



Lubbock Housing Authority, Lubbock, TX

Public Housing Capital Fund Program

**Office of Audit, Region 6
Fort Worth, TX**

**Audit Report Number: 2017-FW-1001
December 12, 2016**





To: Regenia Hawkins, Director, Office of Public Housing, 6APH

//signed//

From: Martin D. Herrera, Acting Regional Inspector General for Audit, 6AGA

Subject: The Lubbock Housing Authority, Lubbock, TX, Had Weaknesses in Managing Its Capital Fund Program Operations

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 Lubbock Housing Authority's Public Housing Capital Fund program.

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 (817) 978-9309.



Audit Report Number: 2017-FW-1001

Date: December 12, 2016

The Lubbock Housing Authority, Lubbock, TX, Had Weaknesses in Managing Its Capital Fund Program Operations

Highlights

What We Audited and Why

We audited the Lubbock Housing Authority's Public Housing Capital Fund program as part of our regional audit plan. Our objective was to determine whether the Authority properly implemented its U.S. Department of Housing and Urban Development (HUD) Capital Fund program.

What We Found

The Authority generally implemented its Capital Fund program in compliance with HUD requirements and undertook work consistent with its annual and 5-year plans. However, it could improve the management of its Capital Fund operations. While the Authority's records provided general support for its procurements, its files contained deficiencies. In addition, the Authority did not have adequate competition for many of its procurements, and its contractors did not always pay the required minimum Davis-Bacon Act wages. Further, the Authority improperly used capital funds instead of insurance proceeds to replace two roofs, and it did not appropriately hold tenants accountable for their damage. These conditions existed because the Authority had significant turnover of procurement managers during the scope under review, causing inconsistency in its operations, and it did not fully understand or apply procurement requirements. As a result, it could not always fully support that it entered into fair and reasonable contracts, and it could not assure HUD that it operated its program effectively and efficiently.

What We Recommend

We recommend that the Director of HUD's Fort Worth Office of Public Housing require the Authority to implement stronger controls to ensure consistency in its Capital Fund program and increase competition for its procurements, resolve \$38,232 in questioned costs, and hold its tenants accountable for damages they cause to units.

Table of Contents

Background and Objective.....	3
Results of Audit	4
Finding: The Authority Had Weaknesses in Managing Its Capital Fund Program Operations	4
Scope and Methodology.....	10
Internal Controls.....	12
Appendixes.....	13
A. Schedule of Questioned Costs and Funds To Be Put to Better Use.....	13
B. Auditee Comments and OIG’s Evaluation.....	14

Background and Objective

The Lubbock Housing Authority, established in 1941, is a public housing agency (PHA) that provides subsidized housing to low- and moderate-income individuals and families. The Authority has the responsibility and authority to maintain the public housing and Section 8 Housing Choice Voucher programs for the City of Lubbock, TX. A five-member board of commissioners, including one resident commissioner, governs the Authority. The mayor of Lubbock appoints the commissioners to staggered 2-year terms. The Authority owns and manages 367 public housing units scattered throughout Lubbock, including 48 units designated for elderly housing. It also manages 957 Section 8 housing choice vouchers. During our audit, the Authority also had two management agreements in place to manage and operate housing programs at the Floydada and Lockney Housing Authorities. At its April 2016 meeting, the Authority's board voted to exercise its 60-day notice to terminate those management agreements.

The U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Office of Capital Improvements, administers the Public Housing Capital Fund program. Annually, HUD provides Capital Fund grants to PHAs for the development, financing, and modernization of its public housing developments and management improvements. Each year, the Authority must make a Capital Fund submission to HUD to receive Capital Fund grants. The key element of the Capital Fund submission is the 5-year action plan, which describes the Authority's 5-year plans for its Capital Fund activities. It also includes a budget for each year in the 5-year action plan, which details specific work planned in each year. HUD also awarded Replacement Housing Factor (RHF) Capital Fund grants¹ to PHAs that have removed units from their inventory for the sole purpose of developing new public housing units. For fiscal years 2014 and 2015, HUD provided the Authority more than \$1.17 million in Capital Fund grants.

