Issue Date September 29, 2011	
Audit Report Number 2011-AO-1007	

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

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

SUBJECT: Jefferson Parish Housing Authority, Marrero, LA, Did Not Always Comply With Public Housing Capital Fund Stimulus Recovery Act Obligation, Procurement, and Reporting Requirements

HIGHLIGHTS

What We Audited and Why

We audited the Jefferson Parish Housing Authority's Public Housing Capital Fund Stimulus (formula) Recovery Act-funded grant as a part of our annual audit plan and goal to review funds provided under the American Recovery and Reinvestment Act of 2009. Our objective was to determine whether the Authority followed Recovery Act requirements. Specifically, we wanted to determine whether it (1) expended Recovery Act funds in accordance with requirements, (2) maintained inventory controls over its fixed assets to ensure that Recovery Act funds were used efficiently, (3) obligated Recovery Act funds in accordance with requirements, (4) followed the Recovery Act requirements when procuring goods or services, and (5) accurately reported its Recovery Act activities.

What We Found

The Authority generally ensured that it followed Recovery Act requirements when expending Recovery Act funds and maintaining inventory controls over its fixed assets, although we identified minor deficiencies in these areas. However, it did not properly obligate part of its Recovery Act funding by the obligation deadline and made purchases in excess of its need. In addition, the Authority did not always properly conduct its Recovery Act procurements. We attribute these issues to the Authority (1) not understanding the Recovery Act obligation requirements, (2) not being aware of the applicable Federal cost principles related to allowable costs, (3) not following its own procurement policies and procedures, and (4) not following Recovery Act procurement requirements. Consequently, it incurred $79,511 in ineligible and $30,000 in unsupported costs and could not provide reasonable assurance that Recovery Act funds were used effectively and efficiently or to benefit program participants.

The Authority did not always completely or accurately report its Recovery Act activities and submitted its final Recovery Act report before it expended all of its Recovery Act funds. We attribute these issues to the Authority not understanding the Recovery Act reporting process and not providing adequate oversight of its contractor. Consequently, the public did not have access to accurate information, and the Authority's use of Recovery Act funds was not transparent.

What We Recommend

We recommend that the U.S. Department of Housing and Urban Development's (HUD) Director of Public Housing require the Authority to (1) repay $79,511 in ineligible costs, and (2) support $30,000 or repay any amounts it cannot support. In addition, as related to its Federalreporting.gov submissions, HUD should require the Authority to (1) correct inaccurate data entered for the third and fourth quarters of 2009 and the first, second, and third quarters of 2010 and (2) correct and resubmit its final report in the correct reporting period, and submit the missing reports for the fourth quarter of 2010 and first quarter of 2011.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. 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 September 14, 2011, and held an exit conference with the Authority on September 19, 2011. We asked the Authority to provide written comments to the draft report by September 20, 2011, and it provided written comments on September 19, 2011. The Authority generally disagreed with finding one, but agreed with finding 2. 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 Jefferson Parish Housing Authority is a public housing agency located at 1718 Betty Street, Marrero, LA. The Authority manages 200 public housing units, 100 apartments, and 4,663 Section 8 vouchers.

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, HUD and the Authority executed amendment number 16 to the Authority's annual contributions contract, in which HUD agreed to provide Recovery Act assistance to the Authority in the amount of $390,538.

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.[1] 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 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. However, HUD recaptured $11,000 of the Authority's obligated funding due to a lack of documentation supporting that the Authority committed the $11,000 before the March 17, 2010, obligation deadline. Thus, HUD amended the Authority's Recovery Act annual contributions contract, effective January 5, 2011, to reduce the grant to $379,538. As of May 3, 2011, the Authority had spent its entire Recovery Act Capital Fund grant totaling $379,538.

Our objective was to determine whether the Authority followed the Recovery Act requirements. Specifically, we wanted to determine whether the Authority (1) expended Recovery Act funds in accordance with requirements, (2) maintained inventory controls over its fixed assets to ensure that Recovery Act funds were used efficiently, (3) obligated Recovery Act funds in accordance with requirements, (4) followed Recovery Act requirements when procuring goods or services, and (5) accurately reported its Recovery Act activities.

[1] 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 did not obligate 100 percent of its Recovery Act funding by the required March 17, 2010, obligation deadline and purchased 66 refrigerators in excess of its need. In addition, the Authority did not always properly conduct its Recovery Act procurements. These conditions occurred because the Authority (1) did not understand Recovery Act obligation requirements, (2) was not always aware of the applicable Federal cost principles related to allowable costs, (3) did not follow its own procurement policies and procedures, and (4) did not follow Recovery Act procurement requirements. As a result, it incurred $79,511 in ineligible costs and $30,000 in unsupported costs and could not provide reasonable assurance that Recovery Act funds were used effectively and efficiently or to benefit program participants.

