



Issue Date May 13, 2010
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Audit Report Number 2010-PH-1009
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TO: Dennis G. Bellingtier, Director, Office of Public Housing, Pennsylvania State Office, 3APH

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FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The Harrisburg, PA, Housing Authority Generally Administered Its Recovery Act Capital Fund Grant in Accordance With Applicable Requirements

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Harrisburg Housing Authority's (Authority) administration of its Public Housing Capital Fund grant that it received under the American Recovery and Reinvestment Act of 2009 (Recovery Act). We selected the Authority for audit because it received a \$4.4 million formula grant. Our objective was to determine whether the Authority administered the grant funds provided under the Recovery Act according to Recovery Act requirements and applicable U.S. Department of Housing and Urban Development (HUD) rules and regulations.

### **What We Found**

The Authority generally administered its grant according to Recovery Act requirements and applicable HUD rules and regulations. However, it did not accurately enter job creation information into the appropriate Federal reporting Web site.

## **What We Recommend**

We recommend that HUD require the Authority to develop and implement controls to ensure that Recovery Act job creation data it enters into the Federal reporting Web site are accurate.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

## **Auditee's Response**

We discussed the report with the Authority during the audit and at an exit conference on April 27, 2010. The Authority provided written comments to our draft report on May 3, 2010. It agreed with the conclusion and recommendation in the report. The complete text of the Authority's response can be found in appendix A of this report.

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## BACKGROUND AND OBJECTIVE

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The Harrisburg Housing Authority (Authority) was established in 1938 under the Housing Authority Law of the Commonwealth of Pennsylvania to serve the needs of low-income, very low-income, and extremely low-income families in Harrisburg, PA, and to (1) increase the availability of decent, safe and affordable housing in its communities; (2) ensure equal opportunity in housing; (3) promote self-sufficiency and asset development of families and individuals; and (4) improve community quality of life and economic viability. A five-member board of commissioners governs the Authority. The commissioners serve 5-year terms on the board. The executive director of the Authority during the audit was Mr. Senghor Manns. The Authority's main administrative office is located at 351 Chestnut Street, Harrisburg, PA. During our audit period, the Authority owned and operated 1,728 public housing units under an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act). 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, HUD awarded the Authority a \$4.4 million formula grant. On September 24, 2009, HUD awarded the Authority a \$3.4 million competitive grant.

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 18, 2010. It is required to expend 100 percent of the grant funds by March 18, 2012. Transparency and accountability were critical priorities in the funding and implementation of the Recovery Act.

The Authority allocated its formula grant to the rehabilitation of public housing units, parking lot improvements, replacement of boilers, and administrative expenses. Grant funds can be used to address deferred maintenance needs, including but not limited to

- Replacement of obsolete systems and equipment with energy-efficient systems and equipment that reduce consumption;
- Work items related to code compliance, including abatement of lead-based paint and implementation of accessibility standards;
- Correction of environmental issues; and
- Rehabilitation and modernization activities that have been delayed or not undertaken because of insufficient funds.

Our objective was to determine whether the Authority administered grant funds provided under the Recovery Act according to Recovery Act requirements and applicable HUD rules and regulations.

## RESULTS OF AUDIT

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### Finding: The Authority Generally Administered Grant Funds in Accordance With Applicable Requirements

The Authority generally administered its grant funds in accordance with the requirements of the Recovery Act and HUD rules and regulations. The Authority used grant funds for eligible activities included in its annual plan or 5-year action plan, obligated grant funds within the established deadline, received and disbursed grant funds in a timely manner, and complied with applicable procurement requirements. However, it did not enter accurate job creation information into the appropriate Federal reporting Web site.

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#### **The Authority Used Grant Funds for Eligible Activities Included in Its Annual Plan or 5-Year Action Plan**

The Authority selected and funded eligible activities from its annual plan and 5-year action plan. Under the Recovery Act, HUD's Office of Public and Indian Housing (PIH) issued Notice PIH 2009-12, which required the Authority to use grant funds for activities currently identified in either its annual plan or 5-year action plan. All of the activities that the Authority selected were on either its annual plan or 5-year action plan. The Authority selected activities that were eligible to be funded with its Recovery Act grant. It allocated its grant to the rehabilitation of public housing units, parking lot improvements, replacement of boilers, and administrative expenses. Recovery Act funds can be used to pay administrative expenses, but they are limited to 10 percent of the total grant. Recovery Act funds are available to address deferred maintenance needs including

- Replacement of obsolete systems and equipment with energy-efficient systems and equipment that reduce consumption;
- Work items related to code compliance, including abatement of lead-based paint and implementation of accessibility standards;
- Correction of environmental issues; and
- Rehabilitation and modernization activities that have been delayed or not undertaken because of insufficient funds.

