



Office of Community Planning and Development, Washington, DC

Community Compass Technical Assistance and Capacity Building Program



To: Lori Michalski, Deputy Assistant Secretary for Operations, DO
//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia
Region, 3AGA

Subject: HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's oversight of its Community Compass Technical Assistance and Capacity Building program.

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 website. 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 215-430-6734.



Audit Report Number: 2018-PH-0003

Date: September 28, 2018

**HUD Did Not Have Adequate Oversight of Its Community Compass
Technical Assistance and Capacity Building Program**

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) oversight of its Community Compass Technical Assistance and Capacity Building (Community Compass) program. We conducted the audit because we received a complaint alleging that HUD did not ensure that the program operated in compliance with applicable requirements and we had not audited the program. Our audit objective was to determine whether HUD had adequate oversight of its Community Compass program to ensure that it complied with applicable requirements.

What We Found

HUD did not have adequate oversight of its Community Compass program to ensure that it complied with applicable requirements. The allegations in the complaint had merit. Specifically, HUD did not ensure that (1) expenditures always met program requirements, (2) services were properly procured, and (3) provider subcontractors were approved with consistent wage rates. These conditions occurred because HUD did not (1) have adequate policies and procedures to ensure that providers complied with Federal regulations, (2) believe that the services it procured were a direct benefit to HUD, (3) perform postaward monitoring reviews, and (4) have sufficient controls over its wage rate process. As a result, HUD lacked assurance that providers administered program funds in accordance with requirements as it incurred ineligible costs of \$13,384 and unsupported costs of \$845,497. In addition, more than \$20.5 million in funds can be put to better use if HUD strengthens its internal controls and awards contracts according to procurement requirements.

What We Recommend

We recommend that HUD require the providers reviewed to (1) reimburse \$13,384 from non-Federal funds for ineligible costs paid to providers for overcharged labor or travel costs, and (2) support or repay \$845,497 in unsupported wage and travel costs from non-Federal funds. In addition, we recommend that HUD develop and implement policies and procedures for the Community Compass program to ensure that providers comply with all applicable requirements, thereby putting more than \$20.5 million to better use.

Table of Contents

Background and Objective.....	3
Results of Audit	4
Finding: HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program	4
Scope and Methodology.....	10
Internal Controls.....	12
Appendixes.....	13
A. Schedule of Questioned Costs and Funds To Be Put to Better Use.....	13
B. Auditee Comments and OIG’s Evaluation	14
C. Schedule of Deficiencies Associated With Vouchers Reviewed	24
D. Community Compass Awards and Draws Per Provider.....	25
E. Flowchart of Awards and Vouchers Reviewed	26

Background and Objective

The Community Compass Technical Assistance and Capacity Building (Community Compass) program is designed to help the U.S. Department of Housing and Urban Development's (HUD) customers navigate housing and community development challenges by equipping them with the knowledge, skills, tools, capacity, and systems to implement HUD programs and policies successfully and be more effective stewards of HUD funding. Recognizing that HUD's customers often interact with a variety of HUD programs as they deliver housing or community development services, Community Compass brings together technical assistance investments from across HUD program offices. This cross-funding approach allows technical assistance to address the needs of grantees and subgrantees across multiple HUD programs.

The program funds technical assistance,¹ capacity building,² and data research activities to grantees, public housing agencies, and tribes. It is managed by the Office of Community Planning and Development's Technical Assistance Division with involvement from HUD's other program offices, including regional and field offices. The Technical Assistance Division plans, issues, and oversees the program's annual competitive awards and postaward policies. Activities performed under the Community Compass program include (1) needs assessments; (2) direct technical assistance and capacity building engagements; (3) development of products and tools; (4) self-directed and group learning; (5) knowledge management; and (6) data reporting, analysis, and management.

HUD awards Community Compass program funds through an annual notice of funding availability (NOFA). Technical assistance providers apply for funding, and HUD awards funds based on the selection criteria in the NOFA. Technical assistance providers that are awarded funds enter into a cooperative agreement with HUD's Technical Assistance Division.³ The postaward administration is based on a demand-response system, in which HUD identifies its customers' needs based on departmental, programmatic, and jurisdictional priorities and assigns a technical assistance provider to administer the technical assistance and build capacity. The providers are responsible for ensuring that the work performed meets the customer's needs. The providers accomplish this by either directly providing the technical assistance or contracting for the technical assistance services with subcontractors that report back to them. The technical assistance providers draw funds from HUD's Line of Credit Control System after HUD has reviewed and approved the voucher information they submit for completed work.

Our audit objective was to determine whether HUD had adequate oversight of its Community Compass program to ensure that it complied with applicable requirements.

¹ Guidance that enables HUD's customers to overcome a lack of skills or knowledge of HUD programs

² Assistance that increases the ability of HUD's customers to implement and manage HUD programs

³ Technical assistance funding typically includes Departmental, McKinney-Vento, National Data Analysis Project, Public Housing Administrative Receivership and Recovery, and Native American Housing Assistance and Self Determination Act. The Technical Assistance Division serves as the cooperative agreement officer for the Departmental, McKinney-Vento, and National Data Analysis Project funds.