The Authority used its Capital Fund grants for various activities, including roofing, interior renovations, garage conversions, and parking lot replacements at three of its four developments.² Between February 2014 and January 2016, the Authority entered into 40 procurement contracts totaling \$564,647 using its Capital Fund grants. In 2014, the Authority entered into a \$1.43 million construction contract using its accumulated RHF Capital Fund grants to build 12 new one-bedroom elderly units at its Mary Myers development.

Our objective was to determine whether the Authority properly implemented its Capital Fund program.

¹ PHAs may accumulate RHF funds for up to 5 years before starting development activities.

² The three developments included asset management projects 21 – Cherry Point-36 South, 22 – Behner Place-Mary Myers, and 23 – 96 West. The Authority's fourth development, AMP 25 – Park Meadows II, is a low-income housing tax credit property. Since it did not receive capital funds, we did not include AMP 25 in this audit.

Results of Audit

Finding: The Authority Had Weaknesses in Managing Its Capital Fund Program Operations

The Authority generally implemented its Capital Fund program in compliance with HUD requirements and undertook work consistent with its annual and 5-year plans. However, it could improve the management of its Capital Fund operations. While the Authority's files provided general support for its procurements, many contracts had only two bidders, and its contractors did not always pay the required minimum Davis-Bacon Act wages. Further, the Authority improperly used capital funds instead of insurance proceeds to replace roofs, and it did not appropriately hold tenants accountable for damage they caused. These issues existed because the Authority had three different individuals in charge of procurements during the review period, did not fully understand requirements, and did not ensure consistency within its operations. As a result, it could not always fully support that it entered into fair and reasonable contracts, and it could not assure HUD that it operated its program effectively and efficiently.

The Authority Did Not Always Ensure That Its Procurements Met Requirements

The Authority did not always ensure that it met requirements when procuring contracts. HUD required the Authority to maintain documentation detailing the significant history of its procurements.³ However, 40 of 41 procurement files reviewed⁴ did not document every requirement. Examples included lack of advertisements, independent cost estimates, evidence of adequate competition, and required contract clauses.⁵ In addition, the Authority's procurement files did not always document evaluations of submitted bids or detail how it negotiated price as required.⁶ These 40 contracts totaled \$564,647 and were for general repairs.⁷

In the most serious instance, the Authority executed a contract with a construction contractor for \$16,065. However, the Authority paid this contractor \$44,065 for this work,⁸ \$28,000 more than the contract. When questioned about the discrepancy, the Authority provided an undated and unexecuted contract for \$42,955. Further, the file contained a change order dated 3 months before the contract, indicating that no contract was in place when the work began. The Authority was unable to support the \$28,000 in additional payments, and its records did not contain enough information to detail the significant history of this procurement.

³ HUD Handbook 7460.8 REV-2, section 7.2

⁴ The Authority's files showed that it procured and contracted in accordance with requirements for building 12 new one-bedroom units at its Mary Myers development. This \$1.4 million contract was the largest and most complex of the Authority's 41 procurements reviewed.

⁵ None of the 40 contracts contained the required Anti-Kickback Act or Contract Work Hours and Safety Standards Act clauses.

⁶ HUD Handbook 7460.8, REV-2 section 7.2

⁷ The 40 contracts ranged from \$2,295 to \$97,392, with an average amount of \$14,116.

⁸ This amount included payment of three invoices totaling the \$42,955 bid amount and a \$1,110 change order.

The Authority did not have adequate control of its change order process, as its contracting officers approved change orders after the contractor completed the work. For instance, the contracting officer approved five change orders for a contract after the work was completed. Further, the Authority's files did not contain evidence that it evaluated the need for additional work or determine whether the work was within the scope of the contract before approving change orders.⁹ For example, in one contract, the scope of work was for a bathroom remodel; however, the first change order was to remove front and back storm doors and an old garage door and trim. In another instance, the Authority paid an invoice that included a change order entry, but the file did not contain change order documentation or approvals.

