



**Yakama Nation Housing Authority
Wapato, WA**

**Native American Housing Block Grant,
American Recovery and Reinvestment Act**



Issue Date: April 29, 2014

Audit Report Number: 2014-SE-1002

TO: Ken A. Bowring, Administrator, Office of Native American Programs, OAPI

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, OAGA

SUBJECT: The Yakama Nation Housing Authority Did Not Always Spend Its Recovery Act Funds in Accordance With Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Yakama Nation Housing Authority's Native American Housing Block Grant under the American Recovery and Reinvestment Act of 2009.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8L, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (913) 551-5870.

What We Audited and Why

We audited the Yakama Nation Housing Authority because it received a nearly \$4.9 million Native American Housing Block Grant under the American Recovery and Reinvestment Act of 2009. This was the largest grant of its kind in the State of Washington and fourth largest in Region 10 (Alaska, Idaho, Oregon, and Washington). Our objectives were to determine whether the Authority properly spent its Recovery Act funds, correctly obtained small purchases, and properly reported Recovery Act information in FederalReporting.gov.

unnecessary materials, (3) charged the grant for routine maintenance staff meetings, (4) did not always pay the prevailing Davis-Bacon wages, and (5) paid employees for hours not worked.

In addition, it split purchases that would have required it to obtain multiple price quotations and did not properly report the project activity descriptions, the number of homes it planned to repair, the amount of its vendor payments, and the number of jobs created in FederalReporting.gov.

What We Recommend

We recommend that the Administrator of the Office of Native American Programs require the Authority to provide support showing that almost \$1.2 million was spent on the projects or reimburse HUD for transmission to the U.S. Treasury from non-Federal funds for expenditures it is unable to support and provide support showing that \$372,000 worth of materials purchased was the best value possible or reimburse HUD for transmission to the U.S. Treasury from non-Federal funds.

What We Found

The Authority did not always properly spend its Recovery Act funds. It (1) spent \$1.2 million in Recovery Act funds without being able to show that the funds were used on the projects, (2) purchased more than \$177,000 worth of

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BACKGROUND AND OBJECTIVES

The Yakama Nation, by exercise of the power of self-government, has designated the Yakama Nation Housing Authority as a tribally designated housing entity under the Native American Housing Assistance and Self-Determination Act at 25 U.S.C. 4101, *et seq.* As a tribally designated housing entity, the Authority owns and manages a variety of low-income housing developments to provide and promote safe and sanitary housing on a subsidized basis for qualifying members of the Yakama Nation.

The American Recovery and Reinvestment Act of 2009 included a \$510 million appropriation for the Native American Housing Block Grants, also known as the Indian Housing Block Grant. Of that amount, \$255 million was disbursed based on a formula, and more than \$242 million was allocated competitively. The U.S. Department of Housing and Urban Development (HUD) awarded almost \$4.9 million to the Authority, of which almost \$1.9 was formula based and \$3 million was competitively granted. The Authority received the largest award in Washington and the fourth largest in Region 10 (Alaska, Idaho, Oregon, and Washington).

The Authority used its Recovery Act funding to modernize front porches, install gutters, renovate homes for low-income families, and purchase modular homes used for housing families whose homes were undergoing renovation. This work was performed on its own housing stock and for private homeowners.

The Recovery Act required the Authority to obligate its grant funds within 1 year of the date funds were available. The Authority was also required to expend at least 50 percent of the grant funds within 2 years and 100 percent within 3 years.

Our objectives were to determine whether the Authority properly spent its Recovery Act funds, correctly obtained small purchases, and properly reported Recovery Act information in FederalReporting.gov.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Always Properly Spend Its Recovery Act Funds

The Authority did not always properly spend its Recovery Act Native American Housing Block Grant funds. This condition occurred because the Authority disregarded its control procedures, lacked review processes, and failed to employ appropriate management techniques and oversight. As a result, it could deprive its low- and very low-income families of needed benefits because it might be required to reimburse HUD for transmission to the U.S. Treasury up to \$1.2 million. In addition, more homeowners could have benefited from the unnecessary materials stored in its warehouse.

The Authority Did Not Always Properly Spend Its Grant Funds

The Authority (1) spent \$1.2 million in Recovery Act funds without demonstrating that the funds were used on the Recovery Act projects, (2) purchased more than \$177,000 worth of unnecessary materials, (3) charged the grant for routine maintenance staff meetings and maintenance operations, (4) did not always pay the prevailing Davis-Bacon wages, and (5) paid employees for hours not worked.

In accordance with 24 CFR (Code of Federal Regulations) 85.20(b)(2), grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. In addition, according to 24 CFR 85.20(b)(4), the Authority's financial information must be related to performance or productivity data including the development of unit cost information whenever appropriate. However, it recorded materials (purchased mostly in bulk), goods and services, permit, environmental review, and assessment costs under the general category of construction rather than showing how they were used in the activities performed on the project. In addition, labor expenditures were recorded as "other task" under a common project work order entitled "60 Units Renovation" rather than being related to performance on the project.

The Authority did not maintain adequate records identifying the application of more than \$1.2 million in grant funds. It spent almost \$731,000 on materials and supplies that it could not demonstrate were spent on the projects through source documents such as purchase orders, requisition slips, invoices, work order system, or financial and reporting system.

In addition, the Authority paid its vendors almost \$198,000 without obtaining proof that it received all the materials ordered. It did not always obtain signed and dated receiving reports and match them to the invoices and purchase orders as required by its policy. Receiving reports are confirmations that the Authority received the materials and goods and that they were acceptable in quantity and quality. Comparison of these reports identifies discrepancies between the amount ordered and the amount received.

Further, the Authority recorded more than \$289,000 in its financial and reporting system on labor costs that were not adequately supported as spent on the projects. Of this amount, timesheets showed that the Authority paid for time worked as “other” task on the timesheets under “60 Units Rehab” and “60 Units Renovation” in its accounting system. There was no documentation to support that the work performed was for the projects. Timesheets showed that the Authority paid two construction employees a total of more than \$53,000, at the regular carpenter rate of \$31.79 and overtime carpenter rate of \$47.69 for these unidentified tasks. In contrast to the rest of the construction crew’s timesheets, these timesheets did not identify the specific tasks performed or that those tasks applied to the projects. The table below shows the two employees’ compensation for the undefined task.

