



Issue Date February 23, 2012

Audit Report Number 2012-AO-1001

TO: Cheryl J. Williams, Director, Office of Public Housing, 6HPH

FROM: //signed//
Nikita N. Irons, Regional Inspector General for Audit, Gulf Coast Region,
11AGA

SUBJECT: Opelousas Housing Authority, Opelousas, LA, Did Not Always Comply With
Recovery Act and Federal Obligation, Procurement, and Reporting
Requirements

HIGHLIGHTS

What We Audited and Why

We audited the Opelousas Housing Authority's Public Housing Capital Fund Stimulus Recovery Act-funded grant as part of our annual audit plan. Our objective was to determine whether the Authority (1) followed the requirements of the Recovery and Reinvestment Act of 2009 when obligating its Recovery Act capital funds and when procuring contracts for goods or services, (2) properly expended its Recovery Act Capital Funds in accordance with the requirements and (3) accurately reported its Recovery Act activities.

What We Found

The Authority did not properly obligate Recovery Act funds spent to purchase refrigerators, hot water heaters, and a window air conditioning unit. As related to the procurement of its Recovery Act architect's contract, the Authority did not (1) ensure that it had adequate competition, (2) perform a cost or price analysis, and (3) prepare an independent cost estimate. This deficiency occurred because the

Authority did not fully understand the obligation and procurement requirements. As a result, it incurred \$188,038 in ineligible and \$87,675 in unsupported costs.

In addition, the Authority did not always ensure that its Recovery Act expenditures were adequately supported with documentation such as hotel invoices and receipts for tenant reimbursements. This deficiency occurred because the Authority did not (1) follow its or the U.S. Department of Housing and Urban Development's (HUD) written policies and procedures and (2) have adequate written accounting policies and procedures. As a result, it incurred \$27,920 in unsupported costs.

Further, the Authority did not always report its Recovery Act activities in FederalReporting.gov accurately and in a timely manner; and submitted its final report before it spent all of its Recovery Act funds. This deficiency occurred because the Authority did not fully understand the Recovery Act requirements and did not obtain further clarification from HUD. As a result, it provided minimal transparency of and accountability for its Recovery Act-funded activities.

What We Recommend

We recommend that HUD's Director of Public Housing require the Authority to (1) repay \$188,038 in ineligible costs, (2) support the cost reasonableness of the architect's contract or repay any part of the \$87,675 disbursed to the architect that it cannot support, and (3) support or repay \$27,920 for unsupported expenditures. In addition, HUD should require the Authority to (1) periodically attend procurement training, (2) develop adequate, written accounting policies and procedures, (3) correct its reports for the first quarter of 2010 through the second quarter of 2011, as applicable, and (4) correct and resubmit its final report in the correct period.

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

Auditee's Response

We provided a copy of the draft report to the Authority on February 3, 2012, and held an exit conference with the Authority on February 7, 2012. We asked the Authority to provide written comments to the draft report by February 9, 2012, and it provided written comments on February 7, 2012. The Authority generally agreed with the findings. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Opelousas Housing Authority is a public housing agency located at 906 East Laurent Street, Opelousas, LA. The Authority manages 690 public housing units.¹ Based upon its Annual Financial statements for the fiscal year ended June 30, 2010, the Authority had more than \$1.8 million of unrestricted cash and cash equivalents.

The American Recovery and Reinvestment Act of 2009 became Public Law 111-5 on February 17, 2009. It appropriated \$4 billion for Public Housing Capital Fund Stimulus Recovery Act-funded grants to carry out capital and management activities for public housing agencies. Of the \$4 billion, it allocated \$3 billion for formula grants and \$1 billion for competitive grants. On March 18, 2009, the U.S. Department of Housing and Urban Development (HUD) and the Authority executed amendment number 12 to the Authority's annual contributions contract, in which HUD agreed to provide more than \$1.4 million in Recovery Act assistance to the Authority.

The Recovery Act required the Authority to (1) obligate 100 percent of the funds within 1 year of the date on which the funds became available to the Authority for obligation, (2) expend 60 percent of the funds within 2 years, and (3) expend 100 percent of the funds within 3 years of such date. HUD made Recovery Act formula grants available on March 18, 2009, resulting in an obligation deadline of March 17, 2010.

