



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

November 7, 2018

MEMORANDUM NO:
2019-PH-0801

Memorandum

TO: Patricia Hoban-Moore
General Deputy Assistant Secretary for Administration, Office of Administration,
A1

FROM: *//signed//*
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Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: HUD Used Funds for Building Improvements in Accordance With Its Plans and
the Approval of the House and Senate Committees on Appropriations

INTRODUCTION

We audited the U.S. Department of Housing and Urban Development's (HUD) use of funds for building improvements, managed by its Office of Administration, in response to a request from the U.S. House and Senate Committees on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. HUD planned to use the funds totaling \$18.3 million¹ for Office of Administration projects that included building improvements at its headquarters, the Robert C. Weaver Building, and for renovation and relocation expenses for three field offices. The following paragraphs provide details.

- On August 10, 2016, the Committees approved HUD's request to repurpose lapsed fiscal year 2015 funds totaling \$7.4 million for the Office of Administration to make building improvements at the Weaver Building. These improvements included replacement of elevator mechanical control panels; replacement of plumbing infrastructure to comply with the Americans with Disabilities Act (ADA); installation of secure glass doors for HUD's Human Capital Offices; installation of shelter-in-place facilities; realignment of space for HUD's Offices of Public and Indian Housing, Community and Planning Development, and Housing; and replacement of water-damaged furniture in the Office of the Chief Financial Officer.

¹ \$18.3 million = \$7.4 million + \$4 million + \$6.9 million

- On September 16, 2016, HUD notified the Committees of its intent to transfer fiscal year 2016 salaries and expenses funding totaling \$4 million from the Program Office Salaries and Expense account to the Office of Administration account to make improvements at the Weaver Building, including the updating and replacement of pipes and plumbing infrastructure and upgrading telephone infrastructure.² HUD informed the Committees that it would pursue rent abatement from the General Services Administration (GSA) for \$3.7 million that it planned to spend for the replacement of the plumbing infrastructure.
- On September 12, 2017, the Committees approved HUD's request to repurpose lapsed fiscal year 2016 funds totaling \$6.9 million for the Office of Administration to make building improvements at the Weaver Building and consolidation of space in the Fort Worth, TX, Newark, NJ, and Buffalo, NY, field offices. The Weaver Building improvements included additional work to upgrade the plumbing system.

Our review objective was to determine whether HUD used the funds it requested and received for building improvements in accordance with its requests and the approval of the Committees.

The Inspector General Act, Title 5 United States Code, section 8M, requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

METHODOLOGY AND SCOPE

We conducted our review from May to October 2018 from our offices located in Philadelphia and Pittsburgh, PA, and at HUD headquarters located at the Weaver Building in Washington, DC. Our review covered transactions and events that occurred during the period January 2016 through August 2018.

To accomplish our objective, we

- Reviewed prior audit reports.
- Reviewed applicable legislation, regulations, HUD handbooks, and guidance.
- Reviewed HUD's correspondence with the Committees related to the \$18.3 million in funding in the Committees' request.
- Interviewed officials from HUD's Office of Administration, Office of the Chief Financial Officer, and Office of the Chief Procurement Officer.

² The HUD Secretary is authorized to transfer up to 10 percent or \$4 million, whichever is less, in funds appropriated for any office under the heading "Administrative Support Offices" or for any account under the general heading "Program Office Salaries and Expenses" to any other such office or account, provided that no appropriation for any such office or account will be increased or decreased by more than 10 percent or \$4 million, whichever is less, without prior written approval of the House and Senate Committees on Appropriations, provided further that the Secretary notifies such Committees 3 business days before any such transfers up to 10 percent or \$4 million, whichever is less.

- Interviewed and obtained documentation from the contracting officer representatives, project managers, and vendors HUD used.
- Interviewed staff from HUD's administrative contractor - the Administrative Resource Center, Bureau of the Fiscal Service, U.S. Department of the Treasury - and staff from GSA.
- Reviewed HUD's files and documentation related to procurement and related expenditures.

We observed the physical condition of the improvement projects at the Weaver Building on May 22 and August 21, 2018, to determine the status and progress of the projects.