Employee	Task performed	Regular rate per hour	Regular time paid	Overtime rate per hour	Overtime paid	Total amount paid
A	Other	\$31.79	\$41,542	\$47.69	\$1,955	\$43,497
B	Other	31.79	9,251	47.69	453	9,704
Total			\$50,793		\$2,408	\$53,201

The Authority purchased more than \$177,000 in unnecessary materials. As of July 19, 2013, almost a year after the date on which it was required to expend 100 percent of its grant funds, the Authority had more than \$82,000, or 15 percent of the materials purchased for its formula grant, and more than \$95,000, or 40 percent of the materials purchased for its competitive grant, stored in its warehouse. According to 2 CFR Part 225, appendix A, costs charged to Federal grants must be reasonable and necessary. In addition, only materials and supplies used for the performance of a Federal award may be charged as direct costs. The Authority’s policy also states that materials will be procured only for the specific job purpose.

The Authority charged the grant for routine maintenance staff meetings and maintenance operations performed by maintenance staff. The Authority charged its competitive grant more than \$5,000 for staff meetings and maintenance operations that were not related to Recovery Act projects. The time was charged to the grant in the Authority’s accounting system as “60 Unit Rehab.” According

to the timesheets, these charges were for maintenance staff meetings and maintenance operations.

The construction manager stated that these meetings covered safety issues, so they applied to all workers. However, these employees did not work on Recovery Act projects, so their time should not have been charged to Recovery Act grants. According to the Native American Housing Assistance and Self-Determination Act, since these hours were related to the Authority’s maintenance program, they should have been charged to the Authority’s operating account, not to Federal grants for rehabilitation or new construction.

The Authority did not always pay the prevailing Davis-Bacon wages. The Authority paid one of its concrete workers \$15.50 per hour instead of the prevailing Davis Bacon wage rate of \$29.32. It also paid some of its employees below the prevailing wage rate for various other tasks. The following table shows the hourly wage rate differences of the underpayment for the various tasks performed by the affected employees. For the timesheets reviewed, the Authority underpaid its employees \$176.

Task	Davis-Bacon wage rate	Paid wage rate	Wage rate difference per hour
Backhoe operator	\$ 39.39	\$ 39.27	\$.12
Carpenter (full time)	27.45	27.33	.12
Concrete work	29.32	15.50	13.82
Heating, ventilation, and air conditioning	30.28	20.36	9.92
Roofing	30.17	28.78	1.39
Plumbing	20.25	15.91	4.34

The Authority paid employees for hours not worked. The table below shows the amounts paid to two employees for time not worked (that is, time paid for but not reflected on the employees’ timesheets).

Employee	Excess hours paid	Task performed	Rate	Excess pay
C	7.75	Roofing	\$ 31.34	\$242.89
D	1	Plumbing	27.33	27.33
Total				\$270.22

The Authority Did Not Consistently Adhere to its Control Procedures

The Authority did not always adhere to its policy requiring staff to complete an issue slip for the materials taken from inventory and to prepare necessary journal entries to charge the cost of issuance to the specific unit. Although staff submitted the warehouse requisition form, completing the fields identifying the unit and the materials taken, staff failed to complete the field for the price of the materials. Since the forms lacked price data from the time the materials were purchased, many of the materials used for the respective units were not entered into the Authority's accounting system, assigning the materials to specific units.

In addition, the Authority disregarded its policy requiring a signed and dated receiver's report for vendor payment. The construction staff did not forward the required reports to either the accounting staff or warehouse staff so the accounting and warehouse staff made a verbal agreement with the vendor, in which the vendor would invoice only for items that were delivered to the jobsites or picked up by Authority construction staff. The accounting staff believed that this procedure canceled the requirement for a separate receiver's report. Further, management told the accounts payable clerk to pay the vendor without obtaining the receiving report.

The Authority also disregarded its policies to procure materials only for specific identified units worked on and not allow materials in its inventory to exceed its \$5,000 threshold. It should have reviewed its inventory stock before approving additional purchases to avoid unnecessary or duplicative materials and excess inventory nearly a year after the grant activities were completed.

The Authority lacked review processes. The warehouse requisition forms identifying the unit and the materials taken were neither reviewed for accuracy and completeness nor approved by an approving authority. In addition, the Authority's management did not review the rates and the hours for which it paid its employees to ensure that the correct project rates were selected and the hours were entered correctly.

Management failed to employ appropriate management techniques and oversight. The Authority did not have a system in place to demonstrate that all costs were spent on the project. It used its own employee labor to conduct the scope of work assessments of the eligible units to be renovated, but it did not require its employees to identify these assessments on the employees' timesheets or require supervisor review and approval of time charged.

In addition, management did not provide budgetary and expenditure reports regarding its projects to the program managers. If the maintenance supervisor had received these reports, he would have noticed that maintenance meetings were charged to the grant. This matter could have been resolved by reversing the charges and charging these costs to the operations account.

HUD Lacked Assurance That Funds Were Used Appropriately and The Authority Could Have Served More Homes

The Authority could deprive its low- and very low-income families of needed benefits because it might be required to reimburse HUD for transmission to the U.S. Treasury up to \$1.2 million. It could have applied the funds it spent for unnecessary materials, which were being warehoused, on rehabilitating more private homes and its own housing stock. It also could not ensure that it received all the materials for which it paid and that the materials were received in good condition.

Conclusion

The Authority did not track \$1.2 million of Recovery Act funds adequately to ensure funds were spent on the projects. It should have followed the policies and procedures it had in place, reviewed documents for accuracy and completeness, and employed appropriate management techniques. If the Authority had adequately tracked the bulk purchases and other materials and labor, it would not have expended more than \$177,000 on unnecessary materials and HUD would be assured that the materials and labor were used on the project and were used to benefit low-income participants.

Recommendations

We recommend that the Administrator of the Northwest Office of Native American Programs require the Authority to

- 1A. Provide support showing that \$711,528 of materials, supplies and labor charges were spent on the projects and benefited eligible low-income participants or reimburse HUD for transmission to the U.S. Treasury from non-Federal funds for any expenditures it is unable to demonstrate were used on the projects. (Note: the total amount to be supported is \$1,131,381. However, the following amounts appear in other recommendations and were, therefore, removed from this recommendation

to avoid double counting: \$111,283 from recommendation 1B, and \$308,527 from recommendation 2A.)

