



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

April 18, 2013

MEMORANDUM NO:
2013-KC-0801

Memorandum

TO: Jon Gant
Director, Office of Healthy Homes and Lead Hazard Control, L

//signed//

FROM: Ronald Hosking
Regional Inspector General for Audit, 7AGA

SUBJECT: Healthy Homes Needs To Strengthen Its Controls Over Lead Hazard Control Grant Administrative Costs

INTRODUCTION

We conducted a limited scope internal review of the U. S. Department of Housing and Urban Development's (HUD) Office of Healthy Homes and Lead Hazard Control to determine whether Healthy Homes allowed excessive administrative costs to be charged to the Lead-Based Paint Hazard Control grant program. This review was the result of our audit of the Washington State Lead Hazard Control grant (2012-SE-1005, August 9, 2012), which found excessive administrative costs charged to the grant.

SCOPE AND METHODOLOGY

We performed our review between October and December 2012. To perform this review, HUD's office of Healthy Homes in Washington DC provided us with electronic and hard copy documents for our review. Our review covered the Lead Hazard Control grants awarded from fiscal years 2009 through 2011. To accomplish our objective, we reviewed applicable laws, regulations, HUD requirements, and the Lead Hazard Control Notices of Funding Availability for 2009, 2010, and 2011. We interviewed HUD staff and examined Healthy Homes' policy guidance. We randomly selected 10 of the 78 grantees awarded Lead Hazard Control grants in fiscal years 2009 through 2011. We examined each of the selected grantees' grant agreements and the grant terms and conditions. Of the 10 grantees selected, we reviewed the 2 onsite monitoring reports that Healthy Homes completed. We reviewed the Line of Credit Control

System (LOCCS) draws and supporting documents of the 10 selected grantees for administrative costs.

BACKGROUND

Healthy Homes was established by Congress in 1991 to eliminate lead-based paint hazards in America's privately owned and low-income housing. Healthy Homes provides funds to State and local governments to develop cost-effective ways to reduce lead-based paint hazards.

The Lead-Based Paint Hazard Control grant program assists States, Native American tribes, cities, counties, parishes, and other local governments in creating wide-ranging programs to identify and control lead-based paint hazards in eligible privately owned rental or owner-occupied housing. Lead Hazard Control grants are subject to a 10 percent administrative cost limit.

RESULTS OF REVIEW

Healthy Homes did not have an adequate system in place to ensure that grantees did not spend more than 10 percent of their Lead Hazard Control grant funds on administrative costs. For example, during the Lead Hazard Control grant negotiations, Healthy Homes did not require grantees to submit detailed documentation specifying the types of administrative costs to be charged to the grant. It also did not review LOCCS draws support for administrative cost eligibility and appropriateness except for one draw selected and reviewed during the annual desk review. Healthy Homes relied on onsite monitoring reviews to monitor administrative costs beyond the budget negotiations. However, Healthy Homes was unable to show us the amount or percentage of grant funds spent to date on administrative costs during our review.

This condition occurred because HUD management thought administrative costs posed little risk to the Lead Hazard Control grant program. Since both the Lead Hazard Control Notices of Funding Availability and the grants' terms and conditions stated the administrative cost limit and the negotiated budget limited the administrative costs, HUD management believed the grantees would comply with the administrative cost limit requirement.

As a result, Healthy Homes lacked assurance that grantees did not charge excessive administrative costs to their Lead Hazard Control grants. The lack of monitoring could create an opportunity for excessive or inappropriate administrative costs to be charged to the grants.

Healthy Homes' management agreed to strengthen the controls over Lead Hazard Control administrative costs.

RECOMMENDATIONS

We recommend that the Director of Healthy Homes strengthen the controls over Lead Hazard Control administrative costs. We recommend that Healthy Homes

- 1A. Require grantees to submit, during the Lead Hazard Control grant negotiations, detailed documentation specifying the types of administrative costs to be charged to the grant.
- 1B. Review administrative costs and other costs charged to the grants for eligibility and appropriateness during the onsite monitoring.
- 1C. Sample and review LOCCS draws support for administrative cost eligibility and appropriateness.

