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# AUDIT REPORT



HUD INDIAN HOUSING BLOCK GRANT PROGRAM

SICANGU WICOTI AWANYAKAPE CORPORATION  
ROSEBUD, SOUTH DAKOTA

2003-DE-1001

OCTOBER 8, 2002

U.S. Department of Housing and Urban Development  
Regional Inspector General for Audit  
633 17<sup>TH</sup> Street 14<sup>TH</sup> Floor  
Denver, Colorado 80202-3607

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| Issue Date | October 8, 2002 |
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| Audit Report Number | 2003-DE-1001 |
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TO: Randall R. Akers, Administrator, Northern Plains Office of Native American Programs, 8API

*Robert C. Gwin*

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

SUBJECT: HUD Indian Housing Block Grant Program  
Sicangu Wicoti Awanyakape Corporation  
Rosebud, South Dakota

We have completed an audit of the HUD Indian Housing Block Grant Program operations being carried out by the Sicangu Wicoti Awanyakape Corporation, also known as the Rosebud Housing Authority (hereinafter referred to as the Housing Authority), Rosebud, South Dakota. At the beginning of our review, numerous tribal members, Housing Authority participants and Housing Authority staff and officials presented to us information and concerns relating to the various aspects of the administration and operations of the Housing Authority in connection with its Indian Housing Block Grant Program. To address the numerous concerns, we focused our review on the Housing Authority's management controls over its HUD funded Block Grant Program operations and financial systems and compliance with HUD program requirements.

Our audit resulted in six findings and concluded the Housing Authority needs to establish necessary management controls over its operations and financial systems to ensure it functions in accordance with HUD requirements. These six findings are discussed in this report.

Within 60 days, please give us, for each recommendation in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the 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 Housing Authority and the HUD Northern Plains Office of Native American Programs.

Management Memorandum

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Should you or your staff have any questions, please contact Ernest Kite, Assistant Regional Inspector General for Audit, at (303) 672-5452.

# Executive Summary

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**We have completed an audit of the HUD Indian Housing Block Grant Program operations being carried out by the Sicangu Wicoti Awanyakape Corporation, also known as the Rosebud Housing Authority, Rosebud, South Dakota. At the beginning of our review, numerous tribal members, Housing Authority participants, and Housing Authority staff and officials presented to us information and concerns related to the various aspects of the administration and operations of the Housing Authority in connection with its Indian Housing Block Grant Program. To address the numerous concerns, we focused our review on the Housing Authority's management controls over its HUD funded Indian Housing Block Grant Program operations and financial systems and compliance with HUD program requirements. Basically, we performed an audit of the Housing Authority's operations to determine whether they:**

- **Had adequate cash management policies to assure availability of funds to meet expenditures, safeguarding cash and deposits, and accuracy of reporting and recording of financial transactions;**
- **Followed admission and occupancy policies and procedures;**
- **Effectively used collection policies and procedures to maintain control over Tenant Accounts Receivable;**
- **Followed procurement policies and procedures in procuring goods and services;**
- **Effectively administered the maintenance program;**
- **Maintained housing units in good repair, order and condition;**
- **Effectively administered the Private Homeowner Rehabilitation/Loan Program; and**
- **Effectively managed inventories of materials and supplies.**

**Generally, the audit covered the period January 1, 1998 through December 31, 2000. Our review disclosed that management controls were not satisfactorily established to ensure that the Housing Authority:**

- **Had adequate cash management policies to assure availability of funds to meet expenditures, safeguarding cash and deposits, and accuracy of reporting and recording of financial transactions;**
- **Followed occupancy policies and procedures;**
- **Effectively used collection policies and procedures to maintain control over tenant accounts receivable;**
- **Followed procurement policies and procedures in procuring goods and services;**

- **Effectively administered the maintenance program;**
- **Maintained housing units in good repair, order, and condition;**
- **Effectively administered the Indian Housing Block Grant Program; and**
- **Effectively managed inventories of materials and supplies.**

**From July 9-13, 2001, the HUD Northern Plains Office of Native American Programs conducted an on-site performance review of HUD funded Indian Housing Block Grants and United States Housing Act of 1937 programs being implemented by the Housing Authority. HUD recorded 15 findings and identified 9 other concerns during the course of their review. HUD concluded the Housing Authority lacked the administrative capacity to properly administer affordable housing activities effectively and disallowed a number of costs.**

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Deficient controls over tenant occupancy and related activities

The Housing Authority has numerous policies that identify procedures to be followed in the collection of payment delinquencies, eviction for non-payment of rent and drug related offenses, subleasing, and continued occupancy, etc. These policies apply equally to all tenants and homeowners, including Housing Authority employees who are assigned to a housing unit under the administration and management of the Housing Authority itself. However, the Housing Authority either ignores their own policies in these areas or decides to selectively enforce those requirements. In addition, the Housing Authority has been lax in its efforts to collect at least \$1,762,594 due from its Low Rent tenants and \$381,321 from its Mutual Help homeowners. The lack of collection of these receivables can seriously affect the Housing Authority's ability to operate due to the absence of operating funds.

Inadequate administration of supplemental housing programs

The Housing Authority implemented three supplemental housing programs during the audit period using Indian Housing Block Grant Program monies. The three supplemental housing programs were: Used Mobile Home Program; Pre-Manufactured Modular Units Program; and Private Homeowner Rehabilitation/Loan Program. In implementing these programs, the Housing Authority did not establish adequate administrative procedures to ensure that HUD requirements were met. More specifically, the Housing Authority did not ensure that only low income

recipients benefited under the programs; that units acquired met safe and health environments; programs' activities were correctly reflected on the Housing Authority's accounting records; and recipient purchases or loans are being properly and promptly collected by the Housing Authority. Also, the Housing Authority did not follow its own procurement and maintenance policies in implementing the supplemental housing programs.

These deficiencies occurred primarily because the Housing Authority lacked adequate management and accounting controls over the implementation of the supplemental housing programs. The programs were carried out by single departments or individuals of the Housing Authority without any apparent management oversight, supervision, and/or monitoring. In some instances the Housing Authority Board of Commissioners authorized individual transactions or activities that were in direct conflict with their previously established policies and procedures. Obviously, proper management and accounting controls are needed if these three supplemental housing programs are to continue in the future.

#### Inadequate contract administration system

The Housing Authority does not maintain a contract administration system to ensure contractors perform according to the terms of their contracts as specified in their own Procurement Policy. We identified procurement deficiencies in the two procurement contracts reviewed. These two contracts were valued at \$3.04 million at the time of our review. Specifically, one contract did not receive Indian Health Service inspection reports on sewer and waterline construction, certificates of insurance before commencing work, and consistent progress schedules. There was no record of inspections having been completed on the other contract. In addition, the Housing Authority does not use its own Procurement Policy on vendors/contractors for labor type only contracts and for small dollar amount type contracts that are charged to the Monthly Equity Payments Account. These deficiencies occurred because there has been a significant turnover of Executive Directors, fractionalization between supervisory personnel of the Housing Authority, and management of the Housing Authority not ensuring its staff performs and complies with all applicable provisions of its own Procurement Policy.

Inadequate controls over materials inventory

The Housing Authority is not maintaining adequate perpetual inventory records in support of its construction and renovation projects. There are no controls in place to ensure requisitioning activities are properly maintained and materials and supplies are properly safeguarded. The Housing Authority does not have effective inventory control to account for all of its assets. Without an adequate inventory control system for construction materials and supplies, the Housing Authority cannot ensure it safeguards assets purchased with Federal funds by protecting them from theft, loss, waste, damage, and unauthorized use.

Improper payment of penalties and fees

Contrary to Federal regulations, the Housing Authority has used Indian Housing Block Grant Program monies to pay for unallowable penalties and fees. From 1996 through 2000, the Housing Authority was assessed penalties and interest totaling \$78,110 by the Internal Revenue Service for not making proper Federal employment tax deposits and failure to file the Internal Revenue Service Form 941 in a timely manner. In addition, from 1998 through March of 2000, the Housing Authority incurred bank overdraft charges totaling \$21,900 for having insufficient funds to meet expenditures. This occurred because the Housing Authority did not ensure the Finance Department properly administered its funds.

Deficient controls over travel and related costs

Contrary to HUD requirements, the Housing Authority has not implemented sufficient management controls over its travel and related expenses to ensure that its adopted Travel Policy is followed and adhered to. More specifically, each official trip has not always been properly authorized, travel advances have been improperly calculated in some cases, travel vouchers have not always been filed by the traveler after the end of a trip, and documentation supporting travel costs and related calculations were often missing and/or incomplete. As a result, the Housing Authority has limited assurances that its travelers are complying with its Travel Policy and that the reimbursed amounts to the travelers are authorized, accurate, and supported. This situation has occurred primarily by the fact that no one individual or department with the Housing Authority has the responsibility to review and enforce compliance with the Housing Authority's Travel Policy.

In addition, the Housing Authority has paid Board members \$75 in per diem for attending each Housing Authority

Board of Commissioners meeting. The per diem was intended to reimburse the Board member for expenses incurred in connection with the meeting. However, the Housing Authority has also reimbursed the attending Board members for mileage to attend the meetings and to provide meals at each meeting. Since the Housing Authority is actually funding the individual cost of attending the Board meeting, the payment of the \$75 per diem fee is an extra and unnecessary expense. During our review, we calculated that the Housing Authority had paid a total of \$44,400 in per diem payments for attending Board members. The payment of the \$75 per diem fee is also contrary to HUD requirements because the payment is not consistent with the Tribal Council's policy of not paying Tribal Council members a fee or mileage for attending meetings on the Rosebud Indian Reservation. Therefore, the \$44,400 is considered to be an ineligible expense to the Indian Housing Block Grant Program.

#### Recommendations

We recommend HUD require the Housing Authority establish the necessary management controls over its operations and financial systems to ensure it functions in accordance with HUD requirements and within the Housing Authority's adopted policies. Specific recommendations are provided with each finding.

#### Auditee Comments

The findings were discussed with the Housing Authority during the course of the audit. On July 8, 2002, the Housing Authority received a copy of the draft audit report for comment. We received the Housing Authority's initial response on July 26, 2002 and their supplemental response on July 30, 2002.

We have included pertinent comments of the Housing Authority's response in the Findings section of this report. The Housing Authority's narrative response is provided as Appendix B. Attachments contained in the Housing Authority's supplemental response were too voluminous to include in the audit report. These attachments were provided to the Northern Plains Office of Native American Programs under separate cover.



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### Abbreviations:

|         |   |
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| HUD     | U.S. Department of Housing and Urban Development                      |
| NAHASDA | Native American Housing Assistance and Self-Determination Act of 1996 |
| SWA     | Sicangu Wicoti Awanyakape Corporation                                 |
| Board   | Housing Authority Board of Commissioners                              |
| OMB     | Office of Management and Budget                                       |
| CFR     | Code of Federal Regulations   |

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# Introduction

Congress enacted the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) to provide Federal assistance for Indian Tribes in a manner that recognizes the right of tribal self-governance. An objective of the NAHASDA is to develop, maintain, and operate affordable housing in safe and healthy environments on Indian Reservations and other Indian areas for occupancy by low-income Indian families.

The Sicangu Wicoti Awanyakape Corporation (formerly called the Rosebud Housing Authority) was established on December 14, 1976 when the Rosebud Sioux Tribal Council adopted Rosebud Sioux Tribal Ordinance Number 76-02. The Housing Authority is organized and operated for the purpose of:

- Remediating unsafe and unsanitary housing conditions that are injurious to the public health, safety, and morals;
- Alleviating the acute shortage of decent, safe, and sanitary dwellings for persons of low income;
- To assist to the best of its abilities and as funds are available persons of all income levels to obtain good and decent housing at fair and reasonable cost (added on April 12, 2000 through Rosebud Sioux Tribal Resolution Number 98-276); and
- Providing employment opportunities through the construction, reconstruction, improvement, extension, alteration or repair of low-income dwellings.

The Sicangu Wicoti Awanyakape Corporation is also known as the Rosebud Housing Authority (hereinafter referred to as the Housing Authority). The Housing Authority is managed by a Board of Commissioners composed of twelve members and two Rosebud Sioux Council Representatives. The Executive Director is appointed by the Board and is responsible for the daily operations of the Housing Authority.

The Housing Authority had the following unit mix at the time of our review:

|             |                    |
|-------------|--------------------|
| Low-Rent    | 821 units          |
| Mutual Help | <u>345</u> units   |
| Total       | <u>1,166</u> units |

These units are located in 21 different communities on the Rosebud Indian Reservation. The NAHASDA authorized the Indian Housing Block Grant Program that replaced Indian housing assistance programs under the United States Housing Act of 1937. The Housing Authority received its first Indian Housing Block Grant in 1998. For years 1998 to 2000, HUD authorized \$20,602,588 to the Housing Authority through Indian Housing Block Grants. In 1999, the Rosebud Sioux Tribe received \$800,000 in the form of a HUD Community Development Block Grant to rehabilitate housing. The Housing Authority is also administering this program. In addition, there are still some active Traditional Indian Housing Development Programs,

Comprehensive Grant Programs, and Operating Subsidy housing programs initiated under the United States Housing Act of 1937.

From July 9-13, 2001, the Northern Plains Office of Native American Programs conducted an on-site performance review of the various HUD funded programs being implemented by the Housing Authority. HUD's report identified 15 findings and 9 other concerns. These are presented in the Follow Up On Prior Audits Section of this report.

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### Audit Objectives

At the beginning of our review, numerous tribal members, Housing Authority participants and Housing Authority staff and officials presented to us information and concerns relating to the various aspects of the administration and operations of the Housing Authority in connection with its Indian Housing Block Grant Program. The information and concerns dealt with possible lack of compliance with Federal and Housing Authority requirements.

