁴ On May 1, 2019, the Authority provided an updated procurement manual, which was approved on April 30, 2019, and included the current HUD requirements at 2 CFR Part 200.

Authority's inclusion of the current requirements would ensure that it supported HUD's efforts in streamlining the Federal Government's guidance on administrative requirements, cost principles, and audit requirements to focus Federal resources toward improving program performance and outcomes.

Conclusion

The Authority generally executed and administered its intergovernmental agreements and ensured that program expenses for supplemental law enforcement services were adequate in accordance with HUD requirements. However, it did not ensure that its agreements were updated to include the current HUD requirements. We attributed this condition to the Authority's lack of oversight because it relied on its procurement manual, which included outdated HUD requirements. Therefore, those outdated requirements were included in its agreements. As a result, the Authority did not ensure that its agreements included the current HUD requirements, which could increase the possibility of noncompliance with HUD requirements and not focus Federal resources toward improving program performance and outcomes.

Recommendations

We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Authority to

- 1A. Update its intergovernmental agreements for supplemental law enforcement services to include the current HUD requirements at 2 CFR Part 200 to comply with its procurement bulletin and HUD Notice SD-2015-01. By doing so, the Authority will ensure that current and future intergovernmental agreements include the current HUD requirements and focus Federal resources toward improving program performance and outcomes.

Scope and Methodology

We performed our audit work at the Authority's office located in Alhambra, CA, from March through May 2019. Our review covered the period October 1, 2015, through September 30, 2018.

To accomplish our objective, we

- Reviewed relevant background information, including the Authority's administrative plan and agency plan.
- Reviewed applicable HUD guidance and requirements.
- Reviewed the Authority's intergovernmental agreements and program expenses related to supplemental law enforcement services.
- Obtained an understanding of the Authority's internal controls.
- Interviewed Authority officials to obtain an understanding of the Authority's procurement process for supplemental law enforcement services.
- Reviewed HUD funding and monitoring reports.
- Reviewed Authority's audited financial statements for fiscal years 2016 through 2018.
- Reviewed the Authority's chart of accounts and general ledgers.
- Reviewed the Authority's board minutes.

The universe consisted of three HUD-funded intergovernmental agreements totaling more than \$2 million during our review period of October 1, 2015, through September 30, 2018. We selected a nonstatistical⁵ sample of two agreements with the highest total program expenses for review. Therefore, we selected the agreements with the sheriff and police, which performed supplemental law enforcement services at various Authority housing sites for a total of more than \$1.5 million and \$419,063, respectively.

⁵ A nonstatistical sample is appropriate when the auditor knows enough about the population to identify a relatively small number of items of interest. The results of procedures applied to items selected under this method apply only to the selected items and must not be projected to the portion of the population that was not tested.

Based upon the agreements selected for review, we selected a nonstatistical sample of the highest expense line items by asset management project number⁶ related to program funds within the selected highest expense month from Federal fiscal years 2016 through 2018 for the sheriff and police. We selected \$297,714 in expenses incurred by the sheriff and \$83,829 in expenses incurred by the police, which represents 19 and 20 percent of the universe, respectively.

We relied on computer-processed data provided by the Authority in the form of Microsoft Excel disbursement journals primarily for determining the audit universe and selecting a sample of agreements and expenses incurred related to supplemental law enforcement services provided through the agreements for testing. We performed a minimal level of testing and found the data to be sufficiently reliable to meet the audit objective and for the intended use of the data.

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.

⁶ The Authority stated that program expenses are separated by asset management project numbers, with 1101 through 1108 relating to HUD-funded activities. Specifically, the Authority stated that asset management project numbers 1102 through 1108 were related to the sheriff agreement and 1101 was related to the police agreement.

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:

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- 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 in reports.

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 follow its procurement bulletin and HUD Notice SD-2015-01 to ensure that its intergovernmental agreements for supplemental law enforcement services included the current HUD requirements to hold the grantees accountable for meeting its program objectives (finding).

Appendixes

Appendix A


Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2



June 17, 2019

Ms. Tanya E. Schulze
Regional Inspector General for Audit
Office of Audit (Region 9)
300 N. Los Angeles Street, Suite 4070
Los Angeles, CA 90012


Dear Ms. Schulze:

**AUDIT REPORT, HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,
ALHAMBRA, CA**

**INTERGOVERNMENTAL AGREEMENTS FOR SUPPLEMENTAL LAW ENFORCEMENT
SERVICES**

On behalf of the Los Angeles County Development Authority, formerly known as the Community Development Commission/Housing Authority of the County of Los Angeles, we would like to thank the Office of Inspector General (OIG) staff who performed the review of the Authority's Intergovernmental Agreements for Supplemental Law and Enforcement Services. The OIG auditors were professional and helpful during the review process.



