



Issue Date	January 20, 2010
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Audit Report Number	2010-FW-1002
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TO: Wayne Sims
Administrator, Southern Plains Office of Native American Programs, 6IPI

//signed//

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

SUBJECT: The Housing Authority of the Sac and Fox Nation of Oklahoma, Shawnee, Oklahoma, Improperly Spent More Than \$800,000 in Contracts and Did Not Always Operate in Accordance with HUD Rules and Regulations or Its Own Policies

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the Sac and Fox Nation of Oklahoma (Authority) due to a U. S. Department of Housing and Urban Development (HUD) request. Our objective was to determine whether the Authority expended its Indian Housing Block Grant (grant) program funds in accordance with HUD rules and regulations.

What We Found

While the Authority has improved since HUD's fiscal year 2006 monitoring review, it still needs additional improvement. Because the Authority did not always follow HUD requirements or its own policies, it did not

- Perform the required environmental reviews or independent cost estimates or acquire appropriate bonding documents for procurement contracts. This deficiency resulted in the misspending of more than \$800,000 and

could lead to additional misspending of more than \$250,000 for a contract still in progress;

- Maintain its low-rent housing inventory in a decent, safe, and sanitary manner or enforce its unit condition policies and procedures for mutual help housing;
- Follow up on previously failed inspections; and
- Expend grant funds within the year requested.

In addition, the Authority did not receive all of its funding back from the Sac and Fox Nation of Oklahoma (Nation) after the Nation reestablished the Authority. The Authority was working with its accounting firm to determine the amount of funding the Nation needs to return to the Authority.

What We Recommend

We recommend that the Administrator, Southern Plains Office of Native American Programs, initiate enforcement actions to require the Authority to

- Support or reimburse \$809,547 and put to better use \$269,604 for the contracts without appropriate environmental reviews and for the ineligible hotel expenditure;
- Correct both the deficiencies identified during our inspections and the inaccurate record keeping of funding requested for specific grant years;
- Implement policies and procedures to ensure that it maintains units, follows up on inspections, and turns around units within established timeframes; and
- Continue to work with its accounting firm to determine the correct amount of funding the Nation needs to return to the Authority.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided HUD and the Authority our draft report on December 16 and 17, 2009 respectively. We held an exit conference on January 6, 2010. The Authority provided its response on January 14, 2010. While the Authority generally agreed with our recommendations; it provided additional information to refute one recommendation. The Authority's response and our evaluation of the response are included as Appendix B of this report.

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BACKGROUND AND OBJECTIVES

Since November 1965, the Housing Authority of the Sac and Fox Nation of Oklahoma (Authority) has been the tribally designated housing entity¹ for the Sac and Fox Nation of Oklahoma (Nation). The Nation requested that the U. S. Department of Housing and Urban Development (HUD) grant the Authority ordinance under Sac and Fox tribal law instead of Oklahoma State law in 1993. The Assistant Secretary of HUD granted this request. In June 2004, the Nation took over the Authority and its operations as a result of poor management. However, in September 2007, the Nation reestablished the Authority as the tribally designated housing entity due to its lack of administrative knowledge as a housing authority. In the fiscal year ending September 30, 2008, the Authority received more than \$1.6 million in Native American Housing Assistance and Self-Determination Act (NAHASDA) funds with 273 units in its housing inventory.

Five board members with staggered 4-year terms oversee the Authority. The Authority provides mutual help programs for low-income individuals to become homeowners; low-rent programs to help provide decent, safe, and sanitary housing for low-income individuals; renovation for homeowners that cannot afford to renovate; and model activities that include nonresidential development projects that support housing activities.

HUD previously reviewed the Nation in February and March 2006 for fiscal years 2001 to 2005. HUD had 19 findings and 3 concerns, many of which are still open. The major findings included inadequate internal and financial management control, which resulted in HUD's questioning more than \$8 million;² failure to obtain environmental reviews before spending Federal funds on a housing activity; improper administration of procurement contracts; and noncompliance with maintenance requirements of the United States Housing Act of 1937 (1937 Act), as amended.

The audit objective was to determine whether the Authority expended its Indian Housing Block Grant (grant) funds in accordance with HUD's rules and regulations.

