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Audit Report Number	2005-LA-1005

TO: Cecilia J. Ross, Director, Los Angeles Office of Public and Indian Housing,
9DPH

Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: Inglewood Housing Authority, Inglewood, California, Did Not Follow Proper
Salary Allocation and Procurement Procedures for the Housing Choice
Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited Inglewood Housing Authority (Authority) in Inglewood, California, in response to a request for audit from the U.S. Department of Housing and Urban Development's (HUD) Los Angeles Office of Public and Indian Housing.

Our objectives were to determine whether the Authority accurately tracked and allocated its salary expenses among its various HUD programs and whether the Authority's procurement policies and procedures complied with HUD requirements.

This is one of four audit reports resulting from our audit of the Authority.

What We Found

The Authority did not track its employees' time by program activity or implement a cost allocation plan to allocate its salary expenses between HUD programs. Therefore, the Authority could not provide documentation to support the portion of the \$1,836,282 in salary expense for fiscal years 2001 through 2003 that should have been charged to the Housing Choice Voucher program.

In addition, the Authority did not comply with HUD's procurement policies and procedures and, therefore, could not support the basis for its purchase of two software packages totaling \$31,279.

What We Recommend

We recommend that HUD require the Authority to develop and implement procedures to track its staff time spent on its HUD programs, as well as developing and submitting a cost allocation plan to HUD for approval. In addition, we recommend that HUD require the Authority to determine the portion of the \$1,836,282 in salary expenses applicable to each of its HUD programs and make any necessary adjustments to its accounting system to accurately reflect the expenses incurred for each program. Furthermore, we recommend that HUD require the Authority to submit a Financial Data Schedule to HUD.

We also recommend that HUD require the Authority to develop and implement procurement policies and procedures that are specifically for the Authority's use and that comply with HUD requirements.

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 provided the Authority a draft report on May 27, 2005, and the Authority provided written comments on June 23, 2005. The Authority generally agreed with our report findings.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The City of Inglewood, located at Inglewood City Hall, One Manchester Boulevard, Inglewood, California, was incorporated in 1908. The city administrator is responsible for setting operational goals, implementing legislative action, making policy decisions approved by the mayor and City Council, monitoring the annual operating budget, overseeing the personnel system, and providing direction to all city departments to ensure they meet the needs of the community. The Inglewood Housing Authority (Authority) is a blended component unit of the Community Development Department. The governing body of the Authority is comprised of members of the City Council and the mayor. Among its duties, it approves the Authority's budget and appoints its management. The financial activities of the Authority are reported as a special revenue fund.

The Authority has a baseline allocation of 1,002 Section 8 housing choice vouchers and an additional 1,100 vouchers from portable tenants. Portable tenants are eligible families who have been issued a housing choice voucher in one jurisdiction but have chosen to lease a unit in another jurisdiction. The U.S. Department of Housing and Urban Development's (HUD) approved budget authority for the Authority's Housing Choice Voucher program is as follows:

Fiscal year	Amount
2001	\$6,634,342
2002	\$6,786,996
2003	\$6,564,723
2004	\$7,033,835

The City of Inglewood's Finance, Payroll, and Accounts Payable Departments perform many of the financial responsibilities for the Authority. The financial responsibilities include maintaining the portable receivable account, submitting the Summary of Voucher for Payment of Annual Contribution and Operating Statement to HUD, and issuing housing assistance payments.

This audit report is one of four audit reports resulting from our audit of the Authority.

Our audit objectives for this report were to determine whether the Authority accurately tracked and allocated its salary expenses among its various HUD programs and whether the Authority's procurement policies and procedures complied with HUD requirements.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Track Staff Time and Allocate \$1.8 Million in Salary Expenses Among Its HUD Programs

The Authority did not track its employee's time by program activity or implement an indirect cost allocation plan to allocate its administrative salary expenses between HUD programs. This occurred because the responsible Authority and City of Inglewood personnel lacked adequate knowledge of the financial reporting requirements for HUD programs. As a result, the Authority could not provide documentation to support the portion of the \$1.8 million in salary expense the Authority reported to HUD for fiscal years 2001 through 2003 for the Housing Choice Voucher program.