To address these numerous concerns, we focused our review on the Housing Authority's management controls over its HUD funded Indian Housing Block Grant Program operations and financial systems and compliance with HUD program requirements. Therefore, we performed an audit of the Housing Authority's operations to determine whether they:

- Had adequate cash management policies to assure availability of funds to meet expenditures, safeguarding cash and deposits, and accuracy of reporting and recording of financial transactions;
- Followed occupancy policies and procedures;
- Effectively used collection policies and procedures to maintain control over tenant accounts receivable;
- Followed procurement policies and procedures in procuring goods and services;
- Effectively administered the maintenance program;
- Maintained housing units in good repair, order and condition;

- Effectively administered the Indian Housing Block Grant Program; and
- Effectively managed inventories of materials and supplies.

In conducting the audit, we:

- Interviewed various individuals to obtain the details of their concerns;
- Interviewed Rosebud Sioux Tribal employees;
- Reviewed applicable Federal and Housing Authority policies and procedures to gain an understanding of their requirements;
- Interviewed appropriate Housing Authority personnel and officials to obtain an understanding of their operation and management of housing programs;
- Visited a number of homes that have been renovated through participation in Housing Authority programs; and
- Visited a number of used mobile homes purchased by the Housing Authority for various homeowners.



Audit Scope and  
Methodology

We tested a non-representative sample of Housing Authority documents and other records to obtain an understanding of the Housing Authority's policies and procedures being implemented in carryout its housing programs. Due to a lack of adequate policies and procedures being implemented by the Housing Authority, a non-representative sample testing of available records combined with Housing Authority staff interviews was performed to identify the nature and possible extent of management control weaknesses.

Generally, the audit covered the period January 1, 1998 through December 31, 2000. We performed fieldwork from March through October 2001, with subsequent information being obtained from HUD and the Housing Authority through January 2002. Our review in several departments of the Housing Authority was modified because the Northern Plains Office of Native American

Programs review completed in July 2001 adequately addressed operations related to those departments. The completion of our review was interrupted by situations that necessitated reassignment of staff.

We conducted the audit in accordance with generally accepted government auditing standards.

## Deficient Controls Over Tenant Occupancy and Related Activities

**The Housing Authority has numerous policies that identify the requirements and procedures to be followed in the collection of payment delinquencies, eviction for non-payment of rent and drug related offenses, subleasing, and continued occupancy, etc. These policies apply equally to all tenants and homeowners, including Housing Authority employees who are assigned to a housing unit under the administration and management of the Housing Authority itself. However, the Housing Authority has not properly implemented various policy requirements and procedures. More specifically, the Housing Authority has not been:**

- **Consistently enforcing its Drug Elimination Policy;**
- **Consistently enforcing its Sublease Policy;**
- **Implementing its Delinquency Policy; and**
- **Properly documenting the eligibility of its various Housing Program recipients.**

**The Housing Authority, in carrying out its various tenant and homeowner policies, has not established sufficient procedures to ensure that required policies are implemented or has decided to selectively enforce these requirements. As a result, the Housing Authority program recipients have not received uniform and consistent benefits. In addition, the Housing Authority has been lax in its efforts to collect at least \$1,762,594 due from Low Rent tenants and \$381,321 from Mutual Help homeowners. The lack of collection of tenant accounts receivable can seriously affect the Housing Authority's ability to operate due to the absence of operating funds. In addition, the Housing Authority is not properly completing the annual re-certification process and calculating monthly payments.**

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NAHASDA requires the Housing Authority to develop policies and utilize sound management practices

Section 203 of NAHASDA requires recipients of NAHASDA grants to develop policies governing the management and maintenance of housing assisted with grant amounts provided under the Act. Section 102 of the NAHASDA requires the submission of a 5-YEAR PLAN and a 1-YEAR PLAN to the Secretary. The 1-YEAR Plan requires evidence of compliance through a certification that policies are in effect and are available for review by the Secretary and the public governing eligibility, admission, and occupancy of families for housing assisted with grant amounts under this Act. The Housing Authority, in its



annual plan submission to HUD, certifies that the eligibility, admission, and occupancy policies are in effect.

Tribal Ordinance requires enforcement of eviction requirements for non-payment violations

Rosebud Sioux Tribal Ordinance Number 76-02 declares the powers of the Tribal Government shall be vigorously utilized to enforce eviction of a tenant or homeowner for nonpayment or other contract violations including action through the appropriate courts.

Unsafe and unsanitary housing conditions to be remedied

The Sicangu Wicoti Awanyakape Corporation Charter states one of its purposes is to remedy unsafe and unsanitary housing conditions that are injurious to public health, safety, and morals.

Housing Authority Policies

The Housing Authority has adopted various policies relating to the occupancy of its tenants and homeowners. The Program Management and Occupancy Policy, Master Requirements, establishes occupancy standards for housing units owned, operated or managed by the Housing Authority. The Drug Elimination Policy establishes prohibitions against controlled substances and procedures to be followed when violations occur. The Sublease Policy indicates homes constructed under the Mutual Help Homeownership Program can and should be subleased to be certain of the continued occupancy of these homes. The Delinquency Policy enables the Housing Authority to systematically collect rent and monthly payments due.

Adopted policies are not being fully implemented

We performed a review of the management controls over the Housing Authority's implementation of its tenants and homeowners policies. We selected and reviewed two tenant files on individuals who had supposedly violated the controlled substance provisions of the Drug Elimination Policy to determine if the Housing Authority took proper action to terminate their tenancy. Our review showed the Housing Authority is selectively enforcing its Drug Elimination Policy. We reviewed the tenant file on an individual who has continually subleased their Mutual Help home to determine if the Housing Authority is properly administering its Sublease Policy. Our review showed the Housing Authority is not enforcing its Sublease Policy. We selected and reviewed 15 tenant files to determine if the Housing Authority is properly administering its Delinquency Policy. Our review showed the Housing Authority is not enforcing its Delinquency Policy. We reviewed tenant accounts receivable to determine if there

are problems. Our review showed the Housing Authority has a serious tenant accounts receivable problem which effects management and its resources. These deficiencies are discussed in the following sections.

### **DRUG ELIMINATION POLICY**

The Drug Elimination Policy of the Housing Authority requires eviction of tenants for violation of the drug prohibition provision

The Housing Authority developed their Drug Elimination Policy to establish prohibitions against controlled substances, to include the possession, use, sale, distribution, or manufacture of any drug or other illegal substance on or near any Housing Authority unit or on or near any Housing Authority project by any tenant, by a member of the tenant's household, or a guest, or any other person under the tenant's control. Evidence of a violation of this provision shall be grounds for immediate termination of tenancy regardless of whether criminal charges have been filed or a criminal conviction has been obtained.

The Housing Authority is selectively enforcing its Drug Elimination Policy

We selected and reviewed two tenant files on individuals who had supposedly violated the controlled substance prohibition provision of the Drug Elimination Policy to determine if the Housing Authority took proper action to terminate their tenancy.

The first tenant file reviewed was inactive, as the former individual occupying the Low Rent unit had been previously evicted. This individual had plead guilty to one count of possession of marijuana with intent to distribute between 1996 and 1999. On June 23, 1999, this individual was indicted for conspiracy and possession of marijuana with intent to distribute. On August 9, 1999, the Housing Authority evicted this individual for their possession and distribution of a controlled substance.

The second tenant file reviewed was still active. On March 27, 2000, the individual occupying this Low Rent unit had plead guilty to possession of marijuana with intent to distribute. A review of this individuals tenant file indicates that at October 16, 2001, the Housing Authority had taken no action to terminate the tenancy of this individual for possession and distribution of a controlled substance.

Both of these individuals plead guilty to possession of a controlled substance with intent to distribute. One was properly evicted and the other was not. This occurred

because the Housing Authority is not consistently implementing its Drug Elimination Policy. The result is ineligible tenants continue to reside in Housing Authority units.

### **SUBLEASE POLICY**

The Housing Authority has adopted a Sublease Policy that requires it to:

The Sublease Policy of the Housing Authority identifies procedures to be followed when subleasing a Mutual Help home

- Only sublease a Mutual Help home when the homeowner family has to temporarily move off the Rosebud Sioux Reservation and justified reasons related to employment, education, military service, and other reasons that have to be justified in writing to the Housing Board of Commissioners;
- Ensure the sublease request from the family outlines the maximum term the homeowner family will be off the Rosebud Sioux Reservation;
- Allow year-to-year subleasing with a condition that both the homeowner and sub-lessee will be evaluated at the end of each year and approval of the Housing Board of Commissioners must be given each year for an extension of the sublease. The homeowner must submit a request to continue the sublease to the Housing Authority for each additional year the homeowner wishes to sublease at least 45 days before the sublease terminates;
- Ensure no sublease shall continue beyond four years without compelling justification;
- Ensure the sublease request is in writing and state the reason(s) why the homeowner is requesting to sublease the home in addition to providing the name of sub lessee;
- Ensure the homeowner provides a written statement for the Housing Authority that he/she is current on all accounts and payments owing to the Housing Authority; and
- Ensure the local Housing Board had no involvement in determining whether a homeowner may sublet their

home. This decision is to be made by the Housing Authority's Board of Commissioners and the Housing Authority's Executive Director shall carry out the Housing Board of Commissioners decision accordingly.

The Housing Authority is not enforcing its Sublease Policy

We reviewed the tenant file on an individual who has continually subleased their Mutual Help home to determine if the Housing Authority is properly administering its Sublease Policy. Our review indicates this homeowner has continually subleased her home since December 5, 1997. The Housing Board of Commissioners did not approve the annual sublease agreements for 1997, 1998, and 1999. There were two sublease agreements for 2001. The Housing Board of Commissioners approved one of these sublease agreements and did not approve the other. The Housing Board of Commissioners did not evaluate the homeowner and sub-lessee in 1998 and 1999. The homeowner did not always provide complete information in her request to sublease the home. In addition, this homeowner had a tenant accounts receivable balance from December 1, 1998 through June 1, 2001. The homeowner did not obtain a written statement from the Housing Authority indicating she was current on all accounts and payments owing to the Housing Authority for each sublease entered into since 1998. Despite all of these deviations from the Sublease Policy, this homeowner has been continually able to sublease her home.

The Mutual Help program is intended to provide homeownership opportunities to Native American families who will reside in and maintain their homes. The Housing Authority defeats the purpose of the Mutual Help program by approving improper subleases or allowing homeowners to sublease their homes without the approval of the Housing Board of Commissioners. This has occurred because there are inadequate procedures in place to ensure Housing Board of Commissioners policies are followed. The result is ineligible individuals may be allowed to sublease a home.

## **DELINQUENCY POLICY**

The Delinquency Policy sets out procedures for tenant non-payments

The Housing Authority developed their Delinquency Policy to enable it to systematically collect rent and monthly payments due. This policy establishes procedures on how to handle tenants and homeowners who do not make their monthly payments. The Collection/Eviction Department administers the Delinquency Policy. The Housing Authority's Delinquency Policy requires the Housing Authority to perform the following:

- Send a Notice of Delinquency to the participant after the 10<sup>th</sup> of the month if the participant has not made the monthly payment. The participant has until the 15<sup>th</sup> of the month to make an appointment with the Housing Authority staff for counseling and a payment plan will be drawn up;
- Send a Final Notice of Delinquency to the participant by the 15<sup>th</sup> of the month. If no arrangements for the payment have been made with the Housing Authority, the participant will still be able to enter into a payment plan with the Housing Authority if they come in within a 10 day period, and;
- If no action has been taken by the participant, a Notice to Quit will be issued to the participant by the Housing Authority giving the participant 3 days to vacate the unit. If the participant does not vacate the unit, the Housing Authority will sign a complaint against the participant in Tribal Court. If the Housing Authority is forced to take the participant to Tribal Court, the Housing Authority shall not enter into a payment plan but will request that the court grant automatic EVICTION or payment in FULL, plus court costs.

The Housing Authority has a Payment Plan for the collection of delinquent monthly payments

As part of its Delinquency Policy, the Housing Authority has established procedures on the type of payment plan a tenant or homeowner must enter into when they do not make their monthly payments. These procedures are as follows:

- If a participant is delinquent up to \$500, a payment plan must be instituted between the participant and the Housing Authority;
- If a participant is delinquent up to \$1,000, a payment plan guaranteeing up to \$50 a month will be required;

- If a participant is delinquent in excess of \$1,000, a payment plan guaranteeing up to \$100 a month will be required; and
- If the above is not agreed to, immediate action will be taken to remove the participant and the unit will be reassigned to a new applicant.

The Housing Authority is not enforcing its Delinquency Policy

We selected and reviewed 15 tenant files to determine if participants were (1) delinquent on their monthly payments and if so, (2) was the Housing Authority properly administering its Delinquency Policy. This review covered the period December 1, 1998 through August 1, 2001.

Our review showed the following:

- Nine participants had a tenant accounts receivable for the entire period under review;
- One participant had a tenant accounts receivable in 1998;
- One participant had a tenant accounts receivable in 1998, 1999, and 2001;
- One participant had a tenant accounts receivable in 1998 and 2001;
- One participant had a tenant accounts receivable in 1999 and 2001;
- One participant had a tenant accounts receivable in 1999, 2000, and 2001; and
- One participant did not have a tenant accounts receivable for the entire period under review.

The Housing Authority did not take the required action of entering into a payment plan with any of these participants. In addition, the Housing Authority did not issue a Notice of Delinquency, issue a Final Notice of Delinquency, or issue a Notice to Quit on the majority of these participants. This has occurred because there are inadequate procedures in place to ensure Housing Board of Commissioners policies

are followed. The result is tenants who should have been evicted continue to reside in Housing Authority units.

**TENANT ACCOUNTS RECEIVABLE**

Increase in Tenant Accounts Receivable

To determine the extent of the tenant accounts receivable problem, we looked at the Independent Public Accountant Audit Reports from 1998 to 1999. The Independent Auditor had taken a finding in both years on excessive tenant accounts receivable balances. These balances have increased as follows:

| Date              | Tenant      | Homeowner |
|-------------------|-------------|-----------|
| March 31, 1998    | \$1,147,396 | \$258,286 |
| March 31, 1999    | \$1,469,259 | \$328,665 |
| December 31, 1999 | \$1,762,594 | \$381,321 |

For comparative purposes, the December 31, 1999 tenant accounts receivable balance is based on the Draft Independent Auditor’s Report dated October 20, 2000. The Collection/Eviction Department has started the process of requiring those Low Rent tenants who owe approximately \$1,000 or more to enter into a mandatory payment plan with the Housing Authority. The Housing Authority has not started the same process for Low Rent tenants who owe less than \$1,000 or for any Mutual Help homeowners regardless of how much they owe.

