



July 14, 2021

MEMORANDUM NO:
2021-FW-0801

Memorandum

TO: Ronald C. Flom
Chief Procurement Officer, N

FROM: *//signed//*
Kilah S. White
Assistant Inspector General for Audit, GA

SUBJECT: Limited Review of HUD's Office of Chief Procurement Officer Pandemic-Related Procurement Accommodations and Challenges

INTRODUCTION

We conducted a limited review of the U.S. Department of Housing and Urban Development's (HUD) Office of the Chief Procurement Officer's (OCPO) administration of five procurement activities under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).¹ The CARES Act and related Office of Management and Budget memorandums gave HUD flexibility in modifying existing contracts and required rapid delivery of CARES Act funds. Our objective was to determine what HUD had done to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives. Our objective also included determining what challenges HUD encountered in procuring and administering its contracts during the pandemic.

SCOPE AND METHODOLOGY

We performed our limited review from August 2020 through January 2021 in the Fort Worth, TX and Oklahoma City, OK offices. We reviewed contract transaction² files obtained from HUD, interviewed HUD personnel, and reviewed relevant criteria.

As of September 3, 2020, HUD had 66 contract transactions related to coronavirus disease of 2019 (COVID-19).³ We excluded six contract transactions that were identified under the product description of information technology and Telecom-Data Entry as another HUD, Office of

¹ Public Law 116-136

² A contract transaction can include a new contract or a contract modification. A contract modification includes any change to the contract.

³ We obtained this information from the Federal Procurement Data System-Next Generation.

Inspector General, component is reviewing information technology contracts. As a result, we reviewed a modified universe of 60 contract transactions related to COVID-19.⁴

We selected five contract transactions related to COVID-19 with action obligations of more than \$4.9 million. We selected the only contract transaction that was a new contract directly related to COVID-19. We selected 4 of 59 contract modifications that were initiated or necessitated by the pandemic, based on a cross section of a dollar amount adjustment, location of the contract to ensure coverage of various geographic areas, or contract service provided. Selected contracts below are listed in order of the selection basis above.

Table 1: Sample selection

| | Contractor | Description of requirement | Contract or modification | COVID-19 amount |
|----|--|--|---------------------------------|--------------------------|
| 1. | Ernst & Young | Financial consulting services | Contract | \$3,941,960 ⁵ |
| 2. | Franklin Maxwell Group | Business processing services | Modification | 1,000,000 |
| 3. | Clarendon Valuation Advisors | New York City region rent comparable studies | Modification | 0 |
| 4. | Mortgage Assistance and Acquisitions Group | Denver Homeownership Center insurance endorsement services stop work order | Modification | 0 |
| 5. | Maiden & Associates | Multifamily Atlanta region construction inspection services | Modification | 0 |

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

Our objective was to determine what HUD had done to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives. In addition, our objective was to identify challenges HUD encountered in procuring and administering its contracts during the pandemic. Our objectives were not to provide assurance of HUD's internal controls regarding its overall procurement processes or meeting its overall business objectives. Therefore, we did not assess HUD's controls or express an opinion on them. We interviewed

⁴ Of the 60 contract transactions, 59 were contract modifications, and 1 was a new contract. Many of the contract modifications had similar product or service descriptions. We selected the only two contract transactions that had obligated dollar amounts.

⁵ This contract could total more than \$25 million if all options were exercised.

supervisory and line level personnel and reviewed relevant criteria and documentation to answer this limited review's objectives.

BACKGROUND

OCPO is responsible for obtaining all contracted goods and services required by HUD to efficiently and in the most cost-effective manner possible enable HUD to meet its strategic objectives. OCPO provides vital logistic support to HUD's program and support offices to meet their mission needs and provides leadership throughout HUD for fundamentally sound business practices.⁶ OCPO used an online procurement system⁷ for its contract transaction process and document retention to accomplish its procurement and supportive responsibilities.

On March 13, 2020, President Donald Trump declared a national emergency due to COVID-19. This declaration was followed by 56 presidentially declared major disasters between March 20 and April 17, 2020, for all States and inhabited territories of the United States and Washington, DC. In the CARES Act, HUD was awarded \$12.4 billion in additional fiscal year 2020 funding. Under the Act, three-quarters of the funding could be considered new resources to meet emerging needs. HUD was given flexibility in its procurement and contract administration activities to help meet these emerging needs.

RESULTS OF REVIEW

Based upon a limited review of five COVID-19-related contract transactions and our understanding of the prepandemic controls and policies that HUD had in place, HUD was adequately prepared before the pandemic to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives. Because HUD was adequately prepared, it did not encounter substantial challenges in procuring and administering its contracts. HUD used its existing policies, procedures, and systems to modify contracts to allow contractor accommodations.

Before the pandemic, OCPO was telework ready and could perform and review procurement activities through its online systems, which minimized challenges. According to personnel, OCPO's procurement and administration of contracts were in accordance with the CARES Act and related guidance did not differ from prepandemic efforts. As personnel routinely teleworked using the online procurement system, mandatory teleworking did not adversely impact day-to-day procurement operations. OCPO's procedures allowed the procurement process and completion to be in electronic format. While HUD needed to modify certain contracts as a result of COVID-19, the process behind these modifications was similar to prepandemic processes.

Of the five COVID-19 contract transactions reviewed, three were modifications of existing contracts that included only pandemic-related accommodations for contractors. These contract modifications, that did not result in dollar adjustments, ensured the safety of contractor personnel by including virtual property inspections and a stop work order for onsite document review. The remaining two contract transactions included a new contract specifically for pandemic-related financial services and a funding change for an existing portion of a contract for financial services. All five contract transactions had reasonable, pandemic-related justifications that either

⁶ HUD website: https://www.hud.gov/program_offices/cpo

⁷ Purchase Request Information System Management

ensured the safety of contractor staff, allowed HUD to meet its business objectives, or both. Based on the limited review, we concluded that HUD reduced disruptions to its procurement processes during the pandemic and allowed business to continue⁸ with contractor accommodations.

RECOMMENDATIONS

We have no formal recommendations.

⁸ Except when HUD issued stop work orders to contractors due to safety concerns.