



Issue Date June 7, 2011
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Audit Report Number 2011-FW-1011
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TO: David G. Pohler, Director, Office of Public Housing, 6JPH

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FROM: Gerald R. Kirkland  
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The San Antonio Housing Authority, San Antonio, TX, Generally Administered  
Its Recovery Act Public Housing Capital Funds Properly

## **HIGHLIGHTS**

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

In accordance with our goal to review funds provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we audited the San Antonio Housing Authority's (Authority) Public Housing Capital Fund Stimulus Recovery Act-funded activities. We wanted to determine whether (1) the Authority obligated, expended, and reported on its Recovery Act funds within regulatory requirements and (2) its procurements were made in accordance with 24 CFR (Code of Federal Regulations) Part 85 and Recovery Act requirements.

### **What We Found**

Generally, the Authority complied with the Recovery Act requirements regarding the obligation and expenditure of capital funds, and its procurements were made in accordance with Federal and Recovery Act requirements. The Authority also properly reported its accomplishments and grant status as required by the Recovery Act.

## **What We Recommend**

This report does not contain recommendations as it contains no findings.

## **Auditee's Response**

We provided a draft report to the Authority and the U. S. Department of Housing and Urban Development on May 26, 2011, with a request for written response by June 6, 2011. We held an exit conference on June 2, 2011, and the Authority provided a written response to the draft report that day.

The Authority agreed with the audit report and we acknowledge its agreement. 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 OBJECTIVES

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The San Antonio Housing Authority (Authority) was created in June 1937. Its mission is to create safe neighborhoods by partnering with individuals and organizations to provide housing, education, and employment opportunities for families of modest means to become self-sufficient and improve their quality of life. The Authority's low-income housing portfolio consists of 70 developments with more than 6,200 housing units.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009.<sup>1</sup> The Recovery Act provided \$4 billion for public housing agencies to carry out capital and management activities, including modernization and development of public housing. It allocated \$3 billion for formula grants and \$1 billion for competitive grants. The Recovery Act required public housing agencies to obligate 100 percent of the funds within 1 year of the date on which funds became available to the agency for obligation and expend 60 percent within 2 years and 100 percent within 3 years of such date. To expedite and facilitate the use of the funds, public housing agencies were required to comply with Federal procurement standards.

Of the \$4 billion made available for public housing improvement, the State of Texas received more than \$129 million. The Authority received almost \$20 million in combined formula and competitive grant funds, the most in Texas. The Authority's Recovery Act Capital Funds Formula grant amount totaled more than \$14.5 million, and it assisted 34 low-income housing complexes. The Authority's Capital Fund Recovery Competition grants amount totaled more than \$5.3 million and was used to assist 13 communities for elderly and disabled persons<sup>2</sup>.

The assisted projects were selected from the Authority's Public Housing Agency Plans. The public housing plan is a comprehensive guide to public housing agency policies, programs, operations, and strategies for meeting local housing needs and goals. The plan has two parts, the five year and annual plan.

Our audit objectives were to determine whether (1) the Authority obligated, expended, and reported on its Recovery Act funds within regulatory requirements and (2) its procurements were made in accordance with 24 CFR (Code of Federal Regulations) Part 85 and Recovery Act requirements.

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<sup>1</sup> Public Law 111-5

<sup>2</sup> The Authority's Competition grants were all for the "Improvements Addressing the Needs of the Elderly and/or Persons with Disabilities".

## RESULTS OF AUDIT

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### Finding: The Authority Generally Administered Its Recovery Act Public Housing Capital Funds Properly

Generally, the Authority complied with Recovery Act requirements as it properly planned and selected projects from its annual and five-year action plan (action plan) that met the Recovery Act purpose of developing and modernizing public housing projects.<sup>3</sup> It properly obligated funds by procuring the services of architects and contractors to rehabilitate 37<sup>4</sup> housing complexes. The Authority awarded the contracts based on experience and cost, and it ensured that the funds expended were properly supported for appropriately procured services. Finally, it properly reported its accomplishments and grant status as required by the Recovery Act, section 1512, and ensured that appliances were Energy Star rated.