The above chart shows the seriousness of the tenant accounts receivable situation which effects management and its resources. One of the purposes of a Housing Authority is to use available funds to assist persons of all income levels to obtain good and decent housing at a fair and reasonable cost. The Housing Authority defeats this purpose by not enforcing its own Delinquency Policy.

NAHASDA and Housing Authority guidance require adequate documentation of eligibility

Section 1000.128 of the Final Rule for the NAHASDA requires recipients of NAHASDA grants to:

- Verify that the family is income eligible based on anticipated annual income. The family is required to provide documentation to verify this determination. The recipient is required to maintain the documentation on which the determination of eligibility is based.

On June 27, 2001, the Program Management and Occupancy Policy, Master Requirements, was adopted by the Board through Resolution Number 01-08. These Master Requirements establish occupancy standards for housing units managed by the Housing Authority. These Master Requirements obligate the Housing Authority to perform the following:

- Verify information provided to include earned income through employers or other appropriate means at the time of admission into a program and upon any re-certification.

The 15 tenant files previously reviewed for correct Delinquency Policy administration were also reviewed to determine if the Housing Authority was verifying income and completing the annual re-certification process.

Our review showed the following:

- It could not be determined how the monthly payments were calculated on six participants;
- Annual re-certifications were not completed on four participants; and
- The monthly payment was not properly calculated during an interim re-certification on one participant.

In addition, the Occupancy Department does not always indicate who reviewed the income verification process. As a result, HUD has no assurances that the Housing Authority is only allowing eligible families to continue their occupancy.

Our office received a large number of concerns related to the Occupancy Policy of the Housing Authority. Results of our review support a number of those concerns. We found that Department Managers either ignored applicable Housing Board of Commissioners policies or decided to selectively enforce them. This has occurred because there are inadequate procedures in place to ensure Housing Board of Commissioners policies are followed. The result is tenants who should have been evicted continue to reside in Housing Authority units. In addition, ineligible tenants



continue to reside in Housing Authority units and ineligible individuals may be allowed to sublease a house.

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**Auditee Comments**

The Housing Authority provided the following comments for each deficiency noted in the finding:

- The Housing Authority states they are reviewing tenants who may have been indicted or convicted of a controlled substance offense. Results of the review will be provided to the Occupancy Department. The Housing Authority states they are reviewing all mutual help subleases and these will be provided to the Housing Board of Commissioners for renewal or action. The Housing Authority states they are sending letters to all tenants reflecting balances owed and the need to enter into Payback Agreements for all delinquent tenants regardless of the amount owed. The Housing Authority states they will use Chapter 8, Resident Eligibility and Service Standards, to the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook issued by the Office of Native American Programs as a system of management controls to ensure it properly calculates monthly payments, verifies family income, and completes the annual re-certification process. The Housing Authority has also stated they believe their current policies are adequate to assure compliance with NAHASDA law and are being implemented in a consistent and uniform manner.
- The Housing Authority has stated their internal monitoring process will be completed by August 31, 2002. The Housing Authority will submit results of the internal monitoring process and any corrective actions taken to the HUD Northern Plains Office of Native American Programs by September 15, 2002.
- The Housing Authority has indicated they are awaiting a response to their comments provided to the HUD Northern Plains Office of Native American Programs on April 26, 2002 regarding a previous review completed by that office.

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OIG Evaluation of  
Auditee Comments

We agree with the actions taken by the Housing Authority to identify tenants indicted or convicted of a controlled substance offense, the review of all mutual help subleases, sending letters to all tenants reflecting balances owed and the need to enter into Payback Agreements, and using the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook to ensure it properly calculates monthly payments, verifies family income, and completes the annual re-certification process. However, the Housing Authority has still not indicated what procedures it will establish and implement to ensure responsible personnel at all levels comply with the Housing Authority's occupancy and related policies established by the Housing Board of Commissioners.

We agree with submitting the results and corrective actions taken by the Housing Authority concerning their internal monitoring process to the HUD Northern Plains Office of Native American Programs. However, the HUD Northern Plains Office of Native American Programs should verify that the internal monitoring process established by the Housing Authority is not a one time process and established procedures ensure responsible personnel at all levels comply with the Housing Authority's occupancy and related policies established by the Housing Board of Commissioners.

We agree with actions taken by the Housing Authority to continue their internal monitoring process to ensure policies are being applied in a uniform and consistent manner while they await approval by the HUD Northern Plains Office of Native American Programs. Our review of the Housing Authority's April 26, 2002 response to the HUD Northern Plains Office of Native American Programs indicates occupancy and related policies are being reviewed and updated. However, in most cases, there is no indication by the Housing Authority on how they plan to ensure responsible personnel at all levels comply with the occupancy and related policies established by the Housing Board of Commissioners.

Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs:

- 1A. Require the Housing Authority to establish and implement adequate procedures over its tenant occupancy activities to ensure compliance with the Housing Authority's occupancy and related policies which includes the Program and Management Occupancy Policy, Master Requirements, the Drug Elimination Policy, the Sublease Policy, and the Delinquency Policy. Such procedures should ensure that the Housing Authority's policies are consistently and uniformly applied. In addition, the procedures would include the following items:
  - Work with appropriate law enforcement agencies to identify any tenants who have been indicted or convicted of a controlled substance offense and take appropriate action as specified in the Housing Authority's Drug Elimination Policy;
  - Review all existing subleases for legitimacy and approve or terminate as appropriate;
  - Modify the process for Payback Agreements to include all Low Rent and Mutual Help occupants who have payment delinquencies, not just for Low Rent tenants who owe \$1,000 or more, and;
  - Implement a system of management controls including adequate supporting documentation and management oversight, to ensure that it properly calculates monthly payments, verifies family income, and completes the annual re-certification process.
- 1B. Require the Housing Authority to submit details of the established procedures to HUD for their review and concurrence.
- 1C. Conduct a review of the procedures, once they are implemented by the Housing Authority, and ascertain

if such procedures are adequate to ensure that the Housing Authority's occupancy and related policies are being properly implemented including being applied in a uniform and consistent manner.

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## Inadequate Administration of Supplemental Housing Programs

The Housing Authority implemented three supplemental housing programs during the audit period using Indian Housing Block Grant Program monies. The three supplemental housing programs were: Used Mobile Home Program; Pre-Manufactured Modular Housing Units Program; and Private Homeowner Rehabilitation/Loan Program. In implementing these programs, the Housing Authority did not establish adequate administrative procedures to ensure that HUD requirements were met. More specifically, the Housing Authority did not ensure that only low-income recipients benefited under the programs; that units acquired met safe and health environments; its programs' activities were correctly reflected on the Housing Authority's accounting records, and recipient purchases or loans are being properly and promptly collected by the Housing Authority. Also, the Housing Authority did not follow its own procurement and maintenance policy in implementing the supplemental housing programs.

These deficiencies occurred primarily because the Housing Authority lacked adequate management and accounting controls over the implementation of the supplemental housing programs. The programs were carried out by single departments or individuals of the Housing Authority without any apparent management oversight, supervision, and/or monitoring. In some instances the Housing Authority Board of Commissioner authorized individual transactions or activities that were in direct conflict with the Board's previously established policies and procedures. Obviously, proper management and accounting controls are needed if these three supplemental housing programs are to continue in the future.

At the beginning of our review, a number of concerns were expressed to us by various Tribal members, Housing Authority residents and Housing Authority officials about various deficiencies and inconsistencies existing in the three supplemental Housing Authority programs. The majority of these concerns could have been prevented had the Housing Authority established and implemented the proper management controls over its supplemental housing programs to ensure that each of these were carried out in conformity with HUD requirements and were consistently and uniformly applied.

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Housing Authority must meet specific Federal requirements in carrying out its Indian Housing Block Grant Programs

Under Title II of NAHASDA, grantees in utilizing grant monies are limited to assist and promote affordable housing activities to develop, maintain, and operate affordable housing in safe and healthy environments on Indian reservations and in other Indian areas for occupancy by low-income Indian families. Under this same Title, grantees are to adopt and follow written tenant and homebuyer selection policies that govern rents and homebuyer payments charged for dwelling units including the methods by which such rents and homebuyer payments are determined. Furthermore, under Title I of NAHASDA,

grantees must certify that they have adopted and are following the required eligibility, admission, and occupancy policies.

Part 85 to Title 24 of the Code of Federal Regulations details further requirements for the Housing Authority in carrying out its Indian Housing Block Grant Programs. These requirements relate to the acquisition, procurement, maintenance, and accounting for housing activities and related costs being carried out by the Housing Authority under its Indian Housing Block Grant Programs.

The Sicangu Wicoti Awanyakape Corporation Charter states one of its purposes is to remedy unsafe and unsanitary housing conditions that are injurious to public health, safety, and morals.

More specifically, the Housing Authority must maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Furthermore, effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. The Housing Authority also must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

The Housing Authority has established policies that govern the various aspects of their operations. Such policies relate to procurement, maintenance, tenant and homeowner selection, and occupancy.

Three supplemental housing programs funded with Indian Housing Block Grant Program monies

During the audit period, the Housing Authority established and implemented three supplemental housing programs using Indian Housing Block Grant monies. These three programs were:

- Used Mobile Home Program;
- Pre-Manufactured Modular Housing Units Program; and
- Private Homeowner Rehabilitation/Loan Program.

These programs were not implemented and carried out in accordance with established Federal and Housing Authority regulations and policies. As a result, the Housing Authority has almost no assurances that their supplemental housing programs award housing units to eligible low-income recipients, provide a safe and healthy environment, procurements are in conformance with Federal requirements, are correctly recorded on the Housing Authority's books of account, and are uniformly applied. This situation has occurred because the Housing Authority has no formal system of management controls over the three supplemental housing programs to ensure compliance with established Federal and Housing Authority regulations and policies.

These three programs and related deficiencies are discussed below.

### **USED MOBILE HOME PROGRAM**

Housing Authority purchased 23 used mobile homes with Indian Housing Block Grant Program monies

The Housing Authority established the Used Mobile Home Program to help alleviate the housing shortage on the Rosebud Indian Reservation. This program was designed whereby Indian Housing Block Grant monies were used to acquire used mobile homes for selected individuals who would reimburse the Housing Authority for the Housing Authority's costs. Once the costs were reimbursed to the Housing Authority, title to the used mobile home would be transferred to the mutual help homebuyer.

During the audit period, the Housing Authority purchased 23 used mobile homes, most of which were in poor condition. Four of the 23 used mobile homes are being used as emergency housing. The remaining 19 used mobile homes were assigned to various purchasers. In the acquisition and administration of this program, the Housing Authority has not followed its established procedures or HUD requirements.

The following photograph shows one of the used mobile homes purchased by the Housing Authority.





Housing Authority acquisition procurement procedures not followed

The used mobile homes were to be acquired following the procedures set out in the Housing Authority's Procurement Policy. Instead, the Housing Authority Board of Commissioners instructed the Housing Authority to acquire 11 of the 19 used mobile homes directly from the seller without following the Housing Authority's policies and procedures. In another case, the Rosebud Sioux Tribal Council passed a resolution requiring the Housing Authority to purchase one of the used mobile homes. As a result of the Housing Authority following the directive from the Rosebud Sioux Tribal Council, it failed to comply with its own Procurement Policy for this acquisition.

In acquiring the 23 used mobile homes, the Housing Authority only conducted inspections on 6 of the units before they were purchased. As a result, the Housing Authority acquired most of the used mobile homes sight unseen and had no assurances that these units would meet the provisions under Title II of NAHASDA that acquired units met safe and healthy environments.

Acquisitions may not have been for required low-income families

Under Indian Housing Block Grant Program requirements, grant monies are to be used for affordable housing by low-income Indian families. The Housing Authority files did not clearly show that families who acquired the used mobile homes are low-income. One instance was identified where a purchasing family did not meet the low-income requirements. Without proper documentation, the Housing Authority is unable to clearly show that the low-income

requirements of the Indian Housing Block Grant Program are met.

Maintenance of used mobile home units being funded by the Housing Authority

For these acquired used mobile homes, the Housing Authority has been using its own maintenance staff to perform various maintenance activities on them. Accounting records have not been properly established to record reimbursement payments from tenants for the labor and material costs associated with repairs to their used mobile homes. Since the used mobile homes have been acquired by the Housing Authority for individual buyers who are to reimburse the Housing Authority for the acquisition, the individual buyers are considered home buyers and therefore are responsible for unit maintenance. As such, the Housing Authority would not be responsible for their maintenance and any maintenance costs incurred by the Housing Authority on behalf of the homebuyer would need to be reimbursed to the Housing Authority.

Deficient recording of receivables and payments for used mobile home purchasers

Under the Used Mobile Home Program, the Housing Authority was to fund the acquisition of the used mobile homes and the purchasers would reimburse the Housing Authority. However, any payments by the purchaser have not been properly recorded on the Housing Authority's official accounting records. In addition, delinquencies on required payments by purchasers of the used mobile homes totals \$17,766.

The administration of the program is not being properly carried out. The Housing Authority did not obtain Certificates of Title on 12 of the used mobile homes. Without Certificates of Title, the Housing Authority will be unable to transfer title with the used mobile homes when the purchasers have fully reimbursed the Housing Authority for the acquisition costs.

In a like manner, the Housing Authority has not entered into signed sales contracts with the purchasers of 6 of the used mobile homes. Without signed sales contracts, the Housing Authority is unable to enforce any of the provisions for the purchase of the used mobile homes by the buyers.

