



# Sanford Housing Authority, Sanford, NC

## Procurement and Financial Operations



**To:** Michael A. Williams, Director, Public and Indian Housing, Greensboro, NC,  
4FPH  
  
Craig T. Clemmensen, Director, Departmental Enforcement Center, CACB

**From:** //signed//  
Nikita N. Irons, Regional Inspector General for Audit, 4AGA

**Subject:** The Sanford Housing Authority, Sanford, NC, Did Not Comply With  
Procurement and Financial Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Sanford Housing Authority's procurement and financial operations.

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

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG 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 404-331-3369.



**Audit Report Number: 2016-AT-1008**

**Date: July 19, 2016**

**The Sanford Housing Authority, Sanford NC, Did Not Comply With Procurement and Financial Requirements**

## Highlights

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### What We Audited and Why

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We audited the Sanford Housing Authority's procurement and financial operations. We selected the Authority based on concerns from the U.S. Department of Housing and Urban Development's (HUD) North Carolina State Office of Public Housing, following a technical assistance review performed. The technical assistance review identified issues with the Authority's procurement practices and financial operations, among other items. The executive director had assessed the Authority's operation systems and identified 35 issues. Additionally, our audit is in keeping with our annual audit plan to ensure that public housing agencies sufficiently administer HUD's programs in accordance with regulations and guidance. Our audit objective was to determine whether the Authority's performance in the areas of procurement and financial operations met HUD requirements.

### What We Found

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The Authority did not comply with HUD's regulations when administering its procurement and financial operations. Specifically, it (1) failed to adequately procure nine contracts, totaling more than \$408,000 (2) lacked adequate controls over its financial records, (3) used more than \$7,000 in Federal funds for improper expenses, (4) made more than \$3,000 in undocumented purchases with its credit cards and lines of credit, and (5) failed to obtain HUD's approval to convert a portion of its maintenance shop into a one-unit homeless shelter using \$650 in Federal funds. These conditions occurred because the Authority either did not have policies and procedures or they were not adequate to provide proper guidance. In addition, the former executive director and former accounting managers did not follow HUD's regulations.

### What We Recommend

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We recommend that the Director of Public and Indian Housing require the Authority to (1) support the cost reasonableness of nine contracts or reimburse its programs \$408,958 from non-Federal funds, (2) reimburse its programs \$7,851 from non-Federal funds, (3) provide adequate support for disbursements or reimburse its programs \$3,588 from non-Federal funds, and (4) implement its revised policies and procedures to ensure that the Authority's staff complies with HUD regulations when administering procurement and financial operations. We recommend that the Director of the Departmental Enforcement Center, in coordination with the Director of the Greensboro HUD Office of Public Housing, take appropriate enforcement action against the former Authority officials responsible for the noncompliance with Federal regulations.

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# Background and Objective

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The Sanford Housing Authority was established on September 8, 1961, in accordance with State and Federal laws. The Authority's mission is to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. The Authority is responsible for administering 448 low-income public housing units and 741 housing choice vouchers.

The Authority is governed by the provisions of a consolidated annual contributions contract between it and the U.S. Department of Housing and Urban Development (HUD). The Authority's oversight is the responsibility of a seven-member board of commissioners, appointed by the mayor of Sanford, NC. The board of commissioners selects the executive director. The board is responsible for the operational, financial, and compliance oversight of the Authority. The executive director is responsible for the day-to-day activities at the Authority.

Under the Authority's consolidated annual contributions contract, it receives a Public Housing Operating Fund subsidy for the operation and maintenance of its low-income housing projects. The Authority's consolidated annual contributions contract is amended annually to provide the Authority with a Public Housing Capital Fund subsidy to carry out major renovations and management activities for its housing units. The Authority is permitted to combine 20 percent of its capital funds into operating funds and may use its capital funds under the Operating Fund requirements. HUD awarded the Authority more than \$2.4 million in operating funds and more than \$1.1 million in capital funds for fiscal years 2014 and 2015.

