



Tarrytown Municipal Housing Authority, Tarrytown, NY

Public Housing Program

**Office of Audit, Region 2
New York – New Jersey**

**Audit Report Number: 2017-NY-1002
November 22, 2016**



To: Luigi D'Ancona
Director, Office of Public Housing Programs, 2APH

From: //SIGNED//
Kimberly Greene
Regional Inspector General for Audit, 2AGA

Subject: The Tarrytown Municipal Housing Authority, Tarrytown, NY, Did Not Always Comply With HUD's Procurement, Administrative, and Program Requirements

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 Tarrytown Municipal Housing Authority's administration of its public housing 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 Web site. 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 212-264-4174.



Audit Report Number: 2017-NY-1002

Date: November 22, 2016

The Tarrytown Municipal Housing Authority, Tarrytown, NY, Did Not Always Comply With HUD's Procurement, Administrative, and Program Requirements

Highlights

What We Audited and Why

We audited the Tarrytown Municipal Housing Authority's administration of its public housing program based on an Office of Inspector General risk assessment. The objectives of the audit were to evaluate the Authority's financial controls to determine whether (1) U.S. Department of Housing and Urban Development (HUD) funds were used for eligible, reasonable, and supported expenses and (2) adequate financial controls were maintained to ensure compliance with program regulations.

What We Found

Authority officials did not properly document the procurement of \$474,571 in goods and services. Specifically, the Authority did not prepare independent cost estimates, solicit price quotes, and maintain procurement file documentation. Other minor deficiencies were that the Authority did not prepare an approved statement of policies and procedures, document inspections before occupancy, properly document tenant employees, and develop a flat rent policy. We attributed these conditions to Authority officials' lack of knowledge of Federal regulations and failure to implement and follow their own policies and procedures to properly administer the public housing program. As a result, Authority officials could not ensure that \$474,571 in public housing funds was disbursed for eligible, reasonable, and supported expenses in compliance with applicable requirements and that adequate controls were maintained to ensure compliance with program regulations.

What We Recommend

We recommend that the Director of HUD's New York Office of Public Housing instruct Authority officials to (1) provide documentation showing that the \$474,571 in identified procurements were reasonable and repay any amounts not supported from non-Federal funds, (2) adopt a HUD-approved procurement plan, (3) develop a HUD-approved statement of policies and procedures, (4) conduct unit inspections before occupancy, (5) obtain HUD's approval for all Authority employees occupying public housing units, (6) accurately report those employees required to live in public housing as a condition of their job, and (7) develop a formal flat rent policy.

Table of Contents

Background and Objectives	3
Results of Audit	4
Finding : The Authority Did Not Always Comply With HUD’s Procurement, Administrative, and Program Requirements.....	4
Scope and Methodology	7
Internal Controls	9
Appendixes.....	11
A. Schedule of Questioned Costs	11
B. Auditee Comments and OIG’s Evaluation	12

Background and Objectives

The U.S. Department of Housing and Urban Development (HUD) administers Federal aid to local public housing agencies (PHA) that manage housing for low-income residents at rents they can afford. HUD provides technical and professional assistance in planning, developing, and managing these developments. Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to highrise apartments for elderly families. There are approximately 1.2 million households living in public housing units managed by some 3,300 PHAs.

Public housing is limited to low-income families and individuals. PHAs determine eligibility based on (1) annual gross income; (2) qualification as elderly, a person with a disability, or a family; and (3) U.S. citizenship or eligible immigration status. If an applicant is eligible, the local PHA checks the applicant's references to determine whether the applicant and the applicant's family will be good tenants. Local PHAs deny admission to any applicant whose habits and practices may be expected to have a detrimental effect on other tenants or on the project's environment.

The Tarrytown Municipal Housing Authority provides affordable, low-income public housing to qualified individuals and is located at 50 White Street in Tarrytown, NY. The Authority is governed by a seven-member board of commissioners. Five members are appointed by the mayor of the Village of Tarrytown, and two members are Authority residents. The Authority was established in 1952 and is classified as a small PHA with a total of 151 public housing units. It does not have Section 8 vouchers. For our review period of October 1, 2013, to March 31, 2016, the Authority received \$867,385 in operating subsidies.

The objectives of the audit were to evaluate the Authority's financial controls to determine whether (1) HUD funds were used for eligible, reasonable, and supported expenses and (2) adequate financial controls were maintained to ensure compliance with program regulations.

