



Wyoming Community Development Authority, Casper, WY

Community Planning and Development HOME and
NSP Funds



To: Aaron Gagne, Director, Denver Office of Community Planning and Development, 8AD

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

Subject: The Wyoming Community Development Authority of Casper, WY, Did Not Always Spend Its HOME and NSP Funds in Accordance With 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 Wyoming Community Development Authority.

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 913-551-5870.



Audit Report Number: 2016-DE-1005
Date: September 28, 2016

The Wyoming Community Development Authority of Casper, WY, Did Not Always Spend Its HOME and NSP Funds in Accordance With Program Requirements

Highlights

What We Audited and Why

We audited the Wyoming Community Development Authority of Casper, WY, for calendar years 2012-2015. We initiated this audit based on concerns we received from U.S. Department of Housing and Urban Development (HUD) officials from the Office of Community Planning and Development program staff in Denver, CO. The objectives of the audit were to determine whether the Authority properly procured goods and services with its HOME Investment Partnerships Program and Neighborhood Stabilization Program (NSP) funds and whether it used its HOME and NSP funds for eligible travel purposes.

What We Found

The Authority did not always properly procure goods and services with its HOME and NSP funds and used HOME and NSP funds for unreasonable travel costs. It did not always (1) ensure open and fair competition when it used a contractor as a sole source for its drug testing and drug remediation when renovating homes, (2) ensure a fair bidding process, and (3) properly complete inspections. Additionally, employees incurred unreasonable costs while traveling.

What We Recommend

We recommend that the Director of HUD's Denver, CO, Office of Community Planning and Development require the Authority to (1) provide support to HUD showing that the Authority received the best value for amounts it spent on drug testing and remediation and all instances when the Authority incorrectly awarded a contract based on an improperly submitted bid; (2) provide support justifying the reasonableness and necessity of all travel to conferences and trainings over the 31-month period reviewed, costs exceeding local per diem rates while on travel, and any weekend travel that occurred; (3) develop and implement detailed policies and procedures for the procurement process regarding inspections, competitive bidding, and sealed bids; (4) develop and implement an official drug testing and drug remediation policy; and (5) develop and implement a travel policy that specifically reflects Federal travel regulations and requires more oversight of the approval of travel authorizations and travel vouchers.

Table of Contents

Background and Objectives	3
Results of Audit	4
Finding 1: The Authority Did Not Always Properly Procure Goods and Services	4
Finding 2: The Authority Used HOME and NSP Funds for Unreasonable Travel Costs	7
Scope and Methodology	10
Internal Controls	12
Appendixes	13
A. Schedule of Questioned Costs	13
B. Auditee Comments and OIG’s Evaluation.....	14

Background and Objectives

The Wyoming Community Development Authority provides low-interest single-family mortgages and education to help customers buy and retain their homes. It also offers special programs to aid in the sustainability of home ownership. The Authority was created as an instrumentality of the State to raise capital to finance affordable housing. The Authority's largest housing program is the Single Family Mortgage Purchase Program for first-time home buyers. In addition to its single-family programs, the Authority administers other special housing programs on behalf of the State. Most recently, the Authority allocated more than \$38.8 million in Federal stimulus funds to affordable housing under the Neighborhood Stabilization Program (NSP), the Tax Credit Exchange Program, and the Tax Credit Assistance Program. The Authority is located at 155 North Beech Street, Casper, WY.

The U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development provided the Authority with Neighborhood Stabilization Program (NSP) funds on two occasions. HUD awarded the Authority \$19.6 million in NSP1 funds on January 8, 2009, and \$5 million in NSP3 funds on March 9, 2011. The purpose of the funds is to help grantees purchase foreclosed-on or abandoned homes and to rehabilitate, resell, or redevelop these homes to stabilize neighborhoods and stop the decline in value of neighboring homes.

HUD also awarded the Authority a Home Investment Partnerships Program grant annually to expand the supply of decent and affordable housing, particularly rental housing, for low- and very low-income Americans. The following table shows the Authority's HOME grants for the years 2012, 2013, 2014, and 2015.

