



U.S. Department of Housing and Urban Development
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April 10, 2012

MEMORANDUM NO.:
2012-FW-1803

MEMORANDUM FOR: Donna Wickes, Director
Community Planning and Development, 6ID

FROM: //signed//
Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: Corrective Action Verification
City of Tulsa – Community Development Block Grant
Land Use and Program Income
Audit Report 2008-FW-1012

SUMMARY

The Director of the U. S. Department of Housing and Urban Development's (HUD) Oklahoma City Office of Community Planning and Development requested that we perform a corrective action verification of recommendation 1B in audit report 2008-FW-1012, The City of Tulsa, OK, Allowed Its Largest Subrecipient To Expend \$1.5 Million in Unsupported CDBG Funding.¹ We expanded the review to include recommendation 1C. The purpose of the review was to determine whether HUD closed recommendations 1B and 1C in accordance with requirements and actions taken to resolve the underlying findings.

Based upon the evidence reviewed, HUD closed the recommendations before the City of Tulsa required the Tulsa Development Authority to implement specific plans to dispose of land purchased with Community Development Block Grant (CDBG) funds and remit program income earned on the land. The Authority still held land valued at more than \$3.1 million without specific plans for its use and retained at least \$42,000 in program income. In addition, the Authority did not provide supporting documentation to ensure that it correctly computed and remitted program income to the City for two properties which it sold.

Instead of reopening recommendation 1B, we recommend that HUD require the City to repay HUD the higher of the current cost or market value for the land the Authority still holds and either support or repay more than \$2 million for the two properties it sold without supporting calculations of program income remitted. Due to the inability of the City to use these funds for eligible CDBG activities, the City should return the funds to HUD. HUD should also require the

¹ Issued August 4, 2008

City to report monthly on its actions to return the funds and obtain prior HUD approval before funding future land acquisitions with CDBG funds. Further, HUD should reopen recommendation 1C concerning the remittance and use of program income.

We provided the City and HUD with our draft report on March 8, 2012. We held an exit conference with the City and HUD on March 15, 2012. The City provided its written response on March 28, 2012. The City generally agreed with the finding; however, it provided additional information contradicting previously supplied information and information purportedly supporting the allocation of the reimbursement for the ballpark. The City's response and our evaluation of the response are located in Appendix B. The City's response included attachments that are available upon request.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-4. Please furnish us copies of any correspondence or directives issued because of the audit.

SCOPE AND METHODOLOGY

We performed a corrective action verification review of recommendations 1B and 1C of audit report 2008-FW-1012, issued August 4, 2008. We performed the review at our office in Oklahoma City, OK, and the City and Authority's offices in Tulsa, OK. We performed the review from November 2011 to February 2012. Our review period included August 2008 through November 2011.

To accomplish our objective, we

- Reviewed audit report 2008-FW-1012 and supporting work papers;
- Reviewed HUD management decisions and the documentation used to close recommendations 1B and 1C;
- Reviewed relevant HUD rules and regulations;
- Reviewed the City's actions to address the findings;
- Reviewed the Authority's disposition plans;
- Compared the Authority's land listing obtained during the audit to the land listing provided for this review;²
- Interviewed HUD, City, and Authority staff; and
- Selected a sample of Authority land that was held for resale, sold, transferred, and categorized as non-CDBG but previously listed as CDBG.

From the 84 properties³ that the Authority listed as having been sold, transferred, or categorized as non-CDBG but previously listed as CDBG, we nonstatistically selected 7 properties, with a book value of \$483,170, to review. We selected two properties that were sold with the highest book value; three properties with the highest book value that were transferred to the City due to

² The Authority provided conflicting information during the audit and this review.

³ Book value of \$5,763,050

their being in a flood plain, park, or remnant piece of property; and the two properties listed as non-CDBG that were previously listed as CDBG.

