



Issue Date	January 29, 1999
Audit Case Number	99-BO-207-1001

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

FROM: Stephen D. King, Acting District Inspector General, Office of Audit, 1AGA

SUBJECT: Narragansett Indian Wetuomuck Housing Authority
Housing Development Grant
Charlestown, Rhode Island

Per your request, we performed an audit of the Narragansett Indian Wetuomuck Housing Authority's (Authority) administration of its Housing Development Grant for the production of 50 low rent housing units. The objective of our audit was to determine the disposition of development funds; whether the Authority had proper accountability over the HUD development funds; and whether the Authority operated in accordance with the terms and conditions of its Annual Contribution Contract, HUD regulations, and other directives.

This report contains one finding concerning the expenditure of \$3.2 million without producing any habitable low rent housing units because the Authority lacked the administrative capability to carry out its development program. HUD needs to decide whether to work with the Narragansett Indian Wetuomuck Housing Committee, who replaced the Authority in 1998 as the entity responsible for carrying out the housing program, to develop a viable plan to complete the uninhabitable units or whether to terminate the grant.

Within 60 days please furnish for each recommendation, a status report on: (1) the corrective action taken; (2) the proposed corrective action with the date to be completed or, (3) why action is not necessary. Also, please furnish any copies of any correspondence or directives issued related to the audit.

We provided the Narragansett Indian Wetuomuck Housing Committee a copy of the report. If you have any questions, please call our office at (617) 565-5259.

Executive Summary

We performed an audit of the Narragansett Indian Wetuomuck Housing Authority's (Authority) administration of its Housing Development Grant. The audit objective was to determine the disposition of development funds; whether proper accountability over the development funds existed; and whether the grant was operated in accordance with the terms and conditions of its Annual Contributions Contract and HUD regulations.

Disposition of Housing Development Grant

At April 30, 1998, \$3,168,576 of the \$4,144,999 Housing Development Grant (Appendix A) had been spent. There were 21 payees who each received over \$10,000 (Appendix B).

No Habitable Units Developed

The Authority lacked the administrative capability to run a development program. The Authority spent \$3.2 million without developing any low rent housing units ready for occupancy.

Ten years after HUD agreed to provide development funding, the Authority still does not have the necessary control over the site needed to proceed with development. The Authority does not have the property in Trust with the federal government or a Cooperation Agreement with the Town of Charlestown, Rhode Island (Town), because of concerns raised by the State of Rhode Island and the Town. Without at least one of these basic agreements the Authority cannot complete the development grant.

Authority Lacked Administrative Capability

Due to inadequate management controls and the Authority's lack of administrative capability to run this development program, there is no assurance project funds were accounted for properly. We found the following serious weaknesses:

- Procurement process could not be fully documented for any contract.
- Inadequate documentation to support \$899,772 of the development costs (Appendix B).
- Significant budget overruns occurred without HUD approval.

Recommendations

We are recommending that you decide whether to provide assistance to develop a viable plan to complete the project or whether to terminate the grant and recapture non-obligated funds. We are also recommending that you evaluate all parties responsible for the failure of the project and take administrative sanctions against the parties responsible.

We discussed the finding with auditee officials during the course of our audit and at an exit conference on December 18, 1998. On December 2, 1998, we provided the auditee a draft copy of our report. The auditee generally concurred with the audit recommendations. We received the auditee's response on January 22, 1999. We have included pertinent comments in the Finding and Recommendations Section of the report. The full response (excluding four Exhibits) is included as Appendix C.

