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Audit Report Number 2012-AT-1005

TO: Jose Cintron, Director of Public Housing, Miami Field Office, 4DPH

//signed//
James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

FROM:

SUBJECT: The Housing Authority of the City of Fort Lauderdale, FL, Did Not Fully Comply With Federal Requirements When Administering Its Public Housing Capital Fund Recovery Grants

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Fort Lauderdale's administration of its Public Housing Capital Fund grants under the American Recovery and Reinvestment Act of 2009. This was an Office of Inspector General (OIG)-initiated audit in accordance with OIG's 2010-2015 strategic plan to contribute to the effective use of Federal funds allocated by the Recovery Act. Our audit objective was to determine whether the Authority administered its Recovery Act capital funds in accordance with Federal requirements by assessing whether (1) its procurement process followed 24 CFR (Code of Federal Regulations) 85.36, (2) expenditures were eligible and supported, and (3) the information published on the Recovery Act Web site was accurate and supported.

What We Found

The Authority did not fully comply with regulations when procuring goods and services for three contracts. Specifically, it did not perform or document independent cost estimates or cost or price analyses to ensure the reasonableness of contract amounts. This condition occurred because the Authority lacked controls to ensure that staff performed the required cost estimates and analyses. As a result, the U.S. Department of Housing and Urban Development (HUD)

could not be assured of the reasonableness of \$470,980 expended for the three contracts.

In addition, the Authority mismanaged its Recovery Act Capital Fund grants and did not follow Federal requirements when it failed to comply with obligation requirements, used funds to pay for ineligible and unsupported expenditures, and charged expenditures to the wrong work item. This noncompliance occurred because the Authority did not adequately plan the work of its force account labor and did not have sufficient management and financial controls. These deficiencies resulted in \$321,627 in ineligible costs, \$33,953 in unsupported costs, and \$170,136 in funds to be put to better use.

Further, the Authority did not report accurate job and vendor information on the Recovery Act Web site. This inaccuracy occurred because of staff error and a lack of understanding of the reporting requirements. As a result, the Authority did not provide the public with accurate information on how Recovery Act dollars were spent.

What We Recommend

We recommend that the Director of the Miami Office of Public Housing require the Authority to (1) provide documentation to support that the contract costs of \$470,980 were reasonable; (2) repay \$321,627 to the U.S. Treasury for work that was not approved in its annual statement and for work charged to Recovery Act grants that was paid for by another Federal grant; and (3) implement controls to ensure that Capital Fund expenditures are consistent with the work identified in its annual statement, that sufficient documentation is maintained to show the scope of work, work performed, specific location of work, total cost, and funding source used to pay for the work, and expenditures are properly classified to the correct work item account code.

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

Auditee's Response

The Authority did not agree with finding 1, recommendations 2A, 2B, and 2D. The Authority generally agreed with the OIG's other recommendations in finding 2, and finding 3. The complete text of the Authority's response, along with our evaluation of the response, can be found in appendix B of this report. Exhibits and other documentation supplementing the Authority's response were not included, but will be provided upon request.

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BACKGROUND AND OBJECTIVE

The Housing Authority of the City of Fort Lauderdale was created by the City of Fort Lauderdale in 1938. Its mission is to assist low-income families by providing safe, decent, and affordable housing opportunities as they strive to achieve self-sufficiency and improve their lives. The Authority administers more than 2,400 Section 8 vouchers and manages more than 1,000 public and affordable housing units, of which approximately 417 are public housing dwelling units. In addition, the Authority has administered a State-certified Step-Up Apprenticeship Program since 1994. The objective of the program is to provide apprentices with access to education and construction skills while working to rehabilitate housing in the community. These skills increase the apprentices' potential to obtain permanent employment and economic self-sufficiency.

On February 17, 2009, Public Law 111-5, also known as the American Recovery and Reinvestment Act of 2009, was enacted. Title XII of the Recovery Act provided \$4 billion in public housing capital funds to public housing agencies to carry out capital and management activities as authorized under Section 9 of the United States Housing Act of 1937, as amended. The Recovery Act directed the U.S. Department of Housing and Urban Development (HUD) to distribute \$3 billion based on the same formula used to distribute the Public Housing Capital Fund grants made available in fiscal year 2008 and to award \$1 billion by competition for priority investments, including investments that leverage private-sector funding or financing for renovations and energy conservation retrofit investments.

In March 2009, the Authority was awarded more than \$1.8 million in Public Housing Capital Fund Recovery Formula funds. Then in September 2009, HUD awarded it two Public Housing Capital Fund Recovery Competition grants, one for \$262,500 and another for \$322,500, to moderately rehabilitate its public housing units to make the units more energy efficient.¹ Specifically, March 18 and September 24, 2009, are the effective dates on which assistance became available to the Authority for obligation.

The Authority submitted its annual statements to HUD for the Capital Fund grants. The annual statement is a work statement which details the major work categories and costs by development or authority-wide for the Federal fiscal year. For the formula grant, the Authority used funds to install fire sprinklers and alarms, security cameras, and steel stairways; rehabilitate bathrooms and kitchens; and perform electrical upgrades and interior painting at three public housing developments. For the competitive grants, the Authority used funds to install low-flow toilets, high-efficiency air conditioning units, and energy-efficient lighting at two developments. These capital work items were either performed by outside vendors or by the Authority's Step-Up program staff, which is its force account labor. Force account is defined as labor employed directly by the housing authority either on a permanent or temporary basis.

HUD regulations stipulate that public housing agencies must obligate 100 percent of the grant funds within one year, expend at least 60 percent of the grant funds within two years, and expend

¹ The competitive grants were awarded under category 4, option 2: Creation of Energy Efficient, Green Communities: Moderate Rehabilitation.

100 percent of the grant funds within three years of the grant's effective date. HUD's Line of Credit Control System indicates that the Authority obligated 100 percent of the Recovery Act formula grant funds and competitive grant funds by the March 17, 2010, and September 23, 2010, deadlines. As of September 26, 2011, the Authority had drawn down \$1.74 million of the formula grant (or 94 percent) and \$434,000 of the two competitive grants (or 74 percent). Our audit objective was to determine whether the Authority administered its Recovery Act capital funds in accordance with Federal requirements by assessing whether (1) its procurement process followed 24 CFR (Code of Federal Regulations) 85.36, (2) expenditures were eligible and supported, and (3) the information published on the Recovery Act Web site was accurate and supported.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Fully Comply With Procurement Regulations

The Authority did not fully comply with regulations when procuring goods and services for three contracts. Specifically, it did not perform or document an independent cost estimate or a cost or price analysis to ensure the reasonableness of the contract amounts. This condition occurred because the Authority lacked controls to ensure that staff performed the required cost estimates and analyses. As a result, HUD could not be assured of the reasonableness of the \$470,980 expended for the three contracts.

The Authority Did Not Perform Cost Estimates or Analyses

We reviewed three contracts, totaling \$470,980, to determine whether the Authority procured goods or services in compliance with HUD regulations at 24 CFR 85.36. We selected one contract from each of the three procurement methods. We reviewed a small purchase to procure and install emergency generators, a sealed bid to procure services to install exterior lighting, and a request for proposal to procure services to install the fire and alarm systems.

The Authority did not fully comply with regulations when procuring goods and services for the three contracts reviewed. Specifically, it did not perform or document independent cost estimates for the three contracts or a price or cost analysis to determine that the contract amounts awarded for the exterior lighting and installation of the fire and alarm systems were reasonable. Further, for all three contracts, it did not perform a cost or price analysis to justify the amount paid to the vendors for additional work. HUD Handbook 7460.8, REV-2, paragraph 3.2D states that an independent cost estimate commensurate with the purchase requirement must be prepared before soliciting offers. HUD regulations at 24 CFR 85.36(f) state that grantees must make independent estimates before receiving bids or proposals. The regulations also state that grantees must perform a cost or price analysis in connection with every procurement action including contract modifications. Particularly, a cost analysis will be necessary when adequate price competition is lacking and for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established.

The table below details the results of our review.

Contract type	Amount contracted and paid	Contract included modification	No independent cost estimate performed	No cost or price analysis performed
Emergency generators	\$110,294	X	X	X
Exterior lighting	\$114,586	X	X	X
Fire and alarm systems	\$246,100	X	X	X
Total	\$470,980			

The Authority Lacked Controls

The Authority lacked controls to ensure that staff performed or properly documented independent cost estimates and cost or price analysis. However, it was aware of the requirement because the Authority’s procurement policy requires assurance that before entering into a contract, the price is reasonable. Officials acknowledged that the contract files did not contain documentation that staff performed the cost estimates and the cost or price analysis.

