

Ms. Pearl Bodine  
Executive Director  
Twinington Metropolitan Housing Authority  
4114 West 1st Street  
Twinington, Anywhere 44444

SUBJECT: TWININGTON MHA HOPE VI Review  
HOPE VI Grant Numbers: AN87URD009I193/I195/I196

Dear Ms. Bodine:

Attached is the FY2003 HOPE VI Review report documenting our review of Twinington Metropolitan Housing Authority's (TMHA's) implementation of the HOPE VI Revitalization Grants. The report is the result of the review conducted by HUD staff on TMHA premises during the week of March 24, 2003.

The report groups the on-site review into several main categories listed below. Each section in the report covers a separate area of the review and includes the current Housing Authority process, an evaluation of that process, and a specific discussion on any discoveries found and suggested corrective actions or recommendations for improvement. The sections covered include

- Locked Checkpoints
- Fiscal management,
- Community and supportive services,
- Relocation,
- Procurement,
- Contract administration, and
- Physical inspections.

The report details the basis for determining the seven (7) findings, including two missed Locked Checkpoints; thirteen (13) observations; and eight (8) errors noted.

During the review, it was apparent that TMHA made improvements in response to HUD's FY2002 HOPE VI report. While efforts are being made and HUD acknowledges the level and quality of effort from the HOPE VI Coordinator, there still exists a need for additional assistance on the HOPE VI Coordinator level. The lack of appropriate staff may have resulted in the Housing Authority missing two Locked Checkpoints, the closing and construction start for Phase III for the 1995 grant. In addition, improvements on an individual purchasing division and authority-wide basis need to be made concerning identified procurement-related issues.

Please review the report and respond to the discoveries summarized in the report's Executive Summary within 30 days from the date of this letter. If you have any questions, please contact Ms. Sarah Bellum at (555) 556-9088, extension 9128 or by email at sarah\_bellum@hud.gov

Sincerely,

Al Dente  
Director  
Anywhere Hub Office of Public Housing



**2003  
HOPE VI Review**

**of the**

**Twinington Metropolitan  
Housing Authority**

# TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i
List of Tables	ii
List of Figures	ii
Acknowledgments	iii
1. Executive Summary	1
2. General Management	6
2.1. Overall Management	6
2.2. Section 3	7
2.3. Fair Housing Compliance	8
2.4. Environmental Review	8
2.5. Total Development Costs	9
2.6. Discoveries	10
3. Fiscal Management	11
3.1. Internal Controls	11
3.2. Pro-ration and Allocation of Charges	15
3.3. Annual Fiscal Audit Deficiency Corrections	20
4. Community and Supportive Services	21
5. Relocation	26
6. Procurement	28
7. Contract Administration	34
8. Physical Inspections	37
8.1. Inspection Reports	37
8.2. Physical Inspections	38
<b>APPENDICIES</b>	
A. Review’s Scope and Schedule	41
B. Closing Meeting Agenda and Attendees	47
C. Open Discoveries from FY2002 HOPE VI Review	51



## LIST OF TABLES

	<u>Page</u>
Table 1.1: Open HOPE VI Revitalization Grants	1
Table 1.2: Funding Obligations and Construction Progress to Date	2
Table 1.3: Discovery Summary	4
Table 3.1: Periodic Payment Process	12
Table 3.2: Authorized and Disbursed BLIs	14
Table 3.3: Allocation Basis by Support Department	17

## LIST OF FIGURES

Figure 3.1: HOPE VI Staff Assignments and Time Allocation	18
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## **ACKNOWLEDGMENTS**

The U.S. Department of Housing and Urban Development (HUD) Anywhere Office of Public Housing prepared this report under the direction of Al Dente, Director of the Anywhere Office of Public Housing. We wish to thank TWININGTON Metropolitan Housing Authority (TWININGTON) for their cooperation throughout the review. Special appreciation is extended to Edna St. Vincent, Twinington's HOPE VI Coordinator, for coordinating Twinington staff schedules and ensuring that information requested was provided throughout this review.

The principal authors of this report are Sarah Bellum, R.A.; Eagle Eye Smith, Financial Analyst; Notta Softie, Public Housing Revitalization Specialist; and V.S. Naipal, P.E. Technical review and assistance was provided by Were Heretohelp, Division Director. HUD staff that participated in the on-site review also included Connie Dobbs, Financial Analyst; and Sandy Sandstone, Intern.

## 1. EXECUTIVE SUMMARY

### 1.1 OBJECTIVE

The primary purpose of the annual HOPE VI review is to (1) determine the progress of HOPE VI activities, (2) determine whether the Housing Authority has adequate systems and controls in place to ensure compliance with all program requirements, and (3) ensure compliance with provisions of the HOPE VI Grant Agreement, Revitalization Plan, Community and Supportive Service (CSS) Plan, and the HOPE VI application.

### 1.2 SCOPE

The Twinington Metropolitan Housing Authority (Twinington) currently has three open HOPE VI Revitalization grants; these grants are presented in Table 1.1. This year, HUD's monitoring efforts focused on HOPE VI Revitalization Grant activity that occurred between May 2002 and March 23, 2003, with the exception of CSS and relocation activity. Monitoring of CSS and relocation activity includes all that occurred since each grant award's effective date. Refer to Appendix A for a detailed schedule of items reviewed during this year's review during the week of March 24, 2003.

**Table 1.1: Open HOPE VI Revitalization Grants**

Grant Type and Name	Grant Year	Grant Amount
Revitalization		
Grant I	1996	\$29,733,334
Grant II	1995	\$21,000,000
Grant III	1993	<u>\$50,000,000</u>
<b>Grant Award Total</b>		<b>\$100,733,334</b>

Source: HUD's Electronic Line of Credit Control System (eLOCCS) effective March 22, 2003.

### 1.3 CURRENT GRANT STATUS

Obligations and expenditures, construction and occupancy, and community and supportive services in place at the start of this review are measurement methods used to determine progress on the three HOPE VI Revitalization Grants. The Housing Authority has obligated 68 percent of the HOPE VI funds awarded and relocated 30 percent of the residents into new or renovated units thus far. The funding and units for each HOPE VI Revitalization grant are detailed in Table 1.2.

The Housing Authority has put into place 3 CSS programs for 442 households at the Grant I HOPE VI site and 2 CSS programs for 369 residents at the Grant II HOPE VI site. These programs consist of small business training development, after school mentoring/activities for youth, and professional assistance for preschool home instruction. The HOPE VI money that was provided for CSS activities under the Grant III HOPE VI grant was obligated and expended prior to this year's review period; therefore, the CSS programs at that site are not included in this report.

The Housing Authority is actively taking steps to address HUD's concern last year regarding the adequacy of staff dedicated to HOPE VI grant administration by increasing the number of CSS specialists and working on procuring a program manager to assist the HOPE VI Coordinator.

Since the last review, the Housing Authority has submitted, and HUD has approved, revised budgets for Grant III and Grant II. Additionally, CSS budget revisions were submitted by the Housing Authority for Grant I and Grant II; Grant II's CSS budget was approved in December 2002, and Grant I's CSS budgets were approved in May 2003.

**TABLE 1.2: Funding Obligations and Construction Progress to Date**

Grant Type and Name	Grant Award	Obligation	Units	
			Proposed	Occupied
Grant I	\$29,733,334	\$3,568,000 (12%)	729	54
Grant II	\$21,000,000	\$16,800,000 (80%)	596	0
Grant III	<u>\$50,000,000</u>	<u>\$48,496,447 (99%)</u>	<u>503</u>	<u>503</u>
	<b>\$100,733,334</b>	<b>\$68,864,447 (68%)</b>	<b>1828</b>	<b>557 (30%)</b>

Source: HUD's Electronic Line of Credit Control System (eLOCCS) effective March 22, 2003 and HUD's Electronic Quarterly Reporting dated December 31, 2002 (latest report available at time of review).

All three HOPE VI Revitalization grants remain open; however, progress has been made. The Grant III grant (1993 grant) is almost complete with 99 percent of the funds obligated and all of the units constructed.

There are two missed locked checkpoints for Grant II, Phase III, with some progress made toward completing the required tasks.

Progress has been made on the Grant I-B portion of the 1996 grant; construction of the first phase of the Grant I-B units is nearing completion with five buildings scheduled for occupancy in August 2003. The construction of the Grant I-B portion of the grant utilizes a substantial amount of capital funds (CFP), which is not reflected in Table 1.2. The Grant I-A portion of the 1996 grant was delayed initially due to site erosion issues and engineering studies were completed previously to assess the extent of the problem and suggest remedies. The Grant I-A Tower, an elderly-only building, was completed several years ago but is approximately 50 percent occupied. The vacancy rate of the Grant I-A Tower caused potential investors in the remaining phases to be concerned and progress was further stalled. The Housing Authority is currently focusing more attention on occupying the Grant I-A Tower and their plans to do so have appeared to bring the investors back to the table and negotiations to resume.

Construction on the Grant II site (1995 grant) began in February 2003 and financial closings on the remaining phases of the 1995 grant are expected later this year. The first phase of Grant II contains 60 percent of the units to be constructed and is heavily financed with HOPE VI money; future phases will be primarily funded with capital funds (CFP), which are not represented in Table 1.2. Thus, 80 percent of the HOPE VI funds have been obligated (primarily for phase I on site, CSS, and administration), but none of the units are ready for occupancy yet. The first units at Grant II slated for occupancy should be ready by the summer of 2004.

## 1.4 CONCLUSIONS

This report groups the on-site review into several main categories listed below. Each section in this report will cover each category highlighting the current Housing Authority process, an evaluation of that process, and a specific discussion on any discoveries found and suggested corrective actions or recommendations for improvement. The sections covered include

- locked checkpoints,
- fiscal management,
- community and supportive services,
- relocation,
- procurement,
- contract administration, and
- physical inspections.

*Discoveries* are organized according to the following HUD categories defined below.

- **Finding** – a violation of a statute, regulation, ACC, or other explicit HUD requirement
- **Observation** – an area of PHA operations where the need for improvement is noted by the HUD monitoring team, but which does not constitute a finding.
- **Errors** – most commonly found as isolated problems in a particular file. Depending on its nature and severity, an error could also constitute a Finding. However, isolated errors usually don't rise to the level of findings. A pattern of errors of the same type, however, could constitute a Finding based on the PHA's misunderstanding or misapplication of a specific requirement.

In addition, the discovery sections within this report typically include a recommendation or suggested course of action that the PHA should follow in order to be in compliance; these are defined below.

- **Corrective Action** – a measure or measures that the PHA must take to address a *Finding*. These are steps that the HUD monitoring team believes are required to bring the PHA into compliance.
- **Recommendation** – an action or actions that the HUD monitoring team offers the PHA as suggestions for improving performance. Recommendations are usually related to *Observations*. However, a HUD monitoring team may offer recommendations related to correcting a *Finding* if no one solution is required and the team believes that one or more approaches are superior.

Although each section contains a specific discussion on the discoveries found in a particular area, a comprehensive itemized list is presented in Table 1.3. Refer to Appendix C for open discoveries remaining from the Fiscal Year 2002 HOPE VI Review.

