



The Housing Authority of the City of El Paso, TX

American Recovery and Reinvestment Act of 2009



Issue Date: April 12, 2013

Audit Report Number: 2013-FW-1004

TO: Regina Hawkins, Director, Fort Worth Office of Public Housing, 6APH

//signed//

FROM: Gerald R. Kirkland, Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Housing Authority of the City of El Paso, TX Did Not Follow Recovery Act Obligation Requirements or Procurement Policies

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 City of El Paso's compliance with American Recovery and Reinvestment Act of 2009 formula grant requirements.

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 8L, requires that OIG post its publicly available reports on the OIG Web site. 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 (817) 978-9309.



April 12, 2013

The Housing Authority of the City of El Paso, TX Did Not Follow Recovery Act Obligation Requirements or Procurement Policies

Highlights

Audit Report 2013-FW-1004

What We Audited and Why

We audited the Housing Authority of the City of El Paso because it met our oversight objectives for the American Recovery and Reinvestment Act of 2009. Additionally, our risk assessment testing of Recovery Act funding showed that as of December 31, 2011, the Authority had spent almost \$11 million, or 86 percent, of its formula grant, which left more than \$1.7 million to be spent in the 3 months before the expenditure deadline. Our audit objectives were to determine whether the Authority properly (1) obligated and spent its formula Recovery Act grant funds, (2) obtained its formula Recovery Act contracts, and (3) reported results in an accurate and timely manner.

What We Recommend

We recommend the Director of the Fort Worth Office of Public Housing require the Authority to repay about \$2.68 million in 2009 Recovery Act funds to the U. S. Treasury or provide eligible costs that it obligated and expensed before the deadlines. In addition, HUD should require the Authority to provide support for or repay \$5.87 million for the 11 contracts that it could not show were properly procured.

What We Found

The Authority improperly obligated Recovery Act funds totaling about \$2.68 million after the statutory obligation deadline. It properly spent the remainder of the funds, which totaled about \$10 million, by the statutory expenditure deadline. Also, it improperly documented its bid evaluations of and may have improperly obtained 11 roofing contracts totaling about \$5.87 million. The Authority's improper actions occurred due to how and when it planned and performed its Recovery Act obligations. The Authority properly reported its Recovery Act results accurately and in a timely manner.

TABLE OF CONTENTS

Background and Objectives	3
Results of Audit	
Finding 1: The Authority Improperly Obligated Recovery Act Funds	4
Finding 2: The Authority Improperly Documented Its Bid Evaluations for 11 Contracts	9
Scope and Methodology	13
Internal Controls	15
Appendixes	
A. Schedule of Questioned Costs	16
B. Auditee Comments and OIG's Evaluation	17
C. Schedule of Contract Bid Evaluations	28

BACKGROUND AND OBJECTIVES

The Housing Authority of the City of El Paso was incorporated in 1938. Its mission is to provide safe, decent, and affordable housing for assisted families at or below 80 percent of area median income. In 2012, it housed 40,437 individuals in 13,479 housing units. The Authority is governed by a board of commissioners appointed by the mayor of El Paso. It receives capital funds annually by formula grant from the U.S. Department of Housing and Urban Development (HUD) and may use its capital funds for development, financing, modernization, and management improvements for its housing developments.

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 into law.¹ The Recovery Act provided \$4 billion for public housing agencies to carry out capital and management activities, including the modernization and development of housing. It allocated \$3 billion for formula grants and \$1 billion for competitive grants. The Recovery Act required public housing agencies to obligate 100 percent of the funds within 1 year of the date on which funds became available to the agency for obligation, expend 60 percent within 2 years, and expend 100 percent within 3 years of such date.

According to its annual contribution contract (ACC) amendment with HUD, the Authority received a Recovery Act formula grant totaling more than \$12.71 million, which was effective on March 18, 2009. If the Authority failed to comply with the obligation deadline, HUD was required to recapture those obligations that did not meet the deadline and return the funds to the U.S. Treasury for the sole purpose of deficit reduction.² According to the Recovery Act, the Authority had to obligate all funds by March 17, 2010. The statutory deadline for total expenditure of the funds was March 17, 2012.

HUD required the Authority to use its Recovery Act formula grant on eligible activities. The Authority mainly expended the funds on roofing contracts and evaporative cooler replacements at several complexes, waterline replacement work at two complexes, and window replacements at two apartment complexes. The Authority included these activities in its HUD-approved annual statement. The Authority and HUD determined the improvements needed for long-term physical and social viability to be included in the plans.

Our audit objectives were to determine whether the Authority properly (1) obligated and spent its formula Recovery Act grant funds, (2) obtained its formula Recovery Act contracts, and (3) reported results in an accurate and timely manner.

¹ Public Law 111-5

² The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) amended the Recovery Act, requiring recaptured funds to be returned to the U.S. Treasury and dedicated for the sole purpose of deficit reduction.

RESULTS OF AUDIT

Finding 1: The Authority Improperly Obligated Recovery Act Funds

The Authority improperly obligated Recovery Act funds totaling almost \$2.68 million after the statutory obligation deadline. It properly spent the remainder of the funds, which totaled to about \$10 million, before the expenditure deadline. The Authority's improper actions occurred due to how and when it planned and performed its Recovery Act obligations. As a result, the Authority will need to repay the ineligible obligations totaling almost \$2.68 million to HUD which should return the funds to the U.S. Treasury.

The Authority Improperly Obligated \$2.3 Million in Contracts After the Deadline

The Authority improperly obligated more than \$2.3 million in contracts after the Recovery Act deadline.³ HUD's policy stated that an obligation was a contract execution for contract labor, materials, and services. The policy also stated contract execution meant execution of the contract by both the public housing agency and the contractor. Further, HUD explicitly warned public housing agencies that an extension of the obligation deadline was not permitted under the Recovery Act.⁴ A review of the Authority's contracting files and electronic general ledger data showed the Authority awarded nine contracts totaling more than \$2.3 million after the statutory obligation date of March 17, 2010, as detailed in figure 1.