From the 80 properties that the Authority listed as having been held for resale,⁴ we nonstatistically selected 9 properties, with a book value of \$293,000. We selected one property with the highest book value from the City's Pearl District, two properties listed as land available for sale (third and fourth highest book values), one property listed as RFP [request for proposal] single family with the highest book value, one property listed as land currently under contract with the highest book value, and the four properties that were on the Authority's current list but not on the list provided during the audit.

BACKGROUND

Our August 4, 2008 report concluded that one of the City's subrecipients, the Authority, did not expend CDBG funds in accordance with requirements. Specifically, the Authority could not support more than \$1.39 million in salary expenditures, supplies, and other expenses and had accumulated property since the 1960s without specific disposition plans. In addition, the City underreported program income, did not perform environmental reviews, and did not monitor the Authority. Since our audit, the City had not provided additional CDBG funding to the Authority for property acquisition. Additionally, the CDBG subrecipient agreement between the City and Authority expired in September 2007. Therefore, the City and Authority did not have an updated agreement concerning the use of this CDBG funding.

In November 2011, HUD requested that we perform a review to determine whether the City required the Authority to implement its disposition plans as recommended in our report. We agreed to perform a corrective action verification of the following recommendations from the report:

1B. Require the Authority to develop and implement specific plans for its future CDBG acquisitions and currently owned CDBG properties that will benefit the low- to moderate-income community as a whole and individually, which would put \$8,982,150 to better use.

1C. Determine what properties the Authority purchased with CDBG funds and report program income earned from these properties as HUD requires and in accordance with the contract between the City and the Authority and ensure that the City expends the program income for eligible expenses.

HUD's management decision for recommendation 1B was for the Authority to develop specific plans for currently owned CDBG properties and future CDBG acquisitions and submit the plans to HUD before implementation. We concurred with HUD's management decision on November 24, 2008. The City provided the Authority's disposition plans on August 21, 2009. HUD closed the recommendation on November 20, 2009.

⁴ Book value of \$3,122,900

HUD's management decision for recommendation 1C was for the City to provide quarterly reports of program income generated from properties purchased with CDBG funding for 12 months. We concurred with HUD's management decision on November 24, 2008. The City provided 12 months of program income data. HUD closed the recommendation on November 10, 2009. Since the recommendation included all of the Authority's property, the program income recommendation should have remained open until the Authority disposed of all its properties.

RESULTS OF REVIEW

The City did not fully implement the recommendations requiring the Authority to develop and implement specific plans to dispose of its CDBG properties and properly report program income. Despite the City not fully implementing the recommendations, HUD closed the recommendations in November 2009.⁵ As a result, the Authority retains ownership of at least 80 CDBG-funded properties valued at more than \$3.1 million,⁶ with vague plans for final use. Finally, the Authority did not remit at least \$42,000 in program income after it sold a CDBG-funded property.

The Authority did not develop and implement specific disposition plans that met CDBG national objectives. The Authority's CDBG disposition plan had an objective to reduce its land inventory by 20 percent each year until it no longer held any CDBG properties (December 31, 2014). This plan was provided to HUD and used to close the recommendation. However, on November 30, 2011, the Authority developed a new CDBG disposition plan without notifying the City.⁷ In the new plan, the Authority planned to reduce its land inventory by 30 percent by December 31, 2012. While the old plan HUD used to close the recommendation stated it would meet CDBG national objectives by benefiting the low- to moderate-income community, the new plan did not. The Authority did not indicate how it would meet the objectives. In addition, it is uncertain whether the Authority will be able to dispose of the property in the timeframe stated in either plan.

The 16 sample properties reviewed consisted of 7 properties that were sold, transferred, or categorized as non-CDBG but previously listed as CDBG and 9 properties that were held for resale.

⁵ Five years before the planned disposition date on the Authority's CDBG disposition plan

⁶ Listing of the Authority's land held for resale, dated November 30, 2011

⁷ We requested these documents with a due date of December 1, 2011.