From the Office of the Chief Financial Officer, we obtained status of funds reports to identify the accounting codes used to record the fiscal year 2015 lapsed and repurposed funds, the fiscal year 2016 transferred funds, and the fiscal year 2016 lapsed and repurposed funds. The status of funds reports show the vendors, amounts obligated, amounts spent, and amounts remaining on the obligation at a summary level as of the date the report was run.

From the Office of the Chief Procurement Officer, we obtained all of the contracts and task orders charged to the accounting codes related to the repurposed and transferred funds. The descriptions of the scope of work on the contracts and task orders showed that the purpose of the work was consistent with the purposes approved by the Committees. We also compared the dates on which HUD obligated the funds to the dates on which the Committees gave HUD approval to repurpose the lapsed funds and the date on which HUD notified the Committees of its intent to transfer funds.

To select a sample of invoices to review, we obtained invoice detail reports on August 13, 2018, from HUD's administrative contractor, the Administrative Resource Center. These reports showed that \$7.5 million had been invoiced as of that date. We reconciled the total of the invoice reports to the total expenditures for the fiscal years 2015 and 2016 lapsed and repurposed funds on the status of funds report to test the data reliability. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purpose. We selected 20 invoices for testing totaling \$4.9 million, or 65 percent of the total amount of \$7.5 million invoiced, to determine whether the scope of work on the contracts and task orders agreed with the work billed by the vendors. Our selection of 20 invoices included 15 invoices that charged 1 of the 3 accounting codes, 4 invoices that charged 2 of the 3 accounting codes, and 1 invoice that charged all 3 accounting codes. Specifically, the 20 invoices included 15 invoices that charged the fiscal year 2015 lapsed and repurposed funds, 5 invoices that charged the fiscal year 2016 transferred funds, and 6 invoices that charged the fiscal year 2016 lapsed and repurposed funds. We obtained supporting documentation for the selected invoices from HUD's administrative contractor; HUD staff responsible for oversight of the projects, including the respective contracting officer representatives and project managers; and GSA staff. We nonstatistically selected invoices for review to get a representative sample based on the source of the funds, the dollar amount of the

invoice, and the descriptions on the invoice detail reports. Therefore, we cannot project our results to the total funding amount.

This was a limited scope review. Therefore, it was not performed in accordance with generally accepted government auditing standards. For example, we did not perform an assessment of internal controls as they related to the objective.

BACKGROUND

HUD's requests to repurpose lapsed funds and its notification to transfer funds were made for projects that were the responsibility of its Office of Administration. Within the Office of Administration are two divisions that are responsible for initiating, managing, and completing these projects. They are the Office of Facilities and Space Management Services and the Office of Field Support Services. The Office of Facilities and Space Management Services is responsible for HUD's offices in the National Capital Region, and the Office of Field Support Services is responsible for HUD's regional and field offices.

HUD has an occupancy agreement with GSA as the sole tenant of the Weaver Building. The Weaver Building was constructed between 1965 and 1968 and is on the National Register of Historic Places for its architectural significance. GSA delegated to HUD the authority and responsibility to provide all or some operations, maintenance, and utility services that it normally provides for the building. In August 2017, the Washington, DC, State Historic Preservation Office (WDCSHPO) determined that alterations made to the Weaver Building, intended to consolidate staff from a variety of locations to the Weaver Building, had an adverse effect on the historic property. WDCSHPO required HUD to place a stop work order on several projects until a programmatic agreement was finalized. As of October 2018, the programmatic agreement had not been finalized. As a result, more than \$11.1 million of the \$18.3 million in lapsed and repurposed and transferred funds from fiscal years 2015 and 2016 has been obligated but not spent due to the work stoppage.

HUD leases space from GSA for its offices located in Fort Worth, TX, Newark, NJ, and Buffalo, NY. GSA ordered HUD to vacate these locations because the leases were expiring. HUD is in the process of moving and consolidating staff in these locations to space more appropriate with current staffing levels. GSA has identified office space for staff in Fort Worth, TX. However, it has not yet identified suitable office space for staff located in Newark, NJ, and Buffalo, NY.³ HUD has issued stop work orders on procurement actions related to the Newark, NJ, and Buffalo, NY, office relocations until suitable office space is identified. As a result, a portion of the lapsed funds from fiscal year 2016 that the Committees approved HUD to repurpose has been obligated but not spent due to the work stoppage.