APPENDIX A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

OFFICE OF HEALTHY HOMES AND
LEAD HAZARD CONTROL

MEMORANDUM FOR: Ronald J. Hosking, Regional Inspector
General for Audit, 7AGA

FROM: Jon L. Gant, Director, Office of Healthy
Homes and Lead Hazard Control, L

SUBJECT: Response to Draft Audit
Recommendation Memorandum on
Strengthening Oversight of Grantee
Administrative Costs

Comment 1

Please accept the attached documents as documentation from the Office of Healthy Homes and Lead Hazard Control's (OHHLHC) as response to the Office of Inspector General's (OIG) February 5, 2013, draft audit memorandum on strengthening oversight of grantee administrative costs. The OHHLHC is implementing the new procedures to ensure grantees understand and are within the requirements of administrative costs. If you have any questions, please feel free to contact Michelle Miller at 202-402-5769 or michelle.m.miller@hud.gov.

Attachments

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

OFFICE OF HEALTHY HOMES AND
LEAD HAZARD CONTROL

MEMORANDUM

Date: April 1, 2013

To: OHHLHC Government Technical Representatives (GTR) and Grant Officers (GO)

From: Michelle Miller, Programs Division Director
Nadine Heath, Grant Services Division Director
Peter Ashley, Policy and Standards Division Director

Subject: GTR and Grant Officer instructions for Verification of Administrative Costs

Based on recommendations from the Office of the Inspector General and their recent review of our grant program, we have developed the following procedures for Verification of Administrative Costs. The procedures include three key areas including verification of Administrative Costs during grant negotiations, grant monitoring visits, and prior to approval of requests for LOCCs reimbursements.

Verification of Administrative Costs During Grant Negotiations

During grant negotiations, the OHHLHC Grant Officer will request a complete and detailed breakdown of the administrative costs from the awardee. This should include both administrative costs from the prime recipient as well as any sub-recipients.

The Grant Officer will review and determine that the costs are eligible and that the awardee does not exceed the 10% Administrative Cost limit.

The Grant Officer will require the awardees to submit the information to detail the administrative cost in the following table:

Name/Title or Grant Activity	Description of the Activity	% FTE	Total Dollar Amount Classified as Administrative Cost	Total Dollar Amount Classified as Direct Program Cost	Total Dollar Amount of Overall Federal Budget
TOTAL Administrative Cost					

During negotiations, a revised Part 3 Form will be completed to include the approved amount of the Federal award that will be charged toward the Administrative Costs.

The Authorizing Official and the Fiscal staff person will need to certify these costs during negotiations as well as once per grant year. The Grant Officer will certify that the costs are eligible and verified.

Verification of Administrative Costs During Monitoring Visits

During on-site monitoring visits, the OHHLHC Monitoring Team will request and review the grantees internal budget controls and accounting system. The Monitoring Team will ensure that the grantees properly track and monitor administrative costs including but not limited to salary, fringe, travel, training, etc. The Monitoring Team will also review and monitor the federal dollars provided to sub-recipients as well as the procedures the prime recipient uses to monitor the sub-recipient costs.

The Authorizing Official and the Fiscal staff person will need to certify that the Administrative Costs do not exceed the 10% Administrative Cost limit on the revised Part 3 Form.

Verification of Administrative Costs with LOCCs Request for Reimbursement

The LOCCS Policy Guidance has been updated and will include verification of Administrative Costs with each LOCCs request. The revised policy guidance is attached as a reference and replaces PGI 2011-01 Revised Line of Credit Control Systems (LOCCS) Reimbursement.

PART 3 - FINANCIAL REPORTING

HUD Office of Healthy Homes and Lead Hazard Control Grant Programs

Grant Agreement Number:	
Grant Organization:	
Report Period:	Year 20 _____

BUDGET CATEGORIES*	NEGOTIATED BUDGET	APPROVED LOCCS DRAWDOWNS THIS PERIOD*	CUMULATIVE LOCCS DRAWDOWNS TO DATE*	AVAILABLE BALANCE
1. Personnel (Direct Labor)				
2. Fringe Benefits				
3. Travel				
4. Equipment				
5. Supplies and Materials				
6. Consultants				
7. Contracts / Sub-Grantees				
7a. Lead Hazard Control				
7b. Relocation				
7c. Training				
7d.				
7e.				
7f.				
7g.				
7h.				
7i.				
Subtotal Item 7				
8. Other Direct Costs				
9. Indirect Costs				
10. TOTALS*				

* Administrative costs included in totals expended **are not** to exceed 10-percent.

