



## **Whispering Pines Senior Village, Estacada, OR**

### **Green Retrofit Program Funded by the American Recovery and Reinvestment Act**



Issue Date: April 25, 2013

Audit Report Number: 2013-SE-1002

TO: Margaret S. Salazar, Associate Deputy Assistant Secretary for Affordable Housing Preservation, HTA

//signed//

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

SUBJECT: Volunteers of America's Whispering Pines Senior Village, Estacada, OR, Generally Used and Reported Its Green Retrofit Recovery Act Funds in Accordance With HUD and Recovery Act Rules and Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Whispering Pines Senior Village's Green Retrofit program funded by the American Recovery and Reinvestment Act.

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 8L, 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.



April 25, 2013

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**Volunteers of America's Whispering Pines Senior Village, Estacada, OR, Generally Used and Reported Its Green Retrofit Recovery Act Funds in Accordance With HUD and Recovery Act Rules and Regulations**

## Highlights

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### What We Audited and Why

We performed an audit of Volunteers of America's (VOA) Whispering Pines Senior Village's Green Retrofit program funded by the American Recovery and Reinvestment Act. Our objective was to determine whether VOA used its Whispering Pines Green Retrofit Recovery Act funds in accordance with U.S. Department of Housing and Urban Development (HUD) and Recovery Act rules and regulations and accurately reported Recovery Act cost and jobs information. We selected the project, located in Estacada, OR, because it was the largest Green Retrofit project in our region, based on the amount awarded of \$1.023 million, and because we had not previously audited this program.

### What We Recommend

This report contains no recommendations, and no further action is necessary with respect to this report.

### What We Found

VOA's Whispering Pines Senior Village, Estacada, OR, generally used and reported its Green Retrofit Recovery Act funds in accordance with HUD and Recovery Act rules and regulations. It did not always accurately report Recovery Act cost and jobs information. However, those inaccuracies did not cause a material error in reporting.

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## **BACKGROUND AND OBJECTIVE**

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The American Recovery and Reinvestment Act of 2009 became Public Law 111-5 on February 17, 2009. It provided for the creation and preservation of jobs, infrastructure investment, energy efficiency and science, assistance to the unemployed, State and local fiscal stabilization for the fiscal year ending September 30, 2009, and other purposes.

The U.S. Department of Housing and Urban Development (HUD) issued Housing Notice H-09-02, published May 13, 2009, to implement \$250 million in Recovery Act loans and grants for energy and green retrofit improvements in its multifamily-assisted housing stock. Those funds were to provide up to \$15,000 per residential unit to reduce energy costs and water use and provide other environmental benefits in exchange for a 15-year extension of the property's use agreement. HUD implemented the Green Retrofit program through the Office of Affordable Housing Preservation, using, where appropriate, policy and program approaches developed for its Mark-to-Market Green Initiative.

Whispering Pines Senior Village is a 62-unit senior housing complex built in 2003. It receives a significant portion of its rental income from HUD, which regulates rental charges and operating methods. The project is operated under Section 202 of the National Housing Act and is also subject to project rental assistance contracts with HUD. Its owner, Volunteers of America (VOA), is a national charity serving America's most vulnerable groups since 1896. It has nearly 16,000 paid, professional employees and hundreds of human service programs, including housing and healthcare. VOA helps more than 2.5 million people in more than 400 communities in 46 States as well as the District of Columbia and Puerto Rico.

ONTRA, Inc., HUD's retrofit administrator, has analyzed, managed, restructured, and liquidated more than \$15 billion in distressed loan and real estate assets throughout its 24-year tenure as a loan and real estate special servicer. In 1999, ONTRA received a contract from HUD to implement the Section 8 Mark-to-Market program established by the Multifamily Assisted Housing Reform and Affordability Act of 1997.

On August 6, 2010, VOA, ONTRA, and HUD entered into a retrofit funding agreement for more than \$1.023 million in Green Retrofit funds under the Recovery Act. VOA used the funds to perform a green retrofit of 62 units and common areas in its Whispering Pines property, including solar electric and hot water equipment, new roofing, upgrades from electric baseboard heat to heat pumps, and other green improvements.