HUD required the Authority to use its formula grant for eligible activities already identified in either its annual statement or 5-year action plan.² HUD also required the Authority to report its obligations and expenditures in HUD's Line of Credit Control System (LOCCS). Additionally, two specific provisions in the Recovery Act required the Authority to report its Recovery Act activities quarterly. Section 1512 required the Authority to report on activities, job creation, and job retention, and Section 1609 required the Authority to report on the status of compliance with the National Environmental Policy Act for all Recovery Act-funded projects.

According to LOCCS data, the Authority allocated all of its funding by the statutory obligation deadline of March 17, 2010. As of August 2, 2011, the Authority had spent its entire Recovery Act Capital Fund grant totaling more than \$1.4 million.

Our objective was to determine whether the Authority followed Recovery Act requirements. Specifically, we wanted to determine whether the Authority (1) properly obligated and expended its Recovery Act capital funds in accordance with requirements, (2) followed Recovery Act requirements when procuring contracts for goods or services, and (3) accurately reported its Recovery Act activities.

¹ The Opelousas Housing Authority, which is in Saint Landry Parish, does not administer a Section 8 program. Saint Landry Parish has three housing authorities, including the Opelousas Housing Authority, Saint Landry Parish Housing Authority, and South Landry Housing Authority. The Saint Landry Parish Housing Authority administers the Section 8 program for the entire parish.

² The annual statement, annual plan, and 5-year action plan are all components of the Authority's comprehensive plan. The HUD-approved comprehensive plan sets forth all of the Authority's physical and management improvement needs for its public housing developments.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Always Follow Recovery Act Obligation and Procurement Requirements

The Authority did not always comply with Federal regulations when obligating Recovery Act funds. Specifically, it purchased 200 refrigerators, 176 hot water heaters, and a window air conditioning unit without the proper documentation to support that it had a valid obligation before the Recovery Act March 17, 2010, obligation deadline. In addition, the Authority did not always follow Federal requirements in procuring its Recovery Act-funded contracts. These deficiencies occurred because the Authority did not fully understand the obligation and procurement requirements. As a result, it incurred \$188,038 in ineligible and \$87,675 in unsupported costs.

Recovery Act Funds Were Not Properly Obligated

The Authority did not properly obligate all of its Recovery Act funds by the required deadline. HUD's Public and Indian Housing (PIH) Notice 2009-12 required the Authority to obligate 100 percent of the Recovery Act funds and record the obligations in LOCCS by March 17, 2010. The PIH notice³ defined an obligation as the cumulative amount of modernization commitments entered into by the Authority.

A review of the LOCCS data determined that by March 8, 2010, the Authority reported that it had obligated more than \$1.4 million. According to its HUD-approved revised annual statement, dated March 8, 2010, this amount included more than \$1 million for the general contractor, \$87,675 for the architect, \$60,000 for relocation costs, \$69 for administration costs, and \$188,038 for refrigerators and hot water heaters.

A review of the obligations documentation determined that the Authority did not purchase or have a commitment to purchase the refrigerators and hot water heaters before March 17, 2010. Although the Authority included the purchase of the refrigerators and hot water heaters in its revised annual statement, it did not obtain supporting documentation such as the sales quote, purchase order, and invoice until March 2011,⁴ almost 1 year after the required obligation deadline. In addition, the Authority used only \$187,680 of the \$188,038 set aside for the refrigerator and hot water heater purchases, leaving a balance of \$358. The Authority used the

³ Paragraph VII

⁴ The sales quote was dated February 28, 2011. The purchase order and invoice were dated March 1, 2011.

remaining \$358 to purchase a window air conditioning unit. However, since the Authority did not properly obligate the total amount, it incurred \$188,038 in ineligible costs when it purchased the hot water heaters, refrigerators, and air conditioning unit.

Procurements Were Not Properly Conducted

The Authority executed two Recovery Act-funded contracts for a (1) general contractor for construction management of the project and (2) design professional for architectural and engineering services (architect). When procuring both contracts, the Authority did not always follow regulations at 24 CFR (Code of Federal Regulations) Part 85 as required by HUD's PIH Notice 2009-12.

A review of the general contract procurement files determined that the Authority did not (1) include the rationale for the selected method of procurement or contract type⁵ in the file documentation, (2) identify all requirements and other evaluating factors in the invitation for bids,⁶ and (3) include a discussion of profit negotiation in the cost estimate⁷ performed. However, the Authority ensured that it properly procured the contract.

