



Issue Date	February 23, 2012
Audit Report Number	2012-CH-1003

TO: Steven Meiss, Director of Public Housing Hub, 5APH

//signed//

FROM: Kelly Anderson, Regional Inspector General for Audit, 5AGA

SUBJECT: The Springfield Housing Authority, Springfield, IL, Needs To Improve Its American Recovery and Reinvestment Act Contract Administration Procedures

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Springfield Housing Authority's American Recovery and Reinvestment Act of 2009 Public Housing Capital Fund Stimulus formula grant. The audit was part of the activities in our fiscal year 2011 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's<sup>1</sup> jurisdiction. Our objective was to determine whether the Authority administered its grant in accordance with Recovery Act, U.S. Department of Housing and Urban Development's (HUD), and its requirements.

### **What We Found**

The Authority did not administer its grant in accordance with Recovery Act, HUD's, and its requirements. Specifically, it did not ensure that its contractors purchased products that met Federal minimum energy efficiency standards and paid their employees the appropriate prevailing wage rates in accordance with the Davis-Bacon Act.

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<sup>1</sup> Region V includes the States of Indiana, Illinois, Ohio, Michigan, Minnesota, and Wisconsin.

The Authority also did not ensure that it (1) charged more than \$134,000 in Recovery Act funds to the correct accounts, (2) performed inspections of the construction work before issuing payments, and (3) approved purchases in accordance with HUD's requirements and its policies and procedures.

Further, the Authority did not obtain or maintain procurement documentation in accordance with HUD's requirements and its own policies and procedures. However, the Authority accurately reported its Recovery Act progress and disbursed its grant funds in a timely manner in accordance with HUD's requirements.

As a result of the Authority's noncompliance, its contractors purchased nearly \$87,000 in products that did not meet Energy Star standards and underpaid their employees by more than \$4,300. Additionally, the Authority was unable to provide documentation to support more than \$135,000 in wages, and HUD and the Authority lacked assurance that Recovery Act-funded contracts were properly procured and executed.

We informed the Authority's executive director and the Director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated February 21, 2012.

### **What We Recommend**

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to (1) reimburse nearly \$87,000 from non-Federal funds to HUD for transmission to the U.S. Treasury, (2) pursue collection from the applicable contractors or reimburse the appropriate employees more than \$4,300 from non-Federal funds, (3) support or reimburse more than \$135,000 from non-Federal funds to HUD for transmission to the U.S. Treasury, and (4) implement adequate quality control procedures to address the findings cited in this audit report.

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 our review results and supporting schedules to the Director of HUD's Chicago Office of Public Housing and the Authority's executive director during the audit. We also provided our discussion draft audit report to the

Authority's executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's executive director on February 6, 2012.

We asked the Authority's executive director to provide comments on our discussion draft audit report by February 13, 2012. The Authority's executive director provided written comments, dated February 13, 2012. The executive director generally agreed with our findings and disagreed with our monetary recommendations. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report except for 72 pages of documentation that was not necessary for understanding the Authority's comments. A complete copy of the Authority's comments was provided to the Director of HUD's Chicago Office of Public Housing.

# TABLE OF CONTENTS

Background and Objective	5
Results of Audit	
Finding 1: The Authority’s Contract Administration Procedures Had Weaknesses	6
Finding 2: The Authority Did Not Appropriately Administer Its Grant Funds	9
Finding 3: The Authority’s Procurement Procedures Had Weaknesses	12
Scope and Methodology	15
Internal Controls	17
Appendixes	
A. Schedule of Questioned Costs	19
B. Auditee Comments and OIG’s Evaluation	20
C. Federal Requirements and the Authority’s Program Administrative Plan	29

## **BACKGROUND AND OBJECTIVE**

The Springfield Housing Authority was established by the State Housing Board of Illinois in November 1937 under the laws of the State of Illinois to provide decent, safe, and sanitary housing. The Authority is governed by a five-member board of commissioners. The mayor of Springfield appoints the commissioners to serve 5-year staggered terms. As of September 6, 2011, the Authority had four commissioners on its board. The board's responsibilities include overseeing the administration of the Authority and approving policies. The board appoints the executive director. The executive director is responsible for ensuring that the policies are followed and providing oversight of the Authority's programs.

The Public Housing Capital Fund Stimulus (formula) Recovery Act Funded grant is administered by the U.S. Department of Housing and Urban Development's (HUD) Office of Public Housing. The grant funds are available for capital and management activities, including the development, financing, and modernization of public housing projects.

On February 17, 2009, the President signed the American Recovery and Reinvestment Act. The Recovery Act provided an additional \$4 billion to public housing agencies to carry out capital and management activities, including the modernization and development of public housing. The Recovery Act required that \$3 billion of these funds be distributed as formula grants and the remaining \$1 billion be distributed through a competitive process. In March 2009, the Authority received a formula grant for more than \$2 million. According to HUD requirements, the Authority was required to obligate 100 percent of its grant funds within 1 year, expend 60 percent of the funds within 2 years, and fully expend the funds within 3 years. As of January 2011, the Authority had obligated and expended all of its grant funds.

Our objective was to determine whether the Authority effectively administered its grants in accordance with Recovery Act, HUD's, and its requirements. Specifically, we wanted to determine whether the Authority (1) ensured that its contractors followed Recovery Act, HUD's, and its requirements, (2) appropriately administered its Recovery Act grant funds, and (3) appropriately procured contracts for grant projects.

## RESULTS OF AUDIT

### Finding 1: The Authority's Contract Administration Procedures Had Weaknesses

The Authority's contract administration procedures had weaknesses. Specifically, the Authority did not ensure that its contractors complied with Federal energy efficiency requirements and paid employees the appropriate prevailing wage rates in accordance with the Davis-Bacon Act. It also did not ensure that it maintained adequate payroll documentation. This condition occurred because the Authority lacked an understanding of Federal requirements and an adequate system of quality control. As a result, 2 of its contractors purchased \$86,864 in products that did not meet Federal energy efficiency requirements, and 6 contractors underpaid \$4,346 in wages, collectively, to 16 employees. In addition, the Authority was unable to provide documentation to support \$135,454 in wages paid to its contractors' employees.