³ HUD Public and Indian Housing (PIH) Notice 2009-12 issued March 18, 2009, and reissued as PIH Notice 2011-4 on January 21, 2011

⁴ See footnote 3

Figure 1 Authority contracts obligated after the deadline

Schedule of contracts obligated after the Recovery Act deadline of March 17, 2010				
Contract number	Complex	Service	Contract date	Amount
ARRA ⁵ 10-C-0086	Various	Evaporative coolers and materials	7/4/2010	\$27,438
ARRA 10-C-0087	Various	Evaporative coolers and materials	7/4/2010	1,094,687
ARRA 10-C-0088	Various	Evaporative coolers and materials	7/4/2010	8,106
ARRA 10-C-0090	Various	Evaporative coolers and materials	7/4/2010	63,326
ARRA 11-C-0001	Various	Evaporative coolers and materials	7/20/2010	38,766
TX 110	Guillen	Roof	3/2/2011	337,564
ARRA 11-C-0050	Cramer	Roof	5/20/2011	102,692
ARRA 11-C-0054	Sherman	Waterline	7/18/2011	492,324
TX 020	Tays	Roof	7/19/2011	220,297
Total				\$2,385,200

The Authority's Contracts Did Not Meet the Obligation Deadline Due to Planning Issues

The Authority's contracts did not meet the Recovery Act obligation deadline due to how and when the Authority planned and performed its Recovery Act obligations.

The Authority's Delays in Awarding Contracts Caused Contract Errors

According to the Authority, El Paso was flooded with Recovery Act funds; and contractors, aware of the funding, provided bids that far exceeded the Authority's cost estimates. Due to initial bids coming in higher than anticipated, the Authority rebid a majority of its roofing contracts. Less than 2 weeks before the obligation deadline, the Authority awarded 11 roofing contracts and 1 window replacement contract totaling almost \$6.41 million. Beginning in November 2010, the Authority began to take steps to significantly decrease the roofing contracts for its Salazar and Cramer complexes by a total of \$1.13 million. It reduced the contracts because it included steep slope roofs in the complexes' contract budgets, but it did not include them in the awarded contracts. The Authority considered the contract modifications scope reductions that resulted in

⁵ American Recovery and Investment Act

cost savings. Further, it determined it could award new contracts for Cramer's steep slope roof in May 2011 and Sherman's waterline replacement in July 2011. However, the Authority should have deobligated the funds when the contract modifications to decrease the scope occurred as the obligation deadline had occurred at least 6 months earlier; and HUD's policy prohibited contract executions occurring after the deadline. The Authority disagreed with this conclusion.

The Authority Procured New Evaporative Cooler Contracts After the Deadline To Save Costs

The Authority's contract files showed that it started a completely new procurement process for evaporator coolers and materials after the obligation deadline. Its public bid opening date occurred in May 2010, and it did not award the five contracts totaling almost \$1.23 million until July 2010. The Authority argued that it had existing contracts and that it executed the new contracts to obtain better prices. However, in doing so, the Authority did not meet the statutory obligation deadline.

The Authority Used Recovery Act Funds to Pay For Other Contracts After the Deadline

The Authority also improperly used Recovery Act funds to pay for two additional contracts after the obligation deadline. It paid for a regular Public Housing Capital Fund grant roofing contract executed on March 2, 2011 for its Guillen complex totaling \$337,564. Additionally, on February 3, 2012, it purchased roofing supplies for its Tays complex totaling \$220,297 using an Arizona cooperative agreement, dated July 19, 2011. The Authority admitted the contracts occurred after the deadline and called the Capital Fund contract an outlier.

The Authority Improperly Obligated Force Account Labor and Materials

The Authority improperly obligated the majority of its force account labor and materials after the Recovery Act obligation deadline. HUD required the start and continuation of physical work by force account labor for an obligation to have occurred.⁶ The Authority used grant funds to pay force account labor at 22 properties. Only two complexes had labor transactions that did or could have started prior to the March 17, 2010 deadline. The remainder started after the deadline as shown in figure 2. The Authority later reallocated a portion of its force account labor and materials to other budget categories. After reducing for the amounts transferred and excluding contracts previously determined ineligible in this finding, the Authority paid \$293,498 for force account labor obligated after

⁶ See footnote 3

the deadline. As the Authority could not show that it started the majority of its force account labor before the deadline, the charges were ineligible.

Figure 2 Authority charges for improperly obligated force account labor

Complex	First transaction date for force account labor	Labor charges after 03/17/2010
Valle Verde	4/21/2010	\$12,700
Chelsea	5/19/2010	88
Machuca	5/19/2010	27,043
Marmolejo	5/19/2010	15,780
Sherman	6/2/2010	35,777
Salazar	6/2/2010	27,143
Webber	6/2/2010	18,043
Guillen	6/16/2010	6,466
Roosevelt	6/16/2010	21,571
Robinson	6/16/2010	12,219
Tays	6/30/2010	4,671
Truman	6/30/2010	22,076
Johnson	6/30/2010	3,056
Cramer	7/14/2010	45,998
Rio Grande	9/8/2010	11,024
Krupp	9/8/2010	1,596
Kathy White	9/22/2010	2,229
Alvarez	9/22/2010	18,049
Morehead	1/12/2011	4,330
Ochoa	3/9/2011	3,639
Total		\$293,498

The Authority Believed That Risk Assessments Obligated Force Account Labor

The Authority stated that it performed a roof risk assessment in December 2009 that obligated all of its force account labor. However, HUD’s policy clearly stated “Examples of obligations are modernization commitments entered into by the PHA [Public Housing Agency], i.e., contract execution for contract labor, materials or services; start and continuation of physical work by force account labor; and start and continuation of administrative work. For force account work, all funds for a group of sequentially-related physical work items are considered obligated when the first item is started, such as kitchen cabinet replacement followed by kitchen floor replacement, but only where funds continue to be expended at a reasonable rate. Where one force account physical work item is started and is not sequentially related to other physical work items, such as site

improvements and kitchen remodeling, then only the funds for the one physical work item started are considered obligated.”⁷

The Authority’s Expenditures Met Recovery Act Requirements

Generally, the Authority expended funds before the Recovery Act expenditure deadline; however, it did reclassify some eligible expenditures in its general ledger after the deadline. In addition, testing of a risk-based sample of three vouchers totaling \$2.4 million showed that the Authority had documentary support for expenditures. The Authority had payroll records, including time cards and time sheets, to support payroll expenditures recorded in its general ledger. The Authority also had vendor invoices to support payments for materials, supplies, and contracts.