A review of the architect's contract procurement files determined that the Authority did not (1) prepare an independent cost estimate before soliciting bids,⁸ (2) perform a cost or price analysis after receiving bids, and (3) have sufficient records to detail the history of the procurement, including the rationale for the procurement method, selection of contract type, contractor selection or rejection, and basis for the contract price.⁹ In addition, the Authority did not issue the request for proposals to the public,¹⁰ but stated that it sent the request to four contractors.

Further, the Authority did not ensure full and open competition when procuring the architect's contract. Specifically, when the Authority issued the request for proposals, it received responses from three bidders. However, it did not consider two of the bidders since (1) one bidder did not submit a proposal but only a letter stating its unavailability to work on the project and (2) the other bidder, which had an existing unrelated contract with the Authority, submitted a proposal but the Authority had to terminate its contractual relationship with the bidder due to contract legality issues. Therefore, one bidder remained for consideration. Although the Authority had one bidder remaining, it did not re-advertise for the

⁵ 24 CFR 85.36(b)

⁶ 24 CFR 85.36(c)

⁷ 24 CFR 85.36(f)

⁸ 24 CFR 85.36(f)

⁹ 24 CFR 85.36(b)

¹⁰ HUD Handbook 7460.8, paragraph 7-1(F)

services and awarded the contract to the remaining bidder, making the competition inadequate.

Without the independent cost estimate, cost or price analysis, or adequate competition for the architect's contract, the Authority could not support the cost reasonableness of the contract price or disbursements to the architect totaling \$87,675.

The Authority Did Not Fully Understand the Requirements

The Authority did not fully understand the obligation and procurement requirements. It did not know that it needed the commitment documents for the purchase of the refrigerators and hot water heaters. In addition, as related to the cost or price analysis, the Authority's contract and grant reviewer stated that although he was familiar with the terms, he did not have an in depth knowledge of either. Further, the Authority's executive director stated that due to a December 2011 procurement training, she had gained a better understanding of the procurement requirements, specifically, independent cost estimates.

Conclusion

Because the Authority did not understand and comply with Federal requirements when obligating and procuring contracts for its Recovery Act funds, it incurred \$188,038 in ineligible and \$87,675 in unsupported costs.

Recommendations

We recommend that HUD's Director of Public Housing require the Authority to

- 1A. Review its fiscal year 2009, 2010, and 2012 annual plan to determine whether the refrigerators and other appliances are fungible activities in any of the available reprogramming years. If such are fungible activities, HUD should require the Authority to repay the Recovery Act capital fund \$188,038 from regular capital funds; and if not fungible activities, repay the Recovery Act capital fund from nonfederal funds.
- 1B. To support the cost reasonableness of the architect's contract price and disbursements totaling \$87,675 or repay to the Recovery Act capital fund from nonfederal funds any amounts that it cannot support.

- 1C. To attend HUD-approved procurement training periodically to ensure that it and its staff remain familiar with the procurement process.

Finding 2: The Authority Did Not Adequately Support Its Expenditures

The Authority did not maintain adequate supporting documentation for 16 of 37 Recovery Act-funded expenditures. Specifically, the Authority's disbursement files did not include supporting documentation for hotel invoices and receipts for tenant reimbursements. This deficiency occurred because the Authority did not follow its or HUD's written policies and procedures. In addition, the Authority did not have adequate written policies and procedures for its accounting functions, specifically for the processing and payment of invoices. As a result, it incurred \$27,920 in unsupported costs.

Files Lacked Supporting Documentation for Payments

The Authority's files did not always contain supporting documentation for its payments. The Authority had 37 Recovery Act expenditures totaling more than \$1.4 million. A review of the 37 expenditures determined that although the Authority generally ensured that it followed Recovery Act requirements when expending the funds, it did not always ensure that it adequately supported expenditures.

For all costs related to relocation of the tenants, the Authority did not clearly document the dates or duration of the tenants' temporary move period, which was necessary for determining reimbursement eligibility for submitted claims or receipts. Although some of the expenditure files contained documentation showing the hotel check-in date and an estimated timeframe of the vacancy from the unit, we could not reconcile the actual dates, due to the lack of documentation.