#### **The Authority Did Not Follow Federal Energy Efficiency Requirements**

According to Federal regulations, the Authority was required to ensure that its contractors purchased products that met Federal Energy Management Program or Energy Star standards. The Authority executed five contracts that required the purchase of products that met Federal energy efficiency standards. The five contracts included (1) upgrades to heating, ventilation, and air conditioning equipment at two of the Authority's housing development and scattered sites and (2) the replacement of windows and doors at its scattered sites.

The Authority did not ensure that its heating, ventilation, and air conditioning equipment met the minimum energy efficiency standards for four of its five contracts. The bid packets for the four contracts specified that Energy Star-rated furnaces were required; however, they did not specify the energy efficiency requirements for the air conditioners or water heaters. The Authority executed contracts with two contractors to replace furnaces, air conditioners, and water heaters. Both contractors purchased and installed air conditioners and water heaters that did not meet the minimum energy efficiency standards. The Authority executed another contract for the installation of its furnaces and air conditioners. This contractor also purchased and installed air conditioners that did not meet the minimum energy efficiency standards. The Authority's construction manager and contract administrator said that they were not aware of the Federal energy efficiency requirements.

According to Federal regulations, housing authorities must purchase energy-efficient products unless the purchase of the energy-efficient products is not cost effective. We reviewed the products purchased that did not meet minimum energy efficiency standards to determine whether the purchases were cost effective. The purchases of air conditioners by two contractors were not cost effective. The contractors received \$86,864 in Recovery Act grant funds to purchase and install the air conditioners. In addition, if the Authority had installed air conditioners that met the Federal energy efficiency requirements, it would have saved \$2,391 annually in utility costs.

### **The Davis-Bacon Act Was Not Followed**

The Davis-Bacon Act applies to all construction contracts greater than \$2,000. The Authority executed 19 Recovery Act construction contracts that were greater than \$2,000. However, it did not obtain sufficient documentation from its contractors to determine whether their employees were paid the appropriate prevailing wage rates in accordance with the Davis-Bacon Act. Based on our review of the 19 contract files, the Authority did not obtain required payroll reports for 9 contracts and did not conduct employee interviews for 12 of the contracts. In addition, the Authority did not obtain copies of pay stubs or paychecks to ensure that employees received the wages reported on the payroll documents received.

For the 19 contracts reviewed, based on the payroll documentation provided, 6 of the contractors paid 16 of their employees at hourly rates that were less than the applicable prevailing wage rates. The 16 employees were underpaid by a total of \$4,346. Further, the Authority was unable to provide payroll documentation for an additional \$135,454 in wages paid to the contractors' employees. Recommendations 1B and 1C were revised to reflect the documentation provided by the Authority with its comments to our discussion draft audit report.

The contract administrator said she was not aware that the Davis-Bacon Act applied to contracts under the Authority's small purchase threshold of \$20,000. In addition, there were no quality controls to ensure that required documentation was obtained in accordance with HUD's requirements and the Davis-Bacon Act. The Authority's modernization procedures state that Davis-Bacon requirements do not apply to contracts under \$2,500 or for work performed by an owner of a contracted company. However, Davis-Bacon Act requirements are applicable to all Federally funded construction contracts greater than \$2,000, and owners who perform construction work are required to submit payroll reports.

Four of the contractors' employees that were underpaid were listed as apprentices on the contractors' payroll reports or employee interview forms. However, the Authority was unable to support that the employees were registered in a bona fide apprenticeship program as required by the Davis-Bacon Act. In addition, based on the payroll reports provided, the apprentices were the only workers on the projects.

The Authority did not provide payroll reports showing that journeymen-level employees worked during the same timeframes.

## Conclusion

The Authority did not ensure that its contractors purchased products that met Federal energy efficiency requirements and paid prevailing wages in accordance with the Davis-Bacon Act. This condition occurred because the Authority lacked an understanding of Federal requirements and adequate procedures and controls to ensure compliance with Federal requirements and its policies. As a result, the Authority was unaware that two of its contractors purchased \$86,864 in products that did not meet Federal energy efficiency standards. In addition, 6 contractors underpaid 16 of their employees \$4,346 in wages contrary to the Davis-Bacon Act. Further, the Authority was unable to support \$135,454 in wages. Therefore, HUD and the Authority lacked assurance that employees were paid prevailing wages in accordance with the Davis-Bacon Act.

## Recommendations

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

- 1A. Reimburse \$86,864 from non-Federal funds to HUD for transmission to the U.S. Treasury for the products purchased that did not meet minimum Federal energy efficiency standards.
- 1B. Pursue collection from the applicable contractors or reimburse the appropriate employees \$4,346 from non-Federal funds for the wages paid contrary to the Davis-Bacon Act, of which \$968 remains to be supported or reimbursed.
- 1C. Support that \$135,454 in wages were paid in accordance with the Davis-Bacon Act or reimburse from non-Federal funds to HUD for transmission to the U.S. Treasury for the unsupported wages paid by Recovery Act program grant contractors, of which \$63,126 remains to be supported or reimbursed.
- 1D. Ensure that staff is trained and familiar with Federal contracting requirements.
- 1E. Develop and implement adequate procedures and controls to ensure that contractors follow Federal requirements.