These problems occurred because of the turnover in the employee in charge of procurement during the scope of the review. The three employees had varied knowledge of procurement practices and other work-related responsibilities causing inconsistencies in compliance. This varied knowledge also led to misinterpretation and misapplication of requirements.

The Authority Awarded Contracts Without Adequate Competition

The Authority executed contracts that lacked adequate competition, which should generally include solicitations from at least three bidders.¹⁰ Specifically, the Authority executed 36 of its 41 contracts (88 percent) with 1 of 2 contractors. One contractor had 19 contracts worth \$204,186, and the other contractor had 17 contracts worth \$205,932. These same two contractors bid on 40 of 41 (98 percent) of the Authority's procurements. In 25 (61 percent) of the 41 procurements, the two contractors were the only bidders. Additionally, in three instances, the Authority entered into contracts with one of the two contractors without receiving bids from other contractors.¹¹

The Authority stated that the limited number of bidders was due to local contractors not having required workers' compensation insurance. In addition, it explained that the Authority's reputation after bad audits and investigations contributed to contractors not wanting to bid. The Authority discussed its outreach to contractors and the difficulty imposed by requirements. However, the Authority risks being unable to support that it used its capital funds to enter into fair and reasonable contracts that were in its best interest.

The Authority's Contractors Did Not Pay Minimum Davis-Bacon Act Wages

The Authority did not always pay the correct minimum Davis-Bacon Act wages.¹² For instance, the Authority entered into four contracts with its two contractors to convert detached garages into storage units. When the Authority submitted a wage-rate compliance report to HUD for approval, HUD questioned whether the Authority used the correct U.S. Department of Labor

⁹ HUD Handbook 7460.8, REV-2, section 11.4(B)

¹⁰ HUD Handbook 7460.8, REV-2, section 5.3, and 24 CFR (Code of Federal Regulations) 85.36(c)(1)

¹¹ The three contracts ranged from \$4,651 to \$19,750.

¹² For construction contracts over \$2,000, the Davis-Bacon Act requires contractors and subcontractors to pay their laborers no less than the local prevailing wages and fringe benefits.

wage determination¹³ when procuring the contracts. In response, the Authority asked the two contractors to recalculate their workers' hours based on the correct wage determination. After the contractors informed the Authority of the new calculations, the Authority paid one contractor \$6,535 for three contracts and another contractor \$249 for one contract.¹⁴

To support that it had corrected the mistake for one contractor, the Authority provided copies of four contractor checks¹⁵ with a notation showing the date on which payments were received and signatures by the four individuals. However, the contractor explained that none of his workers cashed the checks. Instead, the contractor stated that he paid the workers in cash and used the checks as receipts to prove that he gave the workers cash. The workers said they received payments in cash. HUD's Labor Relations Desk Guide describes both paying wages in cash and employers cashing paychecks as possible willful violation payment schemes. The contractor's actions in paying his employees in cash were questionable.

While the process for making restitution to one contractor and his workers for the \$6,535 Davis-Bacon Act underpayment was flawed, the calculation was correct. The \$249 calculation for the other contractor was incorrect. Specifically, the contractor did not show how many hours individuals worked in specific classifications. Therefore, the contractor was required to pay the workers at the highest rate of the classified positions.¹⁶ As a result, the error totaled \$840 instead of \$249, a \$591 difference.¹⁷

To correct the mistakes, the Authority should have either executed a contract amendment to incorporate the correct wage determination or processed a change order.¹⁸ In addition, the Authority should have required the contractors to report the restitution on corrected certified payroll reports. The Authority took neither of these steps, and the contractors did not provide corrected payroll reports. HUD's labor relations specialist also acknowledged that she probably did not walk the Authority through the process for correcting the Davis-Bacon Act underpayments.

In addition, the Authority did not properly review contractor payroll records¹⁹ to ensure that they met requirements. Contractors submitted payroll records that claimed more total hours worked than the reported daily hours showed. In these instances, the records related to fixed-price contracts and did not affect the Authority's procurements. However, when one of the contractors

¹³ In its request for bids, the Authority mistakenly used the "residential" wage determination, which includes the construction or repair of single-family houses or apartment buildings of no more than four stories in height. It should have used the "building" wage determination, which includes the construction of sheltered enclosures with walk-in access.

