



Issue Date: September 12, 2003
Audit Case Number: 2003-LA-1002

MEMORANDUM FOR: Joyce L. Lee, Director,
HUD's Office of Public and Indian Housing, 9APH

Joan S. Hobbs

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

SUBJECT: The Housing Authority of the County of San Mateo,
Belmont, California

INTRODUCTION

We have completed an audit of the Housing Authority of the County of San Mateo (HACSM). The objectives of this review were to determine if the housing authority was following Federal requirements in relation to its conventional low-rent and Section 8 subsidy programs. This included assessing HACSM's procurement and contracting, maintenance and inspections, Section 8 program administration, disbursement allocations, and personnel practices.

Issues identified with HACSM's maintenance and inspections, Section 8 administration, disbursement allocations, and personnel practices were brought to HUD's attention through a March 2003 internal memorandum. This report communicates our review results and recommendations pertaining to HACSM's procurement and contracting. We found the housing authority had inadequate controls and was not complying with Federal requirements over procurement and contracting, resulting in questionable costs of \$90,000 and ineligible costs of \$233,530.

In conducting the audit, we reviewed the housing authority's records and interviewed responsible HACSM staff, as well as HACSM vendors/contractors. We also interviewed HUD Office of Public and Indian Housing (PIH) staff and reviewed HUD monitoring files over HACSM's operations. In addition, we reviewed HUD program requirements and Office of Management and Budget (OMB) guidance on uniform administrative requirements for State and local grantees.

The audit generally covered the period of July 2000 through December 2002, which was expanded as necessary. The fieldwork was primarily performed at the housing authority's main office in Belmont, California, intermittently between October 24, 2002, and April 18, 2003. We conducted the audit in accordance with generally accepted government auditing standards.

As required by HUD Handbook 2000.6 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (213) 894-8016 or Clyde Granderson, Assistant Regional Inspector General for Audit, at (415) 436-8101.

SUMMARY

HACSM did not follow appropriate procurement and contracting requirements, as identified in the Code of Federal Regulations (CFR) and HUD Handbooks. This included HACSM's continued use of a single vendor/contractor to perform housing project rehabilitation, repairs, and maintenance between April 1998 and December 2002. HACSM also did not generate written agreements with the vendor/contractor in most cases, and the work was primarily performed under the ineligible cost-plus-a-percentage-of-cost method. In addition, HACSM did not follow appropriate procurement practices before awarding an annual contract to the County of San Mateo, or ensure the amounts paid for services were appropriate. Finally, HACSM did not follow appropriate small purchase practices in the development and authorization of purchase orders before work was performed and bills received. This has resulted in \$233,530 of unreasonable/unnecessary costs and \$90,000 of questionable unsupported costs.

BACKGROUND

HACSM operates under the County of San Mateo Department of Housing, which is in turn under the County's Human Services Agency. The San Mateo County Board of Supervisors was also the housing authority's Board of Commissioners. In March 2000, HACSM began restructuring its management, converting housing authority officials to County positions. The executive director position was eliminated and converted to the County of San Mateo Director of Housing, which includes performing County housing functions in addition to the administration of the housing authority. Other key management positions have also been converted to County positions, including the heads of finance and operations. HACSM's main office is located at 264 Harbor Boulevard, Belmont, California. HACSM also maintains sub-offices in Redwood City and South San Francisco, which share space with County staff.

HACSM provides conventional and Section 8 housing to the San Mateo County area. It operates a 150-unit conventional low-rent public housing facility in Daly City, called Midway Village. It has also recently completed another 30-unit low-rent facility in March 2001, with HUD development funds, called El Camino Village. These housing facilities are operated under an Annual Contributions Contract (ACC) with HUD, and HUD distributes Operating Subsidy and

Capital Grant funding to enable the housing authority to provide housing. HUD authorized \$121,232 for HACSM's 2003 operating subsidy. The housing authority also owns a 60-unit senior housing facility in Half Moon Bay, subsidized with project-based Section 8 Vouchers. In addition, the housing authority administers a Section 8 program. As of June 30, 2002, HACSM administered 3,631 Section 8 Vouchers, 130 units under Section 8 Moderate Rehabilitation, 300 units under Moving-to-Work, and 138 units under the Shelter Plus Care program.

The Capital Fund Program is the primary funding source for physical and management improvements to the housing authority's properties. However, HUD denied the housing authority Capital Grant funding in 2000 because HACSM did not submit the required annual plan. The housing authority previously received funding for this purpose under the Comprehensive Improvement Assistance Program (CIAP). HUD awarded a 1997 CIAP grant (CA39P01490897) to the housing authority in the amount of \$435,000. This grant was fully drawn down and completed by May 1999. The housing authority also received grant funds of \$775,050 under the 1998 CIAP (CA39P01490998), and \$282,869 under the 1999 CIAP (CA39P01491099).

Unfortunately, the Midway Village housing facility experienced a problem with toxic soil in 2000, due to its close proximity to a power plant. A number of units had to be vacated, and remained empty for an extended period. During this period, the housing authority was not allowed to expend CIAP funding to continue rehabilitation. The last rehabilitation invoice charged to the CIAP program was in January 2000. However, HACSM was allowed to close out the 1998 and 1999 grants in April 2002, when HUD approved the draw down of over \$900,000 of CIAP funds to operations in accordance with program requirements.

The housing authority has received annual financial audits of its activities, including fiscal years ending June 30, 2001 and 2002. The auditor provided an unqualified opinion for each of the two years, and no significant material weaknesses were identified. The low-rent program had an operating loss of \$678,861 for the fiscal year ending June 30, 2001. In 2002, the housing authority had the El Camino facility borrow \$500,000 from the Midway facility. Shortly thereafter, the housing authority had Midway borrow \$500,000 from the Section 8 program reserves. For the fiscal year ending June 30, 2002, Midway Village had a net loss of \$1,043,854 and El Camino had a net loss of \$295,298. In addition, the conventional low-rent housing program had an unrestricted cash balance of \$104,539

HUD's PIH office performed an on-site monitoring review over the housing authority's operations in August 2002. PIH requested the Office of the Inspector General (OIG) perform an audit due to its concerns over HACSM's procurement practices. HUD has not designated the housing authority as troubled.

There were no other audits performed of this activity requiring OIG to perform any follow-up reviews.

