



Housing Authority of the County of Salt Lake, Salt Lake City, UT

Public Housing Capital Funds



To: Janice Rodriguez, Office of Public Housing, 8APH
//signed//
From: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA
Subject: The Housing Authority of the County of Salt Lake Did Not Always Procure Goods and Services in Accordance With Applicable 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 Housing Authority of the County of Salt Lake, UT.

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 913-551-5870.



Audit Report Number: 2016-DE-1001

Date: August 17, 2016

The Housing Authority of the County of Salt Lake, Salt Lake City, UT Did Not Always Properly Procure Its Capital Funds

Highlights

What We Audited and Why

We audited the Housing Authority of the County of Salt Lake Public Housing Capital Fund grants for fiscal years 2011-2014. We initiated this audit due to the amount of funding the Authority received during our review period. The Authority is the highest funded public housing agency in the State of Utah. The objective of our audit was to determine whether the Authority properly followed HUD's and its own procurement requirements when entering into contracts.

What We Found

The Authority did not properly procure its goods or services. All of the Authority's 25 contracts that were greater than \$2,000 from 2011 to 2014 lacked evidence of most if not all parts of the procurement process. The Authority had over \$734,000 in unsupported procurement actions.

What We Recommend

We recommend that the Director of the Denver Office of Public Housing require the Authority to (1) provide support for \$734,074 in procurement actions executed without proper documentation or repay the unsupported amounts from non-Federal funds, (2) develop and implement detailed policies and procedures to ensure that staff and management properly complete all aspects of the procurement process, and (3) obtain procurement training for its staff to improve proficiency in the procurement processes.

Table of Contents

Background and Objectives	3
Results of Audit	4
Finding 1: The Authority Did Not Properly Procure Its Goods and Services	4
Scope and Methodology	7
Internal Controls.....	9
Appendixes.....	10
A. Schedule of Questioned Costs	10
B. Auditee Comments and OIG’s Evaluation.....	11
C. Contract Discrepancies.....	13
D. Criteria.....	17

Background and Objectives

The Housing Authority of the County of Salt Lake serves Salt Lake County, UT, by providing and developing quality affordable housing opportunities for individuals and families. The Authority provides services to more than 3,000 households and approximately 8,000 individuals. Its mission is to provide and develop quality affordable housing opportunities for individuals and families while promoting self-sufficiency and neighborhood revitalization. It provides services to low-income and extremely low-income individuals using a variety of programs, such as the Housing Choice Voucher program, public housing program, and Supportive Housing Program. The Authority’s office is located at 3595 South Main Street, Salt Lake City UT.



HUD’s Office of Public and Indian Housing, Office of Capital Improvements, provides the Authority a capital grant annually for the development, financing, and modernization of public housing developments and management improvements. The table below shows the Authority’s capital grant funds for 2011, 2012, 2013, and 2014.

Housing Authority of the County of Salt Lake capital funding

Year	2011	2012	2013	2014
Amount	\$815,264	\$730,154	\$647,334	\$711,802
Total	\$2,904,554			

Our audit objective was to determine whether the Authority properly followed HUD’s and its own procurement requirements when entering into contracts.

Results of Audit

Finding: The Authority Did Not Properly Procure Its Goods and Services

The Authority did not properly procure its goods or services. This condition occurred because the Authority lacked proper training for its management and personnel performing procurements and did not have adequate procurement procedures. As a result, it was unable to support that it procured more than \$734,000 in goods and services at the most reasonable price, all interested parties may not have had an equal opportunity to participate in Authority business, and the procurement violations placed Federal funds at risk.

The Authority Did Not Properly Procure Its Goods or Services

The Authority did not properly procure its goods or services. We reviewed 25 contracts, all of which lacked evidence of most if not all parts of the procurement process. HUD Handbook 7460.8 requires the Authority to use grant money following strict procurement requirements. Also, the Authority's policies and procedures require it to competitively bid the best price for procurements from \$2,000 to \$50,000 and require sealed bid contracting for any procurement action greater than \$50,000. Appendix D contains a list of the procurement requirements referenced during the review.

The following are two examples of procurement deficiencies identified during the review. The remaining contract writeups are located in appendix C.

