

Internal Audit Department  
NeighborWorks® America

Audit Review of  
EHLP Management of Vendor Contracts

Project Number: EHLP.2013

## Audit Review of the EHLP Management of Vendor Contracts

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May 15, 2014

To: NeighborWorks America Audit Committee

Subject: Audit Review of the EHELP Management of Vendor Contracts

Please find enclosed the final audit review report of the EHELP Management of Vendor Contracts process. Please contact me with any questions you might have. Thank you.

Frederick Udochi  
Chief Audit Executive

Attachment

cc: C. Wehrwein  
T. Bloom  
J. Bryson  
J. Fekade-Sellassie  
N. Harmon

**Function Responsibility and Internal Control Assessment**  
**Audit Review of the EHLP Management of Vendor Contracts**

Business Function Responsibility	Report Date	Period Covered
Emergency Homeowner's Loan Program (EHLP)	May 15, 2014	October 2010 - January 2014
<b>Assessment of Internal Control Structure</b>		
Effectiveness and Efficiency of Operations	<b>Generally Effective<sup>1</sup></b>	
Reliability of Financial Reporting	<b>Generally Effective</b>	
Compliance with Applicable Laws and Regulations	<b>Not Applicable</b>	

This report was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

<sup>1</sup> **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

**Executive Summary of Observations, Recommendations and Management Responses**

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p><b>Observation No. 1 – The sole-source memo for HOPE LoanPort did not sufficiently justify the vendor selection process</b></p> <p>The Cooperative Agreement between NeighborWorks and HUD specifies that Code of Federal Regulations (CFR) 2 Parts 215, 230, and OMB Circular A-133 are applicable in the procurement of vendors and contractors for EHL. A sole-source exception memo was written and was approved by the CFO and COO to contract with HOPE LoanPort (HLP), but Internal Audit notes that the sole-source memo did not contain information sufficient to satisfy the following:</p> <ul style="list-style-type: none"> <li>• Cost/Price Analysis;</li> <li>• Basis for Contractor Selection;</li> <li>• Justification for lack of competition; and</li> </ul>	<p align="center">Yes</p>	<p><b>Recommendation No. 1 Administrative Manual Update</b></p> <p>The Administrative Manual should be updated to emphasize and specify the documentation requirements that support procurement actions on all future contracts in excess of \$20,000 by ensuring:</p> <ul style="list-style-type: none"> <li>- A documented comparative analysis of the proposed costs of the contract to establish reasonableness, as measured against either alternative quotations/proposals, known market costs or comparable alternative projects;</li> <li>- Sufficient justification for contracts awarded on a sole-source basis; and</li> <li>- An appropriate basis for the contracted price and vendor selection.</li> </ul> <p>Internal Audit is aware of the fact that management will be</p>	<p align="center">Yes</p>	<p>The Administrative manual will be updated to reflect the items noted by Internal Audit for sole source contracts.</p> <p>Management agrees with the recommendation and agrees that the sole-source memo did not contain the items identified by internal audit. However, federal contracting regulations requiring full and open competition include a number of exceptions to these requirements for example where there is only one responsible source and no other supplies or services will satisfy agency requirements. See Federal Acquisition Regulations sections 6.302-1. At the time of</p>	<p align="center">12/31/2014</p>	<p>Internal Audit accepts Management's response. However, Internal Audit is of the opinion that in order to obtain assurance that there was only one player in this industry it would have required some external solicitation for bids to ensure HLP was the only player.</p>

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<ul style="list-style-type: none"> <li>Basis for award cost/price.</li> </ul> <p><b>Risk Rating:</b> (b)</p>		<p>commencing comprehensive changes to the Procurement function, which should take into account the recommendation stated above, but this should serve as further emphasis on the need to review the current documentation requirements in place most especially for sole source contracting. The specific elements of sufficient documentation requirements should be explicitly spelled out in the revised policies and procedures currently underway by management.</p>		<p>the engagement and still today, there is no competing entity to HLP in the marketplace. HLP was created in response to the foreclosure crisis to establish transparency in communication between counselors and servicers because no other neutral service like this existed and many, many challenges for homeowners existed due to these hand-off issues. At the time of the EHLP engagement, it was (and remains today) the only such service with active participation and a critical mass of both counseling agencies and national servicers. Management agrees however that the memorandum approving the use of HLP did not explain that ELP was the only responsible source for the engagement. Sole</p>		