TABLE 1.3: Discovery Summary

<b>GENERAL MANAGEMENT</b>
<b><u>Finding</u></b>
<ul style="list-style-type: none"> <li>▪ The Housing Authority missed the closing date and construction locked checkpoints for Grant II, Phase III.</li> </ul>
<b><u>Observation</u></b>
<ul style="list-style-type: none"> <li>▪ The Housing Authority does not have an adequate process in place to allow management to review and approve procurement actions in a timely fashion.</li> </ul>
<b>FISCAL MANAGEMENT</b>
<b><u>Findings</u></b>
<ul style="list-style-type: none"> <li>▪ The Housing Authority's HOPE VI disbursement process does not always coincide with Twinington's internal processing procedures.</li> <li>▪ Periodic reviews are not conducted by Twinington management to ensure that its cost allocation plan and indirect cost proposal are accurate and fairly represented throughout the fiscal year.</li> </ul>
<b><u>Observations</u></b>
<ul style="list-style-type: none"> <li>▪ Adequate documentation was not located in the Financial Services Department. when delay in the payment for a HOPE VI disbursement occurred.</li> <li>▪ Funds dispersed for several HUD-authorized budget line items exceeded HUD authorized amounts by over 10 percent for all three HOPE VI Revitalization Grants.</li> <li>▪ Percentages of funds disbursed do not always coincide with the contract listing.</li> </ul>
<b>COMMUNITY AND SUPPORTIVE SERVICES</b>
<b><u>Observations</u></b>
<ul style="list-style-type: none"> <li>▪ For Grant II, the data provided by the Housing Authority was insufficient to allow HUD reviewers to determine whether all original Grant II residents have been accurately accounted for to ensure that all eligible residents have been given access to CSS programs.</li> <li>▪ Housing Authority does not currently maintain a system to track individual results to ensure effective progress toward resident self-sufficiency</li> </ul>
<b>RELOCATION</b>
<b><u>Findings</u></b>
<ul style="list-style-type: none"> <li>▪ The required relocation notifications are not maintained in the resident files in accordance with the Housing Authority's Relocation Plan.</li> </ul>
<b>PROCUREMENT</b>
<b><u>Findings</u></b>
<ul style="list-style-type: none"> <li>▪ Independent cost estimates and evaluations of the bidder's cost proposals are not prepared for all procurement actions.</li> <li>▪ The procurement process for Resident Services contracts does not follow the federal procurement regulations detailed in 24 CFR 85.36.</li> </ul>
<b><u>Observations</u></b>
<ul style="list-style-type: none"> <li>▪ The extended period of time occurred between the issuance of the Notice of Intent to award letter and the actual contract award.</li> <li>▪ Non-successful bidders were not notified in a timely manner.</li> </ul>
<b>Table continued on next page</b>

<b>TABLE 1.3: Discovery Summary (continued)</b>
<b><u>Errors</u></b>
<ul style="list-style-type: none"> <li>▪ Evaluation forms do not provide narrative documentation explaining the rationale behind the assignment of points for each bidder. A method for tracking evaluators and their respective evaluation forms has not been established.</li> <li>▪ A contract award amount increased without documented justification.</li> <li>▪ Maximum billing rates specified in the awarded contract were exceeded.</li> <li>▪ The anticipated contract period was not published in the Request for Proposals (RFP).</li> <li>▪ Documentation justifying why a different bidder received contract award from that originally selected by the evaluation panel was not contained in the procurement file.</li> <li>▪ Date stamping of proposals received did not always occur.</li> </ul>
<b>CONTRACT ADMINISTRATION</b>
<b><u>Findings</u></b>
<ul style="list-style-type: none"> <li>▪ Change orders were issued after the contract performance period had expired.</li> </ul>
<b><u>Observations</u></b>
<ul style="list-style-type: none"> <li>▪ Records of negotiation did not include the name of the person who negotiated on behalf of the contractor.</li> <li>▪ Independent cost estimates should be dated.</li> <li>▪ The Delay Log/Construction Management Review form was not included with each periodic construction payment package.</li> </ul>
<b><u>Errors</u></b>
<ul style="list-style-type: none"> <li>▪ Change orders are not timely issued.</li> <li>▪ A change order was not signed by the contractor.</li> </ul>
<b>PHYSICAL INSPECTIONS</b>
<b><u>Observations</u></b>
<ul style="list-style-type: none"> <li>▪ The last site inspection report or meeting minutes do not document the resolution of all outstanding issues.</li> <li>▪ Twinington Village still has some outstanding deficiencies from last year. In addition, trashcans were in poor condition and a damaged downspout exists at 15 Shortnorth.</li> </ul>

## **2. GENERAL MANAGEMENT**

### **2.1 OVERALL MANAGEMENT**

#### **2.1.1 LOCKED CHECKPOINTS**

The Quarterly Reports are the responsibility of the HOPE VI Coordinator. The following information is provided to the HOPE VI Coordinator:

- The Construction Department supplies production data regarding relocation and construction completion on a weekly basis.
- All data regarding the CSS work plan accomplishments are supplied on a bi-weekly basis by the Resident Services Department.
- Data regarding eLOCCS drawdowns are supplied by the Financial Services Department on a weekly basis.

All Mixed Finance Proposals, Rental Term Sheets, Evidentiary Documents and Financial Closing activities originate directly with the HOPE VI Coordinator who also tracks the completed tasks. The HOPE VI Coordinator personally inputs all data into the HOPE VI Quarterly Reporting System based upon information provided by other Departments or from the logs maintained by the HOPE VI Coordinator.

HUD staff reviewed the information in the Quarterly Reports, with a special emphasis on the locked checkpoints for each phase of each grant. We found the data in the Reports to accurately reflect the current accomplishments of the three grants. We also found that two locked checkpoints were missed, the Closing Date and Construction Start Date for Grant II, Phase III, which, if remain unresolved, could cause the Housing Authority to miss the same Locked Checkpoints for Grant II, Phase IV.

#### **2.1.2 HOPE VI COORDINATOR**

In response to HUD's FY2002 report, the Housing Authority has submitted updated staffing and allocation plans addressing HUD's concern for additional HOPE VI staff. The Housing Authority also stated that they are currently in the process of either adding an additional staff person to assist the HOPE VI Coordinator or procuring a program management firm to assist the HOPE VI Coordinator.

While HUD is generally pleased with the level and quality of effort from the HOPE VI Coordinator and staff, the concern remains regarding additional assistance on the HOPE VI Coordinator level and HUD hopes that the Housing Authority will proceed quickly in securing additional assistance in this area. The reason for this concern is due to phases of Grant II that consist of both east- and west- side scattered development; Phase III has already missed two Locked Checkpoints. Additionally, the work at Grant I-A continues and the closeout of Grant I-B and Grant III will be due during the next fiscal year. The Housing Authority also indicated the desire to submit a HOPE VI application for FY2003; the newer grants have tighter deadlines than those imposed previously and will necessitate additional HOPE VI assistance on the Coordinator level.

### 2.1.2 MANAGEMENT OF PROCUREMENT PROCESS

A review of the procurement process is discussed in Section 6; however, some of the discoveries discussed transcend one specific department. Refer to Section 6 for a detailed listing of instances in which contracts were extended or modified after the initial period of performance and instances in which construction changes took months to receive board resolution.

The current Housing Authority process requires that the Board of Commissioners approve all contract awards and contract change orders/contract modifications. In addition, Recommendations to the Board must be submitted to the Legal Department at least two weeks prior to the monthly Board meeting. This may pose a significant delay for unforeseen conditions such as on-site construction changes. For example, the Board meets once a month; if that meeting occurs on the first of the month, all Recommendations to the Board must be received by the 15<sup>th</sup> of the previous month assuming the Legal Department does not have significant questions or require significant additional information. If a change is identified on the 16<sup>th</sup> of that month, it would be a full six weeks before the Board would meet to discuss it. In addition, if this issue occurred in July, the delay would be an additional four weeks since there is no Board meeting in August.

While HUD cannot determine the specific reason behind each instance for delay in the processing of contract modifications/change orders, notification of Notice of Intent for contract award, or notification to non-successful bidders, it can determine that better coordination among the various departments within the Housing Authority is necessary.

HUD highly recommends the Housing Authority look at all Department's roles and responsibilities with respect to procurement actions and streamline the process. One suggestion, specifically where time is of the essence, may be to allow either the user department or the Purchasing and Distribution Department some leeway in approving contract modifications/change orders especially for those concerning only scope and time, and perhaps those under a certain monetary threshold.

## 2.2 SECTION 3

The construction files included documentation on resident hiring and participation. Refer to Section 6 for a list of procurement files that were reviewed. There appears to be some confusion regarding the purpose of the Section 3 requirements. Section 3 requirements are used to promote the hiring of residents, training of residents, and possible long-term employment of the residents once a particular contract is completed on site. For example, if a demolition contract is awarded, the contractor would be required to hire a specified number of residents to work on the project. The objective being not only to temporarily employ the residents, but to provide on-the-job experience and continued employment after the contract expired.

The Housing Authority does have a Project Area Resident (PAR) program requirement in the procurement boilerplate stating what percentage of the work must be conducted by residents; however, there was no evidence of resident tracking once the contract was completed. In

addition, there was some documentation notifying the contractor that the PAR requirement was not met but no documentation on the corrective action taken. One instance of this was found in the contract listed below:

- Contract No. 00-08-802: Demolition at Grant II, Contractor: TWININGTON Demolition and Construction, Inc. 83 residents were invited to hiring hall, 16 attended, and 4 participated – documentation notifying contractor not in compliance with PAR, but no follow-up documentation

### 2.3 FAIR HOUSING COMPLIANCE

The Checklist for Limited Monitoring Review of Low-Rent Public Housing Civil-Rights-Related Program Requirements was followed to determine compliance with Fair Housing Requirements. The checklist data is highlighted here. Within the last 12 months, there were a total of 765 complaints from tenants or applicants, zero (0) grievances, and 327 evictions (FY2002). There were no resident complaints of racial, ethnic, or sexual harassment. There is a community-wide waiting list with a total of 10,404 applicants currently. This data is not broken down by minority or non-minority classification. Approximately ten (10) requests have been made for disability accommodation and all have been processed. The Housing Authority has posted all required plans and notices, listed on the checklist, in public areas and has procedures or plans in place to process grievances, complaints, disability accommodation requests, etc. There are currently no site-based or project-based waiting lists.

### 2.4 ENVIRONMENTAL REVIEW

The Housing Authority's files were reviewed for compliance with statutory and regulatory requirements for hazard abatement for all construction-related contracts utilizing HOPE VI funds. Based on the information provided during the review, environmental issues have been addressed and/or abated on HOPE VI projects during construction activities. The following reports were included in this year's review.

- Grant I-B Twinington Environmental Services  
Asbestos and lead abatement completed in 1999
- Grant III-B Twinington Environmental Services  
Asbestos and lead abatement completed in 1999
- Grant II Twinington Environmental  
Asbestos abatement completed in 2001 on  
Buildings G-54, F-46, G-63, H-64, C-17, and C-22

The HUD inspection team also reviewed Environmental Assessment and Compliance Findings for the Related Laws (HUD-4128) regarding HOPE VI projects. The files contained completed environmental assessments for the following HOPE VI grants.

- Grant II New Construction and Complete Demolition, dated May 1, 2001
- Grant II Rehabilitation, dated October 3, 1997
- Grant I-B Rehabilitation, dated October 3, 1997
- Grant III-B Rehabilitation, dated October 3, 1997
- Grant III-B Memorandum of Understanding (MOU) for Rehabilitation and Modernization of Grant III-B Homes, dated December 22, 1994

## 2.5 TOTAL DEVELOPMENT COSTS

The U.S. Housing Act of 1937 requires HUD to establish limits on the use of HUD funds toward the Total Development Costs (TDC) of public housing. The purpose of the statute is to ensure that public housing funds are being used reasonably and efficiently in the construction and rehabilitation of public housing. TDCs are typically calculated prior to financial closing for each phase, at each request for release of additional funds, at each phase close-out, and at close-out for the entire grant.

TDC calculations for Grant III were recently calculated and will be calculated again at grant close-out. TDC calculations for Grant I-B were calculated prior to releasing additional funds for construction; TDC calculations for Grant I-A will be calculated once the first financial closing is scheduled. TDC calculations for Grant II were recently calculated with the release of funds for Phase II. In all cases, TDC calculations are within the limits established and are on file at the HUD office.