As related to 16 expenditures paid to hotels for the temporary relocation of tenants and reimbursement to tenants for relocation expenses, the Authority did not maintain adequate supporting documentation for expenses totaling \$27,920 (see appendix C). Specifically,

- The Authority could not provide supporting documentation such as receipts for payments made to the hotels and to support tenant reimbursements totaling \$21,669. As related to the hotel payments, the Authority stated that it paid the hotels in advance based on cost estimates for the tenants' hotel stay; however, it did not obtain a receipt or invoice after tenants completed their stay. This lack of oversight prevented the Authority from reconciling the advance payments to the actual costs to ensure that the hotel properly applied or reimbursed amounts paid.
- The Authority reimbursed tenants for moving their personal property in conjunction with the relocation. The Authority's relocation policy required tenants to use licensed professional movers, when opting to use

movers and the Authority would pay the mover directly or reimburse the tenant. However, the tenants did not provide receipts from licensed professional movers but, rather, provided handwritten receipts from persons that appeared to be relatives or friends. Unsupported costs for these expenditures totaled \$2,025.

- The Authority's relocation policy allowed \$10 per household member, per meal¹¹ for meal costs. However, the Authority did not document the number of household members per tenant reimbursement, which was necessary for supporting the amounts paid for meal cost reimbursements. The Authority instead reimbursed tenants based upon receipts for actual meal costs. In one instance, a tenant submitted a receipt which showed that the tenant paid for meals, at a casino, for eight persons. Without having documentation to support the number of household members for each tenant, the Authority could not ensure that it properly paid tenants and avoided overpayment to tenants. Unsupported costs for these expenditures totaled \$4,226.

The Authority ensured that it adequately supported the remaining 21 expenditures, totaling nearly \$1.4 million¹².

Authority and HUD Policies Were Not Followed

The Authority did not always follow its own written policies and procedures for its accounting and tenant relocation reimbursements as well as HUD's policy requirements. Specifically, the Authority's accounting policy required it to verify that its expenditures were properly supported by a paid claim, a vendor's original invoice, a receiving document, and a purchase order if applicable. In addition, the Authority's relocation policy required the Authority to reimburse claims supported by receipts or reasonable proof. Further, HUD Handbook 1378.0 required the Authority to include documentation in its files to support the amounts claimed and paid. However, when asked whether it used claim forms for the tenant reimbursements, the Authority stated that it based reimbursements solely on the tenants' receipts. In some instances, the Authority did not maintain receipts.

Accounting Policies and Procedures Were Inadequate

The Authority did not have adequate accounting policies and procedures. Specifically, the Authority did not have a written accounts payable policy before

¹¹ Meals included breakfast, lunch, and dinner.

¹² This includes \$188,038 of expenditures for the hot water heaters, refrigerators and air conditioning unit; and \$87,675 for the architect. These expenditures were supported with the proper documentation, but were unsupported and ineligible for the reasons discussed under Finding 1.

March 16, 2011, and did not have written policies and procedures for processing and paying invoices. Additionally, the Authority's accounting policy lacked detail. For example, it did not (1) identify the persons responsible for each step in the payables process or (2) differentiate between processes for different types of payables such as the Recovery Act fund, regular Capital Fund, and operating-related payables.

Conclusion

Although the Authority generally ensured that it followed the Recovery Act requirements when expending the grant funds, because it did not always follow its and HUD's policies and procedures or have adequate policies and procedures, it could not support \$27,920 in Recovery Act costs.

Recommendations

We recommend that HUD's Director of Public Housing require the Authority to

- 2A. Support or repay to the Recovery Act capital fund from nonfederal funds \$27,920 for unsupported costs paid for tenant hotel stays and related relocation reimbursements.
- 2B. Further develop and implement adequate written accounting policies, which include procedures for processing and paying invoices, to ensure that its expenditures are eligible and supported.

Finding 3: The Authority Did Not Always Comply With Recovery Act Reporting Requirements

Although the Authority generally ensured that it complied with reporting requirements for compliance with the National Environmental Policy Act, it did not always report its Recovery Act activities in FederalReporting.gov accurately and in a timely manner as required. Of the eight report submissions, the Authority submitted one report 4 days late, and six contained inaccurate expenditure and funds invoiced or received information. The Authority also submitted its final report before it expended all of its Recovery Act funds. This deficiency occurred because the Authority did not fully understand the Recovery Act reporting requirements and did not obtain further clarification from HUD. As a result, it provided minimal transparency of and accountability for its Recovery Act activities.

