Audit Report

District Inspector General for Audit
Rocky Mountain District

Chippewa Cree Housing Authority

Rocky Boy Reservation, Montana

Review of Housing Activities and Related Management Controls

00-DE-207-1004
September 21, 2000

Department of Housing and Urban Development
District Office of Inspector general For Audit
633 17th Street
14th Floor
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Audit Report

District Inspector General for Audit
Rocky Mountain District

Report: 00-DE-207-1004   Issued: September 21, 2000

TO: Michael Boyd, Acting Administrator, Northern Plains Office of Native American Programs, 8API

Robert C. Gwin

FROM: Robert C. Gwin, District Inspector General for Audit, 8AGA

SUBJECT: Review of Housing Activities and Related Management Controls
Chippewa Cree Housing Authority
Rocky Boy Reservation

We have completed a review of the Chippewa Cree Housing Authority's (Authority) administration of its HUD funded housing programs. We performed the review based upon your staff's concerns and related audit request. The objectives of the audit were to evaluate the:

- Housing Authority's expenditure of funds for two log homes and management's involvement in developing these log homes;

- Management controls related to the operations of the Housing Authority and identify any deficiencies or potential problem areas in the controls; and

- Determine if there were questionable, unsupported, or inappropriate transactions.

Subsequent to the completion of our field work, the HUD Northern Plains Office of Native American Programs conducted a monitoring review of selected activities of the Authority and issued their February 20, 2000 Final Monitoring Review Report and High Risk Designation for the Indian Housing Block Grant.

Our review identified basically the same conditions that was identified and presented in HUD's report. The Authority's management control structure over its various housing operations is deficient and needs to be established and/or strengthened. Our audit report augments HUD's review report.

Within 60 days please furnish to this office, for each recommendation contained in the finding in this report, a status report on: (1) the corrective action, (2) the proposed corrective action and the corrective date to be completed, or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

We appreciate the courtesies and assistance extended by the management and staff of the Chippewa Cree Housing Authority, its fee accountants, RAM Enterprises, and the HUD Northern Plains Office of Native American Programs.

Should you have any questions, please contact me, at (303) 672-5452.

Executive Summary

We have completed a review of the Chippewa Cree Housing Authority's administration of its HUD housing programs. We performed the review based upon your staff's concerns and related audit request.

Our review identified basically the same conditions that have been presented in reports issued by both HUD and the Authority's independent public accountant reports. We identified that the Authority's management control structure over its various housing operations are deficient and need to be established and/or strengthened. One main management area related to the use of HUD program monies to fund a non-HUD housing program. In addition, we identified deficient management controls over travel, occupancy and leasing, and cash receipts. Without proper management controls, the Authority has limited assurances that its housing program is being conducted in conformity with Authority's and/or HUD's requirements.

Various policies and procedures have been established purportedly by the Authority's Board of Commissioners. The management procedures implemented by the Authority has been insufficient to ensure that the requirements and provisions specified by the Board are being fully implemented by the Authority staff. Also, the management controls have been deficient to provide the Authority with reasonable assurances that its HUD program monies have been used for eligible and supported program activities and related costs.

During our review period, the Authority changed policies and procedures based upon discussions by the Board of Commissioners even though formal policy changes were not officially adopted by the Board. The impact is that such policies and procedures being followed by the Authority staff may not be in full harmony with the directives of the Board. Also, without formally adopted policies and procedures, the Authority staff is handicapped in fully identifying and implementing the Board's authorized directives, that can be subject to misinterpretation and inconsistencies.

We are recommending that the Authority Board take action to ensure that all its intended policies and procedures have been properly adopted and that such actions are fully communicated to the Authority staff. In addition, the Authority needs to establish and implement adequate administrative and management controls and procedures to fully implement the directives of the Board. This would include the proper separation of duties among the Authority staff to segregate the functions of handling Authority assets from the functions of recording Authority transactions on the Authority's accounting records. At the time of our review, all key functions of handling cash receipts were vested in the same Authority employee. This same employee also controlled the main functions of verifying tenant income, establishing tenant monthly charges, recording and maintaining tenant records and collecting delinquent amounts.

Authority must comply with HUD requirements

HUD's Annual Contributions Contracts with the Authority required the Authority to carry out its HUD-funded housing programs in an economic and efficient manner, only fund HUD authorized activities, and comply with the various requirements specified by HUD. Title 24 of the Code of Federal Regulations, Part 85, requires the Authority to maintain adequate accounting records, have effective control and accountability, and have

proper supporting documentation for its housing activities and related costs.

During the audit period, the HUD funding for Authority housing programs was changed to funding under the Indian Housing Block Grant program as authorized by the Native American Housing Assistance and Self Determination Act. Under this program the Authority is to adopt and follow various policies and procedures governing the administration of its HUD funded housing program. The Authority certifies to HUD that such policies and procedures have been adopted and they are being followed by the Authority. Also, certain provisions of Title 24, Section 85.20 of the Code of Federal Regulations apply.

Audit objectives

The objectives of the audit were to evaluate the:

- Housing Authority's expenditure of funds for two log homes and management's involvement in developing these log homes;

- Management controls related to the operations of the Housing Authority and identify any deficiencies or potential problem areas in the controls; and

- Determine if there were questionable, unsupported, or inappropriate transactions.

HUD monies used to fund $126,679 of Authority's non-HUD housing acquisition program

Contrary to the provisions of the Annual Contributions Contracts, the Authority used HUD program funds totaling $126,679 to finance their separate non-HUD funded housing acquisition program. The Authority's acquisition program was designed to help persons acquire homes. The monies were used in an attempt to acquire two log homes intended for the former Authority Board Chairman and his brother. In addition, the Authority has incurred legal costs totaling at $24,014 in resolving a contract dispute related to one of the log homes.

Authority lacked proper accountability and controls over its travel

We found during the audit period, the Authority failed to implement and exercise adequate controls over its travel related activities and expenditures. As a result, excessive, unsupported and/or questionable costs were charged to the HUD-funded housing programs. Any intended controls were negated or minimized. More specifically, the Authority lacked adequate support for its travel related expenditures, incurred excessive and/or questionable travel costs, and lacked a system to properly account for and monitor travel advances and claims.

The Authority lacked adequate support for its travel related expenses. Travelers were advanced/reimbursed funds without the submission of appropriate travel documentation. Travelers were not required to submit receipts to support costs claimed or paid. However, when travel documentation was submitted, it was often either 1) modified; 2) belonged to other travelers; 3) dated outside the travel time to support costs claimed; and/or 4) vague and/or inadequate as to the need and purpose of the travel. As a result, the Authority is unable to identify what actual travel was incurred; whether claimed costs were valid; whether or not travelers were correctly compensated; or whether travelers had been over advanced and owed a refund to the Authority.

Deficient occupancy and leasing procedures

The Authority has not been adequately implementing its occupancy and leasing policies and procedures. More specifically, the Authority was not performing certifications in a timely manner, and was not properly verifying tenant income information. Therefore, the Authority was not able to ensure that its tenants were being assessed the correct monthly rental charges. In addition the Authority was deficient in its overall leasing activities. The Authority allowed new move-ins to reside in their units for up to two months free of rent. Also the Authority was not properly filling out many of its housing leasing documents, and was not charging all of its tenants rent.

The Authority did not have an effective collection procedure. As of the September 30, 1995, the amount due from its tenants totaled $526,446. However, this amount had increased by twenty-four percent through September 30, 1998 when the accounts receivable totaled $695,017. This total does not take into consideration the $50,728 in costs chargeable to tenants for tenant caused damages that were not recorded on the Authority's books of accounts as a receivable from the applicable tenants.

Better controls are needed over cash receipts

The Authority has failed to maintain preventive controls over its cash receipts. The Authority's implemented cash collection system primarily vested all the functions of handling Authority monies and the function of recording cash collection transactions on the Authority's books of account with the same Authority staff member. Normally, a proper system of internal control over cash would separate these two functions.

Also, the Authority was not depositing its monies timely and intact. More specifically, Authority collections were held for up to 79 days before being deposited. Cash receipt tickets were not always issued in numerical sequence. As a result, the Authority has limited assurance that its cash collections have been properly deposited into the Authority's bank accounts and correctly recorded on its books of account.

The functions of receiving and handling cash receipts as well as recording and controlling related accounting transactions being performed or controlled primarily by the same Authority employee becomes more significant since this employee is also responsible for maintaining the key functions relating to the occupancy and leasing of Authority's housing units, as well as collecting delinquent tenant accounts.

Overall, effective management controls are needed

Overall, the Authority needs to establish adequate procedures for carrying out the directives of the Authority Board and ensuring the compliance with HUD housing program requirements. Such procedures would relate to the operating areas of the Authority and include the established funded housing programs of housing construction, travel, occupancy and leasing, and cash. Also, the procedures should be divided amount the Authority staff so that the functions of handling an Authority asset are separate from the functions of recording the transactions relating to the asset.

Auditee Comments

The results of the audit were discussed with officials of the Authority during the course of the audit. The draft audit report was submitted to the Authority on July 27, 2000 for their review and comments. The Authority's written comments dated August 21, 2000 were received by us on September 22, 2000. We have incorporated the Authority's comments into the report as applicable and the complete written response in included in Appendix 2.

The Authority's written response pointed out that the Authority staff and Board of Commissioners have spent a great deal of the past four years reviewing, modifying and correcting the Authority's operations. The latest HUD Monitoring Report did not list any findings but only concerns. Corrective action has been taken to implement the recommendations and to alleviate any further concerns. In addition, the Authority points out that the 1998 independent audit report issued an unqualified opinion for the financial statements and only had one concern dealing a problem in the occupancy area.

For each of four major problems areas discussed in the audit finding, the Authority provided a history, related position and resolution action to be taken. Basically, the Authority has initiated steps to correction the conditions cited in the finding and will continue to do so to address our areas of concern. The present goal of the Authority administration and staff is to close the high-risk determination by correcting all outstanding findings/concerns and to finally receive a clean audit.

We had incorporated the Authority comments to each of the four key problem areas in the finding. We have also provided any clarifying explanation as necessary.