RESULTS OF AUDIT

HACSM Did Not Comply With Procurement and Contracting Requirements

HACSM did not follow required competitive procurement requirements in the selection of vendors/contractors. This included the continued selection of TT Construction & Engineering to perform rehabilitation, maintenance, and repair work at its housing facilities, costing \$1,119,026 between 1998 and 2002. The housing authority did not enter into written contracts with TT Construction for the majority of the work performed, at a cost of \$1,094,401. Of this amount, \$963,505 was done under a prohibited cost-plus-a-percentage-of-cost compensation method. HACSM also contracted with and paid \$90,000 to San Mateo County, a related party, for recruitment services. However, it did not ensure reimbursements were made at cost, in accordance with OMB standards. In addition, HACSM did not prepare purchase orders to initiate purchases, and they were not generated and approved until after vendors submitted invoices. This occurred because HACSM management ignored program requirements and placed little priority over ensuring the housing authority only purchased products and services at the lowest available cost. As a result, the housing authority incurred \$233,530 in excessive and unreasonable rehabilitation costs, and did not adequately support the reasonableness of an additional \$90,000 in questionable recruitment costs.

Selection and Continued Use of TT Construction Without Competitive Bidding

Federal regulations at 24 CFR 85, part 36, require grantees conduct procurement transactions under full and open competition. The cost-plus-a-percentage-of-cost method of contracting is specifically not allowed by 24 CFR 85.36 (f)(4). All procurement transactions will be conducted in a manner providing full and open competition. The regulations also state procurement transactions must be supported by sufficient records, which include rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Grantees may use time and material type contracts only if no other contract type is suitable, and if the contract includes a ceiling price, the contractor exceeds this ceiling at its own risk. When there is no price competition available, grantees must negotiate the contractor's profit as a separate element of the contract price.

In addition, HUD Handbook 7460.8 provides requirements over appropriate procurement methods. It also prohibits the use of the cost-plus-a-percentage-of-cost method of contracting under chapter 6, part 1 (F)(1). Appendix 20, item 10, of the Handbook allows time and material type contracts to be used for maintenance or repairs under emergency conditions if a ceiling price is established, which the contractor may only exceed at its own risk. Chapter 4, part 3 (A), requires that if services are expected to exceed the \$25,000¹ threshold, sealed bidding or competitive proposal procedures must be used. To ensure the price paid is reasonable, the housing authority needs to solicit competitive prices from at least three sources. Procurements over the threshold shall not be broken down into several purchases merely to permit the use of small purchase procedures. Chapter 2, parts 4, 7, and 11, require the housing authority to obtain competitive prices using an invitation for bids (IFB). Before the winning bidder is awarded the contract, the housing authority must determine if the bid conforms to the IFB and whether the

¹ The current threshold has been increased to \$100,000 under 24 CFR 85.36.

bidder has the capability to perform the work. The housing authority must also perform a cost or price analysis for each procurement to determine whether the price is reasonable. The housing authority must also closely monitor the contractor, which includes monitoring the work progress, inspecting the work performed, and accepting the work or notifying the contractor when rejecting the work. The housing authority must only pay for acceptable work.

HACSM's internal procurement policy, amended in 1997, provides that contracts greater than \$100,000 require the Board's approval. Requests for Quotes or Requests for Proposals must be prepared unless there is an emergency situation that endangers the life, safety, or health of the housing authority's employees, tenants, and/or the public affected by the HACSM's operation. The exception must be justified in writing and be documented as part of the contract records.

HACSM selected and exclusively used a vendor/contractor, TT Construction & Engineering, to perform housing facility rehabilitation and repairs between April 1998 and December 2002, without following appropriate procurement and contracting procedures. In most cases, HACSM did not have written contracts with the vendor/contractor, and reimbursed it using the prohibited cost-plus-a-percentage-of-cost basis. In addition, it did not prepare independent cost estimates before receiving proposals or bids, as required by 24 CFR 85.36 (f). This occurred because of management's disregard for procurement and contracting requirements, and resulted in the excessive charges of \$233,530 to the Midway Village operating account.

HACSM did not follow competitive procurement procedures in the selection of TT Construction to perform rehabilitation. Overall, it paid the vendor/contractor \$1,119,026 over a nearly five-year period. It did not solicit bids nor compare TT Construction's rates to other potential vendors/contractors at any point. In addition, the housing authority failed to perform a cost or price analysis for any of the rehabilitation projects, as is required by 24 CFR 85.36 (f)(1). As a result, there is no assurance the costs were reasonable and necessary.

HACSM also did not follow appropriate contracting requirements. In most cases (\$1,094,401 or 98 percent of the work performed), HACSM did not develop any type of written agreement with the vendor/contractor to establish a scope of work or a fixed price (see Appendix B). In fact, no written agreements were developed for rehabilitation until November 2000, over two years after HACSM began using TT Construction.

Instead, in most cases, \$963,505 (86 percent) of work performed, HACSM reimbursed TT Construction for labor hours and materials purchased on an ineligible and specifically prohibited cost-plus-a-percentage-of-cost basis, with no pre-established price ceilings (see Appendix B). In the few cases where costs were supposed to be fixed, it was not always clear whether TT Construction consistently stayed within established price ceilings, due to the mingling of the fixed costs on invoices with the costs of other jobs that were not part of a pre-established price ceiling. Although invoices identified a 15-percent overhead and profit on materials purchased by TT Construction, the housing authority never established the vendor/contractor's profit and overhead on each labor hour charged. Since the profit margin was not negotiated separately, and no independent estimates were performed as required, HACSM had no assurance it was not paying the vendor/contractor excessive compensation. The repeated use of this prohibited contracting method provided no incentive for TT Construction to keep costs in check.

It could have encouraged TT Construction to purchase costlier materials in order to bill the housing authority an excessive amount in overhead, and to delay or extend work items permitting overcharges in labor hours.

These issues were applicable to amounts HACSM charged to both the CIAP grant program and operating accounts. This included rehabilitation work performed at Midway Village under the CIAP program grants between April 1998 and May 1999, costing \$421,315. Similarly, HACSM used TT Construction to perform \$28,991 in other repairs between May 1998 and April 1999, charged to the Midway Village housing facility's operating account. In addition, the housing authority continued to use TT Construction to perform unit-turnover maintenance and other repairs costing \$668,720, funded through the Midway Village and Half Moon Bay operating accounts, between March 2000 and December 2002.

CIAP Rehabilitation Work

HACSM initially selected TT Construction under the CIAP program without any bidding and without following required procurement and contracting procedures. HACSM used a third-party contract administrator to oversee CIAP work projects, with the housing authority ultimately approving all CIAP draws, invoices, and purchase orders. The contract administrator had previously used a rehabilitation contractor, Thorenfeldt Construction, on non-HACSM jobs. The contract administrator brought in Thorenfeldt Construction in 1996 to finish a decking project the housing authority was having difficulty completing. The housing authority subsequently chose to use TT Construction for additional CIAP projects in 1998 because its principle was the brother of the principle of Thorenfeldt Construction. The housing authority justified the lack of competitive procurement by identifying all CIAP work projects as emergencies, and claimed the conditions varied too much to allow the housing authority to use a bidding approach.