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#### The Authority Properly Obligated Recovery Act Funds

The Authority appropriately selected projects that were included in its annual action plan. The projects selected received Recovery Act formula capital funding on March 18, 2009, and the Authority had 1 year to obligate the funds. The Authority obligated all of the 34 formula grant projects' funds before the deadline. Similarly, the Authority's 13 competitive grant projects were for elderly and disabled persons and, therefore, were required to be obligated by September 27, 2010.<sup>5</sup> The Authority met the obligation deadline, and the projects were underway, an example of which is shown in picture 1.

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<sup>3</sup> 42 U.S.C. (United States Code) 1437g: (d) Capital Funds (1) IN GENERAL.—“The Secretary shall establish a Capital Fund for the purpose of making assistance available to public housing agencies to carry out capital and management activities, including— (A) the development, financing, and modernization of public housing Projects...”

<sup>4</sup> The 37 housing complexes are a mixture of 34 formula grant projects and 13 competitive grant projects, of which 10 apartment complexes were aided with both formula grant and competitive grant funds.

<sup>5</sup> Notice PIH 2010-34 (HA), Section V. letter E. Category 1.

**Picture 1**



The Lewis Chatham modernization project contracts totaled more than \$7 million.

### **The Authority Properly Procured Services for 37 Housing Complexes**

The Authority had controls and procedures to ensure that it properly procured services for the 37 housing complexes. The Authority's procurement department maintained significant control over the procurement process to ensure that the contracts were awarded to an experienced contractor and the costs were reasonable. The Authority's centralized procurement process provided layers of oversight that adequately solicited for contractors. The contractors were appropriately evaluated and ranked, and projects were awarded based on a combination of the contractors' experience and negotiated cost. A review of more than \$1.7 million in disbursed grant funds found that those costs were (1) appropriately reviewed by three departments, (2) adequately supported by receipts and vouchers, and (3) properly posted in the Authority's financial statements. A review of the contractor's payments for the playground (see picture 2) showed that all costs were adequately supported.

**Picture 2**



Three complexes reviewed, one of which is pictured, received new and upgraded playgrounds, which cost \$291,000.

## **The Authority Purchased Energy-Efficient Appliances**

Federal policy<sup>6</sup> requires that public housing agencies abide by energy efficiency standards when purchasing appliances. The Authority ensured that products purchased were Energy Star rated or Federal Energy Management Program designated products. The Authority's efforts garnered it recognition from the Environmental Protection Agency for excellence for installing energy-efficient appliances, light fixtures, doors, and windows at 835 units and for the modernization of the Lewis Chatham Apartment building shown in picture 1.

## **The Authority Reported Its Accomplishments on Time**

The Recovery Act mandated that all grant recipients report on their activities, job creation, and job retention.<sup>7</sup> The Authority properly submitted quarterly reports that detailed its accomplishments for job preservation, creation, and investment in infrastructure. According to the Authority, as of March 2011, the Recovery Act formula and competitive grants had created 258 new jobs and will have improved 37 public housing complexes for low-income families, the elderly, and disabled persons.

## **Conclusion**

Generally, the Authority complied with Recovery Act policy for obligations and expenditures, procurements, the purchase of energy-efficiency products, and Recovery Act reporting. Upon completion of the various projects, the Authority will have completed 37 public housing projects with the almost \$20 million in Recovery Act funds that it received.

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<sup>6</sup> Notice: PIH-2009-25 (HA), The Energy Policy Act of 2005

<sup>7</sup> Public Law 111-5, section 1512

## SCOPE AND METHODOLOGY

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We reviewed the Authority's Recovery Act Public Housing Capital Formula and Competitive Grant fund obligation and expenditures made from March 2009 through March 2011. We performed the work at the Authority's office located in San Antonio, TX, and HUD's and our offices in San Antonio and Fort Worth, TX.