Since the Authority did not perform or document independent cost estimates or price or cost analyses, it did not support the reasonableness of the contractors’ costs. As a result, HUD could not be assured of the reasonableness of the three contracts’ costs, totaling \$470,980.

Recommendations

We recommend that the Director of the Miami Office of Public Housing require the Authority to

- 1A. Provide documentation to support that the contract costs paid for the three contracts, totaling \$470,980, were reasonable. Any amount that cannot be shown to be reasonable should be repaid to the U.S. Treasury from non-Federal funds.

Finding 2: The Authority Mismanaged Recovery Act Funds and Did Not Follow Federal Requirements

The Authority mismanaged its Recovery Act Capital Fund grants and did not follow Federal requirements when it failed to comply with obligation requirements, used funds to pay for ineligible and unsupported expenditures, and charged expenditures to the wrong work item. This condition occurred because the Authority did not adequately plan the work of its force account labor and did not have sufficient management and financial controls. These deficiencies resulted in \$321,627 in ineligible costs, \$33,953 in unsupported costs, and \$170,136 in funds to be put to better use.

Funds Were Inappropriately Obligated After Deadline

Outside Vendors

The Authority executed 17 commitments after the obligation deadlines. HUD regulations at 24 CFR 85.3 define obligation as the amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. Title XII of the Recovery Act states that if a public housing agency fails to comply with the 1-year obligation requirement, HUD must recapture all remaining unobligated funds awarded to the housing agency. Public and Indian Housing (PIH) Notice 2009-12, section VI, and PIH Notice 2010-34, section V.E., state that at the 1-year date, which is March 17, 2010, for the formula grant and September 23, 2010, for the competitive grants, all unobligated funds will be unilaterally recaptured. The notices further stipulate that extension of the obligation and expenditure deadlines is not permitted under the Recovery Act.

We reviewed the commitments executed by the Authority with Recovery Act funds and the supporting invoices. The review showed that the Authority obligated funds without having commitments to support the amount obligated, and executed some commitments after the deadline. As of September 30, 2011, the funds expended on the 2 contracts and 15 purchase orders executed after the deadline total \$211,289, and funds not yet expended total \$93,956. Appendix C lists the 17 commitments that the Authority executed after the deadline and the amounts questioned.

For example, the Authority obligated \$300,000 for the bathroom rehabilitation work item at its Sailboat Bend public housing development. However, the Authority only executed \$107,732 in commitments by the deadline to support the \$300,000 obligation. Therefore, \$192,268 of the \$300,000 was not supported by commitments executed before the deadline. After the deadline, it executed additional commitments, for a cumulative total of \$247,736. The Authority expended \$229,665, of which \$107,732 is eligible because the expenditures were

paid against commitments executed before the deadline and \$121,934 is ineligible because the expenditures were paid against commitments executed after the deadline. The remaining \$70,335 (\$300,000 - \$229,665), is funds to be put to better use because the funds were obligated without supporting commitments and have not yet been expended.

Force Account Labor

The Authority inappropriately obligated funds for its force account labor to install low-flow toilets at two public housing developments. Specifically, the force account labor did not start the work by the obligation deadline. PIH Notices 2009-12 and 2010-34, section VII, state that for force account work, all funds for a group of sequentially related items are considered obligated when the first item is started but only when funds continue to be expended at a reasonable rate.

On August 1, 2011, an Authority official stated that the force account had not started installing the toilets. In a later discussion, Authority officials stated that the force account had begun installing the toilets but said the work had not been charged to the grants. However, the Authority provided no documentation to evidence that its force account started the installation. The table below lists the two work items, obligation deadlines, funds budgeted, and funds not expended as of September 30, 2011.

#	Work item – public housing development	Type of Recovery Act grant	Obligation deadline	Funds budgeted	Funds not expended as of 9/30/2011
1	Low-flow toilets – Sailboat Bend	Competitive	9/23/2010	\$57,375	\$57,375
2	Low-flow toilets – Sunnyreach Acres	Competitive	9/23/2010	\$18,805	<u>\$18,805</u>
				Total	<u>\$76,180</u>

Thus, the funds not expended as of September 30, 2011, were not properly obligated and are funds to be put to better use.

The Authority Had Ineligible, Unsupported, and Misclassified Expenditures

The Authority charged \$107,488 in ineligible and \$33,953 in unsupported costs to the Recovery Act grants for work performed by its force account labor. In addition, it misclassified \$24,608 in expenditures. Further, it paid two outside vendors \$2,850 for ineligible costs.

Authority’s Force Account Expenditures

We reviewed the force account invoices charged to the Recovery Act grants for work performed on the bathroom and kitchen rehabilitation, painting, and electrical upgrade. Several expenditures were not eligible, not supported, and misclassified.

The Authority charged the Recovery Act grant for costs that were paid with other Federal funds. Appendix A of 2 CFR Part 225, C.3.c., states that any cost allocable to a particular Federal award or cost objective may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons. The Authority received Community Development Block Grant (CDBG) funds from the City of Fort Lauderdale for the operation of its Step-Up Apprenticeship Program for Federal fiscal years 2010 and 2011. Other than the grant agreements, the Authority refused to provide documentation that it submitted to the City for reimbursement. We obtained the documentation from the City.

The documentation submitted to the City showed that CDBG funds reimbursed the Authority for the salaries and benefits of Step-Up supervisors during the period covered by the 2010 and 2011 CDBG grant agreements. We compared the documentation that the Authority submitted to the City with the invoices that supported the Step-Up staff's time charged to the Recovery Act grants. Each Recovery Act invoice was supported by an employee work log completed by one of the Step-Up supervisors, which detailed the hours that the supervisor and the apprentices worked, along with a description of the work performed. The invoiced amount was the product of the number of hours that the Step-Up staff worked multiplied by the charge rate of the supervisor and apprentice. This amount mainly reimbursed the Step-Up program for the staff's salaries. Considering only those invoiced amounts related to the supervisors, the analysis evidenced that the Authority charged the Recovery Act grant \$36,743 in salaries for those supervisors whose compensation was also reimbursed with CDBG funds. These were duplicative payments and ineligible costs to the Recovery Act grants. Appendix D details the 37 Step-Up invoices and the amounts charged to both the Recovery Act and CDBG grants.

Other ineligible costs included (1) labor and material costs unrelated to the work item identified in the annual statements, (2) work performed at locations other than those listed in the annual statements, and (3) expenditures paid twice for the same work. Unsupported costs included (1) labor costs that did not have the employee work log to support the invoice or for which receipts for materials were missing; (2) supporting documentation (such as employee work logs or receipts for materials) that lacked a description of the work performed, contained an unclear description of the work, or did not list the units where the work was performed; and (3) hours charged on the invoices that were not supported by the employee work logs. Misclassified amounts included those costs that were charged to one work item but the work related to another Recovery Act work item.

The table below details the ineligible and unsupported costs for each work item and the amounts that should be classified to other work items. To avoid double counting, the ineligible and unsupported amounts exclude the duplicate billing resulting from the charges to the Recovery Act grant that were also reimbursed by CDBG grants.

#	Work item – public housing development	Ineligible amount	Unsupported amount	Reclassify amount	Work item to reclassify to
1	Bathroom rehab – Sailboat Bend	\$16,959	\$5,257	\$2,350	Bathroom rehab - Sunnyreach Acres
2	Bathroom rehab – Sunnyreach Acres	\$23,259	\$11,382	\$7,510	Kitchen rehab - Sunnyreach Acres
				\$3,841	Interior painting - Sunnyreach Acres
3	Kitchen rehab – Sunnyreach Acres	\$11,971	\$16,495	\$2,507	Bathroom rehab – Sunnyreach Acres
				\$1,382	Interior painting – Sunnyreach Acres
				\$769	Air conditioning – Sunnyreach Acres
4	Interior painting – Sunnyreach Acres	\$18,196	\$511	\$3,522	Kitchen rehab - Sunnyreach Acres
				\$2,346	Bathroom rehab - Sunnyreach Acres
				\$381	Electrical upgrade - Sunnyreach Acres
5	Electrical upgrade – Sunnyreach Acres	\$360	\$308	\$0	
	Total	\$70,745	\$33,953	\$24,608	

Our review of the force account expenditures for the bathroom rehabilitation work item at Sailboat Bend showed that \$16,959 of the \$25,706 expended was ineligible because the work was not completed in accordance with the Authority’s annual statement. PIH Notice 2009-12, section VI, states that public housing agencies must use Recovery Act funds on Capital Fund-eligible activities currently identified in either their annual statement or 5-year action plan. Contracts were executed with the force account, but attachments to the contract and invoices evidenced that the work was performed by outside vendors. Authority staff stated that force account labor did not perform bathroom rehabilitation work at the development. Our review also showed that the force account expenditures related to work in the kitchen and not the bathroom. These expenditures were ineligible because the Authority did not budget funds for kitchen work at Sailboat Bend in its annual statement. Appendix E details our assessment of the invoices charged for the bathroom rehabilitation work performed by Step-Up at Sailboat Bend.