CRC Construction

The Authority did not complete the required independent cost estimate or inspection reports for this contract, nor did it have a written contract. In addition, it did not obtain sealed bids on this contract, which was required by its policies and procedures for procurements greater than \$50,000. Finally, it made progress payments but failed to conduct the required monitoring of the work performed.

AMCO American Roofing Company

The Authority entered into five different procurement actions with AMCO American Roofing. It did not perform the required independent cost estimate, competitive bid process, or inspections reports for its contracts.

The unsupported contracts table below includes the contracts that contained discrepancies. The "Discrepancies" column shows the phase of the procurement process that contained issues: presolicitation (1), solicitation (2), evaluation (3), award (4), and postaward and administration (5).

Unsupported contracts

Contract name	Contract date	Contract amount	Grant year	Discrepancies
CRC Construction	08/26/2013	\$144,298	2012	1,2,3,4,5
AMCO Roofing	06/19/2014	41,934	2012,2013	1,2,3,5
McCook Boiler and Pump Co.	08/06/2014	11,263	2013	1,2,3,4,5
Top Water Concrete	12/12/2014	7,100	2012	1,2,3,4,5
HA Maintenance	11/25/2013	3,885	2012	1,2,3,4,5
Big T Recreation	05/19/2015	37,840	2013	1,2,3,4,5
Morgan Pavement	06/12/2014	24,300	2013	1,2,3,4,5
Redi Carpet Sales of Utah	01/02/2014	7,354	2012	1,2,3,4,5
Simplex Grinnell	12/04/2012	94,568	2011	1,2,3,5
Chris & Dick's	09/19/2014	16,136	2013. 2014	1,2,3,4,5
BMC West	06/30/2013	2,418	2011, 2012	1,2,3,4,5
Clear Choice Windows	10/01/2015	2,085	2012	1,2,3,4,5
Fibers, Inc.	01/31/2014	5,432	2012	1,2,3,4,5
Glen Paulsen Co.	01/31/2014	3,390	2012	1,2,3,4,5
Entry Systems, Inc.	07/31/2015	3,152	2013	1,2,3,4,5
Exacto Concrete	07/31/2015	2,580	2013	1,2,3,4,5
Harris Interior	09/05/2014	2,753	2012	1,2,3,4,5
Olympus Roofing	01/26/2015	16,388	2013	1,2,3,4,5
S&S Roofing	04/30/2015	5,240	2012	1,2,3,4,5
Brett Stringham	06/04/2015	2,935	2013	1,2,3,4,5
Superior Asphalt	05/19/2015	36,542	2013	1,2,3,5
C&R Coatings	06/24/2014	230,510	2013	1,2,4,3,5

Wasatch Roofing	3/28/2014	7,877	2012	1,2,3,4,5
Harold P Woodruff	Unknown	8,094	2011	1,2,3,4,5
Wilson & Company	Unknown	16,000	2011	1,2,3,4,5
Totals		734,074		

The Authority Lacked Adequate Training and Procedures

The Authority lacked proper training for its management and personnel performing procurements. We conducted interviews throughout the audit process with management and procurement staff to determine their level of knowledge of the procurement process. The supervisor of the Authority’s procurements stated that neither he nor his staff had attended HUD procurement training. They were generally unaware of or unfamiliar with the requirements outlined in 24CFR 85.36, HUD Handbook 7460.8, or their own policies and procedures. Neither the Authority’s management nor its procurement staff had a basic understanding of the procurement process, and they had not had adequate training to conduct procurement actions according to Federal requirements.

Management and procurement staff lacked a basic understanding of the procurement process.

Additionally the Authority’s policies and procedures did not specifically outline how staff would procure goods and services, how management would review and approve procurements, or how the Authority would track and maintain all of its procurement actions.

The Authority Could Not Support More Than \$734,000 in Procurements

The Authority was unable to support that it procured more than \$734,000 in goods and services at the most reasonable price and is subject to repayment of those funds. Additionally, all interested parties may not have had an equal opportunity to participate in Authority business.

Recommendations

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

- 1A. Provide support for the reasonableness of the cost for the \$734,074 in procurement actions executed without proper documentation or repay the unsupported amounts from non-Federal funds.
- 1B. Develop and implement detailed policies and procedures to ensure that staff and management properly complete all aspects of the procurement process.
- 1C. Send its procurement staff to training to improve proficiency in the procurement process.