Table of Contents

Abbreviations:

HUD	Department of Housing and Urban Development
NAHASDA	Native American Housing Assistance and Self Determination Act

Introduction

The Chippewa Cree Housing Authority (Authority) was established by the Chippewa Cree Tribal Business Committee on April 4, 1963. The Authority was created to provide for safe and sanitary dwelling accommodations for the residents of the Rocky Boy Indian Reservation. The Authority is governed by a five member Board of Commissioners, appointed by the Chippewa Cree Tribal Council. The Board has the overall responsibility for the operation and direction of the Authority's activities. This includes the formulation of various policies and procedures to be followed in carrying out the Authority's housing activities. The Board has established the position of the Executive Director to implement the Board's policies and procedures and to direct the overall day to day operation of the Authority.

Through September 30, 1997, the Authority received funding from HUD under three Annual Contributions Contracts for the development and administration of its Low Rent Housing Program and the two Mutual Self Help Housing Programs. Under these contracts HUD has provided $33,661,235 to develop 531 units of housing. The Authority received about $22 million of the $33 million during the forty-four months of our audit period. In addition, the Authority received $5,031,493 in Comprehensive Improvement and Assistance Program and Comprehensive Grant funds to modernize a portion of these 531 housing units.

Effective October 1, 1997, the Authority no longer received funding under the HUD Annual Contributions Contracts but began receiving HUD funding under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). Under the provisions of the Act, the Authority was designated by the Chippewa Cree Tribe as the Tribal Designated Housing Entity to receive and implement housing grants to provide housing assistance under the Act. The total NAHASDA funding provided to the Authority for fiscal years 1998 and 1999 was about $4.5 million.

The accounting records of the Authority are maintained by RAM Enterprises of Aberdeen, South Dakota. The Authority's administrative office is located on the Rocky Boy Reservation, Montana.

PRIOR ADMINISTRATIVE REVIEWS OF THE AUTHORITY

During fiscal year 1996, the HUD Northern Plains Office of Native American Programs became aware that the Authority was experiencing financial and administrative difficulties. The Authority was cited by HUD as having extremely high Tenant Accounts Receivable balances, Line of Credit Control System draw downs for Comprehensive Grant and Development expenditures that did not have appropriate source documentation, a minimum amount of cash on hand for a period of time, no investments, improper use of HUD development funds, and issues with the Authority's management of the tenant waiting list procedures. At one point, the Authority's fee accountant, contacted HUD stating that the Authority had a negative cash position and asked that subsidy payments for May, 1996 be advanced to cover the cash shortfall.

The Authority's financial difficulties during fiscal year 1996 were not only due to their fiscal mismanagement, but due to the expending of funds for a log home kit and foundation work. These expenditures, along with other financial obligations, lead the Authority to obtain five lines of credit with two financial institutions with a combined maximum loan amount of $675,100. These lines of credit were established between July, 1995 and September, 1996. The Authority pledged current and future HUD program funds for four of the five lines of credit. According to Board meeting minutes, part of the lines of credit were used to cover Comprehensive Grant Program payroll, as well as expenditures related to the log home kit and foundation work. These issues and/or difficulties eventually led to the issuance of a HUD's Corrective Action Order and High Risk Determination on December 19, 1996.

The December 19, 1996 Corrective Action Order declared the Authority High Risk under Title 24, Code of Federal Regulations, Part 85. The Corrective Action Order identified the existence of regulatory deficiencies relating to Title 24 Code of Federal Regulations Part 950.135 and Part 85.20. The Corrective Action Order stated the Authority:

1) Lacked administrative capability in the area of general financial management, management systems and housing development;
2) Was in non-compliance in the financial administration of grants;
3) Had not selected housing applicants in accordance with their waiting lists; and
4) Had other management deficiencies that were supported by audits, on-site reviews or other reliable information.

The Corrective Action Order also noted that the Housing Authority did not:

1) Hold Board meetings in compliance with its By-laws;
2) Have properly trained and competent personnel at key management positions;
3) Maintain a stable financial position;
4) Maintain an appropriate financial management systems;
5) Convert initial development grant for Low Rent Project; and
6) Select participants in accordance with the Mutual Help or Low Rent Housing Program waiting lists.

In addition, HUD identified five specific management deficiencies at the Authority in the following areas: 1) user fees; 2) budget overruns; 3) tenant accounts receivable; 4) other sources of income; and 5) audit findings.

During the week of August 30, 1999, staff of the Northern Plains Office of Native American Programs conducted an on-site monitoring review of the Authority's Indian Housing Block Grant program funded under the NAHASDA. Their draft report was submitted to the Authority for comment on November 16, 1999. After receiving the Authority's comments, the Northern Plains Office of Native American Programs issued on February 22, 2000 to the Chippewa Cree Tribe their Final Monitoring Review Report and High Risk Designation for Indian Housing Block Grant on the Authority.

The High Risk designation was for the Authority's 1998 and 1999 Indian Housing Block Grants and was based on the Authority's independent public accountant's disclaimer of opinion audit report for the 1996 fiscal year. The disclaimer related to the Authority's financial statements and compliance with general requirements. The Authority was apprised the High Risk determination would continue until the 1998 independent audit report was received and the auditor issued a unqualified opinion and there were no significant findings regarding financial management. The audit results would be reviewed by HUD and a determination made as to whether the High Risk determination would impact the 2000 fiscal year Indian Housing Block Grant program.

HUD notified the Authority on March 21, 2000 that their Indian Housing Plan submitted for their Indian Housing Block Grant Program was acceptable. In addition, the letter also continued the High Risk Determination for the Authority.

Subsequent to the issuance of HUD's Final Monitoring Review Report and High Risk Designation for Indian Housing Block Grant, the Authority's independent public accountant issued their report for the 1998 fiscal year. This report. dated May 27, 1999, contained an unqualified opinion. However, the audit report identified the following findings:

- Material weakness identified in the internal control over financial reporting;
- Reportable conditions were identified that were not considered to be material weaknesses in the internal control over financial reporting; and
- Material weakness were identified in the internal control over major programs.

Findings presented in the audit report related to payroll records, tenant and homebuyer receivables, fixed assets, year 2000 compatible readiness issues, tenant and homebuyer receipts, and tenant and homebuyer files.

Correspondence in connection with these reports between the Authority and HUD indicate that improvements are being pursued in the Authority's internal controls over its housing operations.

OFFICE OF AUDIT REVIEW RESULTS

Our review identified basically the same conditions that have been presented by reports of both HUD and the Authority's independent public accountant. We identified that the Authority's management control structure over its various housing operations are deficient and need to be established and/or strengthened.

Audit Objectives and Methodology

The objectives of the audit were to evaluate the:

- Housing Authority's expenditure of funds for two log homes and management's involvement in developing these log homes;
- Management controls related to the operations of the Housing Authority and identify any deficiencies or potential problem areas in the controls; and
- Determine if there were questionable, unsupported, or inappropriate transactions.

Our audit approach was to identify and evaluate the management controls in place over the key areas of operations of the Authority with the established policies and procedures adopted by the Authority's Board of Commissioners. During the review, we examined accounting records and other documents of the Authority, the Authority's fee accountant and

HUD's Northern Plains Office of Native American Programs. We also conducted interviews with employees of these organizations.

Scope

Our audit generally covered the period of January 1, 1995 through September 30, 1998 and was expanded, as necessary, to fully accomplish our audit objectives. We conducted our review from January 1998 through October 1999. The performance of our review was interrupted by the uncontrolled changes of assigned audit staff.

Generally Accepted Government Auditing Standards

Our review was performed in accordance with generally accepted government auditing standards taking into consideration the limitation specified in the scope paragraph above.

Finding

Deficient Authority Management Controls Over Its Housing Operations

Our review of select sections of the Authority's housing operations identified areas whereby the Authority was not effectively and efficiently administering its housing program and in conformity with HUD requirements. Primarily, the Authority had authorized and used HUD funded monies, totaling $126,679, to fund its own separate non-HUD housing program. In addition, the Authority had not formulated and implemented proper management controls over its travel, occupancy and leasing, and cash receipts.

Authority travel has been permitted whereby unallowable, undocumented, excessive and improper documented costs were incurred. Our review of three out-of-town trips taken by Authority Board members and/or employees disclosed improprieties in the support and reimbursements for the travel. As a result, the total cost of the three trips of $27,139 is questionable as being valid Authority travel costs.

The Authority has not been adequately implementing its occupancy and leasing policies and procedures. Primarily the Authority has not performed its tenants' certifications in a timely manner, and was not properly verifying tenant income information. In addition the Authority was deficient in its overall leasing activities. The Authority allowed new move-ins to reside in their units for up to two months free of rent, leasing documents were improperly filled out, and not all of its tenants were being charged rent.

Cash receipt control procedures have been deficient since all monies have not been deposited timely and intact. Cash receipt tickets have been issued out of sequence while all receipt tickets have not been accounted for. In addition, all the functions dealing with the handling and recording of cash receipts have been vested in or controlled by the same Authority employee. This same employee also administers the main functions of establishing and calculating tenant charges as well as maintaining and recording the official Authority tenant files and records.

These deficiencies stem from the failure of the Authority to formulate adequate management control procedures to ensure that the policies and procedures as adopted and directed by the Board are correctly implemented and followed by the Authority staff.

Authority must comply with HUD requirements

HUD's Annual Contributions Contract with the Authority required the Authority to carry out its HUD-funded housing programs in an economic and efficient manner, only fund HUD authorized activities, and comply with the various requirements specified by HUD. Title 24 of the Code of Federal Regulations, Part 85, requires the Authority to maintain adequate accounting records, have effective control and accountability, and have proper supporting documentation for its housing activities and related costs.

In addition the Authority is to establish various policies and procedures governing the various aspects of its housing operation. These policies and procedures are established by the Authority Board of Commissioners and form the framework for the Authority staff to administer its housing programs.

Adequate management controls have not been established and followed

Our review identified that the Authority has not established adequate management controls over its various housing operations and activities. While policies and procedures have been followed, these have not been sufficient to ensure the Authority that its HUD funded housing program and activities are being conducted in accordance with the established HUD and Authority requirements.

The Authority used HUD program monies to fund its non-HUD housing program. In addition, the Authority lacked adequate controls over its travel, tenant leasing and occupancy, cash receipts, and maintenance. These items are discussed in the following four sections:

1. HUD Funds Totaling $126,679 Used to Finance Non-HUD Housing Activities

HUD monies used to fund $126,679 of Authority's non-HUD housing acquisition program

Contrary to the provisions of the Annual Contributions Contract, the Authority used HUD program funds totaling $126,679 to finance their separate non-HUD housing acquisition program. The Authority's acquisition program was designed to help persons acquire homes. The monies were used in an attempt to acquire two log homes and for legal fees in resolving a contract dispute related to one of the log homes. The log homes were to be acquired for the former Authority Board Chairman and his brother.