- 1B. Provide support showing that materials costing \$197,836 were received and in acceptable condition or reimburse HUD for transmission to the U.S. Treasury from non-Federal funds for invoices paid without corresponding receiving reports (\$111,283 of this amount was not shown to have been used on the project and will also need to be supported under recommendation 1A).
- 1C. Review all other Recovery Act Native American Housing Block Grant invoices not reviewed as part of this audit and provide the results to HUD for review and approval. The Authority should reimburse HUD for transmission to the U.S. Treasury for any additional invoices found that are not supported by a proper receiving report.
- 1D. Use its excess inventory on Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA)-eligible activities within a reasonable time or reimburse HUD for transmission to the U.S. Treasury \$177,133 from non-Federal funds.
- 1E. Reimburse the U.S. Treasury from its operating account \$5,150 for ineligible maintenance staff meetings and maintenance operations charged to the grant.
- 1F. Review all other payroll charges to the grants not reviewed as part of this audit and provide the results to HUD for review and approval. The Authority should reimburse the U.S. Treasury from its operating account for any additional maintenance staff meetings charged to the grant.
- 1G. Provide supporting documentation showing that restitution was made to employees who were paid less than the Davis-Bacon wage determination rate or compensate the employees \$176 for the unsupported wages cited in this report.
- 1H. Reimburse HUD for transmission to the U.S. Treasury \$270 from non-Federal funds for hours paid but not worked.
- 1I. Review all payments to its employees, who charged time to the grants not reviewed as part of this audit, to determine whether additional wage restitution is owed and provide the review results to HUD for review and approval. If wage restitution is required, the Authority should make restitution to the employees affected from non-Federal funds.
- 1J. Implement policies already in place to ensure that all costs of labor and materials used and charged to the projects were used on the projects.

- 1K. Implement policies already in place to ensure that the receiver signs and dates the receiver's report confirming that materials have been received and are in acceptable condition.
- 1L. Implement policies already in place to ensure that the value of materials on hand does not exceed \$5,000.
- 1M. Develop and implement policies to ensure that the unrelated grant activities, such as maintenance staff meetings and maintenance operations, are charged to its operating fund and not to Federal grants for rehabilitation or new construction.
- 1N. Develop and implement policies to ensure the Authority pays employees at the (Davis-Bacon) rates that are applicable to work performed.

We also recommend that the Administrator of the Northwest Office of Native American Programs

- 1O. Conduct future monitoring to verify that the Authority follows its policies.

Finding 2: The Authority Split Purchases That Would Have Required It To Obtain Multiple Price Quotations

The Authority split purchases that would have required it to obtain multiple price quotations. This condition occurred because the Authority’s policy contradicted itself and incorrectly permitted it to make multiple purchases from a single source and not obtain a price quotation as long as each purchase order was less than \$5,000. As a result, the Authority could not demonstrate that it received the best value for more than \$372,000 worth of materials purchased.

The Authority Split Purchases

The Authority split purchases that would have required it to obtain and document price quotes. The Authority made multiple purchases of related items from one vendor on 1 day or within 1 business day of less than \$5,000 each, which when combined, ranged from about \$5,100 to almost \$39,000 (see appendix D for details). HUD’s Office of Public and Indian Housing Notice 2009-14 allowed Indian Housing Block Grant recipients to purchase goods and services costing less than \$5,000 without obtaining and documenting price quotes to reduce the burden of complying with the Federal procurement process for goods and services of minimal cost. However, the Notice also prohibited recipients from breaking down a purchase into multiple purchases to meet the threshold.

Based on review of the Authority’s 2010-2012 purchase order logs of more than \$1.1 million, the purchase orders were split on 32 separate occasions with a total of 112 single purchases. The table below summarizes the number of occasions on which the Authority split its purchases from each vendor on 1 day or within 1 business day. The specific approval dates for each occasion for each vendor are shown in appendix D.

Vendor	Occasion(s)	Total purchases	% of occasions	% of total purchases
A	27	\$302,815.83	84.4%	81.4%
B	2	14,664.92	6.3%	3.9%
C	1	38,956.00	3.1%	10.4%
D	1	6,219.59	3.1%	1.7%
E	1	9,564.50	3.1%	2.6%
Total	32	\$372,220.84	100%	100%

The Authority's Procurement Policy Permitted This Approach

The Authority's procurement policy permitted it to make multiple purchases from a single source and not obtain price quotations as long as each purchase order was less than \$5,000. However, the Authority ignored the part of its policy stating that it was not to break down the purchases, under any circumstances, to meet the threshold.

The Authority Could Not Demonstrate That It Received the Best Value

Since the Authority split its purchases, it did not always obtain an adequate number of price quotations to demonstrate that it received the best value for more than \$372,000 worth of materials purchased. The Authority could not show that it took the most economical approach. It should have combined purchase orders to one vendor for related items, which were approved on the same or the next business day, to determine whether it should have obtained additional quotes to obtain the best possible pricing.

Recommendations

We recommend that the Administrator of the Northwest Office of Native American Programs require the Authority to

- 2A. Provide support showing that it received the best value for \$372,221 paid for materials it purchased or reimburse HUD for transmission to the U.S. Treasury from non-Federal funds for any amount that is not supported (\$308,527 of this amount was not adequately documented as used on the projects and will also need to be supported under recommendation 1A if the costs are found by HUD to be of best value under this recommendation).
- 2B. Amend its policy to require that it combine its purchases from a single source, within a reasonable timeframe, to determine whether the sum exceeds the \$5,000 threshold as this is not currently a part of their policy; if the sum exceeds \$5,000, we recommend that the Authority be required to follow its policy to obtain additional price quotations to obtain the best pricing possible for its small purchases.

Finding 3: The Authority Did Not Properly Report Its Recovery Act Information

The Authority did not properly report its project activity descriptions, the number of homes it planned to repair, the amount of its vendor payments, the total amount of payments to vendors per award, and the number of jobs created in FederalReporting.gov. This condition occurred because the Authority lacked review procedures and misunderstood the requirements for calculating the number of jobs created. As a result, the public did not have access to an accurate description of project activities, vendor payment information, the total amount of payment to vendors per award, or the number of jobs created.

The Authority Did Not Properly Report Information in FederalReporting.gov

The Authority did not properly report its project activity descriptions in FederalReporting.gov. The project descriptions stated that the Authority provided grants as well as zero percent loans to homeowners. However, it renovated the homes by providing only grants.