Table 1. Land sold or transferred or non-CDBG land

	Address	Date acquired	Date of disposition ⁸	End use
1	2518 N. Hartford Pl.	February 28, 1976	October 8, 2008	Transferred to the City - park
2	802 E. Independence St.	September 13, 1976	Authority researching file	
3	507 E. Archer St.	July 13, 1987	December 11, 2008	Minor league ballpark
4	506 E. Archer St.	June 1, 1990	Property not sold	
5	1504 N. Greenwood Ave.	November 1, 1993	October 8, 2008	Transferred to the City - remnant
6	Block 78	March 29, 1993	Unknown	
7	1115 E. 5 Pl.	October 19, 1995	October 8, 2008	Transferred to the City - flood

The Authority’s land that was sold, transferred, or listed as non-CDBG in the sample included properties purchased from 1976 to 1995. In June 2008, the Authority selected 73 properties, including three sample properties, designated as flood or remnant to transfer to the City. The Authority transferred at least 31 properties to the City in October 2008.⁹ It is unclear why the Authority waited between 13 and 32 years to take action regarding these properties. Transferring the land to the City relieved the Authority of its CDBG responsibilities, but the City must support that these properties were used for CDBG-eligible activities or return the CDBG-funded amount to HUD.

Of the seven sample items, the Authority transferred three properties to the City. The Authority was researching another property to determine why it identified it as CDBG funded in 2007 and not CDBG funded in 2011. Finally, the Authority listed another property as having been sold when it had not been sold. For the remaining two sample items, the Authority sold a sample property¹⁰ for the construction of a minor league baseball park and changed the status of another from CDBG to non-CDBG without explanation. The Authority provided the City with some program income for both properties. However, it did not provide sufficient documentation to support the amount of program income remitted.

The Authority Could Not Support Its Program Income Calculation for Baseball Park Property

The Authority may have remitted to the City fewer funds than required when it sold properties for the construction of a minor league baseball park. Instead of meeting a CDBG national objective, the Authority used the property at 507 East Archer Street for this non-CDBG purpose.

⁸ Considering the amount of time that passed before the Authority disposed of the property, it is questionable whether the Authority intended to meet national objectives at the time of purchase.

⁹ The Authority’s documentation did not state the status of the other properties.

¹⁰ As part of a group of properties

Therefore, it was required to remit the CDBG funds to the City. The Authority purchased this property with CDBG funds in two segments: in July 1987 for \$400 and in July 2002 for \$250,000. It sold the property with other CDBG- and non-CDBG-funded properties in December 2008. The total contracted sales price was more than \$2.7 million. The Authority remitted \$723,250 to the City as program income. It considered the more than \$2 million remaining on the contracted sales price a donation to the buyer. The Authority did not provide documentation to show its determination of the value of each property to ensure that it remitted the correct amount of program income to the City.

The Authority Did Not Keep Accurate Records for the Property at Block 78

The City and the Authority provided contradictory information regarding a sample property. Originally, the Authority's records identified the sample property as being located at 125 South Hartford. The Authority used this property to provide parking for City employees; a prohibitive use of CDBG purchased land.¹¹ However, in its response to our draft memorandum, the City asserted that the sample property was a vacant property identified as Block 78, one block from 125 South Hartford. However, the City did not refute other documentation regarding the purchase of this property.

The City provided documents showing that the Authority purchased Block 78 and Block 83, a property across a street from Block 78, for \$170,000 in March 1993. According to the documents, the City purchased the property from a bank using approximately \$100,000 of CDBG funds and \$70,000 non-CDBG funds. It appears that the City intended for the CDBG funds to purchase Block 78 and non-CDBG funds to purchase Block 83. None of the documentation provided explained this allocation or how the purchase of this land met a CDBG national objective. In August 2004, the Authority hired an appraiser to perform a retrospective appraisal on Block 83 without site improvements. In October 2004, the appraiser valued the land without site improvements at \$183,000. According to the Authority, it remitted \$107,604 in program income back to the City in April 2006. However, the Authority did not explain why it remitted funds to its CDBG program for a property it purchased with non-CDBG funds. In its response, the City claims that it repaid its CDBG program \$149,940 on July 31, 2008, for Block 78. However, it did not provide a general ledger excerpt or similar supporting the repayment.