## Finding 2: The Authority Did Not Appropriately Administer Its Grant Funds

The Authority did not appropriately administer its grant funds. Specifically, it did not ensure that program grant expenses were charged to the appropriate accounts. It also did not ensure that construction work was complete and purchases were approved before payments were issued. This condition occurred because the Authority lacked adequate procedures and controls to ensure compliance with Federal requirements and its own policies. As a result, HUD and the Authority lacked assurance that the Authority's accounts accurately represented contract expenses and that work was complete and disbursements were approved before payments were made.

### **The Authority Charged Expenses to Incorrect Accounts**

We reviewed 100 percent of the Authority's Recovery Act program grant transactions. For each transaction, we ensured that the account charged agreed with HUD's Public and Indian Housing Low-Rent Technical Accounting Guidebook. Based on our review, the Authority charged \$134,169 of its Recovery Act program grant funds to incorrect accounts.

The Authority purchased security cameras for \$103,668 with its Recovery Act grant funds. The security cameras were charged to account 1465, Dwelling Equipment. Based on HUD's guidebook, the security cameras should have been charged to account 1475, Non-Dwelling Equipment. In addition, the Authority purchased stove-top guards for \$26,310. The stove-top guards were charged to account 1460, Dwelling Structures. Based on HUD's guidebook, the stove-top guards should have been charged to account 1465, Dwelling Equipment. The Authority's director of finance agreed that the items were charged to the incorrect accounts. However, she said the security cameras were charged to account 1465 based on the Authority's procedures.

In administering the Recovery Act grant, the Authority incurred advertising, postage, and sign costs totaling \$4,190. The costs were charged to accounts 1430, Planning, and 1460, Dwelling Structures. Based on HUD's guidebook, the costs for advertising, postage, and signs should have been charged to account 1410, Administration. The Authority's director of finance agreed that the costs should have been charged to account 1410 but said they were not charged to account 1410 because specific dollars were not budgeted for those administrative expenses. However, according to HUD's requirements, up to 10 percent of the grant funds could be charged to account 1410. Therefore, these costs could have been charged to account 1410 without requiring a budget revision.

## **The Authority Was Unable To Provide Inspection Reports**

We reviewed 100 percent of the Authority's 21 Recovery Act-funded construction contracts to determine whether the Authority ensured that work was complete before issuing payments. For the 21 construction contracts, the Authority was unable to provide inspection reports for five contracts showing that work was complete before periodic payments were made. In addition, for five contracts, the inspection reports provided did not list unit addresses or were insufficient for the work reported as complete.

For the 21 Recovery Act-funded construction contracts, the Authority was unable to provide inspection reports or work completion forms for seven contracts to show that work was complete before final payments were issued. The Authority received certificates of completion or final lien waivers from four of the seven contractors. However, because it was unable to provide work completion forms, there was no support that the final inspections of the contracted work were conducted before the payments were issued.

## **The Authority Issued Payments Without Final Approval**

According to its procurement policy, the Authority was required to approve purchase requisitions before approving purchase orders and approve purchase orders before issuing payments. We reviewed the Authority's Recovery Act grant purchases in their entirety to ensure that they were administered in accordance with Authority policies and procedures. Based on our review, the Authority issued payments without final approval.

The Authority's small purchase threshold was \$20,000 for the purchase of goods and \$25,000 for construction contracts. The Authority had 35 transactions below the small purchase threshold. Based on our review of the 35 small purchase transactions, the Authority

- Received 24 invoices dated before the purchase orders were created,
- Received 13 invoices dated before the purchase requisitions were approved,
- Issued 9 payments before the purchase orders were approved, and
- Issued 2 payments before the purchase requisitions were approved.

In addition, it did not obtain final approval for three purchase requisitions and purchase orders. The Authority's procurement assistant said two of the transactions were approved under the Authority's annual open purchase order procedures. However, she was unable to provide copies of the approved annual purchase requisitions.

The Authority administered 17 contracts that exceeded the small purchase threshold. We reviewed the payments for the 17 contracts to determine whether the contracts were executed and the disbursements were approved before payments were issued. The Authority made four payments before the disbursements were approved.

## **Conclusion**

The Authority did not appropriately administer its grant funds. Specifically, it charged \$134,169 of the Recovery Act program grant expenses to incorrect accounts. In addition, it was unable to support that construction work was complete and purchases were approved before payments were issued. This condition occurred because the Authority lacked an understanding of HUD's requirements and adequate procedures and controls over its program grant disbursements to ensure that work was complete and approval was obtained before payments were made. As a result, HUD and the Authority lacked assurance that the Authority's accounts accurately represented contract expenses and that work was complete and disbursements were approved before payments were made.

## **Recommendations**

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

- 2A. Update its policies for the classification of expenses to ensure that they agree with HUD's requirements and ensure that its staff is properly trained and familiar with the classification requirements.
- 2B. Develop and implement adequate quality control procedures to ensure that inspections are performed to ensure that construction work is complete and final approval is obtained before payments are made.

## Finding 3: The Authority's Procurement Procedures Had Weaknesses

The Authority's procurement procedures had weaknesses. The Authority did not properly procure and execute small purchases or contracts above its small-purchase threshold. This condition occurred because the Authority lacked an understanding of Federal and its procurement requirements and adequate controls to ensure compliance with HUD's requirements and its policies. As a result, HUD and the Authority lacked assurance that contracts were properly procured and executed.

### **Small Purchases Were Not Properly Administered**

The Authority's small purchase threshold was \$20,000 for the purchase of goods and \$25,000 for construction contracts. We reviewed nine contracts that were below the small purchase threshold to determine whether the Authority obtained and maintained the required documentation in accordance with HUD's requirements and its policies and procedures. The Authority did not maintain support showing that

- Required clauses were included with the nine contracts,
- Independent cost estimates were completed for the nine contracts, and
- At least three bids were received for five contracts.

The Authority's contract administrator said she was not aware that the clauses and independent cost estimates were required for contracts under the small purchase threshold. However, the Authority's procurement policy quick reference states that independent cost estimates are required for contracts between \$2,000 and \$20,000.