The Authority overstated the number of homes it planned to repair under the competitive grant. It originally planned to repair up to 60 units. However, on June 3, 2011, it amended its original application to repair 25 to 30 units, and to purchase and install 10 to 15 modular units to be used for relocation of residents while their houses were being rehabilitated. Although the Authority revised its reporting to reflect the purchase and installation of the modular units, it did not reduce the number of units to be rehabilitated as shown in its amended application. It also failed to report the correct number of units it repaired and the number of modular units it purchased and installed. The Authority rehabilitated 19 units and purchased and installed 12 modular units under the competitive grant.

The Authority did not properly report the amount and number of payments to its vendors. The Authority overstated its payments made to four vendors by more than \$657,000 and understated the amount paid to another vendor by almost \$561,000 for a net overstatement of more than \$96,000.

Vendor	Expenditures incurred	Expenditures reported	Overstated	(Understated)
A	\$ 410,473	\$ 478,726	\$ 68,253	
B	17,792	25,772	7,980	
C	61,109	81,433	20,324	
D	390,264	951,163	560,899	

E	760,912	200,013		(560,899)
Total	\$1,640,550	\$1,737,107	\$657,456	\$ (560,899)

In addition, the Authority overstated the total amount of payments it made to vendors that were awarded more than \$25,000 and to those that were awarded less than \$25,000. These overstatements totaled more than \$1.2 million from the Authority’s formula grant for all vendors and about \$1 million from its competitive grant for vendors that were awarded more than \$25,000. The reported vendor amounts incorrectly included salaries and benefits relating to the Authority’s in-house force account labor. The tables below show the amounts in the Authority’s accounting records and the amounts of the total vendor payments it reported.

Formula grant	Total payments to vendors greater than \$25,000	Total payments to vendors less than \$25,000	Total vendor payments	Salaries & related costs*
QuickBooks	\$506,567	\$175,741	\$682,309	\$1,217,522
Recovery Act reporting	620,017	1,278,914	1,898,931	
Difference	\$113,450	\$1,103,173	\$ 1,216,622	

*Grantees were required to report only amounts spent on vendors in FederalReporting.gov.

Competitive grant	Total payments to vendors greater than \$25,000	Total payments to vendors less than \$25,000	Total vendor payments	Salaries & related costs*
QuickBooks	\$1,658,848	\$325,248	\$1,984,096	\$1,015,946
Recovery Act reporting	1,658,848	1,341,152	3,000,000	
Difference	\$0	\$1,015,904	\$1,015,904	

*Grantees were required to report only amounts spent on vendors in FederalReporting.gov.

The Authority overstated the number of jobs created by reporting the number of employees it hired for the projects. However, according to Office of Management and Budget, Memorandum M-09-21, it should have reported its job estimate totals by dividing the hours worked in the reporting quarter by the hours in a full-time schedule in that quarter.

The Authority Lacked Review Procedures and Misunderstood Requirements

The Authority lacked review procedures. The reporting information was compiled and submitted by the same individual and was not reviewed by the supervisor to ensure that the information reported was correct. The Authority should have had a different individual review the information to ensure that the data were accurate before and after submitting the data in FederalReporting.gov. In addition, the Authority misunderstood the requirements for calculating the number of jobs created.

The Authority's Reporting Lacked Transparency

Because the Authority did not properly report its information in FederalReporting.gov, the public did not have access to accurate project activity descriptions, vendor payment information, or the number of jobs created.

Recommendation

We recommend the Administrator of the Northwest Office of Native American Programs require the Authority to

- 3A. Make the necessary changes to the project activity descriptions and all fields relating to final vendor payment figures in FederalReporting.gov. Note that the reporting system allows only the final totals to be changed; the quarterly jobs figures cannot be adjusted.

SCOPE AND METHODOLOGY

We conducted fieldwork at the Yakama Nation Housing Authority, located at 611 South Camas Avenue, Wapato, WA, from January 15 through July 19, 2013. The audit covered the lifespan of the grants from September 2009 through December 2012. To accomplish our objectives, we

- Interviewed Authority and HUD staff;
- Reviewed related laws, regulations, and requirements; a HUD monitoring report; and the Authority's general ledgers, work orders, purchase order log, Indian housing plan, annual performance report, Recovery Act reporting submission documentation, single audit reports, and policies and procedures;
- Conducted site visits; and
- Sampled expenditures and payroll records.

For the formula grant, we identified nearly \$1.9 million in grant expenditures. Of this amount, more than \$638,000 was not attributed to specific units. From this population, we randomly selected and reviewed 60 invoices classified as materials-other consisting of fuel, materials, and other costs from various vendors, ranging from \$300 to \$6,000, totaling more than \$178,000, or 28 percent of the population and did not find any discrepancies between the source documents and what was reported in the Authority's financial and reporting system.

Of the \$1.9 million in expenditures, more than \$1.2 million was assigned to specific units, making this population of less risk. We selected the two units with the highest labor dollars incurred to review. We reviewed the unit with the second highest labor expenditure of more than \$42,000, or 4 percent of the \$1.2 million. We did not review the unit with the highest labor dollars because the source documents were not provided in a timely manner. For this also, we did not find any discrepancies between the source documents and what was reported in the Authority's financial and reporting system.

For the competitive grant, we identified \$3 million in grant expenditures. Of this amount, we selected and reviewed all expenditures that were classified as "60 Unit Rehab" and "60 Units Renovation." This amount was more than \$219,000, or 29 percent of the \$761,000 in expenditures not attributed to specific units. We also selected for review the two units with the most expenditures and the 12 modular homes purchased totaling nearly \$1.2 million, or 53 percent of the more than \$2.2 million in expenditures assigned to specific units.

We also reviewed the Authority's 2009, 2010, 2011, and 2012 purchase order logs of more than \$1.1 million and selected and reviewed all of the more than \$415,000 in purchase orders to one vendor that were issued on 1 day or a few days apart, when each of those purchase orders was for less than \$5,000.