Table of Contents

Management Memorandum i

Executive Summary iii

Introduction 1

Finding

1 Expenditures of \$3.2 Million Produces No Livable
Housing Units 5

Management Controls 15

Appendices

A Schedule of Budgeted and Actual Costs as of
April 30, 1998
17

B Schedule of Payees Over \$10,000 as of April 30, 1998 19

C Auditee Comments
21

D Distribution
39

Abbreviations:

ACC	Annual Contributions Contract
A&E	Architectural and Engineering
Authority	Narragansett Indian Wetuomuck Housing Authority
BIA	Bureau of Indian Affairs
CFR	Code of Federal Regulations
Committee	Narragansett Indian Wetuomuck Housing Committee
CPA	Certified Public Accountant
EWONAP	Eastern/Woodlands Office of Native American Programs
HUD	Department of Housing and Urban Development
IHA	Indian Housing Authority
IHP	Indian Housing Plan
NIT	Narragansett Indian Tribe
RI	Rhode Island
Town	Town of Charlestown, Rhode Island

Introduction

HUD made a Grant Reservation to the Narragansett Indian Wetuomuck Housing Authority (Authority) on September 29, 1988, to develop 50 low-income housing units. As allowed under the Native American Housing Assistance and Self-Determination Act of 1996, the Narragansett Indian Tribe (NIT) designated itself in June of 1998 as the recipient of funds. At the same time, the NIT also established the Narragansett Indian Wetuomuck Housing Committee (Committee) to replace the Authority and carry out the housing program. HUD and the Authority entered into an Annual Contributions Contract (ACC) No. C-7526 on October 3, 1991 for Project No. RI93-B028-001. Four amendments to the ACC were subsequently approved which changed the method of production from the Turnkey Method to the Force Account Method and increased funding from \$3,250,000 to \$4,144,999.

HUD approved the change to the Force Account Method of Production in a letter dated September 29, 1993. The Force Account Method of Production required the Authority to demonstrate that it had the administrative capabilities to complete the project using this method. In support of the change in production from the Turnkey Method to the Force Account Method, the Authority entered into a Joint Venture Agreement with an Architectural and Engineering (A&E) firm on March 18, 1993. The Joint Venture Agreement made the A&E firm responsible for providing a wide range of services over contract administration, as well as, providing professional architectural and engineering services. The Joint Venture Agreement was terminated in the summer of 1996 over a contract dispute.

The Authority has been trying to have the land where the 50 units were to be located placed in trust by the Bureau of Indian Affairs (BIA) since August 1993. The BIA initially withheld processing the trust application, because the Authority constructed a communications tower on the property without BIA or HUD approval. The BIA further held up processing the trust due to litigation concerning the land between the State of Rhode Island, the Town of Charlestown, RI (Town), the Authority, and the NIT.

The BIA published their intent to place the land in trust in early 1998 in the Federal Register. During the comment period both the State of Rhode Island and the Town raised objections to placing the land in trust. Currently, the trust application is going through an administrative appeal process at the Department of Interior. Based on the problems getting the land placed in Trust, additional litigation remains a possibility.

On December 19, 1996, HUD determined that the Authority lacked the administrative capability in the administration of its development program. The HUD letter cited the Authority for not timely completing the project. HUD classified the Authority as “*High Risk*” and indicated they were ineligible for new development funding .

In September 1998, HUD conditionally approved the Indian Housing Block Grant program in the amount of \$523,937. The funding was conditioned on the NIT obtaining a Cooperation Agreement and tax exemption from the Town. The Cooperation Agreement is also necessary to proceed with the Housing Development project.

The Chief Sachem of the NIT is Mathew Thomas. The Committee is governed by a 5-member Board appointed by the Tribal Council and chaired by Lawrence H. Stanton. The current Executive Director is Sandy McCaw. Prior to Ms. McCaw, the Authority had three other Executive Directors since execution of the ACC in 1991. The Committee's administrative offices are located at 4425 South County Trail, Charlestown, Rhode Island.

Audit Objectives

The objective of the audit was to determine the disposition of development funds, whether the Authority had proper accountability over the funds, and whether the Authority was operating the Housing Development project in accordance with the ACC, HUD regulations and directives.

