



Issue Date	August 16, 2011
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Audit Report Number	2011-AO-1006
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TO: Holly Bellino-Knight, Director, Office of Public Housing, 4GPH

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

SUBJECT: The Mississippi Regional Housing Authority VIII, Gulfport, MS, Generally Followed Requirements When Obligating and Expending Its Recovery Act Capital Funds but Did Not Accurately Report Recovery Act Grant Information

HIGHLIGHTS

What We Audited and Why

We initiated an audit of the Mississippi Regional Housing Authority VIII's Public Housing Capital Fund formula grant program as part of our annual audit plan to review American Recovery and Reinvestment Act of 2009 funds. Our objective was to determine whether the Authority properly obligated and expended its Recovery Act capital funds in accordance with requirements, followed Recovery Act requirements when procuring contracts for goods or services, and accurately reported its Recovery Act activities.

What We Found

The Authority generally followed Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds. Additionally, it ensured that procurements were made in accordance with Federal and Recovery Act

requirements. However, the Authority did not accurately report required - Recovery Act Capital Fund grant information in federalreporting.gov.

For the seven quarterly reports reviewed during our audit period, the Authority overreported the amount of funds received in five quarters and underreported in one quarter. It also underreported the amount of funds expended in four quarters and overreported in one quarter. In addition, it failed to provide a list of projects and activities funded by name and incorrectly reported the primary place of performance in all seven quarters.

What We Recommend

We recommend that the Jackson Office of Public Housing ensure that the Authority complies with HUD guidance and ensures the assignment of a staff person responsible for becoming familiar with the guidance on the Web site and reporting as required. We also recommend that the Jackson Office of Public Housing review the next quarterly report submitted to ensure that it is accurate due to the Authority's history of inaccurate reporting.

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 July 19, 2011, and requested its comments by July 26, 2011. The Authority provided its written response on July 28, 2011, and agreed with the finding. The complete text of the auditee's response, along with our evaluation of that response, can be found in the appendix of this report.

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BACKGROUND AND OBJECTIVE

The Mississippi Regional Housing Authority VIII was created for the purpose of providing decent, safe, and sanitary public and assisted housing for low-income families. The Authority receives subsidy assistance from the U.S. Department of Housing and Urban Development (HUD) to provide housing to eligible low-income households. It is responsible for other rental assistance programs including Section 8, conventional housing, and low-income housing tax credit developments. The Authority manages 5,730 housing choice vouchers and 797 units of conventional public low-income housing in 14 southern counties of Mississippi.

The mission of the Authority is to promote adequate and affordable housing, economic opportunities, and suitable living environments free from discrimination. The Authority's central office is located at 10430 Three Rivers Road, Gulfport, MS.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, which included \$13.6 billion for projects and programs administered by HUD. Of the \$13.6 billion, \$4 billion was allocated in public housing capital funds. Of the \$4 billion, the Recovery Act required that \$3 billion be distributed as Public Housing Capital Fund formula grants and \$1 billion be distributed through a competitive grant process.

On March 18, 2009, the Authority received more than \$3.7 million in Public Housing Recovery Act formula grant funds to carry out capital and management activities. The Recovery Act required the Authority to obligate 100 percent of the funds within 1 year of the date on which funds became available and expend 60 percent within 2 years and 100 percent within 3 years of such date. The Recovery Act also required the Authority to comply with the procurement requirements of 24 CFR (Code of Federal Regulations) Part 85. The Authority obligated the funds within the required timeframe, and the related procurements were made in accordance with 24 CFR Part 85 and Recovery Act requirements. As of April 30, 2011, the Authority had expended more than \$3.3 million (88 percent) of the funds.

Further, the Recovery Act required the Authority to report on the use of Recovery Act funding within 10 days after the end of each calendar quarter. Aimed at providing accountability and transparency, the Recovery Act required the Authority to enter the total amount of funds received and spent and a list of projects and activities funded by name, completion status, estimates of jobs created or retained, subaward information, and other payments in federalreporting.gov, which is the central nationwide data collection system for Federal agencies and recipients to use in reporting on their use of Recovery Act funding. Once data have been submitted to federalreporting.gov and reviewed by the funding or awarding agency, the reports are made available to the public via recovery.gov.