Recovery Act Funds Were Not Obligated by the Required Deadline

The Authority failed to obligate all of its Recovery Act funds by the required deadline. HUD's Office of Public and Indian Housing (PIH) Notice 2009-12 required the Authority to obligate 100 percent of the Recovery Act funds and record the obligation in LOCCS by March 17, 2010. If the Authority did not comply, HUD could recapture the funds that were not obligated by the deadline, and the Authority would no longer be authorized to expend that funding. The Notice[2] defines an obligation as the cumulative amount of commitments entered into by the Authority.

A review of LOCCS data determined that as of February 3, 2010, the Authority reported that it had obligated $390,538. According to its annual statement, this amount included $100,000 for refrigerators and $249,538 for flooring work.[3]

The Authority obtained the refrigerators using the small purchase procurement procedures; however, the Authority did not purchase or have a commitment for all of the refrigerators before March 17, 2010, as shown below.

Refrigerators		
Description	**Eligibility determination**	**Dollar amount**
50 refrigerators purchased before March 17, 2010	Eligible	$21,250
185 refrigerators purchased after March 17, 2010	Ineligible	$78,625
Amount not used toward refrigerator purchases	Ineligible	$125
Total amount allocated to refrigerators		$100,000

[2] Paragraph VII.
[3] The remaining grant amount was $11,000 for site improvements and $30,000 for fees and costs.

The Authority could provide documentation showing only that it purchased 50 refrigerators, totaling $21,250, before the obligation deadline. It purchased the remaining 185 refrigerators after the obligation deadline, generating $78,625 in ineligible costs. In addition, since the refrigerators cost $425 each, the Authority used only $99,875 of the $100,000 set aside for the refrigerators, leaving a balance of $125. Therefore, the Authority did not have a commitment; thus, no obligation before the obligation deadline, generating a total of $78,750 in ineligible costs related to the refrigerators.

Additionally, although the Authority reported that it obligated $249,538 for flooring work, the actual contract amount used to obligate the funds totaled $248,777, a $761 difference. Since the contract totaled only $248,777, the Authority did not have a commitment for the remaining $761; and therefore no obligation before the obligation deadline, generating $761 in ineligible costs.

Excess Refrigerators Were Purchased

The Authority purchased more refrigerators than it needed. According to 2 CFR Part 225, appendix A, an allowable cost must be (1) necessary and reasonable for proper and efficient performance and administration of Federal awards and (2) allocable to Federal awards. HUD also provided guidance[4] to housing authorities explaining that inventories should not get too large and unnecessarily tie up funds which it could use for other important items. It also stated that well-run housing authorities should consider that excess inventory would take up storage space, which is normally limited in smaller housing authorities such as the Authority.

Despite this guidance, the Authority purchased 235 refrigerators but only needed 169, leaving 66 excess refrigerators that it had kept in storage for more than a year.[5] Additionally, although the Authority stated that 33 residents refused the new refrigerators; it should have ensured it needed the refrigerators before purchasing them. The purchase of these excess refrigerators (1) tied up Recovery Act funds[6] that could have been used for another purpose, (2) was not reasonable or necessary, and (3) was not allocable to the Recovery Act funds since the Authority had not capitalized on the expected benefit.

Procurements Were Not Properly Conducted

The Authority did not always properly conduct its Recovery Act procurements. Recovery Act requirements in PIH Notice 2009-12 required the Authority to

[4] HUD Maintenance Guidebook 1 - Chapter 8, Inventory Procurement
[5] The Authority purchased the refrigerators between March and May 2010.
[6] We are not disallowing the amount paid for these 66 refrigerators ($28,050) based upon the criteria in this section, since the amount is already included in the funds deemed unallowable under the obligation discussion (above) related to the refrigerators.

follow 24 CFR Part 85, which includes procurement requirements. The Authority conducted four procurements, in which it paid its contractors and vendors a total of $379,538, resulting in two executed contracts, one vendor selection, and one contractor selection as shown in the table below.