The Authority's former executive director left the Authority on November 12, 2014. The current executive director began on January 1, 2015. The current executive director assessed the Authority's operation systems and identified significant issues. HUD then performed a technical assistance review of the Authority's public housing and Housing Choice Voucher programs in August 2015.

HUD's North Carolina Office of Public Housing in Greensboro, NC, is responsible for overseeing the Authority.

Our audit objective was to determine whether the Authority's performance in the areas of procurement and financial operations met HUD requirements.

# Results of Audit

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## **Finding: The Authority Did Not Comply With Procurement and Financial Management Requirements**

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The Authority did not comply with HUD's regulations when administering its procurement and financial operations. Specifically, it (1) failed to adequately procure nine contracts totaling more than \$408,000, (2) lacked adequate controls over its financial records, (3) used more than \$7,000 in Federal funds for improper expenses, (4) made more than \$3,000 in undocumented purchases with its credit cards and lines of credit, and (5) failed to obtain HUD's approval to convert a portion of its maintenance shop into a one-unit homeless shelter using \$650 in Federal funds. These conditions occurred because the Authority either did not have policies and procedures or they were not adequate to provide proper guidance. In addition, the former executive director and former accounting managers did not follow HUD's regulations. As a result, the Authority used HUD funds to pay more than \$7,000 in improper disbursements and more than \$412,000 without proper documentation.

### **Contracts Were Not Adequately Procured**

The Authority did not adequately procure the contracts for 9 procurements totaling more than \$408,000 of the 13 procurements selected valued at more than \$415,000. Of the 13 procurements, 4 procurements worth more than \$6,000 were procured by the current executive director and contained no violations. The remaining nine procurements were procured under the prior executive director and lacked key documentation. The 24 CFR (Code of Federal Regulations) 85.36 identifies the requirements and key documentation needed for a proper procurement. These items include complete bid documents,<sup>1</sup> an executed contract,<sup>2</sup> independent cost estimates,<sup>3</sup> full and open competition,<sup>4</sup> and adequate procurement history.<sup>5</sup> The prior executive director's procurement policy did not comply with the regulations. Effective May 2015, the board of commissioners approved the current executive director's procurement policy, which complies with the regulations. Table 1 shows the procurement deficiencies and the contract amounts that were not supported.

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<sup>1</sup> Regulations at 24 CFR 85.36(d)(2) and (d)(3) provide the items needed for complete bid documentation.

<sup>2</sup> Regulations at 24 CFR 85.36(b)(9) state that the grantee will maintain sufficient details of the procurement history, including a contract.

<sup>3</sup> Regulations at 24 CFR 85.36(f)(1) state that grantees must make independent cost estimates before receiving bids or proposals.

<sup>4</sup> Regulations at 24 CFR 85.36(c)(1) state that all procurements will be conducted in a manner providing full and open competition.

<sup>5</sup> See footnote 2.

**Table 1 - Procurement deficiencies**

Type of contract	Amount	Incomplete bid documents	Lack of executed contract	Lack of independent cost estimate	Lack of full and open competition	Lack of procurement history
<b>Replacement of doors</b>	\$118,689		X	X	X	X
<b>Replace windows</b>	\$71,560	X	X	X	X	X
<b>Lawn maintenance</b>	\$55,259	X		X	X	X
<b>Lawn maintenance</b>	\$33,008	X		X	X	X
<b>Cleaning and unit turnaround</b>	\$45,943	X		X	X	X
<b>Carpet installation and unit turnaround</b>	\$18,384	X		X	X	X
<b>Renovation of eight units</b>	\$38,490	X		X	X	X
<b>Legal</b>	\$21,375	X	X	X	X	X
<b>Pest control</b>	\$6,250	X	X	X	X	X
<b>Total</b>	<b>\$408,958</b>					

We identified the following violations during our review:

- The Authority did not provide a signed contract, cost estimate, proof of full and open competition, and a procurement history as required by 24 CFR 85.36 and HUD Handbook 7460.8, REV-2, chapter 14,<sup>6</sup> for the replacement of doors procured totaling more than \$118,000.
- The Authority did not provide bid documentation, cost estimates, proof of full and open competition, a signed contract, and a procurement history as required for the replacement of windows procured totaling more than \$71,000.
- The Authority did not provide the bid documents, cost estimates, proof of full and open competition, and a procurement history as required by 24 CFR 85.36 and the Authority’s procurement policy<sup>7</sup> for the two lawn maintenance contracts totaling more than \$88,000.