The Authority's micropurchase threshold was \$2,000, and transactions under \$50 were administered using its petty cash procedures. We reviewed the eight purchases of goods within the small, micro, and petty cash thresholds to determine whether the Authority prepared receiving reports for the goods in accordance with its procedures. Of the eight purchases reviewed, the Authority did not prepare receiving reports for five purchases.

### **Procurement Documents Were Missing or Incomplete**

The Authority administered 17 Recovery Act grant contracts above its small purchase threshold. We reviewed the contract files and procurement documentation for all 17 contracts. The Authority did not obtain or maintain required procurement and contract documentation in accordance with HUD's requirements and its policies and procedures.

The Authority was unable to provide copies of three contracts. For one of the contracts, the Authority's contract administrator said it piggybacked on a State contract for security camera upgrades. HUD's procurement policy allows intergovernmental agreements, which can be used to purchase supplies and services through a State government's contractor. However, the policy requires the Authority to maintain a copy of the intergovernmental agreement with the State and documentation showing that cost and availability were evaluated before the agreement was executed. The Authority was unable to provide documentation showing that an independent cost estimate was completed or that it executed an intergovernmental agreement with the State.

For the remaining 14 contracts, the Authority was unable to support that it obtained the following procurement documentation:

- Performance and payment bonds for 4 contracts,
- Schedules of payments for 3 contracts,
- Independent cost estimates for 2 contracts,
- Determination of contractor responsibility for 1 contract, and
- A signed Section 3 compliance form for 1 contract.

In addition, the Authority was unable to provide justification for the use of a sole source proposal for one contract and the selection of two contractors when an insufficient number of bids was received. Further, there was no support that one contractor was provided a copy of the required contract clauses and that another received a copy of the "buy American" compliance form.

Further, for the 14 contracts executed by the Authority, the following documents were incomplete or were completed in an untimely manner:

- Independent cost estimates were not supported for 9 contracts,
- Schedules of payments were completed in an untimely manner for 5 contracts,
- Determinations of contractor responsibility were incomplete for 4 contracts,
- Schedules of payments were incomplete for 3 contracts, and
- An independent cost estimate was completed in an untimely manner for 1 contract.

## **Conclusion**

The Authority was unable to provide supporting documentation to show that its Recovery Act program grant contracts were appropriately procured and executed. This condition occurred because the Authority lacked an understanding of HUD's requirements and its policies and procedures. In addition, it lacked adequate control procedures to ensure that it appropriately administered its program grant

contracts. As a result, HUD and the Authority lacked assurance that contracts were properly procured and executed.

## **Recommendations**

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

- 3A. Ensure that its staff is properly trained and familiar with HUD's procurement requirements and its policies and procedures.
- 3B. Develop and implement adequate quality control procedures to ensure that contracts are procured and executed in accordance with HUD's requirements and its policies and procedures.

## SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed

- Applicable laws and regulations; the Recovery Act; Office of Management and Budget Circular A-87; HUD's program requirements at 24 CFR (Code of Federal Regulations) Parts 85, 135, 905, 964, 965, and 990; 29 CFR Part 5; 10 CFR Part 430; HUD's letter LR-96-01; HUD's Office of Public and Indian Housing notices; HUD Handbook 7460.8, REV-2; and HUD Guidebook 7510.1.
- The Authority's accounting records and bank statements; annual audited financial statements for fiscal years 2007, 2008, 2009, and 2010; contract files; policies and procedures; board meeting minutes for March 2009 through July 2011; organization chart; program annual contributions contract with HUD; and 5-year and annual plans.
- Contractors' accounting records, bank statements, invoices, and payroll reports.
- HUD's files for the Authority.

We also interviewed the Authority's employees and HUD's staff.

### **Finding 1**

We reviewed the materials invoices for the five contracts with purchases subject to Federal energy efficiency standards. We compared the energy ratings for the products purchased to the minimum energy efficiency standards. For the products that did not meet the minimum energy efficiency standards, we determined whether the purchases of the less efficient products were cost effective. We obtained 2009 material costs for products that met the Federal energy efficiency standards from the Authority's contractors and compared them to quotes from local companies to determine their reasonableness. To calculate the cost effectiveness, we used the Federal Energy Management Program and Energy Star usage calculators to determine annual energy savings for the products purchased and products that met the minimum energy efficiency standards quoted by the Authority's contractors. We assumed a product life of 15 years in our calculation. We compared the difference in lifetime energy costs to the price difference between the products to determine whether the purchases were cost effective.

We reviewed the payroll reports and employee interviews obtained by the Authority for the 19 construction contracts greater than \$2,000 to determine whether the Authority ensured that its contractors paid prevailing wages in accordance with the Davis-Bacon Act. We compared the payroll reports to the pay stubs provided by the contractors to determine the amounts paid to the employees. We compared the wages paid to the employees with the applicable prevailing wages.

### **Finding 2**

We reviewed the Authority's Recovery Act program grant expenditures in their entirety. We compared the account charged in the Authority's general ledger for each expense with the

account description in HUD's Indian Housing Low-Rent Technical Accounting Guidebook 7510.1G.

We reviewed the Authority's Recovery Act program contract files in their entirety to determine whether the Authority conducted inspections before issuing payments. For periodic payments, we compared the units or percentage complete reported on the contractor's invoice with the inspection reports to determine whether there was sufficient support for the periodic payment.

We reviewed the Authority's Recovery Act program grant purchases in their entirety. For small, micro, and petty cash purchases, we compared the purchase requisition dates to the (1) purchase order dates to determine whether the purchase requisitions were approved before the purchase orders were approved, (2) related invoice dates to determine whether the purchase requisitions were approved before the orders were placed, and (3) check dates to determine whether the purchase requisitions were approved before the payments were issued. We also compared the purchase order dates to the check dates to determine whether the purchase orders were approved before payments were made. Finally, we reviewed the purchase requisitions and purchase orders to determine whether they included the required approval signatures.