Scope and Methodology

Our audit work covered the Authority’s Capital Fund grants for fiscal years 2011-2014. We performed our work between September and October 2015 at the Authority’s office located at 3595 South Main Street, Salt Lake City, UT.

To accomplish our objectives, we

- Reviewed applicable laws and regulations,
- Reviewed the Authority’s policies and procedures,
- Interviewed Authority staff,
- Interviewed HUD staff responsible for the program, and
- Reviewed all Capital Fund procurements for the review period.

For the procurement testing, we selected all Capital Fund contracts greater than \$2,000 from 2011 to 2014. We used 24 CFR 85.36(c)(1) and the Authority’s policies and procedures to define any purchase over \$2,000 as requiring a competitive contract or agreement. The procurement contracts we reviewed totaled \$748,975, or 26 percent of the total grant amounts highlighted in the Background and Objectives section of this report. The following table shows a breakdown of the types of contracts and the total amounts of those contracts.

Contract types	Number of contracts	Total dollar amount
Architectural and engineering	2	\$24,095
Site improvements	7	115,000
Dwellings structures	16	609,880
Totals	25	748,975

We did not use statistical sampling for this review because we reviewed all contracts subject to the competitive procurement requirements. The results of this audit apply only to the items we tested and are not projected to the universe.

We did not rely on computer-generated data as audit evidence or to support our audit conclusions. We used source documentation obtained from HUD and the auditee for background information purposes. We based all of our conclusions on source documentation reviewed during the audit.

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(s). 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:

- Controls to ensure that the Authority follows all requirements in the procurement process.

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 detailed policies and procedures.
- The Authority failed to provide adequate training for its personnel.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 2/
1A	\$734,074
Totals	734,074

- 1/ 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

August 2, 2016

Mr. Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and
Urban Development
Office of Inspector General
1670 Broadway, 24th Floor
Denver, CO 80202

Dear Mr. Hosking,

This letter is in response to the Audit Report dated July 13, 2016 from the on-site audit of the 2011-2014 Capital Fund Grants that was conducted September 2015 – October 2015. I believe that all public entities have an obligation to assure funds are spent in an effective and judicial manner. The Housing Authority of the County of Salt Lake has a long history of being a high performer and strives to meet the capital needs of our Public Housing units according to all federal regulations. We agree with the recommendations for staff training on Capital Fund obligation and procurement, better documentation and developing stronger policies and procedures.

Finding 1: The Authority did not properly procure its goods and services

The Housing Authority is confident that \$734,074 was expended appropriately and will work directly with the HUD Field Office to provide all documentation necessary to demonstrate the costs were reasonable and eligible under the Capital Fund.

The Housing Authority agrees that staff lacked training for procurement. Four key positions turned over from 2011-2015. Staff received procurement training from John Materi, Facilities Management/Engineer Specialist in May 2016, three staff received procurement training at the Denver HUD field office in October 2015, and two staff attended specific training on the capital fund program June 14-16, 2016.

The Housing Authority will strengthen procurement and obligation policies and draft detailed procedures to assure appropriate documentation and compliance with HUD Handbook 7460.8 and agency policies.

With regards,

Janice Kimball
Executive Director

CC:
Janice Rodriguez, Director of Public Housing Region 8
John Materi, Facilities Management Engineer/Specialist
Board of Commissioners

Our mission is to provide and develop quality affordable housing opportunities for individuals and families while promoting self-sufficiency and neighborhood revitalization.



**HOUSING
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OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed to take action to address our recommendations concerning its procurement operations. The Authority should continue working with HUD to ensure it fully implements the recommendations.

Appendix C

Contract Discrepancies

Below are the specific contract discrepancies outlined in the unsupported contracts table in finding 2.

1. CRC Construction

The Authority did not complete the required independent cost estimate or inspection reports for its CRC Construction contract. It failed to complete a required contract award in writing, and the formal sealed bid process was not performed. It made progress payments but failed to conduct the required monitoring of the work performed.

2. AMCO American Roofing Company

We reviewed five individual contracts the Authority made with the AMCO American Roofing Company. The Authority did not complete the required independent cost estimate, competitive bid process, or inspection reports for its AMCO American Roofing Company contracts. In addition, it did not follow Federal requirements or its own policies and procedures when procuring these contracts.