Results of Audit

Finding: The Authority Did Not Always Comply With HUD's Procurement, Administrative, and Program Requirements

Authority officials did not properly document the procurement of \$474,571 in goods and services. Specifically, the Authority did not prepare independent cost estimates, solicit price quotes, and maintain procurement file documentation. Other minor deficiencies were that the Authority did not prepare an approved statement of policies and procedures, document inspections before occupancy, properly document tenant employees, and develop a flat rent policy. We attributed these conditions to Authority officials' lack of knowledge of Federal regulations and failure to implement and follow their own policies and procedures to properly administer the public housing program. As a result, Authority officials could not ensure that \$474,571 in public housing funds was disbursed for eligible, reasonable, and supported expenses in compliance with applicable requirements and that adequate controls were maintained to ensure compliance with program regulations.

Procurement Activities Not Conducted for Seven Vendors

The Authority did not follow procurement procedures for its purchase of goods and services totaling \$474,571. It did not prepare independent cost estimates to determine price reasonableness, solicit price quotes, and maintain procurement file documentation. Thus, it could not support that it made purchases competitively and that prices were fair and reasonable. Regulations at 24 CFR (Code of Federal Regulations) 85.36¹ required the Authority to prepare an independent cost estimate and price or cost analysis for all procurement actions, conduct all procurement transactions in a manner providing full and open competition, and maintain sufficient records to detail the significant history of a procurement. This condition occurred because Authority officials did not adhere with procurement regulations at 24 CFR 85.36 and procurement requirements in HUD Handbook 7460.8, REV-2, dated February 2007. When the Authority disbursed the \$474,571 for goods and services, its formal procurement policy had been submitted to HUD for review and approval but had not been approved by HUD.

During the course of our fieldwork, Authority officials received procurement training from a HUD-sponsored contractor and contacted HUD Office of Public Housing officials to develop and secure an approved procurement policy. These actions along with the implementation of a HUD approved procurement policy should result in appropriate procurement actions being properly documented.

¹ Procurement regulations contained in 24 CFR 85.36 have been incorporated into 2 CFR Part 200.317-200.326 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards effective December 26, 2014. Our audit period is from October 1, 2013 to March 31, 2016.

Lack of Current Administrative Policies and Procedures Statement

The Authority did not comply with the requirements at 24 CFR 903.7 to have a statement of current administrative policies and procedures attached to its annual plan and approved by HUD. It used an outdated administration policy and guide plan from another PHA because Authority officials were unaware of the requirement to have a current administrative policy and procedures statement in place for continuity of Authority operations. During our audit, Authority officials stated that they had begun to draft an administration policy and guide statement and would submit it to HUD's Office of Public Housing for review.

Inspections Not Conducted Before Occupancy

The Authority did not adequately document the inspection of its units before occupancy in accordance with 24 CFR 966.4(i); Public Housing Occupancy Guidebook, section 9.2; and its own Admissions and Continued Occupancy Policy, section III(9). We reviewed 20 of 151 tenant files (13 percent), consisting of 15 tenant and 5 tenant-employee files. Of the 20 files reviewed, 14, which consisted of 10 tenant files and 4 tenant-employee files, did not contain documentation of the required inspections before occupancy. Authority officials were not aware that documentation was required to support that the unit was inspected before occupancy. As a result, there was no assurance that the units were in decent, safe, and sanitary condition before occupancy. During the course of our fieldwork, Authority officials created a preoccupancy inspection checklist, which the Authority used to inspect units with the tenant before occupancy. The Authority had also filed a signed and dated copy of this preoccupancy inspection checklist in the tenant file.

HUD's Approval To House Two Tenant-Employees Not Obtained and Improperly Included in the Operating Subsidy Calculation

The Authority did not obtain HUD's approval to house two maintenance employees and improperly included these units in its calculation of operating subsidies in violation of HUD Handbook 7465.1, REV-2, and Office of Public and Indian Housing Notice 2011-7, section 4.1. A review of five tenant-employee files found that there was no documentation showing that the Authority obtained HUD's approval to house two maintenance employees who were required to live on site. Further, the Authority had not reported them on form HUD-51234 in accordance with HUD regulations. In addition, these two maintenance employees resided in units designated in HUD's Public and Indian Housing Information Center² system as "assisted tenant," as opposed to "occupied employee" units, which resulted in these units improperly being included in the calculation of operating subsidies. We attribute these conditions to Authority officials' not being aware of HUD's requirements. As a result, HUD had not approved the occupancy of the two units by maintenance employees, and the calculation of operating subsidies could have been inaccurate.

² The Public and Indian Housing Information Center system allows PHAs to electronically submit information to HUD. It enables PHAs to update their data online, which allows field personnel to focus on providing assistance to PHAs and reduces the burden of paper submission and data entry.