The Authority misused this land since it purchased it in 1993, and the City did not provide sales documentation to show the value or the reason for selling the property. The conflicting information further illustrates the unreliability of the records. Therefore, the City needs to provide complete documentation to ensure the Authority reimbursed the City's CDBG fund in accordance with rules and regulations.

¹¹ 24 CFR 570.207(a)(1)

Table 2. Land held for resale				
	Address	Date acquired	Book value	Proposed plans ¹²
1	1252 N. Hartford Ave.	October 3, 1975	\$0	Transfer to the City, proposed detention pond
2	901 E. King Pl.	August 22, 1977	\$111,500	In negotiations with private business to purchase property
3	400 E. Latimer Ct.	May 22, 1979	\$0	Transfer to the City, existing alley easement
4	119 W. Archer St.	December 1, 1983	\$61,000	Land lease with private business for pocket park
5	531 N. Cheyenne Ave.	January 12, 1990	\$1,900	Market single-family residential in 2012
6	551 N. Cheyenne Ave.	October 1, 1990	\$46,000	Market single-family residential in 2012
7	150 N. Lansing Ave.	January 14, 1994	\$94,100	Transfer to the City to apply for Environmental Protection Agency cleanup grant
8	616 S. Quaker Ave.	July 12, 1994	\$6,000	Transfer to the City, Pearl District detention pond
9	1130 N. Boston Ave.	August 25, 2005	\$14,800	Market residential properties in 2012

As shown in table 2, the Authority’s land held for resale sample included properties purchased from 1975 to 2005. Its plans included transferring, leasing, or selling its properties. The Authority did not specify how its proposed end use met a CDBG national objective. Since it had held these properties from 6 to 36 years, it appeared that the Authority engaged in land banking, an unallowed CDBG activity,¹³ rather than using these funds to meet a CDBG national objective. Nevertheless, the City was responsible for ensuring that its CDBG funds provided to the Authority were used in accordance with rules and regulations. Because the City had not used these CDBG funds for eligible activities for 6 to 36 years, HUD should require the City to repay to HUD the higher of the cost or market value of these properties.¹⁴

The Authority Had \$42,000 in Program Income in a Suspense Account

The Authority did not report \$42,000 in program income earned from the disposal of a CDBG-funded property as required by HUD rules and regulations. Generally, the Authority would remit program income to the City under its subrecipient agreement. However, the agreement between

¹² The Authority submitted the proposed plans for its CDBG properties on December 12, 2011. The plans did not indicate how the Authority would meet CDBG national objectives.

¹³ Federal Register Vol. 73, No. 194

¹⁴ The reasoning for the higher of cost or market value is to prohibit the Authority or the City from benefiting from its actions.

the City and the Authority expired on September 30, 2007. This contract required the Authority to return all program income and land acquired with CDBG funding at the end of the contract. In addition, the City allowed the Authority to deposit program income into a suspense account until the City and Authority finalized an updated subrecipient agreement. As a result, the Authority did not remit the \$42,000 in program income to the City. The City should obtain the \$42,000 from the Authority and use it for eligible CDBG activities.

CONCLUSION

The City did not fully implement the recommendations by requiring its subrecipient to develop and implement specific disposition plans and remit program income. Despite this deficiency, HUD closed the recommendations in November 2009. As a result, the Authority still holds more than \$3.1 million in CDBG-funded land without specific plans that meet CDBG national objectives. The Authority transferred some properties to the City, which the City must use for CDBG-eligible activities or return funds to HUD that it used to acquire these properties. In addition, the Authority may have not provided the appropriate amount of program income to the City for the minor league baseball park and the Hartford Avenue parking lot. Finally, the Authority had not remitted at least \$42,000 in program income earned from the disposal of a CDBG-funded parcel.