Audit Scope and Methodology

To accomplish our objective, we:

- Reviewed the ACC, HUD regulations, Handbooks and other directives.
- Reviewed the financial records maintained by the Authority.
- Reviewed a "Special Procedure Work" report prepared by the Authority's Certified Public Accountant.
- Reviewed procurement and contracting records maintained by the Authority and the architectural firm which had a Joint Venture Agreement with the Authority.
- Performed site inspection of the project located at Kingswood Court Road, Charlestown, Rhode Island.
- Conducted interviews of responsible HUD staff, Authority officials including the three former Executive Directors, officials of the Joint Venture firm, officials of the contractor receiving the largest award, and the Authority's CPA.

The audit field work was performed between November 1997 and May 1998 and generally covered the period

Review Period

January 1992 through April 1998. Where appropriate, we extended our review to cover other periods. We conducted the review in accordance with generally accepted government auditing standards.

Expenditures of \$3.2 Million Produces No Livable Housing Units

The Narragansett Indian Wetuomuck Housing Authority (Authority) spent \$3.2 million or 76 percent of total grant funds and only produced 12 out of the 50 originally proposed low income housing units. The 12 units remain uninhabitable due to a lack of basic utilities: water, sewer, and electricity. This situation occurred because the Authority lacked the administrative capability to run a development program. The Authority has been unable to either place the property in Trust or execute a Cooperation Agreement with the Town of Charlestown, RI (Town) which prevented the completion of 12 units. In addition, the Authority could not document the complete procurement process for any contract (contract payments exceeded \$1.8 million); could not adequately support development costs totaling \$899,772; and overran budgeted line items without HUD approval. HUD needs to decide whether the planned project is still viable or whether the remaining funds should be recaptured.

Administrative Capability Required

Federal regulations require the Authority to maintain administrative capability at all times throughout the term of the Annual Contributions Contract (ACC). In order to be considered administratively capable, the Authority must administer the housing program in accordance with applicable statutory requirements, HUD regulations, contracts, HUD handbooks and other program requirements with no serious deficiencies (24CFR905.135(b)).

Administrative Capability Lacking

In December 1996, the Eastern/Woodlands Office of Native American Programs (EWONAP) staff determined that the Authority lacked administrative capability to run its development program. The reason cited was the Authority's failure to complete the project in a timely manner. EWONAP classified the Authority "High Risk". Our review disclosed the Authority continues to lack the capability to develop housing. Weaknesses noted were the Authority's: (1) inability to obtain control over use of the site; (2) inadequate documentation of the procurement process; (3) inadequate support of costs as to their reasonableness and propriety; and (4) incurring large budget overruns without HUD approval.

No Control Over the Site

Over 10 years has elapsed since the initial approval from HUD to fund the project and the Authority still does not have either a Trust Agreement from the federal government for the project site or a Cooperation Agreement with the Town. By placing

the land in trust, the Authority could proceed with the project without obtaining any approvals from the State or local governments. The Authority needs to obtain one of these agreements to proceed with the project.

No Trust Agreement

On September 29, 1988, HUD agreed to provide development funding to the Housing Authority to purchase land and construct 50 low income housing units. In August of 1993 (at final site approval), HUD believed that the Authority had control over the site based on a recommendation letter from the Bureau of Indian Affairs (BIA) and a lease which the BIA indicated they had approved. However, the BIA did not place the land in trust in 1993 and the land is still not in trust. The BIA withheld placing the land in trust because a portion of the land was subsequently leased for the construction of a communication tower. The Authority/Narragansett Indian Tribe (NIT) leased the land without obtaining the approval of BIA, HUD, or State and local governments.

On August 23, 1994, EWONAP wrote the NIT stating the BIA had not placed the property in trust due to the leasing of a portion of the land for the construction of a communication tower without adhering to certain federal, state and local laws and ordinances regarding such a structure. EWONAP instructed the NIT that no further construction should occur until such time as the property is placed in trust or the tower is removed and a Cooperation Agreement is entered into with the Town. The NIT did not implement any of these actions. HUD subsequently allowed the tower to remain on the site using the income from the lease for housing related costs.