HUD apprised Authority not to use HUD monies for non-HUD activities

The Authority in November, 1995 inquired of HUD if HUD housing development funds could be used to fund their acquisition program. The intent was to sell the homes upon completion and then to use the proceeds to fund other similar housing units. HUD notified the Authority in February, 1996 that HUD program monies could not be used to fund the Authority's new acquisition program.

Because the Authority was incurring financial difficulty, the Authority established five lines of credit with two financial institutions with a combined maximum loan amount of $675,100. These lines of credit were established between July, 1995 and September, 1996. According to the current Authority Executive Director, the lines of credit were to be used to fund the new acquisition program and pending HUD grant awards. The Authority pledged current and future HUD program funds for four of the lines of credit.

Ineligible loan interest of $7,680 paid on financial institution lines of credit

The Authority drew down and used $200,236 of the lines of credit to fund the acquisition of the Chairman's log home, the foundation for a log home for the Chairman's brother, and other Authority expenditures. The loans were repaid with HUD program monies. Because of the loans, the Authority paid $7,680 in interest expense. The $7,680 is an ineligible HUD program expense under the provisions of the Annual Contributions Contract and related regulations in Section 85.20(b)(5) of Title 24 of the Code of Federal Regulations and the Office of Management and Budget Circular A-87.

Ineligible acquisition of log home for $91,508

On December 30, 1995, the former Board Chairman entered into an agreement with the log home company for the acquisition and construction of a log home to be built on the former Chairman's existing foundation. The Agreement specified a purchase price of $89,070. Even though the Authority was not a party to the agreement, the Authority began making periodic payments in February, 1996 on the log home. Four periodic payments totaling $91,508 combined were made by the Authority in 1996. The basis for the additional payment of $2,438 for the log home could not be determined. The total payment of $91,508 is an ineligible HUD program cost since the acquisition was part of the Authority's own acquisition program and not part of any HUD funded housing program.

In June, 1996, a contract dispute began between the log home company and the Authority over the log home. While the Authority continued to make periodic payments, the log home company did not deliver and construct the home. Due to the dispute, the Authority had incurred legal costs of $24,014 as of January, 1999 in trying the resolve the situation.

On December 24, 1997, the Authority purchased all rights and title to the log home from the former Board Chairman for one dollar. The former Chairman also agreed to pay the Authority the difference, if any, between the amount the Authority paid for the log home and the amount they received from the sale of the log home since the log home company had purportedly sold the home to another party.

The Authority's attorney apprised HUD in August, 1999, a settlement had been reached with the company whereby the company would repay the Authority $60,000, about $31,500 less than had been paid. However, the company has filed for Chapter 13 Bankruptcy Reorganization and listed the debt to the Authority as part of the reorganization. The Authority's attorney believes the company will have two years to pay the debt and the Authority will receive the $60,000.

Ineligible $27,491 paid for second log home foundation

The second log home was contracted by the former Chairman's brother from the same log home company. However, there was not a foundation to place the home. The Authority authorized payments totaling $27,491 for the construction of the foundation.

The use of HUD monies to finance the construction of the foundation for the second property is an ineligible HUD program cost. In May, 1998, the former Chairman's brother entered into an agreement with the Authority to repay the $27,491 in monthly installments of $50. At the repayment rate of $50 a month, the $27,491 will take 45 years to repay. Also, the Authority has not charged any interest on the $27,491.

In total, the Authority has used HUD monies of $126,679 to finance its separate housing acquisition program. These consist of:

Interest on line of credit loans	$ 7,680
Log home for former Board Chairman	$ 91,508
Foundation for second log home	$ 27,491
Total ineligible cost	$126,679

Recovery and proper use of ineligible costs of $126,679 needed

This situation occurred because the former Authority Board and Executive Director failed to administer the HUD programs under their control in accordance with HUD requirements but instead used HUD monies to finance their separate non-HUD funded housing acquisition program. This was done even though HUD apprised the Authority against the use of HUD monies to finance its separate housing acquisition program. Because of the unauthorized used of HUD program funds, HUD issued administrative sanctions against the former Authority Board members and Executive Director.

Since the Authority improperly used HUD program monies for its non-HUD housing activities contrary to specific HUD instructions, the Authority needs to repay the $126,679 from non-Federal funds and use the monies for eligible HUD housing program activities.

Authority Comments

The Authority in its written comments to the draft audit report (see Appendix 2) provided detailed information and explanation on their non-HUD housing program and how their program was unsuccessful. The Authority stated that they would follow the recommendations set forth by HUD.

2. *Inadequate Management Control Over Authority Travel and Related Costs*

Travel costs are to be properly controlled, supported and allowable

Under the provisions specified in Part 85, Title 24 of the Code of Federal Regulations, the Authority is to have:

- Accurate, current and complete disclosure of program financial activities;

- Accounting records, as specified by HUD, to adequately identify the source and application of HUD program monies;

- Effective internal control and accountability of all program cash and other assets that must be safeguarded to ensure that they are used solely for authorized program purposes; and

- Procedures to ensure only HUD allowable costs are charged to the HUD housing programs and are properly supported.

Authority lacked proper accountability and controls over its travel

We found during the audit period, the Authority failed to implement and exercise adequate controls over its travel related activities and expenditures. As a result, excessive, unsupported and/or questionable costs were charged to the HUD-funded housing programs. Any intended controls were negated or minimized. More specifically, the Authority lacked adequate support for its travel related expenditures, incurred excessive and/or questionable travel costs, and lacked a system to properly account for and monitor travel advances and claims.

The Authority lacked adequate support for its travel related expenses. Travelers were advanced/reimbursed funds without the submission of appropriate travel documentation. Travelers were not required to submit receipts to support costs claimed or paid. More specifically, when travel documentation was submitted, it was either 1) modified; 2) belonged to other travelers; 3) dated outside the travel time to support costs claimed; and/or 4) vague and/or undocumented as to the purpose of the travel. As a result, the Authority is unable to identify what actual travel was incurred; whether claimed costs were valid; whether or not travelers were correctly compensated; or if travelers had been over advanced and owed a refund to the Authority.

These deficiencies are illustrated in the following three examples:

Questionable travel costs of $10,148 for conference in Washington, DC

<u>Washington, DC - February 29 through March 1, 1996</u> The Authority paid $10,148 for six Authority officials to attend the National American Indian Housing Council's 2nd Annual Legislative Conference in Washington, DC on February 29 through March 1, 1996. The Authority paid per diem for the travelers for travel beginning as early as February 23, 1996, some six days prior to the start of the conference. Any time in excess of one day for travel before the conference would be considered personal travel and ineligible for funding by the Authority.

Three travelers submitted a Travel Claim for their travel. However, the three used the same hotel receipt to support their lodging cost. If the travelers did not incur any lodging costs, then they would not be entitled to the full per diem for which they were paid. The other three travelers did not submitted any Travel Claim nor receipts for their travel.

Information furnished by the National American Indian Housing Council showed that only two of the travelers attended the conference. As a result, a determination could not be made as to what actual travel was incurred and how such travel was for official Authority related activities. The travelers that did not attend the conference needed to reimburse the Authority for the travel expenditures they were paid. We were unable to substantiate that the necessary reimbursements were made to the Authority.

Due to the lack of adequate supporting documentation for the travel costs paid, the total cost of $10,148 is questionable as a valid HUD housing program cost.

Questionable travel costs of $13,181 for meeting in Reno, Nevada

Reno, Nevada - April 15 through April 18, 1996 Eight Authority staff and Board Members were paid a combined total of $13,181 to attend the South Western Indian Housing Association and United Native American Housing Association Quarterly Meeting held in Reno, Nevada on April 15 through 18, 1996. All eight travelers were paid for the use of their personal vehicles to travel to Reno and given six days of per diem that included a day before and a day after the conference for travel.

Supporting documentation for the trip was very limited. Of the eight travelers, only four submitted a Travel Claim upon return. Of the four, two submitted the same lodging receipts. If lodging costs were not incurred by the one traveler, then the traveler would not have been entitled to the full day per diem.

The following are some discrepancies noted in the review of the available documentation:

- Traveler 1 was paid per diem for the six days of travel. While the per diem includes the cost of lodging, the traveler was also reimbursed an additional $278 for lodging that was charged on the traveler’s personal credit card. In addition, the traveler did not submit a Travel Claim nor receipts to support the initial advance and reimbursement for lodging costs. Therefore, the total amount of $1,743 paid for Traveler’s travel costs is questionable.

- Traveler 2 was provided an advance to use a personal vehicle to attend the conference. In addition, the Authority paid $680 for air fare to the conference when the traveler changed his mode of travel. The Travel Claim submitted by the traveler did not indicate whether the traveler drove or flew to the conference.

  Traveler 2 was paid for seven days of per diem rather than for six days that would be needed to attend the conference. A lodging receipt submitted by the traveler indicated the traveler only attended the conference on September 16, 1999. However, this receipt was for another Authority traveler.

Traveler 2 also included with the Travel Claim receipts for lodging in Dillon, Montana on April 17, 1996, which was the second day of the conference in Reno, Nevada. The Dillon lodging receipts which appeared to have been modified indicating two rooms were rented. The need for two lodging rooms for a single night by the traveler is unknown. As a result, a determination could not be made as to the exact nature and extent of travel incurred by this traveler and the total travel amount of $1,725 paid for the travel is questionable.

- Traveler 3 received a total of $1,395 to attend the conference. The lodging receipts submitted by the traveler were the same as for Traveler 2. More specifically, the traveler submitted a receipt for lodging in Dillon, Montana on April 17, 1996 that was the same as for Traveler 2 except that the occupant's name and arrival and departure dates had been modified. Accordingly, the nature and extent of the travel incurred by Traveler 3 could not be determined and the total travel amount of $l,395 paid is questionable as a proper Authority program cost.

Due to the conflicting nature and lack of specific travel documentation, the extent of travel costs incurred for the conference is unclear. Therefore, the costs of $13,181 paid by the Authority is questionable as a valid housing program expenditure.