3. McCook Boiler and Pump Company

The Authority did not competitively bid this contract and the contract file only contained a total of 4 documents all of which showed the purchase order and payment source. Its policies and procedures state that any contract not competitively bid must have HUD approval.

4. Top Water Concrete, LLC

The Authority did not complete an independent cost estimate, contract award or the competitive bid negotiations for its Top Water Concrete, LLC, contract. It lacked all required procurement documentation. In addition, it did not follow Federal requirements or its own policies and procedures when procuring this contract.

5. HA Maintenance

The Authority did not complete the required independent cost estimate, contract award document, or final inspection for its HA Maintenance contract. It failed to competitively bid this contract, and there was no evidence of advertising to the public. In addition, it did not follow Federal requirements or its own policies and procedures when procuring this contract.

6. Big T Recreation

The Authority did not complete the required contract award document, competitive bid negotiations, independent cost estimate, or inspection reports for its Big T Recreation contract. The Authority failed to conduct a final inspection before making the final payment for this procurement.

7. Morgan Pavement Maintenance

The Authority did not complete the competitive bid negotiations, independent cost estimate, or inspection reports. The required contract award was not

documented in the file provided by the Authority. This contract was not secured according to Federal requirements and the Authority's policies and procedures.

8. Redi Carpet Sales of Utah, LLC

We reviewed two individual contracts the Authority made with the company Redi Carpet Sales of Utah, LLC. The contracts lacked all of the required procurement documentation for the competitively bid negotiations. The Authority did not complete the necessary steps to ensure that these procurements met Federal requirements.

9. SimplexGrinnell

The Authority did not complete an independent cost estimate, solicitation for bids, inspection reports for its SimplexGrinnell contract. It did not follow the sealed bid requirements and did not maintain inspection reports. In addition, it did not follow Federal requirements or its own policies and procedures when procuring this sealed bid contract.

10. Chris & Dick's

We reviewed two contracts the Authority made with Chris & Dick's. Both contracts' files lacked documentation for the contract award, solicitation for bids, inspection reports, and independent cost estimates. The Authority did not complete the required competitive bid negotiations to ensure that the most cost-efficient contractor was selected.

11. BMC West

We reviewed two individual contracts the Authority made with BMC West, Inc. The Authority did not complete inspection reports, independent cost estimates, or advertisements of bids. It did not competitively bid these contracts. The final inspection of the services was not conducted, and the contract file lacked justification for why the lowest bidder was not selected.

12. Clear Choice Windows

The Authority did not complete any of the required procurement procedures for its contract with Clear Choice Windows. It failed to maintain records sufficient to detail the significant history of this competitive bid procurement action. In addition, it did not follow Federal requirements or its own policies and procedures.

13. Fibers, Inc.

The Authority did not complete any of the required procurement steps in documenting its contract with Fibers, Inc. It failed to maintain a contract file, and there was no contract award issued to Fibers, Inc.

14. Glen Paulsen Company

The Authority did not maintain a contract file for its contract with the Glen Paulsen Company. It did not complete any of the requirements to procure this contract or complete a competitive bid negotiation. In addition, it did not follow the Federal requirements or its own policies and procedures when procuring this contract.

15. Entry Systems, Inc.

The Authority did not complete any of the required steps or maintain a contract file for its contract with Entry Systems, Inc. There was no documentation showing a contract award, or an independent cost estimate. The Authority improperly procured this contract and failed to follow Federal requirements.

16. Exacto Concrete Cutting and Repair

The Authority did not complete any of the required procurement procedures for its Exacto Concrete contract. The contract file was not maintained, and the documents needed to establish the contract were not included. The Authority did not follow Federal guidelines or its own policies and procedures for this procurement.

17. Harris Interiors

The Authority did not complete the required independent cost estimate, competitive bid negotiations, or inspection reports for its Harris Interiors contract. The contract file lacked the contract award and solicitation for bids. The Authority did not procure this contract properly and did not maintain the necessary contract documents.

18. Olympus Roofing

The Authority did not complete an independent cost estimate or conduct required inspections for its Olympus Roofing contract. It did not perform solicitations for the bid or the competitive bid negotiations. In addition, it did not follow the proper guidelines or procedures for this procurement.

19. S&S Roofing

The Authority did not complete a contract award, independent cost estimate, solicitation for bids. We found no documentation showing the competitive bid negotiations or required inspection reports. The Authority failed to maintain the detailed documents required for this procurement.

