

Schedule of Federal Audit Findings and Questioned Costs

**Housing Authority of Kittitas County
April 1, 2010 through March 31, 2011**

1. **The Housing Authority's internal controls were inadequate to ensure compliance with federal suspension and debarment requirements for its Public Housing Capital Fund Program.**

CFDA Number and Title:	14.872 Public Housing Capital Fund 14.885 ARRA Public Housing Capital Fund
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	NA
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

Recipients of federal grants are prohibited from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the Housing Authority must ensure the vendor or subrecipient is not suspended or debarred. If a vendor certifies in writing it has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the Federal Excluded Parties List System issued by the U.S. General Services Administration. This requirement should be met prior to the first payment to the vendor.

Description of Condition

During fiscal year 2010, the Authority received \$378,714 in federal Public Housing Capital Fund money.

The Authority paid one vendor \$84,288 with these funds. The Authority stated it checked for suspension and debarment by reviewing the Federal Excluded Party List System prior to awarding the contract. However, the Authority was unable to provide documentation to show it met the requirement.

Cause of Condition

The Authority did not know it had to retain documentation to demonstrate it successfully checked for suspension and debarment for purchases over \$25,000 prior to awarding the contract.

Effect of Condition

Without adequate documentation, the Authority cannot demonstrate it ensured federal funds are paid to vendors or subrecipients that are not suspended or debarred from participating in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency. Subsequent to our review, we verified that this vendor was not suspended or debarred. Therefore, we are not questioning these costs.

Recommendation

We recommend the Authority retain adequate documentation to demonstrate compliance with the suspension and debarment requirements.

Housing Authority's Response

This specific instance occurred at the beginning of the fiscal year (2011) now under audit and the actual contracted work was completed and final payments made before the audit was conducted for the previous (2010) fiscal year. This issue surfaced during the audit of 2010 and carried forward to the 2011 fiscal year. Housing authority staff was checking the Suspension and Debarment web sites (www.elps.gov – Excluded Parties List System) but not retaining a printed copy of the website page announcing that 'Your search returned no results.' Since this instance was at the beginning of the 2011 fiscal year and the contracted work was completed and payments made at least two months prior to the commencement of the previous year's (2010) audit Housing Authority staff did not return to the ELPS website and print out an 'after-the-fact' confirmation. Housing Authority staff is now checking the ELPS website and printing out the resultant page for each contractor with whom the housing authority works.

Auditor's Remarks

We thank the Authority officials and personnel for their assistance and cooperation during the audit. We will review the status of the finding during our next audit.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

Section .300

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

Title 24, Code of Federal Regulations, Section 85.42 - Retention and access requirements for records.

(a) Applicability.

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement . . .

(b) Length of retention period.

(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.