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
				<p>source contracts are permitted where there is an unusual and compelling urgency that precludes full and open competition. These solicitations require written justification that includes an estimate of the services and estimated dollar value; a demonstration that the proposed contractor's unique qualifications or the nature of the acquisition require use of the exception; efforts made to solicit offers from as many potential sources as is practicable; the action, if any, the agency may take to overcome barriers to competition for any subsequent acquisitions; a determination by the contracting officer that the anticipated cost will be fair and reasonable; and a description of the market research</p>		

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
				conducted and the results or a statement of the reason market research was not conducted. See FAR 6.303.		
<p><b>Observation No. 2: Reasonableness of Costs for HOPE LoanPort</b></p> <p>Ensuring cost reasonableness, along with allowability and allocability are important aspects of adherence to Chapter 2 CFR Part 230 (formerly OMB Circular A-122). However, based on review of the deliverables outlined within the HLP task orders and the various cost categories associated with the deliverables presented, the following are examples of costs that did not pass the reasonableness test performed by Internal Audit:</p> <ul style="list-style-type: none"> <li>- Web Hosting (\$679,000) and</li> <li>- Development (\$595,000)</li> </ul> <p><b>Risk Rating:</b></p>	Yes.	<p><b>Recommendation No. 2A: Comparative Analysis of Cost Reasonableness</b></p> <p>Internal Audit recommends that for all vendor contracts in excess of \$20,000, Management document a comparative analysis of the proposed costs of the contract / task order in order to establish the reasonableness of proposed costs as measured against either alternative quotations / proposals, known market costs / indicia or other comparable alternative projects. The appropriateness of this analytical approach and findings should also be agreed to by the prospective procurement officer and technical expert (see recommendation 2C). This requirement should also be</p>	2a. Yes	2a. The Administrative manual will be updated to reflect the items noted by Internal Audit.	2a. 12/31/14	Internal Audit accepts Management's Response.



Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
(b) (4)		<p>reflected in the Administrative Manual.</p> <p><b>Recommendation No. 2B: HOPE LoanPort Cost Structure</b>  Internal Audit also recommends that once a comparative analysis of cost reasonableness over HLP charges has been completed, Management formulate and implement a strategy to bring future costs (e.g., for hosting, personnel, technical support, etc.) in line with prevailing market prices.</p>	2b. Yes	<p>2b. Management agrees to conduct its own comparative analysis of HLP costs and, if it finds that reasonableness is not established, will consult with HUD (EHLP program administrator) and OGC about whether adjustments can be made going forward because the contract has already been executed and the budget has already been approved and deliverables/costs have been established and agreed upon. Management worked to contain costs associated with this contract. The original budget presented by HLP of \$4.7 million was questioned by NeighborWorks and HUD, resulting in a downward budget adjustment of over \$1</p>	2b. Analysis to be completed by October 31, 2014. If reasonableness is not established, consult with HUD and OGC and plan regarding future adjustments by December 31, 2014.	

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
		<p><b>Recommendation No. 2C: Engage Information Management or Technical Experts</b>            Internal Audit recommends that Program Management engage the Information Management department or technical experts in the full life cycle of projects with technology or specialized components to assess the reasonableness of costs incurred, compliance with</p>	2c. Yes	<p>million (more than 20% off the original proposal), to less than \$3.7 million. The budget was further adjusted down to \$3.079 million to reflect (a.) that although HLP had to build a system to process over 40,000 initial applications, far fewer than expected eventually became approved loans and (b.) the project was extended and HLP functionality needed to be maintained for an additional two years.</p> <p>2c. Although the SVP of Information Management was involved in contract negotiations with HLP in the past, he was not involved in the full life cycle of the project. The new Acting SVP of Information Management is now and will continue to be involved as described in recommendation 2c.</p>	2c. Immediately (already implemented).	

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
		the corresponding contracts, satisfaction of deliverables, and adherence to applicable standards.				