Contractor/vendor	Description of services	Contract/vendor payments
Continental Flooring Company, Inc.	Replace tile within selected Authority public housing units	$248,774
Louisiana Housing Development Corporation	Construction management	$30,000
Lowe's Home Centers, Inc.	Purchase energy star appliances - refrigerators	$99,875
Show Me Quality Construction, LLC	Replace tile within selected Authority public housing unit	$889[7]
Total		$379,538

A review of the four procurement files determined that the Authority did not always comply with its policies and procedures or Federal requirements. As specifically related to the Louisiana Housing Development Corporation, along with other issues,[8] the procurement file did not include (1) documentation showing that the Authority conducted an independent cost estimate or price analysis or (2) sufficient documentation showing that the costs incurred were reasonable. When asked, the Authority could not provide documentation and, therefore, could not support that the $30,000 paid to the Corporation for this contract was reasonable.

Although they did not affect the eligibility of costs, other violations identified in the remaining three procurement files included a lack of documentation showing that the Authority

- Had sufficient records to detail the history of its procurement,[9] such as an executed contract, and notifications to the rejected bidders;
- Ensured that it did not purchase unnecessary or duplicative items;[10]
- Verified that it selected licensed, eligible, and nondebarred contractors;[11]
- Included required clauses in contracts, such as the value-engineering clause;[12]
- Prohibited procuring with geographical preferences in evaluating bids;[13]
- Monitored its contractors;[14] and

[7] The total amount paid to Show Me Quality Construction was $2,161; however, the amount funded by the Recovery Act was $889.

[8] The Corporation procurement file also did not include (1) a rationale for the procurement method selected; (2) notifications to rejected bidders; (3) a certification or documentation showing that the Authority verified that the bidders and the selected contractor were licensed, eligible, and not debarred; (4) assurance that unnecessary or duplicative items were not purchased; and (5) adequate documentation supporting that the Authority monitored the contractor. The Authority also did not ensure that it gave priority to Recovery Act projects by awarding the contract based on bids within 120 days from February 17, 2009.

[9] 24 CFR 85.36(b)9

[10] 24 CFR 85.36(b)4

[11] 24 CFR 941.205(d)

[12] 24 CFR 85.36(i) and 24 CFR 85.36(b)7

[13] 24 CFR 85.36(c)2

- Ensured that it gave priority to Recovery Act projects by awarding the contract based on bids within 120 days from February 17, 2009.[15]

The Authority Did Not Understand or Follow Requirements

The Authority did not understand Recovery Act obligation requirements. It stated that it believed that by obtaining three quotes for the purchase of the refrigerators, it met the obligation requirements. Although sufficient to meet the procurement requirements, this action did not meet Recovery Act obligation requirements. After we questioned the eligibility of the obligation for the refrigerators, the executive director provided a letter, dated March 1, 2010, addressed to Lowe's, stating that the Authority wanted to purchase 200 refrigerators. However, this letter (1) did not fully address the number of refrigerators purchased, as the Authority purchased 235 refrigerators; (2) was not located in the Authority's original or HUD's files; and (3) was not accompanied by corresponding documentation from Lowe's, showing that Lowe's ordered or planned to order the refrigerators. Therefore, the Authority did not meet Recovery Act obligation requirements and further showed that it did not understand the requirements.

In addition, the Authority was not always aware of Federal cost principles related to allowable costs. Authority staff admitted that the Authority had limited storage space, indicating that the Authority did not adequately consider its need and available storage space when purchasing the excess refrigerators.

Further, when conducting its Recovery Act procurements, the Authority did not comply with its own procurement policies and procedures, Federal procurement requirements, or HUD procurement guidance. For example, although HUD provided the Authority with a procurement checklist to ensure compliance with Federal requirements, the Authority did not use the checklist when conducting its procurements.

Conclusion

Because the Authority did not comply with Federal regulations when obligating Recovery Act funds, it incurred $79,511 in ineligible costs and $30,000 in unsupported costs. Additionally, it could not provide reasonable assurance that it used Recovery Act funds effectively and efficiently or to benefit program participants.

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[14] 24 CFR 85.40
[15] Notice PIH 2009-12

Recommendations

Since the Authority had completed its Recovery Act program, we did not provide recommendations related to the causes or the procurement violations, for this finding. However, we do recommend that HUD's Director of Public Housing require the Authority to

1A. Repay to the U.S. Treasury $78,750 in ineligible costs paid for refrigerators that it did not obligate by March 17, 2010.

1B. Repay to the U.S. Treasury $761 for ineligible costs paid for flooring installation that that it did not obligate by March 17, 2010.

1C. Support the cost reasonableness of the $30,000 paid to the Louisiana Housing Development Corporation or repay to the U.S. Treasury any amounts it cannot support.