Rehabilitation projects performed by TT Construction included:

1)	\$119,265	for the replacement of doors
2)	\$ 99,284	for installation of additional handrails
3)	\$ 73,483	for the installation of gates and fences
4)	\$ 41,631	to repair siding of buildings at vents
5)	\$ 36,835	for replacement and repairs to sidewalks
6)	\$ 21,786	for new site lighting
7)	\$ 16,125	for community building repairs
8)	\$ 11,130	for drainage improvements
9)	<u>\$ 1,776</u>	for repair of flooded units
	\$421,315	Total

In our opinion, for most of the items listed above, we attributed the cause to be deferred maintenance rather than a public exigency or emergency. Although HUD was told work was considered either an emergency or a health and safety problem to justify the award of funds, it was never informed HACSM exclusively used the same vendor for all work items without competitive procurement or written contracts.

Since no contracts were prepared, there was also a lack of documentation to specifically identify the scope of work performed by the vendor/contractor. This made it uncertain whether all work was performed as required. There were no reports available to show qualified HACSM representatives inspected TT Construction's work product, either while in progress or when complete. Without inspection reports, there was no verification the housing authority only paid for acceptable work.

Operating Account Maintenance and Repairs

HACSM also charged the Midway operating account for other repairs and unit-turnover maintenance performed by the same vendor without soliciting for bids or performing any cost or price analyses. Overall, \$697,771 was charged to the Midway Operating account between 1998 and 2002.

There was insufficient documentation available to specifically identify what work was done as part of unit-turnover maintenance, and the costs were not properly broken out. The scope of work the vendor/contractor was supposed to perform was based on unit inspection reports, which generally only identified the needed repairs and cleaning. The descriptions of work completed on invoices were not specific enough to ascertain the extent to which the vendor/contractor repaired and/or cleaned items in specific units. Available documents did not have sufficient information for us to identify the labor and material costs associated with individual units. In addition, TT Construction management and HACSM staff informed us TT Construction would perform additional undocumented work, or leave items for HACSM maintenance to complete, based on the vendor/contractor's judgment. Some HACSM staff also indicated the vendor/contractor would utilize HACSM supplies, materials, and/or equipment as needed. As a result, an appraisal could not be performed to cost out the work, for comparison purposes, since there were too many uncertainties concerning what was done and the associated cost.

However, experienced maintenance staff could have completed the tasks performed by TT Construction between June 2000 and December 2002. The majority of work performed during this period included unit-turnover maintenance on vacant units to get them into move-in condition. The housing authority has subsequently hired additional maintenance staff and has used maintenance staff to perform unit-turnover. The work required typically included:

- Removing garbage
- Removing appliances
- Strapping water heaters
- Installing electrical switches and plugs
- Cleaning exhaust fans
- Removing/installing blinds
- Repairing sheetrock/texturing
- Replacing door handles
- Repairing/replacing vinyl floors
- Repairing/replacing counter tops
- Repairing/replacing cabinetry
- Priming and painting
- Replacing broken fans

- Replacing broken windows
- Washing/cleaning floors
- Replacing smoke detectors
- Repairing/replacing toilets
- Fixing trims

Therefore, in an attempt to determine the reasonableness of TT Construction’s billing for labor cost, we compared the cost of the housing authority hiring and utilizing additional experienced maintenance staff to the hourly rate TT Construction charged. The maintenance costs include salary, cost of living and step increases, taxes, benefits, and leave cost established in HACSM labor agreements.

Maintenance Specialist II

Year	Hourly Cost Salary	Benefits & Taxes	Leave Costs	Total Fringe	Total Hourly Rate
2000	\$ 16.73	\$ 7.57	\$ 4.29	\$ 11.86	\$ 28.59
2001	\$ 18.31	\$ 8.19	\$ 4.40	\$ 12.59	\$ 30.90
2002	\$ 20.31	\$ 9.22	\$ 4.90	\$ 14.12	\$ 34.43

We found that hiring additional staff would have cost almost half the rate TT Construction was billing the housing authority per labor hour. Invoices charged to the Midway Village operating account, which identified labor hours, totaled \$507,735 between June 2000 and December 2002. TT Construction’s labor rate was initially \$57.50 per hour, but increased to \$60 per hour in December 2000. Application of an experienced maintenance worker’s rate to the same 8,471.5 hours would have cost only \$282,784 (\$224,951 less than the amount TT Construction charged).

In addition, if HACSM had used maintenance staff, TT Construction’s additional overhead and profit charged on materials would not have been applicable. Invoices identified \$8,579 of overhead and profit added to the cost of materials applicable to Midway. Overall, HACSM could have saved Midway Village approximately \$233,530 (\$224,951 in labor plus \$8,579 in overhead) if it had expanded its maintenance program instead of using TT Construction. This extra cost contributed to the operating losses in HACSM’s conventional housing program. Per OMB Circular A-87, Cost Principles for State and Local Governments, costs must be necessary and reasonable to be allowable.

Furthermore, it is questionable whether HACSM adequately monitored TT Construction’s progress since no reports were available to indicate inspections took place and all work items were satisfactorily performed before maintenance staff were brought in to make corrections. As a result, there is no certainty all work paid for was completed and was of appropriate quality.

Contract with Related Party Not Reimbursed at Cost

OMB Circular A-87, Attachment A, requires the cost of interagency services to only include allowable direct costs of the service plus a pro rata share of indirect costs. Attachment B, Section

11, Compensation for Personnel Services, states that salaries and wages must be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, are prepared at least monthly, must coincide with one or more pay periods, and are signed by the employee.

HACSM entered into an agreement with the County of San Mateo for recruitment services without following competitive procurement procedures and without tracking actual costs. This occurred because the housing authority is not independent from the County and it disregarded Federal requirements. As a result, it is not clear whether the housing authority could have obtained recruitment services at a lower cost from another provider, and \$90,000 in costs has not been adequately supported. Neither the County nor the housing authority believed OMB requirements applied to this service contract.

An identity of interest exists because the County has authority over HACSM. Although the housing authority is considered a separate legal entity from the County of San Mateo, it does not operate independently. The housing authority has no key management independent from the County. HACSM operates under the direction and supervision of the County's Human Services Agency Director, Office of Housing Director, Financial Services Manager, and Manager of Operations. In addition, the County's Board of Supervisors is HACSM's Board. Since the County has oversight of the housing authority, HACSM is essentially a component of the County.