FederalReporting.gov Reports Were Not Timely and Accurate

The Authority did not always report its Recovery Act activities in FederalReporting.gov accurately and in a timely manner as required. Recovery Act reporting requirements in 2 CFR Part 176 required the Authority to report on its use of the funding no later than the tenth day after the end of each quarter in Federalreporting.gov,¹³ the nationwide data collection system. The required reporting elements included information such as the expenditure amounts and grant funds invoiced or received.

Of the eight required reports, the Authority submitted its fourth quarter 2009 report 4 days late. Six reports for the first quarter of 2010 through the second quarter of 2011 included inaccurate expenditure information, as follows:

Expenditure amounts			
Quarterly reporting period	Reported amount	Actual amount ¹⁴	Difference (underreported) or overreported
January-March 2010 (1 st)	\$0	\$70,140	(\$70,140)
April-June 2010 (2 nd)	\$246,920	\$246,900	\$20
July-September 2010 (3 rd)	\$246,920	\$429,187	(\$182,267)
October-December 2010 (4 th)	\$719,849	\$610,514	\$109,335
January-March 2011 (1 st)	\$1,231,440	\$1,224,903	\$6,537
April-June 2011 (2 nd) ¹⁵	\$1,416,682	\$1,362,568	\$54,114

The Authority also reported inaccurate information for its funds invoiced or received for the second and fourth quarters of 2010 and the second quarter of 2011, as follows:

¹³ Beginning the quarter ending September 30, 2009

¹⁴ These figures were based upon the cumulative expended amount reported in LOCCS.

¹⁵ Report marked as final

Funds invoiced or received amounts			
Quarterly reporting period	Reported amount	Actual amount	Difference (underreported) or overreported
April-June 2010 (2 nd)	\$246,920	\$246,900	\$20
October-December 2010 (4 th)	\$719,849	\$611,672	\$108,178
April-June 2011 (2 nd) ¹⁶	\$1,416,682	\$1,362,568	\$54,114

Further, because the Authority marked its second quarter 2011 report as final before it expended all of its Recovery Act funds, it did not report its third quarter 2011 activities as required.

The Authority Did Not Understand the Requirements or Seek Further HUD Guidance

According to the Authority, as related to the fourth quarter of 2009 late submission, it believed that it had 15 days to submit the report, based upon verbal guidance received from HUD. In addition, as related to marking the second quarter of 2011 as final, it did this as a result of an August 31, 2011, email from HUD. A review of the email from HUD showed that HUD did not instruct the Authority to submit the final report but, rather, to determine whether it could access and report it since the final report had to be completed in FederalReporting.gov. The Authority's contracts and grants reviewer stated that although he understood that the final report should have been submitted in the period in which the Authority spent all of its funds, he was confused but submitted the final report as instructed by HUD. The Authority should have sought further clarification from HUD.

Conclusion

Since the Authority did not report its Recovery Act activities accurately or in a timely manner, it provided minimal transparency and accountability, as the public did not have access to accurate information related to its Recovery Act expenditures and project status.

¹⁶ Report marked as final

Recommendations

We recommend that HUD's Director of Public Housing require the Authority to

- 3A. Reconcile its accounting records (e.g., check registers) for its ARRA disbursements and correct its reported expenditure amounts in FederalReporting.gov for the first, second, third and fourth quarters of 2010 and the first and second quarters of 2011, based upon the reconciliation.
- 3B. Correct its reported funds invoiced or received amounts in FederalReporting.gov for the the second and fourth quarters of 2010 and the second quarter of 2011.
- 3C. Reissue its final FederalReporting.gov report in the correct reporting period, specifically for the third quarter of 2011.

SCOPE AND METHODOLOGY

We conducted our audit at the Authority's office in Opelousas, LA, and the HUD Office of Inspector General's (OIG) offices in New Orleans and Baton Rouge, LA. We performed our audit between August 2011 and January 2012.