The Authority used QuickBooks. We did not test the reliability of the Authority's computer-processed data as QuickBooks is a small accounting software system that is widely accepted by the accounting industry and we verified hardcopy documents to QuickBooks and found no

exceptions. Also our testing confirmed the Authority's accounting staff statement that if QuickBooks did not show the information, then the information was not available from the hardcopy source documents to be recorded in QuickBooks. Our testing of the source documents noted above proved this to be true. Thus we relied on QuickBooks to support our audit conclusions.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Policies and procedures implemented to reasonably ensure that funds were spent on goods, materials, and labor for specific units that the Authority worked on.
- Policies and procedures implemented to reasonably ensure that reliable data were obtained, monitored, and reported to adequately support procurement and contracting activities.
- Policies and procedures to ensure that payments made to vendors and procurement activities complied with applicable laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not have controls in place to ensure that it followed its policies to
 - Maintain records identifying the application of funds (finding 1).
 - Obtain, sign, and date receiving reports for purchased materials (finding 1).
 - Purchase materials for a specific job purpose and keep extra materials of no more than \$5,000, provided that the material could be used on other federally funded projects in the near future (finding 1).

- The Authority lacked procedures to ensure that
 - Maintenance staff meeting time was charged to its operating fund and not to the Recovery Act projects (finding 1).
 - It paid employees the prevailing Davis-Bacon wage for the tasks they performed (finding 1).
 - Staff obtained additional price quotations to obtain the best pricing possible for the Authority's small purchases (finding 2).
 - Filing of required information was complete and accurate (finding 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/	Unreasonable or unnecessary 3/
1A		\$711,528	
1B		197,836 ^a	
1D			\$177,133
1E	\$5,150		
1G		176	
1H	270		
2A		372,221 ^b	

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

^a Of the \$197,836, documentation of \$111,283 did not demonstrate the items purchased were used on the projects. Therefore, these costs will also need to be supported under recommendation 1A.

^b Of the \$372,221, documentation of \$308,527 did not demonstrate the items purchased were used on the projects. If these funds are found by HUD to be the best value, they will also need to be supported under recommendation 1A.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



YAKAMA NATION HOUSING AUTHORITY

611 S. Camas Ave. • P.O. Box 156
Wapato, Washington 98951-1499
Phone (509) 877-6171 • Fax (509) 877-7830

January 6, 2014

Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Office of Audit Region 10
909 First Avenue, Suite 126
Seattle, WA 98104

RE: Yakama Nation Housing Authority Comments to HUD-OIG Draft Audit Report

Dear Mr. Hosking:

The Yakama Nation Housing Authority (the "Authority") submits these written comments to the U.S. Department of Housing and Urban Development ("HUD") Office of Inspector General's ("OIG") Draft Audit Report on its audit of the Authority's 2009 federal stimulus grants under the Native American Housing and Self-Determination Act of 1996 ("NAHASDA") and the American Recovery and Reinvestment Act of 2009 ("ARRA").

We appreciated the opportunity to meet with the HUD-OIG auditors and the Grants Management Division Director of the Northwest Regional Office of Native American Programs ("ONAP") for an exit conference on December 23, 2013, in Wapato, Washington. The Authority consults regularly with ONAP Grants Management staff to ensure that the Authority is following HUD guidelines and policy in administering its grants under NAHASDA. These comments restate and supplement the verbal comments we shared at the exit conference.

COMMENTS TO BACKGROUND AND OBJECTIVES (P. 3)

The Authority is the Tribally designated housing entity of the Confederated Tribes and Bands of the Yakama Nation, which is the largest Indian Tribe in the Pacific Northwest. The Yakama Nation is comprised of descendants of 14 tribes and bands that were federally recognized under the Yakama Treaty of 1855. The 1.3 million acre Yakama Reservation is located in south central Washington, along the eastern slopes of the Cascade Mountain Range.

According to the 2012 American Community Survey, the poverty rate nationally for American Indians is 29%, twice the average for all Americans. About 40% of on-reservation housing in this country is considered inadequate, compared to 6% of all housing nationwide (2003, National American Indian Housing Council). There are approximately 10,000 enrolled members of the Yakama Nation, of which about 60% reside on the Yakama Reservation. On this Reservation, 24% of Indian households live below the poverty line, and 34% are unemployed. Over 40% of the

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households have income of less than \$25,000. The Authority houses 2,884 persons in units under management, or nearly half of the Yakama Nation's members who live on the Reservation.

There is a great need for housing on the Yakama Reservation and the funding that was made available in 2009 through the ARRA appropriations for the Indian Housing Block Grant ("IHBG") program was put to good use. The IHBG program is authorized under the Native American Housing and Self-Determination Act of 1996, as amended ("NAHASDA"). The Authority received two IHBG grants from the ARRA appropriations: a formula grant of \$1,899,831, and a competitive grant of \$3,000,000. The formula grant was based on the Authority's Fiscal Year ("FY") 2008 IHBG allocation and was spent to replace defective steel steps on 77 housing units with poured in place concrete steps and railings, and to improve the indoor air quality and weatherization of 54 housing units. The competitive grant was awarded based on a competitive grant proposal the Authority submitted to HUD, and was spent on the extensive repair and rehabilitation of 19 privately owned homes and the purchase and set up of 12 modular units, which were used to relocate families during the rehabilitation efforts and have since housed many Indian families as rental units.

Comment 1

The report recognizes that the Yakama Nation exercises powers of self-government, but leaves out that Tribal self-determination is a guiding principle of NAHASDA. The NAHASDA statute and regulations were terms of the Grant Agreements, as stated on the Funding Approval/Agreement Forms HUD-52734-B that the Authority signed to receive the grants. NAHASDA states that federal assistance

shall be provided in a manner that recognizes the right of Indian self-determination and tribal self-governance by making such assistance available directly to the Indian tribes or tribally designated entities under authorities similar to those accorded Indian tribes in Public Law 93-638 (25 U.S.C. 450 et seq.).

In Public Law 93-638, Congress declares its commitment to

the establishment of a meaningful Indian self-determination policy which will permit an orderly transition from the Federal domination of programs for, and services to, Indians to effective and meaningful participation by the Indian people in the planning, conduct, and administration of those programs and services.

In recognition of self-determination, NAHASDA allows a Tribal grantee to self-determine the specific uses of IHBG funds as long as those funds are used to "carry out affordable housing activities," as defined in NAHASDA and in the grantee's Indian Housing Plan ("IHP"). NAHASDA, Section 102. A Tribe may adopt its own Tribal prevailing wage ordinances in lieu of Davis Bacon wages, NAHASDA 104(b)(3). Procurements of less than \$5,000 are exempt from "any otherwise applicable competitive procurement rule or procedure." NAHASDA, Section 203(g). In these ways and others, NAHASDA recognizes Tribal self-determination in how IHBG grants are administered.