Finding 2: The Authority Did Not Properly Report Its Recovery Act Activities

The Authority did not always follow Federal requirements when entering Recovery Act information into Federalreporting.gov. Specifically, it did not always completely or accurately report its Recovery Act (1) project information, (2) grant funds received or invoiced, (3) expenditure amounts, (4) vendors and vendor transactions or payments, or (5) number of jobs created or retained. In addition, the Authority submitted its final Recovery Act report before it expended all of its Recovery Act funds. These conditions occurred because the Authority did not understand the Recovery Act reporting process and did not provide adequate oversight of its contractor to ensure that the contractor accurately reported Recovery Act information. As a result, the public did not have access to accurate information related to the Authority's expenditures of Recovery Act funds, and the Authority's use of Recovery Act funds was not transparent.

Incomplete or Inaccurate Information Was Reported

The Authority did not completely or accurately report on all items required by the Recovery Act. Recovery Act reporting requirements in 2 CFR Part 176 required the Authority to report the following information in Federalreporting.gov, a nationwide data collection system:

- Amount of the Recovery Act grant award,
- Project information including the award and project descriptions,
- Grant funds invoiced or received,
- Expenditure amounts,
- Listing of vendors receiving Recovery Act funds,
- Vendor transactions or payments, and
- Number of jobs created or retained.

In addition, Office of Management and Budget (OMB) guidance M-09-21 required the Authority to establish internal controls to ensure data quality, completeness, and accuracy and the timely reporting of its Recovery Act funds.

The Authority submitted its reports in a timely manner. However, when it reported on the items required by the Recovery Act, it did not always ensure that it reported complete and accurate information as shown in the table below.[16]

[16] See Appendix C for a complete list of specific reporting issues identified.

Were the items required by the Recovery Act reported completely or accurately for reports submitted (yes or no)?					
Reporting element	**July-September 2009 (3rd quarter)**	**October-December 2009 (4th quarter)**	**January-March 2010 (1st quarter)**	**April-June 2010 (2nd quarter)**	**July-September 2010 (3rd quarter)**
Recovery Act grant award amount	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Project information	**No**	**No**	**No**	**No**	**No**
Grant funds received or invoiced	**Yes**	**Yes**	**No**	**No**	**No**
Expenditure amounts	**Yes**	**Yes**	**No**	**No**	**No**
Listing of vendors receiving Recovery Act grant funds	**No**	**No**	**No**	**Yes**	**Yes**
Vendor transactions or payments	**N/A**[17]	**N/A**[18]	**No**	**No**	**No**
Number of jobs created or retained	**Yes**	**Yes**	**No**	**No**	**No**

As shown in the table above, for all of the quarterly reports submitted, the Authority did not accurately report its project information, including the award and project descriptions. For the third quarter of 2009, the Authority did not enter a project or award description. As an example related to the award description, two of five reports showed that 200 units received refrigerators; however, only 169 units received refrigerators.

In addition, for three of five quarterly reports, the Authority did not accurately report the (1) grant funds received or invoiced, (2) expenditure amounts, (3) listing of vendors receiving Recovery Act grants funds or the vendor transactions or payments, or (4) number of jobs created or retained.

Reported grant funds received or invoiced not accurate: For the first quarter of 2010, the Authority underreported its grant funds received or invoiced by $21,250, and for the second and third quarters of 2010, it over reported its grant funds received or invoiced by $29,023 and $11,889, respectively. Grant funds received or invoiced amounts reported are shown in the table below.

[17] Payments had not been made to vendors; therefore, the item was not applicable.
[18] Payments had not been made to vendors; therefore, the item was not applicable.

Grant funds received or invoiced			
Quarterly reporting period	**Reported amount**	**Actual amount**	**Difference (underreported)/ over reported**
July-September 2009 (3rd)	$0	$0	
October-December 2009 (4th)	$0	$0	
January-March 2010 (1st)	$21,250	$42,500	($21,250)
April-June 2010 (2nd)	$378,649	$349,626	$29,023
July-September 2010 (3rd)[19]	$390,538	$378,649	$11,889

Reported expenditures not accurate: As related to the expenditure amounts, for the first quarter of 2010, the Authority underreported its expenditures by $10,625 and for the second and third quarters of 2010, the Authority over reported its expenditures by $132,679 and $11,889, respectively. Expenditure amounts reported are shown in the table below.