Our objective was to determine whether the Authority properly obligated and expended its Recovery Act capital funds in accordance with requirements, followed Recovery Act requirements when procuring contracts for goods or services, and accurately reported its Recovery Act activities.

RESULTS OF AUDIT

Finding: The Authority Did Not Accurately Report Recovery Act Grant Information in Federalreporting.gov

The Authority did not accurately report required Recovery Act Capital Fund grant information in federalreporting.gov. It did not understand how to accurately report the grant information. As a result, the public did not have access to accurate information related to the Authority's use of Recovery Act capital funds.

The Authority Did Not Accurately Report the Amount of Funds Expended

The Authority generally obligated and expended Recovery Act grant funds in accordance with Recovery Act requirements, but it did not accurately report required Recovery Act grant information in federalreporting.gov. According to the Recovery Act reporting requirements (2 CFR (Code of Federal Regulations) Part 176), Recovery Act grant recipients are required to report the following information in federalreporting.gov:

- Amount of the Recovery Act grant award;
- List of projects and activities funded by name to include description, completion status, and number of jobs created or retained using Recovery Act grant funds;
- Grant funds received and invoiced;
- Expenditure amounts;
- Listing of vendors receiving Recovery Act grant funds;
- Vendor transactions and payments; and
- Primary place of performance

For the seven quarterly reports reviewed during our audit period, the Authority overreported the amount of funds received in five quarters and underreported in one quarter. In addition, it underreported the amount of funds expended in four quarters and overreported in one quarter. The following tables list what was reported in federalreporting.gov, what the actual amounts were, and the difference between the two numbers.

Recovery Act capital funds received and invoiced			
Ending date for reporting period	Funds received reported in federal-reporting.gov	Actual funds received	Reporting differences
9/30/2009	\$3,783,351.00	\$0.00	\$3,783,351.00
12/31/2009	\$127,472.80	\$214,104.40	(\$86,631.60)
3/31/2010	\$700,566.67	\$440,272.45	\$260,294.22
6/30/2010	\$1,168,989.00	\$1,168,969.06	\$19.94
9/30/2010	\$3,783,351.00	\$1,168,969.06	\$2,614,381.94
12/31/2010	\$3,783,351.00	\$2,598,010.30	\$1,185,340.70
3/31/2011	\$3,310,425.31	\$3,310,425.31	\$0.00

Recovery Act capital funds expenditures			
Ending date for reporting period	Expenditures reported in federal-reporting.gov	Actual expenditures	Reporting differences
9/30/2009	\$35,965.10	\$0.00	\$35,965.10
12/31/2009	\$127,472.80	\$214,104.40	(\$86,631.60)
3/31/2010	\$127,472.80	\$440,272.45	(\$312,799.65)
6/30/2010	\$1,163,492.53	\$1,168,969.06	(\$5,476.53)
9/30/2010	\$1,721,959.00	\$1,721,959.00	\$0.00
12/31/2010	\$2,225,002.93	\$2,598,010.30	(\$373,007.37)
3/31/2011	\$3,310,425.31	\$3,310,425.31	\$0.00

In addition, the Authority failed to provide a list of projects and activities funded by name and incorrectly reported the primary place of performance in all seven quarters.

The Authority Did Not Understand the Reporting Requirements

The Authority did not understand how to accurately report the grant information. Although the Office of Public and Indian Housing provided Recovery Act reporting guidance and an example of a completed Federal reporting template for formula grants on its Web site, the Authority did not ensure that the Capital Fund program director reviewed the online training materials and obtained an understanding of the reporting requirements before entering grant information into federalreporting.gov.

The Public Did Not Have Access to Accurate Grant Information

The public did not have access to accurate grant information related to the Authority's expenditures of Recovery Act capital funds. In addition, the public did not have information pertaining to the projects and activities funded with Recovery Act grant funds. As a result, the Authority's use of Recovery Act capital funds was not transparent.