¹⁴ The four procurement files included the Authority's underpayment calculations and an email from the compliance coordinator to the finance director requesting to have checks cut to the contractors.

¹⁵ The contractor provided the same check copies, but his copies included gross pay, withholding, and net pay calculations.

¹⁶ HUD Handbook 1344.1, paragraph 4-2(C)(2)(f)

¹⁷ Since this contractor did not cash the \$249 check, the total amount of \$840 was reported.

¹⁸ 29 CFR 1.6(f)

¹⁹ Not all procurement files contained payroll records.

used a plumber, the amount paid did not meet the minimum Davis-Bacon Act pay standard. The contractor underpaid the worker \$275 for 550 hours of work under eight contracts. When the contractor did not pay the minimum Davis-Bacon Act standard, it appeared to be because he did not consider fringe benefits as part of the minimum standard. HUD required only spot checks of payroll records, and the reported errors were not significant. However, the underpayments violated Davis-Bacon Act requirements.

The Authority Used Capital Funds Instead of Insurance Proceeds

Although required to use insurance proceeds to repair damaged or destroyed property,²⁰ the Authority used its capital funds to repair its units. Because of storm damage²¹ at 3 of its developments, the Authority received an insurance settlement covering combined losses sustained at 63 units. The settlement included allotments for roof repairs at two units that also had roofs replaced using the Authority’s capital funds. HUD considered costs for unit repairs due to natural disaster damage that insurance reimbursed to be an ineligible cost.²² The Authority used Capital Funds to pay for the roof repairs and did not reimburse its Capital Fund program with the insurance proceeds, resulting in \$9,117 in ineligible costs (see table).

Table: Ineligible costs

Description	Unit 1	Unit 2
Allotted insurance proceeds for roof repair	\$7,764	\$1,922
Capital funds used for roof replacement	7,195	4,450
Ineligible costs	7,195	1,922

The Authority Did Not Appear To Hold Tenants Accountable

The Authority did not hold tenants accountable for property damage but, instead, used its capital funds to repair individual units and garages. Site visits showed abuse and damage that appeared to have been tenant caused (see pictures). Although the Authority’s lease with tenants stated that tenants were obligated to refrain from destroying, defacing, damaging, or removing any part of the Authority’s property and to pay reasonable charges for repairs if they did so, the Authority did not always enforce its lease provisions. In addition, the Authority had a standard procedure to write off tenant accounts 90 days after the tenant moved out.

²⁰ Consolidated Annual Contributions Contract, Part A, Terms and Conditions, section 13(B)

²¹ The Authority sustained the damages around June 2013.

²² HUD Handbook 7485.3G, paragraph 2-20(A)(5)

Pictures of tenant-caused damages at asset management project 22



Behner Place unit, 4112 36th Street



Behner Place unit, 4109 35th Street

The Authority maintained records for tenant-caused damages. A review of 13 tenant records with the most costly damages showed that for 10 (77 percent), the Authority wrote off the amounts owed by the tenants after they moved out. In addition, 3 of the 10 (30 percent) had Capital Fund repair projects initiated within 60 days of the tenants' move-out date.

Conclusion

While the Authority generally implemented its Capital Fund program in compliance with HUD requirements, because it did not consistently follow its policies and procedures, the Authority did not always ensure that its procurements met HUD and other requirements. In addition, 88 percent of the Authority's contracts went to two bidders, and those two contractors did not always comply with Davis-Bacon Act requirements. These weaknesses put the Authority at risk of being unable to assure HUD that it operated its program as effectively or efficiently as it should or support that it entered into fair and reasonable contracts.