Expenditures by Outside Vendors

The Authority charged the bathroom rehabilitation work item \$4,400 for work performed at three units that did not relate to bathroom rehabilitation. The work consisted of installing front doors, removing kitchen cabinets, and painting. Of the amount, \$2,450 needs to be repaid because the other \$1,950 is included as part of the questioned costs for the commitments executed after the obligation deadline. The Authority also charged the painting work item an additional \$400 for painting the same unit twice. The ineligible costs paid to the two vendors totaled \$2,850.

The Authority Lacked Adequate Controls

The Authority allowed the conditions described above to occur when it did not (1) adequately plan the work of its force account labor and (2) have sufficient management and financial controls. Authority officials explained that the Authority gave its force account preference to perform work on the Recovery Act work items. HUD allows and encourages the use of force account labor. PIH Notice 2009-12, sections VI and VII, state that to the extent feasible, the housing agency should consider employing existing or additional force account laborers to perform Recovery Act Capital Fund work. However, the housing agency shall use force account labor if it has the capacity to serve as its own main contractor. The Authority did not have a clearly written scope of work that detailed the tasks that its force account labor would perform on the Recovery Act work items, the units that would be worked on, and the cost of the work. The Authority provided contracts that it executed with its force account. Although the contracts listed the general work that would be performed at a unit, they did not indicate the funding source that would pay for the work or the cost of the work. Thus, we could not correlate the units listed on the invoices with the units planned to be worked on by the force account.

In addition, the Authority lacked sufficient management and financial controls to ensure that (a) force account labor started work identified in the annual statements before the obligation deadlines, (b) expenditures were not charged twice, (c) expenditures were for eligible Recovery Act capital work consistent with the work identified in the annual statements, and (d) expenditures were accurately allocated to the correct work item.

Conclusion

The Authority mismanaged its Recovery Act Capital Fund grants and did not follow Federal requirements when it failed to comply with obligation requirements, used funds to pay for ineligible and unsupported expenditures, and

misclassified expenditures. These deficiencies resulted in \$321,627 in ineligible costs, \$33,953 in unsupported costs, and \$170,136 in funds to be put to better use.

Recommendations

We recommend that the Director of the Miami Office of Public Housing

- 2A. Require the Authority to repay \$211,289 to the U. S. Treasury from non-Federal funds for the expenditures paid on the commitments that the Authority executed after the 1-year obligation deadline.
- 2B. Recapture from the Line of Credit Control System \$170,136, of which \$93,956 is for unspent funds that were obligated after the deadline and \$76,180 is for unspent funds that have not yet been obligated.
- 2C. Require the Authority to repay \$36,743 to the U.S. Treasury from non-Federal funds for the duplicative expenditures charged for the Step-Up supervisors' salaries or provide documentation to evidence that the condition has been corrected.
- 2D. Require the Authority to repay the \$70,745 to the U.S. Treasury from non-Federal funds for the ineligible costs charged to the Recovery Act grants by its force account.
- 2E. Require the Authority to provide documentation to support that \$33,953 of the costs charged by Step-Up were for Recovery Act-funded work items and for those amounts that cannot be sufficiently supported, repay the U.S. Treasury from non-Federal funds.
- 2F. Require the Authority to reclassify the \$24,608 in expenditures to the appropriate work item accounts to accurately track and account for each work item.
- 2G. Require the Authority to repay \$2,850 to the U.S. Treasury from non-Federal funds for the ineligible expenditures that the Authority made from the Recovery Act funds to two vendors.
- 2H. Require the Authority to implement controls to ensure that (a) Capital Fund grant funds are obligated on time; (b) expenditures are eligible capital work items consistent with the work identified in its annual statement; (c) sufficient documentation is maintained to show the scope of work, work performed, specific location of work, total cost, and funding source used to pay for the work; and (d) expenditures are properly classified to the correct work item account code.

Finding 3: The Authority Did Not Report Accurate Information on the Recovery Act Web Site

The Authority did not report accurate job and vendor information on the Recovery Act Web site. This condition occurred because of staff error and a lack of understanding of the reporting requirements. As a result, the Authority did not provide the public with accurate information on how Recovery Act dollars were spent.

We reviewed the three most recent reporting quarters (October 1, 2010, through June 30, 2011) for the Recovery Act Capital Fund formula and two competitive grants.

The Authority Reported an Inaccurate Number of Jobs

The Authority did not report an accurate number of jobs on the Recovery Act Web site. Section 1512 of the Recovery Act requires the recipient of the funds to report an estimate of the number of jobs created and the number of jobs retained by the project or activity. Office of Management and Budget (OMB) Memorandum 10-08, part 2, section 5.3, states that the requirement for reporting estimates of the “number of jobs” is based on a calculation that divides the total number of hours worked and funded by the Recovery Act within the reporting quarter by the number of quarterly hours in a full-time schedule.

For the January 1 through March 31, 2011, reporting quarter, the number of jobs reported on two Recovery Act grants was not accurate. Under the formula grant (FL14S01050109), staff included hours that were outside the reporting dates, thereby overstating the number of hours funded by the Recovery Act. Under one competitive grant (FL01000010709R), staff did not include overtime hours, thereby understating the number of hours funded by the Recovery Act. Staff acknowledged the mistake. For the April 1 through June 30, 2011, reporting quarter, the number of jobs reported on one competitive grant (FL01000010509R) was also not accurate. Authority staff explained that the vendor incorrectly completed the payroll wage and hour forms and staff did not acknowledge the vendor’s remarks indicating that only a portion of the hours listed on the forms applied.

The Authority Did Not Report Vendor Information

The Authority did not report vendor information on the Recovery Act Web site. OMB memorandum 10-34 requires the recipient to report the number of payments to vendors that have a contract for less than \$25,000 per award and report a cumulative amount paid to vendors that have a contract for less than \$25,000 per

award. Payments that exceed the \$25,000 threshold are reported in the vendor section of the report, which lists the vendor, product or service, and payment amount.

Documentation showed that the Authority paid several vendors less than \$25,000 per award and several vendors \$25,000 or more per award. However, the reports submitted by the Authority showed that it did not report the number of payments made to vendors that had contracts for less than \$25,000 per award or the cumulative amount paid to these vendors. In addition, the Authority did not complete the information in the vendor section to identify those vendors that were paid \$25,000 or more. Authority staff stated that the information regarding the number of payments to the vendors and amount paid to them was not reported because staff believed that the vendor information was not applicable. After our discussion, staff agreed that the number of payments to the vendors and payment amounts to the vendors should have been reported.

Conclusion

The Authority did not report an accurate number of jobs and vendor information on the Recovery Act Web site. These deficiencies occurred due to staff error and a lack of understanding of the reporting requirements. As a result, the Authority did not provide the public with accurate information on how Recovery Act dollars were spent, nor did it provide transparency regarding the use of the funds.

Recommendations

We recommend that the Director of the Miami Office of Public Housing require the Authority to

- 3A. Recalculate the number of jobs created or retained for the January 1 through March 31, 2011, quarter for grants FL14S01050109 and FL01000010709R and for the April 1 through June 30, 2011, quarter for grant FL01000010509R and maintain documentation to support the correct amounts in its records until the Recovery and Accountability Transparency Board determines the best approach for making this information available on Recovery.gov.
- 3B. Report the number of payments and amount of payments to vendors that it paid less than \$25,000 per award and vendors that it paid \$25,000 or more per award and for each reporting quarter for which the data elements were not reported, maintain the supporting information in its records until the Recovery and Accountability Transparency Board determines the best approach for making this information available on Recovery.gov.

SCOPE AND METHODOLOGY

We audited the Authority to determine whether it administered its Recovery Act capital funds in accordance with Federal requirements by assessing whether (1) its procurement process followed 24 CFR 85.36, (2) expenditures were eligible and supported, and (3) the information published on the Recovery Act Web site was accurate and supported.

