



Issue Date
May 04, 2012
Audit Report Number
2012-DE-1004

TO: Carol Ann Roman, Director, Denver Office of Public Housing, 8APH

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

SUBJECT: The Aurora Housing Authority Did Not Always Follow Requirements When Obligating, Expendng, and Reporting Information About Its Recovery Act Capital Funds

HIGHLIGHTS

What We Audited and Why

We reviewed the Aurora Housing Authority, located in Aurora, CO. We selected the Authority for review based on a comparison of certain characteristics—such as comparing the Authority’s Recovery and Reinvestment Act of 2009 funding with that of other housing authorities in the region—and the Denver Office of Public Housing’s concerns about its use of Recovery Act funds. Our objectives were to determine whether the Authority obligated its funds by the deadline, adequately managed its procurements and contracts, and accurately reported its Recovery Act information in FederalReporting.gov.

What We Found

We determined that the Authority did not obligate \$22,018 of its Recovery Act funds by the March 17, 2010, deadline, adequately manage its Recovery Act procurements and contracts, or accurately report the number of vendor payments and jobs created in FederalReporting.gov.

What We Recommend

We recommend that the Director of the Denver Office of Public Housing (1) recapture \$22,018 in grant funds that was not obligated by the deadline (2) require the Authority to support the \$206,377 in procurements and contracts and repay any amount not reasonable from non-federal funds, and (3) work with the U.S. Department of Housing and Urban Development (HUD) to make the applicable reporting changes in FederalReporting.gov.

The Denver Office of Public Housing concurred with the recommendations and provided its management decisions on April 20, 2012. 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 April 12, 2012, and requested a response by April 27, 2012. The Authority provided its written response on April 27, 2012. It generally agreed with the findings, except for the items related to its force account obligations and procurements. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Aurora Housing Authority was established in 1975 to provide affordable housing in Aurora, CO. The Authority's mission is to develop and promote quality housing while supporting and encouraging economic opportunities leading to self-sufficiency and independence. A five-member board of commissioners governs the Authority, and an executive director manages its daily operations. The Authority's administrative offices are located at 10745 East Kentucky Avenue, Aurora, CO.

The Authority owns and manages more than 900 units of rental housing, and manages an additional 75 units of rental housing owned by its non-profit affiliate, the Aurora Housing Corporation. The Authority's rental housing portfolio consists of 132 units of Public Housing.

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. This legislation included a \$4 billion appropriation of capital funds to carry out capital and management activities for public housing agencies as authorized under Section 9 of the United States Housing Act of 1937. The Recovery Act requires that \$3 billion of these funds be distributed as formula grants and the remaining \$1 billion be distributed through a competitive grant process. On March 18, 2009, the U.S. Department of Housing and Urban Development (HUD) awarded the Authority a \$385,264 Public Housing Capital Fund stimulus (formula) grant that was Recovery Act funded. The Authority used its Recovery Act grant funds to rehabilitate its Buckingham Gardens property, which included its administrative offices.

The Recovery Act imposed additional reporting requirements and more stringent obligation and expenditure requirements on the grant recipients beyond those applicable to the ongoing Public Housing Capital Fund program grants. For example, the Authority was required to obligate 100 percent of its formula grant funds by March 17, 2010. It was required to expend 100 percent of the grant funds by March 17, 2012. Additionally, the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter. The recipient enters project and job information, subaward information, and vendor transaction information into FederalReporting.gov. It is important for the recipients to report this information accurately and in a timely manner because it is necessary to effectively implement the accountability and transparency reporting requirements of the Recovery Act.

The objectives of the audit were to determine whether the Authority (1) obligated its formula Recovery Act capital funds by the deadline, (2) adequately managed its Recovery Act procurements and contracts, and (3) accurately reported Recovery Act information in FederalReporting.gov.

Finding 1: The Authority Did Not Obligate \$22,018 of Its Recovery Act Funds by the Deadline

The Authority did not obligate \$22,018 of its Recovery Act funds by the March 17, 2010, deadline. This noncompliance occurred because the Authority misunderstood the Recovery Act obligation requirements. As a result, it will have \$22,018 of its grant funds recaptured by HUD.

The Authority Did Not Properly Obligate Grant Funds

The Authority did not properly obligate \$22,018 of its Recovery Act funds before the March 17, 2010, deadline. It did not obligate by the deadline funds for a new parking lot contract, a contingency account, and items procured and installed by force account labor.