Results of Audit

Finding: HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program

HUD did not have adequate oversight of its Community Compass program to ensure that it complied with applicable requirements. Specifically, it did not ensure that (1) expenditures always met program requirements, (2) services were properly procured, and (3) provider subcontractors were approved with consistent wage rates. These conditions occurred because HUD did not (1) have adequate policies and procedures to ensure that providers complied with Federal regulations, (2) believe that the services it procured were a direct benefit to HUD, (3) perform postaward monitoring reviews, and (4) have sufficient controls over its wage rate process. As a result, HUD lacked assurance that providers administered program funds in accordance with requirements as it incurred ineligible costs of \$13,384 and unsupported costs of \$845,497. In addition, more than \$20.5 million can be put to better use if HUD strengthens its internal controls and awards contracts according to procurement requirements.

Expenditures Did Not Always Meet Program Requirements

HUD did not ensure that its providers properly administered Community Compass funds in accordance with Federal requirements. We reviewed 15 vouchers with costs totaling nearly \$3.9 million from 4 sampled providers and found that each of the 15 vouchers had deficiencies. Contrary to the requirements of their cooperative agreements,⁴ providers did not always (1) obtain HUD approval of labor rates before they incurred labor costs and requested payment for unapproved labor rates; (2) ensure that work plans contained a list of proposed staff, including the name of each staff member; (3) comply with the Federal Travel Regulation; and (4) include a description of the work performed in their payment requests. These deficiencies resulted in questioned costs totaling \$858,881. The following table shows the deficiencies identified by voucher reviewed. A complete table of the deficiencies and associated costs is included in appendix C.

⁴ Providers agree to follow all of the program requirements in the cooperative agreements when they execute them.

Sequential no.	Voucher number	Overcharged or unsupported labor costs	Staff not approved on work plan	Costs incurred before work plan approved	Overcharged or unsupported travel costs	Work performed not described	Costs applied to wrong work plan	Billing requirements not met
1	285321	X	X	X	X			X
2	306426	X	X	X				
3	354531	X	X		X			
4	360290	X	X	X				
5	314282	X	X		X		X	
6	331950	X	X	X	X			
7	335889	X	X	X	X	X		
8	360667	X	X	X	X			
9	311354	X	X	X				
10	321178	X	X	X				
11	360572		X					
12	367697	X	X					
13	337963	X		X	X			
14	345816	X	X					
15	364497	X						
Totals		14	13	9	7	1	1	1

The following examples illustrate some of the deficiencies identified during our review.

- Voucher 335889 – HUD did not ensure that the provider supported its subcontractor’s labor costs. For example, HUD did not question costs charged by one subcontractor as the provider invoice did not list the subcontractor’s staff names or wage rates (invoice example below). The cooperative agreement required HUD to approve labor rates before provider staff, contractors, or consultants incurred labor costs and to not reimburse providers for unapproved labor costs. In addition, regulations at 2 CFR (Code of Federal Regulations) 200.400(d) require providers to maintain adequate documentation to support costs charged to Federal awards. However, HUD did not require the providers to support the costs incurred and paid the invoice without verifying that the provider’s subcontractor’s wage rates agreed with its approved rates. This deficiency resulted in unsupported costs of \$8,500.

CERTIFICATION OF PERFORMANCE							
ODC DETAIL							
3519-602 POTAC FROM 10/01/16 TO 10/31/16 BILL NUMBER: 000007							
SUFFIX	TRANS CODE	TRANSACTION DESCRIPTION	VOUCHER NUMBER	VENDOR NAME	INVOICE NUMBER	PERIOD	INVOICE AMOUNT
	47	Subcontractor Labor	14879		2016-17/30	07/16	8,500.00
	00	50 HRS JULY 2016					
Voucher Total							8,500.00
ODC Total							8,500.00

invoices for overcharged or unsupported labor and travel costs, itemized staff names and hours worked, and detailed descriptions of work performed. In addition, HUD had not monitored its technical assistance providers since 2009. HUD management and staff believed that they monitored the providers on a daily, weekly, and monthly basis when they reviewed invoices and monthly reports and held discussions with the providers. Further, HUD did not clearly define oversight roles for the Technical Assistance Division or program office staff responsible for ensuring that providers complied with the requirements. HUD's Grants Management Handbook 2210.17, REV-3, section 4-1, states that program offices must perform postaward monitoring to ensure successful performance, administration, and compliance with the award's terms and conditions. The Handbook further states in section 1-7 that HUD must manage and administer Federal awards to ensure that HUD funding is spent and programs are implemented in accordance with applicable requirements. HUD stated that it was working on updating and expanding its policies and procedures related to the program. However, these policies and procedures had not been finalized or implemented. If HUD strengthens its policies and procedures to ensure that providers comply with requirements, it will avoid the potential to incur costs for unapproved personnel, overcharged and unsupported labor rates and travel costs, and put nearly \$15.5 million⁶ to better use.

HUD Believed That Services It Obtained Through Cooperative Agreements Were Not a Direct Benefit to the Agency

HUD did not use the proper procurement process when it obtained services through cooperative agreements. Federal requirements at 31 U.S.C. (United States Code) 6303 state that agencies must use a procurement contract when the principal purpose of the instrument is to acquire property or services for the U.S. Government's direct benefit or use. HUD used cooperative agreements instead of procurement contracts to (1) develop, maintain, and operate the HUD Exchange website and (2) prepare the Annual Homelessness Assessment Report. However, both of these services were a direct benefit to HUD.

- The HUD Exchange website is an online platform for providing program information, guidance, services, and tools to HUD's community partners and is intended for recipients of HUD funding and used by HUD staff to manage awards.
- The Annual Homelessness Assessment Report is a report that Congress requires HUD to submit annually, which provides nationwide estimates of homelessness, demographic characteristics of homeless persons, and the capacity to house homeless persons.

