



Issue Date	July 20, 2011
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Audit Report Number	2011-SE-1007
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TO: Harlan Stewart, Director, Office of Public Housing, OAPH

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FROM: Ronald J. Hosking, Regional Inspector General for Audit, OAGA

SUBJECT: King County Housing Authority, Tukwila, WA, Generally Complied With Recovery Act Capital Fund Competition Grant Requirements

## **HIGHLIGHTS**

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

We audited King County Housing Authority to determine whether its expenditures for three Recovery Act Capital Fund Competition Grants were appropriate, eligible, and adequately supported and whether related procurements were made in accordance with 24 CFR (Code of Federal Regulations) Part 85 and Recovery Act requirements. We selected the Authority because it received more than \$16 million in Recovery Act Capital Fund Competition Grant funds.

### **What We Found**

The Authority generally ensured that its Recovery Act Capital Fund Competition Grant expenditures for the three grants were appropriate, eligible, and adequately supported and that materials and services were properly procured.

### **What We Recommend**

This report contains no recommendations, and no further action is necessary with respect to this report.

### **Auditee's Response**

We provided a draft report to the Authority's officials on June 21, 2011. They chose not to have an exit conference or provide a written response.

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## **BACKGROUND AND OBJECTIVE**

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### **King County Housing Authority**

The King County Housing Authority is a municipal corporation established in 1939 by the State of Washington to provide affordable housing and related services. The Authority is governed by a five-member board of commissioners appointed for 5-year terms by the King County executive. Its primary area of operation is King County, except for the cities of Seattle and Renton, and it owns or controls 115 residential complexes with 8,468 units through U.S. Department of Housing and Urban Development (HUD)-subsidized and local programs. The Authority schedules approximately \$14 million in capital improvements each year.

### **Recovery Act Capital Fund Competition Grants**

The Recovery and Reinvestment Act of 2009 included a \$4 billion appropriation for the Public Housing Capital Fund program, which provides funds annually to public housing agencies for the development, financing, and modernization of public housing developments and for management improvements. The Recovery Act required \$3 billion to be distributed as formula grant funds, with the remaining \$1 billion to be distributed through a competitive process. Competitive grants were issued in the following categories:

1. Improvements addressing the needs of the elderly and/or persons with disabilities;
2. Public housing transformation;
3. Gap financing for projects that are stalled due to financing issues; and
4. Creation of energy-efficient, green communities.

HUD awarded the Authority 17 Recovery Act Capital Fund Competition Grants totaling more than \$16 million. Thirteen of these grants involve improvements addressing the needs of the elderly and/or persons with disabilities, three involve the creation of energy efficient, green communities, and one involves gap financing for a project that was stalled due to financing issues.

Our objective was to determine whether its expenditures for three Recovery Act Capital Fund Competition Grants were appropriate, eligible, and adequately supported and whether related procurements were made in accordance with 24 CFR (Code of Federal Regulations) Part 85 and Recovery Act requirements.

## RESULTS OF AUDIT

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### The Authority Generally Complied With Recovery Act Capital Fund Competition Grant Requirements

We reviewed the project files for the three Recovery Act Capital Fund Competition Grants in the table below to determine whether the Authority's expenditures were appropriate, eligible, and adequately supported and whether related procurements were made in accordance with 24 CFR Part 85 and Recovery Act requirements.

Grant number	Project name	Purpose	Amount
WA00200020709E	Wells Wood/ Juanita Trace	Improve accessibility for the elderly and/or disabled persons	\$ 82,610
WA00200015209R	Briarwood	Improve energy efficiency	\$1,706,245
WA00200034109F	Greenbridge V	Build 24 units at a project stalled due to financing issues	\$6,679,129

Our review determined that the Authority adequately documented that these expenditures were appropriate, eligible, and supported and that materials and services were properly procured.

In addition, we inspected the 24 newly constructed units at Greenbridge V and determined that the cost was reasonable and the workmanship was of good quality.

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### Recommendations

This report contains no recommendations, and no further action is necessary with respect to this report.

## SCOPE AND METHODOLOGY

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Our audit period covered March 2009 through February 2011. We reviewed 3 of the 17 grants the Authority received in the Recovery Act Capital Fund Competition Grant process, encompassing almost \$8.5 million of the \$16 million total. We performed our fieldwork between March and May 2011 at the Authority's main office at 600 Andover Park West, Tukwila, WA, its Capital Construction Department at 625 Andover Park West, Tukwila, WA, and its Greenbridge development in the unincorporated area of White Center, WA.

To accomplish our objective, we interviewed Authority staff and reviewed the Authority's financial records and project files. We also reviewed the construction plans for and inspected all of the 24 units at the Greenbridge V development.

### **Sample Selection**

Of the 17 competitive grants, we selected 1 from each of the 3 categories of Recovery Act Capital Fund Competition Grants (see Background and Objectives) the Authority received. We chose Wells Wood/Juanita Trace, the most complete of the 13 grants for improving accessibility for disabled persons at the time of our review; Briarwood, the largest of 3 grants for improving energy efficiency; and Greenbridge V, the only gap financing grant. We inspected all 24 units at Greenbridge V to determine whether the construction cost was reasonable. We used HUD's Line of Credit Control System for background information only and did not base any conclusions on these data.

We relied on computer-processed data maintained by the Authority for tracking Capital Fund activities. Based on our assessment and testing of these data, we concluded that the data were sufficiently reliable for our 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 findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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

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

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

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## Relevant Internal Controls

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

- Policies implemented to reasonably ensure that Recovery Act Capital Fund Competition Grant projects are managed efficiently and effectively.
- Policies implemented to reasonably ensure that the Recovery Act Capital Fund Competition Grant program is managed consistently with Recovery Act and HUD requirements.

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

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.