For contracts above the small purchase threshold, we compared the contract dates to the (1) payout request dates to determine whether the contracts were approved before payments were approved, (2) related invoice dates to determine whether the contracts were approved before work was billed, and (3) related check payment dates to determine whether the contracts were approved before payments were made. We also compared the payout request dates to the check dates to determine whether the payout requests were approved before payments were issued. Finally, we reviewed the contracts and payout requests for the required approval signatures.

### **Finding 3**

We reviewed the Authority's Recovery Act program contract files in their entirety to determine whether the Authority procured and executed the contracts in accordance with HUD's requirements and its policies and procedures.

We relied in part on data maintained by the Authority in its systems. 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 adequately reliable for our purposes.

We performed onsite audit work between August and December 2011 at the Authority's offices located at 200 North 11<sup>th</sup> Street, Springfield, IL, and 1910 Truman Road, Springfield, IL. The audit covered the period March 1, 2009, through July 31, 2011, but was expanded as determined necessary.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



# INTERNAL CONTROLS

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

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

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

## Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that the audited entity has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Reliability of financial reporting – Policies and procedures that management has implemented to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

## **Significant Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- The Authority lacked adequate procedures and controls to ensure that Recovery Act program contractors purchased products that met Federal energy efficiency standards and paid prevailing wages in accordance with the Davis-Bacon Act (see finding 1).
- The Authority lacked adequate procedures and controls to ensure that program grant expenditures were charged to the correct accounts (see finding 2).
- The Authority lacked adequate controls to ensure that inspections were performed and documented and purchases received final approval before payments were issued (see finding 2).
- The Authority lacked adequate procedures and controls to ensure that procurements were conducted in accordance with HUD's requirements and the Authority's policies and procedures (see finding 3).

## **Separate Communication of Minor Deficiencies**

We informed the Authority's executive director and the Director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated February 21, 2012.

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$86,864		
1B			\$4,346
1C		<u>\$135,454</u>	
Totals	<u>\$86,864</u>	<u>\$135,454</u>	<u>\$4,346</u>

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.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

RESPONSE TO OIG'S AUDIT FINDINGS	
<b>Finding #1 – The Authority's Contract Administration Procedures Had Weaknesses</b>	
<b>OIG Recommendation 1A</b>	<b>Reimburse \$86,864 from non-Federal funds to HUD for transmission to the U.S. Treasury for the Recovery Act program grant funds used to purchase products that did not meet the minimum Federal energy efficiency standards.</b>
<b>Management Response:</b>	<b>Disagree</b>  Upon review of the "Energy Efficiency Review" schedule, the Springfield Housing Authority referred to applicable PIH Notices and ARRA guidance for mandatory language for the purchase of "Energy Star" or "FEMP" rated equipment in modernization activities. PIH Notices reviewed are summarized below:  PIH 2007-30 (HA) <u>Using Energy Star to Promote Energy Efficiency in Public Housing</u> . The purpose is to encourage "Energy Star" as the standard for Public Housing Agencies (PHAs), encourages PHAs to implement energy saving activities, and informs PHAs that "Energy Star" expertise is available to provide valuable assistance for implementing energy conservation initiatives.  PIH 2008-25 (HA) <u>Renewable Energy and Green Construction Practices in Public Housing</u> . The Notice strongly encourages Public Housing Agencies (PHAs) to use solar, wind and other renewable energy sources and other "green" construction and rehab techniques whenever they procure for maintenance, construction or modernization.  PIH 2009-12 (HA) <u>Information and Procedures for Processing American Recovery and Reinvestment Act Capital Fund Formula Grants</u> . These funds are available to address deferred maintenance needs, including but not limited to, (1) replacement of obsolete systems and equipment with energy efficient systems and equipment that reduce consumption....  PIH 2009-25 (HA) <u>Energy Investment Guidance Under American Recovery and Reinvestment Act (Recovery Act) of 2009 (H.R. 1)</u> . Section 10 – Use of Energy Star Products and Appliances – The Energy Policy Act of 2005, section 152, states that in purchasing appliances, a PHA shall purchase energy efficient appliances

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

which are Energy Star products or FEMP-designated products, unless the purchase of energy-efficient appliances is not cost effective to the agency. When purchasing energy products under Recovery Act, PHAS should ensure that they purchase Energy Star products or FEMP-designated products, unless the purchase of energy-efficient appliance is not cost-effective to the agency. They should also amend their procurement policies accordingly to reflect provisions in the Energy Policy Act of 2005.

Language in each of the PIH Notices is not mandatory for the purchase and/or implementation of Energy Star products in modernization activities. The very nature of purchasing new equipment in the modernization projects equates to energy savings over the existing equipment that was twenty years old. In addition to the new HVAC systems installed at Brandon, the SHA also installed new siding. These measures together ensure increased energy efficiency savings per unit over the lifetime of the products installed than the existing equipment prior to modernization.

**OIG Recommendation 1B**

**Pursue collection from the applicable contractors or reimburse the appropriate employees \$4,346.14 from non-Federal funds for the underpaid wages contrary to the Davis-Bacon Act.**

**Management Response:**

**Agree / Disagree**

The schedule indicates five (5) contractors that reported underpaid wages through the Davis Bacon review.

**Comment 2**

D. Lewis Electric has provided documentation that said employees were paid the apprentice wage and provided their BAT certificate to substantiate / support apprentice wages. The SHA disputes the amount of \$2,760.45 owed to those employees from the contractor and/or non-Federal funds. The owner served as the Journeyman and provided oversight to the apprentices. He did not account for his time as wages, but as owner's draw. Attached in Exhibit I is supporting documentation relative to the apprenticeship program.

