U.S. Department of Housing and Urban Development

District Office of the Inspector General
Office of Audit
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May 12, 1997

Audit-Related Memorandum
No. 97-AT-207-1809

MEMORANDUM FOR: Thomas W. Boockmeier, Administrator, Eastern/Woodlands Office of Native American Programs, 5API

FROM: Nancy H. Cooper
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Mowa Choctaw Housing Authority
Review of Development Activity
Mt. Vernon, Alabama

We have completed a limited review of the Mowa Choctaw Housing Authority (MCHA). The review was part of OIG's national review of Native American Housing initiated in response to a Seattle Times news article dated December 1, 1996, identifying problems with Indian Housing.

The objectives of the national review were to determine the validity of the article, the housing authorities' role and responsibility for allowing the reported conditions to exist, the Office of Native American Program's (ONAP) involvement, and actions needed to ensure accountability, enforcement and corrective actions. Our Northwest/Alaska District Inspector General for Audit is coordinating the national review, which is ongoing.

Our review of MCHA concentrated on its accountability for and use of development funding provided by U.S. Department of Housing and Urban Development (HUD), which was the focus of the Seattle Times article. The purpose of this report is to provide you information on related issues requiring corrective action by MCHA. Our review included interviews of your staff, MCHA staff, and MCHA's Independent Accountant (IA); reviews of your files and MCHA records; and cursory inspections of housing MCHA developed.

We conducted the on-site review from January 7, 1997, through February 21, 1997, and generally covered activities from December 1, 1991 to December 31, 1996.

## BACKGROUND

MCHA was created in 1991 and signed its first Annual Contributions Contract (ACC) with HUD on December 6, 1991. MCHA operates under the Tribal Council of the Mowa Choctaw Indians of Alabama. The Council appoints a Board of Commissioners which oversees operations.

MCHA operates 50 Low-Rent Housing (LRH) units located in Mount Vernon and McIntosh, Alabama, and 20 Mutual Help Program (MHP) units located throughout the Alabama Counties of Mobile and Washington. The units were developed as follows:

| Project | Grant | ACC Date | Activity Funded |
|---|---|---|---|
| 1 | $ 2,687,853 | 12/91 | Land, 30 units of LRH, administrative and maintenance buildings, and a ballfield |
| 2 | 1,523,480 | 1/94 | 20 units of LRH and a community center |
| 3 | 1,515,864 | 5/94 | 20 MHP units |

During construction, MCHA staff ranged up to six employees. When a new Executive Director (ED) was employed in March 1996, he reduced the staff to three, the ED, one assistant and one maintenance person.

In February 1996, HUD determined MCHA to be a "high risk" authority and placed it under a Corrective Action Order. As a result, MCHA developed a Management Improvement Plan in May 1996, and has since received considerable technical assistance from a contracted consultant.

The series of Seattle Times articles on Indian Housing indicated (1) HUD gave MCHA large development grants three consecutive years, totaling $5.6 million, although MCHA had money and management problems from inception; and (2) MCHA covered cost overruns on the first project with money from the second, then covered that shortfall with the third grant.

## SUMMARY

### Accounting and support for development costs

MCHA did not initially establish and maintain an adequate accounting system to properly account for and support costs incurred in developing its three low-income projects. This occurred because MCHA did not hire competent accounting personnel. As a result, MCHA may never be able to provide accurate cost figures for the projects or fully support the costs. Although poor records precluded exact determinations of cost overruns by project, overruns likely occurred and were funded by subsequent grants. However, overall development costs were within HUD guidelines.

Support was inadequate for $1,820,403, almost a third of the development costs. The unsupported costs included force account labor costs of $975,500, miscellaneous development costs of $808,903, and management fees of $36,000 paid to a company that had an identity-of-interest with the MOWA-Choctaw Tribe.

Because of the condition of the books and records, MCHA had not provided HUD Actual Development Cost Certificates (ADCCs) for the projects and had not had an IA audit since 1994. Attempts by two IAs and by ONAP to determine the projects' development costs were unsuccessful.