This condition occurred because HUD believed that the services obtained through cooperative agreements were not a direct benefit to HUD. Further, it believed that any concerns with the use of cooperative agreements for the HUD Exchange website and Annual Homelessness Assessment Report were resolved with the approval of the Community Compass NOFAs. However, HUD had a responsibility to ensure that the NOFAs complied with Federal procurement requirements to ensure that full and open competition was obtained. As a result, HUD failed to ensure that \$15.8 million awarded to providers from October 2014 to September 2017 was correctly procured through contracts for services that were a direct benefit to the

⁶ See the Scope and Methodology section for an explanation of the calculation.

agency. By developing and implementing controls to ensure that it uses the correct procurement method for services that benefit the agency directly, HUD can put nearly \$5.1 million⁷ to better use.

HUD Did Not Have Sufficient Controls Over Its Wage Rate Process

HUD did not ensure that the providers' subcontractors had approved wage rates that were consistent. We compared the four sampled providers' list of subcontractors to HUD's approved wage rate database and found 33 subcontractors associated with more than one provider. We selected 3 of the 33 subcontractors and found that all three had varying wage rates that were approved on the same day for multiple providers. For example, one subcontractor's staff member had two approved rates: \$150 per hour for two providers and \$135 per hour for another provider. All three rates were effective January 1, 2015. Regulations at 2 CFR 200.404 state that market prices for comparable services must be considered when determining cost reasonableness.

This condition occurred because HUD did not have sufficient controls to ensure that wage rates were consistently applied. HUD had an approved wage rate policy that governed staff, subcontractor, and consultant wage rates. While the policy covered provider and subcontractor wage request terms and conditions and determining wage rate reasonability, it did not include controls to ensure that subcontractor wage rates approved for one provider were applied consistently to all providers that used that subcontractor.

Conclusion

HUD did not have adequate oversight of its program funds and lacked assurance that providers and provider subcontractors administered technical assistance funds in accordance with requirements. This condition occurred because HUD lacked policies and procedures and sufficient controls to ensure that its management and staff, in addition to providers and subcontractors, administered the technical assistance program in compliance with Federal requirements. As a result, four providers had ineligible costs of \$13,384 and unsupported costs of \$845,497 as they failed to meet the requirements. In addition, by improving its controls and implementing policies and procedures to ensure compliance, HUD can help ensure that providers and provider subcontractors use technical assistance funds in accordance with requirements, thereby putting more than \$20.5 million to better use.⁸

Recommendations

We recommend that the Deputy Assistant Secretary for Operations

- 1A. Require the four Community Compass providers reviewed to reimburse HUD \$13,384 from non-Federal funds for ineligible costs from overcharged labor or travel costs.

⁷ See the Scope and Methodology section for an explanation of the calculation.

⁸ This amount includes nearly \$15.5 million for expenditures that did not meet program requirements and nearly \$5.1 million for services that HUD incorrectly procured.

- 1B. Require the four Community Compass providers reviewed to either provide documentation to support \$845,497 in unsupported labor and travel costs, for personnel not on approved work plans, and for work performed that was not described on the payment request or reimburse HUD from non-Federal funds for any costs that it cannot support.
- 1C. Develop and implement policies and procedures for the Community Compass program, to include postaward monitoring, that ensures that providers and provider subcontractors comply with applicable requirements to avoid incurring expenses for unapproved personnel and overcharged labor and travel costs, thereby ensuring that as much as \$15,475,981 is put to better use.
- 1D. Develop and implement controls for the Community Compass program to ensure that it uses procurement contracts for services that directly benefit HUD, including the development, maintenance, and operation of the HUD Exchange website and preparation of the Annual Homelessness Assessment Report, thereby ensuring that as much as \$5,060,494 is put to better use.
- 1E. Develop and implement controls for the Community Compass program to ensure that it consistently applies subcontractor wage rates among all providers that use a subcontractor.

Scope and Methodology

We conducted the audit from October 2017 through August 2018 at HUD's offices located in Washington, DC, and our offices located in Pittsburgh, PA, and Richmond, VA. The audit covered the period October 1, 2014, through September 30, 2017, but was expanded when necessary to include funds drawn by the providers from the awards that HUD made during our audit period.

To accomplish our objective, we reviewed

- relevant background information;
- applicable legislation, regulations, HUD handbooks, and guidance;
- 2014, 2015, and 2016 NOFAs and the General section of the NOFAs for the Community Compass program;
- 2014, 2015, and 2016 cooperative agreements and cooperative agreement provisions;
- data contained in HUD's Disaster Recovery Grant Reporting System⁹ and HUD's Technical Assistance Portal;¹⁰ and
- provider program files.

We interviewed HUD officials located in Washington, DC, and in the field offices responsible for technical assistance program oversight. We also interviewed provider staff for each of the four sampled providers.

To achieve our audit objective, we relied in part on computer-processed data from HUD's Disaster Recovery Grant Reporting System to select a sample of provider awards and the associated vouchers for review. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes.

To select a sample of technical assistance provider awards and the associated vouchers, we obtained data as of October 31, 2017, to determine the number of providers, the number of awards received per provider, the amount of funds awarded per provider, and the amount of funds drawn per provider during the audit period. Our universe consisted of 96 awards from 26 technical assistance providers that were awarded \$128.3 million and had drawn \$57.9 million between October 1, 2014, and October 31, 2017 (appendix D). We selected for review the three providers with the highest amount of funds awarded and the provider that was specifically mentioned in the complaint. From these 4 providers, we selected for review a nonstatistical

⁹ The Disaster Recovery Grant Reporting system is an electronic reporting and payment system that providers use to access grant funds and report on their performance accomplishments. HUD uses the system to review grant-funded activities, prepare reports, and monitor program compliance.