¹ Under Oklahoma State law

² The \$8 million amount included fiscal years 2002 through 2005.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Properly Procure More Than \$800,000 in Contracts

The Authority did not consistently follow HUD rules and regulations or its own procurement policy when entering into construction and rehabilitation contracts. Of the nine contracts reviewed, the Authority did not appropriately procure three contracts. The noncompliance included improper environmental reviews, lack of cost estimates, and improper bonding requirements.³ As a result, the Authority misspent more than \$800,000 grant funds and could additionally misspend more than \$250,000 for the contracts.

The Authority Did Not Follow Environmental Review Requirements

Two of the nine contracts reviewed consisted of new development projects:⁴ an eight-unit residential complex and a warehouse for the maintenance department. HUD regulations⁵ required the Authority to follow environmental review requirements before awarding construction and rehabilitation contracts. Although the Authority had performed environmental reviews for other projects, it improperly classified both contracts as categorically excluded from environmental review assessment. The maximum number of residential units allowable on one site under the categorical exclusion is four.⁶ In addition, HUD regulations require a nonresidential structure, such as a warehouse, to already exist for a categorical exclusion.⁷ Since the residential complex included eight units and the warehouse did not already exist, the Authority should have performed an environmental assessment of both properties. While the Authority met the statutory requirements for an environmental assessment, it did not meet the regulatory requirements. The Authority needs to meet the regulatory requirements or reimburse its grants.

An additional contract for rehabilitation contained an environmental review with the wrong address. The environmental review on file contained a note stating that the address originally written had changed to the address of the property the Authority was rehabilitating. However, the Authority's housing inventory included both addresses. Further, the Authority provided another environmental review that also

³ As of December 7, 2009, one contract was ongoing.

⁴ Exceeding \$100,000

⁵ 24 CFR (Code of Federal Regulations) 1000.20(b)(2) and 24 CFR Part 58

⁶ 24 CFR 58.35(a)

⁷ *Ibid*

did not include the correct address. The Authority needs to produce an environmental review with the correct address for this contract.

The two new development contracts totaled more than \$1 million. However, one of the contracts was still in progress. The rehabilitation contract was for more than \$5,000. Since the Authority did not perform the appropriate environmental reviews, it misspent more than \$800,000 and may misspend an additional \$250,000 for the contract still in progress.

The Authority Awarded New Development Contracts with a High Risk to HUD

In addition to the HUD-required environmental reviews, HUD regulations⁸ required the Authority to perform a cost estimate before receiving bids or proposals. The Authority did not estimate the costs or have a method for estimating costs for the eight-unit residential complex or warehouse contracts. Although the Authority considered HUD's total development cost⁹ list, it did not perform cost estimates for the eight-unit residential complex before accepting bids. Further, the Authority effectively sole sourced the contract without HUD approval.¹⁰ It also failed to perform an independent cost estimate for its new warehouse. Without the independent cost estimates, the Authority could not compare the bids it received to determine cost reasonableness.

Further, the Authority did not follow the necessary bonding requirements on the eight-unit residential complex contract. HUD regulations¹¹ required the Authority to obtain certain bonding documents. The Authority accepted a letter of credit; however, it did not include the necessary language to guarantee payment. Although the contractor completed the job, this noncompliance left the Authority unprotected and should not occur again.

The Authority Did Not Follow Two Administrative Requirements

The Authority did not always follow procurement administrative requirements. Specifically, HUD regulations required the Authority to determine the eligibility of the contractor¹² and whether the contractor complied with the Davis-Bacon Act.¹³

⁸ 24 CFR 1000.26(a)(11) and 24 CFR 85.36(f)

⁹ According to 24 CFR 100.158, total development cost establishes the maximum amount of funds from all sources that the Authority may use to develop affordable housing.

¹⁰ 24 CFR 1000.52(b)(3)

¹¹ 24 CFR 1000.26(a)(11) and 24 CFR 85.36(h)

¹² 24 CFR 1000.44 and 2 CFR 2424

¹³ 24 CFR 85.36 (i)(5)

For instance, the Authority generally used the General Services Administration's excluded parties' list system to determine contractor eligibility for its contracts.¹⁴ However, the Authority awarded three contracts before determining contractor eligibility. Also, a self-employed contractor did not submit timesheets in accordance with the Davis-Bacon Act for four separate contracts. The Authority's noncompliance with these procurement administrative requirements did not adversely impact the completion of the contracts.