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<sup>6</sup> Paragraph 14.2.A.1 of HUD Handbook 7460.8, REV-2, states that the Authority must compare the consortium to the open market to ensure that it is the most economic and efficient method. Also, paragraph 14.2.A.5 states that the Authority must have an agreement between it and the State or local government.

<sup>7</sup> Section I.C of the Authority’s procurement policy states that the executive director shall ensure that contracts and modifications are in writing and are supported by sufficient documentation regarding the history of the procurement

- The Authority did not provide the bid documents, cost estimates, proof of full and open competition, and a procurement history for the cleaning and unit turnaround contract procured totaling more than \$45,000.
- The Authority did not provide the bid documents, cost estimates, proof of full and open competition, and a procurement history for the carpet installation and unit turnaround contract procured totaling more than \$18,000.
- The Authority did not provide the bid documents, cost estimates, proof of full and open competition, and a procurement history for the renovation of eight units procured totaling more than \$38,000.
- The Authority did not provide the bid documents, an executed contract, cost estimates, proof of full and open competition, and a procurement history as required by 24 CFR 85.36 and the Authority's procurement policy<sup>8</sup> for the legal contract totaling more than \$21,000.
- The Authority did not provide the bid documents, a signed contract, cost estimates, proof of full and open competition, and a procurement history for pest control procured totaling more than \$6,000.

### **Financial Records Controls Were Inadequate**

The Authority did not maintain adequate controls over its financial records. The former executive director did not maintain a general ledger for the Authority's general funds. Additionally, the former fee accountant prepared only journal vouchers, which served as the Authority's general ledger; therefore, Federal funds could not be properly tracked. We attempted to trace interfund transfers and determined that transfers were made from different bank accounts to the general fund. However, we were not always able to determine how the Authority's former fee accountant determined the transfer amounts. The financial information was not maintained within the Authority's software but, rather, within the former fee accountant's own system. Although this violated the requirements at 24 CFR 85.20(b)(2)<sup>9</sup> and section 9(C) of the consolidated annual contributions contract,<sup>10</sup> the former executive director stated in a letter to the Authority's board of commissioners that he was very confident in his accounting knowledge and skills, checked all financials each and every month, and made all final decisions. As such, the former executive director violated HUD regulations and the consolidated annual contributions contract. The current executive director started working at the Authority in January 2015, and the current fee accountant began working there in June 2015. The fee

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and an independent cost estimate is prepared before solicitation issuance. Section I.F states the Authority shall seek full and open competition in all of its procurement transactions.

<sup>8</sup> See footnote 7.

<sup>9</sup> Regulations at 24 CFR 85.20(b)(2) state that grantees and subgrantees must maintain records, which adequately identify the source and application of funds provided for financially assisted activities.

<sup>10</sup>The Authority shall maintain records that identify the source and application of funds in such a manner as to allow HUD to determine that all funds are and have been spent in accordance with each specific program regulation and requirement.

accountant prepared the financial statements beginning March 1, 2015, and a general ledger going forward from March 1, 2015, within the Authority's software system.

### **Federal Funds Were Used for Improper Expenses**

The Authority used more than \$7,000 in Federal funds for improper expenses involving disbursements and travel. We reviewed 14 statistically sampled disbursements totaling more than \$90,000, covering both the former and current administrations, and determined that 4 of the 14 sampled disbursements, or more than \$1,200, were inappropriate. Two of the improper disbursements were under the former executive director, and two were under the current executive director.