Expenditure amounts			
Quarterly reporting period	**Reported amount**	**Actual amount**	**Difference (underreported)/ over reported**
July-September 2009 (3rd)	$0	$0	
October-December 2009 (4th)	$0	$0	
January-March 2010 (1st)	$21,250	$31,875	($10,625)
April-June 2010 (2nd)	$378,649	$245,970	$132,679
July-September 2010 (3rd)[20]	$390,538	$378,649	$11,889

Vendors and vendor payments not included: Once the Authority selected or procured a vendor, it did not always include the vendors in its reported data and did not always accurately report the payment amounts made to its vendors. For example, the Authority did not include the Louisiana Housing Development Corporation during the third and fourth quarters of 2009 and first quarter of 2010. In addition, it did not report vendor payments made to Lowe's in the first quarter of 2010, and the vendor payments reported for Continental were not accurate for the first quarter of 2010 through the third quarter of 2010.

Number of jobs created or retained not accurate: OMB guidance M-10-08 required the Authority to use the formula below to calculate the number of jobs.

$$\frac{\text{Total Number of Hours Worked and Funded by Recovery Act within Reporting Quarter}}{\text{Quarterly Hours in a Full-Time Schedule}} = \text{FTE } *$$

*FTE = full-time equivalent[21]

However, based on the supporting documentation provided by the Authority, the Authority did not accurately calculate the number of jobs created or retained for three of five quarters. For example, for the first quarter of 2010, the Authority

[19] This was the final report submitted by the Authority.
[20] This was the final report submitted by the Authority.
[21] The formula was obtained directly from OMB guidance M-10-08.

reported 2.81 jobs created, but, based on the documentation, the reported number of jobs created or retained should have been 1.23.

The Final Report Was Submitted Before All Funds Were Expended

The Authority submitted its final Recovery Act report before it expended all of its Recovery Act funds in violation of Recovery Act requirements. According to OMB guidance M-10-34, a project is considered final for Recovery Act reporting purposes when the following requirements have been met:

- All Recovery Act funds have been expended,
- All or nearly all Recovery Act funds have been invoiced and received,
- No additional jobs will be funded,
- The project status is complete, and
- The project status is marked as “fully complete.”

The Authority marked the report for the third quarter of 2010 as the final project report. However, it had not expended the entire grant amount of $379,538. As of September 30, 2010, the Authority had expended $378,649, leaving $889 remaining to be expended. It did not expend the remaining $889 until May 2011. Therefore, the Authority should not have submitted its final report until the second quarter of 2011, instead of the third quarter of 2010. Additionally, because the Authority marked the report for the third quarter of 2010 as final, it had missing reports for three reporting periods, including the fourth quarter of 2010 and the first and second quarters of 2011.[22]

The Authority Did Not Understand the Reporting Process

The Authority hired a contractor[23] to complete its Recovery Act reporting because it did not understand the Recovery Act reporting process. The contractor (1) coordinated report preparation, review, and submission; (2) used the data provided by the Authority to author the job impact assessment; (3) completed quarterly activity description and award description narratives; (4) verified that the report was complete; (5) checked for errors and omissions; (6) cross-checked fields for conflicting data; and (7) submitted the report to Federalreporting.gov.

Although the Authority hired a contractor, the Authority was responsible for providing supporting data to the contractor, reviewing and approving all narrative descriptions, and approving the final report before submission. However, because

[22] This would have been the Authority’s final report.
[23] This contractor was not paid with Recovery Act funds.

the Authority did not understand the Recovery Act reporting process, it could not provide adequate oversight of its contractor and ensure that the contractor accurately reported the Authority's Recovery Act information.

Conclusion

Because the Authority did not always completely and accurately report its Recovery Act information, the public did not have access to accurate information related to the Authority's expenditures of Recovery Act funds, and the Authority's use of Recovery Act funds was not transparent.

The Authority Took Action

After the exit conference, the Authority provided documentation showing that it took actions to correct the reporting issues identified in the finding. We acknowledge the Authority for its actions towards resolving the recommendations.

Recommendations

Since the Authority had completed its Recovery Act program, we did not provide recommendations related to the causes for this finding. However, we do recommend that HUD's Director of Public Housing require the Authority to

2A. Correct inaccurate data entered in Federalreporting.gov for the third and fourth quarters of 2009 and the first, second, and third quarters of 2010.

2B. Correct and resubmit its final Federalreporting.gov report in the correct reporting period, which should have been the second quarter of 2011. In correcting this report, the Authority should also submit the missing reports for the fourth quarter of 2010 and first quarter of 2011.