Trust Status Being
Appealed

In early 1998, the BIA published in the Federal Register their intention to place the land in trust and provided a time period for comments. However, prior to the end of the comment period, both the State of RI and the Town provided comments objecting to placing the land into trust. Currently, the application to place the land in trust is going through an administrative appeal process at the Department of Interior. The appeal was still in process in December 1998.

Conditional Funding Due
to No Cooperation
Agreement

EWONAP advised that approval of the NIT's 1998 Indian Housing Block Grant program in the amount of \$523,937 and spending of any of the grant funds was conditional on obtaining

a local Cooperation Agreement. EWONAP staff also advised that draw downs under the Housing Development Grant were restricted until the NIT submits the Cooperation Agreement.

Project Cannot Proceed

Until the above concerns are resolved, development of the project can not resume. However, administrative, legal, and operating costs continue to drain the depleted development budget. Since EWONAP's declaration of high risk in December 1996, the Authority incurred \$393,339 primarily for administrative costs, architectural and engineering fees. With the possibility of litigation being necessary to resolve the concerns over the development, there is no way to estimate when construction could resume. Given the fact that \$3.2 million of the \$4.1 million development grant has been expended and only 12 uninhabitable units exist, construction of the 50 units required in the Housing Development Grant is not possible without additional funds.

Procurement Process Not Adequately Documented

The Authority could not provide complete documentation supporting the procurement process for any of their contracts. Total contract payments exceeded \$1.8 million during the audit period. We requested the procurement records for the 6 largest contracts which had payments exceeding \$1.5 million. The Executive Director immediately prior to the current Executive Director advised that she did not know where the procurement records were located for any of the contracts. The prior Executive Director also advised that there were no procurement records for two contracts, totaling \$195,000, that she awarded to an architect firm. She stated that she negotiated those contracts shortly after becoming the Executive Director and was unfamiliar with procurement requirements. Negotiations were only performed with the company that was awarded the contracts.

Federal Regulations provide that, "An IHA shall maintain records sufficient to detail the significant history of a procurement." (24CFR950.160(a)(4)).

Through a review of the Authority's records and records maintained by the contractor who had a Joint Venture Agreement with the Authority, we were able document that some procurement actions took place. We were able to locate some: Requests for Proposals; Invitation for Bids; Proposals; Bids; Bid Opening Information; Bid Tabulations; and notification of contract awards. However, the whole

process could not be documented for any of the procurements. Therefore, there is limited assurance the contracts were properly awarded.

Federal Regulations provide that, “All procurement transactions must be conducted in a manner providing full and open competition.” (24CFR950.160(a)(6)).

Contract Not Properly Awarded

The largest contract awarded by the Authority for \$1,091,110 was not subject to full and open competition. The awarded contractor’s bid proposal was non responsive to the Authority’s Invitation for Bids. The contractor’s bid proposal included significant amounts for site related work. Sixty-one percent (\$660,440) of the contractors total bid proposal was for the site related work, which was not included in the Invitation for Bids. The inclusion of the site related work made the contractor’s bid proposal non responsive to the Invitation for Bids and therefore, should have been rejected. Since no other contractor had an opportunity to compete for the contract including the site related work, the Authority essentially awarded a no bid contract for \$1 million.

Costs Not Adequately Supported

Housing Development costs totaling \$899,772 for administrative salaries (\$219,382), architectural and engineering fees (\$140,708), legal fees (\$131,245), and dwelling construction costs (\$408,437) were not adequately supported (Appendix B). Except for the administrative salaries, all costs cited are also included in the amount reported in the above mentioned procurement process section.

Basis For Administrative Salaries Not Maintained

The Authority charged a total of \$219,382 for administrative salaries to the project through April 30, 1998. The Authority did not maintain documentation to show the basis or justification for the amounts charged.

Administrative salaries are paid by the NIT who was subsequently reimbursed by the Authority. The only documentation maintained by the Authority to document disbursements for administrative salaries were Requests for Reimbursements. The early Requests identified two administrative positions and included a weekly charge for salaries and for fringe benefits. The Requests were usually for a one to three month time period. There was no

indication of how or if the salaries were allocated between different activities or what made up the fringe benefit charges.