Under the former executive director, the Authority improperly used \$180 in Federal funds to pay its information technology contractor to retrieve text messages from a personal cell phone, and paid \$200 for services from an open-ended contract, dating back to 2009, to a resident each month to pick up trash around one of the Authority's properties. Both instances occurred because the former executive director and former accounting manager violated 2 CFR Part 225<sup>11</sup> and HUD Handbook 7460.8, REV-2<sup>12</sup>, respectively.

Under the current executive director, the Authority paid \$614 to Duke Energy Progress and \$230 to PSNC Energy for utilities at the Boys and Girls Club using Federal funds instead of non-Federal funds, which was a violation of its agreement. On October 14, 2004, HUD approved the Authority's leasing the Gilmore Terrace Community Center to the Club. The Authority entered into an agreement with the Club on September 24, 2007<sup>13</sup>. HUD was aware of the agreement in which the Club paid \$1 rent each month and the Authority maintained the upkeep of the center, including the utilities, from non-Federal funds.

Also, we reviewed all utilities paid on behalf of the Club from October 1, 2013, to September 30, 2015, based on the improper utility payments identified in the disbursement sample. The Authority used more than \$4,900<sup>14</sup> in Federal funds to pay the gas, electricity, phone, and Internet bills for the Club, a violation of the Authority's agreement with HUD. Although both executive directors made it clear that the funds were to come from non-Federal sources, the former accounting managers continued to charge the asset management project.

Additionally, we selected three of six Authority trips under the previous executive director, based on HUD's technical assistance review, and the only trip completed under the current executive director. The three trips under the previous executive director contained issues, while the one trip under the current executive director did not. Two of the trips under the former

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<sup>11</sup> According to 2 CFR Part 225, attachment A(C)(1)(a), costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

<sup>12</sup> According to Chapter 10.8(C)(2) of HUD Handbook 7460.8, contracts shall not exceed a period of five years, including options for renewal or extension.

<sup>13</sup> The lease agreement, dated November 4, 2004, stated that the agreement will be from September 18, 2007, to September 17, 2008. However, the Club's president did not sign the agreement until September 24, 2007, almost three years later.

<sup>14</sup> Utility costs identified during the disbursement review were not included in this total to avoid double counting.

executive director included flights for a board member’s traveling companion. Although the Authority purchased a board member’s traveling companion two airline tickets for two separate trips, the board member reimbursed the Authority for each ticket. The other travel included Authority employees traveling to the beach with Authority residents. The Authority improperly spent more than \$1,000 for two employees to take residents on a trip to Myrtle Beach, SC, in 2014. The Authority’s former travel policy was insufficient. It allowed travel for other than official business. The current executive director implemented a new policy, which was approved by the board of commissioners and became effective October 13, 2015.

### **Purchases Were Not Properly Documented**

Under the former executive director, the Authority made undocumented purchases with its credit cards for more than \$3,000. The Authority purchased gift cards for its staff and food for its independent public auditor, which violated 2 CFR Part 225.<sup>15</sup> Although the amounts were documented as having been paid from non-Federal funds, we could not determine whether non-Federal funds were used because the Authority’s interfund transfer amounts were not properly supported. Also, the Authority was not able to provide documentation from the former executive director’s administration showing that it tracked Federal funds in the general account, a violation of section 9(C) of the consolidated annual contributions contract.<sup>16</sup> Additionally, the Authority was not able to provide documentation to support \$107 in credit card and line of credit purchases from both the former and current administrations as required by 24 CFR 85.20(b)(6)<sup>17</sup> and 2 CFR Part 225<sup>18</sup>. Therefore, the Authority did not properly support more than \$3,000 of the expenses. Further, the Authority did not have a credit card policy in place before the current executive director’s arrival. The current executive director implemented a financial policy, including a credit card use policy, which was approved by the board of commissioners and became effective on February 22, 2016.