Wyoming Community Development Authority HOME funding

Year	2012	2013	2014	2015	Total
Amount	\$3,500,000	\$3,500,000	\$3,520,868	\$3,502,528	\$14,023,396

The Authority developed a special program called the Wyoming Rehabilitation and Acquisition Program. The purpose of the program is to purchase qualified properties, rehabilitate the properties, and then sell the properties to qualified, income-eligible households. The Authority uses HOME and NSP funds as the primary funding for this program.

Our audit objective was to determine whether the Authority properly procured goods and services with its HOME and NSP funds and whether it used its HOME and NSP funds for eligible travel purposes.

Results of Audit

Finding 1 The Authority Did Not Always Properly Procure Goods and Services

The Authority did not always properly procure goods and services with its HOME and NSP funds. This condition occurred because the former director of the Authority's Federal programs division had too much control over the administration of the Authority's rehabilitation program. As a result, the Authority might not have received the best value for more than \$1.2 million it spent on its rehabilitation program.

The Authority Did Not Always Properly Procure Goods and Services

The Authority did not always properly procure goods and services with its HOME and NSP funds. Specifically, it did not always (1) ensure open and fair competition when it used a contractor as a sole source for its drug testing and drug remediation when renovating homes, (2) ensure a fair bidding process, and (3) properly complete inspections.

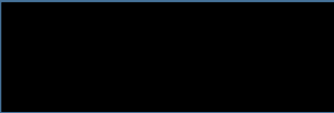
The Authority did not always ensure open and fair competition when it sole sourced its drug testing and drug remediation to a single contractor. It purchased 75 homes and paid a single contractor more than \$92,000 for drug testing on 74 of the homes. It paid the same contractor nearly \$223,000 for drug remediation on 34 of these homes. Federal regulations at 24 CFR (Code of Federal Regulations) 85.36(c)(1) require all procurement transactions to be conducted in a manner providing full and open competition consistent with the standards of section 85.36. The Authority failed to conduct open competition by not soliciting bids or justifying the sole-source selection for any of the drug testing or remediation on these homes.

The Authority did not always ensure a fair bidding process for the 29 general rehabilitation contracts reviewed. For 11 of the 29 contracts, the Authority incorrectly accepted faxed bids from the same contractor that performed the drug testing and remediation. The faxed bids totaled more than \$918,000. The Authority stated in its advertisements that all bids were required to be sealed in an envelope with the property address on the front and delivered at a set time and date. Bids that were faxed and not sealed did not ensure a fair bidding process and went against the Authority's own policies.

The Authority did not always properly complete progress payment inspections on its properties. The Authority required that an application for payment be signed by the construction manager after an inspection was completed and before the contractor was paid. Of the 29 properties reviewed, we found a number of application for payment files signed by an employee who was not qualified to do the inspection. The person signed the form as the construction manager and certified that the quality of the work was in accordance with the contract. The following shows an example of the certification on each form. We redacted the signature from the image.

TO BE COMPLETED BY WCDA CONSTRUCTION MANAGER

I hereby certify the Work has progressed as indicated and the Quality of Work is in accordance with the Contract Documents and above Contractor is entitled to the payment amount of \$ 41,666.83.

Construction Manager's Signature:  Date 3/27/15

"FINANCING AFFORDABLE HOUSING IN WYOMING"

The Former Director Had Too Much Control

The former director of the Authority's Federal programs division had too much control over the administration of the Authority's rehabilitation program. The Authority allowed the director to be involved in every aspect of the procurement process. For example, the director (1) decided to perform drug testing on every house and award sole-source contracts for drug testing and remediation, (2) had access to independent cost estimates before bid opening, (3) accepted faxed bids instead of sealed bids, (4) signed off on the awarding of the contracts, and (5) certified to the quality of work performed without proper qualifications, authorizing the Authority to pay the contractor. Senior management did not question the former director's decisions and actions.

The Authority Might Not Have Received the Best Value

The Authority might not have received the best value for the more than \$315,000 it spent on its drug testing and drug remediation and was unable to support that more than \$918,000 awarded for general rehabilitation was fair and reasonable. Without competition on services for drug testing and remediation, the Authority had no assurance that it received the best value for the more than \$92,000 it spent on drug testing and the nearly \$223,000 it spent on drug remediation. Additionally, by accepting faxed bids on 11 contracts for general rehabilitation, the Authority was unable to support that more than \$918,000 awarded for general rehabilitation was fair for all contractors and done at a reasonable price.