MCHA had improved its accounting system, but needs to resolve remaining issues that could affect development costs, including the unsupported costs in this report, prepare and submit ADCCs, and obtain an IA audit through March 31, 1997.

<u>MHP administration</u>

MCHA needs to improve the administration of its MHP. MCHA did not document its homebuyer selection process, and therefore cannot show it selected program participants in proper sequence and without favoritism. MCHA also did not ensure that homebuyers met their obligations to contribute land and make other required payments. Eleven homebuyers had not provided deeds to the land or the deeds were clouded. Uncollected homebuyer payments totaled $28,800, an average of over $1,400 per unit, or about ten months charges per unit. At least 10 of the 20 homebuyers had not made any payments, including 5 homebuyers who had not furnished MCHA a deed; 5 of the 10 non-paying homebuyers had lived in their houses for over 20 months. Such practices are unfair to other applicants and cost MCHA in unrealized income. MCHA needs to establish and follow admission and collection policies, and either require homebuyers to meet their obligations or evict them.

Details of these issues are in Attachment 1. We discussed the draft findings with MCHA's ED on March 28, 1997. The ED agreed with the findings and stated his willingness to work with ONAP to resolve the issues. His written comments are in Attachment 2, and are also summarized in Attachment 1 following each finding.

* * * *

Within 60 days, please furnish us, for each recommendation in Attachment 1, a status report on: (1) the corrective actions taken; (2) the proposed corrective actions and the date to be completed; or (3) why actions are considered unnecessary. Also, please furnish us copies of any correspondence or directives issued as a result of this limited review.

We provided a copy of the report to the auditee.

Should you or your staff have any questions, please contact Rudy E. McBee, Assistant District Inspector General for Audit, at (423) 545-4368, or Dennis Durick, Senior Auditor, at (404) 331-3369.

Attachments:

1 - Results of Review
2 - Auditee Comments
3 - Schedule of Unsupported Costs
4 - Distribution

## RESULTS OF REVIEW

### FINDING 1 - ACCOUNTING AND SUPPORT FOR DEVELOPMENT COSTS WAS INADEQUATE

MCHA did not initially establish and maintain an adequate accounting system to properly account for and support costs incurred in developing its three low-income projects. This occurred because MCHA did not hire competent accounting personnel. As a result, MCHA may never be able to provide accurate cost figures for the projects or fully support the costs. Support was inadequate for $1,820,403, almost a third of the development costs.

MCHA is required to maintain records which adequately identify the source and application of funds provided for financially-assisted activities. The records must be supported by source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contract and subcontract award documents (24 Code of Federal Regulations [CFR] 85, Administrative Requirements for Grants to Federally Recognized Indian Tribal Governments, paragraphs 85.20(b)2 and (b)6). For costs to be allowable, they must be necessary, reasonable, allocable to the grant, and not be included as a cost of any other Federally financed program (Office of Management and Budget [OMB] Circular A-87, Cost Principles for State and Local Governments).

### A. DEVELOPMENT COSTS OF $1,820,403 WERE INADEQUATELY SUPPORTED

We reviewed available cost records of all three projects (see part b. for description of records available). We tested payroll costs of $975,500 and other development costs of $3,034,177. Based on our tests, all payroll costs of $975,500 and other development costs of $808,903 were inadequately supported. In addition, $36,000 of management fees charged as development costs were unsupported.

Payroll costs of $975,500

MCHA's payroll for the three calendar years 1993 - 1995 totaled $975,500 and included all force account development labor costs as well as administrative costs. Most of the $975,500 was development costs (as opposed to operating expense). The payroll system consisted of time cards, time sheets, a payroll register and payroll checks. We attempted to trace payroll costs from the payroll register to time sheets, time cards, and payroll checks, for one test payroll period each for 1993, 1994 and 1995. Costs examined totaled $24,077. The payroll periods selected were those most likely to have supporting records. Based on our tests and the condition of the payroll records, we believe MCHA will be unable to fully support any payroll costs.

1993 payroll

MCHA's payroll register for 1993 showed payroll costs of $520,085. We examined the payroll for the week ended July 29, 1993, totaling $10,318. MCHA could not provide time cards or time sheets to support the test period or any other period in 1993. As a result, we considered all 1993 payroll costs inadequately supported.