The following pictures show some of the work items that the Authority funded with its Recovery Act grant.



Repaving of parking lot at Lick Towers (completed)



Rehabilitation of units at Howard Day Homes (ongoing)

### **The Authority Met the Required Obligation Deadline**

Under the Recovery Act and HUD Notice PIH 2009-12, the Authority was required to obligate 100 percent of its formula grant by March 18, 2010. As of February 2010, the Authority had obligated 100 percent of its grant. The Recovery Act and HUD Notice PIH 2009-12 also required the Authority to expend at least 60 percent of the grant by March 18, 2011. The Authority had expended \$738,000, or 17 percent, of its grant as of February 2010.

### **The Authority Received and Disbursed Grant Funds in a Timely Manner**

The Authority drew down grant funds from HUD's automated Line of Credit Control System when the payments were due and after it had inspected and accepted the work. HUD Notice PIH 2009-12 requires the Authority to requisition funds only when payment is due and after inspection and acceptance of the work and to disburse the funds within 3 working days of receipt of the funds. The Authority generally disbursed the funds within 3 working days as required. It maintained adequate documentation to support the disbursements such as invoices and approved requests for periodic partial payments.

### **The Authority Generally Procured Goods and Services in Accordance With Applicable HUD Requirements**

The Authority generally followed HUD procurement regulations and guidance. For example, it

- Amended its procurement policy as required by HUD Notice PIH 2009-12 to expedite and facilitate the use of grant funds by making State and local laws and regulations inapplicable for Recovery Act grants.
- Received an adequate number of bids to ensure that it awarded contracts competitively as required by 24 CFR (Code of Federal Regulations) 85.36 and HUD Handbook 7460.8, REV-2. The Authority advertised and competitively awarded each contract and had sufficient documentation to support the procurement.
- Ensured that contractors complied with Davis-Bacon Act requirements. The Recovery Act required that all laborers and mechanics be paid in accordance with the prevailing wage rates in accordance with the Davis-Bacon Act. HUD Handbook 1344.1, REV-1, required the Authority to perform wage interviews, review contractors' weekly payrolls, and ensure that the required Davis-Bacon Act poster and pertinent wage rates were posted in a common area at the job site.
- Generally complied with HUD guidance for implementing the "buy American" requirement of the Recovery Act in HUD Notice PIH 2009-31. The Authority did not include the provision in a paving contract totaling \$107,300. However, due to the nature of the work there was no impact on



the Authority's compliance with the requirement. The Authority stated that the paving contract was one of the first contracts funded with Recovery Act funds and that the omission was due to oversight.

### **The Authority Did Not Report Accurate Job Information**

Although the Authority complied with all the reporting requirements by the required deadlines, it did not accurately report the number of jobs created or retained as a result of its Recovery Act activities. Guidance issued in Office of Management and Budget (OMB) Memorandum 10-08, dated December 18, 2009, defines a job created or retained as jobs funded during the quarter by the Recovery Act. The memorandum also provides guidance on how to calculate full-time equivalents. Full-time equivalents were to be estimated by dividing the total number of hours worked and funded by the Recovery Act within the reporting period by the quarterly hours in a full-time schedule (520 hours<sup>1</sup>).

For the reporting period February 17 through September 30, 2009, before the issuance of OMB Memorandum 10-08, the Authority incorrectly reported that a total of 43 jobs were retained and/or created. The Authority stated that it reported a full-time equivalent for every individual who worked at least 1 hour at the worksite. The Government Accountability Office noted this problem during its review of the Authority's reporting and informed the Authority that this was not the correct way to calculate jobs created and/or retained.

For the reporting period October 1 through December 31, 2009, the Authority used the calculation in OMB Memorandum 10-08 and reported that its Recovery Act activities created 15.33 jobs. However, this number was not accurate. We reviewed payroll timesheets for the Authority's Recovery Act activities and determined that the Authority understated the number of hours reported by one contractor by a total of 644 hours. We used the OMB calculation and determined that the Authority understated the number of full-time equivalents by 1.24. The correct job number that the Authority should have reported was 16.57. This error occurred because the Authority entered the data it received from the contractors directly into the Federal reporting Web site without first reviewing the data for accuracy. The Authority needs to develop and implement controls to ensure that job creation data it enters into the Federal reporting Web site are accurate.