In one situation, the buyer of a used mobile home has a signed sales contract for a used mobile home that was destroyed prior to occupancy. The buyer was provided a

second used mobile home to purchase, but the buyer has not entered into a sales contract with the Housing Authority for the second used mobile home. As a result, the buyer is obligated to complete the purchase for the destroyed used mobile home that is shown below and not for the one the family is currently occupying.



Deficient administrative control over the Used Mobile Home Program

During our review, one of the used mobile homes could not be located and is presumed to be off the Rosebud Indian Reservation. All of these deficiencies clearly show the Housing Authority has not established proper administrative control over its Used Mobile Home Program and as a result, the Housing Authority has failed to carry out this program in conformance with Federal and Housing Authority regulations and policies. The true impact is that no assurances exist that the used mobile homes met the required safe and healthy environmental provisions stipulated under Title II of NAHASDA. In addition, HUD grant funds have been used to acquire the used mobile homes without reasonable assurances that the acquisition monies will be recovered from the sale of the used mobile homes as originally intended.

**PRE-MANUFACTURED MODULAR HOUSING UNITS PROGRAM**

HUD funds used to buy 16 pre-manufactured modular homes

Under the Housing Authority's Pre-Manufactured Modular Housing Units Program, pre-manufactured modular homes were acquired for designated individuals who would

reimburse the Housing Authority for the acquisition price and any setup costs. Some of the modular homes were acquired and used as emergency housing. The program was funded using Indian Housing Block Grant Program monies. As such, the Housing Authority would be obligated to comply with Federal requirements as well as with the Housing Authority's established policies.

During the audit period, the Housing Authority purchased 16 pre-manufactured modular housing units. Four of the 16 modular housing units were designated as emergency housing while another three were purchased for other tribal organizations. Eight of the homes were acquired for individuals. The disposition of the remaining modular housing unit could not be determined.

Modular Housing Units Program did not comply with HUD or Housing Authority requirements

The Pre-Manufactured Modular Housing Units Program was not carried out by the Housing Authority in conformity with HUD requirements or with the policies established by the Housing Authority. More specifically, the Housing Authority did not follow its Procurement Policy in purchasing the modular homes, failed to support that the purchases were for low income families, and has not established proper controls over the collection of reimbursement payments from the modular home buyers.

Required procurement procedures not followed

The purchases of the modular homes were made without following the provisions of the Housing Authority's Procurement Policy. The Housing Authority could not provide any documentation to show that the necessary bidding procedures were followed. In one instance, the Housing Authority Board of Commissioners passed a resolution approving payment for one of the 16 modular housing units without ensuring that the established bidding procedures were met. Accordingly, the Housing Authority is unable to demonstrate that the purchases were at the best available price.

The Housing Authority purchased three modular units for various Tribal departments. While the Tribe did reimburse the Housing Authority a total of \$145,355 for the three modular homes, the use of Indian Housing Block Grant monies for their procurement was an improper use of HUD program funds.

At the time of our site review, the Housing Authority, who had purchased the 16 modular homes, had not made full payment to the modular home supplier. The supplier was still due \$45,672 on the sales to the Housing Authority.

Benefits to low-income families not documented

Lack of records relating to the Modular Housing Units Program prevent the Housing Authority from demonstrating that the home purchases were made and provided to low-income families as required under the HUD provisions.

Inadequate Modular Housing Units Program accounting records

In a similar manner, the Housing Authority has not established the proper accounting for the modular home purchases and the related payments by the individual buyers. At the time of our review, the Housing Authority's accounting records did not reflect the actual cost of the individual modular home acquisition and setup costs. From the records that were available, very limited information could be identified about the costs the Housing Authority incurred in setting up the modular homes. Without proper documentation, the Housing Authority is hampered in being able to identify what modular home procurement costs are to be repaid the Housing Authority by the individual homebuyer.

In addition, the Housing Authority has not established the accounts receivable due from the homebuyers in the Housing Authority's official accounting records. Instead informal records were being maintained by the Housing Authority's Finance Department. With only informal records, no one office or official has been given the responsibility of collecting the amounts due the Housing Authority from the homebuyers. Consequently, no collection efforts have been undertaken.

Management controls lacking

The administration of the Pre-manufactured Modular Housing Units Program was conducted outside of the framework of the Housing Authority. Housing Authority personnel in positions of authority were able to, and did, coordinate the modular home purchases and subsequent reassignment to the homebuyer on their own individual action without processing the program through the normal departments of the Housing Authority. These Housing Authority personnel were able to direct the Finance Department to pay the invoices on the purchases despite occasional inquiry concerns being made by the Finance Department.

### **PRIVATE HOMEOWNER REHABILITATION/LOAN PROGRAM**

Program designed to rehabilitate low-income family owned properties

The Housing Authority initiated the Private Homeowner Rehabilitation/Loan Program in 1998. This program was designed to provide rehabilitation assistance to low-income families who own their own homes. No official procedures or policies were developed for this program until May 2001. Under the program, applications were received from interested families who owned their own homes. Applicants were to be ranked by points and those with the highest number of points were to be placed on top of the waiting list. Predetermined rehabilitation work was to be made for approved homes and the cost of the rehabilitation work was to be repaid to the Housing Authority by the low-income homeowner.



*This picture shows a private home that received renovation work on the siding and roof.*

Administration of Program did not meet HUD requirements

The administration of the Private Homeowner Rehabilitation/Loan Program was not carried out to ensure that HUD requirements were met. More specifically, the Housing Authority failed to ensure that only low-income families participated in the program and that the approved recipients were selected on a first come, first serve, basis. In addition, the Housing Authority lacked documentation to identify the exact nature of the rehabilitation work to be

Improper selection of  
Program recipients

performed and what work was actually performed. Lastly, the Housing Authority did not execute the needed Rehabilitation Loan Repayment Agreement nor established the accounting records to track the monies due from the owners of the rehabilitation properties. As such, the Housing Authority is severely hampered in being able to collect the monies from the homeowner for the rehabilitation work.

The Housing Authority had two waiting lists that were established for this program. The first was a list of applicants that had been approved by the Housing Board of Commissioners. This official list did not identify the approved applicants in numerical order based upon their date of application. The second was a list that was used by the Program Supervisor. The second list was an unofficial list that identified applicants by Reservation Community but not in a numerical order by application date. In some cases, the applicants listed were individuals who were purchasing homes under the Used Mobile Home Program (discussed above).

Of the 14 application files we examined, four applicants were on the official Housing Board of Commissioners waiting list, six applicants were on the unofficial waiting list kept by the Program Supervisor, and four applicants were not on any type of waiting list. The four applicants that were not on any type of waiting list had their private home renovated. The six applicants that were on the unofficial waiting list had their private homes renovated. Only one of the four applicants on the official waiting list has received renovation work. This review clearly shows that the Rehabilitation/Loan Program recipients were not being selected as intended.

In addition, the Housing Authority lacked income verification documentation to show that the selected program participants met the low-income requirements. In addition, while the application information furnished by a program recipient was often incomplete, the Housing Authority did not have documentation to show that the minimum required data was received and verified before the applicant was approved for the program. As a result, the Housing Authority is unable to show that the program recipients were actually qualified and eligible to participate in the program.

Deficient rehabilitation  
work inspections

Inspections were not performed of the private homes prior to the start of renovation work to determine what repairs, if any, were needed. In addition, the Housing Authority did not perform any inspections of the renovated work to determine if the work was performed in an acceptable manner and/or that the required renovation work was actually completed. Without such inspections, the Housing Authority has no assurance that renovation work was needed, properly done, or actually completed.

Deficient accountability  
and collection of Program  
loans

At the time of our review, the Housing Authority had never established any accounts receivable records to identify, receive and track loan repayments. For those homeowners who had received renovation work, no collection effort had been made by the Housing Authority to collect the loan amounts. Any collection efforts may be further hampered since the Housing Authority has not executed the necessary Rehabilitation Loan Repayment Agreement with all of their renovation recipients.

Program implementing  
procedures were not  
established and followed

Even though the Housing Authority did establish a policy for the Private Homeowner Rehabilitation/Loan Program in May 2001, approximately two years after the Program was started, the Housing Authority did not implement any procedures to carryout the program and to ensure that the necessary HUD requirements were being met. No process was implemented to ensure that the program recipients met the low-income requirements, only necessary renovation work was performed, and that actual renovation work was properly and correctly performed. Furthermore, the Housing Authority is not pursuing the collection of the renovation loans.

Management controls  
lacking

As discussed above for these three supplemental housing programs being implement by the Housing Authority, the Housing Authority has not established the management controls that were necessary for the supplemental programs to be carried out in conformity with HUD requirements and in a uniform and consistent basis. Instead, the Housing Authority has allowed the programs to be implemented in an ineffective, inefficient, and many times unauthorized manner.

At the beginning of our review, a number of concerns were expressed to us by various Tribal members, Housing Authority residents and Housing Authority officials about various deficiencies and inconsistencies existing in these three supplemental housing programs. In our opinion, the



majority of these concerns could have been prevented had the Housing Authority established and implemented the proper management controls over its supplemental housing programs to ensure that each of them were carried out in conformity with HUD requirements and were consistently and uniformly applied.

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**Auditee Comments**

The Housing Authority provided the following comments for each deficiency noted in the finding:

- For the Used Mobil Home Program, the Housing Authority has indicated they have discontinued this program. The Housing Authority states they are in the process of determining the condition of each used mobile home, reconciling sales contracts, and trying to obtain Certificates of Title on all used mobile homes. The Housing Authority has indicated they have recovered the \$95,600 used to purchase the used mobile homes from non-NAHASDA sources and turned their management over to Tribal officials.
- For its other supplemental housing programs, the Housing Authority indicates they will start using qualified Inspectors to ensure future supplemental housing programs meet the safe and healthy environmental provisions stipulated under Title II of NAHASDA. In addition, the Housing Authority indicates they will start using Chapter 9, Fiscal and Financial Management and Chapter 10, Procurement and Contract Administration to the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook issued by the Office of Native American Programs as a system of management controls to ensure it properly follows its Procurement Policy. The Housing Authority also plans to develop a Program Statement concerning future housing replacement programs that addresses the purpose, population segment to be served, and eligibility requirements.
- The Housing Authority indicates the Private Homeowner Rehabilitation/Loan Program is still under development. The Housing Authority states they will use the Policy for the Private Homeowner Rehabilitation/Loan Program adopted by the Housing Board of Commissioners to

identify private homeowners who have received benefits, the amounts involved, develop of a waiting list, and establish an evaluation process for eligible private property homeowner.

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## OIG Evaluation of Auditee Comments

The Housing Authority has indicated they have discontinued the Used Mobile Home Program. As such, our recommendations in the draft report are basically not applicable. However the Housing Authority will need to provide evidence to HUD that the program has been discontinued and that the entire Used Mobile Home Program has been transferred to the Tribe. This will also include evidence that the Tribe has fully reimbursed the Housing Authority for the full amount the Housing Authority has outstanding as receivables under its Used Mobil Home Program and that the amount is properly recorded on the Housing Authority's books of account. Furthermore, the Housing Authority will need to provide HUD with information showing that the close out of the Used Mobile Home Program has been properly recorded on the Housing Authority's books of account.

However, the Housing Authority still needs to secure repayment of funds previously expended for all the repairs completed on the used mobile homes.

For the other supplement housing programs, we agree with the actions taken by the Housing Authority in regards to the future use of qualified Inspectors to ensure future supplemental housing programs meet safe and healthy environmental provisions, the use of Program Statements that address supplemental housing program requirements, and the use of Chapters 9 and 10 of the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook to ensure it properly follows its Procurement Policy. However, the Housing Authority has not indicated if the Pre-Manufactured Modular Housing Units Program is to continue. If so, the Housing Board of Commissioners needs to start applying those actions indicated above to this program and establish a record keeping system related to the purchases of the pre-manufactured modular housing units that adequately identifies the source and use of funds. In addition, the Housing Authority needs to initiate actions to collect the \$94,928 in funds still owed by the modular homebuyers.

We agree with the actions taken by the Housing Authority to identify property owners who have received benefits, in what amounts, and the development of waiting lists and evaluation selection procedures. However, the Housing Authority has not indicated how they will collect expended funds from the property owners, how they will account for those funds, and what procedures it will establish and implement to ensure responsible personnel at all levels comply with the Housing Authority's Private Homeowner Rehabilitation/Loan Program Policy established by the Housing Board of Commissioners.

The Housing Authority has not indicated if they will continue to use the Pre-Manufactured Modular Housing Units Program. In addition, the Housing Authority has indicated the Private Homeowner Rehabilitation/Loan Program is still under development. The Housing Authority needs to submit to the HUD Northern Plains Office of Native American Programs the procedures they have identified and any additional procedures subsequently developed over their supplemental housing programs so they can be reviewed to ensure those procedures are adequate and meet HUD requirements.

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## Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs:

- 2A. Provide the necessary guidance and direction to the Housing Authority in connection with the Used Mobile Home Program to include the following:
  - Obtain evidence that the Housing Authority has discontinued its Used Mobile Home Program and that all functions have been transferred to the Tribe.
  - Obtain evidence that all monies expended by the Housing Authority under its Used Mobile Home Program have been fully funded by the Tribe from non-Federal funds and that the amount has been properly recorded on the Housing Authority's books of account.