The County of San Mateo eliminated the HACSM personnel position and required HACSM to enter into a recruitment contract with the San Mateo County Employee and Public Services Department. Management at the County, namely the Human Services Agency Director, signed the agreement with the Employee and Public Services Department, binding HACSM to the fixed \$30,000 annual recruitment contract in 2000. Services to be provided included developing a recruitment plan, advertising and marketing of the positions, screening applications, conducting interviews and tests, and evaluating candidates' performance. Information we reviewed showed the County did perform the functions required by the contract. Although no formal agreement was signed thereafter to renew the recruitment contract after expiration, HACSM continued to obtain recruitment services from the County at the same annual rate because it had a continuing need for services.

HACSM did not compare the County recruitment contract amount to the rate charged by outside vendors. In addition, HACSM did not verify the amount paid corresponded to the County's actual costs of providing recruitment services to the housing authority, to ensure the County was not earning a profit from the agreement. As of April 2003, HACSM has paid a total of \$90,000 for recruitment services for fiscal years: (1) July 1, 2000 to June 30, 2001, (2) July 1, 2001 to June 30, 2002, and (3) July 1, 2002, to June 30, 2003. These expenses have been allocated to Section 8 and Public Housing accounts.

According to OMB Circular A-87, the Employee Public Services Department should be reimbursed at cost and was required to keep track of hours spent working on the housing authority's recruitments. However, the County stated it did not know it was necessary to track actual hours spent for housing authority recruitments. The County believed that eliminating the Personnel Coordinator position and contracting with the County was appropriate because it

resulted in cost savings. The Employee and Public Services Department stated the rate charged for services was comparable to the rate it charged to other departments. It also maintained the cost of using an outside vendor would result in a greater cost to the housing authority.

The alleged cost savings in terminating the HACSM Personnel Coordinator could not be determined because the coordinator performed other duties in addition to recruitment. These additional duties included developing, coordinating, and personally conducting employee training and development programs; reviewing personnel actions for compliance with laws and regulations; overseeing employee records, payroll, and related support activities; and developing, modifying, and implementing policies and procedures. The total annual compensation (including salary, taxes, and benefits) of the Personnel Coordinator was approximately \$85,000. It is unclear as to what portion of the coordinator's time was devoted to these other activities, and what costs the housing authority has incurred to subsequently redistribute them to other positions and/or contract them out.

To support its position that an outside vendor would not be cost effective, the County submitted an example of the rates charged by an outside vendor, who previously provided recruitment services to another department within the County. This outside vendor provided recruitment services similar to those of the Employee Public Services Department. The rates charged by this outside vendor were variable based on the number of employees hired. If the same terms were applied to HACSM, for the positions hired since July 2000, the total amount would have been higher than the rate charged by the County. This indicated the County services may have been more cost effective than an outside vendor. However, it is not clear whether the same terms would have been applicable to the housing authority's hiring situation. The housing authority may have obtained more cost effective terms from a vendor in anticipation of hiring greater numbers of staff under a recurring contract. Since the housing authority never procured, it cannot be determined whether less expensive services were available through other vendors.

The County could also not demonstrate the \$90,000 charged equated to its actual costs to provide the service. We attempted to confirm whether the Employee and Public Services Department billed other departments within the County the same rate charged to the housing authority. However, the County could not produce documentation to demonstrate it billed the other departments a corresponding amount. Alternatively, we attempted to determine the reasonableness of the contract amount by comparing it to the County's actual recruitment costs. However, because the Employee and Public Services Department did not keep track of the hours spent recruiting for the housing authority or other associated expenses, actual cost could not be determined. As a result, the County has not provided sufficient support to show it did not earn a profit, in violation of OMB requirements.

Since HACSM would continue to have the need for recruitment services, this arrangement with the County would most likely continue indefinitely.

Purchases Not Properly Initiated and Approved

HUD Handbook 7460.8 requires purchase orders to be furnished to the vendor/contractor to initiate delivery of any item or service. The purchase order is initiated by the Purchasing

Department in response to a written Purchase Request. This purchase order, when signed by an authorized Purchasing Agent and sent to the vendor/contractor, constitutes an order for performing a service or delivering items in the quantity specified on the Purchase Request at the established price.

HACSM generated purchase orders after the invoices were received and services had been performed. We identified the following examples where purchase orders (PO) had approval dates later than the corresponding invoice dates:

Purchase Orders Prepared After Invoices Received

Vendor Name	Invoice Amount	Invoice Date	Purchase Order Date	PO Number	Days Before PO Generated
TT Construction	\$36,660	9/17/02	10/2/02	105152	15
Enterprise Cars	\$25,115	7/31/02	8/1/02	9813	1
Peelle Technologies	\$16,393	6/24/02	7/3/02	9768	9
Nelrod Company	\$15,774	2/28/02	3/25/02	9616	25
R&L Moving & Storage	\$1,420	8/15/01	8/21/01	104641	6
TT Construction	\$12,500	7/18/00	10/3/00	104219	77
TT Construction	\$33,757	7/30/98	8/24/98	8484CIAP	25

In addition to the examples above, over \$1,000,000 in other HACSM disbursements to TT Construction between 1998 and 2002 had purchase orders prepared and approved after invoices were received. There were also 15 additional R&L Moving purchase orders prepared after invoices were received in August 2001, totaling \$9,248.

This occurred because HACSM's current written procurement policy does not discuss the proper use of purchase orders. In addition, the officers designated to approve purchase orders, including the operations manager and the on-site Midway manager, did not ensure that purchases were properly initiated. There was a lack of controls to ensure proper purchase procedures were followed.

The approval of purchase orders after invoices were received and/or services performed, represented a weakness in the housing authority's purchasing procedures. As such, these documents provide no assurance that appropriate HACSM management approved purchases before the expenses were incurred and/or the housing authority was legally obligated to pay for the item or services.

AUDITEE COMMENTS AND OIG EVALUATION

We provided our draft report to the auditee for its comments on June 30, 2003. We also discussed the draft report during an exit conference discussion with HACSM and County of San Mateo officials on July 22, 2003. The auditee provided its comments on August 7, 2003, and then

provided a slightly revised version of its comments on August 8, 2003. We included the auditee's final written comments in Appendix C to the report, including all attachments.

Although HACSM agreed it did not technically comply with all Federal requirements and the need to revise policies and procedures, it still did not generally agree with our conclusions over the use of TT Construction and the recruitment service contract with the County of San Mateo. In addition, HACSM generally agreed with our conclusions over the purchase order issue, but provided additional comments. All comments and attachments were considered, but no material changes were made to the report.

Period of Review

Comments Synopsis:

HACSM stated the review period actually went back to 1997, prior to current management's tenure, implying they were not responsible for the issues identified in the report.