PART 3 - FINANCIAL REPORTING

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HUD Office of Healthy Homes and Lead Hazard Control Grant Programs

Grant Agreement Number:	
Grant Organization:	
Report Period:	Year 20 _____

Administrative Cost Summary

Budget Categories	Negotiated Budget	Approved LOCCS Drawdowns this period	Cumulative LOCCS Drawdowns to Date	Available Balance
Personnel				
Fringe Benefits				
Travel				
Equipment				
Supplies and Materials				
Contracts/Sub-Grantees				
Training				
Total Administrative Cost				

Match Commitment Summary

Source of Match Funds	Eligible Activities Completed with the Match Funds	Amount of Match Provided this Quarter

Total Match Commitment	Total Match Provided this Quarter	Cumulative Match Provided

I certify that all expenditures reported (or payment requested) are for appropriate purposes and in accordance with the provisions of the application and award documents.

_____ (Name of Individual Completing this Form)

_____ (Signature of Individual Completing this Form)

_____ (Date)



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

OFFICE OF HEALTHY HOMES AND
LEAD HAZARD CONTROL

POLICY GUIDANCE NUMBER: PGI 2013 - 02	DATE: April 1, 2013
SUBJECT:	Revised Line of Credit Control System (LOCCS) Reimbursement Procedures
STATUS:	Current
APPLICABILITY:	All OHHLHC grant programs
RELATED GUIDANCE:	24 CFR 84, 24 CFR 85, OMB Circulars A-21, A-87, and A-122
COMMENTS:	This PGI will replace PGI 2011-01.

The Office of Healthy Homes and Lead Hazard Control (OHHLHC) is issuing this updated policy guidance to ensure that all grant reimbursements are for eligible costs and are made in compliance with all applicable requirements.

Specifically, this updated policy guidance addresses the new requirements for detailing Administrative Costs included in each LOCCS request to ensure grantees are not exceeding the 10% Administrative Cost limit on the total Federal award amount.

The Government Technical Representative (GTR) assigned to the grant is responsible for the review and approval of grantee requests for payment through the Line of Credit Control System (LOCCS). The GTR approves or rejects grantee payment requests within five business (5) days of the request for reimbursement and receiving all required supporting documentation.

Grantees shall submit the following documentation, including, but not limited to:

1. Revised Part 3 Financial Reporting Form (attached);
2. VRS Request Voucher for Grant Payment, Form HUD 27053 (attached);
3. Supporting documentation for all costs on VRS requests exceeding \$100,000;
4. Submit detailed documentation outlining and describing Administrative Costs associated with this request; and
5. Any other documentation requested by the GTR to provide support and justification for the request.

1. The Grantee makes the reimbursement request using the VRS telephone system and emails and/or faxes copies of original documents required in support of request to the grantee's assigned GTR within 5 days.
 - a. Complete documentation in support of requests exceeding \$100,000 will be required for all Direct Program Costs and Administrative Costs, including personnel and fringe benefits. A description of direct costs is provided in the Notice of Funding Availability (NOFA) under which the award was made.
 - b. For requests less than \$100,000, the Part 3 Financial Reporting Form and the VRS Request Voucher for Grant Payment Form-HUD 27053 are required, unless other additional provisions are required in the grant agreement. OHHLHC will not approve LOCCS requests without supporting documentation.
 - c. For requests less than 100,000, complete documentation in support of the Administrative Costs associated with the request are required.
 - d. LOCCS requests must be submitted at least 10 days prior to the end of the quarter in order to be counted towards quarterly benchmark goals;
2. Within five business (5) days of receipt by fax and/or email of all supporting documentation, the GTR will review in accordance with the above requirements, and will verify eligibility of reimbursements being requested.
 - a. If additional documentation is required, the GTR notifies the grantee by email. The GTR will review resubmitted documentation within two business days.
3. The GTR approves or rejects the Request Voucher for Grant Payment in the LOCCS based on review of submitted documentation. Grantees are notified by phone and/or email for rejected voucher(s) and instructions for resubmitting the revised voucher(s).
4. Funds are dispersed to the grantee account typically within three business days of approval.
5. Failure to comply with this requirement will result in OHHLHC holding approval of requests until originals are submitted.

OHHLHC will not approve grantee LOCCS requests without acceptable supporting documentation.

The GTR, in compliance with the Department's grant monitoring process, may at any time, but not less than once per year, require that all supporting documentation for any requests for reimbursement be submitted to the GTR regardless of the amount of reimbursement being requested.

Grantees must ensure that all documentation associated with LOCCS payment requests are retained according to appropriate record retention requirements. Records related to the grant program must be made available for inspection by HUD or its designee as stipulated in the grant agreement.

Grantees must retain originals and provide email and/or fax copies to the GTR.

OIG Evaluation of Auditee Comments

Comment 1 We believe the proposed changes will address the administrative cost monitoring weaknesses identified during our review. A management decision has been reached and will be recorded in the departmental resolution tracking system upon issuance of the report.