Recommendations

We recommend that the Director of HUD's Denver, CO, Office of Community Planning Development

- 1A. Require the Authority to provide support to HUD showing the necessity of drug testing every house and that the Authority received the best value for amounts spent on testing and remediation. For any portion the \$315,166 the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs from non-Federal funds.

- 1B. Require the Authority to provide support to HUD showing that it received the best value in all instances when it incorrectly awarded a contract based on a faxed bid. For any portion the \$918,766 the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs from non-Federal funds.
- 1C. Require the Authority to develop and implement detailed policies and procedures for the procurement process regarding inspections, competitive bidding, and sealed bids. HUD should ensure that these procedures include adequate separation of duties.
- 1D. Require the Authority to develop and implement an official drug testing and remediation policy. This policy should include procurement of any goods and services related to the testing and mitigation and a determination of when drug testing is needed.

Finding 2 The Authority Used HOME and NSP Funds for Unreasonable Travel Costs

The Authority used HOME and NSP funds for unreasonable travel costs. This condition occurred because the Authority did not have an adequate travel policy that followed Federal regulations and HUD guidance and its senior management relied on Federal programs staff and department management to comply with Federal regulations. As a result, more than \$104,000 was unavailable for the Authority to help maintain its rehabilitation program.

HOME and NSP Funds Were Used for Unreasonable Costs

The Authority used HOME and NSP funds for unreasonable travel costs. Regulations at 2 CFR 200.474 require that costs incurred by employees and officers for travel, including the costs of lodging, other subsistence, and incidental expenses, be considered reasonable. However, Authority employees attended an unreasonable number of conferences and trainings, incurred unreasonable costs while staying at hotels, and stayed at hotels and kept rental vehicles over weekends with no apparent work being performed.

Authority employees traveled to trainings and conferences an unreasonable number of times. We reviewed 31 months of travel and found that Authority employees attended 27 different conferences and trainings. During that period, there were from three to five employees who worked for the Federal Programs Department at the Authority who traveled to these conferences. Regulations at 2 CFR 200.432 state that conferences must be necessary and reasonable for the successful performance under the Federal award. Authority employees attended the National Council of State Housing Agencies conferences seven times, the National Development Council conferences three times, a software company's conference three times, and a number of other housing seminars and conferences. During this 31-month period, the former head of Federal programs charged more than \$102,000 to her credit card for conferences and trainings.

Authority employees frequently incurred unreasonable hotel costs when traveling to the conferences or for administering the program. They stayed in hotel rooms with costs exceeding government per diem rates by hundreds of dollars per night on a number of occasions. Local HUD officials use the per diem rate as a general benchmark for what are considered reasonable costs when traveling. Of the 31 months reviewed, Authority employees stayed at hotels above the local per diem rate at least one time for all but 1 month. For example, an Authority employee stayed at a Denver, CO, hotel on September 29, 2015, at a rate of \$509 per night when the per diem was \$163 per night, and on June 23-26, 2013, an Authority employee stayed at a San Francisco hotel at a rate of \$414 per night when the per diem was \$155 per night. The total amount above per diem rates was more than \$22,000, with more than \$16,000 spent on conference lodging and nearly \$5,700 spent on program travel. The Authority could not provide support justifying the need to stay at hotels at a rate higher than the Federal per diem rate.

Authority employees stayed at hotels and rented vehicles over the weekends but could not document that work was being performed. Over the 31-month period reviewed, there were 12 occasions on which Authority employees stayed in a hotel or rented a vehicle over the weekend without justification. The 12 times totaled more than \$2,100.

Travel Policy Was Not Adequate and Travel Lacked Scrutiny

The Authority did not develop a travel policy that was specifically for travel when spending Federal funds. The executive director stated that before the previous executive director came to the Authority, non-Federal funds were used for travel. When the previous director was hired, the Authority started using Federal funds for travel to administer its HOME and NSP programs and did not change its travel policy to reflect new Federal regulations.

Authority senior management did not always adequately scrutinize the travel reimbursement expenses of the Federal Programs Department. Senior management relied on Federal programs staff and department management to comply with Federal travel regulations and did not always fully scrutinize each and every travel expense.