Records Documenting the Method Used To Determine Flat Rents Not Maintained

The Authority did not document how it determined flat rents as required by regulations at 24 CFR 960.253(b)(5). Authority officials believed that they could charge tenants in public housing a reasonable rent, which could be a flat amount not related to the person's income. The lack of documentation showing how the flat rents were determined provided no assurance that the rents were appropriate.

Conclusion

Authority officials did not properly document the procurement of \$474,571 in goods and services. Specifically, the Authority did not prepare independent cost estimates, solicit price quotes, and maintain procurement file documentation. We also identified other minor deficiencies including the Authority did not prepare an approved statement of policies and procedures, document inspections before occupancy, properly document tenant employees, and develop a flat rent policy. We attributed these conditions to Authority officials' lack of knowledge of Federal regulations and failure to implement and follow their own policies and procedures to properly administer the public housing program. As a result, Authority officials could not ensure that \$474,571 in public housing funds was disbursed for eligible, reasonable, and supported expenses in compliance with applicable requirements and that adequate controls were maintained to ensure compliance with program requirements.

Recommendations

We recommend that the Director of HUD's Office of Public Housing instruct Authority officials to

- 1A. Provide documentation showing that the \$474,571 in identified procurements was reasonable or repay any amounts not supported from non-Federal funds.
- 1B. Adopt a HUD-approved procurement plan.
- 1C. Develop a HUD-approved statement of policies and procedures and attach the statement to the annual report submitted to HUD.
- 1D. Follow up to ensure inspections are completed before occupancy.
- 1E. Obtain HUD's approval for all public housing units occupied by Authority employees.
- 1F. Accurately report employees who are required to live in public housing as a condition of their employment on form HUD-51234.
- 1G. Develop and implement a flat rent policy that requires documentation to be maintained to support how flat rents were determined.

Scope and Methodology

The review generally covered the period October 1, 2013, through March 31, 2016, and was extended as needed. Audit fieldwork was performed onsite from April through September 2016 at the Authority's office located at 50 White Street, Tarrytown, NY.

To accomplish our audit objectives, we

- Reviewed applicable Office of Public and Indian Housing notices, HUD handbooks, CFR regulations, and the U.S. Housing Act of 1937.
- Interviewed officials of the Authority, reviewed HUD monitoring reports, and interviewed HUD Office of Public Housing employees.
- Reviewed the Authority's Admissions and Continued Occupancy Policy, monthly board of directors minutes, by-laws, agreements, articles of incorporation and charter, and administrative policy.
- Reviewed the annual contributions contract between HUD and the Authority.
- Reviewed the cooperative agreement between the Village of Tarrytown and the Authority.
- Reviewed Authority tenant files, disbursements, and internal controls.
- Reviewed data in HUD's Line of Credit Control System (LOCCS).

We reviewed the disbursements ledger for our review period, which totaled \$3.78 million, to identify expenses requiring proper procurement and reviewed all seven contracts or agreements for services, including legal, elevator, independent public accountant, fee accountant, fire protection and security, information technology, and maintenance.

We selected a nonstatistical sample of 20 tenant files (20 of 151, or 13 percent), which consisted of 15 tenant and 5 employee-tenant files, to test for eligibility, recertification, and completeness. The results pertain to the sample only. Therefore, we did not project the results to the universe. While we used the data obtained from LOCCS for informational purposes, our assessment of the reliability of the data in the system was limited to the data reviewed; therefore, we did not assess the reliability of this system. We performed a reconciliation of the LOCCS drawdowns to Authority records and found no discrepancies. To achieve our audit objective, we relied in part on computer-processed data from the Authority's computer system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

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 finding and conclusion based on our audit objectives.

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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of funds is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

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 have adequate controls to ensure that it performed proper procurement and maintained supporting documentation for the procurement of goods and services.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/
1A	\$474,571
Totals	474,571

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2

Comment 3

Comment 4

Comment 5

Comment 6

TELEPHONE 914-631-1991 FAX 914-631-9223

TARRYTOWN MUNICIPAL HOUSING AUTHORITY
FRANKLIN TOWERS – FRANKLIN COURTS
50 WHITE STREET
TARRYTOWN, NEW YORK 10591

November 2, 2016

Ms. Kimberly Greene
Regional Inspector General for Audit
U.S. Department of HUD
26 Federal Plaza
Room 3430
New York, NY 10278

RE: Audit of Tarrytown Municipal Housing Authority's Public Housing Program

Dear Ms. Greene:

Below, please find the response of the Tarrytown Municipal Housing Authority to the above captioned Draft Audit Report.