1994 payroll

Tax records for 1994 showed payroll costs of $355,806. We could find no payroll checks for the first payroll examined. We selected a second test payroll for the week ended April 8, 1994, totaling $11,914 because that period was 1 of only 3 payrolls (of 52) we believed had enough supporting documents to audit. Time cards were stored in a plastic trash bag. Generally, there were time cards, time sheets, and canceled checks for each employee in the test payroll. However, for 10 of 36 employees time cards did not agree with time sheets; the employees received pay for 40 hours when their time card showed less. For example, the time card for one employee paid for 40 hours showed the employee clocked in and out on Monday and Tuesday for a total of 17 hours, and clocked in on Friday with no clock out time. For another employee also paid for 40 hours, the employee's time card showed he clocked in and out for 8 hours on Monday, did not work Tuesday, clocked out Wednesday, clocked in Thursday, and did not work on Friday. Because of the poor overall condition of the records, we consider the entire $355,806 inadequately supported.

1995 payroll

Tax records for 1995 showed payroll costs of $99,608. Construction on Projects 1 and 2 had been completed and there were no large force account payrolls in 1995. The payroll costs consisted primarily of salaries for administrative staff. MCHA could provide few 1995 payroll records. They provided all payroll records for three January pay periods and one pay period in June, and time cards and time sheets for pay periods from January through August 16, 1995. We reviewed the pay period for the week of January 13, 1995, totaling $1,845 and traced costs from the payroll register to supporting documentation. However, because of the general lack of records, we consider all 1995 payroll costs inadequately supported.

Other costs of $808,903

We limited examination of other project costs to payments exceeding $10,000. We examined and traced costs to canceled checks and supporting documentation. Because of the condition of MCHA's records (see part b.), we had to use lists of cash disbursements prepared by MCHA's fee accountant for much of our work rather than MCHA cost ledgers. We examined Project 1 and 2 costs of $1,966,884 and Project 3 costs of $1,067,293, or approximately 64 percent of total development costs exclusive of labor costs.

MCHA could not provide invoices to support $808,903, or 27 percent, of costs examined, as follows:

| Project | Disbursements Examined | Unsupported | No. Invoices Missing |
|---|---|---|---|
| 1, 2 | $ 1,966,884 | $ 258,368 | 16 |
| 3 | 1,067,293 | 550,535 | 18 |
| Total | | $ 808,903 | |

The number of invoices missing was relatively small; most represented large payments to local vendors and contractors. MCHA should be able to obtain copies of the invoices. We provided MCHA with a schedule identifying the $808,903 in unsupported costs.

Management fees of $36,000

In testing development costs, we noted payments totaling $36,000 to Mowa Choctaw Enterprises (MCE), which had an identity-of-interest with the MOWA-Choctaw tribe. The payments occurred from late 1992 until late 1993, and were described as "management fee" on canceled checks. MCHA could not support what management services MCE provided. There was no contract with the company and no invoices supporting the payments. According to MCHA's Board Chairman, MCE provided a housing needs assessment by driving around two counties. However, MCHA could not provide documentation of the assessment.

24 CFR 950.160(a) provides that Indian Housing Authorities (IHAs) must maintain records demonstrating that a procurement solicitation and award was conducted in compliance with tribal laws and Federal requirements, that the award was not made on the basis of a single bid, and that the IHA reviewed the contractor's qualifications and determined the contractor has the capacity to successfully complete the work, considering his/her past performance, integrity, financial and technical resources, etc. All procurements must be conducted in a manner providing full and open competition.

There was no documentation showing MCE had the technical, administrative or financial capability to perform management services, no documentation showing MCHA attempted to determine MCE's competence, and no documentation of competition. Additionally, MCE was not a licensed contractor in Alabama.