Funds Were Unavailable for the Authority's Rehabilitation Program

HOME and NSP funds were unavailable to help the Authority maintain its rehabilitation program. Because of the unreasonable amount of travel and the costs incurred during the weekends, more than \$104,000 was unavailable to the Authority to purchase and rehabilitate homes.

Recommendations

We recommend that the Director of HUD's Denver, CO, Office of Community Planning and Development

- 2A. Require the Authority to provide support justifying the reasonableness and necessity of all travel to conferences and trainings over the 31-month period reviewed. For any portion of the \$102,563 in travel costs that HUD determines to be unreasonable, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds.
- 2B. Require the Authority to provide support for the unreasonable amount of hotel costs above the local per diem rate. For any portion of the \$22,083 in unreasonable costs (\$16,386 of which is included in costs identified in recommendation 2A) that the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds.
- 2C. Require the Authority to provide support justifying the necessity of the weekend travel that occurred. For any portion of the \$2,134 in weekend travel costs that HUD determines to be unsupported, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds.

- 2D. Require the Authority to develop and implement a travel policy that reflects Federal travel regulations and guidelines when using Federal funds for travel purposes.
- 2E. Require the Authority to develop and implement a policy that requires more oversight of the approval of travel authorizations and travel vouchers.

Scope and Methodology

Our audit work covered the Authority's HOME and NSP grants for fiscal years 2012-2015. We performed our work between March and July 2015 at the Authority's office located at 155 North Beech Street, Casper, WY.

To accomplish our objectives, we

- Reviewed applicable laws and regulations,
- Reviewed the Authority's policies and procedures,
- Interviewed Authority staff,
- Interviewed HUD staff responsible for the program,
- Reviewed the HOME and NSP procurements for the review period, and
- Reviewed all of the travel authorizations and receipts incurred by the director of Federal programs for the review period.

During this period, the Authority purchased and rehabilitated 75 properties using HOME and NSP funds. We reviewed only contracts or funds paid to the contractor identified in the complaint received by HUD. We grouped the contracts into the following three categories: drug testing, drug remediation, and general rehabilitation. The Authority performed drug testing on 74 properties totaling \$92,245 and drug remediation on 34 properties totaling \$222,861.

The Authority performed general rehabilitation on 64 of the 75 properties it purchased. It awarded 29 of the 64, or 45 percent, to the contractor identified in the complaint. We reviewed all 29 of these contracts totaling more than \$2.2 million. Our review focused on the bidding and inspection processes of procurements.

We reviewed 100 percent of travel paid for with the former director of Federal programs travel card from 2013 to 2015. While traveling with additional Federal programs employees, the former director used her travel card to pay for all charges for her and her staff. We analyzed the statements to ensure that travel was necessary and consistent with government per diem rates. The 31 monthly travel statements totaled \$152,181.

The following table shows a breakdown of the dollar totals and the types of contracts and statements we reviewed.

Document type	Number of contracts and statements	Total dollar amount
Drug testing procurements	74	\$92,245
Drug remediation procurements	34	222,861
General rehabilitation procurements	29	2,212,564
Monthly travel statements	31	152,181
	Total amount	2,679,851

We did not use statistical sampling for this review because we selected contracts from only one contractor. The results of this audit apply only to the items we 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 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 over the procurement of goods and services with the use of HOME and NSP funds.
- Controls over the use of HOME and NSP program funds for travel related to conferences and program administration.

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 lacked segregation of duties for the procurement of goods and services within its Federal programs department (finding 1).
- The Authority lacked a travel policy that reflected Federal regulations (finding 2).
- The Authority lacked adequate supervision over the approval of travel authorizations and vouchers (finding 2).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/	Unreasonable or unnecessary 2/
1A	\$315,166	
1B	918,766	
2A		\$102,563
2B		5,697
2C	2,134	
Totals	1,236,066	108,260

- 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.
- 2/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

Appendix B


Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2


Wyoming Community Development Authority
"Financing Affordable Housing in Wyoming"

September 22, 2016

Mr. Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Audit Region 8
1670 Broadway, 24th Floor
Denver, CO 80202

Dear Mr. Hosking:

The purpose of this letter is to provide our comments on the Office of the Inspector General's draft report of the Wyoming Community Development Authority's use of HOME and NSP funds for calendar years 2012 - 2015, which draft report we received with your letter dated September 12, 2016.