The Authority Did Not Allocate Salaries of \$1.8 Million Among Its HUD Programs

The Authority did not track its employee's time by program activity or implement an indirect cost allocation plan to allocate its administrative salary expenses between HUD programs. The City of Inglewood's financial director explained that the Authority's staff did not document their timesheets to show how much of their time they spent working on the Housing Choice Voucher program, versus how much time they spent on other HUD programs. Instead, before fiscal year 2003, the city's financial director would calculate the total amount spent on salaries and then allocate that amount according to the fund balance at the end of the previous fiscal year. As a result of the high volume of tenants moving from other public housing authorities, the finance director opted to change this allocation method from using fund balance to using "percentage of HAP [housing assistance payment] expenditures in each program" beginning in fiscal year 2003. The change in the allocation method gave the appearance on the operating statement of an increase in salaries from fiscal year 2002 to 2003. However, we could not determine whether the voucher program salaries increased or decreased because the Authority has never allocated the salaries between two different HUD programs based on the actual time spent by the Authority's employees on each of the programs.

The Authority Did Not Submit a Financial Data Schedule to HUD

We also found that the Authority did not submit a Financial Data Schedule to HUD, required by 24 CFR [Code of Federal Regulations] Part 5, Subpart 801, and the Statement on Auditing Standards 29. Therefore, we did not have an accurate way of determining the breakdown of administrative salaries between the Housing Choice Voucher program and other HUD programs.

Conclusion

The salary allocation issue occurred because the responsible Authority and City of Inglewood personnel lacked adequate knowledge of the financial reporting requirements for HUD programs. As a result, the Authority could not provide documentation to support the portion of the \$1,836,282 in administrative salary expense the Authority reported to HUD for fiscal years 2001 through 2003 (on the Voucher for Payment of Annual Contributions and Operating Statements and the corresponding Balance Sheet for Section 8 and Public Housing) that should have been charged to the Housing Choice Voucher program.

Recommendations

We recommend that the director of the Los Angeles Office of Public and Indian Housing require the Authority to

- 1A. Develop and implement a system to track its administrative employees' time spent on various HUD programs.
- 1B. Develop and submit an indirect cost allocation plan to HUD for approval.
- 1C. Determine the correct allocation of the \$1,836,282 in administrative salaries for fiscal years 2001 through 2003, make the related accounting adjustments to its books and records, and transfer the funds to correct the allocation.
- 1D. Submit a Financial Data Schedule to HUD.

Finding 2: The Authority Improperly Procured Software Totaling \$31,279

The Authority did not comply with HUD's procurement requirements when it purchased two software packages totaling \$31,279. This occurred because the Authority did not develop and implement procurement policies and procedures that met HUD's requirements. As a result, there was no assurance that the software packages were cost-effective purchases and fully met the needs of the Authority.

The Authority Did Not Follow Proper Procurement Procedures

The Authority did not comply with HUD's procurement requirements when it purchased two software packages totaling \$31,279. The Authority's housing manager, who was responsible for conducting the research for the Market Vision Partners rent reasonableness software, claimed that he obtained quotes before purchasing it, but he was unable to show us any of the quotes received, nor could he support which companies he contacted. The Authority's administrative assistant was responsible for the research for the purchase of the HAPPY software but could not provide documentation supporting the other housing authorities surveyed before purchasing the software. The City of Inglewood's Finance and Information Technology and Communications Department director was responsible for signing the HAPPY purchase agreement. We noted that these employees were not appointed as contracting officers by the Authority's executive director as they should have been, according to HUD requirements.

The City's Procurement Procedures Did Not Include or Meet HUD Requirements

The responsible Authority personnel informed us that they used the City of Inglewood's local procurement policies when they purchased the software. We found, however, that these local procedures did not comply with HUD requirements because they did not contain required provisions to ensure the Authority

- Obtains the required bidders' security, according to the amount of the contract;
- Completes the post award phase after awarding a formal contract above the small purchase limitation;
- Maintains records sufficient to detail the significant history of a procurement;
- Follows correct procurement procedures when completing a contract for \$2,500 to \$7,500. (The Authority's policies and procedures do detail the proper steps to take for contracts for less than \$2,500 and for contracts for more than \$7,500; however, we could not identify any sections in these procedures that specified what selection process to follow for contracts equal to or between \$2,500 and \$7,500);
- Obtains oral or written quotations from at least three sources when following "small purchase" procedures. According to the HUD Handbook, "small purchases" shall cost no more than \$25,000 per transaction unless otherwise specified by state or local law. According to the Authority's policies, it uses \$2,500 as its "small purchase" dollar limit; and
- Procures all contracts only through the executive director or through other housing authority employees only when the executive director appoints the employee, in writing, as the contracting officer for that purchase.