**Risk Rating Legend:**

**Risk Rating: HIGH**

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

**Risk Rating: Moderate**

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

**Risk Rating: Low**

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

<b>Management Response to Audit Review EHP Management of Vendor Contracts</b>		
<b># Of Responses</b>	<b>Response</b>	<b>Recommendation #</b>
2	Agreement with the recommendation(s)	1, 2A, 2B, and 2C
0	Disagreement with the recommendation(s)	N/A

## Background

In October 2010, the U.S. Department of Housing and Urban Development (HUD) publicly announced the Emergency Homeowner's Loan (EHL) Program and also stated that NeighborWorks America would be a key partner in the program's implementation. The primary purpose of the program was to mitigate foreclosures for homeowners that have experienced involuntary reductions in income. The EHL assistance could cover up to \$50,000 per homeowner, in monthly payments and arrearages, through deferred payment bridge loans. A Cooperative Agreement with NeighborWorks was signed in May 2011. Currently the total budget for the EHL program is \$27.8 million, with loan assistance projected to conclude in March 2015 and the overall performance period to conclude by January 2016.

Over 43,000 eligible pre-applicants were submitted by counseling agencies. Of these approximately 12,400 (29%) customer case files were initiated and 6,098 (14%) homeowner applications were forwarded to the Fiscal Agent for review and processing. Ultimately, approximately 2,770 applicants received EHL assistance.

Approximately 35% of the combined committed amount was budgeted for administrative overhead and would cover a range of services needed to support the program, such as training, quality control reviews, implementation of information systems and program administration. While some of these activities would be performed directly by NeighborWorks staff, the majority was contracted out to vendors. It is the management of these contracts that is the focus of this Internal Audit review.

The administration of vendor contracts and related costs under the program are subject to the provisions of the Code of Federal Regulations (CFR) 2 Part 215<sup>2</sup> ("Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", formerly A-110), 2 CFR Part 230 ("Principles for Non-Profit Organizations", previously A-122), and A-133<sup>3</sup>. Responsibility for adherence to these provisions rests primarily with NeighborWorks America.

NeighborWorks Management contracted with HOPE LoanPort, Inc. (HLP) on a sole-source basis<sup>4</sup> to support the EHL program.

The primary purpose of the contract with HLP was to implement an information system that would support the administration of the EHL borrower applications for assistance and tracking of all EHL loans throughout the life of the program. The system would capture borrowers' key documentation, support case analysis, and help manage and track the flow of documentation and related business events between the housing counselors and the fiscal agent. The system would also perform processing and tracking of approved cases over time

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<sup>2</sup> OMB Circulars A-110 is now officially 2 CFR Part 215, and A-122 is 2 CFR Part 230. Note that the Cooperative Agreement also makes reference to HUD Part 84, which is HUD's codification of OMB A-110 / 2 CFR Part 215 and its content is virtually identical.

<sup>3</sup> The Cooperative Agreement with HUD specifically requires adherence to these regulations.

<sup>4</sup> HUD made reference to this in its contract with NeighborWorks (Article VIII – Reporting, (F) (iii)) as follows: "HUD acknowledges that Grantee has engaged HOPE LoanPort as a Contractor on a sole source basis in order to meet the requirements of this engagement."

and provide monitoring and reporting capabilities to both NeighborWorks and HUD. In November 2010, NeighborWorks proposed and introduced HLP to HUD for consideration of the contractor's participation in the Program. The following month, HUD publicly announced that HOPE LoanPort would perform one of the "critical 'front-line' functions" assigned to NeighborWorks and would be responsible for the transmission of application packages to the Fiscal Agent for processing.

The contract with HLP for EHLP has been executed through two task orders to date and a contract modification. Task Order 1 (approximately \$412K executed May 20, 2011) was to extend through July 31, 2011, at which point the application was practically in production<sup>5</sup> for most users, including the counseling agencies. Task Order 2 (which superseded Task Order 1), at approximately \$3.7 million, was effective October 2011 and was expected to extend through December 2013 (with a recent 2013 contract modification resulting in a reduction to \$3.08 million). HLP, in turn, subcontracted (b) (4) to perform software development and technical / production support for EHLP.

## **Objective**

The objective of this audit project was to:

- Obtain assurance on the design and implementation of the procurement process for EHLP vendor contracts; and
- Confirm operating effectiveness of the EHLP vendor contract management process.

## **Scope**

The scope of this audit covered the following areas:

- Procurement policies, processes, and procedures employed by EHLP in the solicitation, selection, and management of vendors contracts;
- Purchases effected by EHLP to date;
- Vendor selection (bidding/tender activities undertaken, request and review of quotations, price and cost analysis);
- Management of contract execution;
- Vendor post-delivery evaluations; and
- Compliance with applicable regulatory requirements (2 CFR Parts 215 and 230).