SCOPE AND METHODOLOGY

We conducted our audit at the Authority's office in Marrero, LA, and the HUD Office of Inspector General's (OIG) office in New Orleans, LA. We performed our audit between April and August 2011.

To accomplish our audit 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 plan, annual statements, and 5-year plan.
- Reviewed the Authority's board meeting minutes.
- Reviewed the Authority's procurement, accounting, and inventory policies.
- Reviewed the Authority's Recovery Act-related procurement files.
- Reviewed and analyzed the Authority's Recovery Act-related obligation and expenditure files.
- Conducted site visits and physical inventory counts.
- Reviewed Recovery Act reporting documentation as available.

The Authority conducted four procurements of Recovery Act funds totaling $379,541,[24] which resulted in two executed contracts, one vendor selection, and one contractor selection.[25] We used the 100 percent selection method to review the four procurement files and evaluated whether the Authority conducted the procurements in accordance with HUD and Recovery Act requirements. We also assessed whether the Authority's obligations under these procurements 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 used a statistical attribute sampling method at a 95 percent confidence level to review 61 (36 percent) of 169 units that received refrigerators purchased with Recovery Act funding to verify whether refrigerator installations were completed and that the refrigerators existed. Through site visits, we determined that the unit listing data were generally reliable.

We also used the 100 percent selection method to review 66 refrigerators purchased with Recovery Act funding that were held in the Authority's storage facility to verify whether the

[24] The Recovery Act grant totaled $379,538. Although, the procurements appeared to exceed the Recovery Act grant, the contract for one procurement only expended $248,774 and had a $3 surplus. The $3 surplus was later added to a separate procurement. Therefore, the Authority's procurements did not exceed its grant amount.

[25] Regarding the vendor and contractor selection, the Authority did not execute a contract since they were small purchases.

refrigerators existed. Through physical inventory counts and observation, we determined that the refrigerator model numbers were generally reliable.

Further, we obtained and reviewed all 15 (100 percent) payment vouchers totaling $379,538 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 a file review, we determined that the disbursement data were generally reliable.

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

- Controls over obligations and expenditures related to Recovery Act activities.
- Controls over procurement concerning Recovery Act activities.
- Controls over inventory of appliances purchased with Recovery Act funding.
- 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 obligate its Recovery Act funds before the obligation deadline (see finding 1).

- The Authority did not properly procure Recovery Act-funded contracts (see finding 1).
- The Authority did not always accurately report its Recovery Act information (see finding 2).

Separate Communication of Minor Deficiencies

Minor internal control and compliance issues were reported to the Authority and HUD in a separate memorandum dated September 16, 2011.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	$78,750	
1B	$761	
1C		$30,000
Total	$79,511	$30,000

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

HOUSING AUTHORITY OF JEFFERSON PARISH

9/19/2011
Nikita N. Irons, Regional Inspector General for audit

Subject: Jefferson Parish Housing Authority, ARRA Grant funds, finding response.

HAJP RESPONSE TO DRAFT FINDINGS OUTLINE BY HUD PIG - September, 2011
Prepared by Barry Bordelon, Executive Director

FINDING CAPTION 1: The Authority did not always comply with Federal regulations when obligating Recovery Act funds. Specifically, the Authority did not (1) properly commit 100 percent of its Recovery Act funding by the required March 17, 2010 obligation deadline and generated unallowable costs, when it purchased 66 refrigerators in excess of its need, or (2) properly procure its contracts.

Comment 1

HAJP did comply with Federal regulations when obligating Recovery Act funds.

Comment 3

Comment 3

HAJP was monitored and guided by the local HUD office throughout this process from start to finish. HAJP received two letters from Cheryl Williams, HUD Director, New Orleans, regarding their review of our administration of the ARRA program. These letters state that the HAJP has obligated 100% of the grant before the March 17, 2010 deadline. See Exhibits A -1 and A-2. Also, see Exhibits A-3 through A-6, Recovery Act Capital Fund Grant, Obligation Submission Review Requirements (OSRR) forms completed by K.T. Williams on February 17, 2010 during a field review, again indicating HAJP was 100% obligated.