The Authority Did Not Follow City's Procurement Procedures

We found that contrary to its claim, the Authority did not follow the city's procurement policies and procedures when it procured the HAPPY contract for \$23,780. The Authority should have completed the informal bidding process as required by section 2-197 of its procurement policies and procedures, which states that for contracts exceeding \$7,500, "sealed bids shall be required." However, based on our interviews with the Authority's administrative assistant and housing manager, we concluded that no bidding process took place.

Conclusion

The noncompliance with its procurement policies and procedures occurred because the Authority did not have knowledge of the HUD Procurement Handbook and was not aware the handbook existed. Consequently, the Authority

did not develop and implement procurement policies and procedures that specifically met HUD's requirements. As a result, there was no assurance that the \$31,279 spent by the Authority for the software packages was cost effective and fully met the needs of the Authority.

Recommendations

We recommend that the director of the Los Angeles Office of Public and Indian Housing require the Authority to

- 2A. Develop and implement procurement procedures specifically for the Authority that comply with HUD requirements.

SCOPE AND METHODOLOGY

We performed the audit work from September 2004 through February 2005. The audit covered the contracts and transactions during the audit period of October 1, 2003, through September 30, 2004. We expanded the scope when necessary. We reviewed applicable guidance and discussed operations with management and staff personnel at the Authority and key officials at the City of Inglewood.

The primary audit methodologies included

- Reviewing payroll registers for calendar years 2001 through 2003.
- Obtaining a list of current employees to prepare a list for each active employee during fiscal years 2001 through 2003.
- Obtaining the Authority's master payroll files and comparing them to the current employee list to determine whether any discrepancies exist.
- Interviewing the management and the staff responsible for payroll procedures.
- Interviewing the management responsible for allocating the Authority's salaries for fiscal years 2001 through 2003.
- Evaluating the controls over the purchase of goods.
- Reviewing the allocation methods for administrative salaries from fiscal years 2002 to 2003.
- Reviewing 100 percent of the \$31,279 payments the Authority made for the two software procurement contracts.
- Reviewing the Authority's procurement policies and procedures. The procedures reviewed included procurement manuals and guides to determine whether the Authority
 - Maintains procedures that reflect applicable state, local, and federal procurement standards,
 - Maintains a contract register,
 - Maintains a contract administration system, and
 - Has written selection procedures.

- Reviewing all documentation provided by the Authority to support its payments for the Market Vision Partners and HAPPY software contracts. Documentation reviewed included the management reports submitted to upper management, briefing them on the problems with their previous software, the Authority's software survey documenting the selection process for both the Market Vision Partners and HAPPY proposal, and contracts.
- Interviewing the management and staff responsible for obtaining and administering the procurement activities and the procurement policies and procedures.

We conducted our audit in accordance with generally accepted government auditing standards and included tests of management controls that we considered necessary under the circumstances.

INTERNAL CONTROLS

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

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Policies and procedures to ensure the Authority is establishing and maintaining complete and accurate books and records that show the allocation of payroll and attendance records in compliance with Office of Management and Budget Circular A-87.
- Policies and procedures to ensure the Authority is maintaining complete and accurate books and records to facilitate timely and effective audits in accordance with the Authority's annual contributions contract with HUD.
- Policies and procedures to ensure the Authority is conducting all procurement transactions in accordance with federal procurement regulations.

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 believe the following items are significant weaknesses:

The Authority did not

- Have a system to maintain complete and accurate books and records, ensuring that costs charged among its various programs were properly allocated and supported (finding 1).
- Develop and implement procurement procedures that complied with HUD requirements (finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Unsupported <u>1/</u>
1C	\$1,836,282

- 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 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

Comment 1



Inglewood California
OFFICE OF THE CITY ADMINISTRATOR

June 22, 2005

Joan S. Hobbs
Regional Inspector General for Audit
Pacific/Hawaii Region, 9DGA
611 West Sixth Street, Suite 1160
Los Angeles, CA 90017-3101

Dear Ms. Hobbs:

SUBJECT: Discussion Draft Audit Report
Housing Authority of the City of Inglewood
Section 8 Program – Salary Allocation & Procurement Procedures

We have reviewed the subject report and hereby offer our comments to the stated findings.

Finding 1: The Authority Did Not Allocate Salaries of \$1.8 million Among its HUD Programs

Response: The Authority does not agree with the finding. The Authority operates the Section 8 Housing Choice Voucher Program and the Section 8 New Construction Program, which consists of 500 units of housing for senior citizens and disabled persons, spread over four locations.