Finding (1) *Provide documentation showing that the \$474,571 in identified procurements were reasonable and repay any amounts not supported from non-Federal funds.*
Documentation and explanation attached for review and discussion.

Finding (2) *Adopt a HUD-approved procurement plan.*
Awaiting HUD approval

Finding (3) *Develop a HUD-approved statement of policies and procedures.*
The Authority is currently in the process of complying with the requirements of the 24 CFR 903.7, and is working closely with the Housing Authority Board in preparing an updated statement of administrative policies and procedures to attach to its annual plan for review and approval by HUD.

Finding (4) *Conduct unit inspections before occupancy.*
All apartments are routinely inspected and approved by the Foreman and Executive Director prior to new applicants moving in. Written documentation had not previously been filed but has since been implemented for incoming tenants.

Finding (5) *Obtain HUD's approval for all Authority employees occupying public housing units.*
See original letter previously sent November 2010 to [REDACTED] (attached). A new letter dated November 2016 to L. D'Ancona. The Housing Authority is currently awaiting HUD response and approval.

Finding (6) *Accurately report those employees required to live in public housing as a condition of their job.*
The Housing Authority continues to report the previously approved employees (2) on HUD form 52722 (attached).

**Ref to OIG
Evaluation**

Auditee Comments

Comment 7

Finding (7) *Develop a formal flat rent policy.*

The Housing Authority utilizes the same formula for determining "flat rent" as outlined in the Nan McKay Public Housing Management Master Book guidelines (attached).

Comment 1

Procurement Activities Not Conducted For Vendors

The Housing Authority believed that proper Procurement procedures were being followed, Independent Cost Estimates were compared in accordance with the latest policy on file.

Vendors in Question:

██████████
The nature of the Security/Surveillance requirement is such that the TMHA needs to evaluate more than just price to be sure that the prospective contractor understands the PHA's needs and can successfully complete the contract where the PHA needs specific expertise and experience.

Comment 1

EIA.Gov (U.S. Energy Information Administration) definition

Spot price: The price for a one-time open market transaction for near-term delivery of a specific quantity of product at a specific location where the commodity is purchased at current market rates. See also spot market terms associated with specific energy types.

Spot purchases: A single shipment of fuel or volumes of fuel purchased for delivery within 1 year. Spot purchases are often made by a user to fulfill a certain portion of energy requirements, to meet unanticipated energy needs, or to take advantage of low-fuel prices.

The Housing Authority believed it was acting in compliance and made every effort to follow HUD rules and regulations to the best of their ability and that adequate controls were being maintained to ensure compliance with program requirements.

The Housing Authority would like to thank the Office of the Inspector General for their suggestions and efforts to improve our Public Housing program and is looking forward to working with the Field Office to implement any changes to improve our service to residents and maintain a good working relationship with HUD.

Thank you.

Sincerely,



Wilfredo Gonzalez
Executive Director

cc: Mr. Joseph Vizer
Assistant Regional Inspector General for Audit

OIG Evaluation of Auditee Comments

- Comment 1** The Authority indicated that it has provided documentation and explanations to support the reasonableness of the identified procurements. These documents need to be reviewed by HUD as part of audit resolution to determine if the procurements are reasonable or if any amounts need to be repaid.
- Comment 2** The Authority indicated that it is waiting for HUD approval of its procurement plan. HUD should review the adequacy of the Authority's procurement plan as part of audit resolution and ensure that the Authority's procurement plan meets the applicable requirements for approval.
- Comment 3** The Authority stated that it is preparing an updated statement of administrative policies and procedures and will provide it to HUD for approval. HUD should evaluate the Authority's statement of policies and procedures to ensure compliance with the applicable requirements before approval as part of audit resolution.
- Comment 4** The Authority stated that it inspects all apartments prior to occupancy by new applicants. The Authority's new procedures for documenting completed initial inspections should be reviewed by HUD as part of the audit resolution.
- Comment 5** The Authority stated that it had requested HUD approval for all Authority employees occupying public housing units. As part of the resolution process, HUD should evaluate the Authority's request for approval of all Authority employees occupying public housing units and provide a written determination to the Authority.
- Comment 6** The Authority stated that it continues to properly report the two approved employees occupying public housing units to HUD. HUD should evaluate the Authority's request for the two additional employees occupying public housing units as a condition of their employment as part of the audit resolution and ensure all employees occupying public housing units are properly reported.
- Comment 7** The Authority indicated that it uses the formula in the Nan McKay Public Housing Management Master Book for flat rents. HUD should evaluate the Authority's methodology for determining flat rents as part of the audit resolution process and provide a written determination as to whether the procedure is acceptable and the rents charged are appropriate.