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TO: Carol Ann Roman, Director, Denver Office of Public Housing, 8APH

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FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

SUBJECT: The Housing Authority of the City of Pueblo, CO, Generally Followed Recovery Act Rules and Regulations When Obligating and Expending its Recovery Act Capital Funds, But Did Not Accurately Report Recovery Act Funded Jobs

HIGHLIGHTS

What We Audited and Why

We reviewed the Housing Authority of the City of Pueblo, CO (Authority), based on our risk assessment considering the amount of American Recovery and Reinvestment Act of 2009 (Recovery Act) capital funds it received and expended along with other evaluative factors. The review is consistent with our responsibility to provide oversight of Recovery Act activities.

The objectives of our review were to determine whether the Authority obligated and expended its Housing Capital Fund Stimulus (Formula) Recovery Act Funded grant funds (Recovery Act capital funds) in accordance with Recovery Act rules and regulations and whether it properly reported Recovery Act information in federalreporting.gov.

What We Found

The Authority generally followed Recovery Act rules and regulations when obligating and expending its Recovery Act capital funds. However, it did not accurately report in federalreporting.gov the number of jobs created and the number of jobs retained using its Recovery Act capital funds.

What We Recommend

We recommend that the Denver Office of Public Housing assist the Authority in receiving formal training on how to properly report the number of jobs created and the number of jobs retained.

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 the discussion draft of the audit report to the Authority on August 25, 2010, and requested its comments by September 1, 2010. The Authority did not provide a written response, but verbally concurred with the finding.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City of Pueblo, CO (Authority) was created as a quasi-governmental agency in 1953 through the United States Federal Housing Act of 1937 for the purpose of providing public housing and rental assistance to low-income families and individuals. The Authority receives subsidy assistance from the Federal Government to provide housing to eligible low-income households. The Authority is responsible for other rental assistance programs including various Section 8 programs, which are governed by the U.S. Department of Housing and Urban Development (HUD); the Farm Labor Housing Loan and Grant program, governed by the U.S. Department of Agriculture's Rural Development agency; and a number of low-income housing tax credit programs, governed by the Colorado Housing and Finance Authority. The Authority has continually entered into annual contributions contracts with HUD since March 28, 1969, to provide low-rent housing to qualified individuals.

The mission of the Authority is to serve low-income families, the elderly and handicapped individuals with decent, safe, and affordable housing. The Executive Offices of the Authority are located at Mineral Place Tower, 1414 North Santa Fe Avenue, 10th Floor, Pueblo, CO and the Central Management Facility is located at 201 South Victoria Avenue, Pueblo, CO.

As of March 2, 2010, the Authority administered 901 public housing units and 1,462 Section 8 Housing Choice Voucher program units. According to its 2008 audited financial statements, HUD awarded the Authority more than \$2 million for its low-rent public housing program. In addition, HUD awarded more than \$8 million and more than \$1 million respectively, during 2008 for its Section 8 Housing Choice Vouchers and Public Housing Capital Fund programs.

In February 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act), which includes \$13.61 billion for projects and programs administered by HUD, nearly 75 percent of which was allocated to State and local recipients. Recovery Act investments in HUD programs will generate tens of thousands of jobs, modernize homes to make them energy efficient, and help the families and communities hardest hit by the economic crisis. Almost all of the remaining 25 percent of the funds have been awarded via competition. The Authority received more than \$1 million in Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded grant funds (Recovery Act capital funds). As of May 11, 2010, the Authority had expended more than \$1 million of its Recovery Act capital funds, leaving an available balance of \$529,394.

The objectives of our review were to determine whether the Authority obligated and expended its Housing Capital Fund Stimulus (Formula) Recovery Act Funded grant funds (Recovery Act capital funds) in accordance with Recovery Act rules and regulations, and whether the Authority properly reported Recovery Act information in federalreporting.gov.

RESULTS OF AUDIT

Finding: The Authority Did Not Accurately Report Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded Jobs

The Authority did not accurately report in federalreporting.gov the number of jobs created and the number of jobs retained using its Recovery Act capital funds. It did not understand how to accurately report the number of jobs created and the number of jobs retained. As a result, the public did not have access to accurate information on the number of jobs created and the number of jobs retained with Recovery Act capital funds.