Conclusion

The Authority improperly obligated Recovery Act funds totaling almost \$2.68 million after the statutory obligation deadline. It properly spent the remainder of the funds by the deadline. The Authority’s improper actions occurred due to how and when it planned and performed its Recovery Act obligations. As a result, the Authority will need to repay the ineligible obligations totaling almost \$2.68 million to HUD which should return the funds to the U.S. Treasury or provide eligible costs that it obligated and expensed before the deadlines.

Recommendations

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

- 1A. Repay \$2,678,698 in 2009 Recovery Act funds to HUD, which will return the funds to the U. S. Treasury, or provide eligible costs that it obligated and expensed before the deadlines. HUD should take care to ensure that other expended funds are not improperly shifted to Recovery Act funds, as HUD’s policy stated that public housing agencies must use the funds provided in this grant to supplement expenditures, not to supplant expenditures from other Federal, State or local sources or funds independently generated.⁸

⁷ See footnote 3

⁸ See footnote 3

Finding 2: The Authority Improperly Documented Its Bid Evaluations for 11 Contracts

The Authority improperly documented its bid evaluations for 11 Recovery Act funded roofing contracts. Its contracting files lacked adequate documentation because it did not follow HUD’s requirements or its own procurement policy as it was apparently struggling to meet the Recovery Act statutory obligation deadline. Since the Authority lacked the bid evaluation information, it could not support that it properly obtained the 11 roofing contracts totaling \$5.87 million.

The Authority Improperly Documented Its Evaluation of Bids for 11 Roofing Contracts

During its expedited rebidding process, the Authority improperly documented its evaluation of bids submitted for 11 roofing contracts, which totaled \$5.87 million. It awarded all 11 contracts on the same day, which was less than 2 weeks before the obligation deadline of March 17, 2010, (see figure 3). HUD required that a public housing agency maintain records sufficient to detail the history of a purchase.⁹ Although the Authority’s procurement policy required procurements to be carefully documented, its procurement files lacked required bid evaluation information, including documenting basic contractor eligibility. Appendix C includes a detailed summary of the identified deficiencies.

Figure 3 Listing of 11 roofing contracts evaluated

Contract number	Housing complex	Contract date	Amount
ARRA 10-C-033	Cramer	3/5/2010	\$789,096
ARRA 10-C-034	Marmolejo	3/5/2010	362,944
ARRA 10-C-036	Rio Grande	3/5/2010	192,423
ARRA 10-C-037	Sherman	3/5/2010	778,680
ARRA 10-C-038	Truman	3/5/2010	296,989
ARRA 10-C-039	Webber	3/5/2010	365,442
ARRA 10-C-040	Chelsea	3/5/2010	557,865
ARRA 10-C-041	Roosevelt	3/5/2010	455,994
ARRA 10-C-042	Salazar	3/5/2010	1,711,377
ARRA 10-C-043	Machuca	3/5/2010	84,405
ARRA 10-C-057	Alvarez	3/5/2010	279,202
Total			\$5,874,417

⁹ PIH Notice 2009-12 required that public housing agencies follow 24 CFR (Code of Federal Regulations) Part 85 for procurements and 24 CFR 85.36(b)(9).

The Authority Did Not Document Bidder Compliance With Basic Eligibility Requirements

In the 11 contracting files reviewed, the Authority improperly documented its determination of compliance with basic eligibility requirements. HUD required the Authority to follow Federal procurement standards, which included a requirement that the Authority make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement.¹⁰ The Authority indicated that it followed its procurement policy and HUD's Procurement Handbook, which required that contracts shall not be awarded to debarred, suspended, or ineligible contractors.¹¹ Further, its instructions to its bid evaluators stated that they should be especially careful to make the evaluations as thorough, objective, and well documented as possible. Although the Authority's evaluators prepared evaluation worksheets that included a checklist of qualification requirements including proof of insurance, debarment status, financial stability, and references, it did not document some form of basic eligibility in all 11 of the contracting files reviewed (see appendix C).

The Authority Did Not Properly Document Its Bid Scoring and Evaluations

The Authority improperly documented its scoring and evaluation results in all 11 contracting files reviewed. HUD required the Authority to have a method for conducting technical evaluations of the proposals received and for selecting awardees.¹² The Authority's instructions to its bid evaluators required the use of scoring summaries and evaluation worksheets. An evaluation worksheet was required to be prepared by each evaluator for each bidder and included a schedule of evaluation criteria with a set scoring range for each criteria item. Further, each individual worksheet had a total score that equaled the sum of all of the scores for the criteria items. The Authority also prepared an overall scoring matrix for each contract awarded, which summarized and totaled the individual scoring summary results prepared by each evaluator for all of the bidders.

¹⁰ See footnote 3 and 24 CFR 85.36(b)(8)

¹¹ HUD's Procurement Handbook for Public Housing Agencies, 7460.8 REV-2, paragraph 10.2 H.2.; and the Housing Authority of the City of El Paso Procurement Policy, chapter V. paragraph B.

¹² 24 CFR Part 85.36(d)(3)(iii)

As noted in appendix C, the bid evaluations performed for all 11 of the roofing contracts reviewed had scoring discrepancies and deficiencies. For example,

- In three roof contract files, the Authority did not provide scoring summaries.
- In five roof contract files, the scores listed by the Authority on the summary did not match scores on worksheets.
- In seven roof contract files, the Authority did not provide supporting evaluation worksheets.
- In six roof contract files, the Authority did not provide explanations for changes in scores recorded on the evaluation worksheets.

As a result, the Authority could not support that it properly obtained the 11 roofing contracts.

The Authority Struggled To Meet the Obligation Deadline

The Authority's struggle to meet the statutory obligation deadline caused it to improperly document its bid evaluation process. The Authority determined that it had 14 Recovery Act roofing projects with less than desirable pricing structures and canceled them. It issued its second request for proposals for roofs on January 26, 2010. It accepted proposals until February 10, 2010, only 35 days before the statutory deadline. Therefore, it put its three teams consisting of nine staff members under extreme time constraints to conduct the evaluations. Due to the Recovery Act obligation deadlines, the Authority instructed its staff on February 10 and 11, 2010, that they had 5-6 days, including the weekend, to perform their evaluation of 137 bids. It stressed that the assignment would require after hours work. It indicated that interviews and negotiations would occur during February 16-19, 2010, and that final recommendations by the panel chairperson would occur on February 20, 2010, to allow the contract to be placed on the February 24, 2010, board of commissioners' agenda. At the board meeting, staff told the board they had done a very diligent procurement process, and the board approved the recommended contractors. The Authority executed the 11 contracts 9 days later on March 5, 2010.