## 2.5 DISCOVERIES

<b>Finding 2003-1</b>	
<b>Condition</b>	There were 2 occurrences noted where the Housing Authority has not met the established date to complete a critical milestone (aka. "Locked Checkpoint"): The Housing Authority failed to close Phase III on or before June 15, 2003 and also failed to start Phase III construction on or before June 30, 2003.
<b>Criteria</b>	<p>Article V of the Grant Agreement defines the period for expending grant funds. Article XVIII of the Grant Agreement states that HUD may impose special conditions or restrictions on the Housing Authority if HUD determines that the performance of the Housing Authority or its contractors is unsatisfactory.</p> <p>In 2002, HUD identified certain milestones (Grant Agreement Executed, Developer Agreement Executed, CSS Plan Finish, Mixed Finance Proposal Finish, Revitalization Plan Finish, Evidentiary Finish, Close-out Agreement Certification, Closing, Construction Start and Construction Finish), which are considered adequately measured satisfactory performance. The Housing Authority established dates for these milestones and they were "locked" (i.e., can not be revised). Locked checkpoints are self-imposed milestone dates established by the Housing Authority that HUD uses to determine if the Housing Authority is progressing in a timely manner towards completion of the grant.</p>
<b>Cause</b>	One potential cause is the Housing Authority has just one full time staff person working on its HOPE VI grant.
<b>Effect</b>	It is the responsibility of the Housing Authority to establish realistic goals and meet those goals. Inability to meet its own milestone dates calls into question the ability of the Housing Authority to effectively complete the successful revitalization required in the Grant Agreement and constitutes a Grant Agreement default requiring HUD to take action.
<b>Corrective Action</b>	It is imperative that the Housing Authority investigates the aforementioned occurrences and takes appropriate action to ensure that such occurrences are corrected.

<b>Observation 2003-1</b>	
	The Housing Authority does not have an adequate process in place to allow management to review and approve procurement actions in a timely fashion.
<b>Recommendation</b>	HUD highly recommends the Housing Authority look at all Department's roles and responsibilities with respect to procurement actions and streamline the process. One suggestion, specifically where time is of the essence, may be to allow either the user department or the Purchasing and Distribution Department some latitude in approving contract modifications/change orders, especially for those concerning only scope and time, and perhaps those under a certain monetary threshold.

### **3. FISCAL MANAGEMENT**

#### **3.1 INTERNAL CONTROLS**

Internal controls are all the steps taken to protect assets. These steps (or controls) include establishing and implementing plans, written policies and procedures that govern the actions to be taken. The Code of Federal Regulations, 24 CFR 85.20(b)(3), states that a housing authority must have effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. It is further stated that a housing authority must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

A housing authority must have adequate controls over its fiscal operations to ensure that

- resources used are consistent with laws, regulations, and policies;
- resources are safeguarded against waste, loss, and misuse; and,
- reliable data are obtained, maintained, and fairly disclosed in reports.

##### **3.1.1 SCOPE**

In an effort to determine whether the Housing Authority complied with HUD's internal control requirements, a test was performed on its written procedures to obtain an understanding of the overall program structure. In response to the 2002 HOPE VI review report, the Housing Authority implemented additional disbursement procedures under Management Bulletin No.15-02, dated September 13, 2002. These procedures were established to (1) ensure that charges are applied to the appropriate grant when multiple funding sources are used and (2) to supplement the procedures implemented under Management Bulletin No.3-00, dated April 14, 2000. In addition to the aforementioned management bulletins, the Housing Authority provided a copy of payment processing procedures used by its Construction Department.

##### **3.1.2 CURRENT HOUSING AUTHORITY PROCESS**

The Housing Authority's HOPE VI disbursement procedures state that the originating department (either Construction or Resident Services) is responsible for processing invoices within established timeframes. With regard to construction payment procedures, processing of contractor invoices must occur within 24 hours of receipt. It is the responsibility of the Administrative Assistant to track the status of the approval of an invoice. Part of this tracking responsibility includes retrieving invoices, routed for approval, that are not returned within two days. In addition to the aforementioned, these procedures set forth the payment terms for construction, architectural/engineering, and non-construction contracts and the handling of initial, routine and final payments.

The Housing Authority's management bulletins state that the originating department is responsible for ensuring that invoices or payment requests are approved or rejected within seven business days from receipt. It is further stated that the originating department must complete a periodical payment form, obtain all required signatures and route documentation to the Financial Services Department for disbursement within established timeframes. It is the responsibility of the Financial Services Department to review approved invoice packages, enter contract data into

the system, create requisition and payment order, request funds through eLOCCS, and ensure compliance with draw-down and expenditure limitations on Federal funds as required by HUD. The Financial Services Department is also responsible for conducting a semi-annual review of payment distributions and maintaining reports of HOPE VI funding activity.

In reviewing the Periodic Payment Form for both Construction and Resident Services-related disbursements, the processes used to approve invoices remains relatively unchanged from that reported during the 2002 HOPE VI review; these processes are summarized in Table 3.1.

**Table 3.1: Periodic Payment Processes**

Processing Steps	Construction	Resident Services
1. Receipt of contractor invoice.	Invoices are date-stamped and forwarded to the Contract Administration Department.	Invoices are date-stamped and forwarded to the Contract Administration Department.
2. Production of Periodic Payment Form (PPF)	Contract Administration Department prepares a review package, which includes the PPF and contractor invoice.	Contract Administration Department prepares a review package, which includes the PPF and contractor invoice.
3. Compliance Technician (CT) or Compliance Technical Representative (CTR) review	The CT/CTR reviews the invoice package and, if approved, forwards it to the Project Manager.	The CT/CTR reviews the invoice package and, if approved, forwards it to the Contract Administrator.
4. Project Manager (PM) or Contract Administrator (CA) review	The PM reviews the invoice package and, if approved, forwards it to the Chief of Project Managers.	The CA review the invoice package and, if approved, forwards it to the HOPE VI Coordinator.
5. Chief of Project Managers (CPM) review	The CPM reviews the invoice package and, if approved, forwards it to the Contracting Administrator.	
6. Contracting Administrator (CA) review	The CA reviews the invoice package and, if approved, forwards it to the Director of Construction.	
7. Director of Construction (DC) review	The DC reviews the invoice package and, if approved, forwards it to the HOPE VI Coordinator.	
8. HOPE VI Coordinator (H6C) review	The H6C reviews the invoice package and, if approved, forwards it to Financial Services Department for review and processing.	The H6C reviews the invoice package and, if approved, forwards it to Financial Services Department for review and processing.

In response to the 2002 HOPE VI review report, the Housing Authority developed a contract listing that shows the funding sources and percentages, contract amount, remaining balances and the methods of payment for approved contractors at any given point in time. It is the responsibility of the HOPE VI Coordinator to ensure that program accounting codes shown on the Periodic Payment form coincide with the information found in the contract listing prior to processing by the Financial Services Department. The Financial Services Department and the HOPE VI Coordinator are both responsible for maintaining this document on a semi-annual basis. This process is consistent with the procedures outlined in the management bulletins.

### 3.1.3 EVALUATION OF HOUSING AUTHORITY PROCESS

To determine the effectiveness of the amended procedures, a sample of transactions was tested. With regard to Construction-related disbursements, the following occurrences were noted:

1. There were two occurrences noted where the Periodic Payment Form did not show approval by the HOPE VI Coordinator prior to processing by the Financial Services Department.
  - Check Control No.: 246498, dated November 8, 2002, \$24,592.67. Invoice dated October 24, 2002, \$939.60 (Construction Administration). Contractor: TWININGTON Engineers, Inc. (Contract No.: 01-05-826, Task Order No. 07, Invoice No. 3)
  - Check Control No.: 248164, dated November 29, 2002, \$16,723.30. Invoice dated November 18, 2002, \$2,818.80 (Construction Administration). Contractor: TWININGTON Engineers, Inc. (Contract No.: 01-05-826, Task Order No. 07, Invoice No. 4)
2. There was one occurrence noted where the disbursement of funds occurred after the 45-day payment term for construction-related costs.
  - Check Control No.: 255178, dated March 14, 2003, \$144,033.16. Invoice dated January 23, 2003, \$144,033.16 (Demolition of Grant II-B Homes). Contractor: TWININGTON Wrecking and Excavating, Inc. (Contract No.: 02-03-860, from November 1, 2002 to January 22, 2003)
3. There was one occurrence noted where the amount approved for disbursement did not coincide with the amount invoiced.
  - Check Control No.: 250899, dated January 10, 2003, \$152,070.62. Invoice received November 21, 2002, \$136,106.25 (Demolition/abatement at Grant III-A North). Contractor: TWININGTON Corporation. (Contract No.: 02-01-849, from October 4, 2002 to November 8, 2002)

With regard to Resident Services related disbursements, in response to the 2002 HOPE VI review report the Housing Authority modified its Periodic Payment Form to include a signature space for the HOPE VI Coordinator. To determine the effectiveness of the amended procedures, a sample of transactions was tested. With regard to Resident Services disbursements, the following occurrences were noted:

There were three occurrences noted where the invoice package lacked sufficient documentation to support the disbursement of funds:

- Check Control No. 240688, dated August 16, 2002. Invoice dated July 22, 2002, in the amount of \$3,255.50 (total) – Payee: Diners Club-On the General Ledger under Training & Travel. There are 3 amounts in question for \$435.50 each –Entry date August 19, 2002- Air Travel for America West Airlines for: TWININGTON, TWININGTON and TWININGTON. (There was no back-up documentation to show the purpose for this trip. Documentation should include a copy of the seminar or training information in support of the airline invoice.)
- Check Control No. 236743, dated June 14, 2002. Invoice dated June 12, 2002, amount \$4,460.00 – Payee: REO-On the General Ledger under Employment Training. Invoice from TWININGTON was in the amount of \$6,250.00. (There was no explanation or back-up documentation attached to the disbursement documents to show why the amount paid to TWININGTON differed from the invoiced amount.)

- Check Control No. 238822, dated July 19, 2002. Invoice dated June 30, 2002, totaling \$11,063.65 (\$7,261.27 & \$3,802.38) – Payee: TWININGTON-On the General Ledger under Employment Training. TWININGTON submitted two invoices and the “Periodical Route Approval” form for the \$7,261.27 has a notation that the original amount of \$9,583.33 was reduced because documentation did not support invoiced amount. However, the “Periodical Route Approval” Form for the \$3,802.38 did not contain any explanation as to why the amount was increased from \$3,333.34 to \$3,802.38 per Twinington’s invoice.

With regard to budget control, 24 CFR 85.20(b)(4) states that actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. In reviewing the latest HUD-approved HOPE VI budget information, as compared to financial information found in eLOCCS, it was noted that the Housing Authority expended more funds than were approved for several budget line items (BLIs). Table 3.2 provides a summary of where the instances of unauthorized disbursements occurred.

**Table 3.2: Authorized and Disbursed BLIs**

HOPE VI Grant Number and BLI	Authorized	Disbursed	Balance
OH12URD003I193 1470 Nondwelling Structures 1475 Nondwelling Equipment	\$2,534,529.00 \$542,121	\$2,832,260.57 \$724,548.74	(\$297,731.57) (\$182,427.74)
OH12URD003I195 1410 Administration	\$65,906.00	\$121,206.63	(\$55,300.63)
OH12URD003I196 1408 Management Improvement	\$0.00	\$291,963.00	(\$291,963.00)

At the request of this office, TWININGTON provided a copy of its budget control procedure. With regard to unobligated funds, the Housing Authority’s procedures state that the Financial Services Department verifies the amount of funds available for a particular work item(s), after notice of contract award, using its computerized system. It is further stated that if funds are not available the obligating document, presumably the contract or periodic payment form, is returned to the originating department for follow-up.

Though the Housing Authority has procedures in place that require both the HOPE VI Coordinator and the Financial Services Department to maintain a contract listing and to perform periodic reviews of program disbursements, it is not clear if there are controls in place to ensure that HUD-authorized BLIs (as shown in eLOCCS) are not exceeded. Based on Table 3.2, the Housing Authority exceeded the HUD-authorized BLI by more than 10 percent in several instances.

### 3.1.5 DISCOVERIES

<b>Finding 2003-2</b>	
<b>Condition</b>	There were two occurrences noted where the process for the disbursement of HOPE VI funds did not coincide with Twinington's internal processing procedures.
<b>Criteria</b>	The Code of Federal Regulations, 24 CFR 85.20(b)(3), states that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.
<b>Cause</b>	Unknown
<b>Effect</b>	With regard to the review and approval of Periodic Payment requests by the HOPE VI Coordinator, it is the responsibility of both the Financial Services Department and the HOPE VI Coordinator to maintain the contract listing and to reconcile disbursements, such occurrences may adversely affect these processes. It is imperative that all payment requests are processed in accordance with established procedures.
<b>Corrective Action</b>	It is recommended that the Housing Authority investigate the aforementioned occurrences and take appropriate action to ensure that such occurrences are minimized or eliminated.