Conclusion

The Authority generally followed the Recovery Act requirements in the obligation and expenditure of its Recovery Act capital funds. Additionally, it ensured that procurements were made in accordance with Federal and Recovery Act requirements. However, it did not accurately report required Recovery Act Capital Fund grant information in federalreporting.gov. As a result, the public did not have access to accurate information related to the Authority's use of Recovery Act capital funds.

Recommendation

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

- 1A. Ensure that the Authority complies with HUD guidance and ensures the assignment of a staff person responsible for becoming familiar with the guidance on the Web site and reporting as required.
- 1B. Review the next quarterly report submitted to ensure that it is accurate due to the Authority's history of inaccurate reporting.

SCOPE AND METHODOLOGY

Our review period covered March 18, 2009, through April 30, 2011. We performed the work at the Authority's central office in Gulfport, MS, and our office in Jackson, MS, from February 23 through June 9, 2011.

To accomplish our objective, we performed the following steps as they related to the Authority's Recovery Act Public Housing Capital Fund formula grant:

- Reviewed relevant laws, regulations, and HUD guidance.
- Reviewed meeting minutes of the Authority's board of commissioners.
- Reviewed the Authority's procurement policies and procedures.
- Reviewed and analyzed the Authority's audited financial statements for fiscal year 2009.
- Reviewed and analyzed the Authority's 5-year and annual plans for fiscal years 2009 and 2010.
- Reviewed HUD's monitoring reports and the Authority's 2009 procurement accountability assessment report.
- Interviewed pertinent HUD staff and the Authority's staff.
- Reviewed and analyzed the Authority's Recovery Act Public Housing Capital Fund formula grant obligations, expenditures, procurements, and quarterly reports.
- Conducted site visits to the Authority's Dan Stepney Homes and Pecan Circle Homes housing developments.

To determine whether the Authority properly obligated and expended its Recovery Act capital funds in accordance with Recovery Act rules and regulations, we examined procurement records for all 10 contracts, totaling more than \$3.6 million, to ensure that the Authority properly obligated 100 percent of the funds within 1 year of the date on which funds became available and procured goods and services in accordance with 24 CFR Part 85. We also examined documentation for all nine vouchers, totaling more than \$3.3 million, to ensure that the Authority properly expended its capital funds in accordance with Recovery Act rules and regulations.

To determine whether the Authority properly entered Recovery Act information into federalreporting.gov, we examined all expenditures during our audit period. We then compared that information to that reported in federalreporting.gov.

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 conclusion 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 objectives:

- Control over the obligation and expenditure of Recovery Act capital funds.
- Control over properly entering Recovery Act information into federalreporting.gov.

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 ensure that staff responsible for entering data into federalreporting.gov understood how to accurately report the Recovery Act Capital Fund information.

**Separate Communication of
Minor Deficiencies**

Minor internal control and compliance issues were reported to the auditee in a separate memorandum, dated August 15, 2011.

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Assisting Families and Changing Lives

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July 28, 2011

Kimberly Sandifer
Assistant Regional Inspector General for Audit
HUD Office of Inspector General
Gulf Coast Region, Office of Audit
Jackson, MS

Re: MRHA VIII Response to Audit Draft Report

Dear Ms. Sandifer:

We have reviewed the draft report of your recently completed audit of the Mississippi Regional Housing Authority VIII's American Recovery and Reinvestment Act of 2009 Public Housing Capital Funds.

The conditions found as identified in the draft report have been explained to the housing authority staff persons responsible for monitoring the American Recovery and Reinvestment Act of 2009 Public Housing Capital Funds and corrective action will be taken to ensure we are following all recommendations and are in compliance with all federal regulations and guidelines.

Comment 1

Ref to OIG Evaluation

Auditee Comments

Should you have any questions regarding the above response, please call me at (228) 831-2992 ext. 1017.

Sincerely,

//signed//

J.P. Lawrence

Executive Director



SERVING COVINGTON, FORREST, GEORGE, GREENE, HANCOCK, HARRISON,
JACKSON, JONES, LAMAR, MARION, PEARL RIVER, PERRY, STONE, AND WAYNE COUNTIES

OIG Evaluation of Auditee Comments

Comment 1 We acknowledge the Authority's willingness to take corrective actions.