As stated in the finding itself, all related salaries were allocated to HUD programs. Prior to FY 2003, the City's staff allocated costs to each program according to the fund balance at the end of the previous fiscal year. However, in FY 2003, this allocation method resulted in large salary costs being allocated to the new construction programs, which was not considered reasonable based on the number of tenants and volume of work on that program. There were several causes, including significant increases in incoming portable vouchers. Therefore, the allocation method was reviewed and revised to more accurately and reasonably reflect costs.

The finding also indicates that the Authority did not track its employee's time by program activity. We did not track the employee's time spent on each activity, as there are a number of tasks that may be associated with the new construction projects. For example, the receptionists receive many phone calls from tenants in these projects. It's neither feasible nor cost-effective to record this activity. In addition, many of the tenants drop into the office from time to time; the Housing Manager or other staff members may have impromptu meetings and discussions with project owners, tenants and HUD Multi-

*Community Beautification and Economic Development*¹

family staff, and may have to respond to issues raised by the City Council, Mayor or any of their staff members. It's not cost effective to develop a system and attempt to maintain adequate records of these activities.

Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) **not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.** The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit/department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefit cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Authority staff spends 100% of their time working on the two Section 8 Programs. With respect to their salaries and wages, OMB Circular 87 allows:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, **will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.**
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages **will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.**
4. Where employees work on multiple activities or cost objectives, **a distribution of their salaries or wages will be supported by general activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency.**

In addition, HUD regulations allow the use of earned Administrative fees for housing related purposes. In this case, the administrative fees earned by the Section 8 New Construction program were used to further the objectives of the Section 8 Voucher program.

Ref to OIG Evaluation

Auditee Comments

OIG Recommendations

We recommend that HUD require the Authority to:

1. Develop and implement a system to track its administrative employee's time spent on various HUD programs.

Response: We disagree. We feel that the effort required to track employee's time spent on the New Construction program is disproportionate to the results to be achieved.

2. Develop and submit an indirect cost allocation plan to HUD for approval.

Response: Agree

3. Determine the correct allocation of the \$1,836,282 in administrative salaries for fiscal years 2001-2003, make the related accounting adjustments to its books and records, and transfer the funds to correct the allocation.

Response: We will develop an indirect cost plan and upon HUD approval, apply the plan to the questioned costs. However, we respectfully request that you provide us with the details concerning the \$1.8 million in questioned costs.

4. Submit the Financial Data Schedule to HUD.

Response: Agree

Finding 2: The Authority Improperly Procured Software Totalling \$31,279.

This finding refers to the procurement of two software packages: Market Vision Partner's Rent Reasonableness software (\$7,499) and HAPPY® Software (\$23,780).

- **The Authority Did Not Follow Proper Procurement Procedures**

The finding claims: "The Authority's Housing Manager, who was responsible for conducting the research for the Market Vision Partners rent reasonableness software, claimed that he obtained quotes before purchasing it, but he was unable to show us any of the quotes received, nor could he support which companies he contacted."

Response: The attached e-mail (*Exhibit A*) from the Housing Manager was provided to auditor [REDACTED] in response to her questions regarding the procurement of the Market Vision Partner's Rent Reasonableness software. It thoroughly describes the process used by the Housing Manager to make the purchase.

Comment 2

Ref to OIG Evaluation

Auditee Comments

City of Inglewood purchasing procedures (*Exhibit B*) at Section 2-197 allow informal bidding procedures, and requires sealed bids for purchases exceeding \$7500. Persons and firms listed in the latest bidder's list providing the service, commodity or article desired by the city, as well as to such other persons or firms as are known by the Purchasing Officer to provide a competitive price or cost for the service or article.

In the case of the MVP product purchase, no such list existed, and the internet search described in the e-mail yielded only one firm: Market Vision Partners. Thus it was determined that the desired service was available only from a single source. In addition, the cost of the product was below the \$7,500 threshold.

Furthermore, Section 2-198.3 (3) allows that competitive bidding procedures and requirements may be dispensed with under the following circumstances:

"The City Council may authorize a purchase or award a contract without complying with the provisions of this article provided that, while in public session, it has received competent information, data and sworn testimony supporting the fact that the product or service desired is provided by only the one person or firm." Auditors were provided with the staff report that was placed on the agenda and heard during a public meeting.

In addition, Section 2-192.1 authorizes the City Administrative Officer to authorize the purchase of supplies, equipment and services when such purchases are in an amount of \$7500 or less.