<b>Observation 2003-2</b>
<p>With regard to Construction-related disbursements, there was one occurrence noted where the disbursement of funds occurred after the 45-day payment term. It was stated during the closeout meeting that documentation concerning the delay in payment was located in the Construction Department's files. With regard to Resident Services related disbursements, there were occurrences noted where the documentation included with the Periodic Payment Form did not clearly indicate the purpose for the expense.</p> <p>The Housing Authority must maintain complete and accurate records. At a minimum, the files located in both the originating department and the Financial Services Department must contain all pertinent documentation. In the event records from one department are missing or inadvertently disposed, there will be a complete set of pertinent documents residing in the other department.</p> <p><b>Recommendation</b></p> <p>It is recommended that the originating department, and the Financial Services Department, ensure that adequate supporting documentation is included with each payment request.</p>

<b>Observation 2003-3</b>
<p>The Housing Authority has procedures in place to track program expenditures, however, it is not clear if controls exist to ensure that HUD-authorized budget line items (BLIs) are not exceeded. Based on eLOCCS information, as of March 18, 2003, the Housing Authority exceeded four BLIs over three grants as shown in Table 3.2.</p> <p><b>Recommendation</b></p> <p>It is recommended that TWININGTON re-examine and modify its budget controls to ensure that HUD-authorized BLIs are not exceeded.</p>

## 3.2 PRO-RATION AND ALLOCATION OF CHARGES

### 3.2.1 SCOPE

With regard to the pro-ration and allocation of charges to a program, Office of Management and Budget (OMB) Circulars A-87 and A-133 require that all costs be reasonable

and necessary as well as allowable. It is further required that a cost must be allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received (see OMB Circulars A-133, Compliance Requirement, Allowable Costs/Costs Principles and A-87, Attachment A, Part C).

To ensure that a cost is properly allocated and classified to a cost objective, a housing authority must have adequate controls that govern the handling of such costs.

### **3.2.2 CURRENT HOUSING AUTHORITY PROCESS**

As stated previously, in response to the 2002 HOPE VI review report the Housing Authority developed a contract listing that shows the funding sources and percentages, contract amount, remaining balances and the methods of payment for approved contracts. Twinington's procedures state that it is the responsibility of both the Financial Services Department and HOPE VI Coordinator to maintain this contract listing on a semi-annual basis.

The Housing Authority uses statistical data from two fiscal years prior to establish the allocation percentages in a given fiscal year for the departments shown in Table 3.3. With regard to salary expense, the Housing Authority allocates costs to its HOPE VI program based on a percentage of time spent. In response to the 2002 HOPE VI review report, Twinington provided organizational charts that show the hierarchy and time allocated for staff assigned to the HOPE VI program; refer to Figure 3.1 for the organizational chart. Refer to Section 3.1.2 for more background regarding the Housing Authority's current process.

### **3.2.3 EVALUATION OF HOUSING AUTHORITY PROCESS**

To determine the effectiveness of the amended procedures, a sample of transactions was tested. With regard to Construction-related disbursements, there was one occurrence noted where the percentage of funds disbursed from a HOPE VI grant did not coincide with the contract listing.

- Check Control No.: 248520, dated December 13, 2002, \$26,042.70. Invoice dated November 12, 2002, \$26,042.70 (Architectural/Engineering Services). Contractor: TWININGTON, Inc. (Contract No.: 97-07-691, Invoice No. 29, from September 1, 2002 to September 30, 2002) The contract listing shows funding source percentages as 69 percent HOPE VI and 31 percent Capital Fund for this particular contract. The Periodic Payment form, and the computerized journal voucher, show allocation percentages of 32.9 percent HOPE VI and 67.1 percent Capital Fund.

It is noteworthy to mention, however, that in comparison to occurrences noted during the 2002 HOPE VI review, the Housing Authority has shown marked improvement in ensuring that funds are disbursed from the correct grant and grant account type (i.e., budget line item).

With regard to the cost allocation plan and indirect cost proposal (CAP/ICP), the Housing Authority uses various methods for allocating indirect costs to each department. These methods are summarized in Table 3.3.

The Housing Authority's method for allocating indirect costs was developed by its independent auditor and adopted during the 1994 fiscal year. The Financial Services Department is primarily responsible for maintaining the CAP/ICP and to ensure that the data therein is accurate and fairly represents the costs chargeable to the Housing Authority's various programs and departments. Though Twinington's CAP/ICP is logical and the process for gathering data is well documented, the Financial Services Department does not conduct periodic reviews of the plan to determine if the allocation percentages are accurate and fairly represented throughout the fiscal year.

**Table 3.3: Allocation Basis by Support Department**

<b>Support Department</b>	<b>Allocation Basis</b>
Accounts Payable	Number of checks
Application	Number of units
Budget	Actual cost dollars
Community and Resident Services	Number of units
Executive	Payroll Expense
General Accounting	Actual cost dollars
Internal Audit	Actual cost dollars
Land and Buildings	Number of employees
Legal	Percent of time
Management Information Services	Percent of time
Payroll	Number of employees
Personnel	Number of employees
Procurement	Number of requisitions
Tenant Accounting	Number of units
Transportation	Number of vehicles
Warehouse	Number of requisitions

Figure 3.1: HOPE VI Staff Assignments and Time Allocation

Division/Staff	Time Alloted	Estimated Time Allotted (Based on 40 hour work week)
<b>Executive Staff</b>		
Executive Director	10%	4 hours
Deputy Executive Director	20%	8 hours
Executive Assistant	15%	6 hours
Acting General Counsel	10%	4 hours
Special Counsel to the Board	5%	2 hours
HOPE VI Coordinator	100%	40 hours
Real Estate Staff Attorney (Vacant)	@20%	8 hours
Staff Attorney	15%	6 hours
Staff Attorney	10%	4 hours
<b>Construction Department</b>		
Acting Director	10%	4 hours
Chief of Special Projects and Modernization Manager	30%	12 hours
Relocation Coordinator	25%	10 hours
Modernization Coordinator	10%	4 hours
Acting Chief of Project Management	30%	12 hours
Grant II Project Manager	100%	40 hours
Grant I-B Project Manager (Vacant)	@100%	40 hours
Inspector	100%	40 hours
Job Captain	100%	40 hours
<b>Resident Services</b>		
Director (Vacant)	@5%	2 hours
Assistant Director	5%	2 hours
Grants Administrator	5%	2 hours
Fiscal Analyst	10%	4 hours
HOPE VI Operations Manager	100%	40 hours
Administrative Assistant	100%	40 hours
On-Site Coordinator (Grant I)	100%	40 hours
On-Site Coordinator (Grant II, Vacant)	@100%	40 hours
Case Manager	100%	40 hours
Case Manager	100%	40 hours
<b>Financial Services</b>		
Chief Financial Officer	10%	4 hours
Special Assistant to CFO	15%	6 hours
Budget Analyst	25%	10 hours
<b>Housing Services Department</b>		
Director (Vacant)	@10%	4 hours
Deputy Director	25%	10 hours
Regional Administrator	25%	10 hours
Chief of Housing	10%	4 hours
Chief of Maintenance	10%	4 hours
Grant I-B Property Manager	25%	10 hours
Grant I-B Assistant Manager (Vacant)	@15%	6 hours
Regional Administrator	25%	10 hours
Chief of Housing	10%	4 hours
Chief of Maintenance	10%	4 hours
Twinington/Renaissance Property Manager (Vacant)	@50%	20 hours
Regional Administrator	25%	10 hours
Chief of Housing	10%	4 hours
Chief of Maintenance	10%	4 hours
Grant II Property Manager	30%	12 hours

Grant II Assistant Manager	25%	10 hours
Grant III-B Property Manager	50%	20 hours
Grant III-B Assistant Manager	25%	10 hours

3.2.4 DISCOVERIES

Finding 2003-3	
<b>Condition</b>	<p>Twinington does not conduct periodic reviews of its cost allocation plan and indirect cost proposal (CAP/ICP) to ensure that allocation percentages established at the beginning of the fiscal year are accurate and fairly represented throughout the remainder of the fiscal year.</p>
<b>Criteria</b>	<p>With regard to salaries and wages, Office of Management and Budget (OMB) Circular A-87, Attachment B, requires housing authorities to maintain documentation that supports both direct and indirect costs as they relate to salaries and wages.</p> <p>It is further stated that budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that (1) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (2) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.</p>
<b>Cause</b>	<p>Twinington’s current policy does not address periodic review of allocation percentages used in its CAP/ICP for a given fiscal year.</p>
<b>Effect</b>	<p>A program, or multiple programs, may inadvertently absorb costs, which are allocable to other programs.</p>
<b>Corrective Action</b>	<p>It is recommended that the Housing Authority establish and implement procedures whereby the CAP/ICP is reviewed periodically to ensure that allocation percentages are accurate and fairly represented. Further, TWININGTON must ensure that costs allocated for salaries, and other indirect cost items, are not charged to HOPE VI program grants once a development has reached <i>management</i> status. (Please be advised that compliance with the aforementioned requirement will be verified during the next scheduled on-site review.)</p>

Observation 2003-4	
<p>There was one occurrence noted where the percentage of funds disbursed did not coincide with the contract listing.</p>	
<b>Recommendation</b>	
<p>It is recommended that the Housing Authority investigate this occurrence and take any actions necessary to correct this deficiency.</p>	

**3.3 CORRECTION OF ANY HOPE VI DEFICIENCIES IDENTIFIED IN ITS ANNUAL FISCAL AUDIT**

With regard to correction of any HOPE VI deficiencies identified in an annual fiscal audit, there were no references to internal controls weaknesses or compliance deficiencies in Twinington's HOPE VI program in the most recent independent audit report.

It is noteworthy to mention that Twinington's independent auditor is currently reviewing the HOPE VI program as part of the fiscal audit for the period ended December 31, 2002.

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## **4. COMMUNITY AND SUPPORTIVE SERVICES**

### **4.1 SCOPE**

The Housing Authority was provided \$1,500,000 and \$4,750,000 in HOPE VI funding for Grant II and Grant I Community and Supportive Services, respectively. With HOPE VI, Housing Authorities implement public housing revitalization in tandem with principles of welfare reform, self-sufficiency, and education achievement. Not only must the physical environment meet the needs of the residents, but the social environment must encourage and enable low-income residents to achieve long-term self-sufficiency.

Community and Supportive Services (CSS) Programs are designed to assist residents to attain educational excellence, build their life skills, gain employment and make effective progress toward self-sufficiency to improve their quality of life. This portion of the review focused on the Housing Authority's administration and record maintenance of the CSS components of the FY1995 and 1996 HOPE VI grants. Also included in the review is an analysis of resident participation, program implementation and operation, adherence to HUD approved CSS workplans and budgets, fiscal management and fund accountability, and organization and staffing.

To determine whether the Housing Authority is following their HUD approved CSS workplans, HUD reviewed the Housing Authority's tracking process for resident participation along with the Housing Authority's CSS Contracts. Since the Grant II and Grant I grant awards, the Housing Authority's Community and Supportive Services Plans have undergone multiple revisions as well as changes in approach as recent as October 2002. HUD approved the requested change in approach for Grant II and for similar changes in approach for Grant I in May 2003.

### **4.2 CURRENT HOUSING AUTHORITY PROCESS**

The Housing Authority currently tracks resident eligibility for CSS benefits using names from a master relocation list. The Relocation Coordinator compiled this master relocation list a few years ago. The Relocation Coordinator had to piece together the available data to establish a starting point because previous Housing Authority staff did not have an accurate tracking system from the inception of the grant.

All CSS program tracking and management of resident participation is handled by the Housing Authority's Resident Services Department. The Assistant Director of Resident Services supervises the HOPE VI CSS Program staff. The HOPE VI Operations Manager is responsible for the entire case management staff. The recent revisions to the CSS Plans for Grant I and Grant II provide for additional case management staff. The Grant I case management staff and the Grant II case management staff will each consist of an On Site Coordinator and four Case Managers. All of the case management staff hired by the Housing Authority will have degrees in or related to social work.