Conclusion

The Authority improperly documented its bid evaluations for 11 Recovery Act-funded roofing contracts. Its contracting files lacked adequate documentation because it did not follow HUD's requirements or its own procurement policy as it was apparently struggling to meet the Recovery Act statutory obligation deadline. Since the Authority lacked bid evaluation information, it could not support that it properly obtained the 11 roofing contracts totaling \$5.87 million. As a result, it will need to show that it properly awarded the 11 contracts totaling \$5.87 million, or repay the amount to HUD, which will return the funds to the U. S. Treasury.

Recommendations

We recommend the Director of the Fort Worth Office of Public Housing require the Authority to

- 2A. Provide support for the 11 procurements totaling \$5,874,417 or repay the amount to HUD, which will return the funds to the U.S. Treasury.

SCOPE AND METHODOLOGY

We conducted our audit work at the Authority's administrative offices in El Paso, TX, the Fort Worth Office of Public Housing, and the HUD Office of Inspector General's (OIG) offices in San Antonio and Fort Worth, TX between June 18, 2012, and February 12, 2013. The audit generally covered March 18, 2009 to June 18, 2012.

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

- Obtained and reviewed relevant laws, regulations, and HUD guidance.
- Obtained and reviewed the Authority's Recovery Act grant agreement, annual statement, and 5-year Action Plan.
- Obtained and reviewed the Authority's board of commissioners meeting minutes to confirm that the Authority had adopted a Recovery Act-compliant procurement policy.
- Obtained and reviewed the Authority's procurement policy and procurement records.
- Obtained and reviewed the Authority's reviews and evaluations of all 11 roofing contracts it awarded on March 5, 2010, less than 2 weeks before the obligation deadline of March 17, 2010.
- Tested 100 percent of the Recovery Act grant contracts by performing a review of each file to determine whether the Authority obligated them by March 17, 2010.
- Obtained an electronic download of the Authority's general ledger and reviewed it to identify whether the Authority awarded contracts by the obligation deadline and to identify if the Authority recorded expenditures after the deadline.
- Tested 100 percent of the force account obligations to determine whether the obligating documents included sufficient detail to support the obligation amount.
- Obtained and reviewed the Authority's summary support for force account labor to determine the first transaction date and compared that date to the obligation deadline to determine whether the deadline was met.
- Obtained and reviewed the Authority's audited financial statements for fiscal years ending June 30, 2010 and 2011.
- Verified the timeliness of Recovery Act reporting by tracing grant expenditures from the Authority's general ledger to its audited financial statements and to HUD's Line of Credit Control System (LOCCS). We did not test the system controls for LOCCS. We used LOCCS data for information purposes only.
- Identified 100 percent of the Authority's formula grant vouchers in its electronic general ledger. However, the Authority could not provide a listing of formula grant expenditures in a useable electronic format within the review timeframe. As a result, we used a risk-based procedure to select 3 sample vouchers totaling \$2.4 million out of a universe of 38 vouchers totaling more than \$12.7 million. The sample included the largest voucher paid, the first voucher with force account labor charges, and the eighth-largest voucher which was dated just before the expenditure deadline. For the sample, we verified that grant expenditure amounts reported in the Authority's general ledger system matched supporting disbursement documentation.

- Assessed the reliability and validity of the data in the Authority's general ledger information system as it related to our audit objectives. Based on our testing, we determined that the information was sufficiently reliable to support our audit objectives.

We initially expanded our audit scope to include the Authority's competitive Recovery Act grant. Later in coordination with the local HUD Office of Public Housing field office, we excluded this grant from our audit to prevent us from reviewing the competitive grant at the same time HUD was reviewing it.

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

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:

- Financial controls over program obligations and expenditures, including cost eligibility, authorization, and support;
- Controls over procurement; and
- Controls over accurate and timely reporting of program results.

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 lacked controls to ensure that its obligations met the strict statutory deadlines set by the Recovery Act (finding 1).
- The Authority did not follow its procurement controls regarding documenting its evaluation of bids and its contractor selections (finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$2,678,698	
2A		\$5,874,417

- 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



March 15, 2013

Mr. Gerald R. Kirkland
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
819 Taylor Street, Suite 13A09
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Via email:
gkirkland@hudoig.gov
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and Federal Express

Re: Draft audit report

Dear Mr. Kirkland:

Comment 1

The Housing Authority of the City of El Paso (HACEP) respectfully disagrees with both the findings and the recommendations of the draft audit report of the Office of the Inspector General regarding HACEP's contracting and expenditure of its American Recovery and Investment Act (ARRA) Capital Fund formula grant funds. HACEP expended its ARRA funds in compliance with the ARRA obligation and expenditure requirements, and in furtherance of HACEP's mission to provide safe, decent and affordable housing. HACEP used its ARRA formula grant funds for new roofs for 14 public housing communities comprising 2,407 housing units. In addition, three communities received new water lines, sewer lines, or windows. Furthermore, HACEP used ARRA funds to purchase and install 1,922 evaporative air conditioners (AC's) with its force account employees, and force account employees also replaced roofs in other communities. Such work had clear benefits for HACEP and its residents.

Comment 2

As explained in greater detail below, HACEP obligated all of its ARRA funds by March 5, 2010, and therefore met the ARRA requirement that all funds be obligated by March 17, 2010. While HACEP modified some of the contracts for the obligated funds and entered into several new contracts with the savings from the modifications, these types of changes are well-accepted within the Capital Fund program, and illustrate HACEP's commitment to effective stewardship of public resources. Furthermore, all of the projects were completed by the ARRA construction deadline. In addition to meeting the economic stimulus goals of the ARRA, the public housing improvements materially improved the lives of the families living in these housing units.