For 1996, there was only one Request for Reimbursement for the entire year. The request identified a total amount for salaries (\$25,773) and fringe benefits (\$3,669) for two persons. Again there was no indication of how or if the salaries were allocated between different activities or what made up the fringe benefit charges.

On August 5, 1997 there was a Request for Reimbursement which indicated "Reimbursement NIT (Narragansett Indian Tribe) Payroll 1st - 2nd quarter" for \$30,000. There was no justification or explanation why the cost for two quarters equaled the amount paid for the entire previous year.

Questionable Architectural and Engineering Fees

The Authority charged a total of \$343,849 for architectural and engineering fees to the project through April 30, 1998. The majority of costs were paid to two architectural firms.

The first firm entered into a Joint Venture Agreement with the Authority and was paid \$168,351 over a three and a half year period ending in mid 1996. In addition to providing architectural services, the firm also provided contract management and monitoring services.

The second firm executed two contracts with the Authority in February of 1997 and was paid \$140,708 through August 1997. One contract was for \$120,000 for the Housing Development project. The second contract was for \$75,000 and was for the Four Winds project. The Four Winds project was funded under the Community Development Block Grant Program and was also administered by the Authority.

The Authority used Housing Development funds to pay the architectural firm for both contracts. Of the \$140,708 paid to the second architectural firm, \$68,320 were for billings related to the Four Winds project.

According to the contract and invoices, the majority of the costs paid to the second firm were for schematic design, design development and construction documents phases. The former Executive Director could not locate the documents to be provided by the second firm.

Legal Fees for Litigation Costs

The Authority charged a total of \$164,725 for legal fees to the project through April, 30, 1998. The majority of the legal fees (\$159,472) were paid to two legal firms.

The first legal firm was paid \$28,227 for services performed in 1992 and 1993. The second legal firm has provided services since 1993 and was paid \$131,245. According to Minutes to the Board of Commissioners meetings, the majority of the services provided by this firm was for litigation. The Authority did not request HUD approval to use development funds for the litigation, which is required. Further, the contract was between the legal firm and the NIT not the Authority. Therefore, these costs do not represent proper costs for the Housing Development project.

Dwelling Construction Cost Not Adequately Supported

Dwelling construction costs not adequately supported totaled \$408,437. The costs were incurred under one contract executed in 1996. The contract was executed for \$1,091,110 and was to provide an additional 19 modular housing units. The 12 existing modular housing units were acquired in 1994. While no additional housing units were provided, the contractor was paid \$687,949 based on additions to the original contract. The \$408,437 in costs not adequately supported consists of:

- a) Mobilization costs of \$109,111
- b) Water and sewer costs of \$154,065
- c) Road construction costs of \$73,000
- d) Moving costs of \$72,261

Specifically, our review disclosed:

Mobilization Cost - Units Not Provided

a) The initial payment to the contractor was for \$109,111 which represented 10% of the total contract and was identified as mobilization costs to provide the 19 additional modular housing units. As noted, none of the 19 additional housing units were provided.

Water and Sewer Work Not Inspected by IHS as Required

b) The contractor was paid \$154,065 for providing and installing underground water and sewer lines. There is a dispute between the Authority and contractor on whether this work was even included in the contract. However, the contractor provided a Schedule of Values

Mobilization Cost - Units Not Provided

Mobilization Cost - Units

for Water Main Construction and for Sewer System Construction and included the charges on the Application and Certificate for Payment, which the Authority paid.

Funds were set aside with Indian Health Services (IHS) for payment of all water and sewer work. IHS's responsibilities included approving the plans and specifications, overseeing the procurement process, and monitoring the construction of the Water and Sewer Systems. All water and sewer work was covered up by the contractor prior to the Authority notifying IHS that the work was underway. IHS therefore, could not determine if the water and sewer work was performed in accordance with plans and specifications and could not reimburse the Authority for their payment for work done by the contractor. The Authority's Inspector (Tribal Inspector) advised that the Authority did not have any plans and specifications for the water and sewer work and agreed to follow the local code of a nearby town. Although this dispute arose at the end of 1996, the matter has not been resolved.