To accomplish our objective, we

- Reviewed relevant Federal laws and regulations to include the Recovery Act, 24 CFR Part 85, 24 CFR Part 968, 2 CFR Part 225, PIH notices, OMB memorandums, and HUD Handbook 7460.8, REV-2;
- Interviewed HUD officials to obtain information about the Authority and to discuss findings; and
- Interviewed Authority officials to understand the policies and procedures that staff followed to administer the Recovery Act Capital Fund program as they related to our objective and to obtain clarifications during fieldwork.

For the procurement review, we selected the contract with the highest dollar amount from each of the three procurement method types: small purchase, sealed bid, and competitive proposal. According to information provided by the Authority as of June 20, 2011, it had executed 54 commitments, totaling \$2.25 million. The three contracts totaled \$470,980 and covered 21 percent of the total contract costs. We reviewed Authority files to understand the procurement history of the three contracts to determine whether the Authority complied with 24 CFR 85.36, performed site visits to determine whether purchased items were produced in the United States, and researched manufacturer Web sites to determine the Authority's compliance with the "buy American" requirement. We found that the products procured were manufactured in the United States and followed the buy American requirement.

For the expenditure review, we selected expenditures related to the bathroom rehabilitation work item mainly due to the large dollar amount expended on the work item. As of June 20, 2011, the Authority had expended \$1.97 million of its Recovery Act funds. Expenditures related to the bathroom rehabilitation work item selected for review totaled \$424,000, or 21 percent. We analyzed documentation supporting expenditures charged by vendors and the Authority's force account labor for the work item. During the audit, we expanded our review to include the kitchen rehabilitation, interior painting, and electrical upgrade work performed by the Authority's force account labor. In addition, we reviewed City of Fort Lauderdale files related to its agreement to provide CDBG program funds to the Authority to operate its Step-Up program, reviewed executed contracts and purchase orders to determine whether the Authority met obligation deadlines, and performed site visits to determine whether capital work items had been completed.

In our analysis of the Step-Up expenditures, we determined that several expenditures were ineligible, unsupported, or classified to the wrong work item accounting code. Since many of the expenditures involved work at multiple units or multiple tasks, we assessed and allocated each expenditure amount among the categories of eligible, ineligible, unsupported, or misclassified. We generally calculated the allocated questioned amounts based on the following methods: (1) for expenditures showing that the work was performed at a development other than that listed on the annual statement, 100 percent was ineligible; (2) for expenditures that charged for work unrelated to the work identified in the annual statement, 100 percent was ineligible; (3) for expenditures involving multiple units, the amount was divided by the number of units listed; (4) for expenditures involving multiple tasks, the amount was divided by the number of work items; (5) for rehabilitation involving only the bathroom and kitchen, 50 percent was allocated between the two items; and (6) for rehabilitation work performed for the entire unit, we allocated any questioned costs based on the square footage of the area of the work performed.

For the reporting review, we initially reviewed the documentation supporting the data elements related to the total Recovery Act funds expended, the number of jobs, and the vendor payment information reported on the Recovery Act Web site for the first quarter of 2011. Since the review resulted in exceptions in the latter two data elements, we expanded our review to include the fourth quarter of 2010 and second quarter of 2011.

We did not perform a 100 percent selection or a representative selection on all procured contracts, expenditures from Recovery Act funds, or reports submitted to the Federal Web site using statistical or nonstatistical sampling. Given our methodologies, the results of our review apply only to the samples selected for review and cannot be projected to the universe of contracts, expenditures, and submitted reports.

We assessed that computer-processed data generated by the Authority were not used to materially support our audit findings, conclusions, and recommendations. Thus, we did not assess the reliability of the Authority's computer-processed data.

Our review generally covered the period March 1, 2009, to May 31, 2011, and was extended as needed. We performed the work from June to November 2011 at the Authority's central office located at 437 Southwest 4th Avenue, Fort Lauderdale, FL, at one of the Authority's public housing developments located at 425 Southwest 4th Avenue, Fort Lauderdale, FL, and our office in Miami, FL.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions 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 objectives:

- Program operation - Policies and procedures that management has implemented to reasonably ensure that the program meets its objectives.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that program implementation is consistent with laws and regulations.
- Relevance and reliability of information - Policies and procedures that management has implemented to reasonably ensure that operational and financial information used for decision making and reporting externally is relevant, reliable, and fairly disclosed in reports.
- Safeguarding of assets - Policies and procedures that management has implemented to reasonably prevent and promptly detect unauthorized acquisition, use, or disposition of assets and resources.

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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not perform independent cost estimates and cost or price analyses to ensure the reasonableness of contract costs (see finding 1).
- The Authority expended Recovery Act funds which were ineligible, unsupported, and misclassified (see finding 2).
- The Authority did not report an accurate number of jobs and did not report vendor payment information on the Recovery Act Web site (see finding 3).

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		\$470,980	
2A	\$211,289		
2B			\$170,136
2C	\$36,743		
2D	\$70,745		
2E		\$33,953	
2G	\$2,850		
Total	<u>\$321,627</u>	<u>\$504,933</u>	<u>\$170,136</u>

- 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 Office of Inspector General (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. If the Miami HUD office implements recommendation 2B, Recovery Act funds will be deobligated and can be used for other eligible activities.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



HOUSING AUTHORITY
of the City of Fort Lauderdale

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December 16, 2011

VIA FIRST CLASS MAIL AND E-MAIL

Mr. James D. McKay
U.S. Department of Housing and Urban Development
Region 4, Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388

RE: Management Comments to Discussion Draft Audit Report Regarding
Administration of Public Housing Capital Fund Recovery Grants

Dear Mr. McKay:

On behalf of the Housing Authority of the City of Fort Lauderdale (the "Authority"), I am writing to provide the Authority's comments to the discussion draft audit report (the "**Report**") from the Office of Inspector General (the "OIG") relating to the Authority's administration of its public housing capital fund recovery grants. The Report's objective was to determine whether the Authority properly administered Capital Funds received pursuant to the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). As set forth in detail herein, we believe the Authority properly and efficiently obligated and administered its Recovery Act funds.

The following are our comments on each of the findings and recommendations:

Finding 1: The Authority Did Not Fully Comply With Procurement Regulations

Recommendations

That the Director of the Miami Office of Public Housing required the Authority to:

1 A. Provide documentation to support that the contract costs paid for the three contracts, totaling \$470,980, were reasonable. Any amount that cannot be shown to be reasonable should be repaid to the U.S. Treasury from non-federal funds.

Central Office.
437 Southwest 4th Avenue
Fort Lauderdale, FL 33315
(954) 525-6444

Robert P. Kelley Building:
500 W. Sunrise Boulevard
Fort Lauderdale, FL 33311
(954) 556-4100

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Comment 1

Authority's Response: This finding deals with three separate contracts utilizing three separate procurement methods. For each, the OIG alleges that the Authority did not perform an independent cost estimate or a price or cost analysis to determine that the contract amounts awarded were reasonable. Additionally, for two of the three contracts, the OIG alleges that a price or cost analysis was not done to determine if the amounts paid to vendors for additional work was reasonable.

The OIG clearly failed to accurately review the Authority's records. Had it done so, it would have seen that the Authority obtained appropriate, independent cost estimates for all three contracts. Each of the three contracts, and the manner in which the independent cost estimates were obtained, are more fully described below.

Emergency Generators:

In 2008 the Authority issued IFB08-02 to procure emergency generators for Sunnyreach Acres. At that time, a number of bids were received. Due to a major fire at Sunnyreach Acres in March of 2008, the bids were all rejected and no bid was awarded. In September 2009, the Authority went back out to procure emergency generators. At this time, the Authority utilized the results of IFB08-02 to prepare a cost estimate. The bids received from the 2008 solicitation averaged \$97,128. These bids were the basis for the independent cost estimate utilized to procure emergency generators. The Authority followed the applicable procurement guidelines to purchase emergency generators totaling \$110,294. A copy of the bids for IFB08-02 and the cost estimate done in 2009 are attached as Exhibit 1A1.

Exterior Lighting:

The Authority contracted with Lightseekers, Inc. to provide specifications for lighting at both Sailboat Bend and Sunnyreach Acres. In May 2010, Lightseekers forwarded a proposal to the Authority with specifications for fixtures that met Broward County light levels for exterior lighting. In July 2010, Lightseekers provided independent cost estimates for exterior lighting at Sailboat Bend and Sunnyreach Acres, a copy of which is attached as Exhibit 1A2. The Authority utilized these independent cost estimates when procuring the exterior lighting. Lightseekers was not a bidder and the contract was awarded to Live Wire for Sailboat Bend and to C. W. Fisher for Sunnyreach Acres.