According to HUD Handbook 7460.8, Section 12(1)(D), local housing authorities must develop a procurement policy in accordance with the handbook *if there are no local statutes on public procurement.*

Local Laws. In cases where the State procurement laws are not specifically applicable to HA's, any applicable local government laws on public contracts should be followed. **If there are no local statutes on public procurement, and the law creating the HA is silent, then the HA should develop a procurement policy in conformance with the Sample Statements of Procurement Policy in Appendices 1, 2 and 3 of this Handbook.** To carry out its procurement function properly, the HA should maintain a copy of all such State and local laws affecting procurement and include their substance in the HA's own procurement policies and operational procedures.

Furthermore, 24CFR 85.36 states:

(b) **Procurement standards.** (1) Grantees and subgrantees **will use their own procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards**

Ref to OIG Evaluation

Auditee Comments

Comment 3

identified in this section.

- **The Authority's administrative assistant was responsible for the research for the purchase of the HAPPY software. The City of Inglewood's Finance Director was responsible for signing the HAPPY purchase agreement. We noted that the Authority's Executive Director did not appoint these employees, as they should have been, according to HUD requirements.**

HUD Handbook 7460.8 contains a sample Statement of Procurement to be used by Public Housing Authorities (Appendix 1). Section II (A) states:

II. PROCUREMENT AUTHORITY AND ADMINISTRATION

Executive Director's Authorization

- A. All procurement transactions shall be administered by the Contracting Officer, who shall be the Executive Director or other individual he or she has authorized in writing. ***The Executive Director shall issue operational procedures to implement this Statement***, which shall be based on HUD Handbook 7460.8.

The City of Inglewood's Administrative Manual, Section 3310 "Contracting for Goods and Services" (*Exhibit C*) contains the operational procedures issued by the Administrative Officer, who also serves as the Authority's Executive Director. These procedures implement the necessary authorization to departments to conduct procurement, in compliance with HUD requirements. Please note that the Ordinance No. 99-03 increased the amount for modified short-form agreements to \$7,500 (*Exhibit D*).

- **The City's Procurement Procedures Did Not Include or Meet HUD Requirements because they did not contain required provisions to ensure the Authority:**
 1. **Obtains the required bidder's security, according to the amount of the contract.**

Response: City Purchasing Procedures at Section 2-196 (4) "Bidder's Security" states: All bids must be sealed and, if required by the City Council, must be accompanied by security in the form of either cash, cashier's check, certified check or surety bond in a sum equal to ten percent of the total aggregate bid."

2. **Completes the post award phase after awarding a formal contract above the small purchase limitation.**

Comment 4

E

Ref to OIG Evaluation

Auditee Comments

Comment 5

Response: Agree. The Authority intends to adopt the sample statement of procurement contained in 7460.8 to ensure compliance with all HUD purchasing requirements.

3. Maintains records sufficient to detail the significant history of procurement.

Response: We feel that sufficient records and information was provided to detail the history of the procurements in questions.

4. Follows correct procurement procedures when competing a contract for \$2500 to \$7500. (The Authorities policies and procedures do detail the proper steps to take for contracts less than \$2500 and for contracts for more than \$7500; however, we could not identify any sections in these procedures that specified what selection process to follow for contracts for equal to or between \$2500 and \$7500).

Response: We are unclear as to the meaning of this finding. City procurement procedures at Section 2-197(2) "Bid Notice (Contracts Exceeding \$7500) states: Sealed bids shall be required to be submitted to award a contract estimated to exceed \$7,500. This means that sealed bids are required for contracts over \$7500. They are not required for contracts up to \$7500.

This is consistent with language in the HUD sample procurement policy, which states:

SMALL PURCHASE PROCEDURES

1. General. Any contract not exceeding \$25,000 may be made in accordance with the small purchase procedures authorized in this section. And;
3. Small purchases of \$1,000 or less. For small purchases below \$1,000 or the dollar limit established in 4 below, only one quotation need be solicited if the price received is considered reasonable.

5. Obtains oral or written quotations from at least three sources when following "small purchase" procedures. According to the HUD Handbook: Small purchases shall cost no more than \$25,000 per transaction unless otherwise specified by state or local law.

Response: Agree. A revised purchasing procedure will be adopted to include the requirement for solicitation from at least three sources for small purchases.