To accomplish our objective, we

- Obtained and reviewed laws, regulations, and program guidance relevant to the Recovery Act.
- Interviewed HUD and Authority staff.
- Reviewed the Authority's audited financial statements.
- Reviewed HUD's monitoring reviews of the Authority's Recovery Act activities.
- Reviewed the Authority's annual contributions contract amendment, annual statements, and 5-year plan.
- Reviewed the Authority's board meeting minutes.
- Reviewed the Authority's procurement and accounting policies.
- Reviewed the Authority's Recovery Act-related procurement files.
- Reviewed and analyzed the Authority's Recovery Act-related obligation and expenditure files.
- Reviewed Recovery Act reporting documentation as available.

The Authority executed two Recovery Act-funded contracts totaling more than \$1.1 million.¹⁷ We audited the two procurement files and evaluated whether the Authority procured the contracts in accordance with HUD and Recovery Act requirements. We also assessed whether the Authority's obligations were eligible and properly supported. To determine the amount of the Authority's obligations, we used HUD's LOCCS data. Through file reviews, we determined that the LOCCS data were generally reliable.

In addition, we audited all 37 of the Authority's payment vouchers totaling more than \$1.4 million applicable to the Recovery Act expenditures. We reviewed the payment vouchers to determine whether the Authority's Recovery Act disbursements were eligible and supported. Through file reviews, we determined that the electronic disbursement data were generally reliable. Lastly, we reviewed all available documentation related to the Federal reporting Web sites to determine whether the Authority properly reported its obligations, expenditures, and activities in accordance with Recovery Act requirements.

Our audit scope covered the period March 18, 2009, through August 31, 2011. We expanded the scope as needed to accomplish our audit objective. 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

¹⁷ The Authority used the remaining \$248,107 of its \$1.4 million Recovery Act Capital Fund grant for tenant relocation costs, dwelling equipment (purchases), and administration costs.

findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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:

- Controls over obligations, procurements, and expenditures related to Recovery Act activities.
- Controls over Recovery Act reporting.

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 did not properly obligate its Recovery Act funds and procure its Recovery Act-funded contract (see finding 1).
- The Authority did not have adequate written accounting policies and procedures (see finding 2).
- The Authority did not always report its Recovery Act information accurately and in a timely manner (see finding 3).

**Separate Communication of
Minor Deficiencies**

Minor internal control and compliance issues were reported to the Authority and HUD in a separate memorandum, dated January 31, 2012.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$188,038	
1B		\$87,675
2A		\$27,920
Totals	\$188,038	\$115,595

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

The Housing Authority of the City of Opelousas

JOE ANN TYLER
Executive Director

P.O. Box 689
Opelousas, Louisiana 70571-0689
(337) 942-5693 FAX (337) 942-1334

February 7, 2012

Ms. Nikita Irons
Regional Inspector General for Audit
U.S. Department of HUD
Office of Inspector General

RE: Opelousas Housing Authority Capital Fund Stimulus Recovery Act-Funded Grant

Dear Ms. Irons:

On behalf of Opelousas Housing Authority, please accept this as my response to your Audit of OHA's ARRA Grant.

Finding #1: The Authority did not always follow recovery act obligation and procurement requirements.

Response: The Housing Authority of the City of Opelousas does not dispute this finding. It is the intent of this agency to comply with its procurement policy. OHA adopted by Board Resolution #072110-A, a new procurement policy. This policy complies with the Annual Contributions Contract (ACC) between the Housing Authority and the U.S. Department of HUD, Federal Regulations at 24 CFR 85.36, the procurement standards of the procurement handbook for public housing authorities (PHAs), HUD handbook 7460.8. Rev. 2, and all applicable state and local laws.

My employment began on November 16, 2009 at Opelousas Housing Authority. At that time, I did not have much knowledge of procurement. I relied on the current staff and HUD for guidance. The current Contracts/Grants Reviewer, Erinton Savoie, did not assume his current job responsibilities until November 2009 as well.

The formal director, Mr. Walter Guillory, was hired by the Board of Commissioners as a consultant to assist and train as I transition into the position of Executive Director. Mr. Guillory terminated the Mod-Coordinator prior to my employment. During his consulting term, Mr. Guillory made no reference as to the importance of obligating to purchase Refrigerators or Hot Water Heaters prior to March 17, 2010.