Questionable travel costs of $3,810 for trip to Tampa, Florida

<u>Tampa, Florida - June 8 through 10, 1998</u> The Executive Director and two Authority Board members were paid $3,810 to attend the National American Indian Housing Council's 24th Annual Convention and Trade Show in Tampa, Florida from June 8 through June 10, 1998. However, the Authority paid the travelers per diem for three days before and two days after the conference. These days in part would be considered personal travel and not reimbursable by the Authority.

The supporting documentation was very limited. Only two of the three travelers submitted a Travel Claim. Only one of these two travelers submitted receipts to support the costs claimed. The following discrepancies were noted in the review of the available supporting documentation.

- Lodging receipt submitted for four nights in Tampa, Florida from June 6 through June 10, 1998 by Traveler 1 detailed that the room was registered to Traveler 2. Therefore, Traveler 1 would not be entitled to the full per diem amount that was paid.

- A submitted gas receipt ticket showed Traveler 1 in Great Falls, Montana on June 10, 1998, the last day of the conference in Tampa. However, the Travel Claim submitted by Traveler 1 indicated the traveler was in Tampa until June 12, 1998. The appropriateness of the two additional days of per diem claimed by Traveler 1 is questionable.

- Traveler 2 submitted a Travel Claim but no receipts were provided to support the travel costs claimed. In addition, Traveler 3 did not submit any Travel Claim. As a result, the nature and extent of the travel incurred by these two travelers is questionable.

Due to the conflicting nature of supporting documentation that was provided as well as unsupported or missing Travel Claims, the extent of the travel incurred could not be determined and the total amount of $3,810 paid is questionable as a valid housing program expenditure.

Authority lacks adequate control over its travel activities and related costs

These sampled Authority travel and related costs illustrate that the Authority lacks sufficient meaningful control over its travel activities. Mainly, the Authority is unable to determine whether planned travel by an Authority official actually occurred; travel cost reimbursement was properly supported and in accordance with the Authority's official travel policy; and any excess advances paid to a traveler were repaid to the Authority.

For the travelers that do submit a Travel Claim, the Authority does not reconcile by individual traveler the estimated travel costs to actual travel costs incurred. Amounts claimed by travelers who file Travel Claims are the total amount advanced rather that the actual amount incurred. The Travel Claim form is a recap of amounts advanced per the individual Application for Travel rather that the actual travel costs incurred and allowed. This makes it difficult for the Authority to identify: 1) the exact amount of travel costs incurred; 2) whether travelers were properly compensated; and 3) whether the Authority is owed monies due to over advancement. The Authority's procedures negate the need for supporting documentation, resulting in excessive and/or questionable travel costs.

Informal manual travel record is partially used

We identified that the Authority does maintain an informal manual record relating to the repayment of advances by those Authority travelers who do not take a trip for which the traveler was advanced travel funds. However, we noted the following deficiencies in the recording and use of the informal manual record in controlling and receiving travel advance prepayments:

- Manual records are not reconciled to the Authority's official books of account;

- Manual records do not identify all trips by which the traveler did not take an authorized trip;
- Some travelers do not make any repayments or only pay for a portion of the entire amount advanced; and
- Some travelers have taken up to three or more years to repay the travel advance resulting in an interest free loan to the traveler.

As a result, the manual record is inadequate in identifying and controlling the repayment of travel advances for those individuals who do not take an authorized trip.

Travel costs not clearly identified in the official books of account

We also identified that the Authority posts the travel advance directly as an expense while any repayment are classified as other income. The impact is that the Authority can only identify whether a traveler has properly repaid any excess advances by performing a detailed analysis of the Authority's accounting records.

No records are established and maintained by the Authority to identify those travelers who fail to submit a Travel Claim with the proper documentation for each trip that a travel advance is made.

Proper internal controls over Authority travel and related costs

The Authority's inadequate control over its travel costs stems from the following causes:

- Specific procedures are not established for the traveler to be required to submit a Travel Claim immediately after a trip is taken detailing the actual travel incurred supported with accurate detailed documentation;
- Travel Claims are not reviewed for proper support and conformity with the established Authority Travel Policy; and
- Travel advances are not recorded as a receivable on the official books of account until the Travel Claim is received and correctly processed.

Only with proper internal controls over its travel related activities and expenditures can the Authority be assured that costs incurred are indeed appropriate, necessary and eligible. This becomes more important since the Authority under the present Indian Housing Block Grant Program has limited resources with which to administer its travel related activities and costs and to maintain its housing stock.

Authority Comments

The Authority in its written comments to the draft audit report (see Appendix 2) stated that the past administration and Board of Commissioners did not plan their travel well and last minute details of the trips were given to support staff for construction of the travel voucher, resulting in poor management of operating costs. Also, the Authority added that financial staff members had little control of the Commissioners and favored staff that traveled to provide documentation upon their travel return.

In connection with attending the Native American organizational meetings, the attending staff and commissioners did not sign in at the meeting so not to be charged the attendance fee. For the Tampa trip, the finance officer determined that a Saturday stay over was necessary. Also the response indicates that receipts for the Tampa trip and a copy of the Travel Policy was attached; but these were not included.

The Authority points out that their travel policy does not prohibit sharing the cost of a motel room. Furthermore, the policy followed by the Authority is patterned after the Tribe's policy and this policy does not require meal receipts.

In summary, the Authority stated the new travel policy prohibits the abuse that was evident in the past and the travelers will adhere to the Authority's Travel Policy. In addition, the Authority will in the future provide better controls over its travel activities and related costs. Travel advances will be recorded on the books of accounts as a receivable and will be offset by the amount of the travel voucher when received.

Evaluation of Authority's comments

The Authority's comments indicate that improvements are being made in its procedures over travel and related costs. The Authority does not state whether the policy being followed has been formally adopted by the Authority Board of Commissioners. This becomes paramount if the Authority travelers are to know exactly what policy governs Authority travel. Such adopted policy is a directive from the Board of Commissioners to be followed by all Authority travelers.

While it may be a common practice for travelers to attend conferences without registering at the conference in order to forego the payment of a conference fee, the fact remains that the travel vouchers discussed above did not provide any documentation to show the traveler actually attended the meeting or conference. Without the documentation, the Authority can not determine where the travel advances for the trip should be refunded to the Authority.

We agree that the policy as followed by the Authority did not prohibit more that one traveler from sharing a lodging room. However, the use of one room rent receipt issued to one traveler by other persons would not entitle the other persons to receive the full amount of per diem. The per diem is provided to pay for both lodging and meals. If no lodging cost is incurred by a traveler, the traveler would only be allowed the meal reimbursement portion of the per diem. The alteration of another person's lodging receipt to obtain lodging reimbursement of per diem is improper.

3. Inadequate Unit Leasing and Occupancy Procedures

Authority required to implement occupancy and leasing policies and procedures

Under the provisions of HUD's Annual Contribution Contract and subsequently under the Native American Housing Assistance and Self Determination Act, the Authority is required to establish policies and procedures that govern the occupancy and selection process of it housing tenant. Policies and procedures are to be adopted separately for the Low Rent and Mutual Help housing programs.

Occupancy and leasing procedures

Authority policies and procedures are to provide that occupancy and leasing requirements be consistently applied by housing program type. Low Rent units are not to be treated as Mutual Help units and Mutual Help units are not be treated as Low Rent dwellings. Tenant income is to be properly identified and verified at the time of move-in and annually thereafter. Tenant charges are to be calculated based upon verified income. In addition, tenant lease agreements are to be properly completed and executed with rental charges to be made from the effective date of the lease on a monthly basis.

Deficient occupancy and leasing procedures

The Authority has not been adequately implementing its occupancy and leasing policies and procedures. More specifically, the Authority has not performed certifications in a timely manner, and was not properly verifying tenant income information. Therefore, the Authority was unable to ensure that its tenants were being assessed the correct monthly rental charges. In addition the Authority was deficient in its overall leasing activities. The Authority allowed new move-ins to reside in their units for up to two months free of rent. Also the Authority was not properly filling out many of its housing leasing documents and was not charging all of its tenants rent.

Annual Certifications not performed timely

Authority and fee accountant records showed that the required annual tenant income certifications were not being performed in a timely manner. The importance for the annual certifications is to determine the yearly income that a tenant receives. This amount is to be used by the Authority to calculate the amount of monthly rent that the tenant is to pay.

As of September, 1998, the Authority had not performed eighty-one percent of its annual certifications. The failure to complete its certifications prevents the Authority from identifying the income that its tenant receive. According, the Authority is unable to properly calculate the amount of monthly rent each tenant is to be charged.

Deficient tenant income verification procedures

During our review, we noted that the Authority was deficient in its verification of tenant income. Tenant files did not contain sufficient evidence that the Authority had required all income sources to be reported, independently verified and/or included in calculating the tenant's annual income.

To illustrate, the Authority used only the spouse's income of an Authority contractor to calculate rent. The tenant's file did not contain any documentation detailing the annual income realized by the self-employed contractor. The tenant's monthly rental charge was calculated based solely on the spouse's income. As a result, the tenant was not assessed the proper monthly rental charge. Had the correct income been determined, the tenant may not have met the low income requirements established by HUD.

The Authority failed to verify and properly document tenant income in its tenant files. The majority of tenant files reviewed did not provide sufficient evidence that income information presented was independently verified by the Authority. More specifically, tenant files contained a notation detailing a tenant's income, however, did not contain any formal documentation (e.g., paycheck stub, W-2's, etc.) to support the notation. Therefore, the Authority is unable to demonstrate the income reported on related certification documentation was indeed correct and that the tenant was being assessed the correct monthly rental charge.

We also noted that the Authority had improperly computed monthly rent charges for some of its tenants. In some cases, the Authority had incorrectly calculated rent as Mutual Help, when the units occupied were Low Rent. The impact is the housing occupant was being undercharged their monthly rent. For example, one tenant based upon the income as reported in the tenant's file would be charged a monthly rent of $429.50 for their Low Rent dwelling. However, the Authority used the Mutual Help program to assess the tenant a monthly charge of $128. As a result, the Low Rent housing unit family was undercharged $301.50 each month.

New tenants allowed at least two months free rent

At the time of our review, the Authority was following the practice of not charging new move-ins tenants rent until two months after they had moved into the unit. For example, if a tenant were to move-in on January 1, 1999, the Authority would not begin to charge monthly rent until March 1, 1999.