The Authority Violated Recovery Act Job Reporting Requirements

The Authority did not accurately report in federalreporting.gov the number of jobs created and the number of jobs retained using its Recovery Act capital funds, which violated Recovery Act job reporting requirements (2 CFR [Code of Federal Regulations] Part 176). An entity that receives assistance funding under the Recovery Act must report information on the number of jobs created and the number of jobs retained by the project or activity.

The Recovery Act report submitted by the Authority for the third quarter of 2009 stated the total number of jobs was 6.70. The reports submitted for the fourth quarter of 2009 and the first quarter of 2010 stated the total number of jobs was 4.43 and 1.23, respectively.

The Authority could not provide any documentation to show how it determined the number of full-time equivalent jobs or that the number of jobs reported was correct. In fact, the documentation in the Authority's files contradicts the numbers reported. We reviewed the Authority's transparency and accountability documentation for the five completed rehabilitation contracts. The documentation related to estimating the number of jobs created and the number of jobs retained by the project or activity stated that the total number of jobs created was 18, and the total number of jobs retained was 18 for a total of 36. However, the transparency and accountability documentation did not consider the full-time equivalent job calculation, nor did it show the number of staff hours worked. The Recovery Act requires the number of full-time equivalent jobs be calculated based on staff hours worked per quarter.

The Authority Did Not Understand the Reporting Requirements

The Authority did not understand how to accurately report the number of jobs created and the number of jobs retained. The director of special projects enters the data into federalreporting.gov. She had received no formal training on how to properly report the number of jobs created and the number of jobs retained. She informed us that the jobs calculator in federalreporting.gov was difficult to understand and that it does not tell users how to determine full-time versus part-time jobs created and jobs retained. The Authority also informed us that it was aware of the job count guidance on HUD's recovery website. However, the Authority stated it did not understand the information contained in the job count guidance and requested training on the job count guidance.

The Public Did Not Have Access to Accurate Job Information

The public did not have access to accurate information regarding the number of jobs created and the number of jobs retained with Recovery Act capital funds. As a result, the Authority's use of Recovery Act capital funds was not transparent.

Recommendations

We recommend that the Director of the Denver Office of Public Housing

- 1A. Assist the Authority in receiving formal training on how to properly report the number of jobs created and the number of jobs retained.
- 1B. Perform a post reporting review of the Authority's jobs created and jobs retained input into federalreporting.gov to ensure that the Authority meets Recovery Act job reporting requirements.

SCOPE AND METHODOLOGY

Our review period covered March 1, 2009, through March 31, 2010. We performed our on-site review work from May through June 2010 at the Authority's Central Management Facility at 201 South Victoria Avenue, Pueblo, CO.

To accomplish our review objectives, we obtained and became familiar with applicable sections of the Recovery Act, Federal Register notices, HUD regulations, HUD Public and Indian Housing notices, and Authority policies related to the use of its Recovery Act capital funds.

To determine whether the Authority obligated and expended its Recovery Act capital funds in accordance with Recovery Act rules and regulations, we examined documentation in all 10 Recovery Act procurement contracts issued by the Authority. We then applied applicable Recovery Act regulations and the Authority's Recovery Act procurement policy in our review of those documents.

To determine whether the Authority properly reported Recovery Act information in federalreporting.gov, we examined documentation in the five completed Recovery Act procurement contract files. We then compared that information to what was reported in federalreporting.gov.

During the review, we identified a minor issue regarding contract administration, which we communicated to the Authority and HUD in a separate management letter.

We did not use computer-generated data as audit evidence or to support our audit conclusions. We used source documentation maintained by the Authority in its Recovery Act procurement contract files for background information and in selecting our samples. We compared the source documentation to data reported into federalreporting.gov and data reported in HUD's Line of Credit Control System. All conclusions were based on source documentation reviewed during the audit.

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 finding and conclusions based on our audit objectives.

INTERNAL CONTROLS

Internal control is a process adapted 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:

- Controls over performing procurement activities in accordance with Recovery Act rules and regulations.
- Controls over reporting data in federalreporting.gov in accordance with Recovery Act rules 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 Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not provide training to staff responsible for entering data into federalreporting.gov to ensure that staff understood how to accurately report the Recovery Act capital fund job information.

**Separate Communication of
Minor Deficiencies**

Minor internal control and compliance issues were reported to the auditee in a separate memorandum, dated September 17, 2010.