The Housing Authority's system for tracking and monitoring all program participants and activities is accomplished using a manual filing system along with a computerized tracking

system. After each resident completes the initial assessment process, an individual file is set up to document the resident's program interests, any applications prepared for the offered programs, if applicable, all referrals made by case management, and copies of all information provided by the Housing Authority related to CSS. The Resident Services Department maintains a computerized list, by HOPE VI site that lists each resident, the status of their assessment, as well as the services chosen during the assessment. Each HOPE VI On-Site Coordinator keeps track of all residents participating in the CSS Programs.

The Resident Services monitoring process for the Service Providers is used for monthly progress monitoring and intervention, if necessary. Resident Services has two staff persons assigned to monitor each Program/Service Provider. The Program Monitor verifies reports received from all Service Providers each month and the Program Liaison meets with each Service Provider monthly to assess each CSS program's progress and assists in ensuring that all goals are met.

### **4.3 EVALUATION OF HOUSING AUTHORITY PROCESS**

Housing Authorities are obligated to provide a range of services designed to help HOPE VI residents make effective progress toward self-sufficiency. Community and Supportive Services funds available for these purposes are allocated to assist all original residents, regardless of whether they return to the site after revitalization, as well as families in need that later move into the revitalized site.

Resident eligibility for CSS benefits begins at the time of the HOPE VI grant award. To determine residents' eligibility for CSS benefits, the master relocation lists for Grant II and Grant I were reviewed and compared against the original applications and CSS original and revised workplans on file at HUD. The resident count comparison yielded the same result for Grant I, but not for Grant II. As a result, HUD was able to determine that all original residents of Grant I are properly accounted for inclusion in CSS activities; however, HUD was unable to determine whether all residents have been accurately accounted for at Grant II.

#### **4.3.1 CONTRACTS AND DELIVERABLES**

In order to determine if the programs are effective, Housing Authorities must not only track the residents that are eligible for the programs, but also maintain a system to track the results of the CSS programs offered to those residents. Currently, while it appears that the Housing Authority tracks resident participation in the CSS Programs, the Housing Authority does not maintain a system to track individual results, especially progress attained in the mentoring and after school programs. In addition, deliverables attained for each Program could not be discerned. The evaluation of the Housing Authority's CSS Programs resulted in the following queries for contracts that have already been executed. The Housing Authority shall submit this information to HUD within 30 days of this report's issuance.

**GRANT II**

1. Twinington A; Amount: \$20,000; Effective August 1, 2002 through July 31, 2003; currently in its second year with one remaining option year; provides small business training and development services to a minimum of five adults and five youth residents.
  - How many participants succeeded in developing their own Business Plans and establishing their own businesses (and what the businesses are) at the end of the first contract year?
  - Are all of these businesses still in place?
  - How many participants have registered and attended all of the sessions during this current contract year?
2. Twinington A; Amount \$50,000; Effective September 1, 2002 through August 31, 2003; currently in its second year with one remaining option year; provides after school activities/mentoring program that includes recruitment, registration, and delivery of services and activities to a minimum of 100 youth.
  - Provide to HUD an accounting of all activities under this Contract.
  - Provide to HUD copies of the audited financial statements from 2001 and 2002 to determine possibility of funding duplication.
  - Contract deliverables for after school activities/mentoring program states that 80 percent of the youth will be promoted to the next grade, grades will improve as documented by school report cards or performance reports, and that 60 percent of the youth will pass or improve their scores on the proficiency tests.
  - Provide to HUD documented results on the impact of the program on the students' grades and skill improvement. In addition, a method must be devised by the Housing Authority to monitor student activity during the school year. Organizations that are funded through the TWININGTON Incentive Block Grant and TWININGTON typically report measurable outcomes to receive their grant money. If TWININGTON has received, or will receive dollars from these programs, this documentation should exist currently or be available shortly and is acceptable to HUD as documentation of results.

**GRANT I**

1. Twinington Public Theater; Amount \$33,900; Effective January 1, 2002 through December 31, 2002; currently under negotiation for an additional option year; provides programs for mentoring and after school activities that includes communication skills, creative expression, story building and creative writing, arts appreciation and life principles.
  - Document program results using school report cards and performance reports
2. Home Instruction Program for pre-School Youngsters (HIPPY); Amount \$9,228; CSS funds cover stipends for a paraprofessional (Grant I-B resident) who Operates the HIPPY program at Grant I-B. The Housing Authority has an agreement with the Twinington and the Twinington B to implement the program Twinington -wide.
3. Twinington B, Amount \$150,000; Effective January 1, 2002 through December 31, 2003; currently in its second year with one remaining option year; provides a small business training development program for a minimum of ten adults and ten youth.
  - How many participants succeeded in developing their own Business Plans and establishing their own businesses (and what the businesses are) at the end of the first contract year?
  - Are all of these businesses still in place?
  - How many participants have registered and attended all of the sessions during this current contract year?

**4.3.2 PROCUREMENTS PENDING AWARD**

A list of CSS procurements pending contract execution is listed within this section along with a brief description of the type of services that the contract, once awarded, will include.

Please refer to Section 6 for a discussion on the procurement process itself with respect to these CSS procurement actions.

**GRANT II**

1. Twinnington Industries of Greater Twinnington; Amount \$15,000; to implement and operate a comprehensive development life skills training program for adult residents. Scope of work includes the enhancement of the participants housekeeping, homemaking, financial management, budgeting and social skills.
2. Twinnington of Greater Twinnington; Amount \$30,000; to implement and operate a comprehensive economic self-sufficiency program. Customized training programs will be established to assist residents in finding immediate employment, upgrade skills, and develop life skills that will lead to a career.
3. Twinnington Municipal Schools-Family Life Education Program; Amount \$30,000; to provide enhancement of participant's housekeeping, homemaking, financial management, budgeting, parenting and social skills.

**GRANT I**

1. Twinnington of Greater Twinnington; Amount \$30,000; to operate an economic self-sufficiency program similar to that for Grant II; refer to the previous section.
2. St. Twinnington Center; Amount \$30,000; to implement and operate a comprehensive after-school and mentoring program for youth ages six to fourteen, specifically addressing creative, cultural, educational, social and recreational needs of the youth.
3. Twinnington C; Amount \$20,000; to implement and operate a comprehensive after-school and mentoring program for youth ages seven to seventeen years old specifically utilizing sports and fitness activities and events to develop self-discipline, leadership skills, increase self esteem, develop an understanding of personal responsibility and increase physical fitness.
4. Twinnington (Homeownership Program); Amount \$10,000; to implement and operate a comprehensive homeownership program for adult residents. The program will offer a series of six training modules providing residents with the tools needed to prepare for homeownership. This program is designed to assist residents in obtaining the basic skills needed to understand budgeting, money & financial management, taxes and other issues relevant to becoming a homeowner.

**4.4 HOPE VI MATCHING REQUIREMENTS**

In accordance with the Federal Fiscal Years 1993-1995 Notices of Funding Availability (NOFA) applicable for the Grant II HOPE VI Grant, the Grantee will use best efforts to cause the City in which the Grantee is located to provide contributions for supportive services in an amount equal to 15 percent (or such greater amount as specified in the application) of the HOPE VI grant funds awarded to the Grantee for supportive services under the Revitalization Plan. This matching requirement was not required in the 1996 grant for Grant I.

The Twinnington located on the Grant II Site provides childcare facilities, gymnasium, community space and most recently, the space and staff for the Twinnington computer lab program. The facility directly benefits all of the residents at Grant II. The Housing Authority attempted to include the construction of a new facility in the Revitalization Plan, but the costs were prohibitive. Due to the necessity for a new facility, Twinnington, Inc., submitted an application through the City of Twinnington for HUD 10B financial assistance and received a loan in the amount of \$960,000. The City of Twinnington Department of Economic Development is

also providing Economic Development Incentive (EDI) Grant assistance in the amount of \$240,000. This facility directly benefits all residents of Grant II; therefore, HUD has determined that this satisfies the match requirement contained in the NOFA.

**4.5 DISCOVERIES**

**Observation 2003-5**

Based on the master relocation list for Grant II, it appears that the Housing Authority started the Grant II revitalization with approximately 557 residents, of which 182 were relocated to units modernized using MROP (Major Reconstruction of Obsolete Projects) funds. Therefore, 375 residents remained at Grant II when the grant was awarded on October 24, 1996. However, data reviewed for Grant II was inconsistent with these numbers.

**Recommendation**

HUD requests that the Housing Authority provide accurate documentation with respect to the actual numbers of original residents that were on-site when the grant was awarded. In addition, the procedure TWININGTON used to obtain the resident number should be provided to HUD to ensure that the appropriate residents are notified of their possible eligibility for CSS benefits. These residents, wherever they relocated to, must receive the same CSS benefits as those that have chosen to return to Grant II.

**Observation 2003-6**

The Housing Authority does not currently maintain a system to track individual results, especially, progress attained in the mentoring and after school programs.

**Recommendation**

While gauging deliverables is difficult, it is necessary to determine the effectiveness of the CSS Programs. Deliverables are not just goals met by the Service Provider, but more importantly goals met by each participant. (i.e. landing a good job, acquiring a GED, and for students, achieving higher grades and improved performance reports in school) The Housing Authority must devise methods that can be used to track the results of residents' participation in each of the Programs. A study should be undertaken to determine whether or not the programs provided by the Contractors are measurably effective for the students/residents. In addition, the Housing Authority shall submit information in response to the questions raised in Section 4.3.1 of this report.

## **5. RELOCATION**

### **5.1 SCOPE**

In an effort to determine if the Housing Authority complied with federal regulations as well as their own Relocation Plans, documentation, including but not limited to, newsletters on the HOPE VI updates, HOPE VI Task Force Meeting notices, notices to residents advising them of upcoming HOPE VI meetings/seminars, and the resident files was reviewed.

### **5.2 EVALUATION OF MAINTENANCE OF INFORMATION**

While the Housing Authority maintained copies of newsletters and meeting notices, a review of the resident files revealed that the Housing Authority did not maintain copies of all of the required notifications in each of the resident files. To determine if each resident received all proper notifications, one copy of each notification is to be maintained in the each resident's file. The Housing Authority acknowledged that copies of notices regarding relocation activities sent to residents prior to the year 2000, are typically not available in each resident's file.

Eligibility for relocation assistance is determined by the date of the initial "Notice of Intent" or "General Information Notice". Information in each resident file was sporadic. Some files for Grant II contained a letter to residents hand dated September 10, 1997, which advised the resident that the Housing Authority had received funding for revitalization. HUD was unable to determine if this letter can be classified as the "General Information Notice", because it is dated after the Housing Authority received the funding and should have been sent as the Housing Authority was applying for HOPE VI funding. Files for Grant I contained a letter to residents discussing the Housing Authority's plan to submit a HOPE VI application, but does not specifically advise the residents not to move.

Grant II, for example, had approximately 189 residents move from the development between what should have been the time of the General Information Notice to the present. The Master Relocation List that is now maintained by the Housing Authority Relocation Coordinator states that these residents had moved out "owing balances". Even though these residents owed money to the Housing Authority at the time of their move, HUD could not determine what their status was at the time of the initial notification of the HOPE VI revitalization.

## 5.3 DISCOVERIES

<b>Finding 2003-4</b>	
<b>Condition</b>	The Housing Authority has not maintained all of the required notifications regarding the HOPE VI relocation in each of the resident's files in accordance with Twinington's Relocation Plans.
<b>Criteria</b>	In accordance with Twinington's Relocation Plans, residents living in Grant II and Grant I units were to receive all required notices regarding their displacement or non-displacement. Copies of these notices should have been maintained in each resident's file. The Housing Authority's initial relocation plans included all required notices based on the Uniform Relocation Act and in accordance with 49 CFR Part 24 - Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted programs. Even though each Plan contained all of the proper requirements, HUD was unable to verify whether each eligible resident received all of the proper notifications.
<b>Cause</b>	Prior to the Year 2000, the Housing Authority acknowledged that staff did not maintain an adequate system to track relocation activities.
<b>Effect</b>	Due to inadequate maintenance and tracking during the initial stages of the HOPE VI process, it is possible that eligible residents did not receive relocation assistance as required by the Housing Authority's Relocation Plans and the Uniform Relocation requirements.
<b>Corrective Action</b>	Each Grant II and Grant I resident must be notified that the possibility exists that they are eligible for the reimbursement of their relocation expenses. The Housing Authority must go back and review all of their records from each of the developments to determine if any residents missed out on their receipt of relocation dollars because they did not receive all of the proper notifications.