Comment 1

Fire and Alarm Systems:

After a fire in 2008, Francis Engineering, Inc. was procured to prepare a proposal to upgrade the fire and alarm systems at Sailboat Bend and Sunnyreach Acres. The cost estimate revealed that the Authority lacked the financial wherewithal to proceed with the work.

In 2010, when the Recovery Act funds became available, the Authority proceeded with a procurement for fire and alarm systems for both Sailboat Bend and Sunnyreach Apartments. The Authority obtained the Broward County School Board (the "**School Board**") Request for Proposals ("RFP") and the contract the School Board entered into for fire and alarm systems. Independent cost estimates were completed based on the 2008 Francis Engineering, Inc. cost estimate which is attached as exhibit 1A3 and the responses received by the School Board. These documents, which were provided to the OIG, formed a correct and appropriate basis for the independent cost estimate. The contract for sprinklers and alarms was ultimately awarded to Sprinklermatic.

Finding 2: The Authority Mismanaged Recovery Act Funds And Did Not Follow Federal Requirements

Recommendations

That the Director of the Miami Office of Public Housing required the Authority to:

2A. Require the Authority to repay \$211,289 to the U.S. Treasury from non-federal funds for the expenditures paid on the commitments that the Authority executed after the 1-year obligation deadline.

Comment 2

Authority's Response:

Recommendation 2A is comprised of a multitude of small findings. The Authority obligated \$300,000 for the bathroom rehabilitation work at Sailboat Bend. The Authority properly procured Spires Construction which bid to do work on 100 bathrooms for a total of \$300,000. The Authority executed a contract with Spires to do the work in phases. The first phase was the rehabilitation for 24 bathrooms for \$70,831. The contract incorporated the RFP as an appendix which required Spires Construction to do all 100 bathrooms in phases. The \$70,831 was obligated and spent within the required timeframe. The remaining 76 bathrooms to be rehabilitated at a cost of \$229,169 were obligated, but work had not yet begun.

Prior to the contract deadline and due to the severe economic recession, Spires went out of business. The Authority was forced to enter into a contract with the next responsive bidder, Distinctive Home Builders. That contract was executed on November 29, 2010 and Distinctive Home Builders completed the bathroom renovation work, thus spending the balance of the funds within the required timeframe. The OIG takes the position that the Distinctive Home Builders contract was entered into after the obligation deadline and thus the funds were not obligated. On the contrary, the funds were obligated when the contract with Spires Construction was executed. That obligation was passed onto Distinctive Home Builders after Spires Construction went out of business. Thus, the Authority was compliant.

The Authority believes that HUD should take "judicial notice" of the fact that the Authority properly procured and entered into a contract with the procured party (Spires Construction) and obligated the funds in a timely manner. Only the state of the U.S. economy precluded the Authority from completing the work as required under the Recovery Act. Thus, HUD should waive any noncompliance with the obligation deadline.

Comment 3

The second portion of Recommendation 2A consists of purchase orders to Distinctive Home Builders awarded between May 2010 and June 2011 (Report Appendix C - Vendor A). Those purchase orders totaling \$31,000 should have been charged to the appropriate AMP's Capital Fund not the Recovery Act. A journal entry has corrected this oversight. Similarly, \$7,225 in purchase orders (Vendor B) should have been charged directly to the appropriate AMP's Capital Fund and not the Recovery Act. Again, a journal entry has corrected this oversight.

2B. Recapture from the Line of Credit Control System \$162,336 (\$86,156 + 76,180) for unspent funds that were obligated after the deadline.

Authority's Response:

Comment 4

The Recommendation contained in Section 2B consists of two separate findings. The first consists of \$76,180. These are funds that were being used to purchase and install low flow toilets at Sailboat Bend and Sunnyreach Acres. There has been a budget revision done within this grant to transfer the unspent amount to the other BLI of interior and exterior lighting, which has been approved by the field office. These funds have been put to better use. Accordingly, the \$76,180 should not be recaptured in the line of credit control system ("LOCCS").

Comment 5

The remaining \$86,156 deals with work for a bathroom rehabilitation at Sailboat Bend and flooring at Sunnyreach Acres. The Sailboat Bend bathroom rehabilitation was intended to be part of the contract with Spires Construction but was ultimately done by Distinctive Builders after Spires Construction went out of

business. As set forth in Section 2A, the Authority properly and promptly engaged the replacement party. As with Finding 2A, the Authority believes that HUD should take notice of the fact that the Authority properly procured and entered into a contract and that only the state of the United States' economy precluded the Authority from completing the work as required under the Recovery Act. Also the flooring contract at Sunnyreach Acres was originally obligated using Andreu Construction. Prior to the end of the grant term, the Authority decided to do additional work and issued a RFP. McDonalds Flooring was the successful bidder and was awarded the contract.

2C Require the Authority to repay \$36,743 to the U.S. Treasury from non-federal funds for the duplicative expenditures charged for the Step-Up supervisors' salaries.

Authority's Response:

The City of Fort Lauderdale awards the Authority CDBG funds annually to offset certain costs of the Step-Up training program run by the Authority. The CDBG award is a small fraction of the total cost of operating the training program. The Housing Authority provides a billing to the City to draw down the CDBG award. The billing provided to the City of Fort Lauderdale is done on a gross payroll basis for all supervisors.

Recommendation 2C requires the Authority to repay \$36,743 for duplicate expenditures charged to both the Recovery Act funds and the City of Fort Lauderdale CDBG. While the OIG is right and there is a misclassification of funds, the Authority is in the process of correcting the billing to the City of Fort Lauderdale so there will be no duplication. The \$36,743 was properly drawn from Recovery Act funds.

2D. Require the Authority to repay the \$70,745 to the U.S. Treasury from non-federal funds for the ineligible costs charged to the Recovery Act grants by its force account.

Authority's Response:

The OIG suggests the Authority repay Recovery Act funds simply because the Authority provided too much specificity in its records. The Authority followed the instructions of HUD Form 50075.1 entitled "General Description of Major Work Items". These are defined as:

For each development listed, enter a general description of the major work categories, including those that will be funded with non-CFP funds and no cost items. Work categories should be described in broad terms, such as kitchens, bathrooms, electrical,

Comment 6

Comment 7

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site, etc. A work category may encompass various components; e.g., a major work category of kitchens may include ranges, refrigerators, cabinets, floors, etc.

Attached as Exhibit 2D is a sample breakdown of the work constituting the \$70,745 the OIG believes should be considered ineligible costs. These costs were for the rehabilitation of bathrooms, kitchens, interior painting and electrical. Had the Authority simply defined these work items that way, the OIG would have no finding. However, the Authority was more specific. It noted where kitchen faucets had to be replaced, where toilets had to be replaced, and where cabinets had to be measured before new cabinets were cut and installed. The OIG mistakenly looks at each separate item and assumes them to be maintenance when in fact they were for a total rehabilitation.

2E. Require the Authority to provide documentation to support that \$33,953 of the costs charged by Step-Up were for Recovery Act-funded work items and for those amounts that cannot be sufficiently supported, repay the U.S. Treasury from non-federal funds.

Authority's Response:

Comment 8

As with Recommendation 2D, the amounts the OIG believes should be considered unsupported were for the work done to rehabilitate bathrooms, kitchens, interior painting and electrical. Exhibit 2D once again clearly shows a sample and explains in detail the work done and the proper classifications.

2F. Require the Authority to reclassify the \$24,608 in expenditures to the appropriate work item accounts to accurately track and account for each work item.

Authority's Response:

Comment 9

The report indicates the Authority should reclassify \$24,608 to the appropriate work item account. This would normally be done in the Authority's year-end review of its books and records, and it will be done promptly as required by the OIG.

2G. Require the Authority to repay \$2,850 to the U.S. Treasury from non-federal funds for the ineligible expenditures that the Authority made to two vendors.

Authority's Response:

Comment 10

The amount of \$2,850 was for work done inside a unit but outside of bathroom and kitchen work. For example, the money was spent to replace closet doors and other related work. The total contract price included kitchen and bathroom rehabilitation,

and other work items. Accordingly the \$2,850 is an unrelated expense and will be reclassified as a capital improvement at the appropriate AMP.

2H Require the Authority to implement controls to ensure that (a) force account labor costs charged to the Capital Fund grants are obligated on time; (b) expenditures are eligible capital work items consistent with the work identified in its annual statement; and (c) sufficient documentation is maintained to show the scope of work, work performed, specific location of work, total cost, and funding source used to pay for the work.