Overall, the City did not require the Authority to follow HUD rules and regulations when acquiring and disposing of CDBG-funded land. The Authority, as a subrecipient of the City, had accumulated property since at least 1975 without specific plans to benefit the low- to moderate-income community. Even after the 2008 audit report, the Authority had vague plans for its CDBG-funded land. In addition, the Authority provided conflicting information for its land acquisition and inventory raising questions regarding the accuracy of its records. For these reasons, HUD should require the City to return these misused funds. Further, HUD should not allow the City to use CDBG funds to acquire additional properties without HUD's prior approval.

RECOMMENDATIONS

We recommend that the Director of HUD's Oklahoma City Office of Community Planning and Development

- 1A. Reopen recommendation 1C of audit report 2008-FW-1012, which required the City to determine what properties the Authority purchased with CDBG funds, and correctly report and use program income earned from these properties.

Instead of reopening recommendation 1B of audit report 2008-FW-1012, we recommend that the Director of HUD's Oklahoma City Office of Community Planning and Development require the City to

- 1B. Repay HUD the higher of the cost or market value of the properties purchased with CDBG funds that the Authority still owns (book value is \$3,122,900).¹⁵

¹⁵ The \$3,122,900 was included in the schedule of questioned costs in audit report 2008-FW-1012.

- 1C. Support that it used properties previously transferred by the Authority for an eligible CDBG purpose or repay HUD the higher of the cost or market value of the properties.
- 1D. Report monthly on its efforts to recover the misused CDBG funds until resolution of recommendations 1A and 1B.
- 1E. Support or repay \$2,048,750 for the CDBG-purchased land sold or donated for the minor league baseball park.
- 1F. Support or repay the higher of the cost or market value of the property identified as Block 78 (property north of Hartford building).
- 1G. Obtain HUD approval before the City uses CDBG funding for land acquisitions.
- 1H. Obtain \$42,000 in program income being held by the Authority and use the funds for eligible CDBG activities or repay the \$42,000 to HUD. The City provided evidence supporting the repayment of the program income. We will close this recommendation upon issuance.

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Unsupported <u>1/</u>	Funds to be put to better use <u>2/</u>
1E	<u>\$2,048,750</u>	
1H		<u>\$42,000</u>
Totals	<u>\$2,048,750</u>	<u>\$42,000</u>

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.


2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, implementation of recommendation 1H will result in use of the \$42,000 for an eligible CDBG purpose.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Division of Grants Administration
FINANCE DEPARTMENT

March 28, 2012

Gerald R. Kirkland
Regional Inspector General
Office of Inspector General, Region VI
819 Taylor Street, Suite 134A09
Fort Worth, Texas 76102

Re: OIG Draft Memorandum No. 2012-FW-180X dated March 8, 2012.

Dear Mr. Kirkland:

This letter is the response of the City of Tulsa (City) to the OIG Draft Memorandum No. 2012-FW-180X dated March 8, 2012. We appreciate the opportunity to provide our response in writing and provide additional documentation before the final memorandum is issued.

Finding No.1- The Authority did not develop and implement specific disposition plans that met CDBG national objectives.

We agree with this finding. The Authority was in a period of transition and reorganization when the first audit was conducted. The City and the Authority reorganized to remove conflicts which resulted in removing staff and capacity from the Authority at that time. The City is now in the process of gathering the documentation regarding the properties designated as flood or remnant that were transferred to the City from the Tulsa Development Authority (Authority). After being acquired with CDBG funds under slum and blight national objective 24 CFR 570.208 (d), these properties were later designated as right of way or flood plain and determined to be unusable.

Finding No. 2 - The Authority could not support its program income calculation for baseball park properties.