Road Construction Work
Not Adequately
Supported

- c) The Authority paid the contractor \$108,600 for road construction work, \$73,000 of which was not adequately supported. The latest Application and Certificate for Payment submitted by the contractor and approved for payment by the Authority on December 13, 1996, indicated that 65% of the scheduled value for road construction work was complete. The total scheduled value for the road construction work included in the contract was \$179,653. However, the \$179,653 was based on an incorrect Schedule of Values. The contractor submitted a Schedule of Values for road construction work which was planned for Wakole Drive. Wakole Drive is a separate proposed road for 20 spread out single family housing units which never materialized. No work had been done on Wakole Drive.

The actual work performed by the contractor was essentially a gravel encirclement around the 12 existing housing units. We could only account for work items totaling approximately \$35,600 out of the \$108,600 paid by the Authority for road construction, leaving \$73,000 unsupported.

Finding 1

Housing Units Moved Without Justification

d) The Housing Authority paid the contractor \$72,261 for moving 6 of the 12 original housing units from one location to another location without justification.

Costs Exceeded Budget Without Prior HUD Approval

HUD Handbook 7450.01 REV-1, paragraph 14-9 E. 1., provides that, *“It is the responsibility of the IHA to keep costs within the line item limits of the approved budget.”* Paragraph 14-9 E. 2., provides that any proposed change in a major category of the budget shall be submitted to HUD for reasons and justification for the changes.

The Authority exceeded several budget account line items by large amounts, without notifying and obtaining HUD approval. When viewed on a per unit basis these overruns are enormous. Below are the largest budget overruns, shown both in total costs and on a per unit basis:

Account Classification	Budgeted Costs	Actual Costs	Cost per Unit Budget (50)	Cost per Unit Actual (12)
Salaries and Fringe	\$ 149,114	\$ 219,382	\$ 2,982	\$ 18,282
Legal Expenses	77,464	164,725	1,549	13,727
Other Administrative Expenses	125,710	151,042	2,514	12,587
Architectural and Engineering	92,267	343,849	1,845	28,654
Dwelling Construction	\$1,626,733	\$1,307,867	\$32,535	\$108,989

We considered these overruns to be significant. Budgeted line items were doubled and tripled and less than a quarter of the proposed units were produced. Further, although the total budget for dwelling construction costs has not yet been exceeded, the per unit cost is more than triple the budgeted amount.

Authority Continued to Lack Administrative Capability

Based on the above, the Authority lacked the administrative capability in its development program. The Authority has spent \$3.2 million of a \$4.1 grant (76 percent) without developing any habitable housing units. Further, the Authority did not have cost estimates to show how much additional funding was necessary to make the 12 housing units on site habitable or to develop any additional homes.

The entire project remains at a standstill until the NIT resolves the issues with the Town and the State of RI

concerning the Trust Agreement for the site and a Cooperation Agreement with the Town. Until these matters are resolved, no work can be performed at the site.

At a meeting with the EWONAP Area Administrator and the Deputy, it was suggested that a scaled back project was possible and warranted. However, the Narragansett Indian Wetuomuck Housing Committee (Committee) will require extensive on site technical advice and monitoring from the EWONAP staff to successfully complete a scaled back project.

Auditee Comments

The Auditee concurred with the audit finding that on occasion there had existed a lack of administrative capability in developing the Housing Village. However, it does not concur that this continues to exist. As noted, the Committee has a new Executive Director with experience in federal programs. It has had its Native, American Housing Assistance and Self-Determination Act's Indian Housing Plan (IHP) approved by HUD. A critical component of the IHP is a Corrective Action Plan for completion of the Housing Village. The Corrective Action Plan identifies the actions necessary to correct the deficiencies noted in the audit. The Committee and EWONAP have been working closely on these issues. As discussed, it is anticipated that the development of the Housing Village will be able to proceed in the near future.