¹⁰ The Technical Assistance Portal is a part of the HUD Exchange website that is used by HUD and the providers to manage, coordinate, and report on technical assistance activities.

sample of 12 awards that totaled nearly \$43 million awarded and \$23.3 million drawn. Of the 12 awards, we reviewed documentation from 15 vouchers¹¹ that totaled nearly \$3.9 million drawn and included one voucher from each of the 12 awards selected with the most funds drawn. The three additional vouchers were selected from the three highest awarded providers that included a variety of costs charged (appendix E). This approach did not allow us to make a statistical projection to the population, but it allowed us to select a large proportion of the funds drawn from our four selected providers and ensure that the vouchers had a variety of cost categories for us to review for compliance. We believe that this sample was sufficient to meet our audit objective.

We obtained and reviewed the files for each of the 15 vouchers selected to determine whether program funds were used in accordance with the requirements and that the costs were supported with adequate documentation.

To calculate the amounts reported as funds to be put to better use, we identified unsupported and ineligible costs related to overcharged labor costs, travel costs, and personnel not on approved work plans, which totaled \$858,881. The total cost of the 15-voucher universe was nearly \$3.9 million. This resulted in a 22 percent¹² deficiency rate of the universe reviewed. The total program funds awarded but not drawn by the providers as of October 2017 was more than \$70.3 million. By preventing this condition from occurring again, we estimate that HUD can put 22 percent, or nearly \$15.5 million,¹³ of its program funds to better use.

In addition, we identified nearly \$15.2 million in program awards for the development, maintenance, and operation of HUD Exchange and the preparation of the Annual Homelessness Assessment Report submitted to Congress, which HUD procured incorrectly. HUD awarded the funds from 2014 to 2016. The average annual amount awarded for these 3 years was nearly \$5.1 million.¹⁴ By preventing this condition from occurring again, we estimate that HUD can put nearly \$5.1 million to better use.

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 objective.

¹¹ Each sampled award had multiple vouchers.

¹² The actual amounts involved were \$858,881 and \$3,854,676 (rounded to nearly \$3.9 million). Dividing \$858,881 by \$3,854,676 produced a quotient of 22.3 percent, which we rounded to 22 percent.

¹³ The actual amounts involved were \$70,345,368 (more than \$70.3 million) and \$3,854,676 (nearly \$3.9 million). Multiplying \$70,345,368 by 22 percent resulted in a product of \$15,475,981, which we reported as nearly \$15.5 million.

¹⁴ The actual amount involved was \$15,181,481 (rounded to nearly \$15.2 million). Dividing \$15,181,481 by 3 award years produced a product of \$5,060,494, which we reported as nearly \$5.1 million.

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 objective:

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program participants comply with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded from unauthorized use.

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:

- HUD did not have adequate policies and procedures for administering Community Compass program funds.
- HUD lacked controls to ensure that its headquarters and field offices monitored technical assistance providers for compliance with applicable regulations.

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$13,384		
1B		\$845,497	
1C			\$15,475,981
1D			5,060,494
Totals	13,384	845,497	20,536,475

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In these cases, the funds to be put to better use represent undisbursed Community Compass funds HUD will not pay providers for personnel that were not on approved work plans and overcharged and unsupported labor or travel costs. In addition, if HUD ensures that the procurement process is followed and competitively awarded funds through contracts, it can put these funds to better use over the next year.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments


OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

September 13, 2018

MEMORANDUM FOR: David E. Kasperowicz, Regional Inspector General for Audit,
Philadelphia Region, 3AGA

FROM: 
Lori Michalski, Deputy Assistant Secretary for Operations, DO

SUBJECT: Response to Discussion Draft Audit Report – HUD's Oversight of Its Community Compass Technical Assistance and Capacity Building Program

Thank you for allowing HUD to respond and provide clarification for some of your OIG recommendations concerning the Community Compass Technical Assistance and Capacity Building Program. We have reviewed the draft report and our suggestions for the recommendations are outlined below as well as comments that explain agreement and disagreement with the narrative. We hope the information provided below will sufficiently clarify the areas identified in the draft recommendations to HUD.

IG Recommendation 1A: Require the four Community Compass providers reviewed to reimburse HUD \$12,942 from non-federal funds for ineligible costs from overcharged labor or travel costs.

HUD Recommendation: HUD commits to revisiting the expenses in question. OIG did not provide specifics for each deficiency by voucher for the four providers which means HUD has to re-examine each voucher in question to assess HUD's agreement with the recommendation. HUD will ask the providers to repay any ineligible costs from non-federal funds from overcharged labor or travel costs. HUD will address the recommendation when submitting the Proposed Management Decision within 120 days of issuance of the final report.

IG Recommendation 1B: Require the four Community Compass providers reviewed to either provide documentation to support \$824,944 in unsupported labor and travel costs, for personnel not on approved work plans, and for work performed that was not described on the payment request or reimburse HUD from non-Federal funds for any costs that it cannot support.