## 6. PROCUREMENT

### 6.1 SCOPE

The Housing Authority's procurement of construction, equipment and materials, and the award of contracts for services, repairs, maintenance, replacements and upgrading are required to comply with the federal regulation, 24 CFR 85.36.

Federal procurement regulations also require that grantees develop their own procurement policy and procedures for use by internal staff that reflect applicable state and local laws and regulations as well as applicable federal law and standards identified in 24 CFR 85.36. Where conflicts occur between local, state, and federal requirements, the policy is to incorporate the most stringent requirement.

The purpose for procurement regulations is to ensure open and fair competition so that the Housing Authority receives the best quality and/or quantity for its public funds. To ensure that procurement by the Housing Authority was properly conducted, contract and procurement files were reviewed for compliance with 24 CFR 85.36 and Twinington's Procurement Policy updated in 2001.

The following contracting files from Purchasing and Distribution Department's procurement files were reviewed:

#### **Construction- or Maintenance-Related**

- Contract 02-07-875 - Grant II, Phase II Comprehensive Modernization; Twinington
- Contract 02-01-849 – Demolition of Grant III-A North Family; Twinington Corporation
- Contract 59-000-02 – Resident Contractor for Landscaping Supervision Services; Twinington Landscaping

#### **General Services**

- Contract 54-600-01 – Legal Services; Twinington & Associates

#### **Resident Services-Related**

- Contract 87-400-02 – Moving Company; Twinington
- Contract 78-767-02 – Development Life Skills (Grant II); Twinington Industries
- Contract 86-767-02 – Economic Self Sufficiency (Grant I-B Park); Twinington Industries
- Contract 79-767-02 – Economic Self Sufficiency (Grant II); Twinington Industries
- Contract 02-767-03 – Homeownership Program; Twinington
- Contract 86-767-02 – Development Life Skills (Grant II); Twinington Municipal School
- Contract 76-767-02 - After School/Mentoring (Grant I-B); St. Twinington Centers
- Contract 89-767-02 - After School/Mentoring (Grant I-B); Twinington

### 6.2 CURRENT HOUSING AUTHORITY PROCESS

The Housing Authority's current procurement process begins with the user department (i.e., Construction, Resident Services) originating a Request for Contract Activity (RCA) Form for procurements estimated over \$25,000, or a Requisition Form for procurements estimated below \$25,000. The RCA is routed through the user department Director to the Purchasing and Distribution Department along with a scope of work and sometimes with a cost estimate. The Purchasing and Distribution Department routes the request to the Budget Director, Fiscal

Director, HOPE VI Coordinator (if HOPE VI related), and the Executive Director to ensure funds are available and the work is needed.

Once signed by the Executive Director, the Purchasing and Distribution Department reviews the documents for completeness and advertises on behalf of the Housing Authority. The Purchasing and Distribution Department, while responsible for knowing the procurement regulations, relies heavily on the technical expertise of the user department for the scope of work and internally-generated cost estimate (hereafter referred to as the independent cost estimate). The Purchasing and Distribution Department works with the user department on any questions raised by proposers or bidders concerning the advertisement or any Housing Authority-generated clarifications during the advertisement period and receives proposals/bids in response to the advertisement. Prior to opening bids or evaluating proposals, the Purchasing and Distribution Department ensures that an independent cost estimate from the user department has been received if not routed initially with the RCA so that cost reasonableness can be determined. The Purchasing and Distribution Department also works with the user department to select a proposal evaluation panel and oversee the evaluation panel's meetings and scoring.

Once the evaluation is complete, the Purchasing and Distribution Department generates a Recommendation to the Board based on lowest bid received or the evaluation panel's recommendation. The Recommendation to the Board includes a list of all proposals/bids submitted and their relative scores, final recommendation for contractor selection, award amount, contract effective length, and any backup documentation. The Board of Commissioners meet monthly (except for August); any Recommendations to the Board must be submitted to the Legal Department at least two weeks prior to the Board meeting for legal review and comment.

Once the Legal Department's concerns or questions are addressed, it is forwarded to the Board of Commissioners. The Recommendation typically results in a Board Resolution to award the contract to the recommended contractor at the amount stated. In some cases, the Board may decide to cancel the solicitation and not award or to re-compete for a variety of reasons.

Once the contract is awarded, Board approval is required for all contract modifications concerning changes in scope, time, or money. Change orders on awarded construction contracts are typically requested by the Construction Department and routed directly to the Legal Department for review two weeks prior to the next Board meeting. Change orders on awarded contracts that involve exercising an option year are requested by the Purchasing and Distribution Department and routed to the Legal Department two weeks prior to the next Board meeting.

### **6.3 EVALUATION OF HOUSING AUTHORITY PROCESS**

In general, the Housing Authority is doing a good job following procurement regulations on construction projects; scopes of work were well written, independent Housing Authority cost estimates were prepared, and the requirements contained in 24 CFR 85.36 are being followed. One area where improvement is needed, and this applies to all of the Housing Authority's procurement actions, is that an evaluation of the successful bidder's or proposer's cost proposal must be performed to compare it to the independent estimate generated by the Housing Authority.

Numerous weaknesses were identified in the Housing Authority's Community and Supportive Services (resident services) procurement actions. The following problems were identified: scopes of work were too broad, independent costs estimates were not prepared, proposal evaluation forms did not include explanations as to why points were deducted, the successful bidder's cost proposal was not evaluated, discussions and negotiations conducted with bidders were not documented, and board resolutions indicate contracts were to be awarded at dollar amounts significantly different from the bidder's cost proposal.

Discussions with Resident Services (the user department) and the Purchasing and Distribution staff revealed that a variety of factors might account for why weaknesses occurred with much more frequency in CSS-related procurement than construction-related procurement. Factors discussed that may have contributed to the weaknesses include significant staff turnover and lack of bidder/proposer questions during the advertisement period.

The Housing Authority stated that an example provided by HUD was followed for the scope of work; however, that example could not be produced for review. It is HUD's opinion that the example was generic in nature and was not substantially modified or tailored for the Housing Authority's work as evidenced by the similar scopes of work in the CSS-related procurement files. Typically, a weak scope of work will generate many comments or questions during the advertisement period; however, the Housing Authority stated that unlike their construction procurements, few if any comments were received on the CSS procurements.

In addition, while it is the Housing Authority's responsibility to ensure they are in compliance with the procurement regulations, this is the first time HUD has had any significant CSS procurement actions to review and provide comment on. HUD has offered to work with the Housing Authority to improve the current procurement process with respect to CSS-related activities.

Numerous problems were identified in the procurement of legal services. These deficiencies include: the length of the contract was not identified in the RFP, the Executive Director did not sign the contract, the contract had a retroactive effective date, the contract amount was increased without justification, etc.

Because of the number of deficiencies identified on contracts to Twinington Construction, Twinington Industries, and Twinington & Associates, contract files from the past seven years were requested for review at a later date. The follow-up review was conducted on April 30, 2003 in the Housing Authority's offices and a report documenting the results from the follow-up review will be issued under a separate cover.

Housing Authorities receiving HOPE VI funds were required to attend the Mixed-Finance Procurement Training sponsored by HUD Headquarters. It was noted during the review that Twinington, the HOPE VI Coordinator, completed the Mixed-Finance Procurement Training in January 2002 and the certificate of completion is on file in the Housing Authority's Executive Office.

Specific and more detailed results of HUD's review, by contract, are summarized below:

**Grant II, Phase II Comp. Mod. - Contract 02-07-875 (Twinington)**

- The memorandum recommending award to Twinington was not dated.
- Non-successful bidders were not notified in a timely manner. The contract was awarded on January 28, 2003, but bidders were not notified until March 19, 2003.
- There were several months of lag time between when the Notice of Intent was issued to Twinington (November 8, 2002) and when the contract was awarded (January 28, 2003).

**Demolition of Grant III-A North Family – Contract 02-01-849 ()**

- The Housing Authority did not document the evaluation of the successful bidder's cost/price proposal against their independent cost estimate.

**Legal Services - Contract 54-600-01 (Twinington & Assoc.)**

- The length of the contract was not included in the RFP.
- The Executive Director did not sign the contract.
- The contract cannot have a retroactive effective date (contract dated March 30, 2002 with an effective date of January 1, 2002).
- The Review and Evaluation Committee's designation memorandum (dated November 14, 2002) was not signed as approved/disapproved.
- On the evaluation forms, the rater was not identified and there was no explanation provided for point deductions.
- The contract was increased from \$200,000 to \$275,000 without any justification.
- The Housing Authority did not document the evaluation of the successful bidder's cost/price proposal.
- An independent cost estimate was not prepared.
- The maximum billing rate in the contract (\$150/hr) was exceeded in the billings (\$200/hr).

**Landscaping Supervision Services– Contract 59-000-02 (Twinington)**

- An independent cost estimate was not prepared.
- Proposals were not date stamped.
- Evaluation forms rating the proposals were not in the file.
- In the Memorandum to File dated May 28, 2002, the Review and Evaluation Committee stated, "It was the consensus of the team members present that not either of the proposals met the criteria outlined in the RFP." However, a contract was awarded to Twinington without any justification.
- An evaluation of the successful bidder's cost/price proposal was not performed.
- Twinington's cost proposal was for \$174,144; however, the contract was awarded for \$67,280 without any explanation.

**Resident Services Contracts – Contracts 78-767-02, 86-767-02, 79-767-02, 02-767-03, 86-767-02, 76-767-02, and 89-767-02**

- On the evaluation forms, there was no explanation provided when points were deducted.
- Independent cost estimates were not prepared.
- Scopes were too broad and required the bidders to interpret what services were actually required.
- The Housing Authority did not document the evaluation of the successful bidder's cost/price proposal.
- Although in the memoranda recommending award to a specific bidder, it was stated that discussions/negotiations were held with bidders, there was no record of what was discussed.
- The Board Resolutions indicate that contracts are to be award for \$30,000 (typically); however, the cost proposals are significantly more (for example, they have come in at \$389,000; \$251,000; \$80,000; etc.)

## 6.4 DISCOVERIES

<b>Finding 2003-5</b>	
<b>Condition</b>	Independent cost estimates were not prepared for every procurement action and contractor's cost/price proposals were not evaluated
<b>Criteria</b>	Pursuant to 24 CFR 85.36 (f)(1) "Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals."
<b>Cause</b>	Unknown
<b>Effect</b>	The Housing Authority is in violation of federal procurement law and may be paying an unreasonable price for services.
<b>Corrective Action</b>	Twinington's procurement policies shall be updated to include procedures to be followed to document cost reasonableness. In addition, the current procurement policy should be revised to be more definitive by requesting that an independent cost estimate be submitted with the initial Request for Contract Activity.

<b>Finding 2003-6</b>	
<b>Condition</b>	The procurement process followed for resident services contracts does not follow the standards detailed in 24 CFR 85.36. For example, files did not contain all required documentation including a clear and concise scope of work, evaluation forms showing why points were deducted, independent cost estimates, record of negotiations held with firms, and documentation as to why contracts are going to be awarded at 10 percent (or less) of the contractor's cost proposals.
<b>Criteria</b>	Pursuant to 24 CFR 85.36 b(9) "Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement". Although Twinington's Procurement Policy references HUD Handbook 7460.8 "Procurement Handbook for Public Housing Agencies", the procedures for competitive proposals (Chapter 4) were not followed. Pursuant to 24 CFR 85.36 c(3)(i), "...all solicitations: Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured." Pursuant to 24 CFR 85.36 (f)(1) "Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals."
<b>Cause</b>	Unknown.
<b>Effect</b>	The Housing Authority is in violation of federal procurement law and the poorly documented procurement files open them up to legal challenges on their selection of contractors
<b>Corrective Action</b>	Twinington shall revise their procurement policies to include specific procedures that will be followed to document a procurement process. In addition, independent cost estimates must be prepared and cost proposals must be evaluated

<b>Observation 2003-7</b>	
It took almost three months from notifying the contractor that a contract would be awarded to them (Notice of Intent) until a contract was in place.	
<b>Recommendation</b>	Twinington should evaluate their contract award procedures to determine how they can be streamlined.