Our objective was to determine whether VOA used its Whispering Pines Green Retrofit Recovery Act funds in accordance with HUD and Recovery Act rules and regulations and accurately reported Recovery Act cost and jobs information.

## RESULTS OF AUDIT

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### Volunteers of America Generally Complied With HUD and Recovery Act Rules and Regulations

VOA generally used its Whispering Pines Senior Village Green Retrofit Recovery Act funds in accordance with HUD and Recovery Act rules and regulations. It did not always accurately report Recovery Act cost and jobs information. However, those inaccuracies did not cause a material error in reporting.

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#### VOA Generally Complied With Requirements

Expenditures were eligible and adequately supported.

- Invoices paid to subgrantees for retrofit activities, payments for grantee and administrator fees, and payments by the administrator for independent inspections and analysis were appropriate.
- VOA's grant application, procurement practices, and monitoring complied with Housing Notice H-09-02.
- Payroll complied with Davis-Bacon Act wage requirements.

#### Minor Deficiencies Were Noted

Although some minor delays existed in Recovery Act reporting, we successfully reconciled expenditures to preaward estimates, contracts, and HUD's Line of Credit Control System drawdowns. Some of the vendors involved with this project contracted directly with HUD's retrofit administrator, ONTRA. ONTRA made payments directly to these vendors, so VOA was not aware of them until final reporting. VOA corrected the resulting timing difference on its final Recovery Act report. Consequently, these Recovery Act reporting differences were immaterial, given the small error amount of \$18,650, or 1.8 percent of the grant, and that correction had already taken place.

We were unable to reconcile jobs, as reported in Recovery.gov, with the supporting documents that were provided. One subgrantee confirmed that 120 hours were accidentally counted twice through a clerical error, resulting in a job reporting error of 0.23 jobs. This reporting difference was immaterial, given the small error amount and that the number of jobs reported could not be corrected.

## Recommendations

This report contains no recommendations, and no further action is necessary with respect to this report.

## SCOPE AND METHODOLOGY

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We performed our audit from October 25, 2012, through January 22, 2013, by correspondence with VOA in Alexandria, VA, and HUD's retrofit administrator, ONTRA, in Austin, TX. We performed our onsite audit work at the Whispering Pines Senior Village in Estacada, OR. Our review covered the period June 22, 2009, through March 21, 2012.

To accomplish our audit objective, we

- Reviewed applicable Recovery Act and HUD requirements;
- Interviewed HUD, ONTRA, and VOA staff;
- Reviewed agreements, applications, and supporting documents;
- Read VOA's single audit reports;
- Reviewed VOA's applicable policies and procedures;
- Reviewed VOA's files for procurement, monitoring, and contractor payrolls;
- Analyzed VOA's support for disbursements;
- Reviewed eligibility of planned activities;
- Reviewed the project's Recovery Act reports; and
- Observed the completed project.

We reconciled 100 percent of expenditures to information in HUD's Line of Credit Control System and Recovery Act reporting. We reviewed detailed support for 14 of the 28 invoices paid in 6 grant draws, representing 81.6 percent of the \$943,227 in grant expenditures. The 14 invoices selected for review consisted of the highest dollar invoice from each of the 5 largest subgrantees, all 3 payments for grantee and administrator fees, and all 6 payments by the administrator for independent inspections and analysis. We also reviewed all bids received and awarded. The review was designed to determine whether the expenditures were eligible and adequately supported.

We used the source documentation maintained by ONTRA and VOA to compare to information in HUD's Line of Credit Control System. We did not rely on automated data to support our audit conclusions. All conclusions were based on source documentation reviewed during the audit and observations during our site visit to the property.

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. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.



# INTERNAL CONTROLS

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

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

- Controls over the use of Green Retrofit funds in compliance with laws and regulations.
- Controls over the accuracy of the reports found in Recovery.gov.
- Monitoring of the Green Retrofit Program by the owner.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of VOA's internal control.

## Appendix A

### AUDITEE COMMENTS

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#### Auditee Comments

The auditee concurred and elected not to provide written comments.