Comment 1

Shortly after my employment at OHA the agency was placed on a \$0.00 (zero) threshold by HUD. OHA was lacking sufficient documentation such as a PHA Plan, Environmental Review, and Corrected Performance & Evaluation Report. The ARRA Grant was awarded to OHA in February 2009 and was accepted by the Board of Commissioners in March of 2009. The ARRA Grant was not approved for drawdown until January 2010 which left only two months to obligate the entire grant. Funding was to be used for A/E Fees (1430); Dwelling Structures (1460); and Relocation Costs (1495). OHA was not able to spend any monies from any capital fund without prior approval from the HUD Staff which included the submission of OSRR documents, ESRR documents, and all invoices.

Comment 1

OHA never intended to purchase \$188,038.00 until instructed to do so by the HUD field office on February 16, 2011 when we were told that change orders were not allowed under the ARRA grant and told that the money designated for change orders was to be placed into line item 1465 for appliances. The HUD field office referenced a document from our architect dated March 8, 2010 that recapped the numbers on the 2009 ARRA grant and the section titled "amount available for appliances." This document was never a commitment to buy appliances by OHA; its purpose was only as a reference just in case the Authority needed to purchase appliances along with the amount available for such purchase. The documentation for the purchase of the appliances was approved along with the purchase of the \$358.00 air conditioning unit.

Comment 1

Documents pertaining to the cost reasonableness of procuring the architect at 7.5% of the contract cost are attached to this response.

I have worked tirelessly to study and learn the Procurement Policy. On December 14, 2011 through December 16, 2011, I successfully completed the Housing Agency Procurement and Contracts Management Seminar. It is my intent that Mr. Erinton Savoie and I will periodically attend HUD-approved procurement training.

Comment 2

Finding #2: The Authority did not adequately support its Expenditures.

Response: Opelousas Housing Authority does not dispute this finding. OHA has already supplied some of the supporting documentation for the unsupported cost paid for tenant hotel stays and related relocation reimbursement. Several hotel receipts could not be obtained to provide to the OIG Auditors. Also supporting documentation will be provided to show the expense of hiring licensed professional movers, which residents could take advantage of at their own discretion.

Finding #3: The Authority did not always comply with Recovery Act Reporting Requirements.

Comment 3

Response: Opelousas Housing Authority agrees with this finding, but reports submitted on Federal Reporting.gov cannot be corrected after said reporting periods has passed.

If you have any other questions, please advise.

Sincerely,

//Signed//

Joe Ann Tyler
Executive Director

"AN EQUAL OPPORTUNITY EMPLOYER"

OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed, but indicated that the Recovery Act grant was to be used for architect fees, dwelling structures, and relocation costs. This is based upon the original annual statement signed by the Executive Director on January 21, 2010. We disagree. While the Authority's Recovery Act grant may have been approved in January 2010, the Executive Director executed a revised annual statement on March 8, 2010, and obligated 100 percent of its Recovery Act funds on the same day. This revised annual statement effectively replaced the original annual statement and showed that the Authority intended to use the Recovery Act funds for administration, architect fees, dwelling structures, dwelling equipment-nonexpendable (\$188,038 for the appliance purchases), and relocation costs, as explained in Finding 1.

The Authority also commented that it did not intend to make the purchases totaling \$188,038; however, only did so upon instruction and approval by the HUD field office. As the recipient and administrator of the grant funds, it was ultimately the Authority's responsibility to ensure that it had a full understanding of the grant requirements and that those requirements were met. It was also necessary for the Authority to assess for itself whether the funds were being obligated and expended in accordance with the grant requirements and to make the appropriate decisions. Therefore, we stand by our original conclusions and recommendation 1A.

Further, the Authority provided some additional documentation, to help support the reasonableness of the architect's contract. The Authority should provide the final supporting documentation to HUD's staff, which will assist the Authority with resolving the recommendation 1B. Upon HUD's review and approval, final action will be recorded in the department audit resolution tracking system after the report is issued.

Comment 2 The Authority agreed, but commented that tenants could take advantage of licensed professional movers, at their own discretion. We agree that based upon the Authority's relocation policy, the tenants' use of licensed, professional movers was optional. However, the Authority's relocation policy also stated that relocated tenants were entitled to payment of their *actual* moving and related expenses, which included packing, crating, unpacking, and uncrating of their personal property. Meaning, tenants who opted not to use licensed professional movers would be directly responsible for moving their personal property, and would not receive payments for physically doing so. Therefore, we stand by our original conclusions and recommendation 2A.

