



Issue Date September 27, 2010

Audit Report Number 2010 BO 1010

TO: Donna Ayala, Director, Office of Public Housing, Boston Hub, 1APH

//signed//

FROM: John A. Dvorak, Regional Inspector General for Audit, Region 1, 1AGA

SUBJECT: The Boston, MA, Housing Authority Generally Administered Its Capital Fund Recovery Grant as Required

HIGHLIGHTS

What We Audited and Why

We audited the Boston, MA, Housing Authority (Authority) because it was awarded more than \$33 million in Capital Fund Recovery Grant funds under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and obligated the majority of the grant shortly before the required obligation deadline. Our objectives were to determine whether the Authority (1) obligated the capital fund grant funds it received under the Recovery Act for eligible projects, (2) properly supported obligations, and (3) had adequate management controls governing its obligation process.

What We Found

Overall, the Authority generally obligated capital funds for eligible projects, maintained proper support for the obligations related to the Capital Fund Recovery Grant, and had adequate management controls governing its obligation process.

The Authority also administered its grant in accordance with requirements, and its accounting department maintained proper support and tracking of obligations for more than \$33 million in Recovery Act capital funds. The Authority's Recovery Act initiatives were well underway, and it appeared to be able to expend funding within the timeframe requirements of the Recovery Act.

This report contains no recommendations, and no further action is necessary.

Auditee's Response

We provided Authority officials with a draft audit report on September 23, 2010, and requested a response by September 28, 2010. We contacted the Authority officials for an exit conference on September 24, 2010, to discuss the draft report. The Authority decided forego meeting with us since the report contained no adverse findings.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
The Authority Generally Obligated Capital Funds in Accordance With the Recovery Act and HUD Rules and Regulations	5
Scope and Methodology	7
Internal Controls	8

BACKGROUND AND OBJECTIVES

The Boston Housing Authority (Authority) has 64 developments, a few of which have both Federal and State components. Of the 64 developments, 37 are designated as elderly/disabled developments, and 27 are designated as family developments. The Authority owns and manages some scattered-site properties throughout the city of Boston as well. In total, the Authority manages more than 10,000 units of Federal public housing. The Authority is lead by an administrator who is responsible for the day-to-day operations of the Authority, including the planning, administration, and coordination of all the Authority's programs of housing for low-income families, its business affairs, and its other activities.

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act). The legislation provided \$4 billion in appropriations for the capital fund to carry out capital and management activities for public housing agencies, as authorized under Section 9 of the United States Housing Act of 1937. The Recovery Act required that \$3 billion of the public housing capital funds be distributed as formula funds and the remaining \$1 billion be distributed through a competitive process.

The Authority obligated more than \$33 million in Recovery Act capital funds for the redevelopment of the Washington Street housing site; an energy performance contract for lighting, heating, and water systems; the upgrade and modernization of bathrooms; boiler replacement and upgrades; preparation for the installation of security cameras; roof replacement; securing the building envelope at a housing site; and elevator modernization.

Our audit objective was to determine whether the Authority (1) obligated the capital fund grant funds it received under the Recovery Act for eligible projects, (2) properly supported obligations, and (3) had adequate management controls governing its obligation process.

RESULTS OF AUDIT

The Authority Generally Obligated Capital Funds in Accordance With the Recovery Act and HUD Rules and Regulations

The Authority generally obligated capital funds in accordance with the Recovery Act and U.S. Department of Housing and Urban Development (HUD) rules and regulations. Specifically, the Authority obligated capital funds for eligible projects, obligations were properly supported, and the obligation process had proper management controls.

The Authority Obligated Capital Funds for Eligible Projects

On March 18, 2009, the HUD Office of Public and Indian Housing (PIH) issued Notice PIH 2009-12 (HA), which provided information and procedures for processing Recovery Act capital fund formula grants. On March 18, 2009, HUD awarded the Authority more than \$33 million in Capital Fund Recovery Grant funds. The Authority had until March 17, 2010, to obligate 100 percent of the Capital Fund Recovery Grant, and the Authority met the deadline. The Authority obligated capital funds for (1) redevelopment of the Washington Street housing site; (2) an energy performance contract for lighting, heating, and water systems at 12 public housing sites; (3) the upgrade and modernization of more than 600 bathrooms at three of the Authority's oldest family housing sites—Charlestown, Mary Ellen McCormack, and Old Colony; (4) boiler replacement and upgrades at six public housing sites; (5) preparation for the installation of security cameras in elevators at five family developments and in elevators and lobbies at 24 elderly developments; (6) roof replacement at 10 buildings at Lenox Street and seven buildings at Charlestown housing sites; (7) securing the building envelope at the Walnut Park housing site; and (8) elevator modernization at one family site and six elderly housing sites.

Obligations Were Properly Supported

The Authority maintained proper support for the obligations related to the Capital Fund Recovery Grant. The accounting department maintained proper support and adequately tracked the obligation of more than \$33 million in Recovery Act capital funds it received.

The Obligation Process Had Proper Management Controls

The Authority had a procurement policy, and it was amended in May 2009 to incorporate the necessary updates to bring the Authority into compliance with the Recovery Act and HUD guidance. The Authority generally followed its procurement policy, and contracts were generally properly awarded. We sampled and reviewed four contracts to determine whether the Authority obligated funds in a timely manner. In addition, we reviewed the four contracts to determine whether the projects were eligible to be funded by the Capital Fund Recovery Grant funds. These four projects represented nearly \$15 million of more than \$33 million (45 percent) of the total obligations for the Capital Fund Recovery Grant. The chief procurement officer adequately maintained contract files, which properly documented the contract process.

Expenditures Were Properly Supported

The Authority's accounting department maintained proper support for the expenditures reviewed totaling \$10 million. It also adequately tracked and reported the expenditures of Recovery Act capital funds it had obligated.

Conclusion

Based on our audit, the Authority obligated capital funds for eligible projects, obligations were properly supported, and the obligation process had proper management controls for the more than \$33 million in Recovery Act capital funds. Also, it generally administered its grant in accordance with requirements. The Authority's Recovery Act initiatives were well underway, and it appeared to be able to expend funding within the timeframes of the Recovery Act.

Based on the results of the audit, this report contains no recommendations.

SCOPE AND METHODOLOGY

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our audit between March and August 2010. We completed our fieldwork at the Authority's office located at 52 Chauncy Street, Boston, MA, and 125 Amory Street, Roxbury, MA. In addition, we visited the City of Boston, Boston City Hall, One City Hall Plaza, Boston, MA, and the Boston Redevelopment Authority, One City Hall Square, Boston, MA. Our audit covered the period March 18, 2009, through March 17, 2010, and was extended as necessary to meet our audit objectives.

To accomplish our objectives, we did the following:

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Analyzed the Authority's obligations and disbursements related to the Capital Fund Recovery Grant.
- Interviewed the Authority's staff to learn how Recovery Act funds were obligated.
- Selected a sample of four contracts and reviewed the contracts to determine whether the Authority obligated funds in a timely manner. In addition, we reviewed the four contracts to determine whether the projects were eligible to be funded by the Capital Fund Recovery Grant funds. These four projects represented nearly \$15 million of more than \$33 million (45 percent) of the total obligations for the Capital Fund Recovery Grant.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Policies and procedures to reasonably ensure that grant funds are obligated for eligible projects,
- Policies and procedures to reasonably ensure that obligations are properly supported, and
- Policies and procedures to reasonably ensure that obligations are reported accurately and in a timely manner and Recovery Act capital funds are adequately monitored.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we found no significant deficiencies in the Authority's internal controls that would affect its ability to manage and administer Recovery Act-funded projects.