HUD Recommendation: HUD commits to revisiting the expenses in question. OIG did not provide specifics for each deficiency by voucher for the four providers which means HUD has to re-examine each voucher in question to assess HUD's agreement with the

www.hud.gov oigportal.hud.gov

Comment 1

Comment 1

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

Comment 3

Comment 3

Comment 3

recommendation. HUD will ask the providers to provide support for costs or to repay ineligible and unsupported costs from non-federal funds. As such, HUD will address the recommendation when submitting the Proposed Management Decision within 120 days of issuance of the final report.

IG Recommendation 1C: Develop and implement policies and procedures for the Community Compass program that ensure that providers and provider subcontractors comply with applicable requirements to avoid incurring expenses for unapproved personnel and overcharged labor and travel costs, thereby ensuring that as much as \$15,475,981 is put to better use.

HUD Recommendation: HUD appreciates the OIG's feedback on optimizing HUD's internal controls for administering the Community Compass Technical Assistance program and HUD intends to critically assess the concerns identified as it works to update the existing program policies and procedures. HUD however does not agree with the OIG's determination of a "Funds to Be Put to Better Use" costs amount. Specifically, HUD believes that the sampling technique utilized in the audit was insufficient to produce conclusions that could be projected to the population of providers and awards that were not included in the audit sample, therefore the OIG lacks justification to produce a Funds to Be Put to Better Use costs amount. HUD is requesting that the statement "thereby ensuring that as much as \$15,475,981 is put to better use" be removed from recommendation 1C and that the \$15,475,981 costs amount be removed from the table in Appendix A.

In the Scope and Methodology Section on pages 11-13 of the draft report and graphic provided in Appendix E, the OIG outlines the sampling technique utilized for this audit. The OIG conducted three levels of selection to create its audit sample. The first level of selection narrowed the population of providers from 26 to 4. OIG selected one provider based on a complaint and the other three providers were selected because they had the highest cumulative award amounts. This first level of selection was a nonrepresentative method. The second level of selection narrowed the 35 awards made to the 4 selected providers down to 12 awards (3 for each provider). The second level of selection was made using a nonstatistical method. The third level of selection identified 15 vouchers for detailed review, which were again selected using a nonstatistical method. As outlined in footnotes 15 and 16 on page 12 of the draft report, the OIG made a projection for the Funds to Be Put to Better Use costs amount for recommendation 1C based on the relative percentage of unsupported and ineligible costs identified in the audit sample. Since the audit sample was formulated using nonrepresentative and nonstatistical selection techniques, the OIG's conclusions cannot be projected to the population or more specifically in this instance, to the portion of the population not tested.

HUD acknowledges that during the Exit Conference, the OIG told HUD that the Funds to Be Put to Better Use costs amount for recommendation 1C was not a projection but was instead an estimate. HUD views this Funds to Be Put to Better Use calculation as a projection. Whether considered a projection or an estimate, HUD contends that the Funds to Be Put to Better Use costs amount is not credible because the amount produced is based on unsupported and ineligible costs identified through an audit sample that was nonrepresentative and nonstatistical.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

IG Recommendation 1D: Develop and implement controls for the Community Compass program to ensure that it uses procurement contracts for services that directly benefit HUD, including the development, maintenance, and operation of the HUD Exchange website and preparation of the Annual Homelessness Assessment Report, thereby ensuring that as much as \$5,060,494 is put to better use.

HUD Recommendation: HUD understands OIG believes the HUD Exchange should not have been funded through cooperative agreements based on a legal opinion. HUD believes that the OIG legal opinion was based on limited information and requests the recommendation be re-considered in light of the explanation below, HUD's proposed resolution and the attached legal opinion from HUD program counsel.

Comment 4

HUD believes the use of the cooperative agreement is appropriate. The HUD Exchange was not developed, or is it intended to be for HUD's use. The purpose of the HUD Exchange is to provide technical assistance, training, tools, and program resources to HUD's grantees and customers. Nonetheless, HUD suggests a different approach that we believe will address OIG's underlying concern while also clarifying any potential for misunderstanding to support the continued use of cooperative agreement for this technical assistance website. HUD asks OIG to replace the reference to HUD Exchange in Recommendation 1D and the supporting narrative with a recommendation for HUD to make clearer on both sites that all official HUD products are posted on HUD.gov. If there are instances where products are posted on both sites, HUD should be directed to replace the HUD Exchange posting with a link to the products on HUD.gov. The revised recommendation could also recommend that a statement be added to the HUD Exchange homepage or website header to make clear that the site was funded using HUD TA funds but that the resources are not official HUD documents. Additionally, OIG could recommend that HUD also add the same statement to this year's NOFA and to all cooperative agreement provisions issued pursuant to the NOFA.

Comment 5

OIG also opined that the AHAR should not be funded through a cooperative agreement in that it directly benefits HUD. The primary purpose of the AHAR is to educate stakeholders at the national, state and local level and inform policy and planning decisions around the larger homeless assistance system. HUD acknowledges that the AHAR is a Congressionally mandated report; however, HUD has sought to optimize the data that is included in this report to be of maximum utility to CoCs for their local planning processes. In pursuit of this goal of assisting CoCs to understand and use their own data to make local decisions, HUD has improved upon the data import, cleaning and analysis portion of the AHAR process, creating a Longitudinal System Analysis (LSA) report for each CoC based on data from their HMIS. The LSA reports are designed to reduce the data submission burden for CoCs for the AHAR and to provide much greater access to communities to analyze their data at a more granular level. In summation, HUD acknowledges that there is sometimes a fine line between HUD responsibilities and eligible TA, especially as it relates to data that are both used by HUD and TA award recipients for related (but not the same) activities, but in this case, the recent changes to the AHAR process to create LSA reports and additional analytical tools represents a clear benefit for CoCs that is not tied into the Congressional mandate to produce the AHAR.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 5

Given the clear connection in support of communities and Congress' acknowledgement of such in Senate Report 115-138, HUD is requesting that OIG consider a revised recommendation for the AHAR that allows HUD to reduce the scope of the activity in the Notice of Funding Availability (NOFA) to only those activities that provide the critical data analysis that supports communities but removes the report writing portion and moves the final AHAR compilation and authorship to a procurement contract.