**Observation 2003-8**

Non-successful bidders were not notified in a timely fashion.

**Recommendation**

TWININGTON should notify non-successful bidders as soon as possible.

**Error 2003-1**

Evaluation forms did not include an explanation as to why points were deducted and all evaluations did not identify the evaluator.

**Recommendation**

Twinington must provide a narrative when points are deducted from a competitive proposal evaluation. In addition, information as to who is rating each proposal must be provided.

**Error 2003-2**

A contract was increased from 200K to 275K without any justification. Pursuant to 24 CFR 85.36 (b)(9), "Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement".

**Recommendation**

TWININGTON must document and justify all procurement actions.

**Error 2003-3**

Maximum billing rates specified in the contract cannot be exceeded.

**Recommendation**

TWININGTON must put into place procedures to ensure they are not overcharged.

**Error 2003-4**

Information about the length of a contract was not provided in the RFP. Pursuant to 24 CFR 85.36 c(3)(i) "...all solicitations: Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured."

**Recommendation**

TWININGTON must provide a clear and concise scope of work, which includes the terms of the contract, for every procurement action.

**Error 2003-5**

The consensus recommendation of the evaluation team was not followed. No explanation of the action taken was provided in the file.

Pursuant to 24 CFR 85.36 (c)(3)(iv), "Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered;"

**Recommendation**

TWININGTON cannot follow a course of action other than was recommended by the evaluation committee without re-evaluation and consensus of the committee.

**Error 2003-6**

All proposals and bids must be date stamped. Pursuant to 24 CFR 85.36 (b)(9), "Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement".

**Recommendation**

Twinington must date stamp all bids and proposals

## 7. CONTRACT ADMINISTRATION

### 7.1 SCOPE

The Housing Authority's files on architect and engineering (A/E) and construction-related contracts utilizing HOPE VI fund were reviewed. The documents examined included change orders, records of negotiation, payment packages, and independent cost estimates. The following contract files were reviewed:

#### **Grant III**

- Twinnington Tech – Comprehensive Modernization of Grant III-B

#### **Grant II**

- Twinnington - A/E Services

#### **Grant I**

- Twinnington Construction – Grant I-B Garage Demolition
- Twinnington Tech – Modernization of Grant I-B

### 7.2 CURRENT HOUSING AUTHORITY PROCESS

Once the contract is awarded, Board approval is required for all contract modifications concerning changes in scope, time, or money. Change orders on awarded construction contracts are typically requested by the Construction Department and routed directly to the Legal Department for review two weeks prior to the next Board meeting.

Once the Legal Department's concerns or questions are addressed, it is forwarded to the Board of Commissioners. The Recommendation typically results in a Board Resolution to modify the contract for the recommended change in scope, additional time, or increase in funds. The Board Resolution is then routed back to the Construction Department, with a copy to the Purchasing and Distribution Department, for action.

### 7.3 EVALUATION OF HOUSING AUTHORITY PROCESS

In general, construction is doing a good job of contract administration; however, change orders are not always being issued before contract expiration. It is difficult to determine why this situation is occurring; however, one likely area is within the board approval process itself. Meeting minutes noted that Board approval is required on all construction modifications regardless of scope, time, or money involved. This is addressed further in Section 2 under General Management, where HUD recommends that the Housing Authority evaluate their current process for issuing change orders/contract modifications and perhaps setting thresholds for Board involvement in the process.

Detailed results of this year's review, by contract, are summarized below:

#### **Grant III-B - Contract 98-05-729**

- Change Order No. 6 was not signed by the contractor.

**Grant II, TWININGTON - Contract 98-10-744**

- Change Order No. 6 was issued on June 5, 2002; however, the contract performance period ended on January 16, 2002.

**Grant I-B Terrace, TWININGTON - Contract 01-05-823**

- The new Record of Negotiation format documents the change order negotiation well, but it should also include the name of the person who negotiated on behalf of the contractor.
- Change Order No. 2 was issued on October 8, 2002; however, the contract performance period ended on August 10, 2002.
- Change Orders are not being issued in a timely manner. When the contractor inquired about the status of a change order on July 30, 2002, the Housing Authority responded that the Board does not meet until September and Board approval is required before the change order can be processed. In addition, the date of the request for proposal for change order No. 2 was January 29, 2002, but it wasn't negotiated until September 11, 2002.
- Payments were labeled as "rejected" without any further explanation.
- The "Delay Log/Construction Management Review" form was not included with each periodical construction payment package (payment 8).

**Grant I-B Terrace, TWININGTON Tech - Contract 01-07-838**

- All independent cost estimates were not dated.
- The "Delay Log/Construction Management Review" form was not included with each construction periodic payment package (payment 9).
- The new version of the "Route Approval Periodical Payment" form is good, as it includes the funding source by line item.

**7.3 DISCOVERIES**

<b>Finding 2003-7</b>	
<b>Condition</b>	Change orders continue to be issued after the contract performance period has ended.
<b>Criteria</b>	Pursuant to Section 14 (A) of the Consolidated Annual Contributions Contract, "Each Construction or Equipment Contract shall require that the work covered thereby shall be completed within the time specified therein and such extensions as may be granted by the HA".
<b>Cause</b>	Not totally known. However, this is occurring at least in part because of the Housing Authority's protracted change order procedures.
<b>Effect</b>	The Housing Authority is violating the terms of the Consolidated Annual Contributions Contract. In addition, the Housing Authority is opening itself up for legal challenges regarding their procurement practices.
<b>Corrective Action</b>	The Housing Authority must determine why this situation continues to occur and develop procedures to prevent this from happening in the future. The Housing Authority should also examine their change order procedures to determine how they can be streamlined.

<b>Error 2003-7</b>	
	Change orders are not being issued in a timely manner
<b>Recommendation</b>	The Housing Authority's procedures must be examined to determine why change orders are not being processed timely. Policies and procedures should be developed to streamline the process.

**Error 2003-8**

A change order was not signed by the contractor.

**Recommendation**

The Housing Authority must ensure that all change orders are signed by TWININGTON and the contractor.

**Observation 2003-9**

Records of Negotiation did not include the name of the person who negotiated on behalf of the contractor.

**Recommendation**

Include the name of the person from the contractor's office who participated in the negotiation in the Record of Negotiation

**Observation 2003-10**

All independent cost estimates are not dated.

**Recommendation**

Independent cost estimates should be dated

**Observation 2003-11**

The "Delay Log/Construction Management Review" form was not included with each periodic construction payment package

**Recommendation**

The Delay Log form should be included with each periodic construction payment

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## **8. PHYSICAL INSPECTIONS**

### **8.1 INSPECTION REPORTS**

#### **8.1.1 SCOPE**

The HUD review team conducted a random check of inspection reports. Inspection reports reviewed included Job Captain Field Reports, Job Progress Meeting Minutes, Meeting Notes, Field Reports, and U.S. Army Corps of Engineers (COE) reports. The following inspection reports were reviewed for the Grant I-B.

- Twinnington Job Captain Field Report, Contract 01-07-838
- Twinnington Progress Meeting Minutes, Contract 01-05-823
- HGF Field Report, Contract 01-07-838
- HGF Meeting Minutes, Contract 01-07-838
- COE Inspection Reports

#### **8.1.2 CURRENT HOUSING AUTHORITY PROCESS**

Daily Inspection reports (Job Captain Reports, Field Reports) are the Housing Authority's historical record of what occurred on the project and are used to keep the Project Manager apprised as to what is occurring on the site. Field Reports are also used as a tool for the Architect to check on project status and determine if there are any design issues. Information from the inspection reports is used to ensure issues are addressed in the progress meetings. The Progress Meeting Minutes serve to continually monitor all issues that arise during construction. Progress Meeting Minutes document problem identification through resolution. Typically, issues in the COE reports have been previously raised in the inspection reports or the Progress Meetings. The Project Manager (PM) reviews the COE reports and prepares responses to any outstanding issues. The Acting Director of Construction is officially responsible for responding to HUD on issues identified in the COE reports.

During the review close-out meeting, the Housing Authority raised the issue that it would be helpful if the COE inspector discussed key issues with the Housing Authority staff on site prior to departing the job site. The rationale was to allow the Housing Authority to be proactive as issues were uncovered and not encounter additional expenses to remedy the situation once the Housing Authority received the official COE report. HUD staff coordinated with the COE and provided the COE a point of contact for each job site to which to discuss any key issues discovered.

#### **8.1.3 EVALUATION OF HOUSING AUTHORITY PROCESS**

In general, the inspection reports contain a very good description of what is occurring on the construction site. In addition, it is apparent from the daily inspection reports that the Housing Authority is concerned about worker safety and actively monitors the construction site to ensure safety issues are being addressed. The progress meeting minutes also contain good documentation of issues and their resolution. However, in the last meeting minutes or the last

daily inspection report, the Housing Authority should document that all outstanding issues were resolved; the files should also include documentation that all punch list items have been addressed. The Housing Authority is also doing a good job of documenting follow-up responses to COE reports.

#### 8.1.4 DISCOVERIES

<b>Observation 2003-12</b>
<p>The last site inspection report or meeting minutes do not document the resolution of all outstanding issues.</p> <p><b>Recommendation</b></p> <p>Final inspection reports and meeting minutes should document correction of all deficiencies. This includes documenting resolution of all punch list items</p>

## 8.2 PHYSICAL INSPECTIONS

### 8.2.1 SCOPE

Grant I-B was inspected on March 26, 2003 and Grant III-B Homes and TWININGTON Village were inspected on March 27, 2003. Inspections were conducted to determine the status of construction activities for projects where construction is not complete or to determine if the Housing Authority is maintaining property in a safe, decent and sanitary condition for completed projects. In addition, units at Grant III-B where exigent health and safety violations were identified by REAC (Real Estate Assessment Center) were inspected to ensure that these deficiencies had been corrected.

### 8.2.2 CURRENT HOUSING AUTHORITY PROCESS

During construction, the Housing Authority has an inspector on-site and Daily Inspection Reports, Field Reports, and Progress Meeting Minutes document the status of construction. For completed projects, the Housing Authority is required to conduct annual inspections of each unit. In addition, REAC conducts annual inspections of random units.

### 8.2.3 EVALUATION OF HOUSING AUTHORITY PROCESS

#### Grant I-B

Grant I-B was inspected to determine the status of construction activities. The Grant I-B garage demolition contract, which was 75 percent during the last HOPE VI inspection, is complete. Building G-40 is nearly complete and is scheduled for occupancy in April 2003. Area B, consisting of buildings B-8, 9, 10, 11, and 12, is in various stages of completion. These five buildings are scheduled for occupancy in August 2003.

## Twinington Village

Twinington Village was a HOPE VI project that was completed in 1997. The grounds and the exteriors of the buildings were inspected to check the quality of maintenance being performed. The condition of Twinington Village has greatly improved from what was observed in the 2002 HOPE VI inspection. Many deficiencies have been corrected including: rusted front awning has been replaced, unit numbers have been moved from the awning to the building exterior, interior fences have been removed, and shingles have been replaced and soffit has been repaired.

There are still a number of deficiencies to be addressed; they include concrete repair, playground repair, removal of graffiti, replacement of damaged screens, grass replacement, and stucco repair. The Housing Authority has scheduled repair of these items, although weather will be a factor in completing a number of them. In addition, trashcans were found to be in poor condition most likely due to damage inflicted during snow removal operations and should be replaced. It was also noted that a downspout was pulling away from the building at 6411 Haltnorth.

## Grant III-B

The following units were inspected at Grant III-B to determine their condition:

- 2541 N. 40<sup>th</sup> Street, Unit 138 – 1 bedroom unit
- 2537 N. 43<sup>rd</sup> Street, Unit 203B – 2 bedroom unit
- 4046 Lee III-B, Unit 124 – 3 bedroom unit
- 2561 N. 43<sup>rd</sup> Street, Unit 224 – 4 bedroom unit

The units were found to be in good condition. The only problems observed were: hot and cold water faucets were reversed in the kitchen at 2537 N. 43<sup>rd</sup> Street (Unit 203B) and the resident in 2561 N. 43<sup>rd</sup> Street (Unit 224) did not have a dryer vent hose installed. The Housing Authority does not provide the washer and dryer units; however, the resident was notified on the importance of attaching her dryer to the vent provided with a dryer hose. The Housing Authority will verify that the resident followed up by installing a dryer hose within 30 days from this report's issuance.