Recommendations

We recommend that the Director, Office of Public Housing, Fort Worth, TX, require the Authority to

- 1A. Increase its compliance with Capital Fund program requirements, including ensuring that its procurement files are complete, its contracts include all required clauses, it increases the number of contractors bidding jobs, and it properly uses insurance proceeds.
- 1B. Support or repay its Capital Fund program from non-Federal funds \$28,000 for work completed without a valid contract.
- 1C. Implement effective monitoring procedures to ensure that contractors calculate certified payroll accurately using the current Davis-Bacon Act wage rate requirements and that contractors pay the certified wages to the workers.
- 1D. Pay the contractors \$1,115²³ in Davis-Bacon Act underpayments and ensure that they pay their affected workers.
- 1E. Reimburse its Capital Fund program with the \$9,117 of insurance proceeds for the roof repairs.
- 1F. Enforce its lease requirements related to tenant damage to the property and to establish procedures to collect tenant accounts receivable before writing off the account.

²³ Computed as \$840 (\$249 check not cashed plus additional \$591 error) and \$275 additional underpayment.

Scope and Methodology

We conducted our audit at our offices in Fort Worth, TX, and the Authority's offices at 1708 Crickets Avenue, Lubbock, TX, between March and August 2016. Our audit scope generally covered the Authority's programs for the period January 2014 through February 2016. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our audit objective, we

- Obtained and reviewed the Authority's policies and procedures.
- Obtained and analyzed the Authority's financial statements and general ledger, including comparing the budget to the general ledger.
- Reviewed relevant Federal and State regulations and other relevant rules and guidelines.
- Reviewed prior OIG audit work regarding the Authority.
- Gained a basic understanding of the Authority's internal control environment and staff responsibilities.
- Conducted a data reliability assessment using U.S. Government Accountability Office (GAO) guidelines in the publication GAO-03-273G, *Assessing the Reliability of Computer-Processed Data*. Using ACL software, we determined that the data from the Authority's procurement files were sufficiently reliable for determining the disproportionate amount of Capital Fund expenditures offered to two of the local contractors.
- Interviewed HUD and Authority staff, tenants, contractors, and contract workers.
- Reviewed the Authority's and its contractors' records regarding Davis-Bacon Act wage rate determinations and calculations.
- Identified and reviewed the disposition of 13 non-statistically selected large tenant accounts receivable balances or those containing a large number of tenant-damage entries. The tenant accounts receivable balances ranged from \$485 to \$5,385 and the number of tenant-damage incidents ranged from 1 to 33. We did not project the results to the entire universe, as it was the policy of the Authority to write-off the amounts.
- Reviewed all of the Authority's 41 Capital Fund procurements to determine whether the Authority met requirements.
- Performed walk-throughs of the Authority's executive, compliance, and finance departments to obtain an understanding functions and processes.
- Performed walk-throughs of six representatively non-statistically selected units²⁴ from the Authority's 40 Capital Fund contracts to determine whether the contracted work was performed.

²⁴ We did not intend to project any results, so we did not use statistical sampling.

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 findings and conclusions based on our audit objective.

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 objective 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 objective:

- Program operations – Policies and procedures in place to reasonably ensure that the program met its objectives.
- Compliance with laws and regulations – Policies and procedures in place to reasonably ensure that resource use was consistent with laws and regulations.

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 the Authority's internal control.

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/
1B		\$28,000
1D		1,115
1E	\$9,117	
Totals	9,117	29,115

- 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



HOUSING AUTHORITY OF THE CITY OF LUBBOCK

1708 Crickets Ave LUBBOCK, TEXAS 79401 MAIN OFFICE 806-762-1191 FAX762-0836

November 18, 2016

G. Todd Gagon
Acting Regional Inspector General for Audit
819 Taylor Street, Ste 13A09
Ft. Worth, TX 76102

Dear Mr. Gagon:

Enclosed is the Lubbock Housing Authority's response to your draft audit report entitled The Lubbock Housing Authority, Lubbock, TX, Had Weaknesses in Managing Its Capital Fund Program Operations.

We appreciate the professional approach of your audit team. Mr. Nixon, [REDACTED] were respectful of our time and the necessity to continue our daily operations during their site visits as well as their subsequent requests for documentation.