The auditors conducted fieldwork on site at the Authority's offices for 7 months (p. 16), and were still requesting documents from the Authority in December 2013. In the exit conference the auditors affirmed that they had not found any spending under either of the grants that was not for the benefit of eligible households. The funds were spent on affordable housing activities under

NAHASDA. Only two of the questioned costs were determined to be “ineligible costs” under the grants: \$5,150 paid to workers who attended safety meetings and \$270 paid to workers for hours they did not list on their timesheets. The other questioned costs in the report are based primarily on the auditors’ interpretations of regulations and the Authority’s own policies (interpretations with which the Authority disagrees, as discussed in these comments), and on opinions about reasonable wages or the amount of materials stored in inventory.

COMMENTS TO RESULTS OF AUDIT

RESPONSE TO FINDING NO. 1: THE AUTHORITY DID NOT ALWAYS PROPERLY SPEND ITS RECOVERY ACT FUNDS. (PP. 4-10)

Comment 2

In the first paragraph on page 4, the report states that the Authority disregarded its control procedures, lacked review processes and failed to employ appropriate management techniques and oversight and that “As a result, it completed only 19 of 60 planned units with its competitive grant.” We believe this is an unfair characterization of the Authority’s performance and we will respond to each of the statements in turn. The conclusion that as a result, only a third of the planned units were completed is directly contradicted by the facts and should be removed from the report.

At the exit conference, the auditors seemed not to have reviewed the Amended Grant Application, although they referred to it later in the meeting. The Amended Grant Application was approved by HUD and contemplated between 20 to 30 repaired units and 10 to 15 modular units. The completion of 19 repaired units was only one short of that estimate. The grant application was amended so that some of the funds could be used to purchase modular units to be used to relocate the families whose homes were being repaired under the grants. The Authority had originally intended to utilize FEMA mobile units for relocation purposes, but a disastrous fire destroyed 20 homes on the Yakama Reservation and all of the awarded FEMA mobile units were redirected to the fire victims.

Comment 3

Also on page 4, the report states that “more homeowners could have benefited from the unreasonable pay for labor and unnecessary materials stored in [the YNHA] warehouse.” The inference is that this was a large amount, but less than \$7,000 in wages has been identified as “unreasonable” in the view of the auditors, and that would not have covered even one additional unit. The stored materials are primarily metal roofing that will be used to benefit eligible families. This conclusion is misleading and should also be removed from the report.

A. Comments to “The Authority Did Not Always Properly Spend Its Grant Funds.” (p. 4)

1. Comment to “Recovery Act funds were not always assigned to eligible units.” (p. 4).

Comment 4

The report states that the auditors identified \$1.3 million in costs that were not assigned to specific units and are, therefore, treated as unsupported costs.¹ The Authority will need to review this number, but the auditors’ reliance on 24 C.F.R. Section 85.20(b)(2) as requiring the Authority to assign all of its expenditures to specific units is misplaced.

¹Unsupported costs include those that “might involve a legal interpretation.” (p.20)

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Comment 4
Comment 5

The financial recordkeeping requirements for IHBG projects are found in 24 C.F.R. Section 1000.26, which states that recipients “shall comply with the requirements and standards of OMB Circular No. A-87, ‘Principles for Determining Costs Applicable to Grants and Contracts with State, Local and Federally Recognized Indian Tribal Governments,’” and with particular sections of 24 C.F.R. Part 85.

Section 85.20(b)(2) states:

Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The auditors interpret “records which adequately identify the source and application of funds” to mean that the Authority must maintain records per unit that would enable the auditors to visit each home and count the boards and nails in the unit against those that were purchased for that unit. We disagree that the plain language of Section 85.20(b)(2) or NAHASDA mandates that level of specificity.

Comment 5

OMB Circular No. A-87, Item 26.a. of Attachment B, “Materials and Supply Costs” states: “Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.” OMB Circular A-87 does not require that the recipient identify each item of material that goes into a particular unit. The Inspector General has not found any noncompliance with OMB Circular A-87. OMB Circular A-133 applies to audits of IHBGs, including formula and competitive grants from ARRA funds, and does not state that expenditures for affordable housing must be allocated to specific, individual units.

Each of the grants was a source of funds for an affordable housing project, as described in the amended IHP (for the formula grant) and in the Amended Grant Application (for the competitive grant). The Authority complied with acceptable accounting practices by maintaining records which showed that the funds under each grant were applied to pay for materials, labor, and related costs incurred to carry out the award. The Authority also maintained records which demonstrated that the beneficiaries were eligible for the program, inventory records for materials purchased and stored in the warehouse, and payroll records for the work.

The auditors said at the exit conference that if some of the expenditures were allocated to specific units then all of the expenditures should have been allocated this way. Some procurements were structured to apply purchases to specific units; however, absent a published standard that requires a per unit allocation of costs, the Authority disagrees with treating expenditures as unsupported because they are not allocated to specific units.

Comment 6

Further, the standard method in construction for accounting for performance of work on a project is a percentage of completion. The construction industry does not account to a particular board or nail. Had YNHA contracted the work on these projects, the contractor would not have the

type of records the auditors are requiring. It is not reasonable to treat the Authority differently simply because the Authority utilized its own Tribal workforce.²

2. Comment to “The Authority paid its vendors almost \$196,000 without obtaining proof that it received all the materials ordered.” (p. 4)

Comment 7

We have not yet been able to determine the basis for the \$196,000. While the auditors have said that the documents they reviewed are in the Authority’s conference room, the auditors pulled apart the documents and putting them back together will take time, according to accounting staff. We understand that the auditors did not consider other types of documentation as being acceptable to verify deliveries. The Authority’s policy does not prescribe the format of a receiver’s report or prohibit other methods, and the delivery of materials may be verified by a packing slip or invoice that is signed by an employee of the Authority.

Comment 8

3. Comment to “The Authority purchased more than \$177,000 in unnecessary materials. (p. 5)

Comment 9

The majority of the materials remaining in the warehouse as of July 29, 2013 (the date specified in the report), were metal roofing materials. These materials were purchased in bulk to obtain the best price, but due to the fire on the Reservation and the need to reprogram some of the competitive grant to purchase modulars for relocation, the Authority had roofing materials that it did not use for the home repairs. The Authority would generally return unused materials, but metal roofing materials cannot be returned and it would have been wasteful to dispose of the materials. The Authority disagrees that the materials were unnecessary. There is a regular need for roof repairs, and the materials will be used for affordable housing consistent with the purposes of the grants.