### **Conclusion**

The Authority generally administered its grant funds in accordance with the requirements of the Recovery Act and HUD rules and regulations. However, it did not enter accurate job information into the appropriate Federal reporting Web site.

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<sup>1</sup> 520 hours = 40 hours per week multiplied by 13 weeks per quarter.

The Authority needs to develop and implement controls to ensure that job creation data it enters into the Federal reporting Web site are accurate.

## **Recommendations**

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing require the Authority to

- 1A. Develop and implement controls to ensure that Recovery Act job creation data it enters into the Federal reporting Web site are accurate.

## SCOPE AND METHODOLOGY

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We conducted the audit from October 2009 through April 2010 at the Authority's offices located at 351 Chestnut Street, Harrisburg, PA, and our offices located in Baltimore, MD, and Pittsburgh, PA. The audit covered the period February 2009 through January 2010 but was expanded when necessary to include other periods. We performed limited work on the Authority's competitive grant because as of March 1, 2010, the Authority had obligated only \$324,000 (9 percent) of the grant. The related work order was for architectural and engineering services. We reviewed the Authority's contract with the architectural and engineering services company as part of our review of the formula grant and determined that the Authority complied with applicable HUD procurement requirements. Therefore, our review focused on the Authority's formula grant.

To complete our audit, we

- Obtained relevant background information;
- Reviewed the Recovery Act;
- Reviewed applicable HUD rules, regulations, and guidance;
- Reviewed policies and procedures related to procurement, monitoring/reporting of grant funds, expenditures, and disbursements;
- Reviewed the Authority's fiscal years 2007 and 2008 audited financial statements;
- Conducted interviews with the Authority's staff;
- Conducted interviews with officials from HUD's Pennsylvania State Office of Public Housing and an estimator employed by the Authority's design architect;
- Reviewed relevant monitoring/reporting records, financial records, and procurement records; and
- Conducted onsite reviews of work items completed or to be completed by the Authority at its Lick Towers, Morrison Towers, and Howard Day Homes developments where the grant funds were being used.

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 audit results and conclusions based on our audit objective.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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:

- Program operations – Policies and procedures that were implemented to reasonably ensure that procurement activities were conducted in accordance with applicable requirements.
- Compliance with laws and regulations – Policies and procedures that were implemented to reasonably ensure that resource use was consistent with laws and regulations.
- Validity and reliability of data – Policies and procedures that were implemented to reasonably ensure that payments to contractors/vendors were made in accordance with applicable requirements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## **Significant Weaknesses**

Based on our review, we did not identify any significant weaknesses in the Authority's internal controls that would affect its ability to manage and administer Recovery Act-funded activities.

# Appendix A

## AUDITEE COMMENTS

May 3, 2010

John Buck  
Office of Inspector General for Audit  
Wanamaker Building  
100 Penn Square East, Suite 1005  
Philadelphia, PA 19107-3380

Re: American Recovery and Reinvestment Act of 2009 Audit


Dear John,

On behalf of the Harrisburg Housing Authority (HHA), we want to thank you and your staff for the time and attention given to HHA's administration of the "Recovery" Act funds and procedures. We treat your Agency's audit as a "lodestar" for how our organization wants to operate this very important program for President Obama's administration and the US Department of Housing and Urban Development (HUD).

As previously discussed, we all recognize that the Office of Management and Budget (OMB) guidance and the HUD guidance concerning the FTE (full-time equivalent) calculations were initially uncertain. For example, it was offered that the data submitted in the Federal Reporting quarterly report should be an *estimate* of the time in FTEs. Another example would be the revisions that were made during the course of the 2009 year to the recommended calculation methods. Admittedly, the uncertainty created some confusion for HHA in our calculations. However, confusion notwithstanding, we have taken full responsibility for this issue and, among the many controls and procedures, we have implemented sufficient oversight procedures for contractor data reporting.

We thank you and your staff again for the balanced audit process and the support provided for HHA's improvement of our public housing communities.

Sincerely,

  
Senghor A. Manns  
President and Agency Counsel

cc: Emily Leader, Chair  
Dennis Bellingtier, HUD Field Office Director  
File

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#### MISSION STATEMENT

Our mission is to be a  
"Best in Class" Agency  
that:

Provides *quality and  
affordable* housing;

Works unyieldingly  
towards improving the  
quality of *life* for our  
*Residents*;

Contributes to *safe  
communities*;

Encourages *individual and  
family self-sufficiency*; and

Affirmatively promotes *fair  
housing*.