### **HUD’s Approval Was Not Obtained**

Under the previous executive director’s administration, the Authority improperly converted a portion of its maintenance shop into a one-unit homeless shelter. The tenants were selected from applications received from a local agency that services the homeless. There was no documentation provided to show that the conversion of the maintenance shop was approved by HUD. The former executive director stated in a letter to the Authority’s board of commissioners that he did not obtain HUD approval because the unit was a non-dwelling unit and was converted for the good of housing. He stated that getting

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**“It was appropriate to focus on performance over compliance for accountability.” – former executive director.**

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<sup>15</sup> See footnote 9.

<sup>16</sup> The Authority shall maintain records that identify the source and application of funds in such a manner as to allow HUD to determine that all funds are and have been spent in accordance with each specific program regulation and requirement.

<sup>17</sup> The accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contracts, and subgrant award documents.

<sup>18</sup> According to 2 CFR Part 225, attachment A(C)(1)(j), costs must be properly documented to be allowable costs.

families out of cold cars and saving lives was the bottom line. He further stated that it was appropriate to focus on performance over compliance for accountability. This action violated section 7 of the Authority's annual contributions contract.<sup>19</sup> The current executive director discontinued this service when she learned that HUD approval had not been obtained. The Authority installed a shower in the bathroom using \$650 in Federal funds. Additionally, the Authority paid for the unit's utilities using Federal funds. However, since the utility costs could not be attributed to only that unit, we could not separate the costs. Therefore, the \$650 that the Authority used to have a shower installed in the unit's bathroom was improper.

### **Conclusion**

Because of a lack of adequate policies and procedures and the previous attitude of performance over compliance, the Authority spent more than \$7,800 in Federal funds improperly and more than \$412,000 without sufficient documentation. Although the Authority had made progress in the areas of procurement and financial operations, some areas for improvement remained. Once the Authority fully implements its policies and procedures, it will be able to assure HUD that it can properly administer its programs.

### **Recommendations**

We recommend that the Director of HUD's Greensboro, NC, Office of Public Housing require the Authority to

- 1A. Support the cost reasonableness of the nine contracts or reimburse \$408,958 to the appropriate Operating Fund, Capital Fund, and Housing Choice Voucher programs from non-Federal funds.
- 1B. Reimburse \$7,851 spent on ineligible expenses to the appropriate Operating Fund and Housing Choice Voucher programs from non-Federal funds.
- 1C. Provide adequate support for disbursements or reimburse \$3,588 to the appropriate Operating Fund and Housing Choice Voucher programs from non-Federal funds.
- 1D. Implement its revised policies and procedures to ensure that its staff complies with HUD regulations when administering procurement and financial operations.

We recommend that the Director of the Departmental Enforcement Center, in coordination with the Director of the Greensboro HUD Office of Public Housing,

- 1E. Take appropriate enforcement action against the former executive director responsible for the noncompliance with Federal regulations.

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<sup>19</sup> Section 7 of the Authority's annual contributions contract states that the Authority shall not demolish or dispose of any project or portion thereof, other than in accordance with the terms of the contract and applicable HUD requirements. The Authority must in no way encumber any such project or portion thereof without the prior approval of HUD.

# Scope and Methodology

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We performed our fieldwork at the Authority's office located at 1000 Carthage Street, Sanford, NC, and at our office in Greensboro, NC. We performed our audit work from October 2015 through March 2016. Our audit period was October 1, 2013, through September 30, 2015. We expanded the audit period as needed to accomplish our objective.

To accomplish our objective, we

- Reviewed HUD's technical assistance review conducted in August 2015.
- Reviewed and obtained an understanding of the Authority's policies and procedures, relevant laws, regulations, bylaws, and consolidated annual contributions contract with HUD and HUD's guidance.
- Reviewed the Authority's board of commissioners meeting minutes for the period October 2013 through September 2015.
- Reviewed the Authority's audited financial statements for its fiscal years 2013 and 2014.
- Analyzed the Authority's financial records.
- Reviewed a list of Authority contracts.
- Interviewed the Authority's employees, contractors, board members, and former executive director and HUD staff.