4. Comment to “The Authority charged the grant for routine maintenance staff meetings and maintenance operations performed by maintenance staff.” (p. 5)

Comment 10

The report claims that the Authority paid \$5,150 in wages to maintenance workers who attended safety meetings but did not work directly on the ARRA projects. The Authority disagrees that time spent in safety meetings needed to be assigned to specific units. The Authority will need time to review the documentation to be able to prepare a more complete response.

5. Comment to “The Authority did not always pay the prevailing Davis Bacon wages.” (p. 5-7)

Comment 11

The report asserts that the Authority underpaid employees a combined total of \$186 below the prevailing Davis Bacon wages by paying incorrect wage rates. The report does not explain how this was calculated, but after the exit conference the auditors provided copies of spreadsheets that gave the names of the employees, the pay periods, hourly wages paid for work, etc. The auditors also provided copies of the wage rates from March 2010 which they said they used to compute the

²The auditors’ lack of experience with Tribal projects was evident. At their first meeting with the Authority, which included the Chairman of the Authority, one of the auditors asked jokingly if those present were going to do a “rain dance.” The auditors said later that this was their first IHBG audit.

discrepancies, and said they had not independently determined the rates that applied to the projects. The Authority will need more time to review the documentation in order to prepare a complete response.

6. Comment to “the Authority paid employees for hours not worked.” (p. 6)

Comment 12

The report also asserts that the Authority paid two employees a combined total of \$270.22 for hours not worked. The Authority has had time to review its records for one of the employees, who the auditor found was overpaid for 8 hours or a total of \$254.88. The records show that this employee did work those hours, but on a different ARRA unit. Due to a miscoding in the accounting department, the hours worked on the other unit were mistakenly assigned in the payroll records to the unit the auditors reviewed. The employee worked the hours that he was paid. The Authority will need more time to identify and review the remaining \$15.34.

7. Comment to “The Authority sometimes paid unreasonable hourly rates.” (p. 6)

The report states that the Authority paid nearly \$7,000 in unreasonable hourly rates to its construction staff, by paying several construction employees more than the applicable Davis Bacon rate. In the opinion of the auditors, that the amount of the wages above the Davis Bacon rate was not a “reasonable and necessary” cost. The Davis Bacon Act prescribes minimum wages, not maximum wages. HUD Program Guidance 2009-07 (ONAP) states,

Section 1606 of the Recovery Act requires all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Recovery Act to be paid wages at *not less than...*(Davis Bacon wages).

Comment 13

The Authority will need more time to review the information the auditors provided after the exit conference, but we believe some of the differences may be traced to the wage determination the auditors used. If the Authority paid more than it was required to pay under Davis Bacon, that is not a violation of the law, as the auditors have tacitly acknowledged by not identifying these amounts as ineligible costs. If the standard is whether the costs were “ordinary, prudent, relevant or necessary” (p. 20), then we believe this should be considered in the context of NAHASDA and Tribal self-determination. If Indian Tribes may adopt Tribal prevailing wages in lieu of Davis Bacon wages, NAHASDA, Section 104(b)(3), then paying more than Davis Bacon in some instances should not be treated as per se unreasonable. While Yakama has not yet adopted a Tribal prevailing wage ordinance, whether or not a cost is “reasonable and necessary” depends upon the circumstances of the payment.

Comment 14

The report also includes a paragraph about two employees who were paid \$31.79 per hour for “undefined tasks” while another employee performed purchasing functions for \$20.65 per hour. This was discussed at the exit conference and the auditors said they did not know what work the higher paid employees performed. The employees performed administrative duties that included purchasing but also other functions, such as scope of work assessments, and their compensation reflected the value of their construction knowledge and background. The inference that those employees were

overpaid for their work is without support. We note that this was not included in the schedule of questioned costs and request that the paragraph and accompanying table be removed.

B. Comments to “The Authority Failed to Employ Appropriate Management Techniques.” (pp. 7-8)

Comment 15

1. Comment to “The Authority disregarded its control procedures.” (p. 7)

The report states that the “Authority disregarded its policy requiring materials and goods to be charged to specific units,” and that “Its policy required staff...to prepare necessary journal entries to charge the cost of issuance to the specific unit.” (p. 7). On Appendix C, the report quotes the YNHA Procurement Policy and Procedures, V.A.1(e), which states:

Issuing materials - Charging the cost of materials and supplies to the appropriate project for which the materials and supplies are being used is a primary goal of the inventory system. An issue slip will be filled and transmitted weekly to the Accountant. The Accountant will charge the cost of issuance to the appropriate programs and prepare the necessary journal entries to record the transaction.

The statement that this policy requires materials to be “charged to specific units” is false. The policy requires materials to be charged to “projects” and “programs.” Each of the ARRA grants was a project or program under this policy, and the cost of purchased materials and supplies was charged to the appropriate grant.

The report further states that the Authority disregarded its policy requiring a signed and dated receiver’s report for vendor payments. On Appendix C, the report quotes the YNHA Procurement Policy and Procedures, III.C, which states:

Comment 8

Receiver’s responsibilities³ - Upon receipt of the goods, the receiver shall prepare the Receiver’s Report. The report should be signed and dated. Upon preparation, the receiver should forward the original receiver’s report and the signed copy of the vendor’s delivery receipt (if available) to the accounting office.

There are other methodologies for verifying receipt of purchased materials and supplies, and while receiver’s reports are preferred, by using the words “should” we believe the policy does not preclude other methods of verification for accounting purposes. The delivery of materials may be verified by reference to a packing slip or invoice that is signed by an employee of the Authority who receives the goods. If the auditors discounted these type of records as not meeting the requirements of the policy, that was an overly narrow interpretation.

Comment 15

Finally, the report states that the Authority disregarded its policies to procure materials only for specific identified units, and to not allow materials to exceed \$5,000 in value. On Appendix C, the report quotes the following clause from page 62 of the YNHA Procurement Policy and Procedures:

³The report states “Receiver’s Report,” but the actual language in this paragraph is “Receiver’s Responsibilities.”