OIG Evaluation:

The period of review was generally from July 2000 through December 2002, the period of current management's tenure. However, the scope was expanded as necessary to fully review matters. Issues which began prior to the current management's tenure, such as the continued use of TT Construction, subsequently persisted during the period they were in charge. The Director of Housing was hired in May 2000, and the Manager of Housing Operations was formally promoted to the position in June 2000.

Procurement and Contracting with TT Construction:

Comments Synopsis:

HACSM agreed it did not technically comply with all the federal requirements, including the use of TT Construction under the cost-plus-a-percentage-of-cost method. However, it believed its actions were reasonable. HACSM also stated their contract administrator provided the OIG with documentation showing requests for bids, the submission of bids, and the basis for selecting TT Construction.

The housing authority believed that since the capital improvements were emergencies it did not have to follow procurement and contracting requirements. In addition, subsequent toxic soil remediation required units to be vacated until clearance was obtained, then the housing authority was pressured to get units ready for occupancy. HACSM could not perform unit-turnover maintenance itself due to insufficient staff, and it was unable to hire additional qualified staff due to the construction boom in the area, thus requiring them to utilize TT Construction. The use of the vendor/contractor resulted in greater costs, but it also brought additional experience, insurance, and warranties. In addition, HACSM indicated comparison rates used by the OIG were too low, since labor rates in 2002 for carpenter, electricians, and construction maintenance ranged from \$27 to \$40 per hour.

OIG Evaluation:

Neither HACSM nor the contract administrator provided our office with documentation to demonstrate HACSM requested or obtained bids for the CIAP capital rehabilitation or the unit-turnover maintenance in question.

There is no justification for the use of the ineligible cost-plus-a-percentage-of-cost compensation method, nor is there justification for the housing authority not developing written contracts with the vendor/contractor. HUD Handbook 7460.8 and 24 CFR 85.36 specifically prohibit the cost-plus-a-percentage-of-cost method and provide no exceptions for its use, even in an emergency, since it does not include a cost ceiling or other incentives for the vendor/contractor to keep cost in check. In addition, the lack of written contracts would make it difficult for the housing authority to enforce warranties and ensure problems are corrected if issues arose with TT Construction's performance and work product. It may have to rely on remedies from the Contractors State License Board rather than written contractual remedies. Since written inspection reports were not prepared, it is unclear whether the housing authority was properly monitoring TT Construction's activities.

We agree HACSM did identify CIAP capital work items as either emergencies or health and safety problems in documentation provided to HUD, and that procurement and bidding requirements may be waived in emergency situations. However, most of these problems were due to deferred maintenance on the part of the housing authority rather than a public exigency or emergency. As a result, the housing authority should have followed required procurement practices.

We also acknowledge the housing authority faced a toxic soil remediation problem at the Midway Village housing facility. However, the subsequent re-occupancy of the units was not an emergency situation excusing HACSM from following procurement requirements in selecting a vendor for unit-turnover maintenance. In fact, the work was performed over a substantial time-span, from 2000 through 2002. In addition, experienced maintenance staff could have performed these types of work items without the need for a vendor's experience, insurance, and warranties.

Based on the information provided as part of Attachment 2 of its response, we do not agree that HACSM made sufficient attempts to hire experienced maintenance staff. HACSM did not make an effort to hire maintenance staff until March 2001, nine months after TT Construction began performing unit-turnover maintenance for the housing authority in June 2000. No other hiring efforts were made until May 2002, over a year later. In addition, there was no information provided to show the extent of these hiring efforts, whether ads were placed, or whether applicants were interviewed. Overall, it took the housing authority an unreasonable period of two and one-half years to hire additional maintenance staff, which were finally brought on in January 2003.

HACSM has provided inadequate justification to show the amounts applied by our office were unreasonable. The housing authority stated in its response the rates for construction during the period ranged from \$27 to \$40 per hour in 2002, including carpenters and electricians. This cost range closely matches the rates HACSM would have paid experienced Maintenance Specialist II staff, which ranged from \$28.60 in 2000 to \$34.50 in 2003. In addition, HACSM did not check,

maintain, or provide information over TT Construction's actual labor costs to demonstrate its hourly rate was reasonable and it was not earning an excessive amount of profit.

Contract with Related Party:

Comments Synopsis:

HACSM believed the costs of the recruitment contract were reasonable. HACSM stated that as part of its reorganization with the County of San Mateo it eliminated its Management Analyst position, responsible for personnel matters, and contracted with the County's Employee and Public Services (EPS) Department. The amount of the contract was reasonable based on standards and methodologies for providing services to other County departments. In addition, the contract amount was only approximately one-third of the analyst's costs. The County's reconstruction of the hours and costs incurred by EPS for recruitment services also resulted in amounts similar to the contract costs. In addition, the housing authority stated an OMB Circular A-87 allocation of the County's EPS department costs would be comparable to the contract costs. Finally, an outside recruiter would have been more expensive, based on information from the County of San Mateo.

OIG Evaluation:

The Management Analyst position referred to in HACSM's response was identified as a Personnel Coordinator on documentation previously provided by the housing authority, including a position description and pay-scale list.

The information provided by the housing authority does not provide sufficient support to show costs were appropriate. Our office previously requested information to demonstrate the methodologies for EPS charging other departments directly for its services, but no support was provided. In addition, the County did not track time and costs associated with housing authority recruitments. Since actual costs could not be determined, HACSM and the County have estimated the time and costs associated with past recruitment efforts as part of their response. However, the use of these estimates provides no support these amounts represent the actual number of hours and costs incurred. This also does not meet OMB Circular A-87 standards for tracking direct costs. In addition, no support has been provided to show the County performed all the activities listed for every recruitment effort. As a result, it is questionable whether the activities and associated hours would be applicable to each case, especially in cases where no persons were hired or the number was unknown.

The housing authority inappropriately justified the contract amount by comparing it to the cost that would have been allocated as part of an indirect cost distribution. However, the recruitment was provided as a direct service to the housing authority. Although OMB Circular A-87 does provide standards over indirect cost allocations, it also requires direct interagency services to be charged based on actual costs, not on an allocation, including tracking actual hours worked. Overall, no support has been provided to demonstrate the County did not earn a profit on the fixed annual contract.

The County of San Mateo did provide one example of an outside vendor charging higher rates for recruitment services. However, there is no certainty these rates would have been applicable to HACSM given the different hiring requirements of the housing authority. Since the housing authority never went through the procurement and bidding process, there is no definitive information to demonstrate lower rates were not available from outside vendors.

Purchase Order Approval:

Comments Synopsis:

The housing authority agreed with the technical issues, but stated the OIG assumed there was no prior approval by HACSM management before the initiation of purchases. The housing authority also states that it has established new procedures in this area.

