



# Denver Housing Authority Denver, CO

## Public Housing Capital Fund Program



**To:** Janice Rodriguez, Director, Office of Public and Indian Housing, 8APH

*//signed//*

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

**Subject:** The Denver Housing Authority, Denver, CO, Generally Complied With Procurement Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Denver Housing Authority's Public Housing Capital Fund program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

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

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



**Audit Report Number: 2017-DE-1002**  
**Date: August 18, 2017**

**The Denver Housing Authority, Denver, CO, Generally Complied With  
Procurement Regulations**

## Highlights

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### What We Audited and Why

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We audited the Denver Housing Authority of Denver, CO. We conducted this audit because of deficiencies found in other procurement audits in our region. The Authority is the largest recipient of U.S. Department of Housing and Urban Development (HUD) funds in the region, and we wanted to ensure that it did not have the deficiencies found in other audits. Our audit objective was to determine whether the Authority properly procured goods and services with its capital funds from 2013 to 2015.

### What We Found

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The Authority generally complied with HUD's and its own procurement regulations for the five contracts reviewed. It properly completed the presolicitation process, the solicitation process, the evaluation process, the award process, and the postaward and administration process for those contracts.

### What We Recommend

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This report contains no recommendations.

# Table of Contents

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<b>Background and Objective.....</b>	<b>3</b>
<b>Results of Audit .....</b>	<b>5</b>
<b>Finding: The Denver Housing Authority Generally Complied With HUD’s and Its     Own Procurement Regulations.....</b>	<b>5</b>
<b>Scope and Methodology.....</b>	<b>6</b>
<b>Internal Controls.....</b>	<b>7</b>
<b>Appendixes.....</b>	<b>8</b>
<b>A. Auditee Comments and OIG’s Evaluation.....</b>	<b>8</b>

# Background and Objective

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The Denver Housing Authority is a quasi-municipal corporation with a portfolio of more than 11,000 units and housing choice vouchers. The Authority provides affordable housing to more than 26,000 very low-, low-, and middle-income individuals representing more than 10,000 families. The Authority's mission is to serve the residents of Denver by developing, owning, and operating safe, decent, and affordable housing in a manner that promotes thriving communities. The Authority owns and operates more than 3,900 conventional public housing units that are subsidized by the U.S. Department of Housing and Urban Development (HUD). The Authority also administers the Federal Housing Choice Voucher program. The Authority has a fiscal year budget of more than \$157 million, has 302 part- and full-time employees, and is located at 777 Grant Street, Denver, CO. Below is a picture of the Authority's headquarters.



HUD provides capital funds to entities by formula distribution for capital and management activities, including development, financing, and modernization of public housing projects. These activities include redesign, reconstruction, and reconfiguration of public housing sites and buildings and development of mixed-finance projects; vacancy reduction; planned code compliance; management improvements; demolition and replacement; resident relocation; capital expenditures; home-ownership activities; and integrated utility management and capital planning to maximize energy conservation and efficiency.

Our audit focused on the years 2013 to 2015. In 2013 and 2014, the Authority received three Public Housing Capital Fund grants, and in 2015, it received two. The following table shows the Capital Fund grants received each year.

	2013	2014	2015	
	\$19,926	\$20,265	\$20,433	
	122,813	153,604	4,720,429	
	4,508,139	4,590,697		
<b>Totals</b>	4,650,878	4,764,566	4,740,862	<b>\$14,156,306</b>

Our audit objective was to determine whether the Authority properly procured goods and services with its capital funds from 2013 to 2015.

# Results of Audit

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## **Finding: The Denver Housing Authority Generally Complied With HUD's and Its Own Procurement Regulations**

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The Authority generally complied with HUD's and its own procurement regulations for the five contracts reviewed. It properly completed the presolicitation process, the solicitation process, the evaluation process, the award process, and the postaward and administration process for those contracts.

### **Denver Housing Authority Capital Fund Procurements**

The Authority generally complied with HUD's and its own procurement regulations for the five contracts reviewed. It properly completed the presolicitation process, the solicitation process, the evaluation process, the award process, and the postaward and administration process on all five contracts. For each of the contracts reviewed, we analyzed the contracts and verified that that the Authority properly followed procurement regulations regarding advertising, competition, cost estimates, evaluations, modifications and other applicable regulations. We used Federal regulations at 24 CFR (Code of Federal Regulations) 85.36 (for 2013 and 2014) and 2 CFR Part 200 (for 2015), Authority procurement regulations, and the HUD Handbook 7460.8, REV-2, as guidance while reviewing the contracts.

We also conducted onsite visual inspections of properties to determine whether construction appeared to have been completed. One of those properties, which had roof construction, is pictured here.

During our review, we noted minor deficiencies regarding inspections and will communicate those to the Authority in a separate management letter.

### **Recommendations**

There are no recommendations.



# Scope and Methodology

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We performed our audit work between January and April 2017 at 777 Grant Street, Denver, CO. Our audit period covered January 1, 2013, through December 31, 2015.

To accomplish our objective, we

- Reviewed HUD regulations at 24 CFR 85.36 and 2 CFR Part 200.
- Reviewed HUD Handbook 7460.8, REV-2.
- Reviewed the Authority's procurement policies and procedures.
- Reviewed auditee background information.
- Interviewed HUD's Denver Office of Public and Indian Housing staff.
- Interviewed Authority executives and staff.
- Reviewed prior Authority monitoring reviews.
- Reviewed procurement files on the Authority's capital funds spent between 2013 and 2015.

The Authority received eight Capital Fund grants totaling more than \$14 million from 2013 to 2015. It spent more than \$4.3 million of its capital funds from 2013 to 2015 on 24 construction contracts. We reviewed 5 of the 24 contracts totaling more than \$3.6 million, or about 84 percent of all funds spent for construction. We selected the four contracts that were highest in dollar amount and one contract that was mentioned in a separate complaint. We analyzed each contract to ensure that every step of the procurement process was followed correctly. We did not use statistical sampling for this review because our sample covered more than 80 percent of all funds spent on construction. The results of this audit apply only to the items tested and are not projected to the universe.

We did not rely on computer-generated data as audit evidence or to support our audit conclusions. We used documentation obtained from HUD and the Authority for background information purposes. We based all of our conclusions 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 objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



# 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.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Controls over the Authority's procurement processes regarding its capital funds.

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.

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

## **Separate Communication of Minor Deficiencies**

Minor internal control and compliance issues were reported to the auditee in a separate memorandum, dated August 14, 2017.

# Appendix A

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## **Auditee Comments and OIG's Evaluation**

Denver Housing Authority chose not to provide comments to the report due to the positive nature of the report.