Comment 1 **Comment 1**	HAJP was required to obligate not expend grant funds by March 17, 2010. The bid selection for the refrigerators was concluded on March 1, 2010 with a letter sent to Lowes notifying it was the low bid and authorizing the order of 200 refrigerators. See Exhibit B-1. Thus, the obligation was complete. The delivery of the 235 units took place on 9 different occasions beginning March 9, 2010 as Lowes could not possibly stock and deliver all 235 units at one time. The last delivery took place May 19, 2010. Though some of the refrigerators were delivered after the March 17th date, all of the refrigerators were ordered by the deadline thus funds were committed and obligated. Per ARRA - VII. Definitions. Obligation: items are considered to be obligated when the first item is started (delivered).
Comment 1 **Comment 1** **Comment 2**	At the time of obligation, HAJP obligated $100,000 for 200 Energy Star refrigerators @ $500.00 each. However, after receiving the 3 quotes the HAJP was able to get the refrigerators for $425, leaving an additional $15,000 available. I contacted K.T. Williams via telephone and email. She informed me that I could only purchase additional Energy Star refrigerators as thats what HAJP was approved for previously. See Exhibit C-1. Therefore, an additional 35 refrigerators were ordered for a total of 235 refrigerators. These 35 refrigerators were to serve as replacement inventory. Between the time HAJP conducted a needs assessment and the time of ordering the refrigerators, a period of approximately 6 months, 33 residents either refused the new refrigerator due to cubic feet capacity or had acquired their own new refrigerator. Therefore, 167 refrigerators were placed in resident units and we were forced to place the 33 refused refrigerators in replacement inventory.
Comment 1, 3 4	The HAJP did not incur $109,511 of ineligible or unsupported cost.
Comment 1	The $78,750 paid for refrigerators was properly obligated by the March 17, 2010 deadline. This amount was obligated even though it may not have been paid to Lowes until after the March 17, 2010 date ARRA requires obligation by March 17, 2010 HAJP met the deadline. HAJP has until March 17, 2012 to actually expend the funds.

Finding Caption 2: The Authority Did Not Always Accurately Report Its Recovery Act Information.

Comment 5

HAJP hired an outside agency that has a history of performing compliance reporting for HUD. I have since instructed that agency to review all data submissions and to make any necessary corrections and resubmit.

OIG Evaluation of Auditee Comments

Comment 1 We disagree. An obligation occurs when the Authority enters into a commitment. The Authority was required to obligate not expend grant funds by March 17, 2010. However, the mere obligation of $100,000 in LOCCS for the purchase of 200 refrigerators did not satisfy this requirement. Because the Authority used the small purchase procurement method to purchase the refrigerators, it needed to have purchased the refrigerators or have a commitment to purchase the refrigerators before March 17, 2010, to support its obligation.

At the August 29, 2011 update meeting, the Authority provided a letter, dated March 1, 2010, addressed to Lowe's stating that it wanted to purchase 200 refrigerators at $425 each. However, this letter (1) did not fully address the number of refrigerators actually purchased, as the Authority purchased 235 refrigerators; (2) was not located in the Authority's original or HUD's files; and (3) did not have corresponding documentation from Lowe's showing that Lowe's ordered or planned to order the refrigerators.

At the September 19, 2011 exit conference, the Authority provided a letter from Lowe’s which stated that the Authority purchased 235 refrigerators on March 1, 2010, and the refrigerators were delivered at 25 units per delivery as requested by the Authority. However, the date of the letter conflicts with the purchase receipts as all of the receipts were dated after March 1, 2010. It also conflicts with the Authority’s assertion that Lowe’s could not possibly stock and deliver all 235 units at one time; since, according to the letter, the Authority requested that Lowe’s deliver the refrigerators 25 per delivery. Lastly, the letter did not support that Lowe's ordered or planned to order the refrigerators.

In addition, both of these letters contradict other documentation in the Authority’s files. Specifically, a letter dated March 8, 2010, from the Authority to HUD stated that Lowe's was the low bidder for the refrigerators and that the Authority would get in touch with Lowe's to schedule ordering and delivery. The first purchase receipt from Lowe’s was dated March 9, 2010. Meaning, based on the letter to HUD and the purchase receipt, the Authority had not communicated with Lowe's regarding ordering or delivery prior to March 8, 2010, despite the letter provided dated March 1, 2010.

Further, the definition cited by the Authority is an excerpt of the full obligation definition in the PIH Notice 2009-12, and is not related to the purchase of refrigerators, as the excerpt quoted by the Authority is related to force account work which the Notice defines as “labor employed directly by the Authority either on a permanent or a temporary basis”. Lastly, as related to the Authority’s assertion that HUD approved the purchase of the additional refrigerators, the documentation provided by the Authority did not support this.

Therefore, we stand by our original conclusions and recommendations 1A and 1B.

