



Issue Date December 2, 2009
Audit Report Number 2010-LA-1002

TO: Michael Flores, Director, Office of Housing, Hawaii, 9CPH

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Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

FROM:

SUBJECT: Guam Housing and Urban Renewal Authority, Capital Fund Recovery Act Grant, Sinajana, Guam

## **HIGHLIGHTS**

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

We conducted a review of the Guam Housing and Urban Renewal Authority (authority) because it received more than \$1.9 million in Capital Fund Recovery Act Grant (grant) funding as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act). Our objectives were to determine whether the authority (1) had effective and efficient operations in place to manage its grant-funded projects and (2) had administered its grant funds in accordance with U.S. Department of Housing and Urban Development (HUD) rules and regulations.

### **What We Found**

The authority generally had effective and efficient operations in place to manage its grant-funded projects. In addition, it generally administered its grant funds in accordance with HUD rules and regulations.

### **Auditee's Response**

We provided the authority a discussion draft report on November 13, 2009, and held an exit conference with appropriate officials on November 19, 2009. The authority provided no written comments to the report since it generally agreed with the results of the audit.

We provided the authority the final report on December 2, 2009.

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## **BACKGROUND AND OBJECTIVES**

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The purpose of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Capital Fund Recovery Grant (grant) program is to provide an additional \$995 million to public housing authorities for capital and management activities as authorized under Section 9 of the United States Housing Act of 1937 in accordance with four funding categories:

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

The Guam Housing and Urban Renewal Authority (authority) will administer its allocated amount of more than \$1.9 million toward capital improvement projects such as kitchen cabinet upgrades, exterior painting, and roof coating at selected housing developments and units.

In December 1962, Public Law 6-135 (codified in 12 G.C.A. (Guam Control Act), chapter 5) created the authority, a component unit of the government of Guam, which is responsible for safe, decent, and sanitary low-income public housing, Section 8 housing choice vouchers, and elderly housing. The authority provides assistance to low-income families through various Community Development Block Grants and community housing programs. A seven-member board of commissioners (board) provides overall policy direction to the authority. The governor, with the advice and consent of the legislature, appoints the commissioners. The board appoints the executive director to oversee the authority's day-to-day operations. It is a unique agency within the government of Guam because it receives 100 percent of its funding through the United States Department of Housing and Urban Development (HUD).

Our objectives were to determine whether the authority (1) had effective and efficient operations in place to manage its grant-funded projects and (2) had administered its grant funds in accordance with HUD rules and regulations.

## RESULTS OF AUDIT

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### The Authority Generally Had Effective and Efficient Operations To Manage and Administer Grant Funds in Accordance With HUD Rules and Regulations

Based on the results of the audit, the authority generally had effective and efficient operations in place to manage its grant-funded projects. In addition, it generally administered its funds in accordance with HUD rules and regulations. Specifically, authority staff (1) generally appeared to have the necessary knowledge, skills, and abilities; (2) obligated and expended grant funds in accordance with applicable HUD and Recovery Act rules and regulations well within HUD's designated time period; (3) was effective in monitoring and reporting grant funds and projects to interested parties such as HUD and the general public as part of the Recovery Act requirements; (4) executed its grant-related procurement of goods and services in accordance with applicable HUD and the Recovery Act rules and regulations; and (5) was effective in managing payment documentation for the grant.

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#### **Authority Staff Had the Knowledge, Skills and Abilities To Manage Grant Funds**

The authority designated personnel to manage the more than \$1.9 million HUD awarded to the agency for capital projects at its housing developments. The personnel responsible for the direct management of the program funds included a modernization coordinator, who also served as program development coordinator; an architectural and engineer manager; two planners; a wage compliance officer; and two construction inspectors. Other personnel involved included the deputy director serving as the contracting officer, the fiscal department for processing of payments, and executive director for final approval of payments. Our review found that these individuals generally had the knowledge, skills, and abilities to adequately manage the funds.

#### **The Authority Obligated and Expended Funds Within the Designated Time Period**

Under the Recovery Act, the authority was required to obligate 100 percent of its \$1.9 million in grant funds by March 17, 2010. It obligated 100 percent of the awarded funds on July 1, 2009, well ahead of the HUD deadline. In addition, it obligated the funds to capital project costs for its housing developments that were allowable under HUD rules and regulations.

HUD also required the agency to expend at least 60 percent of the allocated funds by March 17, 2011. At the time of our review, the authority had already expended 30 percent, or more than \$597,511, of the more than \$1.9 million grant toward capital projects. In addition, it expended the funds for capital project costs at its housing developments that were allowable under HUD rules and regulations.

According to discussions with HUD officials, the authority was “ahead of the game” in regard to meeting the deadlines to obligate and expend the awarded funds.

### **The Authority Was Effective in Monitoring and Reporting Grant Funds**

The authority was effective in monitoring/tracking and reporting funds totaling more than \$1.9 million for use on capital projects at its housing developments. Throughout the audit, the monitoring/tracking and reporting documents related to the funds were generally reliable and in compliance with its internal policies and Recovery Act requirements.

### **The Authority’s Procurement Process Was in Accordance With HUD Rules and Regulations**

The authority executed five contracts totaling more than \$1.9 million in Recovery Act funds provided for capital projects. These contracts were for services including kitchen cabinet upgrades, roofing, and exterior painting at designated housing developments. Along with executing procurements of these services in accordance with HUD rules and regulations, the authority was required to have contracts executed within 120 days. In addition, it met the Recovery Act’s “Buy American” requirements in ensuring that vendors used American-made products during the respective construction services. Overall, the authority executed each of the five procured construction service contracts in accordance with applicable HUD rules and regulations.

### **The Authority Effectively Managed Payments and Documents Related to the Grant Program**

The authority was effective in managing grant funds used to pay vendors for rendered grant-related construction services at the agency’s various housing developments throughout Guam. We also determined that its documents were reasonably complete, accurate, and valid and were not subject to inappropriate alterations relevant to vendor payments pertaining to grant-funded projects.

## SCOPE AND METHODOLOGY

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We conducted our on-site audit work at the authority, located in Sinajana, Guam, in September 2009. Our audit generally covered the period October 1, 2008, to September 11, 2009.

To complete our audit, we

- Reviewed applicable HUD rules, regulations, and guidance;
- Obtained relevant background information;
- Reviewed policies and procedures related to procurement, monitoring/reporting of grant funds, expenditures, and disbursements;
- Interviewed relevant authority and HUD personnel;
- Reviewed relevant monitoring/reporting records, financial records, personnel records, and procurement records; and
- Conducted on-site reviews of randomly selected housing developments and units where the grant funds were being used.

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 audit results and conclusions based on our audit objectives.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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:

- Policies and procedures that were implemented to reasonably ensure that procurement activities were conducted in accordance with applicable requirements,
- Policies and procedures that were implemented to reasonably ensure that payments to vendors were made in accordance with applicable requirements, and
- Policies and procedures that were implemented to ensure accurate and timely reporting and monitoring of grant funds in accordance with applicable requirements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

Based on our review, we found no significant weaknesses in the authority's internal controls that would affect its ability to manage and administer Recovery Act-funded projects.