We believe the Authority remitted more funds than required when it sold properties for the construction of a minor league baseball park. Following is a summary explanation of the survey and appraisal of the baseball park before the acquisition and documentation to demonstrate that the CDBG program received at least the current fair market value of land at the time of disposition.

The Authority contracted Sack and Associates to survey the property that was being considered for the baseball park. The survey, as revised February 15, 2008, showed a total square footage,

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Comment 1

Comment 2

including streets and alleys, of 303,510 square feet as detailed below. (See Survey **Attachment 1-Exhibit A**)

Universal Field Services, Inc. completed an appraisal effective October 15, 2008 which included the surveyed 303,510 square feet plus additional parcels identified on acquisition notices as parcel 25-20-1 & 2. (See **Attachment 1-Exhibit C 11 & 12**). The appraised value of the property was \$9.06 per square foot or (rounded) \$2,772,000. (See appraisal **Attachment 1-Exhibit B**)

Square Footage	Appraised Value Per Square Foot	Total Appraised Value
303,510.00	\$ 9.06	\$ 2,749,800.60
2,406.00	\$ 9.06	\$ 21,798.36
305,916.00	\$ 9.06	\$ 2,771,598.96

The Authority has provided copies of all acquisition notices (**Attachment 1-Exhibit C**) for parcels that are now the ball park. According to the documentation provided by the Authority, the total square footage including streets and alleys is 310,138.22 Sq. Ft, which is 4,222.2 feet more than indicated by the appraisal. This is due to square footage from alleys that were vacated after the survey and appraisal were completed and not included in these documents. The acquisition notices also show that 72,504.78 square feet (23.4%) of the total were purchased with CDBG funds, not the original 79,828.92 square feet (26%) basis for the \$723,250 payment to CDBG (See table below and **Attachment 1-Exhibit D**).

CDBG Purchased Property	Square Feet	Appraised Value Per Square Foot \$9.06
Remitted to CDBG as Program Income	79,828.92	\$ 723,250.02
Actual re-calculated as CDBG	72,504.78	\$ 656,893.31
Over/ (Under) remitted to the CDBG program	7,324.14	\$ 66,356.71

Comment 3

Finding No. 3 - The Authority used CDBG to purchase land as a parking lot for City employees.

The Authority records showed incorrectly that the property located at 125 South Hartford Ave. was purchased with CDBG funds. Some of the confusion was partially due to the way the Authority maintained its land records. In addition the book value shown on the inventory list was for the entire property which had been purchased with non-CDBG funds. The following documentation shows that the land in question was not purchased with CDBG funds and that the CDBG program was paid the program income when the property that was purchased with CDBG funds was sold.

During the audit conducted by the OIG in 2007-2008, the City provided an inventory list that incorrectly showed property located at 125 S. Hartford (The Hartford Building - Block 83) was purchased with CDBG funds. That inventory report indicated a book value of \$2,246,000.00. During the recent OIG visit, additional documentation was provided that showed CDBG was reimbursed \$107,604 in 2006 for that property. In preparing a response to the questions in Memorandum No. 2012-FW-180X, DGA requested additional information from the Authority. Documentation provided showed that CDBG funds were never used to purchase vacant land that was later converted into a parking lot. The land inventory and the supporting documentation for the reimbursement to CDBG included inaccurate and incomplete information.

In March of 1993, TDA purchased property in Block 83 (Hartford Building block) and Block 78 (property north of Hartford Building). **Attachment 2-Exhibit A** includes a copy of City of Tulsa check # 434016 in the amount of \$99,453.51 drawn from CDBG funds to purchase property in Block 78 and a copy of check #433993 in the amount of \$70,000 drawn from TDA operating fund to purchase property in Block 83. According to memos in **Attachment 2-Exhibit B**, the square footage price was \$2.09 per square foot.