## B. ACCURATE COST FIGURES MAY BE UNDETERMINABLE BECAUSE OF CONDITION OF RECORDS

MCHA did not have a general ledger, cash disbursement ledger, or cost ledgers to account for project development costs. The only records available for some, but not all, costs were canceled checks, invoices, and payroll records. Without ledgers, we were unable to trace costs to individual projects. Although MCHA had some payroll registers, it did not store supporting records in any order. Payroll records were important because MCHA used force account to construct the first two projects, and payroll costs accounted for 20 percent of their development costs.

MCHA's fee accountant, who also performed audits of MCHA in 1993 and 1994, scheduled cash disbursements and accumulated costs by project for most, but not all, of the development period. For the most part, his schedules accurately allocated non-payroll costs; however, he stopped charging costs to Project 1 in January 1994 and began charging all costs to Project 2, even though some costs were applicable to Project 1.

Last audit-certified costs were in 1993

MCHA's fee accountant prepared audits for the years ended September 30, 1993, and September 30, 1994, although he expressed no opinion on the 1994 data. Another IA was contracted to perform an audit from inception through March 31, 1996, but did not complete the audit. The IA stated MCHA could not provide complete cash receipt and disbursement records, bank statements, general ledgers, financial statements, and supporting documentation. MCHA is required to obtain audits by an IA annually in accordance with the Single Audit Act of 1984 (24 CFR 85.26(a)). It is also required to submit to HUD ADCCs within 24 months of the date the projects were fully available for occupancy (DOFA), and audit verification of the ADCCs within 36 months of DOFA (24 CFR 950.285). DOFA occurred on December 31, 1993, October 30, 1994, and July 1, 1996, for Projects 1, 2 and 3, respectively.

1993 audit

The 1993 audit included development costs for Project 1 only; Projects 2 and 3 had not begun. The IA rendered an unqualified opinion on the costs, but reported serious weaknesses in internal and accounting controls, and that MCHA employees did not have the qualifications or training to perform their assigned duties. MCHA's accountant resigned in December 1993 and MCHA replaced the accountant in early 1994. However, MCHA chose to hire a tribal member who had no accounting experience rather than a qualified accountant. According to the audit report, development costs for Project 1 at September 30, 1993, were $2,635,488.

1994 audit

In early 1994, MCHA began Project 2, using force account labor, and continued construction of Project 1. Without an experienced accountant, the condition of the records worsened. The IA reported development costs for Projects 1 and 2 as $2,687,853 and $1,229,833, respectively, but expressed no opinion on the accuracy of the financial statements, including development costs, because MCHA did not maintain detailed accounting records and supporting data. He reported as control weaknesses the absence of documentation for large expenditures, control techniques in payroll processing, and personnel in the accounting department.

ONAP tried to determine costs

In March 1995, ONAP tried to determine the costs of Projects 1 and 2. An ONAP representative, MCHA's fee accountant and MCHA staff worked for two weeks reviewing disbursements and supporting documentation. Construction on Project 3 had begun, so the review also included costs for Project 3.

The ONAP reviewer determined that because of poor records, force account labor costs could not be separated between Projects 1 and 2, therefore, he combined the costs of both projects for reporting purposes. The reviewer concluded in a memorandum dated May 29, 1995, that combined costs for Projects 1 and 2 at September 30, 1994, were $4,203,705, which exceeded then approved development costs by $379,989, and costs for Project 3 were $932,712. The review team based its figures primarily on fee accountant records and schedules. The reviewer recommended (1) that final development budgets for Projects 1 and 2 be revised to reflect "an appropriate allocation of costs" for Projects 1 and 2, that amendment funds for Project 2 already approved by HUD be used to fund $240,000 of the overrun, and that the balance of $139,989 be transferred to Project 3. In July 1996, ONAP increased Project 1's grant by $147,616, presumedly to fund the remaining overrun from Project 1 rather than Project 3 as recommended by the ONAP reviewer.

OIG review results

We agree with the review team that costs can not be accurately segregated between Projects 1 and 2 because of poor labor cost records. The team's combined costs of $4,203,705 for Project 1 and 2 had not changed since September 30, 1994; costs for Project 3 increased from $932,712 to $1,515,864, which, according to MCHA, is the total development cost for Project 3. Some bills remain to be paid from development funds not yet drawn down.