An Authority official explained that a tenant is allowed to move into a unit before the Authority actually determines the amount of tenant income and related monthly rent. The official further explained that it usually takes about two months to complete the income verification and rent computations.

In addition, we noted three instances whereby new move-in tenants were allowed to occupy their units for up to ten months free of rent. This occurred because the Authority had only completed some of the required certification documentation and were unable to determine the tenant's income and related monthly rental charges. As a result, the tenants were allowed to move into their units at the specified move-in date with a zero dollar rent charge.

This practice of allowing new tenant at least two months of free rent is contrary to the lease agreement with the tenant and is not in conformity with the Authority occupancy policies. The real impact is that the tenant is not required to pay their appropriate rent from the effective date of the lease and thereby reducing the amount of revenues the Authority can receive and use.

Tenants not charged for repairs of tenant caused damages

At the time of our review, we noted that the Authority was not assessing its tenants for the cost of repairs for tenant caused damages. Authority records show that for the nineteen month period ending September 30, 1998, the cost of housing repairs for tenant caused damages totaled $50,728 and these charges had not been recorded on the Authority's books of account and assessed against the applicable individual tenants. The Authority's election to not charge its tenants for tenant caused damages is contrary to the provisions of its Maintenance Policy and the provisions of the lease agreements with its tenants.

In addition, the Authority procedures did not fully account for all issued work orders, ensure that all repair work and related costs were correctly recorded on the individual work orders and assessed against the tenants for tenant caused damages. As a result, the Authority has limited assurance that all necessary repair work is being performed and that its tenants are funding the costs of all repairs for which the tenant is responsible.

At the time of our review, the Authority had formulated a procedure for not making repairs on units until the tenant had prepaid the cost of the needed repair. For example, in January 1998, the Authority had 55 work orders it was holding and was suspending any repairs on tenant caused damages until such time as the tenant prepays the cost of the repairs. By following this practice, the number of suspended work orders will probably increase since the Authority is not actively pursuing the collection of the repair prepayments. The result of not performing the repairs can only help to further deteriorate the condition of the Authority's dwelling units.

Deficient tenant lease agreements

At the time of our review, we found that many tenant lease agreements were not completely filled out. In some cases, tenant leases were blank forms that had been signed by the housing tenants. In some cases, the tenant files contained both Mutual Help and Low Rent Housing Program leases even though the unit was a Low Rent Housing Program house. Without properly executed rental leases, the Authority is severely hampered in enforcing the provisions of the lease and the Authority's occupancy requirements.

Inconsistent leasing changes without official Authority Board action

Prior to April, 1998, the Authority was allowing all of their Low Rent Housing Program tenants a utility allowance. This allowance was offset against the monthly rental charge and provided the tenants with reduced rents to pay for their utilities. In some cases, the allowance would result in a tenant having a negative rent amount. In such cases, the Authority would pay the amount of negative rent to the tenant.

In April, 1998, the Authority staff, after discussions by the Authority Board but without any official Board action being taken, unilaterally reduced all negative rents to a "zero" amount. This was done without formal Authority Board authorization and any amendments to the tenant lease. This in effect was a reduction in the Authority's utility allowance for the very low income tenants. However, the reduced utility allowance was not granted to those tenant whose monthly rent including the utility allowance was a positive amount (more than zero).

This unofficial action by the Authority staff resulted in inconsistent computed rental charges being assessed against its Low Rent Housing Program tenants. The impact is that some tenants are not granted as much a utility allowance as other tenants. Furthermore, some tenants are paying a higher share of their income for their monthly rent than other tenants.

Authority to follow a collections policy

Per HUD requirements, the Authority is to assure the prompt payment and collection of monthly rent charges from its tenants by the establishment and implementation of an effective collections policy.

Lack of an aggressive collection procedures

The Authority lacked an aggressive collection procedure. The Authority was not making a meaningful effort to implement its collection policy or initiate eviction procedures for the non-payment of monthly rent charges. As a result, tenant accounts receivable continues to increase significantly.

This condition was pointed out in the last Independent Public Accountant's report for the fiscal year ending September 30, 1998. This report states that the increase in tenants accounts receivable has had a crippling affect upon the Authority. The report states that the tenants accounts receivable total as of the audit date of September 30, 1998 was $695,017. When compared to the accounts receivable balance at

September 30, 1995 which was $526,446, the Authority's tenant accounts receivable has increased by twenty-four percent in three years. This amount does not include the $50,728 in repair costs for the nineteen month period ending September 30, 1998 the Authority had incurred but had not charged the applicable tenants for the cost of repairs for tenant caused damages.

The following table details the average Tenant Accounts Receivable balance per tenant as of September 1998 for the three types of Authority housing program:

Housing Program	Average Receivable Balance Per Tenant
Low Rent	$249.32
New Mutual Help	$986.81
Old Mutual Help	$2,464.08

One Board member had an accounts receivable balance of $14,725 as of September 1998. The last payment for this Board member had been $37.50 in January 1997. The Authority file for this Board member did not contain any evidence that the Authority had made a meaningful effort to collect the balance owed.

Authority failed to formulate meaningful collection efforts and eviction procedures

The Authority has not formulated any meaningful collection efforts and/or eviction procedures. The Authority practice has been to send tenants with accounts in arrears a letter asking them to come into the Authority to establish a pay back agreement. Types of pay back agreements included an increase in the tenant's monthly payment, and/or a request for direct deduction of monthly rent charge from the tenant's paycheck.

During our audit, we reviewed tenant files to determine whether or not the Authority was establishing and enforcing pay back agreements with tenants whose accounts were in arrears. In most cases, the Authority had sent a letter to tenants notifying them that they were in arrears and needed to establish a pay back agreement with the Authority. However, the Authority failed to enforce established pay back agreements. In most cases, tenants reverted back to non-payment of their monthly rent charge. In addition, there was no evidence in the tenant files that the Authority had followed up or obtained any response from tenants regarding their accounts thereafter.

According to Authority occupancy policies and procedures, failure to meet monthly rent charges, can be cause for eviction. We found that the Authority did not exercise the use of eviction for non-paying tenants. Instead, tenants were allowed to remain in their units, while their tenant accounts receivable balances continued to increase.

Deficient occupancy and leasing procedures impact Authority's needed revenues

These deficiencies have a significant impact upon the operation of the Authority since the leasing of its housing units is not consistently and adequately administered. The practice of improperly verifying income and calculating the related monthly rental charge, allowing free rent for new tenants, improperly executed leases agreements and following an incomplete and ineffective collection and eviction policy greatly hampers the Authority in assessing and receiving rental income from its housing occupants. Such revenues are necessary for the effective operation of the Authority and its housing programs.

Key causes are lack of formal Board Occupancy and Leasing Policy and proper administrative procedures

These deficiencies stem from two basic causes. The first is lack of formal policies being adopted by the Board. The second is that the Authority staff has not implemented proper procedures to consistently and properly administer is housing occupancy and leasing activities.

As part of the Native American housing Assistance and Self Determination Act, the Authority certified to HUD as part of its Annual Housing Plan that the Authority had formally adopted occupancy and leasing policies and that these were being followed by the Authority. Our review as discussed above indicate that the policies have not been formally adopted by the Authority Board and that the implementation of the occupancy and leasing activities has been inconsistent and ineffectively administered.

Key occupancy activities vested in same Authority employee

The Authority's occupancy and leasing procedures are being administered without the proper administrative controls. Normally, the functions of handling program assets and recording of the program transactions are separated. However, at the time of our review, all functions relating to occupancy and leasing were vested in the same Authority employee. This employee carried out the following tenant occupancy and leasing functions:

- Verified tenant income and calculated tenant monthly rents;
- Determined when a new tenant would begin to be charged rent;
- Implemented the Authority's collection and eviction procedures;
- Maintained the Authority's official tenant files and records; and
- Recorded and maintained the Authority's official tenant accounting records.

This same Authority employee also has the responsibility for assessing tenants for the cost of repairs for tenant caused damages and for collecting such repair cost payments.

Authority Comments

The Authority in its written comments to the draft audit report (see Appendix 2) stated the Authority as well as other Tribal housing authorities have had a history of noncompliance by occupants of their Low Rent and Mutual Help Housing Program units. In addition, the past administration, staff members and Tribal Council members advocated non-payment of housing payments and compliance to recertification to help or protect their families and relatives from paying rents according to all income of the household. The trend is ingrained in the present tenants and homebuyers as the Tribal Council and Tribal justices would not allow the Authority to evict tenants, terminate homeowners for non-payment or non-compliance of lease and/or Mutual Help Occupancy Agreements. This has been done even though Tribal resolutions have been passed previously mandating all employed individuals to pay their rents and home payments to the Authority.

The Authority's written comments state that it will take years of correcting and re-educating Tribal members the skill of self-reliance. HUD, through past regulation, and the Tribe have only taught the people co-dependency on the Authority and Tribal programs to take care of their needs. Now the Authority must wean them from depending on the Authority to take care of their unit maintenance and from being the source of housing, by providing them with the assistance to help themselves through education, counseling, and home ownership.

The Authority indicates that changes have been make to provide better separation of management controls over its tenant and occupancy procedures. Also, the Authority will review and implement the current Admission, Occupancy, and Internal Control policies. These will be formally adopted by the Board so the staff will have governing documents with which to adhere to. Lastly, the Authority states that the recommendation given will be considered for implementation.

4. Improved Controls Needed Over Cash Receipts

Proper controls over cash receipts to be followed

Section 85.20 of Title 24 of the Code of Federal Regulations details the financial administrative standards for program assets that are to be implemented by the Authority. The Authority is to maintain effective controls and accountability over its cash. Adequate procedures are to be utilized to safeguard the Authority's cash as well as to ensure that such monies are used solely for authorized purposes.

A basic component of any internal control system is the separation of functions for handling and recording cash. The separation of duties serves as a protection of Authority employees by fixing responsibility and accountability, and also serves as a deterrent to possible misappropriation or diversion.

Prudent business practices for collecting cash receipts dictate that, as a minimum, the collection and deposit of cash receipts be performed by different employees. Such separation of functions is necessary if the Authority is to properly handle and account for its cash receipts as well as to protect the integrity of its employees.