Comment 2 Despite its assertion in the written comments, when asked during the audit, the Authority stated that it did not complete a needs assessment. In addition, the Authority did not provide a copy of the needs assessment with its written comments, and we could not verify that a needs assessment was completed. Further, although the Authority stated that 35 refrigerators were used for replacement inventory, 66 refrigerators have remained in storage for over a year. Therefore, the Authority's purchase was excessive and not reasonable or necessary; and we stand by our original conclusion.

Comment 3 According to HUD, these letters were based on data in LOCCS as entered by the Authority and not a review of the supporting documentation. Therefore, we disagree that these documents support that HUD indicated the Authority had a 100 percent valid obligation.

In addition, the purpose of the OSRR form, provided by HUD, was to request submission of the procurement documentation from the Authority to support its obligations. The Authority only provided the first page of the OSRR forms in its response; however, pages 2 and 3 of the OSRR included a checklist of required obligation documentation to facilitate the review of the obligation documents. During the June 24, 2011 update meeting, the Authority indicated it did not use the OSRR checklist. In addition, the OSRR forms did not show that HUD had completed a review or made a determination that the Authority had fulfilled its obligation requirements. Additionally, during the exit conference on September 19, 2011, HUD stated that the Authority had not provided all of its documentation to support its obligations; therefore, it had not completed a 100 percent review of the obligation documentation. Consequently, these documents do not support that HUD indicated the Authority properly obligated 100 percent of its Recovery Act grant.

Therefore, we stand by our original conclusions.

Comment 4 We questioned a total of $109,511, which included $78,750 in ineligible costs related to the refrigerator purchase, $761 in ineligible costs related to the flooring work contract that were not obligated, and $30,000 on unsupported costs paid for construction management. As an attachment to the written comments, the Authority provided a cost analysis, to support the $30,000 of unsupported costs.

In the cost analysis, the Authority stated that it set the bid amount at 10 percent of the HUD grant in the request for proposal. However, this effectively eliminated price comparison competition from bidders. Additionally, the Authority did not provide documentation to support its assertions of costs related to past experience or construction manager wages. Therefore, although the contract was advertised and there were six bidders, this does not support the cost reasonableness of the contract as the Authority may have been able to obtain the services at a lower cost. Consequently, we could not revise our conclusions based on the Authority's assertions alone and we stand by our original conclusion and recommendation 1C.

Comment 5 We acknowledge the Authority for taking action towards correcting its Federalreporting.gov reports and revised the report accordingly. The Authority provided evidence that it had amended its Federalreporting.gov reports and planned to resubmit its final report. The Authority should provide its final supporting documentation to HUD's staff, which will assist the Authority with resolving recommendations 2A and 2B. Upon HUD's review and approval, final action will be recorded in the department audit resolution tracking system after the report is issued.

Appendix C

REPORTING REVIEW RESULTS

Quarterly reporting period	Reporting issues identified
July-September 2009 (3rd)	• The project and award descriptions were not reported. • Louisiana Housing Development Corporation was not reported as a vendor.
October-December 2009 (4th)	• The award description was not accurate. • Louisiana Housing Development Corporation was not reported as a vendor.
January-March 2010 (1st)	• The quarterly activities/project description was not accurate. • The grant funds received/ invoiced was not accurate. • The expenditure amount was not accurate. • Lowe's and Louisiana Housing Development Corporation were not reported as vendors. • The vendor payment amount reported to have been paid to Continental was not accurate. • The vendor payment amount paid to Lowes was not reported. • The number of jobs created or retained calculation was not accurate.
April-June 2010 (2nd)	• The award description and quarterly activities/project description were not accurate. • The grant funds received/ invoiced was not accurate. • The expenditure amount was not accurate. • The vendor payment amount reported to have been paid to Continental was not accurate. • The number of jobs created or retained calculation was not accurate.
July-September 2010 (3rd)	• The award description and quarterly activities/project description were not accurate. • The grant funds received/ invoiced was not accurate. • The expenditure amount was not accurate. • The vendor payment amount reported to have been paid to Continental was not accurate. • The number of jobs created or retained calculation was not accurate. • The report was marked as final although all funds had not yet been expended.
October-December 2010 (4th)	• A report was not submitted for this quarter because the report for the third quarter of 2010 was incorrectly marked as the final report.
January-March 2011 (1st)	• A report was not submitted for this quarter because the report for the third quarter of 2010 was incorrectly marked as the final report.
April-June 2011 (2nd)	• A report was not submitted for this quarter because the report for the third quarter of 2010 was incorrectly marked as the final report. • This report should have been the final report.