OIG Evaluation:

The housing authority has provided no evidence or documentation to substantiate its assertion that its management approved the purchases prior to the initiation of the purchases. In addition, the housing authority should revise its procedures in writing, and obtain HACSM Board and HUD approval to ensure they are acceptable.

RECOMMENDATIONS

We recommend you require the HACSM to:

- 1A. Revise its procurement policies to ensure they comply, at a minimum, with the requirements in 24 CFR 85.36 and HUD Handbook 7460.8, REV-1. The revised policies should incorporate by reference any and all internal policies, be approved by HACSM's Board, and be sent to HUD for review and approval.
- 1B. Require the housing authority to return the excessive Midway Village unit-turnover maintenance costs of \$233,530 to the Midway operating account from nonfederal sources.
- 1C. Develop procedures and controls to ensure it only reimburses the County of San Mateo for actual expenses, in compliance with OMB Circular A-87, for agreements between HACSM and the County. Requests for reimbursement must be adequately supported.
- 1D. Provide support that the \$90,000 paid to the County of San Mateo corresponds to the actual reasonable costs incurred by the County to perform recruitment services on behalf of the housing authority. If this amount cannot be supported, require the housing authority to return unsupported amounts, using nonfederal funds, back to the accounts from which the expenses were initially allocated.

- 1E. Require HACSM to have work performed by TT Construction inspected by qualified staff or vendor(s). The inspection results should be documented, and any inadequacies must be corrected. HACSM must provide documented efforts to require TT Construction to correct poor workmanship at no cost, based on any existing implied warranty or through the California Contractors State License Board.

MANAGEMENT CONTROLS

In planning and performing our audit, we considered the management controls relevant to HACSM's programs to determine our audit procedures, not to provide assurance on the controls. Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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

- Controls and procedures over procurement and contracting
- Controls and procedures over allocation of disbursements
- Controls and procedures over maintenance and inspections
- Controls and procedures over personnel practices
- Controls and procedures over Section 8 program administration

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

Based on our review, we believe the following items are significant weaknesses:

- Lack of procedures to ensure the housing authority meets HUD Handbook, CFR, and OMB Circular standards over procurement and contracting
- Lack of procedures to ensure qualified individuals inspect all rehabilitation work performed by vendors/contractors, and the results documented

Appendix A**SCHEDULE OF QUESTIONED COSTS**

Recommendation Number	Type of Questioned Costs	
	Ineligible <u>1/</u>	Unsupported <u>2/</u>
1A	\$233,530	
1B		\$90,000

- 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 costs charged to a HUD-financed or HUD-insured program or activity, and eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the costs. Unsupported costs require a future 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**TT Construction Work Performed**

Agreements With TT Construction	CIAP Work	Percent of Total	1998-1999 Repairs	Percent of Total	2000-2002 Repairs	Percent of Total	Total Amount	Percent of Total
Work Under Written Agreement	\$ -	0%	\$ -	0%	\$ 24,625	4%	\$ 24,625	2%
Work With No Written Agreement	\$ 421,315	100%	\$ 28,991	100%	\$ 644,095	96%	\$ 1,094,401	98%
Total Amounts Paid	\$ 421,315		\$ 28,991		\$ 668,720		\$ 1,119,026	

Method of Billing	CIAP Work	Percent of Total	1998-1999 Repairs	Percent of Total	2000-2002 Repairs	Percent of Total	Total Amount	Percent of Total
Under Cost-Plus-a-Percentage-of-Cost Method	\$ 332,169	79%	\$ 28,991	100%	\$ 602,345	90%	\$ 963,505	86%
With Established Fixed Price/Ceiling	\$ 89,146	21%	\$ -	0%	\$ 66,375	10%	\$ 155,521	14%
Total Amounts Paid to TT Construction	\$ 421,315		\$ 28,991		\$ 668,720		\$ 1,119,026	

Appendix C

AUDITEE COMMENTS

County of San Mateo



August 8, 2003

Joan S. Hobbs
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
611 West Sixth Street, Suite 1160
Los Angeles, CA 90017-3101

Office of Housing

- Housing Authority
- Housing & Community Development
- Center on Homelessness

262 Harbor Boulevard

Belmont

California • 94002

Telephone: 650-802-5050

Fax: 650-802-5049

Director

Office of Housing

Steve A. Cervantes

Re: Response to Draft Audit Report Memorandum to HUD on Findings in Reviewing Activity Administered by the San Mateo County Housing Authority

Dear Ms. Hobbs:

This letter is our response to your Draft Audit Report transmitted to us on July 20, 2003. Although the report stated that the audit generally covered the period of July 2000 through December 2002, it actually goes back six years to 1997, prior to our current Management staff's tenure.

Although we do not agree with the findings or the rationale for your findings we only had the opportunity to discuss our concerns with [REDACTED]

[REDACTED]

RESULTS OF AUDIT

IG COMMENT

HACSM Did Not Comply With Procurement and Contracting Requirements

Selection and Continued Use of TT Construction Without Following Procurement Procedures

Based on Federal Regulations cited at 24 CFR 85, Part 36, your report is correct. We did not comply with all the technical federal requirements.

This contract goes back to 1997 for a Capital Improvement work at Midway Village under a Comprehensive Improvement Assistance Program (CIAP) grant. We hired Mark Hillard as Contract Administrator.

Director
Human Services Agency
Maureen D. Borland

Board of Supervisors

Mark Church

Richard Gordon

Jerry Hill

Rose Jacobs Gibson

Michael D. Nevin

The responsibility of the Contract Administrator was to oversee the contract scope of service, project bidding and award, and to oversee the CIAP work performed by the selected contractor, TT Construction.

During the audit review, we invited Mr. Mark Hillard to meet with your audit team. He provided your audit team with the documentation outlining the request for bids, the bids submitted, and the basis for selecting TT Construction. Although we felt the process met the base requirements, the process and the documentation were not accepted by your team.

Since TT Construction proved they could handle large capital improvement projects, we continued using them on smaller rehabilitation projects on a "cost-plus-a percentage-of-cost basis". This included emergency work that we strongly believe was needed due to imminent danger to our residents. We felt that the cost per project was reasonable but we now know this is not allowable.

However, it is important to understand the context of the situation we faced. As noted in your audit report Midway Village faced a huge toxic soil problem. Approximately 35% of our units had to be vacated and remained vacant for an extended period of time. In 2002 following soil remediation, we finally received clearance from the State Department of Toxic Substances Control (DTSC) and the Federal Department of Environmental Protection Agency (EPA). At that point in time we received pressure to get the units ready for occupancy.

At the same time, there was a boom in construction activity. As a direct result of the market demand for construction workers, prices for this service increased. Competent employees were hard to come by. Unemployment for San Mateo County reached a low of 1.2%. It was during this same period of time that we were completing the construction of El Camino Village, a 30 unit family development in the unincorporated portion of the City of Colma.