Better controls are needed over cash

The Authority has failed to maintain preventive controls over its cash receipts. The Authority's implemented cash collection system primarily vested all the functions of handling Authority monies and the function of recording cash collection transactions on the Authority's books of account with the same Authority staff member. Normally, a proper system of internal control over cash would separate these two functions. Also, the Authority was not depositing its monies timely and intact. More specifically, Authority collections were held for up to 79 days before being deposited. Cash receipt tickets were not always issued in numerical sequence. As a result, the Authority has limited assurance that its cash collections have been properly deposited into the Authority's bank accounts and correctly recorded on its books of account.

Main cash receipt functions vested with the same employee

At the time of our review, the functions of receiving and handling cash receipts as well as recording and controlling related accounting transactions were handled primarily by the same Authority employee. The employee performed the key duties for collecting, depositing and recording cash receipts. The employee accepted tenant payments, issued cash receipt tickets, maintained custody of the supply of cash receipt tickets, posted cash collected to the Authority's automated tenant ledger system, maintained custody of issued cash receipts, and prepared bank deposits. In addition, the same person sent accounting information and records to the Authority's fee accountant for posting to the Authority's official books of account.

This weakness is probably more significant since this employee is also responsible for maintaining the key functions relating to the occupancy and leasing of Authority's housing units as discussed in the previous section. These key functions include the verification of tenant income, calculating monthly tenant rents, and maintaining the official tenant files. In addition, this same employee also performed or controlled the main functions relating to assessing tenants for tenant caused damages. This involves the calculation, recording, collecting, and depositing the amount of charges for tenant caused damages.

Cash receipts not always deposited timely and intact

During the audit period, the Authority did not always deposit its cash collections timely or intact. We noted that monies were held on an average from a period of three days to sixteen days. In one instance, monies received from one tenant were held for 79 days before being deposited.

The Authority was following the practice of not depositing cash collections for new tenants until such time as all the required documentation relating to their occupancy is received and processed and/or the Authority's fee accountant had established a tenant account number for the new resident. This practice greatly reduces the Authority's control and accountability over its cash collections and related deposits by allowing amounts of cash receipts to be kept on hand at the Authority for extended periods of time. The potential for embezzlement or theft is therefore greatly increased.

Cash receipts need to be deposited into the Authority's bank account as frequently as possible, preferably daily, and intact. Monies should not be kept on hand until decisions are reached as to how to record the receipts on the Authority's books of account.

Better controls needed over issued and unissued cash receipt tickets

The Authority utilizes both permanent and temporary receipt tickets in its cash collection efforts. Permanent receipt tickets are computer issued in numerical sequence and generally used when tenants pay their monthly rents. A manual temporary receipt ticket is issued basically when the tenant computer system is down. Once the computer system is operational, the temporary receipt ticket is to be voided and a permanent computerized receipt ticket is issued.

During the audit period, the Authority had not established proper controls over its issued and unissued cash receipt tickets. The Authority has followed the practice of issuing cash receipt tickets out of numerical sequence and failed to formulate any system to account for its issued tickets. In fact, some issued cash receipts tickets have been missing without any established follow up procedure.

For example, the Authority's fee accountant maintains a listing of permanent receipt tickets that have not been submitted to them for processing and accordingly, the fee accountant considers them as being unaccountable or missing. The list of unaccountable or missing receipts, as of September 1998, listed thirteen receipt ticket numbers. While Authority officials stated that some of these have been missing for over ten years, no documented action has been taken to locate and/or provide the necessary information to the fee accountant for appropriate recording to the books of account.

In addition, we noted that:

- Temporary receipt tickets are often issued out of sequence;

- Issued temporary receipt tickets are often not marked to show that they have been replaced by a permanent receipt ticket; and

- Original voided cash receipt tickets are not always kept and forwarded to the Authority's fee accountant.

Without issuing cash receipt tickets in numerical order and properly accounting for all issued and voided tickets, the Authority has reduced accountability over its collections. As a result, errors, unintentional or not, can go undetected.

Established Authority accountability of cash receipts is limited

The Authority has established various procedures that lend itself to formulating a system of checks and balances over its cash receipts. However, these procedures fall short of providing for adequate controls and accountability over its cash receipts.

The established Authority procedures consist basically of actual deposit and related cash receipt ticket information being given to the Authority Executive Director and the Bookkeeper for their review and concurrence after a deposit has occurred. This information includes an adding machine tape of the cash receipt tickets issued, copy of validated deposit slip from the bank and a Cash Receipts Control Sheet that lists the deposit amount and the receipt ticket numbers that were issued.

The Authority's process only accounts for monies once they are deposited. No control procedures are in place in the three vulnerable function areas relating to the receiving of monies collected, issuing and cash receipt tickets, and recording cash transactions.

The Authority's cash control procedures can be greatly improved by separating the functions of handling cash collections from the functions of recording cash transactions. This separation would also need to account for all issued, unissued, and voided receipt tickets. This would provide the Authority with increased assurance that all cash collections are correctly received and deposited and properly recorded in the Authority's books of account. The revised procedures would also help to protect the integrity of its employees.

Authority Comments

The Authority in its written comments to the draft audit report (see Appendix 2) stated they do not have any history as to why the receipts were recorded out of order not can they explain the missing receipts. Also, Authority administration was not aware that tenants were not charged for work completed on tenant abuse work orders

The Authority further commented that steps have been taken to improve its management controls over its cash receipts as well as for its occupancy and leasing activities. The Authority indicated they will incorporate the recommendation suggested in the report.

Overall, effective management controls are needed

In summary, these four sections discuss in detail the need for the Authority to establish and implement adequate management controls and procedures over its housing program activities. These areas deal with the disbursement of Authority program funds without proper authority and/or adequate documentation. HUD program funds totaling at least $126,679 were used to finance a separate unauthorized housing program. Authority travel has been permitted whereby unallowable, undocumented, excessive and improper documented costs have been incurred. This is illustrated by the fact that three out-of-town conference or meeting trips we reviewed showed that the cumulative cost of $27,139 is questionable as being valid Authority travel expenditures.

The Authority has not been adequately implementing its occupancy and leasing policies and procedures. Primarily the Authority has not performed its tenants' certifications in a timely manner, and was not properly verifying tenant income information. In addition the Authority was deficient in its overall leasing activities. The Authority allowed new move-ins to reside in their units for up to two months free of rent, leasing documents were improperly filled out, and not all of its tenants were being charged rent.

Cash receipt control procedures have been deficient since all monies have not been deposited timely and intact. Cash receipt tickets have been issued out of sequence while all receipt tickets have not been accounted for. In addition, all the functions dealing with the handling and recording of cash receipts have been vested in or controlled by the same Authority employee. This same employee also administers the main functions of establishing and calculating tenant charges as well as maintaining and recording the official Authority tenant files and records.

Overall, the Authority needs to establish adequate procedures for carrying out the directives of the Authority Board and ensuring the compliance with HUD housing program requirements. Such procedures would relate to the operating areas of the Authority and include the established funded housing programs of housing construction, travel, occupancy and leasing and cash. Also, the procedures should be divided among the Authority staff that the functions of handling an Authority asset is separate from the functions of recording the transactions relating to the asset.

RECOMMENDATIONS

We recommend that the Northern Plains Office of Native American Programs require the Authority to:

1A Formally adopt by Board action all policies and procedures that the Board wants the Authority to implement and follow. This will include all policies and procedures the Board has previously intended the Authority to implement but may not have officially adopted them by formal Board action. These policies and procedures will need to include those the Authority certified in their last Indian Housing Block Grant application to HUD as having been formally Board adopted and followed by the Authority.

1B Establish and maintain the appropriate management control procedures over its housing operations to ensure that all the policies and procedures as adopted by the Authority Board are being implemented by the Authority staff. These would specifically apply to (1) housing activities as detailed in the Authority annual housing plan, (2) travel, (3) leasing and occupancy, and (4) cash receipts. This would ensure that the conditions detailed in the finding for the four main areas are remedied and proper safeguards and checks and balances are installed to prevent the reoccurrence of the deficiencies identified.

1C Require the Authority to reimburse from non-Federal sources those HUD program costs of $126,679 that were used to finance its non-HUD housing Activities. Afterwards, these repaid funds would need to be used to fund eligible housing program activities.

1D Provide appropriate controls over its travel activities and related costs. This would involve that travel advances be recorded on the Authority's books of account as a receivable against the individual traveler that would be offset by the amount of the travel voucher when submitted. Control procedures would include steps to ensure that travel vouchers are properly documented detailing the nature and extent of each trip incurred and that travel expenses are supported by valid travel receipts and documents. In addition, steps should be implemented for each traveler to submit the correct travel voucher immediately after each trip.

1E Obtain and review the necessary travel vouchers with the proper documentation for the three trips discussed in the finding. For any travel advances and applicable travel costs that are not properly documented in accordance with the Authority's travel policy needs to be refunded the Authority by the traveler. In addition, the Authority needs to review all travel advances and related vouchers granted by the Authority and determine if the travel costs were incurred in conformity the Authority's travel policy. This review needs to include the travel costs and related travel vouchers for all trips during the last two complete fiscal years and through the current date.

1F Separate the functions of handling cash receipts from the functions of recording cash receipt transactions from the same Authority employee. This would need to be expanded to separate the functions of establishing and calculating tenant charges from the functions of maintaining and recording the official Authority tenant files and records. Also, this would involve the separation of assessing tenants for tenant caused damages from the function of collecting monies for such repairs.

We also recommend the Northern Plains Office of Native American Programs:

1G Verify the corrective action taken by the Authority for recommendations 1A through 1F after they have been implemented and to ensure the appropriate controls are in place and functioning and that the Authority is implementing the policies and procedures as adopted by the Authority Board; and

1H Maintain the High Risk Designation for the Authority until the recommendations listed above have been fully implemented.

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Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include systems for measuring, reporting, and monitoring program performance.

Management controls assessed

We determined the following Chippewa Cree Housing Authority's management controls were relevant to our audit objectives:

- Governing policies and procedures as promulgated by the Authority Board of Commissioners;
- HUD housing program monies were expended for eligible activities and costs; and
- Housing program revenues were properly controlled and recorded.

Assessment procedures

The following audit procedures were used to evaluate the management controls:

- Review of Board minutes and formulated policies and procedures;
- Interviews with Authority and its fee accountant officials;
- Review of Authority cash disbursement records and related files related to the eligibility use of HUD program funds;
- Review of Authority cash receiving, depositing and recording records;
- Evaluation of the Authority's established procedures for implementing its HUD funded housing programs; and
- Interview with HUD Northern Plains Office of Native American Programs officials and review of HUD records and files.