Comment 3

Response to Finding 1: HACEP Properly Obligated Its Recovery Act Funds. The Draft Audit Report finds that HACEP improperly obligated Recovery Act funds totaling \$2,678,698 after the statutory obligation deadline (Draft Audit Report, Figures 1 and 2). However, HACEP did in fact obligate all of its formula ARRA funds. The questioned \$2,678,698 was obligated before the deadline using a combination of roofing contracts (\$1,152,677) and force account spending (\$1,525,821).

As discussed in greater detail below, with respect to the roofing contracts, HACEP executed roofing contracts obligating its ARRA funds before the deadline in good faith, and subsequently modified the scope of some of these contracts. The contract modifications generated savings that were then used to fund replacement contracts after the obligation deadline. However, such

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Comment 3

modifications should not be deemed to invalidate HACEP's original good faith obligations that satisfied ARRA's obligation deadlines, and HACEP should not be required to repay these amounts.

With respect to the force account work, as HUD explains in PIH Notice 2009-12, force account funds are not obligated by contract; they are obligated by beginning work on sequentially related items and continuing work at a reasonable rate. As discussed in greater detail below, all of HACEP's force account expenditures were for sequentially related items begun before the obligation deadline, and were part of a project in which funds were expended at reasonable rates. As a result, HACEP fully obligated the \$2.68 million before the obligation deadline and so should not be required to repay these funds.

The first part of this section explains how HACEP's roofing contracts met the ARRA obligation deadline, and the second part explains how HACEP's force account spending likewise satisfied the ARRA obligation deadline.

A. HACEP properly obligated the \$1,152,677 million in question before the obligation deadline, therefore satisfying ARRA's obligation deadline. Of the \$2,385,000 in contracts that the OIG views as having been obligated after the deadline, \$1,232,323 is actually attributable to force account materials, and so more properly belongs in the discussion of force account labor and materials in Section B below. As a result, the amount of non-force account obligations under discussion should total \$1,152,677, rather than the \$2,385,000 indicated in Figure 1 of the draft audit report. As the remainder of this section explains, however, HACEP properly executed contracts for \$8.5 million in roofing work before the obligation deadline in good faith, and subsequently modified some of these contracts, and then reallocated funds from these contracts to other ARRA-eligible contracts. Such modifications should not be deemed to invalidate HACEP's original obligations that satisfied ARRA's obligation deadlines. To conclude that HACEP should have remained with the original pricing suggests that HACEP should have overpaid on those contracts to preserve the original obligation date, a conclusion that seems contrary to HUD's cost reasonableness requirements. The first part of HACEP's analysis focuses on the contracts for the roofing work, and the second part discusses the modified contracts that HACEP entered into after the obligation deadline.

1. HACEP properly and in good faith obligated \$8.5 million for roofing contracts before the obligation deadline, thus satisfying the ARRA obligation requirements.

HACEP initially received proposals for roofing contracts in December, 2009. After a price analysis, these first proposals were rejected because the costs far exceeded El Paso market prices for the roofing work. The projects were re-advertised, and new proposals were received in February, 2010. Contracts were awarded to the best-qualified contractors on March 5, 2010, thus obligating \$8.5 million in ARRA funds prior to the 03/17/2010 deadline. **(Exhibit 1).**

2. After obligating \$8.5 million in roofing contracts HACEP modified some of these contracts after the obligation deadline, and also entered into several new contracts with the savings from such modifications. These changes resulted in the \$1,152,677 in 'new' contracts noted in

Figure 1 in the OIG report [less the force account materials amounts improperly recorded in Figure 1]. Such prudent fiscal management does not change the fact that HACEP met the original obligation deadlines following good faith entry into the original contracts described above.

Comment 3

In order to ensure that it received fair value for the work to be performed, HACEP awarded the roofing contracts on a cost-per-square basis. HACEP thus paid only for work actually done by the contractors. During the course of managing more than \$8.5 million in construction projects, some roofing contracts were reduced because the actual number of squares was less than estimated. The savings were re-allocated to other ARRA-eligible work which is reflected in the post 03/17/2010 contracts shown in Figure 1 of the draft audit report. This reallocation did not negate the good-faith obligation of these funds by valid contracts prior to the 03/17/2010 deadline. The re-allocation represents responsible use of the funds for eligible projects within the stimulus time frame that provided much-needed jobs in El Paso, tangible improvements to public housing properties, and improved the living conditions of the residents. A detailed explanation of the events and process is in the memorandum dated 08/31/2012 from HACEP's Director of Procurement to the OIG auditors. **Exhibit 2**. HACEP believes this re-allocation was proper and in keeping with the administration of HUD capital funds projects. It also accomplished the stimulus purposes of ARRA, as the funds were timely expended.

Comment 4

3. *The Guillen Community. Figure 1 of the draft audit report includes the Guillen roofing replacement contract as a contract executed after the obligation deadline. This project was originally begun as a capital funds project and was later included in the ARRA-funded projects using the fungibility concept in accordance with 24 CFR 968.305. HACEP will substitute another ARRA-eligible CFP project with a contract dated before the ARRA deadline for the Guillen roofing contract. The Guillen contract will be deleted from HACEP's ARRA-funded contracts.*

B. HACEP's force account spending in the amount of \$1,525,821 was appropriate because the projects were sequentially related and the costs were paid at a reasonable rate. This reasoning applies to both (a) the \$1,232,323 described in Figure 1 of the draft audit report which amount was erroneously not attributed to force account spending, as well as to (b) the \$293,498 described in Figure 2 of the draft audit report. The first part of this subsection explains HUD's requirements for force account labor, while the remaining parts discuss how HACEP complied with these requirements and fully obligated its \$1,525,821 in force account labor and materials.

Comment 5

1. *In accordance with HUD guidance for force account work, all funds for a group of sequentially-related physical work items are considered obligated when the first item is started, as long as the funds continue to be expended at a reasonable rate. HUD's guidance indicates that force account funds are deemed obligated based on when the first item in a sequentially-related project is started, and are not deemed obligated based on a contract date.*

HUD NOTICE PIH 2009-12 (HA) [this Notice was reissued as PIH Notice 2011-4 on January 21, 2011] encourages the use of force account labor for ARRA grant work:

(6) Force Account: To the extent feasible, the PHA should consider employing existing or additional force account laborers on either a permanent or a

temporary basis to perform Capital Fund Recovery Act grant work. See 24 CFR 968.105 and 968.120. No prior HUD approval is required specifically for force account labor, but such work must be incorporated into the Capital Fund planning, budgeting and reporting documents.