Authority's Response:

Comment 11

The Authority has already implemented new scope of work forms with details to include unit locations and unit numbers. New procedures for the use of force account labor have been implemented. The Report indicated that certain eligible work items had not been included in the Authority's annual plan or five year work plan. The Authority has included a copy of the five year work plan submitted to HUD as Exhibit 2H. The new five year plan shows a detailed list of work involved in each work item. By definition, all work items are eligible pursuant to the annual plan and HUD Form 50075.1

Finding 3: The Authority did not report an accurate number of jobs and vendor information on the Recovery Act Web site. These deficiencies occurred due to staff error and a lack of understanding of the reporting requirements. As a result, the Authority did not provide the public with accurate information on how Recovery Act dollars were spent, nor did it provide transparency regarding the use of the funds.

Recommendations

That the Director of the Miami Office of Public Housing required the Authority to:

3A. Recalculate the number of jobs created or retained for the January 1 through March 31, 2011, quarter for grants FL14S01050109 and FL01000010709R and for the April 1 through June 30, 2011, quarter for grant FL01 00001 0509R and maintain documentation to support the correct amounts in its records until the Recovery and Accountability Transparency Board determines the best approach for making this information available on Recovery.gov.

Authority's Response:

Comment 12

Unfortunately, the Authority made a calculation error when calculating the number of hours and reporting thereof on the Recovery Act website. The hours reported were immaterial. While the system will not permit a change at this time, the Authority will correct its internal records and wait for the Recovery and

Mr. James D. McKay
December 16, 2011
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Accountability Transparency Board to determine the best approach. It will also make the information available to the Miami Field Office.

3B. Report the number of payments and amount of payments to vendors that it paid less than \$25, 000 per award and vendors that it paid \$25, 000 or more per award and for each reporting quarter for which the data elements were not reported, maintain the supporting information in its records until the Recovery and

Accountability Transparency Board determines the best approach for making this information available on Recovery.gov.

Authority's Response:

The Authority will report the number of payment and the amount of payments to vendors in its next reporting cycle. The Authority will also correct its internal records for the previous periods and maintain this information until the Recovery and Accountability Transparency Board determine the best approach. The Authority will make all such information available to the Miami Field Office.

We thank you for your consideration of the Authority's response. As you know, the Authority has worked diligently to ensure that it meets the needs of its residents and complies with all rules and regulations promulgated by HUD.

Very truly yours,

~~

Tam A. English,
Executive Director

cc: Michael H. Syme, Esq.

Comment 12

OIG Evaluation of Auditee Comments

Comment 1 The Authority did not agree with finding 1. It stated that it had documentation to show that it performed independent cost estimates when procuring the three contracts and provided the documentation with its response.

HUD regulations at 24 CFR 85.36(b)(9) state that grantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not limited to the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Regulations at 24 CFR 85.36(f) also requires grantees to perform a cost or price analysis in connection with every procurement action including contract modifications. At the time of our review, the documentation provided by the Authority in its response was not maintained in the procurement files for the contracts and the contract modifications and was not provided to OIG for review. We revised the finding to state that the Authority did not perform or document that it performed the required cost estimates or analysis. The Miami HUD Office will review the sufficiency of the documentation to determine whether the Authority performed the required independent cost estimates for the three contracts.

Comment 2 The Authority did not agree with recommendation 2A as it related to the \$300,000 obligation for the bathroom rehabilitation work at Sailboat Bend. It stated that its contract with Spires Construction properly obligated the \$300,000 because the request for proposal incorporated in the contract required the vendor to perform all 100 bathrooms at the development. When Spires Construction went out of business, the Authority entered into a contract with Distinctive Home Builders and reasoned that the obligation of the funds passed onto the contract with Distinctive Home Builders.

The contract with Spires Construction stipulated a “not-to-exceed” value of \$70,831 for work at Sailboat Bend for only the first 24 bathrooms. The invitation for bid indicated that upon completion of the initial 24 bathrooms, the Authority and the contractor *may* extend the contract for an additional 24 bathrooms at each location. The option to extend does not support the full \$300,000 obligation. HUD regulations at 24 CFR 85.3 define obligation as the amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. Therefore, the contract with Spires Construction only obligated \$70,831 in Recovery Act funds of the \$300,000 the Authority obligated for the bathroom rehabilitation work at Sailboat Bend. Commitments executed after the obligation deadline are not valid obligations of Recovery Act funds. As a result, the Authority must repay the U.S. Treasury from non-Federal funds for expenditures paid on commitments executed after the obligation deadline.

Comment 3 The Authority agreed with recommendation 2A in terms of the purchase orders to Distinctive Home Builders and vendor B. It stated that the purchased orders to Distinctive Home Builders, totaling \$31,000 (rows 1 through 11 in Appendix C), and the purchase orders to vendor B, totaling \$7,225 (rows 12 and 13 in Appendix C), should have been charged to the appropriate Asset Management Project's Capital Fund and not the Recovery Act funds. The Authority stated that it prepared two journal entries to correct the oversight.

To address this portion of recommendation 2A, the Authority will need to provide documentation to HUD to support this correction. It will also need to address the expenditures made against purchase orders PO011439 and PO12411, and contract BP2011-03 (rows 15-17 of Appendix C, respectively), which comprise the remaining \$211,289 amount.

Comment 4 The Authority did not agree with recommendation 2B. It stated that there was a budget revision to the Recovery Act competitive grant to transfer the unspent \$76,180 to the other budget line item of interior and exterior lighting. Given the transfer, the Authority reasoned that the funds should not be recaptured in the Line of Credit Control System. Then, on December 21, 2011, the Authority provided invoices with work logs to show that its force account labor began work before the obligation deadline.

PIH Notice 2010-34, section V.E. states that public housing agencies must obligate 100 percent of the grant within one year of the annual contributions contract amendment effective date. At the one year date, all unobligated funds will be unilaterally recaptured. Extension of the deadlines is not permitted under the Recovery Act. Therefore, the \$76,180 cannot be transferred to another work item, but needs to be recaptured. In addition, we reviewed the documentation provided by the Authority. The description detailed in several of the invoices did not relate to the installation of the low-flow toilets. Two potentially related invoices indicated total rehabilitation of the bathroom at one Sunnyreach Acres unit. However, the dates of work occurred from January 19, 2010 to January 27, 2010, whereas the purchase of the low-flow toilets occurred in March 2010. Therefore, the \$76,180 was not properly obligated and should be recaptured.

Comment 5 The remaining funds to be put to better use deal with the bathroom rehabilitation work at Sailboat Bend and flooring at Sunnyreach Acres. The Authority implied that the unspent funds related to the bathroom rehabilitation should not be recaptured because it reasoned that the funds were properly obligated by the contract executed with Spires Construction. In addition, the Authority stated that funds to contract with Macdonalds Flooring were obligated with a commitment the Authority had with Andreu Construction.

As explained in comment 2, the contract with Spires Construction only obligated \$70,831 of the \$300,000 the Authority obligated for the work item. For the flooring contract, the Authority issued a purchase order to Andreu Construction

on March 1, 2010, for \$5,000. The Authority executed the contract with Macdonalds Flooring on April 15, 2011, for \$92,080. According to the definition of obligation in 24 CFR 85.3, the purchase order with Andreu Construction did not obligate the funds for the contract with Macdonalds Flooring. Funds not properly obligated by the deadline and unspent are to be recaptured.

Comment 6 The Authority agreed with the condition and stated that there was a misclassification of the funds. It is in the process of correcting the billing to the City of Fort Lauderdale to rectify the duplication.

Recommendation 2C will be resolved after the Authority submits to HUD documentation evidencing that the duplication has been corrected. The wording in the recommendation was revised to reflect the alternative method to correct the condition.

Comment 7 The Authority disagreed with recommendation 2D. As an example, it stated that the work described in Appendix E related to costs that were for bathroom and kitchen rehabilitation, interior painting, and electrical work, and had the Authority categorized the work into those categories, the conditions OIG identified would not have existed. In addition, the Authority stated that the OIG mistakenly looked at each separate item and assumed them to be maintenance instead of a total rehabilitation.

Our review of the expenditures by the Authority's force account labor to perform bathroom and kitchen rehabilitation, interior painting, and electrical upgrade work resulted in \$70,745 of ineligible costs. Ineligible costs included (1) labor and material costs unrelated to the work item identified in the annual statements, (2) work performed at locations other than those listed in the annual statements, and (3) expenditures paid twice for the same work. For the bathroom rehabilitation work performed by the force account labor at Sailboat Bend, several of the invoices related to the rehabilitation of the kitchen. PIH Notice 2009-12, section VI, states that public housing agencies must use Recovery Act funds on Capital Fund-eligible activities currently identified in either their annual statement or 5-year action plan. Therefore, these expenditures were ineligible because the Authority did not budget funds for kitchen rehabilitation work at Sailboat Bend in its annual statement.