Significant Weaknesses

A significant weakness exists if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained and maintained, and fairly disclosed in reports. Based on our audit, we identified the following significant weaknesses:

- The Authority used HUD program monies totaling $150,693 to finance its own separate non-HUD housing activities (Finding);

- Authority travel and related costs were excessive, unsupported and/or questionable as eligible HUD-funded housing program costs (Finding);

- Housing units leasing and occupancy were not adequate to ensure tenants were properly selected, eligibility certified, correctly verified income and rent computations, and fully executed lease agreements (Finding);

- The Authority lacked sufficient controls over the receiving, handling, and recording Authority revenues (Finding); and

- Combined both functions of handling and recording cash receipts were vested in the same Authority employee and revenues were not always deposited timely and intact (Finding).

Follow-up on Prior Audits

This is the first HUD Office of Inspector General for Audit review of activities of the Chippewa Cree Housing Authority.

However, the Authority has been reviewed and evaluated by HUD Northern Plains Office of Native American Programs. On December 19, 1996, the Northern Plains Office of Native American Programs issued a Corrective Action Order and declared the Authority High Risk under Title 24 Code of Federal Regulations, Part 85. The Corrective Action Order identified the existence of regulatory deficiencies relating to Title 24 Code of Federal Regulations Part 950.135 and Part 85.20. The Corrective Action Order stated the Authority:

1) Lacked administrative capability in the area of general financial management, management systems and housing development;
2) Was in non-compliance in the financial administration of grants,
3) Had not selected housing applicants in accordance with their waiting lists, and
4) Had other management deficiencies that were supported by audits, on-site reviews or other reliable information.

The Corrective Action Order also noted that the Housing Authority did not:

1) Hold Board Meetings in compliance with its by-laws;
2) Have properly trained and competent personnel at key management positions,
3) Maintain a stable financial position,
4) Maintain an appropriate financial management systems;
5) Convert initial development grant for Low Rent project; and
6) Select participants in accordance with the Mutual Help or Low Rent waiting lists.

In addition, HUD identified five specific management deficiencies at the Authority in the following areas: 1) user fees; 2) budget overruns; 3) tenant accounts receivable; 4) other sources of income; and 5) audit findings.

During the week of August 30, 1999, staff of the Northern Plains Office of Native American Programs conducted an on-site monitoring review of the Authority's Indian Housing Block Grant program funded under the NAHASDA. Their draft report was submitted to the Authority for comment on November 16, 1999. After receiving the Authority's comments, the Northern Plains Office of Native American Programs issued on February 22, 2000 to the Chippewa Cree Tribe their Final Monitoring Review Report and High Risk Designation for Indian Housing Block Grant on the Authority. The High Risk Designation had been placed upon the Authority's 1998 and 1999 Indian Housing Block Grants. Subsequent to the February 22, 2000 report, HUD notified the Authority that the High Risk Designation would continue for its subsequent 2000 fiscal year Indian Housing Block Grant.

The High Risk designation was for the Authority's 1998 and 1999 Indian Housing Block Grants and was based on the Authority's independent auditor's disclaimer of opinion audit report for the 1996 fiscal year. The disclaimer related to the Authority's financial statements and compliance with general requirements.

The Authority was apprised the High Risk determination would continue until the 1998 independent audit report was received and the auditor issued a unqualified opinion and there were no significant findings regarding financial management. The audit results would be reviewed by HUD and a determination made as to whether the High Risk determination would impact the 2000 fiscal year Indian Housing Block Grant program.

HUD notified the Authority on March 21, 2000 that their Indian Housing Plan submitted for their Indian Housing Block Grant Program was acceptable. In addition, the letter also continued the High Risk Determination for the Authority.

Subsequent to the issuance of HUD’s Final Monitoring Review Report and High Risk Designation for Indian Housing Block Grant, the Authority’s independent public accountant issued their report for the 1998 fiscal year. This report, dated May 27, 1999, contains an unqualified opinion. However, the audit report identifies the following findings:

- Material weakness identified in the internal control over financial reporting;

- Reportable conditions were identified that were not considered to be material weaknesses in the internal control over financial reporting; and

- Material weakness were identified in the internal control over major programs;

Findings presented in the audit report related to payroll records, tenant and homebuyer receivables, fixed assets, year 2000 issues, tenant and homebuyer receipts, and tenant and homebuyer files.

Correspondence in connection with these reports between the Authority and HUD indicate that improvements are being made in the Authority’s internal controls over its housing operations.

Our audit report augments the HUD and independent auditor reports.

Appendices

Appendix 1

Schedule of Questioned Costs

Finding	Description	Amount
1	**Ineligible HUD program funding of non-HUD housing activities**	**$126,679**
1	**Unsupported, unnecessary or unreasonable travel costs**	**$27,139**

Questioned costs include ineligible costs, unsupported costs, and unnecessary/unreasonable costs:

1. Ineligible costs are those that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
2. Unsupported costs are those whose eligibility cannot be clearly determined during the audit since such costs were not supported by adequate documentation.
3. Unnecessary costs are those which are not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by the ordinary prudent person in the conduct of a competitive business.

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Appendix 2

Auditee Comments

Chippewa Cree Housing Authority

RR#1 Box 567
Box Elder, Montana 59521
Phone (406) 395-4370 or 395-4748
FAX 395-4249

August 21, 2000

Mr. Robert C. Gwin
District Inspector General for Audit
U.S. Dept. of HUD
Office of Inspector General, Rocky Mtn.
633 17th Street, North Tower, 14th Floor
Denver, Colorado 80202-5452

RE: Draft Audit Report

Dear Mr. Gwin:

Please consider this letter our response to the Preliminary Report Draft Received on July 28th, 2000. The Chippewa Cree Housing Authority (CCHA) understands that the audit covers the fiscal periods of FY 96 through 98, and throughout the report references were made to that period of time. Form the period of the 1996 audit to the on-site monitoring review conducted by HUD/ONAP staff, the staff at CCHA has made considerable improvements. Within the Monitoring report, HUD/ONAP staff indicated there were no findings contained in their report only concerns. CCHA reviewed the concerns and tried to implement the recommendations into their programs to alleviate further concerns. Even though CCHA has improved their operations minor concerns are still relevant and will need more time to address. The 1998 audit report reflects those improvements. The auditors, Joseph Eve and Company determined an unqualified opinion for Financial Statements and Federal Programs, the only concern was that there could possible be a problem in the Occupancy area. Review finding 98-6 is as such:

"Of the 40 files reviewed for compliance with program requirements regarding unit inspections, annual reexamination, verification of income, and calculation of rent payments:

3 of 40 were missing signatures or had incomplete applications
1 of 40 did not appear to meet eligibility requirements
9 of 40 were missing or did not have updated annual income reexaminations. With a $0 questionable cost. This is cause of concern seems fairly minuet compared to the problems CCHA had to overcome.

The Chippewa Cree Housing Authority's staff and Board of Commissioners have spent a great deal of the past four years reviewing, modifying and correcting the housing authorities operations to comply with the Corrective Action Order, High Risk Determination and any other concerns HUD/ONAP had found. The housing authority administration has been very compliant to all requests the HUD area office may need, even though, once NAHASDA was passed into law the CAO was no longer in existence, CCHA followed through with the conrrections.

The remainder of this letter will address the report deficiencies in the order of review findings.

1. **HUD Funds Totaling $150,693 Used to Finance Non-HUD Housing Activities**

HISTORY:

The Chippewa Cree Housing Authority tried to establish a homeownership program using Tribal User Fees. The past administration and Board of Commissioners verified through conversation they realized the user fees were for the use of Tribal Government programs such as water, sewer, road and etc. However, they also through Tribal Resolution suppose to have re-designated those funds for homeownership. A meeting with HUD/ONAP personnel in Denver was held and the homeownership concept was given to them verbally. The HUD/ONAP staff did not see a problem with the proposal but suggested that Chippewa Cree Housing Authority write up a program that entailed their proposal. The administration took the suggestion as an authorization to proceed with the program. The Board of Commissioners was also Tribal Council members and intended to pass the required Tribal Resolution and Housing Policy.

Also Economic Availability on the Rocky Boy Reservation is sparse. The Chippewa Cree Housing Authority employs the majority of seasonal workers needed during the construction period of each year through construction of new homes or the rehabilitation of existing homes. The Modernization program or Comprehensive Grants Program was funded independently from operating dollars. Each year the housing authority issued a proposal for HUD to approve before work can be started. And each year the plan was scrutinized into the construction period. The Board of Commissioners decided that since the plan had a few correction pending to HUD, such as verification of a public meeting and comments were missing, they would set-up a line of credit with a bank until the funds were available through the LOCC's system, thus a line of credit for $200,000 with Norwest Bank of Havre. The homeownership program required a few documents such as program design and Tribal resolution to be filed with HUD before expenditure of HUD funds could be realized, so a line of credit for $200,000 at First Security Bank of Havre was established. When the construction was completed the homeowner would secure financing through VA, HUD 184 or RD., to repay the loan or CCHA.

Neither plans worked out as intended. The Board of Commissioners or Tribal Council members was going through an election year and few meetings were held leaving the intended policy and resolution to be neglected. The housing authority was left holding the bag, so to speak.

FACT:

Expended on homeownership was $126,679. The user fees equaled $80,625 a difference of $46,054. When the new administration and Board of Commissioner were established the Corrective Action Order/High Risk had already been determined and the homeownership expenditures were deemed ineligible costs. The governing body then took action to clear up any and all discrepancies that were addressed in the CAO letter. The individuals were contacted describing the dollars owed to the housing authority and demanded a response. The log home kit purchased from Meadow Mountain Log Home dealer was in litigation. Mr. Sutherland transferred ownership to the housing authority. An agreement was established with the owner of Meadow Mountain Log Home for $60,000 though a court appointed arbitrator. Mr. Sutherland would pay the balance from the sale or $31,508, plus any legal fees. To date the $60,000 agreed upon has not been paid so a total due to Mr. Sutherland has not been established. The housing authority does not have an abundance of non-federal dollars at their disposal, as the past administration left CCHA with an outstanding accounts payable amount. We did not realize that all litigation cost would also be determined an unallowable cost. CCHA is not trying to avoid the collection of the dollars owed, but circumstances have tied up all action to be taken until closure. CCHA has tried to re-negotiate with Mr. Patcasil, to no avail, his HUD 184 loan payment is $1,000 per month and could not afford to increase his payment to CCHA. The dollars expended for the modernization and operations of the housing authority were paid in full when the dollars became available through LOCC's.