Our review indicated that, aside from possible misallocations of labor costs, Project 1 costs may be approximately $165,000 more than budgeted, offset by a budget underrun in Project 2. However, since costs by project can not be accurately determined because of labor cost records, we recommend no action. MCHA was not supposed to use development funds of one project to cover costs of another project (24 CFR 950.229(b)).

Development costs are within HUD guidelines

Although the condition of MCHA's records for Projects 1 and 2 may preclude obtaining an IA opinion on ADCCs, we believe costs tested, except for the management fees, are reasonable. MCHA built the number of units called for under its ACCs, the units are of good quality, and costs are within HUD's maximum development costs. HUD considers costs reasonable if they do not exceed the Maximum Allowable Total Development Cost (MATDC) for the Indian Housing Program. The costs are within these maximums as shown below:

| Project | MATDC | Costs[1] |
|---|---|---|
| 1 | $ 3,018,309 | $ 2,687,853 |
| 2 | 2,067,261 | 1,523,480 |
| 3 | 2,067,261 | 1,515,864 |

Because of these factors and the lack of a feasible alternative, we will recommend that ONAP accept MCHA's poorly documented labor costs, provided MCHA will attest to their allowability.

MCHA needs to:

- Pay all remaining development costs,
- Resolve the issues in this report that could affect development costs,
- Prepare and submit ADCCs to HUD, and
- Obtain an IA audit through March 31, 1997, that includes the ADCCs.

Condition of records had improved

MCHA had improved its staffing and record keeping. MCHA hired a new ED in March 1996, who, with the help of the fee accountant, set up new books and records. The computerized system includes a general ledger, cash receipts and disbursements ledgers, and cost ledgers that accumulate costs by project. The system provides for documentation of costs. The ED was maintaining the system, but planned to hire an accountant. We reviewed the system and determined it to be adequate.

**AUDITEE COMMENTS**

The ED stated that MCHA had already implemented some corrective actions, and will work with ONAP to resolve the issues cited.

[1] Figures for Projects 1 and 2 are estimates based on ACC grant amounts and combined costs of both projects. Based on available records and information, we do not believe actual costs would exceed the MATDC for either project.

**RECOMMENDATIONS**

We recommend that you require MCHA to:

1A. Provide a certification that payroll costs of $975,500, mostly charged as development costs of Projects 1 and 2, were incurred in conjunction with developing the two projects, were necessary, are reasonable in amount, were not included as a cost of any other Federally financed program, and are reasonably allocated between the two projects.

1B. Obtain copies of invoices to support other costs of $808,903. You should review the invoices and determine their eligibility.

1C. Seek recovery from MCE of the $36,000 paid for management services, if MCHA cannot provide acceptable support for the payments.

1D. Prepare and submit to you ADCCs for all three projects.

1E. Contract with an IA to perform an audit as soon as possible for the period October 1994 through March 1997, including the above ADCCs. If the IA does not render an opinion on the ADCCs, you should determine actual development costs and proceed with fiscal close-out as provided at 24 CFR 950.285.

## FINDING 2 - MCHA NEEDS TO BETTER ADMINISTER ITS MUTUAL HELP PROGRAM

MCHA needs to improve the administration of its MHP. MCHA did not: document its homebuyer selection process; ensure that homebuyers met contribution requirements; adequately collect homebuyer payments; and initiate appropriate eviction procedures. As a result, MCHA cannot show it selected program participants properly and without favoritism, MCHA did not have clear title to several properties, homebuyers were benefitting from the MHP without meeting their obligations, which is unfair to other applicants, and significant income was unavailable to MCHA for operations.

### Objectivity of homebuyer selection process was questionable

MCHA had not established a selection process for, and could not demonstrate how it selected, the homebuyers. 24 CFR 950.301(a) requires an IHA to establish and adopt written policies for admission of homebuyers, designed, among other things, to establish objective and reasonable policies for selection among eligible applicants. 24 CFR 950.416(a,b) requires that the policies should provide standards for determining a homebuyer's ability to maintain the unit and pay required charges, and for determining a successor to the unit if that becomes necessary. MCHA staff stated that prior staff informally selected the first 20 qualified applicants, but did not document the process.

