The Honorable Samuel R. Pierce, Jr.
Secretary of Housing and Urban Development

Dear Mr. Secretary:

Subject: HUD's Oversight of Procurement by Public Housing Authorities Needs Strengthening. (PLRD-81-68)

This report summarizes the results of our review of selected housing authorities' procurement practices. We visited six housing authorities in Pennsylvania, Louisiana, Texas, and Missouri to evaluate the adequacy of their procurement of goods and services and the procurement assistance and monitoring the Department of Housing and Urban Development (HUD) was providing.

In summary, we found that personnel responsible for procurement at the six housing authorities frequently lacked the skills and knowledge about the techniques needed to make efficient and economical buys. As a result, there was no assurance that competition was being obtained to the maximum extent feasible or that payments were being made for goods actually delivered or for services actually performed. We also found that your agency's periodic reviews of the authorities' procurement practices did not disclose the situations we found. We believe this happened because HUD's guidance is much too general to its staff charged with making these periodic reviews.

Although we had developed only a few examples of the bad effect resulting from the poor procurement practices, we believed that the lack of procurement skills and techniques and the failure of HUD audits to disclose these problems needed prompt attention and action. Therefore, early in our review, we brought our findings to the attention of the Acting Deputy Assistant Secretary for Public Housing and Indian Affairs. The Acting Deputy Assistant Secretary agreed with, and responded quickly and constructively to, our observations and stated that the following actions were underway or would soon be started:

--A procurement handbook had been drafted for the authorities' use and would soon be issued.

--A procurement training program will be developed.
--HUD will make sure that procurement is covered during management reviews which deal with detecting fraud and abuse.

We held one final discussion with HUD officials on July 15, 1981. Then, we presented our observations to the Assistant Secretary for Housing who reiterated the corrective actions being taken. He proposed to have HUD personnel develop model procurement systems for small, medium, and large authorities that the authorities could adapt to their own needs.

Because of the actions underway or planned by HUD, we decided further work by us was not warranted. Therefore, we concluded our audit without fully developing the effects of the poor procurement practices of the authorities.

We appreciate the cooperation and responsiveness of the HUD officials with whom we dealt. So that we can be kept abreast of the corrective actions being taken, we would appreciate receiving a written status report within 6 months.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations and on the Budget, House Committee on Government Operations, and Senate Committee on Governmental Affairs, and to the Director, Office of Management and Budget.

Sincerely yours,

Donald J. Horan
Director