The table below shows the amount of the \$18.3 million obligated and invoiced as of August 2018.

³ The leases for these offices were set to expire on September 30, 2018. GSA extended the leases until suitable space is identified.

Fund reviewed	Total amount	Amount obligated	Amount invoiced
Fiscal year 2015 lapsed and repurposed funds	\$7,400,000	\$7,324,022	\$4,520,087
Fiscal year 2016 transferred funds	4,000,000	4,000,000	2,117,508
Fiscal year 2016 lapsed and repurposed funds	6,900,000	6,745,780	889,078
Totals	18,300,000	18,069,802	7,526,673

RESULTS OF REVIEW

HUD used the funds it requested and received for building improvements in accordance with its requests and the approval of the Committees. Specifically, HUD (1) obligated funds for purposes consistent with its requests after receiving approval from the Committees, (2) maintained documentation to support expenditures, and (3) is making progress on the repairs to the Weaver Building as stated to the Committees.

HUD Obligated Funding Consistent With Requested Purposes

HUD obligated the \$18.3 million in repurposed and transferred funds for services consistent with its stated purposes and after receiving approval from the Committees to repurpose the lapsed funds and notifying the Committees that it planned to transfer funds. We reviewed the scope of work on all of the contracts and applicable task orders used to obligate the \$18.3 million. We also compared the dates on which HUD obligated the funds to the dates on which the Committees gave HUD approval to repurpose the lapsed funds and the date on which HUD notified the Committees of its intent to transfer funds. The scope of work on the contracts and task orders was consistent with HUD's requests and its notification to the Committees. HUD obligated the funds after receiving approval from the Committees to repurpose the lapsed funds and notifying them of its intent to transfer funds.

HUD Maintained Documentation To Support Expenditures

HUD maintained documentation to support the amounts spent, and vendors submitted invoices for work consistent with the scope of the work outlined in the obligations. We reviewed expenditure documentation for 26 invoices⁴ valued at \$4.9 million. The documentation included invoices, purchase orders, approval workflows, payment confirmations, and other documentation vendors provided to support the invoices. In addition, we interviewed vendors and obtained documentation for these transactions from them. The table below provides details.

Fund reviewed	Amount invoiced	Amount reviewed	Percentage reviewed	Number of invoices reviewed ⁴
Fiscal year 2015 lapsed and repurposed funds	\$4,520,087	\$3,448,849	76	15
Fiscal year 2016 transferred funds	2,117,508	838,191	40	5
Fiscal year 2016 lapsed and repurposed funds	889,078	620,436	70	6
Totals	7,526,673	4,907,476	65	26

Repairs to the Weaver Building Are Ongoing

HUD was making progress on the projects it identified in its requests and its notification to the Committees. We visited the Weaver Building in May and August 2018 to observe the projects. HUD had stopped work in accordance with the stop work order but continued its work in areas allowed by WDCSHPO. The following paragraphs provide details on the status of the projects.

- Elevator repairs: The elevators malfunctioned periodically, leaving staff trapped. GSA was responsible for the procurement and contractor oversight of these repairs. HUD and GSA signed a reimbursable work agreement in September 2016 for \$3 million for the necessary repairs to the building elevators. Repairs to only one freight elevator remained, and the work was anticipated to be completed by August 2019.
- ADA-compliant bathrooms, shelter-in-place space, and privacy glass doors: Activity on these projects was halted due to the stop work orders. WDCSHPO required a programmatic agreement to be in place before additional renovation work could continue, requiring HUD to place a stop work order on these projects. As of October 2018, the programmatic agreement was not in place.

⁴ We reviewed 20 different invoices, including 15 invoices that charged 1 of the 3 accounting codes, 4 invoices that charged 2 of the 3 accounting codes and 1 invoice that charged all 3 accounting codes. Since we reviewed 26 allocations of funds for the 3 accounting codes on those 20 invoices, in order to accurately report the amount reviewed against the amount invoiced, we counted 5 invoices more than once.



Photo of ADA-compliant restrooms and shelter-in-place space on the seventh floor of the Weaver Building. Photo taken May 22, 2018.