The 20 homebuyer files indicated that 17 applied on October 21, 1992, 2 applied on October 22, 1992, and 1 (a sister of the former ED) applied on October 27, 1992. However, MCHA received 12 other applications before October 27, 1992, indicating the sister may have received preferential treatment. The former ED also awarded a house to his mother-in-law and six houses to first cousins. Although HUD does not prohibit awarding homes to relatives, MCHA's failure to document its selection process raises questions about the objectivity and fairness of the process.

### Homebuyers had not met contribution requirements

For over half of its MHP homes, MCHA had not obtained clear title to contributed land prior to accepting homebuyers into the MHP. As of January 16, 1997, five houses were occupied by persons who had not provided property deeds and six houses were occupied by persons whose deeds were clouded. As a result, homebuyers had not fully met their contribution requirement, and MCHA may have accepted unqualified applicants when other qualified persons were available. MCHA also incurred additional costs due to problems with the deeds.

24 CFR 950.419(a)(2) states that land contributed by the homebuyer to satisfy the MHP contribution must be owned in fee simple or must be assigned or allotted to the homebuyer for his or her use before application for a MHP unit. Sites must be either conveyed to the IHA in fee or leased to the IHA for not less than 50 years (24 CFR 950.240).

The new ED had made significant progress in verifying whether MCHA had deeds to the properties and if the deeds were clear. Three of the five missing deeds involved relatives of the former ED. The six clouded deeds involved judgements against the homebuyer or predecessor in title.

MCHA's failure to assure the deeds were clear resulted in unnecessary expenditures. For example, one homebuyer could not get clear title to the original location and a different site had to be selected. This resulted in additional material and labor costs for site, foundation, and utility work at the replacement property.

Collection procedures were inadequate

MCHA was not adequately collecting homebuyer payments, in part because it had no written collection and eviction policies. At December 31, 1996, uncollected homebuyer payments approximated $28,800, an average of over $1,400 per unit, or about ten months charges per unit. At least 10 of the 20 homebuyers had made no payments, including the 5 homebuyers who had not furnished MCHA a deed; 5 of the 10 non-paying homebuyers had lived in their houses 20 months or more. The $28,800 included $16,400 of administrative fees charged by MCHA for administering the program. The fee of $80 per month is part of the homebuyer's monthly payment. Failure to collect the fees represents a loss of much-needed income to MCHA.

24 CFR 950.427(d) provides that each IHA shall establish and adopt written policies to obtain prompt payment and collection of required homebuyer payments.

MCHA staff prior to the current ED did little to collect homebuyer payments. (No payments had been made prior to his arrival.) Only one letter had been sent to homebuyers (in April 1995) discussing current and past due payments. The letter notified homebuyers that collections would begin on May 1, 1995, for those moving in prior to that date and that homebuyers had one year to make back payments for months prior to May 1, 1995. MCHA did not follow through with the collection effort.

The new ED got some homebuyers to begin making payments; however, some were uncooperative. He said if nonpayment continues, the Board authorized him on January 13, 1997, to begin eviction proceedings. He said one problem with collections is that homebuyers had to buy their own appliances rather than MCHA providing them as planned. He said homebuyers felt MCHA owes them about $650 per unit for the appliances. He also said some homebuyers had construction complaints that need to be resolved.

The ED stated he was awaiting legal advice and direction before starting eviction proceedings. He said there may be a problem evicting a homebuyer who has never furnished a property deed to MCHA.

* * * *

We believe deficiencies regarding MCHA's selection process, occupancy requirements and collection actions occurred because prior MCHA employees lacked the qualifications and training to perform these functions, and MCHA lacked guiding policies. MCHA was a new housing authority and none of the employees had prior housing management experience.

**AUDITEE COMMENTS**

The ED stated that MCHA had already implemented some corrective actions, and will work with ONAP to resolve the issues cited.