Units identified during the REAC inspection as having exigent health and safety violations were inspected to determine if these items had been corrected.

The following units were inspected and all exigent health and safety violations were corrected.

- 4361 Forestland, Unit 1053 – missing outlet cover plate in bedroom
- 2585 N. 40<sup>th</sup> Street, Unit 1008 - missing smoke detector battery
- 2540 N. 49<sup>th</sup> Street, Unit 1553 – missing outlet cover plate in bedroom
- 2540 N. 51<sup>st</sup> Street, Unit 1606B – missing outlet cover plate in bedroom
- 2500 N. 55<sup>th</sup> Street, Unit 1715B – missing outlet cover plate

### 8.2.4 DISCOVERIES

<b>Observation 2003-13</b>
<p>At Twinnington Village, there are still some outstanding deficiencies from the 2002 HOPE VI inspection that must be corrected. In addition, trashcans were found to be in poor condition and a downspout had pulled away from the building at 6411 Haltnorth</p> <p><b>Recommendation</b></p> <p>Twinnington should ensure that deficiencies scheduled for completion are corrected. In addition, the other two deficiencies should be addressed</p>

**APPENDIX A**

**REVIEW'S SCOPE AND SCHEDULE**



## HUD ANNUAL HOPE VI REVIEW (FY2003) FOR TWININGTON MHA

	<b>Date/Time</b>	<b>Activity</b>	<b>Team Member(s)</b>	<b>Location</b>	<b>Expected Participants</b>
<b>1</b>	Monday March 24 <sup>th</sup> 9:00 am	HOPE VI Opening Meeting	Everyone	TWININGTON Board Room	TWININGTON TWININGTON et.al
<b>2</b>	Monday March 24 <sup>th</sup> 1:00 pm	Review the documentation on file to determine the presence of the following, along with the required supporting documentation, as applicable: <ol style="list-style-type: none"> <li>1. HOPE VI application and applicable NOFA</li> <li>2. Fully executed Grant Agreement and 1044</li> <li>3. Approved Revitalization Plan</li> <li>4. Amendments to Revitalization Plan</li> <li>5. Approved Budget</li> <li>6. Budget revisions</li> </ol>	Sarah (lead)	HR Conference Room	HOPE VI office
<b>3</b>	Monday March 24 <sup>th</sup> 2:00 pm	Review homeownership plans for compliance with statutory and regulatory requirements	Sarah (lead)	HR Conference Room	HOPE VI Office
<b>4</b>	Monday March 24 <sup>th</sup> 3:00 pm	Review for compliance with statutory and regulatory requirements for hazard abatement, including treatment of lead based paint, asbestos, and other abatement issues.	V.S (lead)	Legal Library	Legal Department
<b>5</b>	Tuesday March 25 <sup>th</sup> 9:00 am	Review for compliance with HUD financial management accounting requirements with respect to the Twinington's internal controls for its HOPE VI program, including proration and allocation of charges, and correction of any HOPE VI deficiencies identified in its' annual fiscal audit.	Eagle Eye (lead) Connie	Construction Department Conference Room	Finance
<b>6</b>	Tuesday March 25 <sup>th</sup> 11:00 am	Review payments made for compliance with the Twinington's policies/procedures.	Eagle Eye Connie V.S. Notta	Construction Department Conference Room	Finance Construction
<b>7</b>	Tuesday March 25 <sup>th</sup> 1:00 pm	Review the Twinington's progress in obligating and expending funds and in completing the work set forth in the Revitalization Plan.	Sarah (lead) Eagle Eye	Construction Department Conference Room	Construction Finance
<b>8</b>	N/A	Review acquisition plans for compliance with statutory and regulatory requirements	V.S. (lead) Eagle Eye Connie		HOPE VI Office

## HUD ANNUAL HOPE VI REVIEW (FY2003) FOR TWININGTON MHA

	<b>Date/Time</b>	<b>Activity</b>	<b>Team Member(s)</b>	<b>Location</b>	<b>Expected Participants</b>
<b>9</b>	Tuesday March 25 <sup>th</sup> 3:00 pm	Review Relocation plans for compliance with statutory and regulatory requirements.	Notta (lead)	Construction Department Conference Room	Construction and <del>Resident Services</del> Housing Services
<b>10</b>	Wednesday March 26 <sup>th</sup> 9:00 am	Review the documentation on file to determine the presence of the following, along with the required supporting documentation, as applicable: <ol style="list-style-type: none"> <li>1. Approved Community and Supportive Services Plan</li> <li>2. Amendments to Community and Supportive Services Plan</li> <li>3. Approved Sub-Grant Agreements</li> </ol>	Notta (lead)	Carl B. Stokes Social Services Mall	Resident Services
<b>11</b>	Wednesday March 26 <sup>th</sup> 9:30 am	Review the resident consultation in accordance with the Grant Agreement and any approved plan for resident involvement	Notta (lead)	Carl B. Stokes Social Services Mall	Resident Services
<b>12</b>	Wednesday March 26 <sup>th</sup> 10:30 am	Review Twinington's progress and accomplishments in carrying out the community service portion of the Revitalization Plan.	Notta (lead)	Carl B. Stokes Social Services Mall	Resident Services
<b>13</b>	Wednesday March 26 <sup>th</sup> 11:00 am	Review Twinington's progress and accomplishments in carrying out the supportive Service portion of the Revitalization Plan	Notta (lead)	Carl B. Stokes Social Services Mall	Resident Services
<b>14</b>	Wednesday March 26 <sup>th</sup> 11:30 am	Review compliance with the statutory requirement of the 15 percent match from the City for the provision of supportive services for Grant II Grant	Notta (lead) Sarah	Carl B. Stokes Social Services Mall	Resident Services
<b>15</b>	Wednesday March 26 <sup>th</sup> 9am	Review how TWININGTON uses/distributes inspection reports (A/E, COE, etc.) to determine appropriate use of inspection information.	V.S. (lead)	Construction Department Conference Room	Construction
<b>16</b>	Wednesday March 26 <sup>th</sup> 9 am	Review compliance with Section 3 requirements	V.S. (lead) Sarah	Construction Department Conference Room	Construction <del>Residential Services</del> Purchasing and Distribution
<b>17</b>	Wednesday March 26 <sup>th</sup> 10 am	Review of inspection reports to determine that TWININGTON and/or its Architect has adequately inspected its Revitalization activities to ensure that the physical work is being carried out in accordance with plans and specifications	V.S. (lead)	Construction Department Conference Room	Construction

## HUD ANNUAL HOPE VI REVIEW (FY2003) FOR TWININGTON MHA

	Date/Time	Activity	Team Member(s)	Location	Expected Participants
18a	Thursday March 27 <sup>th</sup> 1:00 pm	Construction Inspections: Inspect the physical work completed and in progress to ensure that the activities undertaken are consistent with the approved budget and Revitalization Plan and are eligible activities. (Grant I-B)	V.S. (lead) Sarah  Sandy	Estates	Construction
19	Thursday March 27 <sup>th</sup> 9:00 am	Review RFQs/RFPs for developers. Confirm the attendance of TWININGTON at HOPE VI procurement training by examining certification issued by HUD.	V.S. (lead)	Purchasing and Distribution Conference Room	Purchasing and Distribution
20	Thursday March 27 <sup>th</sup> 10:00 am	Review for compliance any procurement in process in accordance with the requirements for procurement and contract administration, including change orders and contracts in excess of two years.	V.S. (lead)	Purchasing and Distribution Conference Room	Purchasing and Distribution  Construction
21	Thursday March 27 <sup>th</sup> 1:00 pm	Unit Inspections of completed and occupied units [requires advance resident notification to enable interior inspections to occur (4-Grant III-B II and EHS inspections at Grant III-B I) <u>Specific addresses provided via email 03-20-03.</u>	V.S. (lead)  Sarah Sandy	Estates	Construction and Housing Services
18b	Thursday March 27 <sup>th</sup> 1:00 pm	Construction Inspections: Inspect the physical work completed and in progress to ensure that the activities undertaken are consistent with the approved budget and Revitalization Plan and are eligible activities. (Grant III-B)	V.S. (lead) Sarah  Sandy	Estates	Construction
22	Thursday March 27 <sup>th</sup> 1:00 pm	Maintenance Inspections: Inspect the maintenance and upkeep of developments (TWININGTON and Grant III-B I)	V.S. (lead)  Sarah Sandy	Estates	Housing Services
23	Thursday March 27 <sup>th</sup> 1:00 pm	Quarterly Reports and Locked Checkpoints	Were	Main Board Room	HOPE VI Coordinator
24	Friday March 28, 2003 1:00pm	HOPE VI Close out Meeting	Everyone	TWININGTON Main Boardroom	TWININGTON, et. al.



## **APPENDIX B**

### **CLOSING MEETING AGENDA AND ATTENDEES**



## Agenda

**Date:** March 28,2003  
**Invitees:** HUD and TWININGTON staff  
**Location:** TWININGTON Executive Offices  
**Purpose :** 2003 HOPE VI Review Close-out Meeting

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**General Overview of Issues/Progress**  
Sarah Vrankar, Engineer and Architect

**Finance, Budget Controls and Allocation of Charges, Auditing**  
Eagle Eye Smith, Financial Analyst

**Section 3, Construction and Maintenance, Procurement and Contract Administration**  
V.S. Naipal, Engineer

**Resident Services (Community and Supportive Services), Relocation, Section 3**  
Notta Softie, Public Housing Revitalization Specialist

**HUD Follow-Up Issues Requiring Further HUD Staff Review**  
Sarah Bellum, Architect

**Points of Contact for Further Information:**

Sarah Bellum	Ext. 9128
Eagle Eye Smith	Ext. 9125
V.S. Naipal	Ext. 9122
Notta Softie	Ext. 9219

<b>Close-Out Meeting Attendees</b>		
<b>Name</b>	<b>Division</b>	<b>Phone</b>
Margo Gregorian	Financial Services	555.348.56478 x15
Raymond Marble	Financial Services	555.348.56478 x18
Ted Bidlofski	Construction	555.348.56478 x 5
Dave Parkerz	Construction	555.348.56478 x25
Annie Jones	Purchasing	555.348.56478 x151
Mark Williamson	Purchasing	555.348.56478 x157
V.S. Naipal	HUD	555.556.9088 x9122
Sandy Gage	HUD	555.556.9088 x9192
Connie Shelton	HUD	555.556.9088 x9141
Notta Maresh	HUD	555.556.9088 x9219
Sarah Vrankar	HUD	555.556.9088 x9128
McLaren	HUD	555.556.9088 x9126
Dottie Carr	Housing Services	555.348.56478 x76
Ellec Shorter	Resident Services	555.348.56478 x92
Edie Sedgwick	Construction	555.348.56478 x44
Joe Dellesandro	Construction	555.348.56478 x55
Brandi Wine	Construction	555.348.56478 x50
Edna St. Vincent	HOPE VI Coordinator	555.348.56478 x11
Ima Friend	Resident Services	555.348.56478 x10

**APPENDIX C**

**OPEN DISCOVERIES**

**FROM**

**FY2002 HOPE VI REVIEW**

- Finding 2002-1** Funds dispersed for Budget Line Items exceed the HUD authorized amounts by over 10 percent for all three grants.
- Finding 2002-5** The developer procurement files did not contain all required documentation including: dates when RFP/RFQ were received, packages from all respondents, evaluation forms identifying the name or number of the solicitation, memorandum signed by the evaluation panel recommending award to a specific firm, and documentation showing the basis for a firm being disqualified during the evaluation process.
- Finding 2002-6** Twinington's developer procurement files do not indicate that cost/price proposals were required or evaluated.
- Error 2002-2** Detailed cost estimates must be provided for contracting actions.
- Error 2002-3** Change orders cannot be issued after the contract completion date.
- Error 2002-8** Some change orders took months to execute.