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- Require the Housing Authority to secure repayment of funds previously expended for all the repairs completed on the used mobile homes.
  - Obtain and review for adequacy evidence from the Housing Authority that the transfer of the Used Mobile Home Program has been properly recorded on the Housing Authority's books of account.
- 2B. Provide the necessary guidance and direction to the Housing Authority in connection with the Pre-manufactured Modular Housing Units Program to:
- Decide whether the program is to continue and if so, require the Housing Board of Commissioners to establish the program framework and requirements to be implement including compliance with HUD requirements such as only benefiting low-income recipients, following established procurement procedures, implementing proper management and accounting controls over property purchases, and collection of loan payments;
  - Initiate actions to collect the \$94,928 in funds still owed by the modular home buyers, and;
  - Establish a record keeping system related to the purchases of the pre-manufactured modular housing units that adequately identified the source and use of funds.
- 2C. Provide the necessary guidance and direction to the Housing Authority in connection with the Private Homeowner Rehabilitation/Loan Program to:
- Establish the appropriate accounting records and entries to record the amounts due and payments received from the various property owners who received renovation work and related loans;
  - Initiate rehabilitation loan repayment collection efforts;
  - Establish procedures to ensure Rehabilitation Loan Repayment Agreements are executed for all current and future rehabilitation recipients, and;

- Implement income verification procedures to ensure that participants under the Private Homeowner Rehabilitation/Loan Program meet the low-income requirements.
- 2D. Require the Housing Authority to submit to HUD for HUD's review documentation showing the corrective action for Recommendation Numbers 2B, and 2C above. Once the Housing Authority has established the appropriate procedures over these supplemental housing programs as applicable, HUD should review the revised systems to ensure that the procedures are adequate and that HUD requirements are being met.

## Inadequate Contract Administration System

**The Housing Authority does not maintain a contract administration system to ensure contractors perform according to the terms of their contracts as specified in their own Procurement Policy. We identified procurement deficiencies in the two procurement contracts reviewed. These two contracts were valued at \$3.04 million at the time of our review. Specifically, one contract did not receive Indian Health Service inspection reports on sewer and waterline construction, certificates of insurance before commencing work, and consistent progress schedules. There was no record of inspections having been completed on the other contract. In addition, the Housing Authority does not use its own Procurement Policy on vendors/contractors for labor type only contracts and for small dollar amount type contracts that are charged to the Monthly Equity Payments Account. These deficiencies occurred because there has been a significant turnover of Executive Directors, fractionalization between supervisory personnel of the Housing Authority, and management of the Housing Authority not ensuring its staff performs and complies with all applicable provisions of its own Procurement Policy.**

Regulations require the Housing Authority to meet contracting standards

Federal procurement regulations must meet contracting standards contained in 24 CFR 85.36. To aid in the procurement process, the Housing Authority adopted its own Procurement Policy.

Federal procurement regulations require the Housing Authority to:

- Have and use its own procurement procedures that reflect applicable State and local laws and regulations, provided the standards also conform to applicable Federal laws and standards (24 CFR 85.36(b)(1));
- Have a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders (24 CFR 85.36(b)(2));
- Maintain records sufficient to detail the significant history of procurement. These records must include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price (24 CFR 85.36(b)(9));

- To use small purchase procedures for those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$25,000 in the aggregate. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources (24 CFR 85.36(d)(1));
- Perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent cost estimates before receiving bids or proposals (24 CFR 85.36(f)(1)); and
- Indian Preference shall apply to small purchase procedures; that the Housing Authority shall require a statement from all contractors agreeing to provide Indian Preference in subcontracting, training, and employment; and the Housing Authority must document its efforts in providing Indian Preference. If no quotations are solicited or received from Indian owned economic enterprises, the Housing Authority must also include as part of its documentation a statement explaining the reasons for the lack of Indian participation (24 CFR 905.175(b)(i)(ii)(iii)).

The Procurement Policy of the Housing Authority requires them to meet contracting standards

The Housing Authority has adopted a Procurement Policy that requires it to:

- Ensure contracts and modifications are in writing, clearly specifying the desired supply, services or construction, and are supported by sufficient documentation regarding the history of the procurement, including as a minimum the method of procurement chosen, the selection of the contract type, the rationale for selecting or rejecting offers, and the basis for the contract price (Chapter 2, Section 2-2(B));
- Perform an independent cost estimate before solicitation and is appropriately safeguarded for each procurement above the small purchase limitation, and a cost or price analysis is conducted on the responses received for all procurements (Chapter 2, Section 2-2(E); and

HUD Handbook 7450.01, REV-1 requires the Housing Authority to meet contracting standards

- Adhere to the procurement and program requirements of HUD Handbook 7450.1 for Indian Housing Development projects (Chapter 2, Section 2-2(I)).

HUD Handbook 7450.01, REV-1 requires the Housing Authority to:

- Assure that construction progress is properly administered and the Housing Authority receives the products for which it has contracted (Chapter 8, Section 8-1) and
- Inspections be made of the construction work at all critical stages of construction work. Ensure that inspections are properly conducted at these times and construction work should be accepted before the contractor proceeds to the next stage (Chapter 8, Section 8-16).

The Development Department of the Housing Authority is responsible for the procurement of construction contracts. The Procurement Policy in effect during the time of our review covered the purchase of materials/supplies and professional services. The procedures identified the requirements to be followed.

Two construction contracts were reviewed

We selected a sample of two construction contracts valued at \$3.04 million at the time of our review to determine if the Housing Authority procured and administered those contracts according to procurement requirements. We compared the documentation provided on each procurement selected for review with the Procurement Policy of the Housing Authority.

During the course of our review of the Development Department of the Housing Authority, it was noted on several occasions that the Executive Director did not know the source of funds being used for a project or have any idea what was the remaining fund balance on a particular construction project. In addition, Development Department personnel of the Housing Authority occasionally had difficulty responding to questions or locating documents.



Documentation  
deficiencies

Various documentation deficiencies were noted during our review:

- One contract did not receive Indian Health Service inspection reports on sewer and waterline construction and consistent progress schedules as required by HUD Handbook 7450.01, REV-1. There were 13 other subcontractors for this construction project. Certificates of insurance could not be found on seven of these subcontractors. These documents are necessary to keep the Housing Authority updated on the progress of construction, alert them to any problems, and provide security for any potential loss that might occur;
- One contract had no record of inspections having been completed. HUD Handbook 7450.01, REV-1 requires the Housing Authority to ensure inspections of the construction work are completed at all critical stages of the construction work. In addition, the Housing Authority utilized the Force Account Method to save on labor costs for this construction project. However, almost 42 percent of the costs associated with this construction project were for labor. The end result is the Housing Authority has spent more money to move and setup those housing units than they are worth; and
- During an examination of various archived vendor files in the Finance Department of the Housing Authority, we notice one contractor had previously performed work for the Housing Authority. This work included snow removal, painting, installing storm doors and windows, replacing tile in bathrooms, and removing and replacing carpeting. However, there was no documentation on this contractor in the Development Department of the Housing Authority to detail the history of the procurement as required by 24 CFR 85.36(b)(9) and their own Procurement Policy. This contractor was not an Enrolled Tribal Member nor was his firm entitled to Indian Preference. There was no documentation in the Development Department of the Housing Authority to indicate the reasons for lack of Indian participation.

Required cost estimates are not performed and procurements without evidence of competition are being completed

According to the Development Department of the Housing Authority, they do not create procurement files on vendors/contractors for labor type only contracts or for small contracts (less than \$2,000) that are charged to the Monthly Equity Payments Account. They also elect to bypass the procurement process specified in their own Procurement Policy for these types of contracts. This means the Housing Authority does not perform the required cost or price analysis or provide evidence of competition for these types of contracts as required by 24 CFR 85.36(f)(1) and their own Procurement Policy. Without records, it is not possible to determine the rationale behind the method of procurement, ensure the contractor provides those services contractor for, selection procedures are properly followed, cost data is analyzed, and if Indian Preference requirements are being met.

As a result of not having a contract administration system, the Housing Authority cannot ensure contractors perform according to the terms of their contracts. In addition, the Housing Authority does not always use their Procurement Policy when completing procurement activities. These deficiencies could have been prevented had the Housing Authority established a contract administration system and implemented proper management controls over its procurement activities to ensure they are carried out in conformity with HUD requirements and the Housing Authority's Procurement Policy.

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## Auditee Comments

The Housing Authority provided the following comments for each deficiency noted in the finding:

- The Housing Authority believes they already have adequate contract administration and procurement procedures in place. However, to ensure compliance in the areas of contract administration, procurement, and inspection the Housing Authority has indicated they will use seven different Chapters from the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook issued by the Office of Native American Programs. These Chapters include the Organizational Contract Environment; Fiscal and Financial Management; Procurement and Contract Administration; Labor Standards and Contract Administration; Tribes

Assuming Environmental Review Responsibilities; Financial Assessment; and Physical Assessment Checklist. The Housing Authority has indicated they will use the Chapters bi-annually as part of their self-monitoring process.

- The Housing Authority has stated they will maintain documents related to the self-monitoring process over the contract administration area and these documents will be available to HUD for their review.

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OIG Evaluation of  
Auditee Comments

We agree the Housing Authority has an adequate Procurement Policy. As noted in the finding, the Housing Authority did not have an adequate contract administration system in place to ensure its procurement activities were carried out in conformity with HUD's regulations and their own Procurement Policy. In addition, the Housing Authority has not indicated what procedures it will establish and implement to ensure responsible personnel at all levels comply with the self-monitoring process related to contract administration activities.

The HUD Northern Plains Office of Native American Programs should review the self-monitoring process related to contract administration activities as specified by the Housing Authority to ensure they are being performed adequately and the Housing Authority is complying with Federal contracting requirements.

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Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs:

- 3A. Require the Housing Authority to establish and implement a contract administration system to ensure its procurement activities are carried out in conformity with HUD's regulations and the Housing Authority's Procurement Policy. This system should include:
  - Appropriate monitoring and inspections are performed of contractor performance to ensure the terms of the contract are met;

- Sufficient historical detail on each type of procurement activity to allow for identification of the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price; and
- Steps to ensure compliance with the procurement requirements detailed in the Housing Authority's Procurement Policy.

3B. Review the Housing Authority's Contract Administration System, when it has been implemented under Recommendation Number 3A above, to ensure that adequate controls are in place over the Housing Authority's contracting activities and the Housing Authority is complying with Federal contracting requirements.

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## Inadequate Inventory Control System

**The Housing Authority is not maintaining adequate perpetual inventory records in support of its construction and renovation projects. There are no controls in place to ensure requisitioning activities are properly maintained and materials and supplies are properly safeguarded. The Housing Authority does not have effective inventory control to account for all of its assets. Without an adequate inventory control system for construction materials and supplies, the Housing Authority cannot ensure it safeguards assets purchased with Federal funds by protecting them from theft, loss, waste, damage, and unauthorized use.**

Regulations and guidance require the Housing Authority to account for and safeguard assets

HUD regulations (24 CFR 85.20(b)(3)) states that effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

OMB Circular A-87, Section A (2)(a)(1) states Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.

The Procurement Policy of the Housing Authority requires them to account for and safeguard assets

The Housing Authority developed their Procurement Policy to assure that supplies, services, and construction activities are procured efficiently, effectively, and at the most favorable prices available. Under the Housing Authority's Procurement Policy, the Executive Director or his/her designee is to ensure that procedures for inventory control, storage and protection of goods and supplies, and issuance of, or other disposition of, supplies and equipment are established in accordance with HUD Handbook 7460.1, Chapter 5. This reference requires the Housing Authority to adopt and comply with policies for procurement and administration of supplies, materials, services, and equipment in connection with the operation of Housing Authority developments to include inventory control, storage and protection of goods and supplies, and the issuance and disposition of supplies and equipment.

Inventory controls are lacking

The Housing Authority has not established and implemented an adequate inventory control system over its purchases of materials and supplies. Inventory records are not maintained. Without inventory records, the Housing

## Finding 4

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Authority is unable to identify what goods have been purchased, what materials are on hand and in storage, and what inventory items have been used. Furthermore, the Housing Authority has a large quantity of materials and supplies on hand but these are not properly stored and safeguarded. As a result, the Housing Authority has limited assurances that the materials and supplies it purchases are needed and used for official Housing Authority activities.

At the time of our review, the Housing Authority Procurement Department was responsible for the procurement of materials and supplies. All purchased materials and supplies are delivered to the two Housing Authority warehouses that are located next to each other. These include both inside and outside storage areas.

The following photographs show inside storage.



These photographs show that materials being stored in a haphazard arrangement. No shelves are provided to help facilitate the storage of the materials. In addition, the storage facilities were not locked and otherwise secured.

The following photographs show the Housing Authority's outside storage areas.



These photographs clearly show that materials stored outside are exposed to the elements and some lumber products are rotting. Vehicle entry gates are left open and a number of personnel entry doors to the storage warehouses are also left open.

The following photograph shows the poor condition of the security fence. This photograph indicates the security fence



surrounding the outside storage area is not sufficient to prevent theft of Housing Authority materials and supplies.



We reviewed the operations of the Procurement Department of the Housing Authority. Procurement personnel were not aware of the procedures for inventory control, storage, and protection of goods and supplies, and the issuance of, or other disposition of materials and supplies established in HUD Handbook 7460.1, Chapter 5. The Housing Authority has no written procedures on how to conduct physical inventories. In addition, the Housing Authority has no controls in place to ensure requisitioning activities are properly maintained and materials and supplies are properly safeguarded.

We reviewed the procurement of materials and supplies by the Procurement Department of the Housing Authority. Only three partial physical inventories in the sheet rock, plumbing, and electrical material areas have been completed. Since a complete physical inventory has never been completed, the Housing Authority is not able to take trial balances of their inventory records at regular intervals and reconcile the results to the general ledger control account. The Housing Authority has not even made quality control spot counts on the three partial physical inventories they have completed. Reorder levels have not been established for any individual material item or individual supply item.

As a result of its inadequate inventory control system, the Housing Authority cannot ensure it safeguards assets purchased with Federal funds by protecting them from theft, loss, waste, damage, or unauthorized use. The current system does not provide sufficient information for management to make informed material acquisition decisions. The Housing Authority has no way of knowing if they are ordering materials and supplies beyond what is actually necessary to perform their normal day to day operations. The Housing Authority does not even know the exact amount of materials and supplies they do have on hand.