Mid Peninsula Housing served as our "turn-key" developer for the El Camino project. On that project we faced many delays and increases in costs because construction workers would not show up. The construction workers moved to another better paying job. At that time our maintenance staff was understaffed and not qualified for certain areas of construction.

We had insufficient qualified maintenance staff on board to handle the significant work load. With the help of the Employment and Public Services Department of San Mateo County (see Attachment 1) we made attempts to hire utility workers, landscape workers and carpenters to supplement our staff. Each attempt proved unsuccessful. Qualified candidates were quickly taken by other employers.

We also attempted to recruit a Maintenance Supervisor position to provide leadership in the maintenance department. After a lengthy recruitment our leading candidate declined further consideration.

We then decided to fill our vacant Senior Maintenance position. We ultimately promoted one of our maintenance specialists to that position in November 2002. It was not until January 6, 2003 that we finally were able to backfill that position and hire one new maintenance specialist.

During this time we turned to TT construction to help get our units ready for occupancy.

However, we are no longer using TT Construction. Construction work is now done strictly in accordance with our current procurement policy

As we informed your audit team we also had personnel problems with our Conventional Housing Unit and have taken major steps to correct problems. In November 2002, a team of Frank Salmeron, Housing Authority Operations Manager, Cindy Chan, Assistant to the Operations Manager, and Martin Uhrin, Program Compliance Officer were given an additional special assignment to supervise the Conventional Housing Unit until a new Supervisor could be found. (At this time we are currently interviewing candidates for this position.)

As a result of your audit teams analysis they feel that we paid TT Construction \$233,530 in excessive and unreasonable cost. We tried to help them understand the context of the construction industry during that period but they did not agree. As you know they used labor wages of \$28.60 to \$34.50 per hour (wages we would pay our staff assuming we had qualified staff to do the work). During this time TT Construction billed us approximately \$57.50 to \$60.00 per hour. We tried to help your team understand that in hiring a contractor, they bring the experience, construction licenses, permits, tools, insurance, liability, overhead and work warranty. They did not agree.

Based on their "desk top" analysis of what we paid to TT Construction and what we could have paid, again assuming that we had the available staff, which we did not have, you want us to return the excessive costs of \$233,530 to the Midway operating account from nonfederal sources.

We have researched the state labor wage rates charged in the construction industry for minor rehabilitation improvements as contracted with TT Construction. The labor rates for 2002 for carpenters, electricians and construction maintenance ranged from \$27 to \$40 per hour. As you know, the contractor rates vary according to the specific job. Typically, the contractor not only provides skilled labor, but as noted above, provides materials, tools, insurance, liability, overhead and a warranty of improvements.

I believe the rationale for their analysis and finding is subject to reconsideration. We have the authority to hire maintenance staff or contract the work out. Yes, we failed to meet all the contract requirements. However, we clearly met the "spirit of the

requirements.” Based on the research, I believe the costs paid to TT Construction were reasonable.

HA MANAGEMENT ACTION/RESPONSE

We are in the process of revising all our policies and procedures as recommended in your audit report 1A and 1E. Based on the explanation provided, I respectfully request that you eliminate the provision, of 1B requiring the return of excessive Midway Village unit-turnover maintenance costs of \$233,530 to the Midway operating account from nonfederal sources.

IG COMMENT

Contract with Related Party Not Reimbursed at Cost

In 2002 the Office of Housing implemented several management personnel changes. Prior to the change we had one Executive Director, San Mateo County Housing Authority and one Director, Housing and Community Development and Center on Homelessness (one housing authority position and one San Mateo County position). These positions were consolidated into one, Director, Office of Housing, (San Mateo County position). We converted three Housing Authority Management positions, Management Analyst III position, Housing Authority Operation Manager position and the Fiscal Services Manager position to San Mateo County positions.

The Management Analyst III position was responsible for personnel matters and risk management administration. This person was transferred to the Human Services Agency Facilities Division. Rather than replacing this position we chose to contract with the San Mateo County Employee and Public Services (EPS) Department. A contract amount of \$30,000 for services was provided by EPS. The amount was reasonable based on standards and a methodology in providing services to other County departments. The contract price was approximately one-third of the cost we paid for the Management Analyst III position. Over the past three years we have contracted with EPS for the same contract amount of \$30,000 per year.

The EPS Department administers the entire County's personnel system. Activities include recruiting applicants for all appropriate services, testing job applicants, providing departments with names of candidates, classifying personnel, recommending pay rates, and all related personnel activities requested by departments.

In this case we have a citing in your audit report of entering into an agreement with EPS without following competitive procurement procedures and for EPS's failure to track actual costs.

EPS explained to your audit team that the cost charged the Housing Authority is comparable to cost charged to other departments and they showed them the higher

costs associated with an outside recruiter. See Attachment 2 regarding specific recruitment provide for the Housing Authority. This did not satisfy your audit team.

The costs of administering the personnel system are allocated to departments based on the number of employees per department in the County's payroll system. Allocation methodology is based on OMB Circular A-87. This circular set forth principles and standards for the determination of costs applicable to the County programs funded by the Federal and State government. The County uses A-87 guidelines to obtain reimbursement from Federal and State funded program for cost of services, such as EPS personnel services, not charged directly. Based on a review of the charges made by EPS to County departments based on OMB Circular A-87, the cost allocation are as follows:

FY	#of Employees	A-87 Amount	Amt Charged to HA
2000/01	34	\$20,136	\$30,000
2001/02	43	\$27,869	\$30,000
2002/03	48	<u>\$35,202</u>	<u>\$30,000</u>
	Total	\$83,207	\$90,000

As you can see using the A-87 methodology the price paid under contract is comparable to the A-87 allocation formula.

Using a fee for service approach we have asked EPS to reconstruct our recruitment activities for the past three years (Attachment 2). Based on the fee for service approach the total cost for services would be \$ 84,393.

Based on a similar contract between a County department and an outside vendor, the cost for comparable services would have been \$172,132. These costs are also reflected on Attachment 2.

The contract with EPS also provided us with their assistance and guidance with:

- three major employee personnel actions;
- review of four new job classifications;
- labor negotiations; and,
- fringe benefit updates.

Your audit team did not question that services were provided by EPS. In fact [REDACTED] stated to us that he felt this finding would not require any reimbursement of costs, however, that decision would be made by his supervisor.

HA MANAGEMENT ACTION/RESPONSE

Based on the information provided under this finding we respectfully request that you accept the use of the A-87 methodology and reconstruction costs for service provided and thereby, eliminate the requirement of returning unsupported amounts, using nonfederal funds, back to the accounts from which the expenses were initially allocated.