We developed a randomly selected audit sample based on a universe of 68 procurements during the period October 1, 2013, through September 30, 2015. We selected 6 procurements totaling more than \$92,000, which included the first 3 procurements federally funded under both executive directors. In addition, we selected seven procurements, six under the previous executive director and one under the current executive director, totaling more than \$323,000, based on the current executive director's assessment and our review of the check register and contract log. In all, we reviewed 13 procurements totaling more than \$415,000.

We developed a statistical audit sample based on a universe of 2,147 Authority transactions related to low-income public housing funds during the period October 1, 2013, through September 30, 2015. During that time, the Authority disbursed more than \$4 million. The transactions were grouped into seven categories, based on dollar amount, and two transactions were statistically selected from each category. Our audit sample totaled 90 transactions. We selected 14 of the 90 transactions, which totaled more than \$90,000.

From six Authority trips totaling more than \$12,000 under the previous executive director, we randomly selected three trips totaling more than \$10,000 and the only trip completed under the current executive director totaling more than \$11,000.

The Authority had three credit cards with payments totaling more than \$53,000. We selected two credit cards based on the high dollar amounts. We selected 1 credit card with more than \$29,000 in payments and reviewed 3 of the 24 credit card statements totaling more than \$10,000.

Two of the credit card statements were under the former executive director, and one was under the current executive director. We selected an additional credit card with more than \$17,000 in payments and reviewed one payment totaling more than \$1,200. This payment was under the former administration.

From 12 lines of credit totaling more than \$68,000, we randomly selected 3 lines of credits totaling more than \$37,000. We reviewed one payment, randomly selected, from each line of credit totaling more than \$5,000 in payments.

The results of the audit apply only to items selected for review and cannot be projected to the universe or population.

We relied in part on computer-processed data contained in the Authority's systems to achieve our audit objective. Although we did not perform detailed assessments of the reliability of the data, we performed minimal levels of testing and found the data to be adequately reliable for our purposes. The tests for reliability included but were not limited to comparing computer-processed data to vendor payments, financial records, and other supporting documentation.

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

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that procurement, expenditure, and financial reporting activities are conducted in accordance with applicable laws and regulations.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that payments to vendors and procurement activities comply with applicable laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not comply with procurement and financial management requirements (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>
1A		\$408,958
1B	\$7,851	
1C		\$3,588
<b>Totals</b>	<b>\$7,851</b>	<b>\$412,546</b>

- 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

#### Comment 1



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June 21, 2016

Ms. Nikita N. Irons, Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development, Office of Inspector General  
75 Spring Street SW., Room 330  
Atlanta, GA 30303

Dear Ms. Irons:

The Sanford Housing Authority (SHA) would like to thank the U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General and HUD's Greensboro Office for its support in the success of this agency. The SHA is in agreement with the draft report relative to the results of your review of its procurement and financial operations. We understand that HUD is the principal Federal agency responsible for programs concerned with the housing needs, fair housing opportunities, and improvement and development of communities. We further understand that as a recipient of HUD's funding, we are responsible for ensuring that the financial resources are used in accordance with the various rules, laws and regulations. In 2015, the SHA created and/or updated and implemented policies and procedures in accordance with HUD's rules regulations, and various state, local and federal laws.

While I completed an assessment of the SHA upon my arrival January 2015, I thank both offices for identifying additional issues and providing suggested ways to bring the agency into compliance. The SHA has made and continues to make great progress.

If there are additional questions or additional information needed, please contact me at [smclean@sha-nc.org](mailto:smclean@sha-nc.org) or (919) 776-7655, extension 222.

Sincerely,

A handwritten signature in blue ink that reads "Shannon McLean".

Shannon McLean  
Chief Executive Officer

## **OIG Evaluation of Auditee Comments**

Comment 1 We acknowledge the Authority's agreement with our report concerning its procurement and financial operations. The Authority should work with HUD to ensure its procedures and controls are fully implemented. Once the Authority fully implements its policies and procedures, it will be able to assure HUD that it can properly administer its programs.