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December 20, 1996
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97-DE-241-1002

TO: Vernon Haragara, Administrator, Northern Plains Office of Native American Programs, 8API

FROM: W.D. Anderson, District Inspector General for Audit, 8AGA

SUBJECT: Turtle Mountain Band of Chippewa Indians
Indian Community Development Block Grant Program
Belcourt, North Dakota

We have completed a limited Operation Safe Home fraud review of Indian Community Development Block Grants received by the Turtle Mountain Band of Chippewa Indians. This review was conducted as part of a national proactive initiative. Our objectives were to detect possible fraud or program abuse.

While we did not identify possible fraud or program abuse, we noticed that the tribe is prematurely drawing down Community Development Block Grant funds.

Within 60 days, please furnish this office, for the recommendation cited in the report, a status report on: (a) the corrective action taken; (b) the proposed corrective action and the date to be completed; or (c) why action is not considered necessary. Also please furnish us copies of any correspondence or directives issued because of the audit.

We appreciate the courtesies and assistance extended by the Northern Plains Office of Native American Programs and the Turtle Mountain Band of Chippewa Indians. Should you have any questions, please contact Ernest Kite, Assistant District Inspector General for Audit, at (303)672-5452.

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Executive Summary

We have completed a limited review of Community Development Block Grants at the Turtle Mountain Band of Chippewa Indians. The review was conducted as part of Operation Safe Home. The purpose of our review was to detect possible fraud or program abuse. Our review basically covered the period from October 1, 1992 to September 30, 1996.

During our review we found no evidence of fraud or program abuse. However, we found that the procedures used by the tribe to pay obligations and draw down Community Development Block Grant funds do not comply with federal regulations. Excess monies being drawn down from the U. S. Treasury were not being disbursed timely.

No evidence of fraud

We reviewed several Indian Community Development Block Grants received by the Tribe. Our review focused primarily on the HUD funded housing rehabilitation activities which included site inspection of selected housing sites. Based upon our review, we did not identify any evidence of fraud or program abuse.

Excess funds are being drawn down

Our review did disclose the Tribe is drawing down excess Community Development Block Grant funds. The tribe's procedure for paying grant obligations and drawing down of funds is inconsistent with federal regulations. Basically, the Tribe is drawing down HUD funds once a month without regard as to when the funds are needed.

We recommend

We are recommending the Turtle Mountain Band of Chippewa Indians modify their financial management procedures to ensure the requisitioned funds are used within three days of the draw down as required by federal regulations. Tribal officials indicated that this could be easily done.

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Introduction

The Turtle Mountain Indian Reservation is located in North Dakota near the Canadian border. Privately owned housing is located on the six mile by twelve mile reservation and tribal/trust land near the reservation. The city of Belcourt is located on the reservation and is the site of the tribal headquarters.

The primary objective of the Indian Community Development Block Grant program is the development of viable Native American Communities, including decent housing, a suitable living environment, and economic opportunities, principally for persons of low and moderate income. We reviewed the following Community Development Block Grants awarded to the Turtle Mountain Band of Chippewa Indians:

Grant Number	Amount of Grant	Type of Grant	Use of Grant
B-95-SR-38-0005	\$302,500	Imminent Threat	Asbestos removal
B-95-SR-38-0001	\$400,000	Housing Rehabilitation	Rehabilitate 24 homes
B-94-SR-38-0010	\$300,000	Housing Rehabilitation	Rehabilitate 24 homes
B-93-SR-38-0010	\$380,000	Economic Development	UNIBAND- Data Entry Facility
	\$300,000	Housing Rehabilitation	Rehabilitate 25 homes

Objectives

This limited review was conducted as part of a national Community Development Block Grant proactive initiative. The purpose was to detect possible fraud or program abuse.

Scope and Methodology

To accomplish our objective we:

- Reviewed the individual Community Development Block Grant project and finance files for any discrepancies.
- Judgmentally sampled projects for a site inspection based on questionable supporting documentation.

Review Period

Our review period generally covered activities from October 1, 1992 through September 30, 1996. Because of its specific and limited scope, our review was not conducted in full

compliance with generally accepted government auditing standards.