IG COMMENT

Purchases Not Properly Initiated and Approved

This finding indicates a weakness in our procurement policy that does not discuss the proper use of purchase orders. While we agree with the technical finding, the audit team made an assumption that management had not approved the purchases prior to the actual purchase of the item or service.

Beyond amending our procurement policies and procedures we are filling a position which will be responsible for procurement and contract monitoring activities. New procedures have been established and will continue to be reviewed in all areas of procurement.

Summary

Overall we agree with the technical finding regarding our need to revise several policies and procedures on procurement policies, contracting policies and maintenance procedures.

Again, based on the information provided in this letter and attachments we request that the findings of excessive cost of \$233,530 paid to TT Construction be eliminated and that your second finding of questionable and unsupported costs paid to EPS be eliminated.

If you have any questions please call.

Respectfully submitted,


Steve A. Cervantes

C:  Maureen Borland, Frank Salmeron, Herminio Salcines

August 6, 2003

Housing Authority
264 Harbor Blvd. – Bldg. A
Belmont, CA 94002-4047
Attn: Frank Salmeron, Manager of Housing Operations

Dear Mr. Salmeron:

As you know, I was your appointed your Personnel Recruiter for the Housing Authority from the beginning of the contract with the County of San Mateo up until the time that the current recruiter, Heather Ruiz, assumed that role. In order to clarify my experience in that role in terms of providing you service, I offer the following information:

- I conducted several recruitments for you during that time frame and provided you with a number of eligible lists to fill positions. I understand Heather Ruiz has provided the documentation of these recruitments to your office.
- Upon assuming the role of Personnel Recruiter in your organization, I found you had several vacancies that you had been unable to fill in large part due to your lack of staffing resources in the area of personnel and the economic climate which at the time made it difficult to fill your positions.
- With an experienced recruiter now available to assist you, we then worked towards filling those vacancies. The Housing Authority (like the County and several other agencies) still found it increasingly hard to fill vacancies. We realized quickly that our efforts to fill vacancies were being largely influenced by the booming economy and growth of Silicon Valley start-ups offering high pay and great benefits and who were now our competitors for qualified staff.
- During the time I recruited for you, it was not at all unusual to place ads, send out brochures, and market your vacancies through a variety of sources, only to get few responses to the ad. Again, we were hampered in our outreach efforts since we couldn't compete with the growing start-ups and opportunities being afforded to jobseekers looking for perks. For the times we did get responses to our job announcements, we often attracted only people who were not qualified to fill the vacancy thus resulting in another recruitment effort/strategy or in not being able to fill the position.

In the last year or so, we have seen a shift in our recruiting efforts. With the demise of many of the start-ups, job loss, and a shift in the economy, we are attracting much larger number of qualified applicants without much of any outreach.

Sincerely,
//signed//

Teresa Henderson; Personnel Recruiter
County of San Mateo

Attachment 1

Recruitment Process and Timeline

Task	Hours	
Initial preparation and meeting to discuss position and recruitment process	2	
Preparation of brochure, supplemental, work plan and advertising plan	6	
Review materials with Housing Authority	4	
Finalize brochure, list on website, order printing	2	
Print brochures	2	
Handle phone calls with requests for applications and questions	20	
Review and sign submitted applications	2	
Data entry of applications received	2	
Develop screening form, panel interview questions, oral board rating sheet and any associated written exercises	6	
Review testing materials with Housing Authority	4	
Prepare for and conduct application screening	6	
Prepare letters to candidates based on application screening	2	
Review and sign letters to candidates	1	
Order food and other preparations for Panel interview	1	
Prepare materials for panel interview, letters to raters, copies of applications, nameplates for raters, letters for candidates, and schedule for the day	5	
Panel interviews	10	
Review and record scores from panel interview	3	
Enter scores, generate eligible list and letters for candidates	1	
Review list and review and sign letters	1	
Prepare folder for filing	1	
Discuss list and candidates with Housing Authority and any follow-up questions	2	
Total Hours:	83	Hourly Rate
		\$50.79 + 10% overhead
Total per Recruitment:		\$4,637

Attachment 2

Housing Authority Recruitment Activities

FY '00 – '01

<u>Date</u>	<u>Classification/Activity</u>	<u>Number on List</u>	<u>Number Hired</u>
July	Office Assistant I/II list provided	Unknown	Unknown
August	Family Self Sufficiency Coordinator recruitment	8	3
March	Housing Occupancy Specialist recruitment	5	3
March	Senior Accountant list provided	Unknown	Unknown
March	Maintenance applications provided from monster.com research	3	Unknown

HA Recruitment: Total Cost: \$23,185 (\$4637 x 5 recruitments/lists)**Comparable Contractor: Total Cost: \$44,904** (\$7484 per employee hired x 6 employees)

FY '01 – '02

<u>Date</u>	<u>Classification/Activity</u>	<u>Number on List</u>	<u>Number Hired</u>
August	Housing Occupancy Specialist recruitment	14	3
October	Fiscal Office Assistant I/II list provided	8	0
October	Utility Worker II list provided	7	1
December	Housing Occupancy Specialist recruitment	7	2
January	Information Technology Tech list provided	Unknown	1
January	Landscape Worker list provided	10	0
March	Housing Occupancy Specialist recruitment	9	5 (2 as OA)
May	Carpenter/Mill-Cabinet Worker list provided	4	0
June	Landlord Outreach Specialist recruitment – process begun and put on hold by Frank (20% completed)	N/A	N/A

HA Recruitment: Total Cost: \$38,023 (\$4637 x 8 recruitments/lists + 1 @ 20%)**Comparable Contractor: Total Cost: \$89,808** (\$7484 per employee hired x 12 employees)

Attachment 2

FY '02 – '03

<u>Date</u>	<u>Classification/Activity</u>	<u>Number on List</u>	<u>Number Hired</u>
July	Maintenance Supervisor recruitment	7	2
January	Office Assistant I/II list provided	32	2
April	Office Assistant I/II list provided	Unknown	Unknown
May	Housing Programs Supervisor recruitment (70% completed)	In process	In process
June	Program Development Specialist recruitment (30% completed)	In process	In process
June	Office Assistant I/II list provided	48	1

HA Recruitment: Total Cost: \$23,185 (\$4637 x 4 recruitments/lists + 1 @ 70% + 1 @ 30%)
Comparable Contractor: Total Cost: \$37,420 (\$7484 per employee hired x 5 employees)

This attachment shows the cost of conducting the Housing Authority recruitments and compares the cost to that of a comparable contractor. For the three years in question, the Housing Authority recruitment costs were \$84,393 and a comparable contractor costs would have been \$172,132.

Attachment 2