**RECOMMENDATIONS**

We recommend that you require MCHA to:

2A. Establish a written admissions and occupancy policy for the MHP that meets HUD requirements, including procedures for determining successor homeowners if it becomes necessary to evict or remove a homeowner from the MHP.

2B. Obtain clear title to the remaining 11 MHP properties. If problems with the deeds cannot be resolved, MCHA should remove the persons from the program and seek successors in accordance with its admissions policy.

2C. Establish written payment collection and eviction procedures.

2D. Execute written work-out agreements with homebuyers to collect delinquent payments. If such agreements are not made or adhered to, MCHA should initiate eviction actions and seek successors to the units, as provided in its admission policy.

AUDITEE COMMENTS

**MOWA CHOCTAW HOUSING** AUTHORITY
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MT. VERNON, ALABAMA 36560
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CRAIG THOMAS TAYLOR
Executive Director

VERMA REED
Chairman

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April 04, 1997

Mr. Dennis Durick
U.S. Department of Housing and Urban Development
Audit-Southeastern/Caribbean-4AGA
75 Spring Street, SW, Room 700
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Mr. Durick:

This brief letter is written to provide your office with the Mowa Choctaw Indian Housing Authority's comments on the findings and recommendations as presented in your audit report. As Executive Director of the IHA, I, generally, feel that the findings contained within the report portray an accurate disclosure of fact. Therefore, we accept and agree with the report in its entirety.

The MCIHA also appreciates the recommendations contained within the report. We feel that they are both realistic and workable. They will, without a doubt, insure that we make improvements in program compliance.

The efforts put forth by Mr. Maxie Walls and Mr. Charlie Pagano of your staff are, indeed, worthy of special recognition. The level of expertise and professionalism demonstrated by these individuals certainly made us feel at easy. I ask that you extend a very special thanks to these gentlemen on behalf of the entire IHA staff and board of commissioners.

In regards to the findings, our IHA has implemented corrective action plans. The record keeping and accounting functions have undergone dramatic changes to insure that standards are met or exceeded. The board of commissioners has

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VERMA REED
Chairman



authorized very stern measures to insure that Mutual Help Program Participants meet their obligations and adhere to program requirements.

Our IHA has vowed to work in cooperation with the local ONAP to resolve the cited issues. Again, the recommendations presented give excellent direction in accomplishing this task.

In the future, if we can assist your office in any way, please don't hesitate to ask.

On behalf of the tribe, staff, and board of commissioners, thank you.

Craig T. Taylor
Executive Director, MCIHA

CTT/

## SCHEDULE OF UNSUPPORTED COSTS

| Finding/Recommendation | Unsupported Costs [2] |
|---|---|
| 1A | $ 975,500 |
| 1B | 808,903 |
| 1C | 36,000 |

[2] Unsupported amounts do not obviously violate law, contract, or HUD or local agency policies or regulations, but warrant being contested for various reasons such as lack of satisfactory documentation and HUD approval.

Attachment 4

DISTRIBUTION

Secretary's Representative, 4AS
Secretary's Representative, 5AS
Director, Office of Public Housing, 4APH
Director, Administrative Service Center, 5AAR
Audit Liaison Officer, 3AFI
Director, Accounting Division, 4AFF
District IG for Audit, Northwest/Alaska, 0AGA
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Chief Financial Officer, F (Room 10164)
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Director, Housing and Community Development, Issue Area, U.S. GAO, 441 G Street, NW, Room 247 4
Washington, DC 20548 ATTN: Judy England-Joseph
Associate General Counsel, Office of Assisted Housing and Community Development, CD (Room 8162)
Counsel to the Inspector General, GC (Room 8260)
Comptroller, Office of Public and Indian Housing, PF (Room 5156)
Deputy Assistant Secretary, Native American Programs, PI (Room 8204 L'Enfant Plaza)
Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs, United States Senate, Washington, DC 20510-6250
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States Senate, Washington, DC 20510-6250
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United States, House of Representatives, Washington, DC 20515-4305
Charlie English, Jr., FBI, PO Box 2128, Mobile, AL 36652
Executive Director, Mowa Choctaw Housing Authority, Route 1, Box 1080-A, Mt. Vernon, AL 36560