Evans Construction executed the contract 90 days after the Bid Opening and the incorrect Davis Bacon wage was utilized for this employee. The SHA agrees that the employee should be reimbursed \$14.10 from the contractor and will pursue payment to the employee.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 3**

Masters Brothers has provided documentation that said employee was paid \$18.87 per hour based on him being an apprentice registered with the state of Illinois. He was paid a rate of \$17.06 per hour plus a \$1.81 per hour in fringe benefits. The amount paid to the apprentice was 70% of the amount paid to the Journeyman on the jobsite. The SHA disputes the amount of \$380.16 owed to those employees from the contractor and/or non-Federal funds. Attached in Exhibit I is supporting documentation relative to the apprenticeship program.

**Comment 4**

Upon review with Ryan Electrical management, Ryan Electrical indicated that wages were owed to employees as reported on the schedule. The SHA agrees that the employees should be reimbursed \$1,183.37 from the contractor and will pursue payment to the employees. Attached in Exhibit I is supporting documentation that underpaid wages were provided to the employees.

**Comment 5**

Upon review with Ron Furman's Commercial Sweeping & Paving, Inc. management, Ron Furman's indicated that wages were owed to employees as reported on the schedule. The SHA agrees that employees should be reimbursed from the contractor and will pursue payment to the employees. Attached in Exhibit I is supporting documentation that underpaid wages were provided to the employees.

**OIG Recommendation 1C**

**Provide support or reimburse \$135,454 from non-Federal funds to HUD for the transmission to the U.S. Treasury for unsupported wages paid by Recovery Act program grant contractors.**

**Management Response: Disagree**

**Comment 6**

The amounts included as unsupported wages on the Davis Bacon Review Schedule include contractor costs for material, profit and overhead. During the review process, it was determined that the OIG was requiring contractors to provide total contract labor, material, profit and overhead costs on the HUD Form 51000 or any other appropriate documentation of actual costs associated with the project.

**Comment 7**

The Springfield Housing Authority has attached as Exhibit II updated HUD Form 51000 and payroll reports to substantiate accurate labor costs for the projects for Evans Construction and Ron Furman Commercial Sweeping and Paving, Inc. to satisfy this finding. Reimbursement should not be required.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 8**

**OIG Recommendation 1D**

**Management Response:**

**Action Plan**

Instead, the SHA requests that the Authority be required to develop procedures to address completion of the HUD Form 51000 and/or other applicable schedule of values to compare weekly payroll reports and/or pay requests to ensure labor is appropriately applied to each contract. The SHA maintains that funds were spent appropriately on eligible ARRA activities that modernized public housing units and directly benefitted residents. There are no adverse OIG findings. This recommendation encompasses a recording error rather than misappropriation of funds.

**Ensure that staff is trained and familiar with Federal contract requirements.**

**Agree**

The direct Modernization staff has been provided with various industry training sessions including Capital Fund and Procurement/Contract Management. Further, ARRA implementation guidance was distributed by the Executive Director to Modernization staff on a consistent and regular basis during the course of the grant program.

The SHA will provide additional training opportunities to employees (Deputy Director, Director of Finance, Construction Manager, Procurement Assistant and Contract Administrator) operating in functions relative to ARRA programs and/or Capital Fund programs in areas inclusive of, but not limited to the following: Capital Fund, Procurement and Contract Management, Section 3 and Labor Standards, Davis Bacon Implementation, etc. to ensure further compliance with HUD rules and regulations. They will attend annual and semi-annual refresher courses as available to stay abreast of applicable rules and regulations.

**OIG Recommendation 1E**

**Management Response:**

**Comment 8**

**Develop and implement procedures to ensure contractors follow Federal requirements.**

**Agree**

**Action Plan** Although the OIG review identified areas in need of improvement, the Springfield Housing Authority reviews and revises its policies and procedures on an annual basis to ensure compliance with HUD rules and regulations. The SHA will update its file management process as it relates to tying all three components together within contract administration (i.e. Davis Bacon/certified payroll

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 9**

	review, contractor requests for payment and inspection of work items prior to approval of payment requests).
	<b>Finding #2 – The Authority Did Not Appropriately Administer Its Grant Funds</b>
<b>OIG Recommendation 2A</b>	<b>Update its policies for the classification of expenses to ensure they agree with HUD’s requirements and ensure that its staff is properly trained and familiar with the classification requirements.</b>
<b>Management Response:</b>	<b>Agree</b>
<b>Action Plan</b>	The Springfield Housing Authority agrees that 97% of the review finding included two (2) misclassification of products that benefitted the residents (i.e. security cameras and safe-T elements to prevent cooking fires). The other 3% was relative to misclassification of advertising costs associated with invitation for bid releases. The misclassifications were corrected while the OIG auditors were on site and did not negatively impact the 10% cap on administrative funds for the ARRA grant.  The Director of Finance and/or the Finance Manager will review classifications as necessary to ensure compliance with HUD’s Public and Indian Housing Low-Rent Technical Accounting Guidebook.
<b>OIG Recommendation 2B</b>	<b>Develop and implement adequate quality control procedures to ensure that inspections are performed to ensure construction work is complete and approval is obtained before payments are made.</b>
<b>Management Response:</b>	<b>Agree / Disagree</b>
<b>Action Plan</b>	The Springfield Housing Authority Modernization Department conducted site inspections as the work was being completed; however the reports were not included in the contract file each and every inspection. In addition to any other site inspection reports in the contract file, appropriate staff will conduct a site inspection as each Contractor Pay request is presented and attach the written site inspection report to the pay request. Payments to contractors will not be made without the site inspection report attached to the applicable pay request. Further, the Deputy Director will conduct quality control reviews of a percentage of contract files to ensure compliance with HUD rules and regulations.