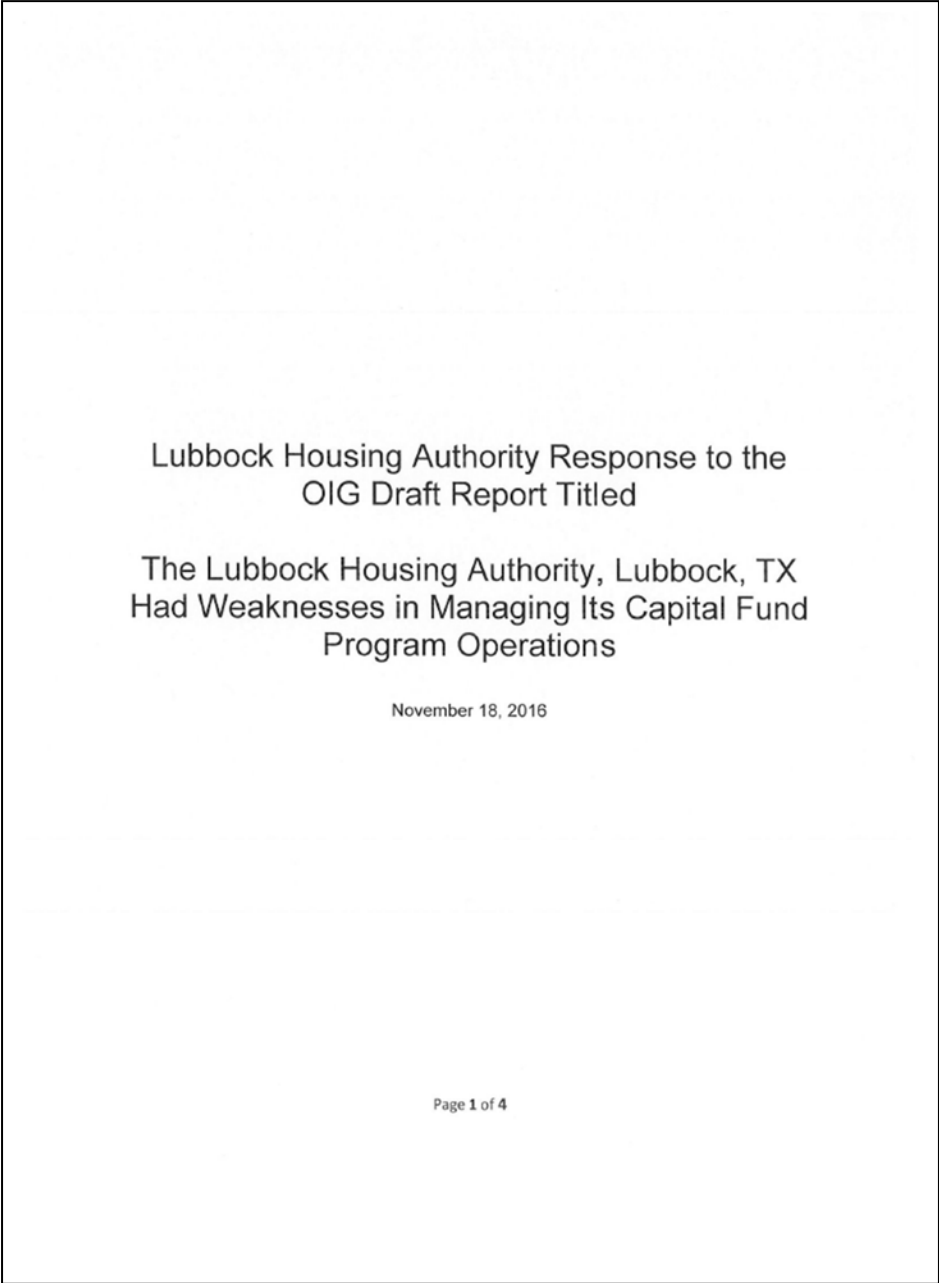
We are pleased that your audit determined that the Lubbock Housing Authority's administration of the Capital Fund is generally compliant with HUD requirements. We will continue acting on the observations and recommendations contained in your report.