## **Methodology**

An introductory meeting was held on July 24, 2012. EHLP Management asserted that EHLP procurement was executed in accordance with standard NeighborWorks procurement policy. EHLP Management also identified the three largest vendors (by total EHLP charges) and provided summaries of expenses during FY 2013.

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<sup>5</sup> The HLP was in production and supporting intake sessions for the counseling agencies only six calendar days later.

Internal Audit reviewed applicable procurement requirements detailed in Code of Federal Regulations and NeighborWorks Administrative Manual (version August 2012).

Internal Audit also obtained a list of expenses charged to FY 2013 and judgmentally<sup>7</sup> selected a sample of vendors and underlying transactions for testing. Related contracts, invoices, and charges were reviewed and documentation supporting the selection of vendors for the larger contracts was examined. Within the scope of our review, we did not identify any contractual issues regarding any EHLP vendors other than HOPE LoanPort; however, it should be noted that HOPE LoanPort represented the majority<sup>8</sup> of vendor charges to EHLP during the period examined.

## **Observations and Recommendations**

### **Observation No. 1: The sole-source memo for HOPE LoanPort did not sufficiently justify the vendor selection process**

The Cooperative Agreement between NeighborWorks and HUD, specifies that Code of Federal Regulations (CFR) 2 Parts 215, 230, and OMB Circular A-133 are applicable in the procurement of vendors for EHLP. Management entered into a sole-source contract with HOPE LoanPort and documented its justification in a sole source exception memo, which was approved by the CFO and COO to justify the uniqueness of the services that HLP. Based on the review conducted of the memo representing Management's justification for selection, Internal Audit notes that the memo did not adequately document the following requirements were satisfactorily met when selecting and contracting with the vendor HOPE LoanPort:

- **Cost/Price Analysis and Basis for Award Cost/Price** - Procurement provisions of 2 CFR Part 215 require that some form of cost or price analysis be made and documented in the procurement files in support of the reasonableness, allocability, and allowability of the costs incurred with the procurement action. Internal Audit notes that sufficient documentation was not maintained to support that this analysis was conducted prior to the execution of the task orders for HOPE LoanPort (HLP).
- **Basis for Contractor Selection/Justification for Lack of Competition** - In May 2011, Management signed a Memorandum supporting its justification for lack of competition, and identified insufficient time as a determining factor for a sole-source selection. However, upon further analysis and inquiries with Management, documentation supported that as early as October 2010, Management had begun engaging with HLP for the EHLP system and by November 2010, Management had introduced HLP to HUD as a proposed vendor with an existing software platform that could be enhanced to support EHLP.

In summary, the documented justification appears to be incomplete in that it did not present a clear and representative account of the circumstances leading to HLP's selection and the resulting justification for the cost of the award.

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<sup>7</sup> Higher probabilities of selection were assigned to those vendors with higher contract values.

<sup>8</sup> Over 60% of non-grant vendor charges (excluding NWA Staff Time) to EHLP from Oct 2012 – July 2013.

### **Recommendation No.1A –Administrative Manual Update**

The Administrative Manual should be updated to emphasize and specify the documentation requirements to support procurement actions on all future contracts in excess of \$20,000 by ensuring:

- A documented comparative analysis of the proposed costs of the contract to establish reasonableness, as measured against either alternative quotations/proposals, known market costs or comparable alternative projects;
- Sufficient justification for contracts awarded on a sole-source basis; and
- An appropriate basis for the contracted price and vendor selection.

Internal Audit is aware of the fact that management will be commencing comprehensive changes to the Procurement function over a specified threshold which should take into account the recommendation stated above, but this should serve as further emphasis on the need to review the current documentation requirements in place most especially for sole source contracting. The specific elements of sufficient documentation requirements should be explicitly spelled out in the revised policies and procedures currently underway by management.