The goal of the Committee and the NIT is to provide for the housing needs of its elderly and low-income members. The first objective is to occupy the twelve (12) existing units and develop a viable plan to successfully complete the project. The Committee, therefore, concurs with the audit recommendation to work with HUD in implementing a viable plan of action to complete this Development Grant to provide housing for Tribal elderly and low-income members.

OIG Evaluation of Auditee Comments

We believe that the development of a viable plan approved by EWONAP is essential for the completion of the project. However, we disagree with the contention that the hiring of a new Executive Director and development of a Corrective Action Plan demonstrates that the NIWHC has the administrative capabilities to complete the Housing Development Project. EWONAP should maintain the "High

Risk” status until NIWHC demonstrates their administrative capabilities to your satisfaction.

NIWHC’s comment on page 9 of their response states, “*The twelve (12) homes in place can be ready for occupancy in short order . . .*” We were advised by the Field Engineer for Indian Health Services (HUD has a Memorandum of Agreement with Indian Health Services for overseeing the construction of off-site sanitation facilities for the project) that a pumping station must be built before the units will have running water. The estimated cost of the pumping station is \$291,000. Since plans, specifications and construction documents must be developed prior to requesting bid proposals, it is unlikely that the 12 units could be occupied in the near future.

Recommendations

We recommend that you:

- 1A. Either provide assistance to the Committee in developing a viable plan to complete the 12 uninhabitable units or terminate the housing development grant and recapture the remaining non-obligated funds.
- 1B. Instruct your staff to evaluate all parties responsible for the Authority’s failure to properly administer the Housing Development project and take appropriate administrative sanctions against the parties involved.

Management Controls

In planning and performing our audit, we considered the management controls used by the Narragansett Indian Wetuomuck Housing Authority for the Housing Development Grant Program to determine the extent of our auditing procedures and not to provide assurance on the management controls.

Management Controls consist of a plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data is obtained maintained, and fairly disclosed in reports.

Management Controls Assessed

We determined the following management controls were relevant to our audit objectives:

- Grant Administration
- Procurement and Contract Administration
- Budget
- Administration and Disbursement of Grant Funds

We assessed all relevant controls identified above.

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

Assessment Results

Our review disclosed significant weaknesses in the management controls and are discussed in the Finding and Recommendations section of the report.

Housing Development Project Schedule Budgeted and Actual Cost As of April 30, 1998

Expense Category	Budgeted	Actual
Developers Price		
A&E Fees	\$ - 0 -	\$ 80,777
Site Improvements	- 0 -	1,000
Dwelling Construction	- 0 -	531,707
Dwelling Equipment	- 0 -	374
Administrative Expenses		
Salaries	149,114	219,382
Legal	21,725	83,003
Travel	28,132	43,161
Publications	454	1,938
Membership Fees	500	1,567
Telephone	10,300	12,657
Sundry-Admin.	76,324	91,719
Counseling Costs	10,000	- 0 -
Planning Expenses		
Permit Fees	- 0 -	44
A&E Fees	92,267	263,072
Sundry - Planning	58,685	900
Site Acquisitions		
Property Purchase	525,000	527,816
Survey and Maps	171	39
Appraisals	400	400
Title Information	2,817	490
Site MH Contribution	- 0 -	8,641
Legal Costs Site	55,739	81,722
Current Tax Settlement	- 0 -	40,962
Sundry Site Costs	- 0 -	19,486
Site Improvements	265,227	1,240
Dwelling Construction	1,626,733	776,160
Dwelling Equipment	173,750	- 0 -
Non-dwelling Construction	94,816	3,136
Other Costs		
IHS Water & Sewer	895,000	345,875
Contingency	57,845	- 0 -
Unknown Invoice	- 0 -	7,508
Four Winds	- 0 -	23,800
TOTAL	\$4,144,999	\$3,168,576

Housing Development Project Schedule of Payees Over \$10,000 As of April 30, 1998