If you have any questions or need additional information contact Todd Steelman at todd@lubbockha.org or 806-776-2305.

Sincerely,


Mike Chapman
Executive Director

**Ref to OIG
Evaluation**



**Ref to OIG
Evaluation**

Comment 1

The Lubbock Housing Authority (LHA) generally agrees with the findings and observations noted by your staff.

Report: The Authority generally implemented its Capital Fund program in compliance with HUD requirements and undertook work consistent with its annual and 5-year Plans.

Response: LHA agrees with this observation.

Report: The Authority did not always ensure that it met requirements when procuring contracts. HUD required the Authority to maintain documentation detailing the significant history of its procurements. However, 40 of 41 procurement files reviewed did not document every requirement. Examples included lack of advertisements, independent cost estimates, evidence of adequate competition, and required contract clauses. In addition, the Authority's procurement files did not always document evaluations of submitted bids or detail how it negotiated price as required.

Comment 2

Response: LHA created and implemented procurement and contract administration procedures to facilitate compliant and consistent administration of these activities. In addition to the basic procedures, required documentation and quality control processes are addressed. A copy of this procedure manual was provided to each LHA staff member involved with procurement/contract administration activities and to the OIG audit staff.

Report: In the most serious instance, the Authority executed a contract with a construction contractor for \$16,065. However, the Authority paid this contractor \$44,065 for this work, "\$28,000 more than the contract.

Comment 3

Response: LHA has documentation showing that the winning quote received on this project totaled \$45,065 and that all work included in the contract/quotes was performed. Due to a "copy/paste" error in preparing the contract, the wrong dollar amount was in the initial contract. The contract was corrected but the responsible staff member failed to obtain the contractor signature. This staff member is no longer employed by LHA.

Report: These problems occurred because of the turnover in the employee in charge of procurement during the scope of the review. The three employees had varied knowledge of procurement practices and other work-related responsibilities causing inconsistencies in compliance. This varied knowledge also led to misinterpretation and misapplication of requirements.

Response: During the audit review period, there were only two employees involved with procurement activities. The one employee who was responsible for the majority of errors and deficiencies is no longer employed by the Housing Authority.

Current procurement staff is knowledgeable and experienced in procurement/contract administration.

Report: The Authority executed contracts that lacked adequate competition, which should generally include solicitations from at least three bidders. The Authority stated that the limited number of bidders was due to local contractors not having required workers' compensation insurance.

**Ref to OIG
Evaluation**

Comment 1

Response: LHA historically has limited contractor responses to solicitations. The Housing Authority is now issuing solicitations through an online procurement system (NAHRO Economic Engine) for small construction/modernization projects and will also utilize this system in any sealed bid projects. This system notifies hundreds of contractor of the solicitation. They then have the option to submit bids/quotes.

Workers Compensation requirements remain a barrier to local contractor participation. Contractors that are not guaranteed future business are reluctant to purchase a policy on the chance that they may be awarded contracts. LHA is investigating the possibility of utilizing Owner Controlled Insurance Programs (OCIP) as a resolution to this issue.

Report: The Authority did not always pay the correct minimum Davis-Bacon Act wages. For instance, the Authority entered into four contracts with its two contractors to convert detached garages into storage units. When the Authority submitted a wage-rate compliance report to HUD for approval, HUD questioned whether the Authority used the correct U.S. Department of Labor wage determination when procuring the contracts.

Response: The error was based on the proximity of the garage to the housing unit. If the garage was attached to the single-family unit, the Residential Wage Decision would have been appropriate. However, the garages were detached and a Building Wage should have been used. After confirming the accuracy of this interpretation with the Department of Labor, LHA began the restitution processes.

The HUD Office of Labor Relations provided a list of documentation to confirm LHA compliance with the restitution requirements. LHA has now provided copies all requested information, including: change orders, spreadsheets of calculation data and Certifications of Restitution signed by the employees/employers to the HUD Office of Labor Relations.

Report: Although required to use insurance proceeds to repair damaged or destroyed property, 20 the Authority used its capital funds to repair its units.