IG Recommendation 1E: Require the four Community Compass providers reviewed to reimburse HUD \$1,264,220 from non-Federal funds for ineligible costs paid to their subcontractors that were not registered or active in the System for Award Management.

Comment 6

HUD Recommendation: HUD does not concur with the basis of this recommendation unequivocally. HUD is requesting that OIG reconsider the basis for the finding regarding subcontractors being registered in the System for Award Management (SAM). As outlined in the attached legal opinion from HUD General Counsel, below, and in the regulations at 2 CFR part 25, HUD must only require the applicant or recipient, i.e., the TA provider, to have both a unique entity identifier and an active SAM registration. The regulation authorizes the agency to determine implementation as it applies to subrecipients (see page 3 of the attached OGC memo).

Comment 6

The regulations at 2 CFR 25.105 stated that "the requirements in this part must be implemented for grants and cooperative agreements by October 1, 2010." Further 2 CFR 25.110(a) states "through an agency's implementation of the guidance in this part, this part applies to all entities, other than those exempted..." In other words, 2 CFR 25 is not self-executing. HUD must implement part 25 for it to apply to grantees and subrecipients. HUD implemented 2 CFR 25 in the General Section of the NOFA and in the Cooperative Agreement. Neither the General Section nor Cooperative Agreement required subrecipients or subcontractors to maintain an active SAM registration, only prime awardees.

Comment 6

HUD further disagrees with the recommended response as 2 CFR 25.205 sets forth the effect of noncompliance with a requirement to obtain a unique entity identifier or register in SAM. 2 CFR 25.205 prohibits federal agencies from making awards to entities that have not complied with 2 CFR 25.200, to provide a valid unique entity identifier and maintain an active SAM registration. However, 2 CFR 25.200 only requires agencies to impose these requirements on applicants. Subrecipients and subcontractors are not applicants and HUD does not make direct awards to these entities.

Comment 6

Further, repayment is not appropriate when there has been no violation. HUD, 2 CFR part 25, the General Section, the NOFA, and the Cooperative Agreement terms and conditions never required subrecipients or subcontractors to maintain an active SAM registration. Therefore, requiring repayment is inappropriate.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 6

IG Recommendation 1E: Develop and implement policies and procedures for the Community Compass program to ensure that provider subcontractors are registered or active in the System for Award Management, thereby ensuring that as much as \$3,517,268 is put to better use.

HUD Recommendation: HUD does not concur and is requesting that recommendation 1E be deleted. As outlined in HUD's comments for recommendation 1E, HUD is only responsible for verifying SAM compliance for awarded entities as outlined in 2 CFR 25.205(a). This regulation does not apply to sub-contractors receiving sub-awards from the awarded entity. Since, HUD did not violate the SAM requirement identified then the recommendation to improve internal controls and the projection of \$3,517,268 in Funds to Be Put to Better Use are no longer valid.

IG Recommendation 1G: Develop and implement controls for the Community Compass program to ensure that it consistently applies subcontractor wage rates among all providers that use a subcontractor.

HUD Recommendation: HUD acknowledges that there are instances where subcontractor wage rates approved in DRGR may vary across providers. Since 2017, HUD's Wage Approval Group (WAG) has been revising the Community Compass wage rate approval process and guidance and will consider OIG's recommendations in further updates. HUD concurs with this recommendation and will address the recommendation when submitting the Proposed Management Decision within 120 days of issuance of the final report.

Comment 7

Additional Comments

- Page 7, Results of Audit Section- HUD Believed that Services It Obtained Through Cooperative Agreements were not a direct benefit to the Agency. HUD requests OIG change the language to reflect this section of the report's focus on the type of funding instrument versus the integrity of the competition. Specifically, for the original sentence included below, please consider removing the second part of the sentence underlined for reference here.

However, HUD had a responsibility to ensure that the NOFAs complied with Federal procurement requirements to ensure that full and open competition was obtained.

Comment 8

If OIG does not consider changes to Recommendation 1D based on the attached OGC legal opinion and HUD's response above, HUD requests that the underlined language be removed at a minimum as it implies that our cooperative agreement competition is not "full and open". The integrity of the competition used for HUD's cooperative agreements was not the subject of this finding.

Comment 8

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 9

HUD will address the recommendations provided in the Draft Report at the time of submitting the Proposed Management Decisions in accordance with the Audits Management System Handbook which permits Proposed Management Decisions be entered within 120 Days of the issuance of the Final Audit Report.

If you have any questions, please don't hesitate to contact my office at (202) 402-3921.