To accomplish our objectives, we performed the following related to the Authority's Recovery Act grant funds:

- Reviewed the Recovery Act law and regulations and HUD notices, regulations, and other guidance.
- Reviewed the Authority's policies and procedures.
- Reviewed and analyzed the Authority's financial statements, annual, and five-year annual plans.
- Reviewed HUD's monitoring reports and the Authority's 2009 procurement accountability assessment report.
- Interviewed pertinent HUD staff, the Authority's staff, and a contractor's project manager.
- Reviewed and analyzed the Authority's obligations, procurements, contracts, and expenditures.
- Reviewed, validated, and conducted data reliability tests by comparing and verifying that the Authority's financial data matched the Authority's independent audit report financial data that pertained to the Recovery Act funds. Based on our testing, we determined the electronic data used to be generally reliable.
- Selected, using a random number generator a sample of 10 of 88 Recovery Act funds grant disbursements. The 88 disbursements were worth more than \$10.4 million, and the 10 samples were valued at more than \$1.7 million. The sample of 10 grant disbursements consisted of 5 formula and 5 competitive grant disbursements. We cannot and did not project the results of the sample to the universe.
- Reviewed the Authority's "Buy American" waiver to ensure that regulations were followed.
- Reviewed HUD's oversight of the Authority's compliance with the Davis-Bacon Act.
- Reviewed the Authority's energy efficiency-related purchases and compliance with Recovery Act requirements.
- Reviewed the Authority's Recovery Act reporting.
- Conducted site visits to four apartment complexes in San Antonio, TX, to review the Recovery Act projects. Complex selection was based on testing performed on project expenditures.



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

# 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 objectives:

- Policy, manuals, checklists, and procedures that the Authority followed that ensured control over procurements, contracts, and expenditures to ensure compliance with the Recovery Act.

We assessed the relevant controls identified above.

A deficiency in internal controls 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.

We evaluated internal controls related to the audit objectives 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 the effectiveness of the Authority's internal controls.

# APPENDIXES

## Appendix A

### AUDITEE COMMENTS AND OIG'S EVALUATION

#### Ref to OIG Evaluation

#### Auditee Comments

SAHA logo  
EXECUTIVE OFFICE

June 2, 2011

Gerald R. Kirkland  
Regional Inspector General for Audit  
U. S. Department of Housing and Urban Development  
Office of Inspector General, Region VI  
819 Taylor Street, Suite 13A09  
Fort Worth, Texas 76102

Dear Mr. Kirkland:

The San Antonio Housing Authority (SAHA) has received and reviewed the draft Audit Report Number 2011-FW-100X for SAHA's Public Housing Capital Fund Stimulus Recovery Act-funded activities. The report concludes that the SAHA (1) obligated, expended and reported on Recovery Act funds within the regulatory requirements and (2) procurements were made in accordance with 24 CFR Part 85 and Recovery Act requirements.

SAHA was cognizant of the Recovery Act requirements, the 24 CFR Part 85 requirements, and was well aware of the importance of transparency, accountability and the results mandated by the legislation, and worked very hard to ensure compliance with those requirements.

**Comment 1** SAHA is pleased and concurs with the audit report's conclusion that SAHA Properly Obligated Recovery Act Funds by obligating all 34 formula grant projects and 13 competitive projects within the required timelines. The Recovery Act allowed SAHA to undertake projects in the agency's annual plan that met the required purpose to improve and modernize public housing properties. SAHA was poised to quickly proceed because, in mid-2009, SAHA adopted its updated Procurement Policy, which was consistent with the Recovery Act, and all staff was trained on the updated procurement procedures. The agency's updated contracting and oversight procedures enhanced our ability to track expenditures and ensure compliance with the Recovery Act. SAHA greatly appreciates the validation that our systems worked as designed and planned. Also included in SAHA's contracting requirements were energy efficiency and sustainability standards that have since been incorporated into SAHA's Development Policy.

We wish to express our thanks to the local HUD staff, led by David G. Pohler, for their excellent technical assistance throughout the year. We also wish to thank the OIG staff which conducted the comprehensive audit of SAHA's administration of the Recovery Act funds for their professionalism and thoroughness. SAHA accepts the audit report as drafted.

Sincerely,

//signed//  
Lourdes Castro Ramirez  
President and CEO

Cc: David G. Pohler, Director of PIH San Antonio

## **OIG Evaluation of Auditee Comments**

**Comment 1** The Authority agreed with the report and we acknowledge its agreement.