As a general comment I note the Authority was allowed only a very limited amount of time to review and comment on your draft report. The audit took many months to complete, and involved the Authority providing over 20,000 pages of documents and approximately 30,000 e-mail items. The draft audit was received on Monday, September 12, 2016 for comment and the Authority was allowed only until Thursday, September 22, 2016 to comment due to OIG's position that it wants the audit complete by September 30, 2016, the end of its fiscal year. Consequently, the Authority's comments are limited and hindered by lack of adequate time to review the information which OIG used to support its findings and recommendations. The Authority believes that at least some of the facts relied upon are not correct or accurate in all instances and it has not been given enough time to investigate and provide corrections or detailed facts to OIG related to the content of this audit report.

In response to the specific recommendations contained in the audit report our comments are as follows:

Recommendation 1A.
"Require the Authority to provide support to HUD showing the necessity of drug testing every house and that the Authority received the best value for amounts spent on testing and remediation. For any portion the \$315,166 the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs from non-Federal funds."

WCDA Response to 1A.
Senior management decided to drug test every WRAP home due to the unknown hazards that may be present and not readily evident in a foreclosed property. In an attempt to mitigate all hazards to ensure the future homeowner lived in a safe environment, WCDA performed drug testing, lead based paint testing, and inspected for mold and safety hazards with respect to each foreclosed property.

At the inception of the Wyoming Rehabilitation and Acquisition Program three contractors performed drug testing and remediation services. Over time, one contractor stopped performing these services and then a second contractor moved out of state, leaving only one contractor to do drug testing and remediation. Once WCDA realized that HUD had not approved that final contractor as a sole source drug testing/remediation provider, it did an RFP and received one bid. The RFP was reviewed, the bid was determined to be a quality bid, and the contract was awarded to the sole bidder.

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Auditee Comments

Ref to OIG Evaluation

Comment 3

Recommendation 1B.

"Require the Authority to provide support to HUD showing that it received the best value in all instances when it incorrectly awarded a contract based on a faxed bid. For any portion the \$918,766 the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs from non-Federal funds."

WCDA Response to 1B.

WCDA has requested documentation from the HUD OIG auditors as to which of the 29 contracts are in question. Once WCDA has received this list, we will pull file documentation and work with the local HUD office in Denver to provide support for the awarded contracts.

Recommendation 1C.

"Require the Authority to develop and implement detailed policies and procedures for the procurement process regarding inspections, competitive bidding, and sealed bids. HUD should ensure that these procedures include adequate separation of duties."

WCDA Response to 1C.

WCDA will make changes to its policies and procedures to clarify internal controls over the procurement process regarding inspections, competitive bidding, and sealed bids. WCDA will work with the regional HUD office in Denver to ensure the policies and procedures are acceptable.

Recommendation 1D.

"Require the Authority to develop and implement an official drug testing and remediation policy. This policy should include procurement of any goods and services related to the testing and mitigation and a determination of when drug testing is needed."

WCDA Response to 1D.

WCDA has already made changes to its drug testing and remediation policy, including procurement policy changes for any goods and services related to drug testing and mitigation. WCDA will work with the regional HUD office in Denver to ensure the policies and procedures are acceptable.

Recommendation 2A.

"Require the Authority to provide support justifying the reasonableness and necessity of all travel to conferences and trainings over the 31-month period reviewed. For any portion of the \$102,563 in travel costs that HUD determines to be unreasonable, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds."

WCDA Response to 2A.

WCDA disputes this requirement as it did provide supporting documentation to the OIG regarding the reasonableness of travel to conferences and trainings. WCDA will work with the regional HUD office in Denver to review the documentation in detail to justify the necessity and reasonableness of said travel costs.

Recommendation 2B.

"Require the Authority to provide support for the unreasonable amount of hotel costs above the local per diem rate. For any portion of the \$22,083 in unreasonable costs (\$16,386 of which is included in costs identified in recommendation 2A) that the Authority cannot support, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds."

Comment 4

Auditee Comments

Ref to OIG Evaluation

Comment 5

WCDA Response to 2B.