Response: LHA is continuing efforts to locate documentation to support that the \$9,117 was reimbursed to the Capital Fund Program.

Report: The Authority did not hold tenants accountable for property damage but, instead, used its capital funds to repair individual units and garages.

Response: The purpose of the garage projects under review were to convert garages to storage units, not repair tenant damages. The project reduced the garage size by 50% and replaced garage doors with standard exterior entry doors, replaced siding and roofs. The property curb appeal is significantly improved by repurposing these dilapidated structures.

The Housing Authority makes significant efforts to ensure tenant accountability for damage and misuse of our property. These efforts include regular inspections, repayment demands and entering into repayment agreements for damages.

Collection efforts include reporting tenant amounts owed to the HUD EIV Debts Owed System. Housing Agencies are not allowed to admit families reported to that system to Section 8 or Public Housing programs until the debts are resolved. LHA collections have improved in the last

Comment 4

Comment 5

**Ref to OIG
Evaluation**

Comment 6

few years because families are being forced to resolve previous federal housing debts in order to receive assistance from other agencies.

LHA is also considering the use of a debt collection agency to help in collection efforts.

LHA does write off uncollectible debts. The LHA policy requires that write-offs occur quarterly. Failure to charge off uncollectible debts results in a lower PHAS Financial score.

Recommendations

We recommend that the Director, Office of Public Housing, Fort Worth, TX, require the Authority to:

1A. Increase its compliance with Capital Fund program requirements, including ensuring that its procurement files are complete, its contracts include all required clauses, it increases the number of contractors bidding jobs, and it properly uses insurance proceeds.

Response: LHA implemented new Procurement and Contract Administration Procedures which have resulted in compliant procurement, contract administration and complete files.

1B. Support or repay its Capital Fund program from non-Federal funds \$28,000 for work completed without a valid contract.

Response: LHA will work with Field Office staff regarding this sum.

1C. Implement effective monitoring procedures to ensure that contractors calculate certified payroll accurately using the current Davis-Bacon Act wage rate requirements and that contractors pay the certified wages to the workers.

Response: LHA has incorporated the Project Certified Payroll Review Checklist (provided by the HUD Office of Labor Relations) into its Procurement and Contract Administration procedures and requirements.

1D. Pay the contractors \$1,115 in Davis-Bacon Act underpayments and ensure that they pay their affected workers.

Response: \$840.00 of this amount has been paid and all documentation supplied to the HUD Office of Labor Relations. Payment of the remaining 275.00 is in process.

1E. Reimburse its Capital Fund program with the \$9,117 of insurance proceeds for the roof repairs.

Response: LHA will provide HUD staff with satisfactory documentation of previous repayment or will repay these funds to the Capital Fund Program.

1F. Enforce its lease requirements related to tenant damage to the property and to establish procedures to collect tenant account receivables before writing off the account.

Response: LHA will continue to enforce all lease requirements and will explore the viability of utilizing additional methods of collecting receivables.

Comment 4

Comment 5

OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the Authority's positive response to the report. We appreciate the Authority's willingness to address the deficiencies cited in the report.
- Comment 2 Although procedures have been developed for procurement and contract administration, the Authority will need to work with HUD to ensure proper implementation of the procedures.
- Comment 3 We acknowledge that it was an error on the part of the Authority concerning the contract. We appreciate the Authority's willingness to address the deficiencies cited in the report.
- Comment 4 The Authority will need to provide HUD with documentation that it had reimbursed its Capital Fund program for the cost of the roofing work covered by insurance proceeds.
- Comment 5 Although the Authority stated it took efforts to ensure tenant accountability, the Authority agreed that it wrote off uncollectible debts quarterly. We agree with cost-effective efforts to increase collections, such as the use of a debt collection agency, as mentioned in the Authority's response. The Authority will need to work with HUD to develop and implement necessary procedures to enforce lease requirements and improve tenant accounts receivable collections.
- Comment 6 The Authority will need to provide support to HUD that it has taken the actions necessary to implement the recommendations, including providing support for any reimbursements.