Attachments

OIG Evaluation of Auditee Comments

- Comment 1 HUD stated that it was committed to revisiting the expenses in question and that we did not provide specifics for each deficiency by voucher. HUD stated that it would have to reexamine each voucher in question to assess its agreement with the recommendation and would ask the providers to repay any ineligible costs from non-Federal funds. We appreciate HUD's willingness to reexamine the vouchers and seek repayment from the providers for ineligible expenses. The vouchers and supporting documents were voluminous, in some cases consisting of several hundred pages. During the audit, we provided HUD examples of the specific issues for each deficiency identified in the report to obtain feedback from HUD. As part of the audit resolution, we will provide HUD details for each deficiency by voucher to assist it in its reexamination of the vouchers. We will work with HUD to resolve the questioned costs identified in the audit report and reach a timely resolution with management decisions.
- Comment 2 HUD stated that it appreciated our feedback on optimizing HUD's internal controls for administering the Community Compass Technical Assistance program. HUD also stated that it intends to critically assess the concerns we identified as it works to update its program policies and procedures. We are encouraged by HUD's intention to assess the concerns identified in the audit report and that it will update its program policies and procedures to ensure compliance with applicable requirements.
- Comment 3 HUD stated that it did not agree with our determination of funds to be put to better use because the amount produced was based on costs identified through a nonrepresentative and nonstatistical sample. Specifically, HUD believed that the sampling technique used in the audit was insufficient to produce conclusions that could be projected to the population of providers and awards that were not included in the audit sample. Therefore, HUD stated that we lacked justification to produce a funds to be put to better use amount. HUD requested that the statement, "thereby ensuring that as much as \$15,475,981 is put to better use" be removed from recommendation 1C and the \$15,475,981 costs amount be removed from the table in appendix A.

We disagree with HUD's statement that the sampling technique was insufficient or that the funds to be put to better use amount was not justified. As stated in the audit report, HUD did not have adequate policies and procedures to ensure that providers complied with Federal regulations and did not perform postaward monitoring reviews. HUD management and staff believed that they monitored the providers on a daily, weekly, and monthly basis when they reviewed invoices and monthly reports and held discussions with the providers. Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. During the audit we reviewed 15 vouchers from 4 different providers. All 15 vouchers reviewed

contained deficiencies that resulted in questioned costs. The four providers reviewed were awarded nearly \$75.4 million (59 percent) from a total of nearly \$128.3 million in awards. The same four providers had nearly \$38.1 million (54 percent) from a total of more than \$70.3 million in funds that had not been drawn as of October 31, 2017. Since we reviewed providers that received 59 percent of the total award dollars, identified questioned costs on all 15 vouchers reviewed, and HUD did not monitor the providers postaward, it is reasonable to quantify and report an estimate of the efficiency that HUD will gain by implementing our recommendations. The funds to be put to better use identified in the audit report represent a percentage of undisbursed Community Compass funds that HUD will not pay to providers for personnel who were not on approved work plans and overcharged and unsupported labor or travel costs.

Comment 4 HUD stated that it understands that we believed the HUD Exchange should not have been funded through cooperative agreements based on an OIG legal opinion and that the OIG legal opinion was based on limited information. HUD requested that we reconsider the recommendation in light of HUD's explanation and the legal opinion it received from HUD program counsel. HUD provided a copy of the legal opinion with its written comments. HUD believed that the use of the cooperative agreement was appropriate as the HUD Exchange was not developed or intended for HUD's use but, rather, to provide technical assistance, training, tools, and program resources to HUD's grantees and customers.

We disagree that the HUD Exchange was not a direct benefit to HUD. As stated in the audit report, we determined that HUD used cooperative agreements instead of procurement contracts to develop, maintain, and operate the HUD Exchange website. We determined that HUD used the HUD Exchange to supplement the HUD.gov website and to house mandatory HUD databases. Specifically, the provider that operated the HUD Exchange referenced the migration of documents from HUD.gov to the HUD Exchange to resolve duplication issues. Further, the provider recommended making changes to the content on the HUD.gov website and was providing privacy assessments and information on website security for HUD's review. In addition, the public users of HUD.gov are redirected to the HUD Exchange for many types of information, to include HUD field directory information, HUD rules and policies, program information, and database access. We believe our recommendation is reasonable based on the finding and the legal opinion from the OIG Office of Legal Counsel. We did not include the legal opinion in the audit report because HUD's written comments incorporated its substance. The opinion was an internal document between HUD's Office of General Counsel and the Deputy Assistant Secretary for Operations. HUD's Office of General Counsel has a mechanism to make its legal opinions available to the public if it chooses to do so.

Comment 5 HUD stated that we opined that the Annual Homelessness Assessment Report should not be funded through a cooperative agreement as it directly benefited HUD. HUD stated that the primary purpose of the report was to educate

stakeholders at the national, State, and local level and inform policy and planning decisions around the larger homeless assistance system. HUD acknowledged that the report was a congressionally mandated report. HUD requested that we consider revising the recommendation to allow HUD to reduce the scope of the activity in the notice of funding availability to only those activities that provide the critical data analysis that supports communities but removes the report writing portion and moves the final report compilation and authorship to a procurement contract.

We are encouraged by HUD's decision to move the Annual Homelessness Assessment Report to a procurement contract. Therefore, we did not consider a change to the recommendation to be necessary. As part of the audit resolution, we will work with HUD to reach a timely management decision, including identifying the documentation necessary to show that it has implemented the agreed-upon actions.

Comment 6 HUD did not concur with the finding and related recommendations in the draft report regarding subcontractors that were not registered in the System for Award Management and requested that we delete them from the final report. HUD stated that it was only responsible for verifying that the grant recipient complied with the System for Award Management requirement. It also provided a legal opinion from its Office of General Counsel. We reviewed the information and the opinion HUD provided and removed the finding and related recommendations from the final report because the information provided addressed our concerns.