The CDBG program was reimbursed a total of \$257,544 or \$5.46 per square foot for the 47,164 square feet of property (Block 78) purchased with CDBG when the Authority closed on the sale of the land in 2008.

- 1st payment in 2006 was \$107,604 (no clear explanation of why a 1st payment was made)
- 2nd payment recorded July 31, 2008 for \$149,940 (**Attachment 2-Exhibit C**)

Finding No. 4 - The Authority had \$42,000 in program income in a suspense account.

Comment 4

We agree with this finding. The City sent a letter **Attachment 3-Exhibit A** to the Authority withdrawing the previous authorization to keep the program income in a suspense account. No subrecipient agreement will be issued to the Authority to allow them to keep any of the program income generated by the disposition of land or any other CDBG related activity. The Authority remitted the program income on March 23, 2012 and it is currently reviewing its account to ensure compliance with this requirement. **Attachment 3-Exhibit B**

Based on the documentation provided, we believe recommendation 1E; 1F and 1H should be removed from the memorandum. In regard to the other recommendations, we would like to work with Ms. Donna Wicks and her staff to find a resolution satisfactory to HUD. If you have any

questions regarding this documentation, please do not hesitate to call me at 918-576-5500 or email me at dpharis@cityoftulsa.org.

Sincerely,



Dafne Pharis, CPA
Director, Division of Grants Administration
City of Tulsa

Enclosures

cc: Donna Wicks, Director, Community Planning and Development, HUD OKC
Tamara Wallinger, Senior Auditor, Office of Inspector General
Hillard Berry, Representative, Community Planning and Development, HUD OKC
Jim Twombly, City Manager, City of Tulsa
Mike Kier, Director of Finance, City of Tulsa
Caroline Benediktson, Senior Assistant Attorney, City of Tulsa
O.C. Walker, Executive Director, Tulsa Development Authority
Julius Pegues, Chairman, Tulsa Development Authority

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OIG Evaluation of Auditee Comments

Comment 1 The City did not provide evidence to support its assertion that the properties purchased by the Authority met the slum and blight national objective. Further, not all of the properties purchased with CDBG funds were “right of way or flood plain.” The City’s response did not address the recommendations.

Comment 2 While the City provided additional documentation, it did not provide supporting documentation for the funding source of each property included in the ballpark property; including both CDBG and non-CDBG funded properties. Because of the contradictory information provided by the City, it will need to provide complete information regarding the purchases including funding source for non-CDBG purchased properties.

As an example of unreliable documentation, the City provided two acquisition files that had the same address, but had different prices, lot sizes, parcel numbers, and acquisition dates. The City stated both lots were CDBG funded in its spreadsheet. However, one of the acquisition files did not list the property as CDBG funded. If the Authority failed to identify this property as CDBG on its acquisition file, it might have failed to properly identify other properties. Based on the previous audit and this review, the City has not provided reliable documentation to ensure it properly accounted for properties purchased with CDBG funds.

Comment 3 Based on the documentation provided, we modified the report and recommendation. The City provided evidence that the sample property was located on a different block than previously reported. However, the City did not provide the new address of the property, the sales document of the property, or the purpose in selling the land. Supporting its assertion that it repaid its CDBG fund \$149,940 on July 31, 2008, the City provided a spreadsheet titled “CDBG Land Sales” with an entry description of “Record Land Disposition #642.” Further, the City did not reconcile the contradictory information provided or why the Authority obtained a retrospective appraisal and remitted program income on a property that the City claims was purchased using non-CDBG funds.

This property has been identified as 125 South Hartford since at least 2007. The updated information showed the Authority has not kept accurate records concerning its land acquisition and inventory. The City will need to provide complete supporting documentation to show the Authority appropriately valued the land at current market value and reimbursed the City’s CDBG fund accordingly.

Comment 4 We commend the City for taking corrective action by collecting the \$42,000 of program income that was held in a suspense account. We will close the recommendation upon report issuance.