The HUD Office of Public and Indian Housing's Notice PIH 2009-12 (HA) required the Authority to obligate 100 percent of its Recovery Act funds by March 17, 2010. An obligation is a contract execution for labor, materials, or services or start and continuation of physical work by force account labor. Force account labor includes those workers directly employed by the Authority.

New Parking Lot Contract

The Authority signed a contract for a new parking lot on June 6, 2011, which was 447 days after the Recovery Act obligation deadline. The Authority paid \$19,950 for the new parking lot; however, it charged only \$1,779 of the cost to its Recovery Act grant. As the contact was signed more than 14 months after the obligation deadline, the Authority did not have a valid obligation for the \$1,779 paid with Recovery funds.

Contingency Account

The Authority did not properly obligate \$1,076 of the Recovery Act funds that it had originally assigned to its contingency account. In August 2009, the Authority assigned a portion of its Recovery Act funds to a contingency account. The Denver HUD Office of Public Housing discovered the noncompliance during a remote monitoring review performed in January 2010. HUD informed the Authority that this assignment was contrary to Recovery Act requirements and that it had to move the funds to an appropriate account. The Authority reassigned \$1,076 of the funds to a non-Recovery Act grant account and did not obligate any of these funds for eligible Recovery Act contracts or procurements before the March 17, 2010, deadline. Additionally, the funds were expensed for payroll costs that were not eligible because the work performed was not related to a Recovery Act activity.

Force Account Procurements and Labor

The Authority did not obligate \$19,163 of its force account labor or procurements sequentially or at a reasonable rate. The housing notice states that for force account work, all funds for a group of sequentially related physical work items are considered obligated when the first item is started, but only when funds continue to be expended at a reasonable rate. It further states that when one force account physical work item is started and is not sequentially related to other physical work items, only the funds for the one physical work item started are considered obligated. To account for the work items, the Authority itemized the work activities by property and budget line item.

For one property, the Authority procured a security system for its maintenance building on September 30, 2009. This initial activity was eligible and properly obligated. However, the Authority expensed additional costs to this property and budget line item account 416 days after the initial procurement. The additional costs were for installing new locks throughout the Authority, procuring security doors, and force account labor. These expenses did not relate sequentially to the security system procurement, and the Authority did not expend the funds at a reasonable rate. Therefore, the Authority did not properly obligate the additional force account procurements and labor totaling \$19,060.

For another property, the Authority expensed a gas purchase for \$103, 579 days after completing the last activity for the budget line item for that property account. The \$103 was not a valid obligation because the cost did not relate sequentially to prior purchases and the Authority did not expend it at a reasonable rate.

Table 1 summarizes those activities that the Authority did not obligate by the March 17, 2010, deadline.

Table 1: Activities not obligated by the deadline

Budget line item - property number account	Description	Amount not obligated by deadline
1450 - 1501-45-006	New parking lot contract	\$1,779
1501-50-228	Contingency account	\$1,076
1460 - 1501-46-007	Force account procurements and labor	\$19,060
1501-47-024	Gas purchase	\$103
	Total	\$22,018

The Authority Misunderstood the Obligation Requirements

The Authority misunderstood the Recovery Act obligation requirements. It thought it had obligated all the activities within a “budget line item” once it obligated the first activity in the same budget line item. It did not understand how “sequentially related” and “at a reasonable rate” applied to its force account procurements. The Authority stated that it used its remaining grant funds after the deadline because it was employing force account labor and saving the Government money.

The Authority Will Have \$22,018 Recaptured by HUD

The Authority will have \$22,018 of its grant funds recaptured by HUD. Under the housing notice, HUD is required to recapture all funds not obligated by the deadline, and an extension of the obligation deadline is not permitted.

Although we recommend that HUD recapture the improperly obligated funds, there is no recommendation to address the Authority’s misunderstanding of the obligation requirements. The Authority had completed all of its planned Recovery Act activities, and the Recovery Act obligation requirement was specific to those funds only.

Recommendation

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

- 1A. Recapture \$22,018 in grant funds that was not obligated by the deadline.

Finding 2: The Authority Did Not Adequately Manage Its Recovery Act Procurements and Contracts

The Authority did not adequately manage its Recovery Act procurements and contracts. This deficiency occurred because Authority staff did not fully understand its or HUD's policies for procuring goods and services. As a result, the Authority spent \$206,377 in unsupported costs.