WCDA disputes this Recommendation. OIG and WCDA disagree that reasonable costs are restricted to the Federal agency per diem for hotel stays. OIG is taking the position that the Federal agency per diem charge is the maximum allowable charge. WCDA interprets OMB Circular A-87 and 2 CFR 200.474 as allowing reimbursement of actual costs to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations in accordance with its written travel policy. WCDA believes most of the hotel charges were reasonable based on location and for safety of staff. WCDA will work with the regional HUD office in Denver to justify the reasonableness of the hotel costs.

Recommendation 2C.

"Require the Authority to provide support justifying the necessity of the weekend travel that occurred. For any portion of the \$2,134 in weekend travel costs that HUD determines to be unsupported, HUD should require the Authority to repay its HOME and NSP programs with non-Federal funds."

Comment 6

WCDA Response to 2C.

WCDA has requested documentation from the HUD OIG auditors about what the HUD OIG characterizes as weekend travel costs. Once WCDA has received this information, we will pull file documentation and work with the local HUD office in Denver to provide support for the weekend travel.

Recommendation 2D.

"Require the Authority to develop and implement a travel policy that reflects Federal travel regulations and guidelines when using Federal funds for travel purposes."

Comment 7

WCDA Response to 2D.

WCDA disputes this Recommendation. WCDA believes its written travel policy is already compliant with Federal travel regulations and guidelines. WCDA will, however, work with the regional HUD office in Denver to ensure the policy is acceptable going forward.

Recommendation 2E.

"Require the Authority to develop and implement a policy that requires more oversight of the approval of travel authorizations and travel vouchers."

WCDA Response to 2E.

WCDA will modify its policies and procedures to clarify internal controls regarding oversight of the approval of travel authorizations and travel expenditures. WCDA will work with the regional HUD office in Denver to ensure the policies and procedures are acceptable.

I would like to thank the staff of the Office of the Inspector General for the professional and courteous manner in which they performed the audit. I am very confident that WCDA will be able to work with the Denver HUD Office of Community Planning and Development to provide support and justification for any questioned costs.

Sincerely,



Scott Hoversland
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the Authority working with the OIG throughout this audit and providing us with the necessary documentation. HUD OIG's policy is to provide the auditee a specific time frame to return comments and the Authority was given 10 days. We provided the Authority multiple updates detailing our findings throughout the audit and gave it the opportunity to provide support to address those findings. The purpose of allowing the Auditee to provide comments before publication is to provide general comments to the report. In its response to our recommendations, the Authority stated it is making changes and will work with HUD to address the issues identified in this report. The Authority should work with HUD during the audit resolution process to satisfy the recommendations.
- Comment 2 The Authority should work with HUD to establish the need to perform drug testing on every home. In addition, the Authority stated it subsequently issued a Request for Proposal and selected the sole bidder for drug testing. This was done after our audit period. We did not review that procurement process or review any homes inspected by the new contractor.
- Comment 3 As stated in finding 1, we found 11 of the 29 contracts we reviewed were improperly received by fax. We provided the Authority the opportunity to provide a justification during the audit for accepting faxed bids. During the audit resolution process, we will provide both the auditee and regional HUD officials a list of the 11 contracts we questioned.
- Comment 4 During the audit, the Authority provided a brief statement explaining the need of the agency to attend the many conferences and trainings during the audit period. The Authority will need to work with HUD to determine the necessity of the conferences and trainings in administering the HOME and NSP programs.
- Comment 5 Local HUD officials feel the Federal per diem rate is a standard benchmark for determining reasonableness related to travel costs paid for with Federal funds. The Authority will work with regional Denver HUD officials to resolve this issue.
- Comment 6 During the audit, we identified incidents of travel occurring on the weekend. We requested support for each of these instances from the Authority, however, the Authority was not able to provide us with the support. During the audit resolution process, we will provide both the auditee and regional HUD officials a list of the incidents identified.
- Comment 7 The Authority's travel policy does not accurately reflect Federal travel regulations for the HOME and NSP programs. Its current policy prohibits excessive cost, luxury accommodations, and unnecessary services, however, it does not establish a benchmark for what is considered reasonable or necessary as required by Federal regulations. The Authority will work with HUD during the audit resolution process to determine the adequacy of its current policy.