VII. Definitions

Force Account Labor: . . . The PHA shall use force account labor where it is cost-effective and appropriate to the scope and type of physical improvements and the PHA has the capacity to serve as its own main contractor and to maintain an adequate level of routine maintenance during force account activity.

PIH 2009-12 also defines the obligation of force account funds:

VII. Definitions

Obligation: Obligations mean the cumulative amount of modernization commitments entered into by the PHA. Examples of obligations are . . . start and continuation of physical work by force account labor; and start and continuation of administrative work. . . **For force account work, all funds for a group of sequentially-related physical work items are considered obligated when the first item is started . . . but only where funds continue to be expended at a reasonable rate.**

Comment 5

2. HACEP deems all of the \$1,525,821 AC-related work to have been obligated to a single force account project that was obligated when HACEP began work in January 2010, and for which HACEP expended funds at a reasonable rate. As a result, all \$1,525,821 in force account labor and materials should be deemed obligated prior the deadline because work began before 03/17/2010 as shown by *Exhibits 5 through 7*, the work was done sequentially.

Comment 6

HACEP determined to use its ARRA formula grant funding for a Modernization project that included evaporative air conditioner replacement in public housing communities. In 2009, assessments were conducted on HACEP's 5,839 public housing units to determine which roofs and AC's were most in need of replacement. Ultimately, the ARRA AC replacement project consisted of purchase and installation of 1,922 evaporative air conditioners in 22 public housing communities¹. (*Exhibit 3*). Scheduling this work involved logistical requirements because the communities are spread over a very large geographic area, and installation of the AC units could not be completed until roofing work had been done. The AC replacement needed to occur after the ARRA roofing contracts were completed because the roofing contracts included options for replacement of the external ducts (roof jacks) for the new AC units. In accordance with HUD's encouragement of PHAs to use force account labor for ARRA work, HACEP elected to use its force account employees to replace the ACs because HACEP had approximately 30 force account employees with the skills necessary for the work. A Fund Certification was completed 02/26/2010 and the information was reported in the eLOCCS system. (*Exhibit 4*)

Comment 7

Comment 6

¹ There was one project of 22 communities, not 22 projects: "Modernization project. The improvement of one or more existing public housing developments under a unique number designated for that modernization program. . . ." 24 CFR 968.105

Comment 7

Initially, HACEP purchased materials under its previously existing contract for evaporative air conditioners (Exhibit 8) and used the materials in the ARRA force account project (Exhibit 9). HACEP had procured a “requirements” contract dated March 16, 2009 for these items because they are needed for normal maintenance of almost 6,000 public housing units. After work on the force account air conditioner replacement project began January of 2010, as reflected in Exhibits 5-7, HACEP advertised for new bids to see if the large volume of AC purchases would result in a better price. It did, and HACEP entered into a new contract for AC’s and related materials in July, 2010. The new contract was with the same primary supplier as the existing contract, and HACEP’s force account employees performed the work associated with such ACs in a manner that was sequentially related to the work begun before March 17, 2010 as shown in Exhibit 4.

Comment 5

While HACEP procured a new contract to purchase evaporative AC’s in July 2010, the broader force account project to replace the ACs was underway before March 17, 2010. In addition to inspection and planning of the air conditioner replacement project, preparation for this force account project included hiring an ARRA Construction Specialist to supervise force account labor performing ARRA work as well as the roofing contractors. Albert Casteñeda was hired for the position June, 2009. (Exhibit 5). Journal entries were made to allocate Mr. Casteñeda’s salary to Force Account No. 512-143000-0007-00-230 beginning in January, 2010. (Exhibit 6). In addition, force account employees were paid wages for the project beginning in January, 2010, well before the obligation deadline. (Exhibit 7).

**Comment 5
Comment 6
Comment 7**

Exhibit 3 shows the continued progress and completion of the force account project. The ARRA force account project and HACEP’s execution of it met the HUD definition of “a group of sequentially-related physical work items”. In accordance with the HUD definition, “all funds are considered obligated when the first item is started” and the funds “continue to be expended at a reasonable rate.” HACEP’s ARRA force account project met these requirements.

Requested Action

**Comment 2
Comment 3**

First, the findings regarding obligation of the contracts discussed in Subsection A of this letter should be deleted from the final audit report. HACEP obligated all of its ARRA funds to cover necessary expenses by 03/05/2010, and therefore met the ARRA requirement that all funds be obligated by March 17, 2010. While HACEP and its contractors modified some of the contracts for the obligated funds and entered into several new contracts with the savings from the modifications, these types of replacement contracts are well-accepted within the Capital Fund program, and illustrate HACEP’s commitment to effective stewardship of public resources.

The funds not actually spent under the roofing contracts were properly re-allocated to ARRA-eligible projects, and were then expended by the ARRA deadline.

Comment 5

Secondly, the findings regarding obligation and expenditure of \$1,525,821 for the force account project should be deleted from the final audit report. This figure represents the total for evaporative coolers and materials listed in Figure 1 of the draft audit report, plus the force account labor in figure 2. This force account work began before 03/17/2010, the project consisted of sequentially-related physical work items, the funds for materials and labor were expended at a reasonable rate,

and the entire project was timely completed by the ARRA deadline. The force account project met all the requirements for obligation and expenditure.

Comment 8

Response to Finding 2: HACEP conducted a careful and responsible procurement of its ARRA contracts and each contract file is replete with documentation of the process. The draft audit report states on pages 9 and 10 that procurement files lacked documentation of basic contractor eligibility. This is a reference to the debarment clearance. Debarment status was checked for each contractor in accordance with Section V.A. of HACEP'S Procurement Policy (June 2009). This is done online, and a copy of the screen is in each file. HACEP did use an out-dated evaluation form in some cases that included blanks for an evaluator to check off debarment as well as liability insurance requirements. However, the debarment status and insurance requirements are procurement personnel procedures that are performed by Contract Specialists, not by evaluators. The lack of an unnecessary check mark on an evaluation form does not render the procurement process invalid.

None of HACEP's contractors were ineligible for a HUD-funded contract, and all of the contractors provided certificates of liability insurance. Evidence of both is in the contract files.