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### Auditee Comments

The Housing Authority provided the following comments for each deficiency noted in the finding:

- The Housing Authority indicates they have hired a Warehouse Supervisor and Inventory Management Specialist. In addition, the storage warehouses have been mapped, materials are now stored in designated areas, a security fence is in place, the warehouse has been designated a secure area, and materials are now being stored out of the weather. The Housing Authority also indicates they will procure a computer inventory system to perform inventory control, track disbursements, and complete reconciliations. The Housing Authority is in the process of completing a physical inventory of all materials and supplies and developing written procedures for conducting physical inventories.
- The Housing Authority has indicated they are awaiting a response to their comments provided to the HUD Northern Plains Office of Native American Programs on April 26, 2002 regarding a previous review completed by that office.

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### OIG Evaluation of Auditee Comments

The actions being taken and planned by the Housing Authority should help correct the deficiencies noted in the finding.

The HUD Northern Plains Office of Native American Programs should review the actions taken by the Housing

Authority to ensure those procedures they are now using ensure proper controls are being exercised over their material purchases and inventory.

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## Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs provide the necessary guidance and direction to the Housing Authority to:

- 4A. Establish and implement adequate control procedures over its material purchases and inventory. These procedures would include the following:
- Develop written procedures on how to conduct physical inventories;
  - Complete a physical inventory of all materials and supplies;
  - Improve security measures for the outside storage area to include building a secure fence;
  - Develop an improved materials shelving system for the storage warehouses;
  - Establish reorder levels for materials and supplies so only those items necessary for day-to-day operations are available; and
  - Maintain adequate perpetual inventory records in support of its materials and supplies and that these records are reconciled to the applicable general ledger control account.
- 4B. Review the procedures established and implemented by the Housing Authority under Recommendation Number 4A above to ensure proper controls and procedures are being exercised over the Housing Authority's material purchases and inventory and are in conformance with HUD requirements.

## Improper Payment of Penalties and Fees

**Contrary to Federal regulations, the Housing Authority has used Indian Housing Block Grant monies to pay for unallowable penalties and fees. From 1996 through 2000, the Housing Authority was assessed penalties and interest totaling \$78,110 by the Internal Revenue Service for not making proper Federal employment tax deposits and failure to file the Internal Revenue Service Form 941 in a timely manner. In addition, from 1998 through March of 2000, the Housing Authority incurred bank overdraft charges totaling \$21,900 for having insufficient funds to meet expenditures. This occurred because the Housing Authority did not ensure the Finance Department properly administered its funds.**

Regulations and guidance establish principles for determining allowable costs

HUD regulations (24 CFR 1000.26(a) and 24 CFR 85.22(b)) states recipients shall comply with the requirements and standards of OMB Circular A-87, "Principles for Determining Costs Applicable to Grants and Contracts with State, Local and Federally recognized Indian Tribal Governments."

OMB Circular A-87 establishes principles for determining allowable costs by State, Local and Federally recognized Indian Tribal Governments. Attachment B(20) states fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal, State, Local, or Indian Tribal laws and regulations are unallowable except when incurred as the result of compliance with specific provisions of the Federal award. Attachment B(26) states costs incurred for interest on borrowed capital or the use of a government unit's own funds, however represented, are unallowable.

Furthermore, 24 CFR 1000.26(b)(1)(ii) specifically states that fines and penalties are unallowable costs to the Indian Housing Block Grant program.

The Finance Department is responsible for Federal tax requirements and reporting excess funds and shortages

One of the functions of the Finance Department is to ensure the Housing Authority is in compliance with the fiscal accountability requirements of Federal, State, Local, and Indian Tribal Governments. In this regard, the Payroll Manager is responsible for Federal tax requirements and

maintaining checkbooks and balances. The Payroll Manager is required to report any excess funds or shortages to the Finance Officer.

### **FEDERAL TAX PENALTIES AND INTEREST**

IRS penalties and interest of \$78,110 was assessed against the Housing Authority

We reviewed documents issued to the Housing Authority by the Internal Revenue Service to determine if the Housing Authority was assessed penalties and interest related to its Federal tax requirements. The period reviewed was 1996 through 2000.

Our review showed the Housing Authority was assessed \$78,110 in penalties and interest for not making proper Federal employment tax deposits and failing to file the Internal Revenue Service Form 941 in a timely manner. Penalties and interest are not allowable costs under HUD regulations and OMB Circular A-87.

### **BANK OVERDRAFT CHARGES**

Bank overdraft charges of \$21,900 was assessed against the Housing Authority

We reviewed bank documents issued to the Housing Authority to determine if the Housing Authority was assessed overdraft charges for having insufficient funds to meet expenditures. The period reviewed was 1998 through 2000.

Our review showed the Housing Authority was assessed \$21,900 in bank overdraft charges for not having sufficient funds to meet expenditures. Bank overdraft charges are not allowable costs under HUD regulations and OMB Circular A-87.

Our office received concerns related to the payment of penalties and interest to the Internal Revenue Service and the assessment of bank overdraft charges for having insufficient funds to meet expenditures. Results of our review support those concerns. The assessment of payroll penalties and interest and bank overcharges occurred because the Housing Authority did not ensure the Finance Department properly administered its funds. Procedures were not in place to pay the Internal Revenue Service the withheld payroll tax deduction and to file the required forms in a timely manner.

The Housing Authority encountered funding shortfalls due primarily to the fact that Indian Housing Block Grant Program monies were not timely drawn down from HUD. This same situation necessitated the Bank advancing funds to the Housing Authority to cover the checks issued by the Housing Authority. Better management of its funding and HUD grant draw downs is needed by the Housing Authority to prevent the future assessment of penalties and interest and bank overdraft charges that are unallowable under the Indian Housing Block Grant Program.

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### Auditee Comments

The Housing Authority provided the following comments for each deficiency noted in the finding:

- The Housing Authority has stated they have hired a Chief Financial Officer and a Payroll Manager that are knowledgeable about Federal employment tax requirements and are responsible for ensuring appropriate balances are maintained and checked daily for all checking and savings accounts. In addition, the Housing Authority has indicated they are developing a Corporation Financial Management Procedures Handbook to ensure improved financial management.
- The Housing Authority has indicated they agree that Internal Revenue Service interest, penalties, and bank overdraft charges are ineligible costs. The Housing Authority has identified three different methods to recover these funds from non-Federal sources and has made an inquiry as to the possibility of a repayment plan.
- The Housing Authority has stated they will provide the HUD Northern Plains Office of Native American Programs with verification of repayment of the interest, penalties, and bank overdraft charges from non-Federal sources as they occur.
- The Housing Authority has stated they will work with the HUD Northern Plains Office of Native

American Programs to ensure management controls are in place and comply with HUD guidelines.

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OIG Evaluation of  
Auditee Comments

We agree with the actions being taken and planned by the Housing Authority to ensure Federal tax requirements are met and appropriate balances are maintained and checked daily for all checking and savings accounts. However, the HUD Northern Plains Office of Native American Programs should review the Corporation Financial Management Procedures Handbook being developed by the Housing Authority to ensure procedures identified require compliance on the part of responsible personnel at all levels.

We are not directing the Housing Authority to select a particular method to recover these funds from non-Federal sources. The Housing Authority needs to work with the HUD Northern Plains Office of Native American Programs about the possibility of a repayment plan.

The action planned by the Housing Authority should correct this deficiency provided the HUD Northern Plains Office of Native American Programs determines that management controls specified in the Corporation Financial Management Procedures Handbook are adequate and in conformance with HUD requirements.

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Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs provide the necessary guidance and direction to the Housing Authority to:

- 5A. Implement a system of management controls to ensure the Finance Department makes proper Federal employment tax deposits, files required Federal tax documents in a timely manner, and maintains sufficient funds to meet expenditures.

5B. Recover from non-Federal sources the \$78,110 in penalties and interest and the \$21,900 in bank overdraft charges and use the recovered monies for eligible HUD program costs.

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

5C. Obtain evidence from the Housing Authority that the \$78,110 in penalties and interest and the \$21,900 in bank overdraft charges has been recovered and used for eligible HUD program costs.

5D. Review the system of management controls implemented by the Housing Authority under Recommendation Number 5A to ensure they function properly and are in conformance with HUD requirements.



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## Deficient Controls Over Travel and Related Costs

The Housing Authority has adopted the Rosebud Sioux Tribal Travel Policy as its Travel Policy. However, contrary to HUD requirements, the Housing Authority has not implemented sufficient management controls over its travel and related expenses to ensure that its adopted Travel Policy is followed and adhered to. More specifically, each official trip has not always been properly authorized, travel advances have been improperly calculated in some cases, travel vouchers have not always been filed by the traveler after the end of a trip, and documentation supporting travel costs and related calculations were often missing and/or incomplete. As a result, the Housing Authority has limited assurance that its travelers are complying with its Travel Policy and that the reimbursed amounts to the travelers are authorized, accurate, and supported. This situation has occurred primarily by the fact that no one individual or department within the Housing Authority has the responsibility to enforce compliance with the Housing Authority's Travel Policy.

In addition, the Housing Authority has paid Board members \$75 in per diem payments for attending each Housing Authority Board of Commissioners meeting. The per diem was intended to reimburse the Board member for expenses incurred in connection with the meeting. However, the Housing Authority has also reimbursed the attending members for mileage to attend the meetings and to provide meals at each meeting. Since the Housing Authority is actually funding the individual cost of attending the Board meeting, the payment of \$75 per diem is an extra and unnecessary expense. During our review, we calculated that the Housing Authority had paid a combined total of \$44,400 in per diem payments for attending Board members. The \$75 per diem payment is also contrary to HUD requirements because the payment is not consistent with the Tribal Council's policy of not paying Tribal Council members a fee or mileage for attending meetings on the Rosebud Indian Reservation. Therefore, the \$44,400 is considered to be an ineligible expense to the Indian Housing Block Grant Program.

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Adequate internal controls, accounting records, and documentation must be established for travel and related costs

The Housing Authority is to follow the financial management standards set out in Section 85.20 of Title 24 of the Code of Federal Regulations. This section provides that the Housing Authority must maintain effective control and accountability for all grant cash, real and personal property and other assets and adequately safeguard such assets and assure that they are used solely for authorized purposes.

Section 85.20 also requires the Housing Authority to maintain accounting records that adequately identify the source and application of funds provided. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income. Furthermore,

the accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract award documents, etc. In addition, the provisions of OMB Circular A-87 must be followed in connection with the eligibility of costs.

Housing Authority Travel Policy establishes travel requirements and procedures

On February 20, 1998, the Housing Authority adopted the Rosebud Sioux Tribal Travel Policy as the official Travel Policy for the Housing Authority. This policy set out various reimbursement rates for certain types of travel and delineated requirements for incurring official travel and being reimbursed for official travel costs. Travelers are to be paid for lodging and a set amount for Meals and Incidental Expense based on a rate for each quarter of the day the traveler is in travel status.

Travel Policy not followed with duplicate compensation for travel to Board meetings

Our review identified that the Housing Authority has been incurring official travel and related travel costs contrary to the provisions of its official Travel Policy. These deviations have occurred in two areas: First, the Housing Authority has not been authorizing official travel and reimbursing its travelers in accordance with its Travel Policy. Second, the Housing Authority has provided duplicate compensation to Housing Authority Board of Commissioner members for attending Board meetings. These two areas are discussed below:

**DEFICIENT ADMINISTRATION OF TRAVEL AUTHORIZATIONS, ADVANCES, AND COSTS**

Housing Authority processing of travel authorization, advances, and costs

Under the Housing Authority's Travel Policy, travelers on official Housing Authority business must have advanced travel approval. In addition, the traveler may obtain an advance of travel funds that are based on the estimated travel costs. Once a trip is completed, the traveler is to submit a travel voucher detailing the travel costs incurred and refunding any excess advance received or obtaining funding of any unpaid travel costs.

Required Travel Policy provisions not being met and/or documented

We identified and tested the internal controls the Housing Authority has implemented over its travel and related costs. Our review showed that the Housing Authority has failed to establish adequate controls. As a result, the Housing Authority has very limited assurance that its travelers are incurring travel costs in conformity the adopted official Travel Policy.

Travel documentation for three Housing Authority employees on official Authority travel were reviewed and the following deficiencies were noted:

- Housing Authority employees are traveling without an approved travel authorization;
- Travel vouchers are not always submitted upon completion of the travel;
- Housing Authority employees do not always submit receipts to support costs claimed on the travel voucher;
- Insufficient information was provided on the travel advance form and/or the actual travel voucher form to support and properly calculate the Meals & Incidental Expense amount paid; and
- Insufficient documentation was maintained to show that any excess travel advances were properly and promptly paid to the Housing Authority.

Deficient procedures to control and monitor travel and related costs

These deficiencies occurred primarily from the fact that the Housing Authority does not have adequate management controls in place to ensure that official Housing Authority travel is properly authorized, travel advances are properly and accurately calculated, and the traveler submits the required travel voucher after the completion of the travel. No one individual or department had the responsibility to ensure that travel policies and procedures were being followed. Without adequate management controls, the Housing Authority has very limited assurance that travel was actually performed, or that the traveler was properly funded for their individual trips.

Deficient accounting for travel advances and vouchers

The method by which travel advances and subsequent travel vouchers are recorded makes it difficult to identify when travel is planned, what travel has been performed, and the final accounting status of travel that has been completed. This is due to the fact that travel advances are recorded as an expense. In addition, any additional amounts paid to the traveler after a completed trip, is also charged as an expense. Under this process, the Housing Authority can only identify what travel advances have been paid and any subsequent travel voucher costs have

been paid to an individual traveler is by performing a detailed review of the various expense records. Any errors or omissions are not readily identifiable.

Controls could be improved if the Housing Authority were to record all travel advances as a receivable from the traveler. When a designated trip is completed and the final travel voucher for the trip is submitted, the accounts receivable for the traveler could be properly reduced. Any amounts shown in the travel accounts receivable accounts would be those advances that have been made by which travel vouchers have not been submitted by the travelers. This process would allow Housing Authority management to quickly identify those travelers who have outstanding advances that need to be liquidated.