RESOLUTION:

The Chippewa Cree Housing Authority will follow the recommendation set forth by the Office of Native American Programs/HUD.

2. **Inadequate Management Control Over Authority Travel and Related Costs**

HISTORY:

The past administration and Board of Commissioners did not plan their travel well, last minute details of the trips were given to the support staff for construction of the travel voucher. Resulting in poor management of operating dollars. The travel budgets were constructed from past budgets that were approved by HUD. Leaving inadequate coverage for the personnel traveling to workshops or meetings. The policy was loosely written to cover the travel that was being taken. Because the fees for the quarterly meeting to UNAHA AND NAIHC was determined by the amount of attendees, it was known to the staff and commissioners not to sign in so not to be charged the attendance fees. Very little control by the administration was evident by the cost of each trip and the amount of staff attending the function. The financial staff members had little control of Board of Commissioners or the favored staff attending the functions upon return for documentation prior to releasing the withheld 10%.

FACT:

The new administration and Board of Commissioners terminated staff that was unnecessary to the running of CCHA programs. A new position of Finance Management was added to help bring the housing authority back into budget. The new Finance Manager re-wrote the Travel Policy and issued a copy to each of the Board of Commissioners for approval. The new travel policy was adhered to; each trip required the necessary documentation to receive reimbursement of the 10%. Although documentation had not been received by a few of our Board of Commissioners neither has the 10% given to that board member and the expenditure was recorded as a receivable. The finance manager scrutinizes the receipts very carefully before the 10% are released. If documentation is not present or a trip report is not attached, the employee's 10% was not issued until the documentation was received or the traveler was billed for repayment of the travel voucher when it was evident that they did not attend the scheduled meeting/training. After the CAO was released and the new administration took over, very little travel was issued because the dollars were not available. If the board or staff traveled the most economical transportation as issued. Such is the case in the Tampa Florida trip. The Finance officer determined that a Saturday stay over was more economical including the additional per-diem. A stay over in Great Falls was necessary due to the fact that the plane arrived back to Great Falls at 11:30 P.M. and the traveler chose not to travel the 110 miles home at night. Attached are the receipts for the Tampa FL trip in question and a copy of the current travel policy. The policy is patterned from the Tribes policy, as we cannot exceed their required policies, actual reimbursement of expenses are not included. And the policy does not prohibit sharing the cost of a motel room. Especially in high cost areas where the rooms and meals may exceeded the daily per diem rate for out of state travel. The Tribe does not require meal receipts, however, usually dining out in a city as large as Tampa the meals can cost more than McDonalds and you are expected to tip at least 15%. The Taxi fare are usually more than $20 from the airport and back, so if you do not want to eat in the motel or within walking distance you must pay taxi and those cost are not reimbursable.

RESOLUTION:

I feel the new travel policy prohibits the abuse that was evident in the past. The Board of Commissioners a.k.a. Tribal Council members travel at our request to better understand the issues that the housing authorities are facing on the regional and national level.

The housing authority will in the future provide better controls over its travel activities and related costs. The travel advances will be recorded on the book of accounts as a receivable against the individual traveler and then would be offset by the amount of the travel voucher when submitted. The traveler will adhere to the Travel Policy set forth by the Chippewa Cree Housing Authority.

3. **Inadequate Unit Leasing and Occupancy Procedures**

HISTORY:

The Chippewa Cree Housing Authority, as with many of the other Tribal housing authorities, has had a history or non-compliance by the Tenants of our Low Rent Units and Homebuyer of our Mutual Help Units. The past administration, staff members and Tribal Council members as well had advocated non-payment of rent/home-payments and compliance to recertification to help or protect their families and relatives from paying rents according to all income of the household. The trend is ingrained in the present tenants and homebuyers, as the Tribal council and Tribal justices would not allow the housing authority to evict tenants, terminate homeowners for non-payment or non-compliance of lease and/or Mutual Help Occupancy Agreements. Even though Tribal resolutions have been passed previously mandating all employed individuals to pay their rents and home payments to the housing authority.

The homes that were built with low rent development dollars that are now being charged mutual help rents were intended to be converted to mutual help. At the time of construction the homes were part of development grant for 45 homes low rent homes. At that time HUD introduced the Section 184 Program and the Tribe was very receptive to that concept. The Tribe passed the Mortgage Leasehold and Eviction Ordinance to be eligible for the program. The five units built under development project MT 11-24 were to be purchased by the selected families. When the families could not qualify for a Mortgage rather than replacing the families in the units, CCHA decided to convert the units to Mutual Help. The process was not completed; the families fell behind on the payments so the process could not go forward.

FACT:

The housing authority has re-written their Occupancy policy and procedures that govern the 1937 housing act units and implemented an approved Financial Assistance Program. The attorney's for CCHA are presently looking at the conversion and conveyance packages that CCHA is planning to execute. The duties of certification and collection have been separated. The collection clerk is responsible for issuing a receipt for the rents and home payments collected. The collected rents and home payments are deposited at least once a week. The Occupancy Specialist is still responsible for calculating the new tenant monthly rents. A new temporary position has been created to re-certify and verify incomes of low rent applicants and existing tenant/homebuyers.

It will take years of correcting and re-educating members of our Tribe the skill of self-reliance. HUD through past regulation and the Tribe have only taught the people co-dependency on the housing authority and Tribal programs to take care of all their needs. Now the Chippewa Cree Housing Authority must wean them from depending on the housing authority to take care of the maintenance in all units and from being the only source of housing, by providing them with the assistance to help themselves, through education, counseling and homeownership.

RESOLUTION:

The housing authority will review and implement the current Admission, Occupancy and Internal Control policies. The Board of Commissioners will formally approve the Policies so the staff of CCHA will have governing documents to adhere to. The recommendation given will be considered for implementation.

4. **Improved Controls Needed over Cash Receipts**

HISTORY:

The present administration does not have any history as to why the receipts were recorded out of order nor can we explain the missing receipts. The Staff did not keep any VOIDED receipts as the explanation of missing receipts and other employee issued receipts when the receiving staff member was absent and that the receipts were not always in sequence when issued. The administration was not aware that the tenants were not charged for work completed on tenant abuse work orders.

FACT:

As mentioned previously the policies have been reviewed and separation of duties is being implemented.

RESOLUTION:

The housing authority has implemented changes and the housing authority will incorporate the recommendation suggested.

IN CONCLUSION:

The Chippewa Cree Housing Authority has made great strides of improvement over the past four years as the HUD monitoring review and current Audits reflect. We will continue to address both HUD and your areas of concern. It has been the present administration and Board of Commissioner's primary goal to close the high-risk determination by correcting all outstanding findings/concerns and to finally receive a clean audit. I hope the preceding explanation will help you understand the difficultly in addressing the high-risk determination and audit findings and that not all problems can be solved by policy or procedures and will take that inconsideration when releasing your report to the Governing Entities.

Should you require any further explanation or have any questions please feel free in contacting me at the above address or 406-395-4370.

Sincerely,

Susie Hay
Executive Director

PC: File

Appendix 3

Distribution

Chippewa Cree Housing Authority
Secretary's Representative, 8AS (2)
Acting Director, Northern Plains Office of Native American Programs, 8API, (2)
Deputy Assistant Secretary for Native American Programs, 8APINW, , Room 4126
Assistant Secretary for Public and Indian Housing, P, Room 4100
Deputy Secretary, SD, Room 10100
Chief of Staff, S, Room 10000
Assistant Secretary for Administration, A, Room 10100
Deputy Chief of Staff, S, Room 10226
Deputy Chief of Staff for Operations, S, Room 10226
Deputy Chief of Staff for Programs and Policy, S, Room 10226
Assistant Secretary for Congressional and Intergovernmental Relations, J, Room 10120
Senior Advisor to the Secretary, Office of Public Affairs, S, Room 10132
Deputy Assistant Secretary for Public Affairs, W, Room 10222
Counselor to the Secretary, S, Room 10234
General Counsel, C, Room 10214
Deputy General Counsel, CB, Room 10220
Office of Policy Development and Research, R, Room 8100
Assistant Deputy Secretary for Field Policy and Management, SDF, Room 7106
Director, Office of Department Operations and Coordination, I, Room 2124
Chief Procurement Officer, N, Room 5184
Chief Information Officer, Q, Room 3152
Chief Financial Officer, F, Room 2202
Deputy Chief Financial Officer for Operations, FF, Room 10166
Director, Office of Budget, FO, Room 3270
Director, Enforcement Center, V, 200 Portals Building
Director, Real Estate Assessment Center, X, 1280 Maryland Ave., SW, Suite 800
Departmental Audit Liaison Officer, FM, Room 2206
Headquarters Audit Liaison Officer, Public and Indian Housing, PF, Room P8202
Field Audit Liaison Officer, 6AF, (2)
Director of Scheduling and Advance, AL, Room 10158
Assistant Deputy Secretary for Field Policy and Management, SDF, Room 7108 (2)
Special Assistant to the Deputy Secretary for Program Management, SD, Room 10100
Acquisitions Librarian, Library, AS, Room 8141
Inspector General, G, Room 8256
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, 340 Dirksen Senate Office Building, United States Senate, Washington, DC 20510
The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs, 706 Hart Senate Office Building, United States Senate, Washington, DC 20510
Honorable Dan Burton, Chairman, Committee on Governmental Reform, 2185 Rayburn Bldg., House of Representatives, Washington, DC 20515

Henry A. Waxman, Ranking Member, Committee on Governmental Reform, 2204 Rayburn Bldg., House of Representatives, Washington, DC 20515

Ms. Cindy Fogleman, Subcommittee on Oversight and Investigations, Room 212, O'Neil House Office Building, Washington, DC 20515

Director, Housing and Community Development Issue Area, United States General Accounting Office, 441 G Street, NW, Room 2474, Washington, DC 20548 (Attention: Judy England-Joseph)

Deputy Staff Director, Counsel, Subcommittee on Criminal Justice, Drug Policy and Urban Resources, B373 Rayburn House Office Building, Washington, DC 20515

Steve Redburn, Chief, Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Building, Washington, DC 20503