The Authority Did Not Adequately Manage Recovery Act Procurements and Contracts

The Authority did not adequately manage its Recovery Act procurements and contracts. It (1) could not adequately support full and open competition for eight work activities, (2) could not support that it performed independent cost estimates for its contracts and inspected the work completed by its contractors, (3) had additional contract work performed without a change order, and (4) did not maintain records sufficient to detail the significant history of each procurement or contract action.

Force Account Procurements Lacked Adequate Competition

The Authority could not adequately support that it ensured full and open competition for eight procurements. Regulations at 24 CFR (Code of Federal Regulations) 85.36(c)(1) state that all procurement actions will be conducted providing full and open competition. HUD Handbook 7460.8, paragraph 5-3(A), further requires the Authority to solicit price quotes from an adequate number of qualified sources, generally not fewer than three. The Authority could not support that it obtained any price quotes for the procurements listed in table 2.

Table 2: Procurements lacking full and open competition

Project	Procurement cost
1 st in Counters, Inc.	\$40,613
Meyer Electric Co.	\$5,000
Arbor Contract Carpet, Inc.	\$6,039
Sink purchase	\$5,676
Refrigerator purchase	\$16,447
Stove purchase	\$6,210
Window purchase	\$3,384
Siding purchase	\$5,096
Total:	\$88,465

Lack of Independent Cost Estimates or Inspections for Its Contracts

The Authority could not support that it performed independent cost estimates for the six contracts shown in table 3. Regulations at 24 CFR 85.36(f)(1) state that as a starting point, a housing authority must make estimates before receiving bids or proposals. HUD Handbook 7460.8, REV-2, paragraph 3-2(A), states that an independent cost estimate serves as an authority's yardstick for evaluating the reasonableness of a contractor's proposed costs or prices.

In addition, the Authority could not show that it inspected the work completed by the six contractors. HUD Handbook 7460.8, REV-2, paragraph 11-3(C), states that a housing authority should monitor or inspect the supplies or services obtained in accordance with the contract. Therefore, the Authority must inspect the performance of the contractor to ensure that the work complies with the signed contract.

Table 3: Contracts without cost estimates or inspections

Project	Contract cost
Concrete walks	\$3,852
Painting of common areas	\$12,416
Painting of admin. Offices	\$6,742
Asphalt mill and overlay	\$23,990
Stair replacement	\$51,385
Carpet replacement	\$17,201
Total:	\$115,586

No Change Order for Additional Contract Work

The Authority had \$2,326 in additional contract work performed under the carpet replacement project (see table 3) without obtaining a change order to the contract. Section XI (F) of the Aurora Housing Authority Procurement Policy states that the Authority will document the basis for contract modifications. The contract folder did not contain a change order, nor could the Authority locate one for the original contract.

Lack of Supporting Documentation

The Authority did not maintain records sufficient to detail the significant history of each procurement or contract action as required by 24 CFR 85(b)(9). It could not show justification for the method of procurement and the basis for the procurement price for most of its Recovery Act-funded small purchases.

Authority Staff Did Not Fully Understand Policies

Authority staff did not fully understand the Authority's or HUD's policies for procuring goods and services. Although the Authority had written procurement policies to ensure competitiveness, independent cost estimates, inspections, and change orders, its staff did not fully understand or follow these policies. The staff believed that because it saved the Government money using its own labor force, it did not have to follow all Federal requirements. Additionally, the staff did not understand the level of documentation required to support its procurement or contract actions.

The Authority Incurred Unsupported Costs

The Authority could not support that it spent \$206,377 (\$88,465 plus \$115,586 plus \$2,326) in Recovery Act funds reasonably. This amount represents more than 53 percent of its awarded grant amount of \$385,264.

The Authority's failure to provide full and open competition for \$88,465 worth of procurements prohibited other businesses from benefiting monetarily. Without independent cost estimates or inspections, the Authority could not support cost reasonableness for six contracts totaling \$115,586. In addition, it could not guarantee that the contractors performed the work according to contract specifications.

Without a change order for the \$2,326 in additional carpet work, the Authority could not support that the cost was reasonable and within the conditions of the original contract.

Recommendations

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

- 2A. Require the Authority to provide training to its procurement staff to improve its proficiency in the procurement process.
- 2B. Provide technical assistance to the Authority to ensure that its procurements are open and competitive.