Conclusion

The Authority did not always follow the environmental regulations to ensure that projects did not affect the surrounding environment in a negative manner. As a result, it misspent more than \$800,000 and could misspend an additional \$269,604 for the in-progress contract. Additionally, the Authority did not perform cost estimates on two construction contracts to determine cost reasonableness. Finally, it did not ensure that it consistently followed all administrative requirements in each stage of the procurement process. Without the appropriate environmental reviews, cost estimates, and bonding requirements, the Authority potentially put itself at unnecessary risk.

Recommendations

We recommend that the Administrator, Southern Plains Office of Native American Programs, initiate enforcement actions to require the Authority to

- 1A. Reimburse its 2007 grant \$5,555 for the environmental review with the wrong address.
- 1B. Support or reimburse its 2004 and 2006 grants \$803,272 from nonfederal funds for inappropriate environmental reviews.
- 1C. Not use HUD funds to pay the remaining \$269,604 on the contract still in progress without an environmental review. If the Authority paid any of the remaining amount with federal funding, it should support or repay the funds to its grant.
- 1D. Obtain HUD approval of contracts of more than \$100,000 before awarding contracts for fiscal year 2010 to ensure that the Authority follows the necessary contract procurement rules and regulations.

¹⁴ 24 CFR 1000.44 and 2 CFR 2424

Finding 2: The Authority Did Not Always Properly Maintain Units, Perform Follow-up Inspections, or Accurately Report Its Housing Inventory

All 20 Authority units inspected did not meet its standards for decent, safe, and sanitary conditions. Further, the Authority did not always follow up on deficiencies that it noted during inspections, and it did not turn around vacant units in accordance with its own policy. Also, the Authority did not accurately report the number of 1937 Act units to HUD. This noncompliance occurred because the Authority did not follow or enforce its policies and HUD requirements. Without maintaining units and following up on previously failed inspections, tenants lived in units that were not decent, safe, or sanitary. The Authority also may not have maximized its occupancy and rent potential by not turning around its units in accordance with its policy. Finally, the Authority may have received more funds than authorized for its 1937 Act units.

The Authority Did Not Maintain Its Low-Rent Housing Stock in Accordance With Its Policies and Procedures

The Authority did not maintain its 1937 Act low-rent units in accordance with its own policies and procedures. Of the 20 units inspected in September 2009, seven were 1937 Act low-rent units. The Authority was responsible for the overall maintenance of the units, while the tenant was responsible for the daily upkeep.¹⁵ Tenants occupied four of the seven units, while three were vacant.

The four occupied units contained a variety of fail items that included but were not limited to smoke detectors not working properly or needing batteries, a dresser blocking access to a window, and a cut screen to allow for a phone cable through the window instead of the wall. In addition, the four occupied units received Authority inspections in June 2009. Three of the four failed the Authority's inspections. The Authority performed follow-up inspections; however, the responsible party did not remedy all of the noted fail items. The Authority did not follow up to determine whether the responsible party corrected the remaining fail items. As a result, tenants continued to live in conditions that were not decent, safe, or sanitary.

¹⁵ Authority low-rent regulations, section III (A)



Picture 1: Occupied unit – screen cut and a phone cord inserted through the screen



Picture 2: Occupied unit – egress blocked

The three vacant units also had fail items including mold, cut cable wires, and ongoing work in the kitchen. The Authority's force account crew used one vacant unit that was in disrepair for temporary storage of materials. None of the units was ready for tenants to move in. In addition to the fail items, the three vacant units' latest inspections were between 3 and 5½ years from the date of the September 2009 inspections. The Authority's policy required it to turn around units in 3 weeks.¹⁶ The Authority may not have maximized its occupancy and rent potential by not turning around its units in accordance with its own policy.



Picture 3: Vacant unit – mold in walls



Picture 4: Vacant unit – used as a storage facility and in disrepair

¹⁶ Authority procedures for renovation of vacated units, section B

The Authority Did Not Enforce Its Unit Condition Policy for Its Mutual Help Housing

The remaining 13 occupied units inspected were either 1937 Act or NAHASDA mutual help units. The Authority was responsible for inspecting the units to ensure that they were decent, safe, and sanitary. However, as mutual help units are a lease-to-purchase option,¹⁷ the responsibility for maintenance and daily upkeep resided with the resident.