Comment 7 HUD acknowledged that there were instances in which subcontractor wage rates approved in HUD's Disaster Recovery Grant Reporting system varied across providers. HUD stated that it concurred with the recommendation and would consider our recommendations in further updates to its wage rate approval process. We are encouraged by HUD's statements. As part of the audit resolution, we will work with HUD to reach a management decision, including identifying the documentation necessary to show that it has implemented the agreed-upon actions.

Comment 8 HUD requested that the language in the report be changed to reflect that the section's focus was on the type of funding instrument rather than the integrity of the competition. Specifically, HUD requested that we remove the second part of the sentence that stated, "...to ensure that full and open competition was obtained." HUD contended that the integrity of the competition it used for its cooperative agreements was not the subject of the finding.

We agree that the integrity of the competition HUD used for its cooperative agreements was not the subject of the finding; however, we did not assess the competition's competitiveness. As stated in the audit report, HUD had a responsibility to ensure that the notice of funding availability complied with Federal procurement requirements to ensure that it acquired services that were a direct benefit to HUD in an environment with full and open competition. Further,

regulations at 2 CFR 200.319(a) state that all procurement transactions must be conducted in a manner providing full and open competition. Therefore, we did not consider a change to the report or our recommendation to be necessary. We will work with HUD to resolve the recommendation and reach a timely resolution with a management decision.

Comment 9 HUD stated that it will address the recommendations provided in the draft report when it submits its proposed management decisions in accordance with the Audits Management System Handbook, which permits proposed management decisions to be entered within 120 days of the issuance of the final audit report. We will work with HUD to resolve the recommendations identified in the audit report and reach a timely resolution with management decisions.

Appendix C

Schedule of Deficiencies Associated With Vouchers Reviewed

Seq. no.	Provider (voucher)	Violations noted during review*							Amount drawn	Unsupported costs	Ineligible costs
		1	2	3	4	5	6	7			
1	Provider A (285321)	X	X	X		X		X	\$149,843	\$11,840	
2	Provider A (306426)	X	X			X			318,250	35,391	\$8,311
3	Provider A (354531)	X	X	X					310,611	150,632	1,327
4	Provider A (360290)	X	X			X			91,351	6,544	
5	Provider B (314282)	X	X	X			X		146,143	9,753	
6	Provider B (331950)	X	X	X		X			163,431	10,075	1,129
7	Provider B (335889)	X	X	X	X	X			103,040	18,517	30
8	Provider B (360667)	X	X	X		X			86,325	13,438	206
9	Provider C (311354)	X	X			X			546,488	131,279	
10	Provider C (321178)	X	X			X			853,243	235,453	
11	Provider C (360572)		X						358,638	28,534	
12	Provider C (367697)	X	X						525,627	109,706	1,939
13	Provider D (337963)	X		X		X			74,234	20,283	442
14	Provider D (345816)	X	X						47,341	4,236	
15	Provider D (364497)	X							80,111	59,816	
Totals		14	13	7	1	9	1	1	3,854,676	845,497	13,384

*Violations noted during review

The violations in these columns resulted in questioned costs:

1. Provider overcharged or did not support labor costs.
2. Personnel were not approved on the provider's work plan.
3. Provider overcharged or did not support travel costs.
4. No description of work performed was in the payment request.

The violations in these columns did not result in questioned costs:

5. Provider incurred costs before work plans were approved.
6. Costs applied to an incorrect work plan.
7. Monthly billing requirements were not met.

Appendix D

Community Compass Awards and Draws Per Provider

Seq. no.	Provider	No. of awards	Amount awarded	Amount drawn
1	ICF Incorporated	11	\$36,935,338	\$21,030,363
2	Abt Associates Inc.	11	22,400,819	9,376,501
3	Cloudburst Consulting Group	8	12,765,000	5,644,965
4	American Institutes for Research	4	7,050,000	5,506,483
5	Corporation for Supportive Housing	7	6,875,000	2,514,209
6	Partnership Center Ltd	4	2,525,000	1,903,375
7	Econometrica, Inc.	3	5,240,000	1,810,100
8	Enterprise Community Partners, Inc.	4	7,600,000	1,770,020
9	HomeBase Center for Common Concerns	5	5,200,000	1,659,433
10	TDA Consulting, Inc.	5	3,279,000	1,270,876
11	C V R Associates Inc.	4	3,100,000	1,191,945
12	Technical Assistance Collaborative	5	3,400,000	1,144,290
13	BCT Partners	1	1,000,000	807,643
14	Collaborative Solutions Inc.	6	2,675,000	612,154
15	Inland Fair Housing & Mediation Board	1	1,500,000	579,424
16	Advocates for Human Potential	1	500,000	311,138
17	National Association for Latino Com	2	1,050,000	204,813
18	FirstPIC Inc.	2	872,475	170,684
19	National American Indian Housing	2	500,000	169,551
20	The National Development Council	3	1,075,000	161,347
21	Corporate F.A.C.T.S. Inc.	1	250,000	58,858
22	Mosaic Urban Partners LLC	1	500,000	24,093
23	Innovative Emergency Management, Inc.	2	1,150,000	-
24	Capital Access Inc.	1	325,000	-
25	AECOM Technical Services, Inc.	1	250,000	-
26	Fair Housing Council of Riverside County	1	250,000	-
	Totals	96	128,267,632	57,922,265

Appendix E

Flowchart of Awards and Vouchers Reviewed