20. Brett Stringham

The Authority did not complete the competitive bid negotiations, inspection reports, or independent cost estimate for its Brett Stringham contract. It failed to complete the required contract award and final inspection before the final payment. In addition, it did not follow Federal requirements or its own policies and procedures for this contract procurement.

21. Superior Asphalt

The Authority did not complete the independent cost estimate or solicitation for bids for its Superior Asphalt contracts. It failed to complete inspection reports and did not follow the proper steps for these procurements.

22. C&R Coatings

The Authority did not complete an independent cost estimate. It did not complete the sealed bid process or the solicitation for bids. In addition, it failed to document justification for change orders and failed to complete a new contract.

23. Wasatch Roofing

The Authority did not complete an independent cost estimate or solicitation for bids for its Wasatch Roofing contracts. It did not complete contract awards or

required inspection reports. In addition, it did not conduct the competitive bid negotiations and did not maintain the proper documentation for this procurement.

24. Harold P. Woodruff

The Authority could not produce a contract for this architectural work.

25. Wilson & Company

The Authority could not produce a contract for this architectural work.

Appendix D

Criteria

1. Independent cost estimates - Grantees must make independent estimates before receiving bids or proposals. 24 CFR 85.36 (f)(1)
2. Individual procurement plan - PHAs [public housing agencies] are required to establish and follow a written procurement policy that is consistent with 24 CFR 85.36. The policy need not contain detailed working-level procedures, but should require establishment of such procedures to carry out the policy. HUD Handbook 7460.8, section 2.2, page 23
3. Solicitation - Invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers. 24 CFR 85.36(d)(2)(i)(A)
4. Rejection of bids - Rejection of any bid during the evaluation process shall be fully documented, including all reasons for the rejection. HUD Handbook 7460.8, section 6.12, page 48
5. Competitive range - After the evaluation committee has evaluated all proposals, the Contracting Officer should determine a competitive range. The competitive range includes the proposals that have a reasonable chance of being selected for award considering their technical evaluation results and their proposed costs or prices. HUD Handbook 7460.8.pdf, section 7-6, page 56
6. Evaluation report of proposals - The PHA shall prepare an evaluation report to document the ranking of the proposals by technical merit, using point scores, or similar methodology. (If price is included in the point scoring, the evaluation report will also include the price or cost analysis, as appropriate.) In addition, a narrative should accompany the scores to explain how the scores were derived, detailing the significant strengths, weaknesses, and deficiencies in the proposal. HUD Handbook 7460.8.pdf, section 7.2, page 56
7. Record retention - The authority must maintain records sufficient to detail the significant history of each procurement action. HUD Handbook 7460.8, Documentation, page 159
8. Inspection reports - All progress inspections should be documented using an appropriate PHA inspection report form. The inspection report should include a description of the work completed and a determination as to whether or not the work is acceptable. If payment is made on a unit price basis, quantities must be verified. HUD Handbook 7460.8, section 11.2, page 105
9. Completion of work - The contractor should provide prompt written notification to the PHA when all work is completed. A final inspection of completed work shall then be conducted. HUD Handbook 7460.8(2), paragraph 11.2(G)(1)

10. Final Inspection - Upon receipt of the contractor's notification of the date when the work has been completed, the PHA should conduct a final inspection within 10 calendar days. HUD Handbook 7460.8(2), paragraph 11.2(G)(2)

11. Training - PHAs ensure that their procurement employees have training and experience commensurate with the requirements of their duties. PHAs should develop training and experience standards for their procurement positions and periodically review their procurement operations to ensure that procurement personnel meet those standards. HUD Handbook 7460.8, section 2.6, page 24

Award to the Lowest Responsive and Responsible bidder - After the Contracting Officer evaluates each bid, the responsive and responsible bidder that submits the bid whose dollar value is lowest overall and meets all specified requirements shall be awarded the contract. 24 CFR 85.36(d)(2)(ii)(D)

12. Project modifications - PHAs must submit to HUD for prior approval any proposed contract modifications changing the scope of the contract in accordance with the Changes clause in the contract, or that increases the contract by more than the Federal small purchase threshold. HUD Handbook 7460.8, paragraph 11.4(E), page 113