All 13 mutual help units had deficiencies of varying degrees. The deficiencies included but were not limited to mold on walls, ceilings, and floors; smoke detectors either missing or that did not have working batteries in them; insect infestation; damaged or missing cable, electrical outlet, and light switch covers; natural gas utility turned off; and inoperable stoves. These living conditions did not provide tenants a decent, safe, or sanitary environment in which to live.



Picture 5: Occupied unit – mold on walls and ceiling



Picture 6: Occupied unit – missing smoke detector

¹⁷ Authority mutual help regulations, sections II (D) and (F) and Section III (H)



Picture 7: Occupied unit – missing outlet cover



Picture 8: Occupied unit – moldy floors

Of the 13 mutual help units, nine failed the Authority's most recent inspection. The Authority did not perform follow-up inspections on eight of the nine failed units to ensure that the deficiencies had been corrected. For example, the inspector noted on the inspection report for one of the eight units that the "Bathroom still has mold on walls," implying that this was not the first time the deficiency had been noticed. The inspection report for one unit that had a follow-up inspection noted that the resident did not correct all of the fail items. However, no additional follow-up inspection was found. The Authority should follow up on its inspections to ensure that fail items have been corrected and that it provides decent, safe, and sanitary housing.

The Authority Did Not Accurately Report Its 1937 Act Housing Inventory to HUD

The Authority did not accurately report its 1937 Act housing inventory. HUD required the Authority to verify the number of 1937 Act low-rent and mutual help units it had to determine the amount of funding it would receive for those units. The Authority's housing inventory list did not match the number of units it reported to HUD. The Authority reported 39 more units to HUD than it had on its inventory list. It either did not maintain an accurate inventory list or did not verify the number of units reported to HUD. As a result, the Authority may have received and continue to receive more funding than authorized for its 1937 Act units.

Conclusion

The Authority did not comply with its policy on maintaining units in decent, safe, and sanitary condition. In addition, it did not always follow up on previously failed

inspections. When the Authority did follow up on previously failed inspections, the responsible party did not always repair the noted fail items. The Authority also had vacant units that it did not turn around in accordance with its policy. Further, it did not accurately report the number of 1937 Act units in its inventory. As a result, tenants lived in units that were not decent, safe, and sanitary. In addition, the Authority may not have maximized its occupancy and rent potential by not turning its units around. Finally, it may have received and continue to receive more funding than authorized for its 1937 Act units.

Recommendations

We recommend that the Administrator, Southern Plains Office of Native American Programs, initiate enforcement actions to require the Authority to

- 2A. Correct the deficiencies identified during our property inspections.¹⁸
- 2B. Comply with its policy for maintaining unit conditions, following up on inspections to include ensuring that deficiencies are corrected, and turning around units within established timeframes.
- 2C. Maintain an accurate inventory list and report the appropriate number of 1937 Act units to HUD as required.

¹⁸ We have provided the Authority with a listing of the deficiencies.

Finding 3: The Authority Did Not Always Expend Grant Funding as Requested and Misspent \$720 for Travel Expenses

The Authority requested grant funding for specific grant years; however, it did not always use the appropriate grant year to pay its expenditures. In addition, it misspent \$720 for an employee's travel expenses. The Authority was not aware of either condition. As a result, it may not be able to reconcile and close out its grants in an effective and efficient manner.

The Authority Did Not Expend Its Grant Funding as Requested

Before spending grant funds, HUD required the Authority to request grant funds through a voucher. The Authority provided HUD with a list of expenditures by grant. In three of five vouchers reviewed, the Authority requested grant funding from HUD out of a specific year grant. However, it recorded the expenditures in its records for a different grant year than requested. The Authority was not aware that the funds used for the expenditures did not reconcile with the requested funds. As a result, it may not be able to close out its open grants in an effective and efficient manner.