### **Observation No. 2: Reasonableness of Costs for HOPE LoanPort**

Ensuring cost reasonableness, along with allowability and allocability are important aspects of adherence to Chapter 2 CFR Part 230 (formerly OMB Circular A-122). However, based on review of the deliverables outlined within the HLP task orders and the various cost categories associated with the deliverables presented, the following are examples of costs that did not pass the reasonableness test performed by Internal Audit:

- **Web Hosting** (b) (4): (\$679,000) HLP had initially budgeted the cost of web hosting at \$10,000 – \$15,000/month but recently raised this to \$20,000/month. However, market prices to host an application similar to HLP (and with similar features and capacity/resource requirements<sup>9</sup>) are in the neighborhood of \$2,000 – \$2,700/month<sup>10</sup>. The current monthly bill rate of \$20,000 represents about 850% this expected level<sup>11</sup>. Although HLP had originally committed that the “EHLP program will have its own dedicated server environment and the server will be hosted by (b) (4) a third party vendor,”<sup>12</sup> HLP hosted the EHLP application in an environment shared

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<sup>9</sup> HLP for EHLP processed a very small number of client cases (12,400 completed or initiated, although each case could comprise documentation amounting to several hundred scanned pages) and the number of users also quite small (less than 1,200 active users); it is estimated that the following configuration would probably suffice for EHLP, including redundancy and security features: 300 GB HD storage, bandwidth of 5 Mbps (with 100 Mbps Burst capacity), and 8 virtual CPUs with 30GB RAM, Windows IIS Operating System, ASP.NET, MS SQL Server, backups, security services /firewall, load balancing, among other attributes.

<sup>10</sup> This was quoted for a cloud-based managed solution (pre-negotiated / list price level) from the very same hosting provider (b) (4) that houses HLP. The actual cost would be approximately \$2.1K/month after negotiations. (b) (4) also quoted approximately the same monthly rate for a dedicate server environment, but would include an additional cost of \$0.10 – 0.12 per GB of bandwidth employed each period.

<sup>11</sup> The unit cost is also dramatically higher than for the \$65,000 per year currently paid by NeighborWorks to host (b) (4), which supports on the scale of 1,000 times as many client accounts and at least 10 times as many users.

<sup>12</sup> HLP’s proposed Project Budget Option 4, which formed the basis of Task Order 2.



with other non-EHLP applications (and hosted with another vendor). Based on review of the HLP consolidated invoices, HLP allocated costs to EHLP and billed the program accordingly. However, based on the dollar amounts billed and the specific server resources that HLP allocated to EHLP, there is significant question as to whether these allocations and billings have been performed fairly and reasonably<sup>13</sup>.

- **Development** (\$595,000): There were approximately (b) base enhancement development deliverables plus (b) additional fixes and enhancements, outlined in the task orders. The corresponding cost appears to be high relative to the functional requirements agreed with HLP to support just one business process. For example, the labor hours contracted for HLP development totaled approximately 4,500 hours to just enhance the HLP application for EHLP; however, based on inquiries with independent sources, Internal Audit is of the opinion that the total development labor hours to build and implement the required functionality from the ground-up should have fallen within a range of 1,050 – 3,400 hours. In addition, the hourly blended rate of approx. \$130 per hour appears to be more than 200%<sup>14</sup> the average/blended retail rate that would more likely be charged for similar development work with a significant portion being performed offshore.

Based on our sample reasonableness tests of some of the budgeted costs, and even providing for some allowance, these costs would probably be considered inordinate. It appears that staff reviewing the billings were not equipped with the information<sup>15</sup> necessary to determine if charges were reasonable or adequate in the current circumstances.

**Recommendation No. 2A - Comparative Analysis of Cost Reasonableness for HOPE LoanPort**  
Internal Audit recommends that for all vendor contracts considered in excess of \$20,000, Management document a comparative analysis of the proposed costs of the contract/task order in order to establish the reasonableness of proposed costs as measured against either alternative quotations/proposals, known market costs/indicia or other comparable alternative projects. The appropriateness of the analytical approach and findings should also be agreed to by Management and the prospective procurement officer. This requirement should also be reflected in the Administrative Manual.

#### **Recommendation No. 2B – HOPE LoanPort Cost Structure**

Internal Audit also recommends that once a comparative analysis of cost reasonableness over HLP charges has been completed, Management formulate and implement a strategy to bring

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<sup>13</sup> For example, HLP is billing EHLP \$1,100 / month for load balancing, equivalent to 2,200% the level that (b) (4) would normally bill for an application this size. It is also billing EHLP \$3,050 per month for backup services, about 850% that which would be billed by (b) (4).