- 2C. Provide technical assistance to the Authority to ensure that it maintains sufficient records to support every procurement and contract action.
- 2D. Require the Authority to support that the \$88,465 paid for its eight procurements was reasonable or repay the difference from non-Federal funds.
- 2E. Require the Authority to support that the \$115,586 paid for its six contracts was reasonable or repay the difference from non-Federal funds.
- 2F. Require the Authority to support that the \$2,326 paid for a change order for additional work performed for its carpet replacement contract was reasonable or repay the difference from non-Federal funds.

Finding 3: The Authority Did Not Accurately Report the Number of Vendor Payments and Jobs Created

The Authority did not accurately report the number of vendor payments in three quarters and jobs created in two quarters. This condition occurred because the Authority did not have a second-level review of the data entered into FederalReporting.gov. As a result, the public did not have access to accurate vendor payment information and the number of jobs created from its Recovery Act Capital Fund.

The Authority Did Not Accurately Report the Number of Vendor Payments and Jobs Created

The Authority did not accurately report the number of vendor payments in three quarters and jobs created in two quarters. Section 1512(c) of the Recovery Act required grant recipients to report quarterly the following information in FederalReporting.gov:

- Amount of the Recovery Act grant award,
- Funds invoiced and received,
- Total expenditure amount,
- Project information for use of the grant funds,
- Number and amount of vendor payments, and
- Number of jobs created or retained.

The Authority inaccurately reported the number of vendor payments for the fourth quarter of 2009, second quarter of 2010, and third quarter of 2011.

Fourth Quarter of 2009

The Authority paid a contractor \$50,845 in two payments for the replacement of nine sets of exterior stairs and handrails. However, it did not report that these vendor payments were made during the fourth quarter of 2009 in FederalReporting.gov.

Second Quarter of 2010

The Authority paid two contractors in three payments for the painting and repainting of its common areas. It accurately reported the total amount of the payments as \$29,617. However, it reported only two payments instead of the three payments made. Therefore, the Authority failed to report one vendor payment during the second quarter of 2010.

Third Quarter of 2011

The Authority paid a contractor one payment of \$19,950 for a new parking lot but expensed only \$1,779 of the payment toward its Recovery Act funds. It did not report that it made the payment of \$1,779 with Recovery Act funds. For the Authority to comply with reporting requirements, the vendor payment for \$1,779 should have been reported. As discussed in finding 1, the contract was improperly obligated, and HUD is required to recapture the \$1,779; therefore, there may be no adjustments required for reporting purposes.

The Authority inaccurately reported the jobs created in the second quarter of 2010 and third quarter of 2011.

Second Quarter of 2010

The Authority reported 1.84 full-time jobs created during the second quarter of 2010. However, its calculation and supporting documentation for the jobs created totaled 1.91 full-time jobs created. Therefore, the Authority did not accurately report .07 full-time equivalents during the second quarter of 2010.

Third Quarter of 2011

The Authority reported .37 full-time jobs created for “demo prep on family units” during the third quarter of 2011. The jobs reported and the description of activities related to a different capital grant, not its Recovery Act capital grant. Therefore, the Authority inaccurately reported jobs created during the third quarter of 2011.

The Authority Had No Second-Level Supervisory Review

These reporting deficiencies occurred because the Authority did not have a second-level review of the data entered into FederalReporting.gov. One employee gathered and entered the data. However, no staff person or supervisor reviewed the information.

The Public Did Not Have Access to Accurate Vendor Payment and Jobs Created Information

The public did not have access to accurate vendor payment and jobs created information. The Authority underreported vendor payments made during the fourth quarter of 2009, underreported the number of vendor payments in the second quarter of 2010, and underreported a vendor payment in the third quarter of 2011. It underreported jobs created in the second quarter of 2010 and overreported jobs created during the third quarter of 2011. Additionally, for the third quarter of 2011, the information entered into FederalReporting.gov related to a different capital grant.

Without accurate information being reported, the public was not accurately informed of the Authority's vendor payments and jobs created. Therefore, the Authority's activities were not transparent as the Recovery Act intended.

Although we recommend that HUD require the Authority to make the applicable reporting changes to ensure that its information is accurate, there is no recommendation to address its lack of second-level approval of the reports. As the specific requirement to report the Recovery Act funds in FederalReporting.gov will end with the last reporting period for the quarter ending March 31, 2012, there will be no future Recovery Act information reported. The applicable reporting changes include correcting the vendor payment information. The reporting system doesn't allow for the correction of the jobs created.

Recommendation

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

- 3A. Require the Authority to work with the HUD office to make the applicable reporting changes in FederalReporting.gov.