**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 10**

The recommendation summary contained within the audit report indicates that invoices were received prior to final approval of purchase requisitions by the Executive Director and that payments were made prior to final approval of purchase orders. The SHA provided additional documentation to the auditors that the Director of Finance and/or the Deputy Director have signatory authority on purchase requisitions to move the procurement process along efficiently. Attached in Exhibit III is supporting documentation that signatory authority was provided to the Deputy Director and Director of Finance for purchases made by the SHA. The SHA will further review its current Procurement Policy to ensure that standard operating procedures do not conflict with policies and make necessary adjustments.

**Finding #3 – The Authority’s Procurement Procedures Had Weaknesses**

**OIG Recommendation 3A**

**Ensure that staff is properly trained and familiar with HUD’s procurement requirements and its policies and procedures.**

**Management Response: Agree**

The direct Modernization staff has been provided with various industry training sessions including Capital Fund and Procurement/Contract Management. Further, ARRA implementation guidance was distributed by the Executive Director to Modernization staff on a consistent and regular basis during the course of the grant program.

**Comment 8**

The SHA will provide additional training opportunities to employees (Deputy Director, Director of Finance, Construction Manager, Procurement Assistant and Contract Administrator) operating in functions relative to ARRA programs and/or Capital Fund programs in areas inclusive of, but not limited to the following: Capital Fund, Procurement and Contract Management, Section 3 and Labor Standards, Davis Bacon Implementation, etc. to ensure further compliance with HUD rules and regulations. They will attend annual and semi-annual refresher courses as available to stay abreast of applicable rules and regulations.

**OIG Recommendation 3B**

**Develop and implement quality control procedures to ensure that contracts are procured and executed in accordance with HUD’s requirements and its policies and procedures.**

**Management Response:**

**Agree**

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 8**

**Action Plan**

The Deputy Director and/or Director of Finance will conduct quality control reviews of a percentage of contract files to ensure compliance with HUD rules and regulations inclusive of, but not limited to Independent Cost Estimates, Schedule of Payments, Performance and Payment Bonds, Section 3 Compliance, etc.

## OIG Evaluation of Auditee Comments

- Comment 1** Public and Indian Housing Notice 2009-25, Section 10, states that a public housing authority shall purchase energy efficient appliances which are Energy Star products or Federal Energy Management Program (FEMP) designated products, unless the purchase of energy-efficient appliances is not cost effective to the agency. During our review, we determined whether the products purchased that did not meet the minimum energy-efficiency requirements were cost effective. The \$86,864 cited in the finding is for products that did not meet the energy-efficiency requirements and were not cost effective.
- Comment 2** We reviewed the documents provided and reduced Recommendation 1B by \$2,760.
- Comment 3** The apprenticeship agreement provided stated that it did not constitute a certification for the employment of the apprentice on Federally-financed construction projects. A current certification from the Bureau of Apprenticeship and Training of the recognized State Apprenticeship Agency is required to support the employee's apprenticeship status.
- Comment 4** We reviewed the documents provided and reduced Recommendation 1B by \$622. However, the documentation provided did not include support for the repayment of \$561 of the \$1,183.
- Comment 5** We commend the Authority's efforts to ensure that employees were paid according to the Davis-Bacon Act and ensure that they receive the appropriate reimbursements.
- Comment 6** In an attempt to determine whether contractors correctly paid wages in accordance with the Davis-Bacon Act, we requested that contractors provide us with an itemization of costs. As the Authority states in the following paragraph, the documentation that it maintained did not ensure that labor was appropriately applied to each contract.
- Comment 7** We reviewed the documentation provided and Recommendation 1C was reduced by \$72,328 and Recommendation 1B was increased by \$5. The annual contributions contract between HUD and the Authority states that the Authority must maintain complete and accurate books of account for its projects in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements. There currently is an OIG finding on this matter. Only the payroll records and cancelled payroll checks will support whether there is record keeping issue or a misuse of Recovery Act funds.
- Comment 8** The actions taken, in process, and proposed by the Authority, if fully implemented, should improve its program operations.

**Comment 9** No documentation was provided to support that the misclassifications were corrected. However, we agree that there was no negative impact on the 10 percent cap on administrative funds for the grant.

**Comment 10** The supporting documentation for signatory authority was provided during the audit and the review was adjusted based on the updated policy. The finding cited in this report includes purchases that were administered contrary to these procedures.

## Appendix C

### FEDERAL REQUIREMENTS AND THE AUTHORITY'S PROGRAM ADMINISTRATIVE PLAN

#### Finding 1

Section 1606 of the Recovery Act states that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act must be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of Title 40, United States Code.

The Energy Policy Act of 2005 states that in purchasing appliances, a public housing authority must purchase energy-efficient appliances that are Energy Star products or Federal Energy Management Program-designated products, as such terms are defined in Section 553 of the National Energy Conservation Policy Act, unless the purchase of energy-efficient appliances is not cost effective to the agency.

Regulations at 24 CFR 965.306 state that in purchasing original or replacement equipment, public housing authorities must acquire only equipment that meets or exceeds the minimum efficiency requirements established by the U.S. Department of Energy.

U.S. Department of Labor regulations at 29 CFR 5.5(a) state that the agency head must cause or require the contracting officer to insert in full in any contract in excess of \$2,000, which is entered into for the actual construction, alteration, or repair, including painting and decorating, of a public building or public work or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant, or annual contribution, and which is subject to the labor standards provisions, the labor standards clauses.

U.S. Department of Labor regulations at 29 CFR 5.5(a)(3)(i) state that contractors employing apprentices or trainees under approved programs must maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

HUD letter LR-95-01, part III, states that owners of businesses working with their crew on the same HUD-assisted job site may certify to the payment of their own prevailing wages in conjunction with the prevailing wages paid to their employees. This exception to reporting standards does not suggest that such owners are not likewise entitled to prevailing wages for their labor. Rather, it accepts the wage payment certification on weekly payroll reports by the owner for his or her own wages as that certification accompanies the certification offered for the payment of prevailing wages to his or her employees. Such owners need only list their name,

work classification including “owner,” and the daily and total hours worked. Such owners do not need to list a rate of pay or amounts earned.