Ineligible Travel Expense

Of the 59 expenditures reviewed, one was ineligible. An employee¹⁹ requested a travel advance for a training course: \$720 for hotel and \$270 for per diem. However, the Authority issued a separate check to the hotel for \$620. The hotel required a \$100 deposit for the first night, which was included in the overall stay, not in addition to it. The employee requested the cost of the hotel plus the deposit. The employee was not entitled to the \$720 travel advance for the hotel.²⁰ The Authority was unaware that it had paid the hotel cost and advanced funds to the employee for the same expenditure. As a result, the Authority was not able to use the grant funds for eligible purposes.

¹⁹ The employee pled guilty to embezzlement in tribal court. However, the court documents did not include this expenditure. The employee no longer works for the Authority.

²⁰ 24 CFR 1000.26 and Office of Management and Budget (OMB) Circular A-87 (C)(1)

Recommendations

We recommend that the Administrator, Southern Plains Office of Native American Programs, initiate enforcement actions to require the Authority to

- 3A. Implement policies and procedures to ensure that the Authority accounts for its funds as requested.
- 3B. Correct the accounting for the incorrect recording of funds identified during our review to ensure the Authority charges the expenditures to the appropriate grant.
- 3C. Reimburse its 2008 grant \$720 from nonfederal funds.

Finding 4: The Nation Did Not Transfer All of the Authority's Funds Back to the Authority

In 2007, the Nation transferred operations of the Authority back to the Authority. However, the Authority did not know whether it had received all of its funding back from the Nation. As a result, it did not know how much the Nation should return and was unable to budget and expend those funds for eligible purposes.

The Nation Did Not Return Funds to the Authority

When the Nation transferred operations back to the Authority, it did not return the Authority's funds. On June 16, 2004, the Nation created a resolution to designate itself as the tribally designated housing entity to receive and expend HUD funding. As a result of this resolution, the Nation and its business committee put the Authority under its direction. This action occurred because the Authority had received negative feedback on its financial statement audits before 2004. On September 28, 2007, the Nation reestablished the Authority as a separate entity and removed it from under the direction of the Nation and its business committee due to the Nation's lack of administrative knowledge as a housing authority.

When the Nation was the tribally designated housing entity, it had access to all of the Authority's funds. During this time, the Nation did not maintain Authority funds separately from other funding. Therefore, when the Nation reestablished the Authority, it was unable to determine the amount of funding, including any HUD funding, it needed to return to the Authority.

As of October 22, 2009, the Authority was working with an accounting firm to determine the amount of funding the Nation needs to return.

Recommendation

We recommend that the Administrator, Southern Plains Office of Native American Programs, initiate enforcement actions to require the Authority to

- 4A. Continue working with its accounting firm to ensure that it receives all of its HUD funding from the Nation.

SCOPE AND METHODOLOGY

Our audit period covered November 2007 through July 2009. To accomplish the audit objective, we

- Reviewed relevant Federal regulations and Authority policies and procedures;
- Reviewed Indian housing plans and Authority procurement and financial records;
- Interviewed HUD and Authority staff; and
- Viewed 20 low-rent, mutual help, and NAHASDA mutual help homes.

We reviewed 9 of 30 contracts executed during the review period. We selected two contracts based on dollar amount and six contracts based on the number of contracts to one specific contractor. The Authority provided us one contract that had a name similar to that of a selected contractor. We reviewed this contract as well.

We representatively selected 20 of 273 Authority units to inspect.²¹ The Authority originally sent us a housing inventory list with only 263 units. We selected our sample from this list. However, we received an updated list with 273 units. The increase in units did not negatively impact our conclusions based on our original sample.

Of the Authority's 171 vouchers, we selected 5 to review.²² In addition to reviewing the five vouchers, we reviewed the expenditures within the five vouchers. The vouchers contained 49 expenditures. We selected an additional 10 expenditures using the same statistical software package from the Authority's 781 total expenditures.

We performed fieldwork at the Authority's office in Shawnee, OK, from July through December 2009.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

²¹ We used the RAT STATS 2007, Version 2, statistical software package. This was not a statistical sample, and we did not project our results.