Comment 3 The Authority agreed, but commented that it could not perform post corrections to the reports submitted on Federalreporting.gov after the reporting periods. We disagree. Based upon guidance from the Recovery Accountability and Transparency board, corrections to the received and/or expensed amounts can be

made to prior period reports. Therefore, we stand by our original conclusions and recommendations 3A, 3B, and 3C.

Appendix C

UNSUPPORTED RELOCATION EXPENDITURES

<u>Count</u>	<u>Total expenditure</u>	<u>Unsupported</u>	<u>Comments</u>
1	\$188,593	\$828	Authority reimbursed tenants for (1) meals (\$638) but did not document the number of members per household to support the amounts paid and (2) moving expenses (\$190) when the tenant did not use a licensed professional mover.
2	\$10,570	\$2,040	Authority paid the hotel \$10,570 in advance for 10 tenants' hotel stays. Room invoices for the 10 tenants showed that actual expenses totaled \$8,530, a \$2,040 difference. Authority could not provide support for the \$2,040.
3	\$10,920	\$2,990	Authority paid the hotel \$10,920 in advance for 12 tenants' hotel stays. Room invoices for the 12 tenants showed that actual expenses totaled \$7,930, a \$2,990 difference. Authority could not support for the \$2,990.
4	\$1,158	\$45	Authority reimbursed one tenant for (1) an electric connection fee (\$25) but did not have a receipt from the tenant and (2) a cable connection fee (\$20) but the receipt provided showed that the tenant was not charged.
5	\$399	\$264	Authority reimbursed tenants for meals (\$264) but did not document the number of members per household to support the amounts paid.
6	\$2,415.87	\$2,100	Authority paid the hotel \$2,100 in advance for tenant relocations; however, it could not provide support for actual costs incurred.
7	\$768	\$708	Authority (1) reimbursed tenants for meals (\$464) but did not document the number of members per household to support the amounts paid, (2) did not have receipts for moving expenses (\$100) and cab fare (\$69), and (3) reimbursed tenants for moving expenses (\$75) when the tenant did not use a licensed professional mover.
8	\$2,100	\$2,100	Authority paid the hotel \$2,100 in advance for tenant relocations; however, it could not provide support for actual costs incurred.
9	\$2,284	\$1,034	Authority reimbursed tenants for (1) meals (\$944) but did not document the number of members per household to support the amounts paid and (2) moving expenses (\$90) when the tenant did not use a licensed professional mover.
10	\$2,940	\$2,940	Authority paid the hotel \$2,940 in advance for tenant relocations; however, it could not provide support for actual costs incurred.
11	\$1,132	\$413	Authority reimbursed tenants for (1) meals (\$243) but did not document the number of members per household to support the amounts paid, (2) moving expenses (\$150) when the tenant did not use a licensed professional mover, and (3) a cable connection fee (\$20), but did not have a receipt from the tenant.
12	\$5,460	\$5,460	Authority paid the hotel \$5,460 in advance for tenant relocations; however, it could not provide support for actual costs incurred.
13	\$516	\$373	Authority reimbursed tenants for (1) meals (\$213) but did not document the number of members per household to support the amounts paid and (2) moving expenses (\$160) when the tenant did not use a licensed professional mover.
14	\$6,537	\$4,751	Authority paid the hotel \$3,640 in advance for tenant relocations. However, it could not support actual costs incurred. Authority reimbursed tenants for (1) moving expenses (\$680) when the tenant did not use a licensed professional mover and (2) meals (\$431) but did not document the number of members per household to support the amounts paid.
15	\$3,864	\$1,438	Authority reimbursed tenants for (1) moving expenses (\$680) when the tenant did not use a licensed professional mover, (2) meals (\$643) but did not document the number of members per household to support the amounts paid, and (3) hotel expenses and gas (\$115) but did not have receipts from the tenant.
16	\$609	\$436	Authority reimbursed tenants for (1) meals (\$386) but did not document the number of members per household to support the amounts paid and (2) hotel expenses (\$50) but did not have receipts to support amounts paid.
Totals	\$240,266	\$27,920	