- Space realignments: Despite WDCSHPO's requiring a programmatic agreement to be in place before HUD could continue renovations at the Weaver Building, it allowed HUD to finish work on the fourth and seventh floors due to the extent of the work that had already been completed. We toured these locations and observed that HUD Office of Housing staff had moved into the fourth floor and Office of Community Planning and Development staff will shortly move into space on the seventh floor.



Photo of the Office of Public and Indian Housing office space on the fourth floor of the Weaver Building. Photo taken May 22, 2018.

- Sanitary piping: HUD is replacing the cast iron sanitary piping in the Weaver Building due to the pipes' breaking, leaking, and causing additional damage. The cast iron piping used during the building's construction was approaching the end of its useful life of approximately 50 to 65 years and was in need of replacement. The Weaver Building has eight restrooms on each floor, with two located in each of the four wings of the building. HUD's plan was to replace the sanitary piping on all floors of a wing before moving to the next wing and is currently replacing piping in the second of four wings. The work in each wing should take approximately 4 months to complete. We toured restrooms in two of the four wings, observing the progression of the sanitary piping replacement.



Photo of sanitary piping replaced in restroom facilities located on the fifth floor of the Weaver Building. Photo taken August 21, 2018.

GSA Gave HUD Rent Credits for Some of the Work Paid for With Repurposed and Transferred Funds

GSA reduced HUD's fiscal year 2017 rent for the Weaver Building by \$7.8 million through rent credits over the months of January through September 2017. The purpose of this reduction was to credit HUD for its financial contributions for elevator repairs and sanitary plumbing in fiscal year 2016. HUD obligated \$7.3 million of the \$7.8 million in funding for these projects, using the repurposed and transferred funds that are the subject of this review, as shown in the table below.

Funds	Building improvement project	Amount of rent credits
Fiscal year 2015 lapsed and repurposed funds	Elevator repairs and ADA restroom sanitary plumbing	\$3.6 million
Fiscal year 2016 transferred funds	Sanitary plumbing	3.7 million
Total		7.3 million

HUD's occupancy agreement for the Weaver Building created ad hoc clauses to credit HUD for its financial contributions for building improvements that are inherently GSA's responsibility to cover. The agreement noted that HUD provided funding for repairs on elevators and restroom piping in fiscal year 2016 and would receive the credits in fiscal year 2017. In its September 16, 2016, notification to the Committees of its intent to transfer fiscal year 2016 salaries and expenses funding totaling \$4 million, HUD stated that it would pursue rent abatement from GSA for the replacement of the plumbing infrastructure. HUD treated the credits as refunds that were eligible to be spent within the Office of Administration in fiscal year 2017.

The process HUD used to track the credits was informal and in need of improvement. HUD did not maintain an adequate audit trail to tie specific credits to specific project expenditures. It also lacked documentation to show that the uses of the credits were properly approved. HUD's records showed that the \$7.3 million in rent credits generated from expenditures from repurposed and transferred funds was used for some combination of the following expenses:

- \$5.5 million to consolidate, reconfigure, and furnish the north end of the Weaver Building's ninth floor for Office of Housing staff.
- \$1.4 million for rent debits that GSA charged for miscellaneous lease expenses that it withheld from the credits issued.
- \$630,000 for the consolidation and reconfiguration of the Detroit field office.
- \$186,000 for motor pool services.
- \$80,000 for broadcasting equipment.

We have concerns regarding HUD's treatment of the rent credits in general and its process for tracking their use. Because this issue was beyond the scope of this review, we plan to conduct a separate internal audit in fiscal year 2019 to determine whether HUD properly tracked and used rent credits in accordance with applicable requirements.

Conclusion

HUD used the funds it requested and received for building improvements in accordance with its requests and approval from the Committees. HUD obligated the funding in accordance with its stated intent, and building repairs were being made at the Weaver Building and the field locations specified in the memorandum.

RECOMMENDATIONS

This report contains no recommendations.

Appendix A

Auditee Comments and OIG's Evaluation

We provided HUD a copy of the draft report for review. We had an exit conference with HUD's Chief Administrative Officer in the Office of Administration and staff and discussed the audit results. HUD chose not to provide written comments for this report.