SCOPE AND METHODOLOGY

Our audit period was March 1, 2009, through September 30, 2011. We performed our onsite work in November and December 2011 at the Authority's office at 10745 East Kentucky Avenue, Aurora, CO.

To accomplish our objectives, we

- Reviewed Federal regulations, the Recovery Act, and HUD requirements.
- Reviewed the Authority's annual statement, 5-year action plan, board minutes, annual audited financial statements, correspondence with HUD, and a review performed by HUD.
- Reviewed the Authority's records related to the Recovery Act. Specifically, we reviewed the Authority's procurement policies, contract files, financial records, and supporting documentation.
- Reviewed Recovery Act reporting documents and reports submitted to FederalReporting.gov.
- Interviewed Authority management and staff.
- Interviewed a prior Authority employee who was responsible for the Recovery Act contract documentation and reporting in FederalReporting.gov.
- Interviewed Denver HUD Office of Public Housing management and staff.

The Authority was awarded \$385,264 in Recovery Act capital funds. We reviewed 100 percent of the Authority's Recovery Act obligations, expenditures, and quarterly prime recipient reports within our audit period.

We did not use computer-generated data as audit evidence or to support our audit conclusions. We used supporting documentation maintained by the Authority. We compared source documentation to data reported in FederalReporting.gov and data reported in HUD's Line of Credit Control System. All conclusions were based on source documentation 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions 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:

- Controls to ensure that the Authority obligated all of its Recovery Act funds by the deadline.
- Controls to ensure that the Authority adequately managed its Recovery Act procurements and contracts.
- Controls to ensure that the Authority accurately reported Recovery Act vendor payment and jobs created information in 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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not have adequate controls to properly obligate its Recovery Act funds by the deadline (finding 1).
- The Authority did not have adequate controls to ensure that its employees understood and followed its and HUD's procurement policies (finding 2).
- The Authority did not have adequate controls to review Recovery Act data before submitting the information to Federal Reporting.gov (finding 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$22,018	
2D		\$88,465
2E		\$115,586
2F		\$2,326

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ 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

<p>AURORA HOUSING A U T H O R I T Y</p> <p>April 27, 2012</p> <p>Mr. Ronald J. Hosking U.S. Department of Housing and Urban Development Region VIII Office of Audit 1670 Broadway, 24th Floor Denver, CO 80202-4801</p> <p>RE: Aurora Housing Authority – Response to Audit of ARRA funds</p> <p>Dear Mr. Hosking,</p> <p>We are responding to the draft audit report dated April 12, 2012. We appreciate the opportunity to respond to the Findings reported to us, and hope that we may be able to work closely with the U.S. Department of Housing and Urban Development (HUD) to resolve the issues identified in the report.</p> <p>The Aurora Housing Authority accepts responsibility for the actions and expenditures made with the Recovery Act funds, and believes that our disbursements were in accordance with an earnest interpretation of the Act and HUD Notices relating to the Recovery Act funds. Further, we believe that there was a lack of complete understanding and training provided to HUD staff to assist Public Housing Authorities with the nuances of the ARRA legislation. During the time we were disbursing ARRA funds, we received conflicting information and direction from local HUD staff, and we believe that was a result of a lack of understanding from HUD ‘headquarters’. We have enjoyed a close association and rapport with the local HUD office in the past, and hope that they will continue to work as our <u>partners</u> in creating solutions to our inquiries and to assisting us in meeting our mission to provide decent, safe, and supportive housing to low-income households.</p>	
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AURORA HOUSING AUTHORITY

Finding 1:

The Authority did not properly obligate grant funds.

- a. *New Parking Lot:* The Authority did not have a valid obligation for \$1,779 paid with Recovery funds.
AHA Response: The Authority understands that it failed to accurately report these funds and will work with HUD to correct this oversight.
- b. *Contingency Account:* The Authority did not properly obligate \$1,076 of funds originally assigned to its contingency account.
AHA Response: The Authority understands that it failed to accurately report these funds and will work with HUD to correct this oversight.
- c. *Force Account Procurements and Labor:* The Authority did not obligate \$19,163 of its force account labor or procurements sequentially or at a reasonable rate.

Comment 1

AHA Response: The Authority believes that it expended these funds according to HUD-ARRA Guidelines, and disputes this finding. AHA received confusing and/or conflicting guidance from HUD regarding the discussion of ‘sequential and reasonable rate’.

Finding 2:

The Authority did not adequately manage its Recovery Act procurements and contracts.