Comment 8 The Authority stated that the unsupported amounts related to work done to rehabilitate bathrooms, kitchens, interior painting and electrical. It stated that Exhibit 2D shows a sample and explains in detail the work done and the proper classification. The exhibit indicates that 13 of the 16 invoices listed in Appendix E were not charged to the appropriate grant and needs to be reclassified.

Our review of the expenditures by the Authority's force account labor to perform bathroom and kitchen rehabilitation, interior painting, and electrical upgrade work resulted in \$33,953 of unsupported costs. Unsupported costs included (1) labor

costs that did not have the employee work log to support the invoice or for which receipts for materials were missing; (2) supporting documentation (such as employee work logs or receipts for materials) that lacked a description of the work performed, contained an unclear description of the work, or did not list the units where the work was performed; and (3) hours charged on the invoices that were not supported by the employee work logs. Recommendation 2E will be resolved when the Authority provides documentation to HUD to support that the \$33,953 is an eligible cost under the Recovery Act or the expenditure should be reclassified to another grant fund, if applicable. For the costs that cannot be sufficiently supported, it should repay the U.S. Treasury from non-Federal funds.

Comment 9 The Authority agreed with recommendation 2F, stating that it will promptly reclassify the amount charged to the Recovery Act fund to the correct work item accounts.

Recommendation 2F will be resolved when the Authority provides documentation to show that it classified the expenditures to the correct work item accounts.

Comment 10 The Authority agreed with recommendation 2G, stating that the \$2,850 was an unrelated expense and will be reclassified as a capital improvement to the appropriate asset management project.

The \$2,850 is comprised of two amounts. The \$2,450 charged to the bathroom rehabilitation work item was unrelated to bathroom rehabilitation and according to the Authority will be reclassified to the appropriate Asset Management Project. However, the other \$400 is a duplicate payment made to a vendor for painting the same unit and should be repaid to the U.S. Treasury from non-Federal funds.

Comment 11 The Authority stated that it implemented new forms which detail unit locations and numbers and implemented new procedures for the use of its force account labor.

The Authority has taken initial steps to improve its process. If it continues to implement controls as those mentioned in recommendation 2H, future incidences may be prevented.

Comment 12 The Authority agreed with recommendations 3A and 3B. It will correct its records and maintain the number of jobs created or retained and the number of payment and amount of payments to vendors. This information will be made available to the Miami HUD Office. The Authority will also report the vendor information to the Federal Reporting Web site in the next reporting cycle.

By taking the above measures and implementing procedures to address the recommendations, the conditions identified in the finding will be corrected.

Appendix C

COMMITMENTS EXECUTED AFTER OBLIGATION DEADLINE

#	Document	Date document executed ⁽¹⁾	Obligation deadline for grant	Description	Executed amount	Expended amount ⁽²⁾	Ineligible amount	Recapture amount ⁽³⁾
Vendor A								
1	PO009708	5/11/2010	3/17/2010	Rehab Sailboat Bend unit #503 (invoice 07012010)	\$ 3,850	\$ 3,850	\$ 3,850	
2	PO010022	6/15/2010	3/17/2010	Renovate bathroom at Sailboat Bend unit #516 (invoice 07302010A)	\$ 1,900	\$ 1,900	\$ 1,900	
3	PO010023	6/15/2010	3/17/2010	Renovate bathroom at Sailboat Bend unit #201 (invoice 07302010)	\$ 1,900	\$ 1,900	\$ 1,900	
4	PO010782	9/8/2010	3/17/2010	Renovate bathroom at Sailboat Bend unit #712 (invoice 10152010)	\$ 1,900	\$ 1,900	\$ 1,900	
5	PO010783	9/8/2010	3/17/2010	Renovate bathroom at Sailboat Bend unit #601 (invoice 10112010)	\$ 1,900	\$ 1,900	\$ 1,900	
6	PO010902	11/23/2010	3/17/2010	Renovate bathroom at Sailboat Bend unit #505 (invoice 11012010)	\$ 1,900	\$ 1,900	\$ 1,900	
			3/17/2010	Change order – materials supplied for unit #505 (invoice 11012010A)	\$ 1,600	\$ 1,600	\$ 1,600	
7	PO012048	2/23/2011	3/17/2010	Renovate bathroom at Sailboat Bend unit #512 (invoice 03142011-A)	\$ 3,150	\$ 3,150	\$ 3,150	
8	PO012367	4/4/2011	3/17/2010	Renovate bathroom at Sailboat Bend unit #410 (invoice 4-26-11)	\$ 3,150	\$ 3,150	\$ 3,150	
9	PO012937	6/1/2011	3/17/2010	Renovate bathroom at Sailboat Bend unit #311 (invoice 20110523-2)	\$ 3,150	\$ 3,150	\$ 3,150	
10	PO013317	6/27/2011	3/17/2010	Renovate bathroom at Sailboat Bend unit #415 (invoice 20110627-3)	\$ 2,825	\$ 2,825	\$ 2,825	
11	PO013544	6/15/2011	3/17/2010	Renovate bathroom at Sailboat Bend unit #103 (invoice 20110720-1)	\$ 3,775	\$ 3,775	\$ 3,775	
Vendor B								
12	PO010024	6/15/2010	3/17/2010	Rehab Sailboat Bend unit and replace toilet at unit	\$ 3,150	\$ 3,150	\$ 3,150	
13	PO011008	10/6/2010	3/17/2010	Rehab Sailboat Bend handicap bathroom	\$11,250	\$ 4,075	\$ 4,075	
Vendor A								
14	IFB#09-04-2	11/29/2010	3/17/2010	Bathroom rehab for 24 units at Sailboat Bend	\$94,605	\$83,709	\$ 83,709	
				Sub-total ⁽⁴⁾ – Bathroom rehabilitation at Sailboat Bend			\$121,934	\$70,335
Vendor A								
15	PO011439	12/2/2010	9/23/2010	Replace toilets at Sailboat Bend	\$ 7,800	\$ 6,500	\$ 6,500	\$1,300

#	Document	Date document executed ⁽¹⁾	Obligation deadline for grant	Description	Executed amount	Expended amount ⁽²⁾	Ineligible amount	Recapture amount ⁽³⁾
Vendor C								
16	PO012411	4/7/2011	9/23/2010	Install 5-ton A/C unit with connecting duct work (invoice 28419)	\$ 6,500	\$ 6,500	\$ 6,500	
Vendor D								
17	BP2011-03	4/15/2011	3/17/2010	Flooring at Sunnyreach Acres	\$98,677	\$76,356	\$ 76,356	\$22,321
				Total ⁽⁴⁾			\$211,289	\$93,956

(1) This is the date the contract was executed and the date the purchase order was first created in the Authority's system.

(2) Expended totals are as of September 30, 2011.

(3) These are funds that have been obligated after the deadline, but have not yet been expended. Specifically, the Authority obligated \$300,000 for the bathroom rehabilitation work item at Sailboat Bend. It executed \$107,732 in commitments by the deadline to support the \$300,000 obligation. Therefore, \$192,268 of the \$300,000 (\$300,000 - \$107,732) was not supported by commitments that were executed before the deadline. After the deadline, the Authority executed additional commitments, for a cumulative total of \$247,736. It expended \$229,665, of which \$107,732 is eligible because the expenditures were paid against the commitments executed before the deadline and \$121,934 is ineligible because the expenditures were paid against the commitments executed after the deadline. The remaining \$70,335 (\$300,000 - \$229,665) is funds to be recaptured or funds to be put to better use because the funds were obligated without proper supporting commitments and have not yet been expended.

The Authority issued a purchase order to the vendor for \$7,800, of which \$6,500 has been expended. The \$6,500 is ineligible because the expenditures were paid against the commitment that was executed after the deadline. The remaining \$1,300 balance is funds to be recaptured or funds to be put to better use because the funds have not yet been expended.

The Authority executed a contract and change order with the vendor for \$98,677, of which \$76,356 has been expended. The \$76,356 is ineligible because the expenditures were paid against the commitment that was executed after the deadline. The remaining \$22,321 balance is funds to be recaptured or funds to be put to better use because the funds have not yet been expended.

(4) Totals are rounded.