6. Uses \$2500 as its small purchase dollar limit.

Response: There appears to be no HUD "requirement" that PHA's use \$2500 as its small purchase dollar limit. The HUD Handbook 7460.8, Section III (B)(1) states:

Comment 6

Comment 7

Comment 8

SMALL PURCHASE PROCEDURES

1. General. Any contract not exceeding \$25,000 (*insert a lower dollar amount if desired or required to conform to State or local law*) may be made in accordance with the small purchase procedures authorized in this section.

This allows PHA's to use any dollar amount it desires, in order to conform to local laws and procedures.

7. **Procures all contracts only through the Executive Director or through other housing Authority employees only when the Executive Director appoints the employee, in writing, as the contracting officer for that purpose.**

Response: HUD Handbook 7460.8 contains a sample Statement of Procurement to be used by Public Housing Authorities (Appendix 1). Section II (A) states:

II. PROCUREMENT AUTHORITY AND ADMINISTRATION

Executive Director's Authorization.

- A. All procurement transactions shall be administered by the Contracting Officer, who shall be the Executive Director or other individual he or she has authorized in writing. **The Executive Director shall issue operational procedures to implement this Statement,** which shall be based on HUD Handbook 7460.8.

The City of Inglewood's Administrative Manual, Section 3310 "Contracting for Goods and Services" contains the operational procedures issued by the Administrative Officer, who also serves as the Authority's Executive Director. These procedures implement the necessary authorization to departments to conduct procurement, in compliance with HUD requirements.

We respectfully request that you consider our comments before completing your final report. If you have any questions or require additional information, please feel free to call my Deputy, Mr. Lawrence Kirkley, or me at 310-412-5301.

Sincerely,


Mark F. Weinberg
City Administrator/Executive Director

OIG Evaluation of Auditee Comments

- | | |
|------------------|---|
| Comment 1 | The Authority did not submit its allocation system to HUD for approval for fiscal years prior to or after 2003; thus, HUD cannot determine whether the allocation method used was appropriate. Even though the two programs are both HUD-funded, they are different activities and therefore the costs related to the two activities should be tracked and allocated separately. Otherwise, there is no assurance that the allocation of salary expenses contained in the operating statement to HUD is accurate. |
| Comment 2 | The e-mail from the Housing Manager described the process; however, in our interview with the Housing Manager, he stated that other Housing Authorities were checked for references and that the Housing Manager obtained quotes. The Authority was unable to provide any supporting documentation showing which, if any, housing authorities were contacted, or which quotes were obtained. “24 Code of Federal Regulations 85.36(b) states that the “common rule” on grantee procurement provides HAs shall use their own procurement procedures that reflect applicable State and local laws and regulations, provided they conform to applicable Federal law.” Therefore, the Authority needs to include procurement policies that include elements from HUD Handbook 7460.8. |
| Comment 3 | The City of Inglewood’s Administrative Manual Section 3310 and Ordinance 99-03 does not contain any reference to a delegation of authority nor include any reference to the appointment in writing of another person to administer the procurement transaction other than the Contracting Officer/Executive Director or any reference to the Contracting Officer, as HUD requires. |
| Comment 4 | HUD Handbook 7460.8 details what bidders security 24 Code of Federal Regulations 85.36 recommends, according to the amount respective of the contract. However, these requirements were not all included in the City of Inglewood’s procurement procedures. |

Comment 5

Contrary to the Authority's contention, we do not believe there was sufficient documentation to support the basis for the purchase of the two software packages. The Administrative Assistant purportedly conducted a telephone survey of numerous housing authorities but could not provide any support for the authorities contacted.

Comment 6

The Authority's selection procedures did not specify the procedures to be followed for contracts between \$2,500 and \$7,500. Section 2-197 specifies that the informal bidding process is required for every purchase or contract involving expenditure \$40,000 or less, but more than \$2,500. However, step 2 of 2-197 specifies, "Sealed bids shall be required to be submitted in order to exceed a contract estimated to exceed \$7,500. "

Comment 7

The \$2,500 requirement was not included in HUD Handbook 7460.8 however, according to the Authority's policies, \$2,500 is used as the small purchase limit. The Authority still needs to obtain oral or written quotes from at least three sources.

Comment 8

The City of Inglewood's Administrative Manual Section 3310 and Ordinance 99-03 does not contain any reference to a delegation of authority nor include any reference to the appointment in writing of another person to administer the procurement transaction other than the Contracting Officer/Executive Director or any reference to the Contracting Officer, as required. The Administrative Manual does not contain any delegation of authority.