<sup>14</sup> Using data gathered from various vendors, Internal Audit developed a cost model to calculate an expected hourly average/blended rate for development. We allowed the average rate for software development (performed primarily offshore) to range between \$25 and \$85 (with a “most likely” value of \$45), while the cost of requirements gathering and oversight (performed in the U.S.) to range between \$75 and \$150 per hour (with a “most likely” value of \$110), resulting in a calculated hourly blended rate of \$65.

<sup>15</sup> A price / cost analysis, as described earlier, would have been most useful to support this process.

future costs (e.g., for hosting, personnel, technical support, etc...) in line with prevailing market prices.

**Recommendation No. 2C – Engage Information Management or Technical Experts**

Internal Audit recommends that Program Management and the prospective procurement function engage the Information Management department or technical experts in the full life cycle of projects with technology components (particularly those in excess of \$20,000) to assess the reasonableness of costs incurred<sup>16</sup>, compliance with the corresponding contracts, validate deliverables are being met, and adherence to applicable standards.

**Conclusion**

We thank the EHLP team for its support of our work on this project. Internal Audit acknowledges that Management has recently taken on the task of establishing a centralized procurement officer with its current search for a Senior Director of Procurement. Internal Audit notes that the centralized procurement function coupled with implementation of the recommendations noted above will improve the overall internal control environment by aligning enhanced policies and procedures with oversight and technical expertise.

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<sup>16</sup> This refers to Information Management or technical experts with a working knowledge of reasonable costs / fair market unit pricing of the items being procured to assess costs.

Attachment A – HOPE LoanPort Budget *(as of January 2014)*

<u>HOPE Loan Port</u>	<b>Budget Amount (\$)</b>
(b) (4)	
<b>HLP Total</b>	<b>\$ 3,079,000</b>

# Attachment B – EHLP Administrative/Overhead Expenses

(October 2012 – July 2013)

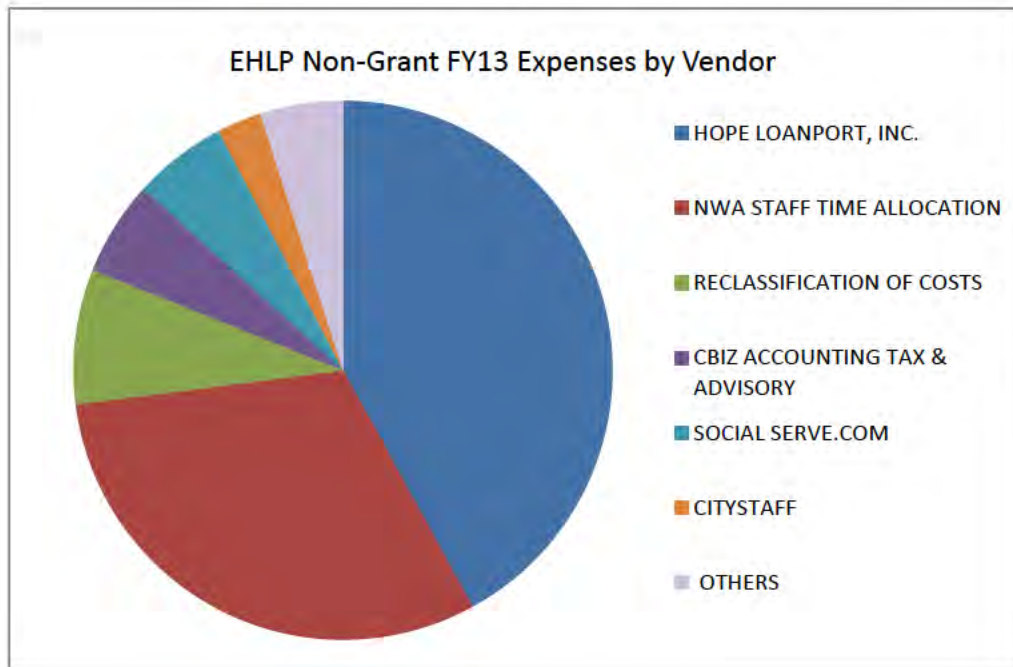


Figure 1 - EHLP Administrative / Overhead Expenses: By Category / Vendor, FY 2013 through July 2013 by Category / Vendor