### **DUPLICATE COMPENSATION FOR ATTENDING BOARD MEETINGS**

Board members receive a \$75 per diem payment for expenses while attending Board meetings

The Housing Authority Board of Commissioners passed Resolution 98-17 on August 20, 1998 that indicated Board members would receive a per diem payment of \$75 to attend each Board meeting. The \$75 payment was to be compensation for expenses, including travel, incurred in the discharge of their duties.

Since the adoption of this resolution, the Housing Authority has been paying Board members who attend Board meetings the \$75 per diem payment. However, the Housing Authority has been reimbursing each attending Board member mileage for attending the meetings. Also, the Housing Authority has funded the meals that have been provided at the Board meetings. Since the Housing Authority has paid Board members for the actual cost of attending meetings that include mileage and meals, the payment of the \$75 per diem that was designated for reimbursement for expenses, results in a duplicate compensation for meeting expenses.

Duplicate compensation totaling \$44,400 paid for Board members expenses while attending Board meetings

For the period from August 20, 1998 through August 13, 2001, the Housing Authority Board held a total of 102 meetings. For these meetings, the number of Board members present totaled 592. These Board members received the \$75 per diem for each of the meetings for a combined total expense of \$44,400. Since the Housing Authority paid these Board members mileage as well as provided meals for the meetings, the attending Board

members did not have any additional meeting expenses to pay. As a result, the \$75 per diem payment was a duplicate and unnecessary payment for meeting expenses since the attending Board members were already being compensated for mileage and meals. Therefore, the \$44,400 is considered to be an ineligible Indian Housing Block Grant Program cost.

Tribal Council members on Housing Authority Board not paid for meeting expenses

The Housing Authority has had up to two Board members who are Tribal Council members and are representatives of the Tribal Council to the Housing Authority Board. These Tribal Council members did not receive the \$75 per diem payment for each Board meeting they attended nor did these Tribal Council members receive reimbursement for their mileage while attending the Board meetings.

This practice of non-compensation for meeting related costs for Tribal Council members on the Housing Board is in harmony with Tribal policy and directives. On June 23, 2000, the Rosebud Sioux Tribe issued a Tribal Council Directive that states Tribal employees are not to be paid meeting stipends or mileage for participating in Tribal Council appointed committees and commissions. Similarly, Tribal Council members do not receive mileage, meals, or a stipend for attending meetings on the Rosebud Indian Reservation.

The \$75 per diem payment is not consistent with HUD and local government requirements

The \$75 per diem payment to Board members for attending Board meetings when actual expenses are funded separately by the Housing Authority could be considered a \$75 stipend or fee being paid to the Board members. The payment of such a stipend is contrary to HUD regulations and guidance and not consistent with Tribal government policy and practice.

HUD requirements under NAHASDA Guidance 98-13 reinforced the provisions in OMB Circular A-87 and stated that stipends for Board members to attend monthly meetings is considered an allowable cost but it:

- Must be a necessary and reasonable for the proper and efficient performance and administration of a Federal award;
- Must be authorized or not prohibited under Tribal law; and

- Must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental units.

The Housing Authority Board payment of the \$75 per diem as a stipend or fee is not authorized under Tribal policy and practice and is not consistent with the policies and procedures being followed by the Tribal government. Accordingly the payment of the \$75 to Board members is an unallowable cost to the Indian Housing Block Grant Program. Accordingly, the total \$44,400 paid during our review period for per diem to Housing Board members attending Board meetings needs to be repaid to the Indian Housing Block Grant Program from non-Federal sources.

Management controls and procedures lacking

These deficiencies as discussed in the previous two sections are a result of the Housing Authority not establishing adequate management controls and procedures to implement their adopted Travel Policy and to ensure that such travel and related costs are incurred in compliance with HUD and Housing Authority requirements. As a result, the Housing Authority is incurring travel costs and payments that are unauthorized, ineligible, and/or improperly documented.

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### Auditee Comments

The Housing Authority provided the following comments for each deficiency noted in the finding:

- The Housing Authority believes they already have adequate management controls over its travel and related costs and an adequate Travel Policy is maintained. The Housing Authority states their Travel Policy required all travel to have proper written authorization, travel reports are required and reconciled in a timely manner, and travel is treated as an advance and maintained as a receivable until reconciled.
- The Housing Authority is awaiting a determination by the HUD Northern Plains Office of Native American Programs regarding the practice of providing Board members a \$75 per diem payment for each meeting they attend. The Housing Authority believes the per diem cost is justified because it a common practice of other

Tribal Designated Housing Entities. The Housing Authority has stated they have reduced the per diem payment to \$70 and are no longer paying mileage costs.

- The Housing Authority state they will discuss the \$44,400 as an ineligible cost and provide official notification as to the results of their discussions to the HUD Northern Plains Office of Native American Programs.
- The Housing Authority has indicated they are awaiting a response to their comments provided to the HUD Northern Plains Office of Native American Programs on April 26, 2002 regarding a previous review completed by that office. The Housing Authority also indicates they are open to any technical assistance HUD can provide in establishing other appropriate controls to ensure compliance with their Travel Policy.

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#### OIG Evaluation of Auditee Comments

We agree the Housing Authority has an adequate Travel Policy. However, the Housing Authority has not implemented any process to be performed by Housing Authority officials and/or staff to ensure that the Authority's adopted Travel Policy is being followed. No one has the assigned responsibility that travel advances are properly authorized, documented and conform with the Travel Policy provisions before a travel advance is made; that travel vouchers are prepared and submitted by each traveler at the completion of each trip; and that the travel costs actually paid is properly documented, supported and complies with the Travel Policy. This indicates a lack of adequate management controls over its travel and related costs to ensure compliance with HUD requirements and with the Housing Authority's adopted Travel Policy

We have reviewed the Housing Authority's response on this subject submitted to the HUD Northern Plains Office of Native American Programs. However, the payment of the \$75 per diem, or a reduced amount of \$70, as a stipend or fee is not authorized under Tribal policy and the practice is not consistent with the policies and procedures being followed by the Tribal government. Therefore, it does not meet the allowable cost provisions of OMB Circular A-87 or



NAHASDA Guidance 98-13 and is considered an ineligible cost.

The Housing Authority has not indicated how they will reimburse the Indian Housing Block Grant Program from non-Federal sources for the duplicate compensation paid to Board members for attending Board meetings. The Housing Authority's official notification to HUD about their discussions on the subject needs to indicate how it will accomplish this reimbursement.

The HUD Northern Plains Office of Native American Programs should assist the Housing Authority in establishing and implementing appropriate controls over their travel and related costs to ensure they are adequate and that HUD requirements and the Housing Authority's Travel Policy are being met.

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## Recommendations

We recommend that the HUD Northern Plains Office of Native American Programs:

- 6A. Require the Housing Authority to establish and implement adequate management controls over its travel and related costs to ensure compliance with HUD requirements and with the Housing Authority's adopted Travel Policy. Such controls would:
  - Enforce the requirement that all travel have properly written prior authorization;
  - Ensure travel vouchers are promptly submitted after each trip and are properly supported and calculated in accordance with the Housing Authority's Travel Policy, and;
  - Record travel advances as a receivable on the Housing Authority's books of account;
- 6B. Have the Housing Authority stop the practice of providing Board members a \$75, or a reduced amount of \$70, per diem payment for each meeting they attend.
- 6C. Require the Housing Authority to reimburse the Indian Housing Block Grant Program from non-

Federal sources the duplicate compensation of \$44,400 paid to the Board members for attending Board meetings.

- 6D. Once the Housing Authority has established and implemented the appropriate controls and procedures set out in Recommendation Number 6A above, HUD should review the implemented system to ensure that the controls and procedures are adequate and that HUD requirements and the Housing Authority's Travel Policy are being met.

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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 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 the systems for measuring, reporting, and monitoring program performance.**

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## Relevant Management Controls

We determined that the following controls were relevant to our objectives and each was assessed during our review:

- Accounting system;
- Procurement system;
- Inventory system;
- Maintenance system;
- Occupancy system; and
- The Housing Authority's supplemental housing programs.

The following procedures were used to evaluate management controls:

- Interviews with Housing Authority officials and employees;
- Interviews with Rosebud Sioux Tribal employees;
- Interviews with Housing Authority residents;
- Tours of the Housing Authority's supplemental housing programs; and
- Review of Housing Authority management systems and related records.

Significant Weaknesses

Our review indicates the Housing Authority lacks the management controls necessary to ensure that the Housing Authority:

- Complied with policies related to drug elimination, subleasing, delinquency, and eligibility (Finding 1);
- Complied with policies related to procurement, maintenance, and administration of its supplemental housing programs (Finding 2);
- Maintained proper administration over its procurement and contracting of goods and services (Finding 3);
- Maintained adequate administration and safeguards over its materials and supplies inventory (Finding 4);
- Prevented the assessment of penalties, interest, and bank overdraft charges (Finding 5); and
- Complied with established Travel Policy requirements ensuring that Housing Authority travel is authorized, accurate, supported, and eligible (Finding 6).

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# Follow Up On Prior Audits

The Office of Inspector General has not completed any type of audit work related to the Housing Authority since at least 1990. However, the HUD Northern Plains Office of Native American Programs has conducted a monitoring review of the Housing Authority. During the week of July 9, 2001, HUD conducted an on site performance review of HUD funded Indian Housing Block Grant and United States Housing Act of 1937 programs being implemented by the Housing Authority. HUD's Final Monitoring Report was issued on April 26, 2002 and contained 11 findings with related recommended corrective action and target dates. These 11 findings are:

1. Tribal Council failed to monitor, perform oversight and accountability of the Sicangu Wicoti Awanyakape (SWA) Corporation Housing Board in violation of 24 CFR 1000.502;
2. Required operating policies not in place as required by Section 203 of NAHASDA;
3. SWA is not conducting re-certifications as required by 24 CFR 1000.128 and NAHASDA 102(c)(5);
4. SWA is not complying with tenant and homebuyer selection policies in accordance with Section 207 of NAHASDA;
5. Non-low income family received same benefits as low-income families which was not in accordance with 24 CFR 1000.110(e);
6. 1937 Housing Act housing stock is not being maintained as required by Section 203(a)(2)(b) of NAHASDA;
7. SWA has failed to adequately safeguard, maintain records for and dispose of equipment purchased with HUD funds as evidenced by poor or non-existent property records, incomplete physical inventory records, and possible loss or theft, in violation of 24 CFR 85.20 and 24 CFR 85.32;
8. SWA is in non-compliance with Section 105 of NAHASDA and 24 CFR Part 58 by obligating/expending funds in connection with the rehabilitation of non-1937 Act units and with the new construction of 4 units of modular housing prior to performing an environment review;
9. SWA failed to follow the procurement requirements of 24 CFR 85.36 and its own Procurement Policy for contracts and purchases;
10. SWA Board held excessive Board meetings, in violation of By-Laws of Rosebud Housing Authority, Article III;

11. SWA is not in compliance with the Single Audit Act required by 24 CFR 1000.544 and NAHASDA.

## Schedule of Ineligible Costs

| Recommendation | Description                 | Ineligible Costs <u>1/</u> |
|----------------|-----------------------------|----------------------------|
| 5B             | Penalties and Interest      | \$78,110.80                |
| 5B             | Bank Overdraft Charges      | \$21,900.00                |
| 6C             | Duplicate Per Diem Payments | \$44,400.00                |

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



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# Auditee Comments



July 26, 2002

*Sicangu Wicoti Awanyakape*  
*S.W.A. Corporation*

P.O. Box 69  
Rosebud, South Dakota 57570  
Phone: 747-2203 Fax: 747-2966



Robert C. Gwin, Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General, Rocky Mountain  
633 17<sup>th</sup> Street, North Tower, 14<sup>th</sup> Floor  
Denver, Colorado 80202-3607

RE: INSPECTOR GENERAL AUDIT FINDINGS

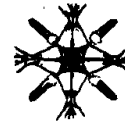
The answers to the above referenced subject will be provided in the number sequence in which the findings are provided in the audit report:

**Finding 1. Deficient Controls Over Tenant Occupancy and Related Activities**

Our answer is specific to page 15 and 16 of the recommendations provided. With this in mind the following is provided:

**Item 1 A.**

- A. Per our answer to the Northern Plains Office of Native Program audits findings dated May 29, 2002 (page 2 and 3), the Corporation will review and assure compliance of all policies indicated. A September 30, 2002 timeframe is established.
- B. All current policies related to Occupancy are being adhered to. The waiting list is being updated on a monthly basis and only applicants at the top of the waiting list are being moved into housing units.
- C. It is the Housing Authority position that the current policies are adequate to assure compliance with NAHASDA law. Assurance is provided that current administration and staff are implementing all policies in a consistent and uniform manner.
- D. Tenants who may have been indicted or convicted of a controlled substance offense are currently under review. The disposition will be provided in a report form by the Sicangu Wicoti Awanyakape Corporation Occupancy Department no later than August 20, 2002.



- E. The current number of mutual help subleases in place is five (5). All will be going before the Board of Commissioners on August 05, 2002 for renewal or action taken on each sublease.
  