In response to the report, we understand the purpose of the review and understand the finding with the intergovernmental agreements for supplemental law enforcement services. We have updated our intergovernmental agreements to the current HUD requirements at 2 CFR Part 200 to comply with our agency's procurement bulletin and HUD Notice SD-2015-01.

Sincerely,

Monique King-Viehlend
Executive Director

MKV:MF:MM:kp

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Commissioners: Hilda L. Solis, Mark Ridley-Thomas, Sheila Kuehl, Janice Hahn, Kathryn Barger

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OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the Authority's cooperation during our review.
- Comment 2 We acknowledge that the Authority updated its intergovernmental agreements to include the current HUD requirements at 2 CFR Part 200 to comply with its procurement bulletin and HUD Notice SD-2015-01. This action would ensure that it follows HUD's efforts in streamlining the Federal Government's guidance on administrative requirements, cost principles, and audit requirements to focus Federal resources toward improving program performance and outcomes through its intergovernmental agreements. HUD can validate that the updates were made to the intergovernmental agreements during the audit resolution process because the Authority did not provide the updated intergovernmental agreements after the exit conference.

Appendix B

Criteria

The following sections of HUD Notice SD-2015-01, 2 CFR Part 200, 24 CFR Part 85, and the Authority's Administrative Services Division Procurement Bulletin, effective March 1, 2016, were relevant to our audit of the Authority's supplemental law enforcement services.

HUD Notice SD-2015-01, Background, Section 1

The purpose of 2 CFR part 200 is to streamline the Federal government's guidance on administrative requirements, cost principles, and audit requirements to more effectively focus Federal resources on improving performance and outcomes, while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders.

HUD Notice SD-2015-01, Effective Date and Applicability, Section 2

The uniform guidance was applicable for Federal agencies, including HUD, effective December 26, 2013. Federal agencies, including HUD, adopted 2 CFR part 200 as requirements for Federal financial assistance programs by the interim final rule published December 19, 2014. It was made applicable to non-Federal entities (recipients of Federal financial assistance) effective December 26, 2014, with one exception: §200.110(a) was revised to give a one-year grace period for implementation of the procurement standards. As will be detailed in the 2015 Office of Management and Budget (OMB) Compliance Supplement, non-Federal entities choosing to delay implementation for the procurement standards will need to specify in their documented policies and procedures that they continue to comply with OMB Circulars A-87 or A-110 for one additional fiscal year which begins after December 26, 2014. For example, the first full fiscal year for a non-Federal entity with a June 30th year would be the year ending June 30, 2016.

2 CFR 200.110(a), Effective/Applicability Date

The standards set forth in this part which affect administration of Federal awards issued by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this part becomes final. Federal agencies must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014 unless different provisions are required by statute or approved by OMB.

2 CFR 200.202(b)(1), Requirement to Provide Public Notice of Federal Financial Assistance Programs

Program Description, Purpose, Goals and Measurement. A brief summary of the statutory or regulatory requirements of the program and its intended outcome. Where appropriate, the Program Description, Purpose, Goals, and Measurement should align with the strategic goals and objectives within the Federal awarding agency's performance plan and should support the Federal awarding agency's performance measurement, management, and reporting as required by Part 6 of OMB Circular A-11.

2 CFR 200.318(e), General Procurement Standards

To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

2 CFR 200.326, Contract Provisions

The non-Federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200— Contract Provisions for non-Federal Entity Contracts Under Federal Awards.

2 CFR 200.328(a), Monitoring and Reporting Program Performance

Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.

Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards

(A) Contracts for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 United States Code (U.S.C.) 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(I) Debarment and Suspension (Executive Orders 12549 and 12689) – A contract award (see 2 CFR 180.220) must not be made to parties listed on the government wide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1986 Comp., p. 189) and 12689 (3 CFR Part 1989 Comp., p. 235), “Debarment and Suspension.” The Excluded Parties List System in SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

24 CFR 85.1, Purpose and Scope of this Part

This part establishes uniform administrative rules for Federal grants and cooperative agreements and subawards to State, local and Indian tribal governments.

The Authority's Administrative Services Division Procurement Bulletin

On December 26, 2014, HUD adopted 2 CFR part 200 as requirements for Federal financial assistance programs. This uniform guidance is required to be implemented into our procurement standards. Effective immediately, the Commission exercises the right to delay applicability of the Super Circular as permitted until July 1, 2016. This grace period prior to implementation of the procurement standards requires the Commission to continue to comply with 24 CFR 85.36. The Procurement Unit will revise procurement documents in compliance with this implementation. Overall there will be minimal impact to our current process.