Appendix D

CHARGES TO RECOVERY ACT AND CDBG GRANTS

#	Information obtained from Authority's Step-Up invoices					Information obtained from City
	Invoice #	Invoice date	Time period listed in work log	Hours charged to Recovery Act grant	Amount charged to Recovery Act grant	Check to Authority for reimbursement
	Sailboat - bathroom					
1	1779	7/1/2010	4/6/2010 - 4/9/2010	32	\$ 935.04	#521417 and #539221
	Sunnyreach - painting					
2	1261	1/8/2010	1/4/2010 - 1/8/2010	40	\$ 1,600.00	#521417 and #539221
3	1608	4/16/2010	4/5/2010 - 4/9/2010	40	\$ 1,168.80	#521417 and #539221
4	1591	4/16/2010	4/12/2010 - 4/16/2010	40	\$ 1,168.80	#521417 and #539221
	Sunnyreach - kitchen					
5	1174	10/16/2009	10/5/2009 - 10/16/2009	80	\$ 2,000.00	#521417 and #539221
6	1257	12/4/2009	11/23/2009 - 12/4/2009	80	\$ 2,000.00	#521417 and #539221
7	1256	12/16/2009	12/7/2009 - 12/18/2009	88.5	\$ 2,212.50	#521417 and #539221
8	1346	2/5/2010	2/3/2010 - 2/5/2010	24	\$ 701.28	#521417 and #539221
9	1478	3/12/2010	3/8/2010 - 3/12/2010	40	\$ 1,168.80	#521417 and #539221
10	1781	7/1/2010	4/8/2010 - 4/12/2010	24	\$ 701.28	#521417 and #539221
11	1521	4/30/2010	4/26/2010 - 4/30/2010	34	\$ 993.48	#521417 and #539221
12	2016	12/1/2010	10/1/2010	2	\$ 58.44	#521417 and #539221
13	2058	12/1/2010	10/4/2010	8	\$ 233.76	#521417 and #539221
14	2065	10/15/2010	10/11/2010 - 10/14/2010	9	\$ 262.98	#521417 and #539221
15	2088	12/29/2010	10/21/2010	2	\$ 58.44	#540707
16	2148	12/1/2010	10/25/2010 - 10/29/2010	9	\$ 262.98	#540707
17	2153	12/1/2010	10/27/2010 - 10/29/2010	10	\$ 292.20	#540707
18	2223	11/5/2010	11/1/2010 - 11/3/2010	12	\$ 350.64	#540707
19	2219	11/5/2010	11/1/2010 and 11/4/2010	12	\$ 350.64	#540707
20	2106	12/29/2010	11/8/2010 - 11/10/2010	20	\$ 584.40	#540707
21	2217	11/12/2010	11/8/2010 - 11/10/2010	12	\$ 350.64	#540707
22	2123	12/29/2010	11/10/2010 and 11/12/2010	12	\$ 350.64	#540707
23	2241	12/31/2010	11/30/2010 - 12/29/2010	72	\$ 2,103.84	#540707
24	2444	5/27/2011	5/23/2011 - 5/27/2011	30.5	\$ 930.25	#540956

#	Information obtained from Authority's Step-Up invoices					Information obtained from City
	Invoice #	Invoice date	Time period listed in work log	Hours charged to Recovery Act grant	Amount charged to Recovery Act grant	Check to Authority for reimbursement
	Sunnyreach - bathroom					
25	1206	11/13/2009	11/2/2009 - 11/13/2009	72	\$ 1,800.00	#521417 and #539221
26	1214	11/27/2009	11/16/2009 - 11/25/2009	62	\$ 1,550.00	#521417 and #539221
27	1221	12/11/2009	11/30/2009 - 12/11/2009	72	\$ 1,800.00	#521417 and #539221
28	1289	1/22/2010	1/11/2010 - 1/19/2010	48	\$ 1,402.56	#521417 and #539221
29	1285	1/22/2010	1/19/2010 - 1/22/2010	32	\$ 935.04	#521417 and #539221
30	1349	2/5/2010	1/25/2010 - 1/27/2010	24	\$ 701.28	#521417 and #539221
31	1345	2/5/2010	1/25/2010 - 1/29/2010 and 2/1/2010 - 2/2/2010	56	\$ 1,636.32	#521417 and #539221
32	1383	2/19/2010	2/8/2010 - 2/12/2010	40	\$ 1,168.80	#521417 and #539221
33	1376	2/19/2010	2/16/2010 - 2/19/2010	24	\$ 701.28	#521417 and #539221
34	1428	3/5/2010	2/22/2010 - 2/26/2010	32	\$ 935.04	#521417 and #539221
35	1447	3/5/2010	3/1/2010 - 3/5/2010	40	\$ 1,168.80	#521417 and #539221
36	1466	3/19/2010	3/15/2010 - 3/19/2010	32	\$ 935.04	#521417 and #539221
37	1617	4/2/2010	3/29/2010 - 4/2/2010	40	\$ 1,168.80	#521417 and #539221
					\$ 36,742.79	

Appendix E

STEP-UP CHARGES FOR SAILBOAT BEND BATHROOM REHABILITATION WORK

General work description in formula grant annual statement

Development name	General description of major work category	Quantity
Sailboat Bend	Bathroom rehabilitation – New plumbing fixtures, bathtubs, sinks, low-flow toilets, new shower tile, and floor tile	1 high rise

Step-up invoices charged to bathroom rehabilitation work

#	Invoice #	Unit	Work	Room where work was performed	Work unrelated to capital bathroom rehab	Development where work was performed if not at Sailboat Bend
1	1247	Community	Install GFI circuits in bathroom	Bathroom		
2	1219	204	Replace shower valve	Bathroom	X	
		Store room	Remove copper lines and cap drain	Mechanical room of building	X	
3	1227	206	Kitchen faucet repair and bathroom sink handle	Kitchen and bathroom	X	
		217	Clogged drained kitchen sink (2 hours)	Kitchen	X	
		410	(1) Kitchen faucet repair, (2) shower valve	Kitchen and bathroom	X	
		416	(1) Kitchen faucet, (2) toilet, (3) toilet seat	Kitchen and bathroom	X	
		418	Toilet repair	Bathroom	X	
		610	Kitchen faucet repair	Kitchen	X	
		714	Toilet water cover and overflow repair	Bathroom	X	
4	1259	402	Measure cabinets, cut cabinets and counters	Kitchen	X	
		610	Measure cabinets, cut cabinets and counters	Kitchen	X	
5	1374	610	Laminate counter and backsplash	Kitchen	X	
6	1464	310	Measure	Kitchen	X	
		509	Measure	Kitchen	X	
		610	Caulk and clean	Kitchen	X	
7	1471	305	Relocate bathroom panic switches	Bathroom		
		306	Relocate bathroom panic switches	Bathroom		
		Central office	Relocate light switch in conference room and refocus light fixture	Administration office	X	
8	1631	509	Cut and assemble countertops and cabinets	Kitchen	X	

#	Invoice #	Unit	Work	Room where work was performed	Work unrelated to capital bathroom rehab	Development where work was performed if not at Sailboat Bend
9	1643	202	Install cabinets	Kitchen	X	
		402	Laminate cabinets	Kitchen	X	
10	1649	202	(1) Laminate cabinet, counters, doors, (2) install kitchen cabinets and countertop	Kitchen	X	
11	1779	2335 NW 16 CT	Tile bathroom			Suncrest Court
12	1827	210	Cut and assemble base cabinets and countertops	Kitchen	X	
		414	Install cabinets	Kitchen	X	
		503	Cut and assemble base cabinets and countertops	Kitchen	X	
		611	Install cabinets	Kitchen	X	
13	1831	201	Build and laminate cabinets and countertops	Kitchen	X	
		414	Build and laminate cabinets and countertops	Kitchen	X	
		503	Cut and assemble corner cabinets and counter	Kitchen	X	
		Central office	Laminate office door, install office door, and installed 4 cabinet doors in kitchen	Administration office	X	
14	1899	201	Install kitchen cabinets	Kitchen	X	
		503	Install cabinets	Kitchen	X	
15	2003	516	Caulk, install shelves, and plumbing	Kitchen	X	
16	2312	212	(1) Demolition bathroom walls, (2) tile bathroom, (3) remove fixtures			Sunnyreach Acres
		214	(1) Demolition and install bathroom walls; (2) tile bathroom; (3) install tissue holder, toothbrush holder, and towel bar; (4) repair leak; (5) install shower/tub valve; (6) tile bathroom wall			Sunnyreach Acres
		215	(1) Tile bathroom floor; (2) install tissue holder, toothbrush holder, and towel bars; (3) final fixture set			Sunnyreach Acres
		506	(1) Patch wall, (2) repair leak under kitchen sink			Sunnyreach Acres