- a. *Force Account procurements lacked adequate competition:* AHA did could not adequately support that it ensured full and open competition for eight procurements.
AHA Response: The Authority believes it has adequate support for its procurements, and will work with HUD to document its procurements.
- b. *Lack of Independent Cost Estimates or inspections for its contracts:* AHA could not support that it performed ICE for some contracts, nor show that it inspected the completed work.
AHA Response: AHA developed Independent Cost Estimates using its own employees, which is allowable by the HUD 7460.8 Rev 2 Handbook, under Procurement Planning. AHA also maintains that it appropriately inspected all work prior to payment.

Comment 2

Comment 3

AURORA HOUSING AUTHORITY

- c. *No Change Order for additional contract work:* AHA had \$2,326 in additional contract work for which it has no change order.
AHA Response: The Authority understands that it failed to accurately report these funds and will work with HUD to correct this oversight.
- d. *Extra Appliance Purchases:* AHA procured \$700 in extra appliances it did not place into service.
AHA Response: The Authority understands that it failed to accurately report these funds and will work with HUD to correct this oversight.
- e. *Lack of Supporting Documentation:* The Authority did not maintain sufficient, detailed records.
AHA Response: The Authority understands that it failed to sufficiently support these files and will work with HUD to correct this oversight.

Finding 3:

The Authority did not accurately report the number of vendor payments and jobs created.

- a. *Fourth Quarter of 2009:* The Authority did not report that vendor payments were made during the fourth quarter of 2009 in FederalReporting.gov.
AHA Response: The Authority understands that it failed to accurately report these two payments and will work with HUD to correct this oversight.
- b. *Second Quarter of 2010:* The failed to report one vendor payment during the second quarter of 2010.
AHA Response: The Authority understands that it failed to accurately report this payment and will work with HUD to correct this oversight.
- c. *Third Quarter of 2011:* The improperly expensed \$1,779 of a parking lot payment toward its Recovery Act funds.

AURORA HOUSING A U T H O R I T Y

AHA Response: The Authority understands that it failed to accurately report these funds and will work with HUD to correct this oversight.

- d. *Second Quarter of 2010:* The Authority did not accurately report .07 full-time equivalents during the second quarter of 2010.
AHA Response: The Authority understands that it under-reported jobs created in the second quarter of 2010 by .07 FTE and are aware that the reporting system does not allow for the correction of jobs created.
- e. *Third Quarter of 2011:* The Authority inaccurately reported jobs created during the third quarter of 2011.
AHA Response: The Authority understands that it inaccurately reported jobs created in the second quarter of 2010 and are aware that the reporting system does not allow for the correction of jobs created.

In the past few months, the Aurora Housing Authority has taken the opportunity to correct deficiencies in our processes. We have sent staff to several days of HUD Procurement training and Section 3 practices, and have strengthened our internal controls. The Aurora Housing Authority remains committed to fair and competitive procurement and accurate reporting, and we look forward to working with the local HUD office to correct errors or omissions in the expenditure of Recovery Act funds.

Please contact me at cmaraschky@aurorahousing.org or at (720) 251-2077 if you have any questions.

Sincerely,

Craig A. Maraschky
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1** OIG maintains its position that the Authority did not obligate \$19,163 of its force account labor or procurements sequentially or at a reasonable rate. The American Recovery and Reinvestment Act of 2009 required all grant recipients' grant funds to be obligated by March 17, 2010. The Aurora Housing Authority had until March 17, 2010 to sign contracts with contractors, or use its own force account staff to start the work planned in its annual statement, and adhere to Recovery Act requirements to perform the work sequentially and at a reasonable rate.
- Comment 2** The Authority could not provide OIG support to show that it ensured full and open competition for eight procurements totaling \$88,465. The Aurora Housing Authority used its own force account staff to perform major rehabilitation activities which involved small purchases between \$3,384 up to \$40,613. Regulations at 24 Code of Federal Regulations (CFR) 85.36(c)(1) states that all procurement actions will be conducted providing full and open competition. HUD Handbook 7460.8, paragraph 5-3(A), further requires the Authority to solicit price quotes from an adequate number of qualified sources, generally not fewer than three. The Authority could not support that it obtained any price quotes for eight procurements listed in table 2 on page 8 of this report totaling \$88,465.
- Comment 3** The Authority could not adequately support that it performed independent cost estimates for the six contracts shown in table 3 on page 9 totaling \$115,586. Additionally, the Authority could not show that it inspected the work completed by the six contractors.