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Excess Draw Down of Grant Funds

The tribe is drawing down more Community Development Block Grant funds than needed to meet actual immediate cash needs contrary to federal regulations. The tribe's procedure is to requisition HUD funds once each month in anticipation of their future cash needs. Accordingly, HUD funds are not disbursed within the three day requirement. Tribal officials are aware of the Federal requirements and indicate that compliance would be initiated.

Funds should be used within three days

Part 85.21, Title 24 of the Code of Federal Regulations, requires that procedures for payment shall minimize the time elapsing between transfer funds and the disbursement by the grantee in accordance with Code of Federal Regulations Title 31, part 205. Title 31 explains that the tribe should not request funds more than three days prior to disbursement and that these funds should be limited to the minimum required to meet actual, immediate cash needs.

Excess draw down of funds

The tribe has not been conforming to the federal draw down requirements for its HUD Community Development Block Grant programs. As a result, the tribe has excess monies on hand for periods of time, far in excess of the three day disbursement requirement.

The tribe normally draws down HUD federal funds once a month in anticipation of what their cash needs might be for the upcoming month. The monthly amount drawn down has ranged from a low of \$3,000 to a high of \$296,000. Under this process, the tribe does not time its funding requests to the payment of obligations but allows a ready reserve of monies on hand that is available for future needs. As a result, the tribe has excess unneeded monies on hand.

A comparison of the expenditure supporting documentation and the amount drawn down revealed excess funds on hand of \$7,424.00 at the end of the fiscal year for the 1994 grant and \$9,222.17 excess funds at the end of the fiscal year for the 1995 grant. These 1994 and 1995 funds were found to be

Deficient tribal draw down procedures

remaining in the bank account with no existing or known immediate use for these funds.

Under the tribe's procedures, all federal and state funding is placed into a combined interest bearing checking account. The tribe's financial management system maintains separate sub-accounts for each grant. As obligations come due on various grants, they are paid from this combined account.

After the end of each month, a report is generated which gives the balance in each sub-account. Based on this information a draw down is processed to cover any over-expended amount plus an additional amount to cover the next month's estimated obligations.

HUD funds are placed in interest bearing accounts

While the HUD funds are placed in an interest bearing account, the tribe does not calculate the amount of interest earned by each sub-account and does not credit any interest earned to the Community Development Block Grant sub-account.

Many of the other sub-accounts in the bank account are under the same three day requirement. Other sub-accounts are not under this requirement and are awarded in advance and are allowed interest to be gained on the account.

Tribal officials acknowledge federal requirements can be met

The accounting supervisor was aware of the three day requirement but had not incorporated the requirement into the payment process. The supervisor felt that it would not be a problem to adhere to the three day requirement.

Auditee Comments

The results of the review were discussed with Turtle Mountain Band of Chippewa Indian officials during the course of our review and at an exit conference held on November 25, 1996. The tribe provided a response which concurs with our finding and shows that positive actions are planned. The tribe's entire response is located in Appendix A.

Recommendations

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

- 1A. Require the Turtle Mountain Band of Chippewa Indians to modify their financial management procedures to ensure drawn down of grant funds are limited to the minimum required to meet actual, immediate cash needs.
- 1B. Complete a review of the Turtle Mountain Band of Chippewa Indians financial management procedures after the tribe has completed their modifications to ensure draw downs comply with federal regulations.
- 1C. Ascertain whether the 1994 and 1995 Community Development Block Grant programs are complete and recover any unused grant funds.

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Internal Controls

In planning and performing our review, we considered the internal controls of the tribe to determine review procedures and not to provide assurance on internal controls.

Internal controls are management's adopted plan, methods and procedures to assure resources are used consistent with the laws, regulations, and policies; that resources are safeguarded against waste, loss or misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

We reviewed the internal controls procedures in place at the finance office and the program administrators office. We found non-compliance with regulations as described in the finding.

Internal Controls Assessed

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

- Controls to ensure reliable financial management including payment of obligations and draw down of grant funds.
- Controls to ensure proper receipt of goods and services.

Assessment Procedures

The following procedures were used to evaluate internal controls:

- Interviews with the accounting supervisor and the housing renovation administrator.
- Review of the Community Development Block Grant finance and project files.

Assessment Results

Our review identified that management did not have adequate controls to prevent the excess draw down of Community Development Block Grant program funds.

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Distribution

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