Public and Indian Housing Notice 2009-25, section 10, states that the Energy Policy Act of 2005 states that in purchasing appliances, a public housing authority shall purchase energy efficient appliances which are Energy Star products or Federal Energy Management Program designated products, unless the purchase of energy-efficient appliances is not cost effective to the authority.

Section 15(A) of the Annual Contributions Contract between HUD and the Authority states the Authority must maintain complete and accurate books of account for its projects in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audit.

The Authority’s Modernization Department Standard Operating Procedures, Contracting Process, section C, page 19, states that there are only two conditions in which Davis-Bacon prevailing wages do not apply to a contract: contracts under \$2,500 or if an owner of a contracted company is also the one doing the work and has not employed anyone else to assist him in that work.

The Authority’s Modernization Department Standard Operating Procedures, Contracting Process, section C, page 20, states that an Authority representative will be on the job site conducting employee interviews for workers to ensure compliance with Federal regulations. Apprentices will be permitted to work at less than the predetermined rate for the work they perform when employed and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor. Copies of the apprentice certification identifying ratio will be requested. If none is provided, that employee is entitled to prevailing wages.

## **Finding 2**

HUD’s Public and Indian Housing Low-Rent Technical Accounting Guidebook 7510.1G states that account 1410.19, Administration, must be charged with all items of administrative and general expense incurred in connection with the planning and development of the project for which a specific account is not provided in the 1410 group of accounts. Charges to this account include advertising costs in connection with procuring bids for demolition, construction, landscaping, and other contracts for development work; the cost of postage; messenger service expenses; and incidental express, freight, and drayage not identified with and charged to the same account as the article shipped.

HUD’s Public and Indian Housing Low-Rent Technical Accounting Guidebook 7510.1G states that account 1465, Dwelling Equipment, must be charged with the cost of all ranges, refrigerators, individual space heaters which are not connected to ducts or pipes for the distribution of heat, shades, screens, and other similar equipment.

HUD’s Public and Indian Housing Low-Rent Technical Accounting Guidebook 7510.1G states that account 1475.4, Non-Dwelling Equipment, must be used for recording the cost of computers and peripheral equipment. Computer equipment is defined to include central processing and

peripheral equipment such as input and output machines, data preparation machines, data storage machines, and major components which upgrade the processing of computers and peripheral equipment.

The Authority's procurement policy, section II(B), states that the executive director or his or her designee must ensure that work is inspected or goods are received before payment.

Section II(C)(3)(9) of the policy states that when the purchasing agent receives an approved purchase requisition, he prepares and signs the purchase order and it is attached to the purchase requisition package and separated. Once the goods have been received, the purchasing agent will send the completed purchase order package to the account tech 1, who will attach the copy of the invoice to the purchase order, which is then forwarded to the director of finance and administration. The director of finance and administration will review the invoice against the materials billed and approve the purchase order and sign for payment. The director of finance and administration will return the approved purchase order package to the account tech 1 for payment processing.

Section A(1), Quick Reference, of the policy states that all goods and services must be generated by a purchase requisition.

Section A(2), Quick Reference, of the policy states that the requisition routing schedule normally takes between 2 and 7 business days, depending on the type of procurement. It says that the employee must complete a purchase requisition and forward it to the area manager for approval, the area manager should forward the purchase requisition to the Procurement Department, and the Procurement Department will process and forward it for (1) deputy director approval, (2) director of finance and administration approval, and (3) executive director approval. Once the purchase requisition has received all required approvals, the goods or services will be ordered via a purchase order.

### **Finding 3**

Regulations at 24 CFR 85.36(f)(1) state that grantees must make independent estimates before receiving bids or proposals.

Regulations at 24 CFR 85.36(h) state that for construction or facility improvement contracts exceeding the simplified acquisition threshold, the minimum requirements must be (1) a bid guarantee from each bidder equivalent to 5 percent of the bid price, (2) a performance bond on the part of the contractor for 100 percent of the contract price, and (3) a payment bond on the part of the contractor for 100 percent of the contract price.

HUD Handbook 7460.8, REV-2, paragraph 3.2(D), states that the contracting officer must prepare or have prepared an independent cost estimate commensurate with the purchase requirement. The level of detail will depend upon the dollar value of the proposed contract and the nature of the goods or services to be acquired.

HUD Handbook 7460.8, REV-2, paragraph 5.10(B), states for contracts greater than \$2,000 but less than \$100,000, public housing authorities must incorporate the clauses contained in form HUD-5370-EZ, General Conditions for Small Construction/Development Contracts, and the applicable Davis-Bacon wage decision.

HUD Handbook 7460.8, REV- 2, paragraph 14.2(A)(4), states that the public housing authority's procurement files must contain a copy of the intergovernmental agreement and documentation showing that cost and availability were evaluated before the agreement was executed.

HUD Handbook 7460.8, REV-2, paragraph 14.2(B)(5), states that intergovernmental agreements may include purchasing supplies and services through a State government's contractor.

The Authority's procurement policy, section II(B)(5), states that an independent cost estimate must be prepared before a solicitation.

The Authority's procurement policy, section IV(A), states that procurements must be conducted only with responsible contractors and vendors; that is, those who have the technical and financial competence to perform and who have a satisfactory record of integrity. Before awarding a contract, the Authority must review the proposed contractor's ability to perform the contract requirements successfully, considering factors such as the contractor's integrity (including a review of the General Services Administration's list of parties excluded from Federal procurement and nonprocurement programs), HUD's list of suspended and debarred contractors, compliance with public policy, record of past performance (including contacting previous clients of the contractor including other public housing authorities), and financial and technical resources.