²² *Ibid*

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that procurement contracts, maintenance of units, and fund eligibility meet their objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is in compliance with applicable laws and regulations.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that it obtains, maintains, and fairly discloses valid and reliable data in reports.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses:

- The Authority did not implement adequate policies and procedures in the procurement process, specifically, environmental reviews, independent cost estimates, bonding requirements, and adequate competition;
- The Authority did not maintain or enforce its policies and procedures concerning unit conditions;
- The Authority did not implement adequate policies and procedures to properly record expenditures from the same grant year as requested from Southern Plains Office of Native American Programs, resulting in unreliable data on individual grant amounts available; and
- The Authority's housing inventory record was not reliable; it did not match the annual report sent to the National Office of Native American Programs.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>	Funds to be put to better use <u>3/</u>
1A	\$5,555		
1B		\$803,272	
1C			\$269,604
3C	720		
Totals	<u>\$6,275</u>	<u>\$803,272</u>	<u>\$269,604</u>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ 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.

3/ 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, it represents the remaining balance, as of December 7, 2009, on a contract the Authority executed without a required environmental review.

Appendix B


AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Housing Authority of the Sac and Fox Nation

201 N. Harrison • P. O. Box 1252 • Shawnee, OK 74801 (800) 831-7515 • (405) 275-8200 • FAX (405) 275-8203



January 11, 2010

Department of Housing and Urban Development
Office of Inspector General, Region VI
819 Taylor Street, Suite 13A09
Fort worth, TX 76102

Attn: Gerald R. Kirkland, Regional Inspector General

Dear Mr. Kirkland:

The Sac and Fox Housing Authority are responding to the Exit Conference held here at the Housing Authority January 6, 2010. The Exit Conference was on the Inspector Generals Audit of the Sac and Fox Housing Authority.

Comment 1

The Oklahoma City office has our files on the Stroud Project and the Maintenance Building. We feel that on their review you will find documents are in order. When the audit crew first came to our office to do your audit, we had let the Assistant to our Development Superintendent go. We found that the records were scattered in her office and we were not able to find the needed documents. Since that time we gathered all the project files and have made them available to your office. The main reason the Assistant was released from employment was her refusal to follow directions and being a disruptive factor with-in the administration of the Housing Program. We have done an in-house promotion of a new Assistant and we are in the process of training that individual to handle the development and see that regulations are followed to the letter.

Comment 2

We did do cost estimates to come up with the figures on the cost of the projects, what was not done was keeping a written record of how we came up with those figures. I think by the current records you can see that the cost figures were with in reason and we did not go over the amount requested. In the future, we will include the cost estimates and how we came about those amounts for the record.

Comment 2

The Stroud Project was readvertised for bidders. A preconstruction meeting was held. Three or more bidders picked up the bid packages and paid the fees. On bid opening day, only one bid was entered, the bid was within reason of the cost estimates, the bid was accepted. What was not done was to notify Housing and Urban Development of the one bid and ask for HUD approval for that contractor. In the future, if we end up with one contractor, we will readvertise the project. If we still end up with one bidder, we will notify HUD and ask for proper directions.

Comment 2

Page two

One of the Contractors had a line of credit from a Bank. The line of credit did not protect the Housing Authority; this was an over-site on part of the Development section. In the future, the Sac and Fox Housing Authority will insure that the Housing Authority is protected with proper verbiage in the line of credit, before the acceptance of the bid.

Comment 3

The Housing Authority would like to thank the Inspector General Office for the audit of our program. The audit shows us of our weak areas and how we can do a better job in the future. The Housing Program has been under reorganization and trying to clean out the swamp of our alligators. We are making great headway, but... we still have a few alligators to skin.

Sincerely,



John R. Thorpe, Executive Director

Copy: file
Board of Commissioners

OIG Evaluation of Auditee Comments

- Comment 1** We reviewed the files the Authority provided. While the Authority met the statutory requirements for its environmental reviews, it did not complete an environmental assessment checklist. Therefore, the Authority did not meet the regulatory requirements. The Authority will either need to complete the environmental assessment checklist or repay the funds spent on those contracts. We modified our report and recommendations accordingly.
- Comment 2** We commend the Authority for making the necessary changes to ensure it appropriately procures any future contracts. The Authority should incorporate these changes in its written policies.
- Comment 3** The Authority provided written comments separate from the official written comments concerning the housing unit conditions. The Authority stated it has reorganized its staff and is developing new policies to ensure appropriate unit maintenance and follow-up inspections.