Comment 8

In addition to using an out-dated evaluation form, HACEP has also been unable to locate all of the individual evaluation forms. However, the information was transferred to electronic format and placed in the file. The evaluation of the fifteen roofing proposals for the project was done by three teams of three evaluators. The evaluation teams were present when the electronic format was created. The Excel software used for the summaries shows they were created in February, 2010. Seven of the nine evaluators have verified that the electronic summary accurately reflects the evaluation forms. Two of the evaluators are no longer employed by HACEP and were not contacted.

Prior to the award of the contracts, the evaluation panel provided a detailed explanation of the evaluation process. (**Exhibit 10**). The memorandum includes a description of the evaluation of the proposals for each of the public housing communities.

Comment 9

HACEP has previously responded to questions by OIG auditors regarding changes to the scoring of the price factor in the evaluations. HACEP evaluated the proposals for roofing contracts with three panels of three employees (**see Exhibit 10**). During the compilation of the evaluations, HACEP's Director of Capital Projects noticed the prices in the proposals had not been treated uniformly by all of the evaluators. He devised a simple and logical method to standardize scoring of price in all of the proposals. The lowest priced proposal was given the maximum score for price, and each higher price was given a uniformly lower score. (**Exhibit 12**).

Comment 10

Appendix C of the draft audit report is a compilation of the items reported as missing from the contract files. With the exception of the missing evaluation forms, all of the information is in fact in the contract files. The attached **Exhibit 11** shows a check mark on Appendix C for each of the items that were verified to be in the file. HACEP's policies and procedures were used to procure contracts that ensured competition so that fair value was received for its ARRA funds. The missing evaluation sheets do not invalidate a procurement procedure that met HUD requirements.

Comment 8
Comment 9
Comment 10


The thoroughness of HACEP's procurement process is illustrated by the large and complete procurement file that is generated for each HACEP contract. HACEP delivered copies of the documents questioned in Appendix C of the draft audit report to the Fort Worth Regional Office. HACEP also delivered a binder of supporting documents for its procurement process which are listed in **Exhibit 13**. HACEP also physically carried two complete original contract files to the HUD Regional Office.

Requested Action

As discussed above, HACEP conducted a careful and responsible procurement of its ARRA contracts. Each contract file contains documentation of the process. HACEP documented its evaluation of bids for roofing contracts, documented bidder compliance with debarment requirements, materially documented its scoring of evaluations, and met its obligation deadlines. Given this compliance, HACEP would ask that the recommendation that HACEP repay \$5.87 million be deleted. To ensure clear procurement documentation, HACEP has changed its evaluation forms so that strikeouts will not be used to record best and final offers. New forms have also been created so that debarment and insurance compliance will not be part of the evaluation form. Additional standard operating procedures have also been implemented for the timing of verification of debarment status, insurance and other requirements of contract award.

Thank you very much for the opportunity to respond to the draft audit report. We trust that this response adequately addresses the issues raised by the Office of the Inspector General. Please feel free to contact me or my staff if you have additional questions, or if you would like to verify any matters not included in this response.

Sincerely,


Gerald Cichon
Chief Executive Officer

Gerald Cichon
Chief Executive Officer

Comment 1

EXHIBITS — RESPONSE TO OIG DRAFT AUDIT REPORT

1. List of construction contracts — obligation and re-allocation
 - Obligation and re-allocation
 - Obligation and expenditure of all HACEP ARRA formula funds
2. Memorandum 08/31/2012 from Director of Procurement to OIG auditors
3. Chart of AC replacement progress in force account project
4. Force Account Fund Certification
5. Employment of ARRA Construction Specialist, January 2009
6. Allocation of Construction Specialist's salary to ARRA force account
7. Sample Time sheets for force account workers' wages, January 2009
8. Sample purchase of evaporative AC units & materials for force account project under existing supply contract.
9. Sample ARRA Maintenance Work Orders and fixed asset records showing AC replacement
10. Memorandum 02/24/2010 from evaluation committee re: evaluation of contract proposals
11. Appendix C to draft audit with check mark for verified items
12. Memorandum 02/24/2013 regarding evaluation of cost factor.
13. List of contract Procurement File documents delivered to Ft. Worth for review by HUD

OIG Evaluation of Auditee Comments

Comment 1 The Authority disagreed with both the findings and the recommendations. It provided voluminous information (more than 330 pages), which is not included in this report, but it is available upon request. We reviewed the information provided and determined that our original conclusions are valid. A detailed review of the Authority's response is in the following additional comments.

Comment 2 The Authority admitted it modified some contracts and entered into several new contracts with savings from the modifications, but it stated these types of changes were well-accepted within the Capital Fund program. The Authority is incorrect. Funds provided under the Recovery Act had significantly different requirements than Capital Fund program funds. The Authority had to sign a separate Recovery Act ACC Amendment for each grant to receive the funds. Among the differences from a Capital Fund ACC Amendment were the requirement that the Authority obligate the funds by the Recovery Act statutory deadline and a statement that extensions are not permitted to obligation and expenditure dates.

Comment 3 The Authority indicated it obligated its funds before the deadline in good faith and subsequently modified the scope of some of the contracts. It stated that the actual number of roofing squares was less than anticipated. It further indicated that the contract modifications generated savings that were then used to fund replacement contracts after the deadline. We disagree. The Authority's response does not fully detail what happened in its contracting process. The Authority made scope reductions of \$1.13 million after the deadline, because it made contracting errors. It awarded contracts for flat roofs, but the Cramer and Salazar complexes had both flat and steep slope roofs. One of the Authority's ineligible late contracts was for the steep slope roofs at the Cramer complex.

Federal appropriation law is clear; if funds are deobligated after a statutory deadline, the funds can be used for existing contract obligations but not for new contracts. The Authority had roofing and waterline contract modifications totaling \$1.5 million on contracts awarded before the deadline, which were allowable Recovery Act expenditures. However, the Authority transferred more than \$1 million of the \$2.6 million that it had budgeted, but not obligated, for force account work to sewer and roofing contracts. Thus, the Authority did not have sufficient contract obligations prior to the statutory deadline to cover the full amount of its Recovery Act funding.