PAYEE	WORK/SERVICES PROVIDED	AMOUNT	Unsupported Cost
Ninigret Development Corporation	Contractor - moved units, rehab, site work, drainage system, etc.	\$ 687,949	\$408,437
Gilbert and Blackwell	Sold site of project	527,816	
Avis America	Sold 12 modular homes	313,181	
CBI Services, Inc.	Constructed water tower	299,666	
Narragansett Indian Tribe	Reimbursement for administrative payroll salaries and fringe benefits	219,382	219,382
Building Teams, Inc.	Joint Venture Agreement - architectural services and contract management, 1 st firm	168,351	
Wiles & Associates, Architects	Architectural service fees, 2 nd firm	140,708	140,708
John Killoy	Legal Services, 2 nd firm	131,245	131,245
Algonquin Construction	Site, road and foundation excavation	93,643	
LaFramboise Well Drilling	Dug well for water	37,164	
Creative Concrete	Built foundations	36,300	
Lepikko Builders	Set up the 12 modular units	32,117	
Liberty Cedar	Provided clapboards	30,688	
Hobbs, Straus, Dean, & Wilder	Legal services, 1 st firm	28,227	
Stephen Eaton	Consultant - Project Manager	28,000	
Jeffery Cissell	Engineering services	24,500	
Michael Sabatino, CPA	Audit and accounting services	23,300	
BT Equipment Company	Rental of trailer and equipment	13,208	
Action enterprises	Cleared site	12,400	
George Proffit	1 st Executive Director - travel, training, and hotels	12,229	
Commonwealth Land & Title	Provided title insurance	10,581	
TOTAL		\$2,870,655	\$899,772

Auditee Comments

C

C

C

C

C

C

C

C

Distribution

Secretary's Representative, 1AS
 Office of the Comptroller, 6AF
 Director, Office of Public Housing, 1AH
 Director, Administrative Service Center, 2AA
 Director, Field Accounting Division, 4AFA
 Assistant to the Deputy Secretary for Field Management, SDF (Rm. 7106)
 Associate General Counsel, Office of Assisted Housing and Community Development, CD
 (Rm. 8162)
 Peter S. Schmiedel, Management Analyst, PF, (Rm. 8204) (4)
 Acquisitions Librarian Library, AS (Rm. 8141)
 Chief Financial Officer, F (Rm. 10164) (2)
 Deputy Chief Financial Officer for Finance, FF (Rm. 10164) (2)
 Deputy Assistant Secretary, Native American Programs, PI (Rm. 8204 L'Enfant Plaza)
 Audit Liaison Officer, 3AFI
 Inspector General, G (Rm. 8256)
 AIG, Office of Audit, GA (Rm. 8286)
 Deputy AIG, Office of Audit, GA (Rm. 8286)
 Director, Program Research and Planning Division, GAP (Rm. 8180)
 Director, Financial Audits Division, GAF (Rm. 8280)
 Central Records, GF (Rm. 8266) (4)
 Semi-Annual Report Coordinator, GF (Rm. 8254)
 Public Affairs Officer, G, (Rm. 8256)
 Counsel to the Inspector General, GC, (Rm. 8260)
 OIG Webmaster-Electronic Format
 Deputy Assistant to the Secretary for Labor Relations, SLD (Rm. 7118))
 Director, Office of Budget, FO (Rm. 3270)
 Director, HUD Enforcement Center, 1240 Maryland Avenue, Suite 200, Washington, DC 20024
 Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street, NW, Rm.
 2474, Washington, DC 20548, ATT: Judy England-Joseph
 The Honorable Dan Burton, Chairman, Committee on Government Reform and Oversight, House
 of Representatives, Washington, DC 20515-6143, (1)

 Ms. Cindy Sprunger, Sub-Committee on General Oversight & Investigations, Room 212, O'Neill
 House Office Building, Washington, DC 20515, (1)

 Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United States,
 House of Representatives, Washington, DC 20515-4305, (1)

 The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States
 Senate, Washington, DC 20510-6250, (1)

 The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs, United
 States Senate, Washington, DC 20510-6250