- F. Addressing payback agreements is only a part of the collection effort here at the Sicangu Wicoti Awanyakape Corporation. In consideration of our collection effort provided:
  - 1. In order to enter into payback agreements and/or court action, the records must be accurate. All tenant ledgers are now undergoing an internal audit for accuracy. To date (July 26, 2002), 776 of 1166 (69%) of the tenant ledger cards have been reconciled for accuracy. A September 30, 2002 date is established to reconcile all ledgers.
  - 2. Letters are being sent to all tenants reflecting balances owed and urging tenants to pay. The letter also expresses the need to enter into a payback agreement. The letter is being sent to all delinquent tenants and not to just tenants with receivables in excess of a \$1,000.00.
  - 3. We are currently carrying delinquent account on move-outs of \$1,251,488. In order to address and reduce tenant account receivables on vacated units, we need to approach the problem realistically and financially reasonable. We do not want to be paying attorney costs for something we cannot win. The tribal law statute of limitation on collection of debt owed is two (2) years. With this in mind the SWA Corporation will identify all debts on vacate units older that two (2) years. These will be written-off and removed from the books, however, the write-off will not mean that the debt is forgiven. Individuals will be informed in writing of their debt and urged to pay.
  - 4. Old debts (written-off) are being offered for settlement based on a percentage of amounts owed. Cash and/or work agreements are being accepted for services rendered directly to the Corporation.
  - 5. Realizing the severity of our outstanding tenant accounts receivables on current tenants, the Corporation will develop a written Collection and Eviction Strategy. This will be completed by September 30, 2002. A collection effort is on-going Four (4) cases for eviction and collection have been filed in the last thirty (30) days. Three (3) have been heard and a disposition concluded with the other going to trial on August 22, 2002. This is an important case since the complaint sights



6. Violations for violent criminal activity and outstanding debt to the Corporation in the amount of \$14,540.00.

Find enclosed **Attachment A** which is a depiction of collections made per month commencing in January 1999. Note that in year 2001 that collections did increase substantially over the previous year. Also for year 2002 we are currently at 52% of what was collected in 2001. The effort will continue with the goal of increasing collections substantially.

7. The original document containing the SWA Corporation answers to the HUD-NPONAP Final Monitoring Report issued on April 26, 2002 is with the Grants Evaluation Division, 633 17<sup>th</sup> Street, Denver, Colorado. The contents reflect that the monitoring process the SWA Corporation will utilize to ensure compliance. A **Self-Monitoring Process** provided by the NPONAP will be utilized. The Self-Monitoring module to be used by the Corporation to ensure **Resident Eligibility and Service Standards** is part of our audit finding responses to HUD-NPONAP. The process is now being used.

**Item 1 B.**

Our internal monitoring process is scheduled to be completed by August 31, 2002. The results and internal corrective actions will be submitted to NPONAP no later than September 15, 2002.

**Item 1 C.**

We will await NPONAP's response to answers provided on April 26, 2002 to determine further action required. We will continue to conduct internal monitoring to ensure that policies are being applied in a uniform and consistence manner.

**Finding 2: Inadequate Administration of Supplemental Housing Programs**

**Item 2 A.**

The **Used Mobile Home Program** is discontinued. Other supplemental housing programs are still a consideration under the following conditions:

- A. Any housing replacement program will require the following prior to implementation:



1. A Program Statement will be developed and will establish:
  - a. The purpose of the program;
  - b. The segment of the population to be serviced by the program;
  - c. Specific eligibility requirement and in compliance with NAHASDA regulations.
2. The SWA does have a Procurement Policy which meets NAHASDA requirements. Compliance with tribal/SWA Corporation procurement requirement is now occurring. Examples of procurement for major purchases and contracted services have been provided to the Denver NPONAP on April 26, 2002.
3. In order to implement proper management and accounting controls over property purchases the following has occurred:
  - a. A qualified Chief Executive Officer has been hired;
  - b. Qualified personnel familiar with the procurement policy are currently on staff and are now implementing the policies in the manner required per the policy. A separate procurement office is established and monitors to assure procurement compliance.
  - c. All existing liquid assets have been identified and appropriately budgeted.
  - d. A budget modification reflecting A. 3. C. of the above is incorporated into an approved operating statement FY-2001 budget. Monthly operating statement are reviewed monthly and utilized as a management tool by all supervisory staff.
  - e. The following two (2) modules of the **Self-Monitoring Process** will be utilized to ensure compliance.
    1. Fiscal and Financial Management
    2. Procurement and Contract Administration
4. As stated the Used Mobile Home Program is discontinued. The SWA Corporation did establish a separate Inspection Department with qualified Inspectors to ensure that any future supplemental housing programs meet the safe and healthy environmental provisions stipulated under Title II of NAHASDA.
5. An evaluation of Used Mobile Home Program shows that \$95,600.00 is still outstanding. Per Denver NPONAP NAHASDA monies used to purchase these trailers is disallowed and must be recovered to the SWA Corporation NAHASDA funded payment from non-NAHASDA



sources. This has been completed with supporting documentation provided as **Attachment B**. With this recovery it is the position of the Corporation that the disposition of the used trailers is now a tribal matter. The SWA will continue with its collection effort to recovery accounts receivable; determine the disposition and condition of each trailer, reconcile sales contracts and certificate of Titles on all trailers.

**Item 2 B.**

See 2 A of the above.

**Item 2 C.**

The **Private Homeowner Rehabilitation/Loan Program** is still in the development process. The following will occur:

A. Completion of the program development described in Item 2 A. A. of the above. A projected completion date is August 31, 2002.

B. A **Policy for the Private Homeowner Rehabilitation/Loan Program** is adopted by the Board of Commissioner. With this policy in mind, the following will be determined:

1. Property owners who have received the benefits of the program and in what dollar amount. Utilizing the above referenced policy, the staff will determine the dollar amount to be repaid by each property owner and each will be officially notified.
2. No waiting list and evaluation selection process exists. The staff will develop a waiting list and evaluation selection process by September 30, 2002.

**Item 2 D.**

See 2 A., 2 B., and 2 C. of the above.

**Finding Number 3: Inadequate Contract Administration System**

**Item 3 A.**

A Contract Administrative and adequate Procurement Procedure does exist at the SWA. In order to ensure compliance the monitoring process described in the Denver NPONAP **Self-Monitoring Process Handbook** will be utilized. Modules to be utilized to answer



NAHASDA compliance in areas of contract administration, procurement, and inspection are:

- A. Organizational Contract Environment
- B. Fiscal and Financial Management
- C. Procurement and Contract Administration
- D. Labor Standards and Contract Administration
- E. Tribes Assuming Environmental Review Responsibilities
- F. Financial Assessment
- G. Physical Assessment Checklist

The self-monitoring is now occurring and will be conducted bi-annually and per the following schedule:

- A. July 31, 2002.
- B. December 31, 2002.
- C. June 30, 2003.
- D. December 31, 2003.

**Item 3 B.**

All Self-Monitoring Process evaluation documents will be maintained at the SWA Main Office and will be available for HUD review at their discretion. Copies will be submitted at HUD's request.

**Finding Number 4: Inadequate Inventory Control System**

**Item 4 A.**

The SWA is establishing and implementing control procedures over its material purchases and inventory as follows:

- A. The SWA Warehouse is under reorganization. With this in mind, the following is occurring:
  - 1. A qualified Warehouse Supervisor and Inventory Management Specialist have been hired.
  - 2. The Warehouse is being mapped; materials are being secured in designated areas; internal controls have been established and will be expanded; a security fence is now in place and materials are being stored out of the weather. The Warehouse area is declared a secure area and only authorized personnel are allowed in this area.



3. An integrated computer system is being procured to fit the needs of the SWA. Includes is the necessary software to do proper inventory control, disbursements, and reconciliation.
4. A physical inventory of all materials and supplies is in progress. Although qualified staff are hired and steps are being taken to address cited problems, a written procedures for physical inventories need to be developed. An October 31, 2002 date is established to complete.

**Item 4 B.**

The SWA Corporation will await a HUD-NPONAP response to our April 26, 2002 correspondence.

**Find Number 5: Improper Payment of Penalties and Fees.**

**Item 5 A.**

Controls and other activities taken to ensure improved financial management are as follows:

- A. A qualified Chief Financial Officer is now hired. This individual is knowledgeable about the Federal LOCCS system and necessary internal requirements to ensure that appropriate balances are maintained in all established checking and saving accounts. Balances are checked daily.
- B. A qualified Payroll Manager is hired and has full knowledge about making proper Federal employment tax deposits, and filing required Federal tax documents in a timely manner.
- C. Cash deposits are completed daily and deposited at the Wells Fargo Bank. Surprise cash counts are done periodically to ensure honesty.
- D. A Corporation Financial Management Procedures Handbook will be developed. December 31, 2002 is established as the timeframe to complete.

**Item 5 B.**

\$78,100 used to cover IRS penalties and interest is declared an ineligible cost. \$21,900 in bank overdrafts is also declared an ineligible cost. The ineligible costs will be a Board agenda item on August 05, 2002. Sources of recovery are as follows:





- A. Apply the amount as an off-set against any future NAHASDA Block Grant Funds.
- B. Identify and recovery the funds to the SWA Corporation NAHASDA Checking Account from SWA Corporation Non-NAHASDA dollars.
- C. Utilize Tribal Government resources to recover the amount to the NAHASDA Checking Account.

August 31, 2002 is the established timeframe to complete. Is a repayment plan allowable?

**Item 5 C.**

Evidence of the transaction will be provided to HUD-NPONAP once funds are replenished to the SWA Corporation NAHASDA checking account in whole or in part.

**Item 5 D.**

The Corporation will work with HUD-NPONAP to ensure that management controls are in place and to ensure compliance with HUD guidelines. Local records are available to HUD-NPONAP and compliance insurance is at their discretion.

**Finding Number 6: Deficient Controls Over Travel and Related Costs**

**Item 6 A.**

It is the position of the SWA Corporation that adequate management controls over its travel and related costs do exist and that an adequate Travel Policy is maintained. Current policy does require the following:

- A. That all travel must have proper written prior authorization. Board travel must be authorized by an official Board action with a recommendation of the administrator. Travel reports are required with travel reconciliation required in a timely manner. Administrative travel for staff is authorized by the Chief Executive Officer and only for necessary purposes. Reconciliation is also required in a timely manner.
- B. All travel is treated as an advance and maintained as a receivables until reconciled. Timely notices are submitted to those who have not reconciled.

**Item 6 B.**



The issue of the \$75.00 per diem payment for meetings attended is one which needs to be settled in a legally called Board meeting. The date to further discuss and resolve is August 05, 2002. The HUD Office of Inspector General needs to review the documents submitted to the NPONAP on April 26, 2002 concerning this subject. A timely answer is also needed on the submittal. It is the position of the SWA Corporation Board that the per diem cost is justified since it is common to Tribal Designated Housing Entities throughout Indian Country. On June 05, 2002 the Board did take action establishing the per diem amount at \$70.00 only and with no mileage costs. The Corporation will await a determination by HUD-NPONAP.

**Item 6 C.**

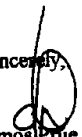
The issue of the \$44,400 declared as an ineligible cost will be discussed with the Board on August 05, 2002. An official notification as to the result will be submitted to HUD by August 31, 2002.

**Item 6 D.**

The SWA Corporation submitted a response on this subject on April 26, 2002. It is awaiting the NPONAP answer and is willing to accept any technical assistance from HUD to assist the Corporation in establishing any other appropriate controls and procedures to ensure NAHASDA compliance to travel policy and other cited findings.

Thank you.

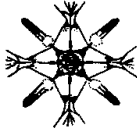
Sincerely,

  
Amos Prue, Chief Executive Officer  
Sicangu Wicoti Awanyakape Corporation

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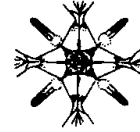
**SUPPLEMENTAL AUDITEE COMMENTS**

**(The Supplemental Auditee Comments contained numerous attachments that were too voluminous to include in the audit report. These attachments were provided to the Northern Plains Office of Native American Programs under separate cover.)**



*Sicangu Wicoti Awanyakape*  
*S.W.A. Corporation*

P.O. Box 69  
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July 30, 2002

Robert C. Gwin, Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General, Rocky Mountain  
633 17<sup>th</sup> Street, North Tower, 14<sup>th</sup> Floor  
Denver, Colorado 80202-3607

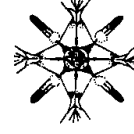
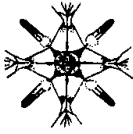
RE: DRAFT AUDIT REPORT

On July 29, 2002 the SWA Corporation submitted their answers to the Office of Inspector General's preliminary audit report of HUD Indian Housing Block Grant Program dollars administered by the SWA Corporation. In our answer we reflect Attachment A and B which were inadvertently omitted from the submittal. Find enclose the Attachments.

Also, find enclosed additional enclosures which we have labeled as **Attachment C** and **Attachment D**. Attachment D is a reconciliation conducted by a representative of Four Seasons, Mike LaPointe of the Sicangu Enterprise Center and James Wagenlander, Attorney for the SWA Corporation. Note that the determination is that \$39,790.00 is due the Four Seasons.

Attachment D is the SWA Finance Officer's evaluation. The evaluation reflects the following:

1. \$45,672.50 is the amount still owing the Four Seasons. The amount is reflective of purchases for the RST Tribal Education Office and the RST Community Health Representative Program. All funds have been received by the SWA from these two (2) referenced tribal entities.
2. The SWA is still due the following amounts from the following individuals
  - a. Stanley and Marlene Whipple - \$725.00
  - b. Frank and Juanita Vanderwalker - 460.00
  - c. RST - TECRO Office - 10.00
3. Ronald Prue may be due an amount of \$300.00 for an overpayment. This will be further evaluated and a final determination made.
4. All funds received were deposited in the SWA Corporation NAHASDA Checking Account prior to disbursement.



Based on the above the following action will be taken:

1. The Four Seasons will be contacted concerning the final amount due and final payment made to the company.
2. Notices of amount due on outstanding amounts will be submitted to the appropriate individuals.
3. A final disposition will be determined on the amount due Ronald Prue and appropriate action taken.

Once the above is concluded the SWA Corporation will consider the matter of the Four Seasons purchases closed. No further action will be taken concerning a request for proposal for Forensic Audit on these purchases. Only one proposal was received at a cost of \$60,000 and the amount is determined to be unacceptable. Our internal review has determined that although policy and procedure may not have been followed nothing of a criminal nature occurred. Your response on this matter, however, is requested.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to be 'A. Prue'.

Amos Prue, Chief Executive Officer  
Sicangu Wicoti Awanyakape Corporation

Enclosures

cc: file

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## Distribution Outside of HUD

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The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs, 706 Hart Senate Office Bldg., United States Senate, Washington, DC 20510  
The Honorable Fred Thompson, Ranking Member, Committee on Governmental Affairs, 340 Dirksen Senate Office Bldg., United States Senate, Washington, DC 20510  
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