



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

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MEMORANDUM NO:
2014-BO-1801

Memorandum

TO: Jennifer Gottlieb
Program Center Coordinator, Hartford Field Office, 1EPH

//SIGNED//
FROM: Edgar Moore
Regional Inspector General for Audit, Boston Region, 1AGA

SUBJECT: The Housing Authority of the City of Stamford, CT Took Appropriate Action To
Resolve a Complaint While Complying With Procurement Regulations

INTRODUCTION

We audited the Housing Authority of the City of Stamford, doing business as Charter Oak Communities. We received an anonymous complaint against the Authority related to an alleged improper procurement. The complainant alleged that Authority officials awarded a contract to an employee's spouse without following procurement and conflict-of-interest requirements. In addition, a previous audit at the Authority¹ found that Authority officials did not maintain adequate documentation to demonstrate that they properly awarded and administered their contracts and purchase orders in accordance with Federal requirements and their own procurement policy. Therefore, our objective was to determine whether the complaint had merit, and whether procurement and conflict-of-interest rules and regulations were violated.

METHODOLOGY AND SCOPE

We conducted our audit between January and April 2014, at the Authority's office located at 22 Clinton Avenue, Stamford, CT. Our audit covered the period July 2012 through September 2013 and was extended when necessary to meet our audit objective. To accomplish our audit objective, we

¹ Audit report number 2012-BO-1002 issued March 14, 2012.

- Reviewed program requirements, including Federal laws, the Code of Federal Regulations, public housing handbooks, and the annual contributions contract between the U.S. Department of Housing and Urban Development (HUD) and the Authority.
- Interviewed key staff members at the Authority to understand the procurement processes and related policies and procedures.
- Reviewed the internal actions taken by Authority officials in response to the complaint to determine whether Authority officials' took appropriate action to properly resolve the complaint issues.
- Obtained the contract register and selected a nonstatistical sample of five small purchase contracts, not exceeding \$100,000, and three large purchase contracts, exceeding \$100,000 from a universe of 15 Federal contracts made during the audit period, with a total contract not to exceed amount of \$15.7 million. The eight contracts amounted to \$13.7 million representing 87 percent of the total contract not to exceed amount of 15.7 million.
- Determined whether the eight contracts selected were procured in accordance with Federal regulations at 24 CFR 85.36 and the Authority's own procurement policy, and whether the complaint had merit.
- Obtained and reviewed all Federal disbursements for the contracts in our procurement sample, which consisted of 28 disbursements totaling \$76,948.

Our work was not conducted in accordance with generally accepted government audits standards as we only examined the procurement controls and did not consider the Authority's information systems and other controls.

BACKGROUND

The Authority is an independent municipal entity created by the City of Stamford in 1939 under State law and the National Housing Act of 1937. The Authority operates under a board of commissioners form of government to provide safe and decent housing for eligible low- and moderate-income families and elderly individuals. The board is comprised of five members, all Stamford, CT, residents, appointed by the mayor of Stamford.

The Authority was awarded more than \$51 million in Section 8 assistance, Public Housing Operating Fund subsidies, and Public Housing Capital Fund grants for fiscal years 2012 and 2013, as follows:

Year	Section 8 program assistance	Operating subsidies	Capital Fund grants	Total awarded
2012	\$22,414,598	\$1,524,636	\$2,820,600	26,759,834
2013	\$22,282,712	\$1,644,317	\$1,003,454	24,930,483
Total	\$44,697,310	\$3,168,953	\$3,824,054	51,690,317

RESULTS OF REVIEW

Although the complaint had merit regarding the procurements and conflict-of-interest issues, Authority officials took appropriate corrective action to resolve the issues. In addition, contract files reviewed showed that Authority officials properly procured the Authority’s vendors and maintained the required documentation to demonstrate such compliance in accordance with 24 CFR 85.36 and their procurement policy. Also, disbursements tested were adequately supported with the exception of two minor issues, which were discussed with officials, who took corrective action. The details are described below:

Conflict-of-Interest Issues

The complaint had merit in that there was an apparent conflict-of-interest in the administration of payments to the automotive repair center mentioned in the complaint. Specifically, the regional property manager’s husband owned one of the auto repair centers used by the Authority for vehicle repairs and maintenance. The employee was not involved with the procurement process but was responsible for secondary approval of the request-for-payment documentation submitted to the accounting department. In accordance with Authority procedures, there was no contract with this vendor as the service cost was below the small purchase threshold of \$2,000 and thus considered a micro purchase. In this case as auto services or repairs were needed, Authority officials would issue a purchase order for the service or repair. A cost-price analysis showed that labor rates and costs of repairs were comparable between the auto repair center used and two other local vendors. The auto repair center was used when the regular vendor was unavailable to perform needed repairs in an acceptable timeframe, emergency repairs were needed, or vehicles were located on the east side of town, which was closer to the auto repair center used.

Authority officials approved \$6,962 in payments to the vendor during our audit period. Of that amount, \$1,424 was paid from Federal funds. Thus, we concluded that an employee was engaged in an apparent conflict-of-interest by providing secondary approval for payments to her husband’s company, which violated the annual contributions contract between the Authority and HUD. However, we believe that the conflict-of-interest was inadvertent due to the fact the employee did not issue the purchase orders or compile the requests for payment. The employee provided secondary approval for this and other request for payments from the maintenance department and ensured that the request matched the information provided on the vendor invoices and then signed off on the request before submitting it to the accounting department. Authority officials, once informed, took the proper steps to review the matter and ensure that the vendor was no longer used. Therefore, no further audit work will be necessary.

Procurements

Our review of the eight contract files showed that Authority officials properly procured the Authority's vendors in accordance with 24 CFR 85.36, and their own procurement policy, and maintained the required documentation to demonstrate such compliance. Authority officials (1) hired a procurement manager with several years of procurement experience; (2) conducted annual procurement training for the board and the Authority's core staff; (3) provided the board and core staff with a binder containing the procurement training documents, including the annual contributions contract, Federal regulations at 24 CFR 85.36, HUD Handbook 7460.8, REV-2, Authority procurement policies and procedures, and exhibits of required HUD procurement forms; and (4) centrally filed the original procurement documentation. Officials also maintained a contract register and adequate procurement files to show the history of the procurements, including maintaining original procurement documents, evaluations, and independent cost estimates. They had written agreements for each of the contracts reviewed which included the total amount of the contract, contract terms, or necessary contract clauses, and were signed by the contractor and the Authority. Therefore, we had no reportable issues regarding procurements.

Disbursements

Authority officials were able to support their disbursements and that the payments made were for services within the corresponding contracts' scopes of work. We reviewed all Federal disbursements for the contracts in our sample, which consisted of 28 disbursements totaling \$76,948. We found two minor discrepancies, which were discussed with the Authority officials during the audit and they agreed to take immediate corrective action. Specifically, (1) Authority officials incorrectly allocated elevator maintenance services performed at two State Section 8 projects to a Federal low-income property for one of the five payments reviewed, and (2) the vendor performing the elevator maintenance services overcharged for service calls. Nevertheless, the potential impact on the Authority's Federal programs was minimal, as officials took corrective action to reclassify the misallocated elevator maintenance expenses and corrected the overcharges with the vendor.

CONCLUSION

Although the complaint had merit, Authority officials took appropriate corrective action to resolve the issues. In addition, contract files reviewed showed that Authority officials properly procured the Authority's vendors and maintained the required documentation to demonstrate such compliance in accordance with 24 CFR 85.36 and their own procurement policy; therefore we do not have any recommendations. Also, disbursements tested were adequately supported with the exception of two minor issues, which were discussed with officials who took corrective action.