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June 26, 1998

**98-FW-202-1812**

**MEMORANDUM FOR:** Wayne Sims, Administrator  
Office of Southern Plains  
Native American Programs, 6IPI

**FROM:** D. Michael Beard,  
District Inspector General for Audit, 6AGA

**SUBJECT:** Citizen Complaints  
Comprehensive Grant Program  
Housing Authority of the Sac and Fox Nation  
Shawnee, Oklahoma

In response to tribal members' complaints, we have reviewed allegations against officials of the Housing Authority of the Sac and Fox Nation (the Authority). Our objective was to find out whether the members have valid complaints and decide whether the complaints justify an in-depth audit of the Authority's Comprehensive Grant and Mutual Help housing programs. Members alleged:

1. Authority officials wrongly used Comprehensive Grant funds to rehabilitate a mutual help house after the homeowner had paid off the house. Also the homeowner was not an Indian and the family was not a low or moderate income family.
2. Officials changed a bid amount so the complainant's company would not get the contract.
3. Officials paid an excessive amount to rehabilitate a mutual help house in Tryon, Oklahoma.
4. Officials violated requirements against conflicts of interest by awarding electrical contracts to the father of the Authority's construction manager.
5. Officials awarded work to contractors who did not have a bond.
6. Officials use intimidation to control program participants.
7. Officials ignore the waiting list when assigning families to new houses.

The review focused on activities of the Authority related to the complaints. To achieve the objective, we talked to complainants and officials of the Authority and HUD's Southern Plains Office of Native American Programs. We reviewed construction and participants' records and files of the Authority and documents provided by complainants. We reviewed applicable criteria

and the most recent independent auditor report. We also viewed the work on a mutual help house in Tryon, Oklahoma.

If you have questions, please call Jerry R. Thompson, Assistant District Inspector General for Audit.

## **SUMMARY**

Six of the seven allegations are not valid. One is valid, but the matter does not violate HUD requirements. The Sac and Fox Housing Authority did not require contractors to be bonded for housing modernization work under the Comprehensive Grant Program. HUD requires contractors to be bonded when the contract amount is \$100,000 or more. However, no housing modernization contract reached \$100,000. We concluded the complaints do not justify an in-depth audit of the Authority's programs.

## **BACKGROUND**

The Sac & Fox Nation of Oklahoma created the Authority under the provisions of the laws of the State of Oklahoma. Until March 1998, the Authority administered Public Housing Programs authorized under the United States Housing Act of 1937. Since March 1998, the Native American Housing Assistance and Self-Determination Act of 1996 has authorized the Authority's administration of Public Housing Programs. The new regulations separate Indian Housing Programs from the 1937 Housing Act.

The Authority administers the Mutual Help Homeownership Opportunity Program. Each low-income family enrolled in the program, and occupying a house under the program, has signed a lease with an option to purchase the house. During the period of occupancy, the Authority amortizes the purchase price in accordance with a purchase price schedule. The Authority can convey title to the homebuyer when the homebuyer has accumulated enough funds in an equity account to cover the balance of the purchase price. The Authority can complete modernization work on houses that it subsequently conveys before completion of the work if the Authority included those houses in its 5-year Comprehensive Grant Plan.

HUD awards grants to the Authority for funding modernization work on Mutual Help houses under the Comprehensive Grant Program. During the fiscal year ended June 30, 1996, the period for which the Authority had its most recent single audit completed, the Authority received \$529,806 and expended \$589,255 in Comprehensive Grant Program funds.

## RESULTS OF REVIEW

*Allegation 1:* Authority officials violated Comprehensive Grant Program requirements when they used grant funds to remodel a Mutual Help house that the homeowner had paid off. Also, the homeowner was not an Indian and was not a low or moderate income family.

CONCLUSION: The allegation is not valid.

HUD's *Comprehensive Grant Program Guidebook*, 7485.3 G, allows housing authorities to complete modernization work if officials approved the work before they conveyed title to the homeowner. Officials included all Mutual Help project 90-8 houses in the Authority's 5 year plan. The plan included the house. HUD approved funding for the work in 1996. Officials did not convey title to the homeowner until February 18, 1997. Therefore, officials had not violated HUD requirements when they used program funds to remodel the house. Also, the homeowner was Indian and met the income requirements of the program.

*Allegation 2:* Authority officials violated procurement policy when they changed a bid amount so that the company of a complainant would not get a contract.

CONCLUSION: The allegation is not valid.

Authority officials had not changed the bid amount. Officials awarded the contract to the second lowest bidder. The lowest bidder, the complainant's company, did not get the award because it did not submit proof of workers' compensation insurance to the Authority when requested. HUD's Guidebook 7485.3 G requires contractors to have the insurance.

*Allegation 3:* Authority officials paid \$22,500 for at most \$10,000 of remodeling work on a Mutual Help house in Tryon, Oklahoma.

CONCLUSION: The allegation is not valid.

We reviewed the modernization work done on the house identified by the complainant. The Authority paid a comparable price for similar work done on another house by the complainant's company. Also, HUD staff in Oklahoma City inspected the completed work on the house and found no problems.

*Allegation 4:* Authority officials awarded electrical contracts to the father of the Authority's construction manager, which violates the Authority's conflict-of-interest policy.

CONCLUSION: The allegation is not valid.

We found no evidence of a conflict-of-interest violation. The Authority's Construction Manager says he is not related to the contractor. The Construction Manager says, except for his wife and 19 year-old son, he has no relatives in the area. We could not prove otherwise.

*Allegation 5:* Authority officials awarded work to contractors who did not have a bond.

**CONCLUSION:** The allegation is valid, but the contracts did not reach amounts for which HUD requires contractor bonds.

The Authority officials awarded work to contractors who did not have a bond. However, based on Title 24, Part 950, Code of Federal Regulations, Section 950.618, and HUD Guidebook 7485.3, Section 10-8, HUD requires housing authorities to use bonded contractors for Comprehensive Grant construction contracts over \$100,000. The Authority did not award contracts that came close to the amount that would require bonding.

*Allegation 6:* Authority officials use intimidation to control program participants. Participants understand that, if they complain, officials will raise the complainer's rent, evict the trouble makers from their home, or raise the complainer's house price.

**CONCLUSION:** The allegation is not valid.

Since the complainant would not provide names of persons who had unfair rent increases, we reviewed a sample of rent increases. During Fiscal Year 1997, the Authority had 62 Mutual Help rent increases. We reviewed the files of 15 participants. The files showed that authority officials increased rents fairly, based on participant income increases as verified by housing authority staff.

We reviewed the file of one family that authority officials reportedly evicted without cause. The tenant file showed officials had not evicted the family. The family voluntarily canceled the agreements and lease with approval of the authority.

We reviewed the files of two families who alleged that officials unfairly raised their house price. The tenant files showed that officials had not raised the house prices of those families.

*Allegation 7:* Authority officials ignore the waiting list when assigning families to new houses.

**CONCLUSION:** The allegation is not valid.

The files of two persons who had complained showed authority officials had not ignored the waiting list. Officials removed one person from the list because she did not update her application. If she had stayed on the list she would be seventh in line as of May 7, 1998. Officials assigned a new house to the other person, but because she had a category 2 preference rating, she likely had to wait a while to get the house. A category 2 preference means an applicant is an enrolled tribal member but is not a veteran, handicapped, or elderly, as required for a category 1 preference. Applicants with category 1 preferences are placed ahead of those with category 2 preferences on the waiting list.

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