Comment 4 The Authority admitted its Guillen roofing replacement contract was after the obligation deadline. It stated it would submit another Recovery Act eligible Capital Fund Plan project with a contract dated before the obligation deadline. We recognize the Authority's statement that this was not a valid obligation. However, substituting another Capital Fund Plan project is not allowed as the Recovery Act prohibited Recovery Act funds from being used to supplant expenditures from other Federal funds like the Capital Fund program.

Comment 5 The Authority stated that its force account projects were sequentially related, and the costs were paid at a reasonable rate. At the exit conference, the Authority stated that if it started work at one project, it had started all of its force account labor projects. Additionally, it stated that installation of air conditioning could not be completed until roofing work had been done. It also provided general ledger salary information for its Recovery Act construction specialist and three employee's timesheets for a project beginning in January 2010. We disagree. Starting force account work at 1 project did not mean that the Authority started work at all 22 of its projects. In the report, we make it clear that an obligation only occurred at a project where the labor had started prior to the deadline. We also noted that five projects did not have roofing work, but evaporative air conditioning force account labor was not started until after the deadline. Further, the construction specialist's salary was not charged to force account labor for a dwelling structure (account 1460); it was charged to salaries and benefits for planning (account 1430). "Planning" is a general description of 1430 activities which supports our conclusion that force account labor had not started at the projects. Additionally, all the timesheets provided were for the Eisenhower complex. We reported that force account labor was obligated before the deadline for Eisenhower.

Comment 6 The Authority said this was 1 project of 22 communities not 22 projects. Further, it cited the Public Housing Modernization criteria at 24 CFR 968.105. The Authority takes the criteria quote in its response out of context. The full quote follows, "*Modernization project*. The improvement of one or more existing public housing developments under a unique number designated for that modernization program. For each modernization project, HUD and the PHA shall enter into an ACC Amendment, requiring low-income use of the housing for not less than 20 years from the date of the ACC Amendment (subject to sale of homeownership units in accordance with the terms of the ACC). The terms "modernization project number" and "comprehensive grant number" are used interchangeably." As a result, the "modernization project number" would be the Recovery Act grant number as the Authority signed a separate ACC for the funds and all of the Authority's modernizations not just its force account work are under this "project number". Thus, the criteria did not support the Authority's statement that force account work at its 22 communities was 1 project.

Comment 7 The Authority stated on February 26, 2010 that it had completed a fund certification for evaporative air conditioner replacements. Although it admitted it obtained a new contract to purchase air conditioners in July 2010, it stated it had a prior requirements contract for air conditioners. We disagree that the Authority had properly obligated its force account contracts. To be properly obligated, the Authority was required to have awarded and executed contracts equal to the amount of materials that it planned to purchase and as stated in its budgets. We previously reviewed the prior requirements contract and determined it did not support the Authority's obligation assertions. The Authority's current documents indicated it needed \$1.4 million in materials for evaporative air conditioners

replacement; and its requirements contract for evaporative air conditioners only totaled to \$147,351. Further, the evaporative air conditioner contract required a written contract modification to increase the estimated contract amount. Instead of modifying the contract, the Authority issued a request for proposals and entered into five new contracts after the obligation deadline.

Comment 8 The Authority stated it conducted a careful and responsible procurement of its Recovery Act contracts. In the case of contractor eligibility concerning debarment and insurance, it stated that it used an outdated form and that the lack of a check mark on a form did not render the procurement process invalid. It further said it was not the evaluator's responsibility to check insurance and debarment status. We disagree. The Authority's procurement policy was vague on who should check for debarment and insurance eligibility and when the insurance eligibility check should be performed. However, the Authority's published request for proposals and its written directions to the evaluators were not vague. In its evaluation criteria, included both in the request for proposals and its written directions, the Authority listed yes/no questions for the evaluator to complete concerning debarment and insurance. In many instances, one or both of the questions were not filled in or the box had a question mark by it.

Comment 9 The Authority said its evaluation panel provided a detailed explanation of the evaluation process, and it had previously provided changes to the scoring of the price factor in the evaluations. We had previously reviewed the detailed explanation. The Authority did not explain the scoring differences between the individual evaluator's score (where available), the summary sheet of evaluators' scores (where available) and the overall summary (where available). We also tested the Authority's statements concerning changes to the scoring of the price factor. Instead of resolving the scoring issue, it created an additional set of scores that did not match other scores in the files.

Comment 10 The Authority stated that except for missing evaluation forms, all of the information was in the contract files. At the exit conference, it asserted that if information was in one contract file, it should be considered to be in all contract files. Further, it said that missing evaluation sheets do not invalidate a procurement procedure that met HUD requirements. We disagree. The Authority published requests for proposals for 12 complexes. Further, it created evaluation panels for each of the 12 complexes. Thus, we disagree with the statement that if an evaluation was in one complexes' contract file, it was in all the complexes' files. Additionally, the evaluators' sheets formed the base support for the procurement decisions. However, the lack of the evaluators' sheets was only part of what negatively impacted the Authority's roofing procurement process. Our inability to recalculate and confirm the Authority's scoring process was also a factor in determining that the Authority could not support its procurement process.

Appendix C

SCHEDULE OF CONTRACT BID EVALUATIONS

Contract number	Property	Debarment clearance not verified	Liability insurance not verified	Missing summary score sheet	Summary scores do not match detail	Missing all or some evaluation worksheets	Unexplained changes in scores
ARRA-10-C-0033	Cramer	x	x			x	
ARRA-10-C-0034	Marmolejo	x	x	x		x	
ARRA-10-C-0036	Rio Grande	x	x		x	x ¹³	
ARRA-10-C-0037	Sherman	x	x			x	
ARRA-10-C-0038	Truman	x	x			x	
ARRA-10-C-0039	Webber	x	x		x		x
ARRA-10-C-0040	Chelsea	x	x		x		x
ARRA-10-C-0041	Roosevelt	x	x	x			x
ARRA-10-C-0042	Salazar		x		x		x
ARRA-10-C-0043	Machuca	x	x		x		x
ARRA-10-C-0057	Alvarez	x	x	x			x
Total exceptions noted		10	11	3	5	7	6

¹³ The Rio Grande contract file contained a spreadsheet that had summary evaluation scores. However, the file had no supporting evaluation worksheets with scoring details by evaluator.