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Comment 15

Inventory of Materials: The YNHA shall only procure materials for the specific job purpose. Any extra materials shall be 1. Returned to the supplier for credit, 2. Sold as surplus using the procedures included in this section, 3. Inventoried at a central location, keeping the material safe and secure, provided that the material can be used on other federally funded projects in the near future (the value of this material shall not exceed \$5,000), or 4. Scrap the material.

Comment 9

The statement that this policy requires materials to be procured for “only for specific identified units” is false. The policy refers to “job purpose,” and the purpose of the ARRA projects was to rehabilitate homes. Most of the materials in the warehouse at the end of the project were for metal roofing, which cannot be returned to the supplier for credit. It would be wasteful to sell that material as surplus or scrap it. The material has been properly inventoried at the warehouse, which is a central, safe and secure location, for use on affordable housing, consistent with the purpose of the grants.

2. Comment to “The Authority lacked review processes.” (p. 7).

**Comment 4
Comment 5**

The report states that the time spent by the Authority’s employees to conduct the scope of work assessments was not allocated to specific units on their timesheets and reviewed and approved by the supervisor. We are not aware of any requirement that scope of work assessments be allocated to specific units. The report also states that management did not provide budgetary and expenditure reports to the program managers, and that if the maintenance supervisor had received these reports he would have corrected the charges to the grant for safety meetings. The Executive Director of the Authority held regular, weekly meetings with its managers, which the Chief Financial Officer and the Maintenance Manager attended. The ARRA projects were discussed at those meetings. Management provided a reasonable opportunity to its managers to ask questions and discuss concerns. If an error was made, it was not due to lack of available information or processes.

Comment 16

Comment 13

The report also claims cryptically that management specifically instructed payroll to pay two employees \$31.79 regardless of the work performed, without identifying the manager, the payroll employee or the two employees. We assume this refers to the same employees who were discussed on pages 6-7 of the report, and for the same reasons as stated therein, this reference should also be removed from the report.

A. Comments to “The Authority Could Have Served More Homes, and HUD Lacked Assurance that Funds Were Used Property.” (p. 8)

We incorporate our earlier comments.

B. Comments to Conclusion (p. 8)

We incorporate our earlier comments.

C. Comments to the Recommendations (pp. 8-10)

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Recommendation 1A: Provide support showing that \$709,367 (or \$1,313,621) was spent on eligible units or reimburse the U.S. Treasury from non-Federal funds for expenditures it is unable to assign to a specific eligible unit.

Comment 4

Specific per unit accounting was not required by any applicable law, regulation or standard at the time the funds were spent. The Inspector General has identified no areas of noncompliance with OMB Circulars A-87 or A-133. The Authority complied with acceptable accounting practices by maintaining records showing that the funds under each grant were applied to purchase materials and pay for labor for the affordable housing purposes that were identified in the grants. The Authority also maintained occupancy records which demonstrated that the beneficiaries were eligible for the program, inventory records for materials purchased and stored in the warehouse, and payroll records for work performed.

Comment 17

It would be a waste of resources for the Authority to have to create specific per unit records for every cost and expenditure of funds under both of the grants. If there needs to be a per unit record for accounting purposes, then the bulk purchases and other amounts may be assigned based on a reasonable formula. We do not feel that there is a lawful basis to require the Authority to reimburse the U.S. Treasury for these amounts. The amounts were expended for affordable housing and by taking that amount out of the Authority's budget, HUD would be hurting families who depend on the Authority for housing.

Comment 8

Recommendation 1B: Provide support showing that materials costing \$195,793 were received and in acceptable condition or reimburse U.S. Treasury.

The Authority does not agree that its policy requires the accounting department to have a corresponding receiver's report for every purchase of materials before paying an invoice. Other types of verification than just receiver's reports should be acceptable. The auditors have not identified any instance in which the accounting department paid for materials that were not delivered or in acceptable condition. The Authority should not be required to reimburse the grants just because there is not a receiver's report.

Recommendation 1C: Review all other Recovery Act NAHBG invoices not reviewed as a part of this audit and provide the results to HUD for review and approval. Reimburse HUD for any invoices not supported by a proper receiving report.

If the Authority can verify the purchases that were reviewed with other available documentation (Recommendation 1B), then it should not be necessary to review every other invoice. If other invoices must be reviewed, then other types of verification than just receiver's reports should be accepted. Again, the Authority should not be required to reimburse the grants just because there is not a receiver's report.

Comment 18

Recommendation 1D: Use its excess inventory on NAHASDA eligible activities within a reasonable time or reimburse U.S. Treasury \$177,133 from non-Federal funds.

The Authority will use the materials still in its inventory for affordable housing activities under NAHASDA. We do not understand the statement that this amount must be supported under

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Recommendation 1A, when the materials have not yet been deployed. If the intent is to require the Authority to assign the materials to specific units in its accounting system, then please see our earlier comments.

Recommendation 1E. Reimburse the U.S. Treasury from non-Federal funds \$5,150 for ineligible maintenance staff meetings and maintenance operations charged to the grant.

Comment 19

As already stated, the Authority will need time to review the documentation to prepare a more complete response on whether these were ineligible costs under the Recovery Act projects, including whether the employees worked on those projects. The Authority does not agree, however, that if there is a reimbursement, it should be from non-Federal funds. The workers were employed on affordable housing projects under NAHASDA and time spent attending safety meetings benefits the program.

Recommendation 1F. Review all other payroll charges to the grants not reviewed, provide results to HUD for review and approval, and reimburse the U.S. Treasury from non-Federal funds for any other maintenance staff meetings charged to the grant.

Comment 20

See above. A review of all other payroll charges would be overbroad; if a review is required, the scope should be on meetings the maintenance staff were paid to attend during the relevant period. If it is determined they were paid incorrectly from the Recovery Act grants, then the cost was related to a federal program and should not be paid from non-Federal funds.

Recommendation 1G. Provide supporting documentation showing restitution was made to employees paid less than Davis-Bacon wages or compensate them \$186 from non-Federal funds.

Comment 21

The Authority has not yet had the opportunity to review the documentation relied upon by the auditors to determine that some employees were paid less than the wages to which they were legally entitled, but if this occurred and the amount is supported by the documentation, then the Authority will properly compensate the employees \$186. The Authority does not necessarily agree, however, that the compensation should come from non-Federal funds, if the employees were working on affordable housing under NAHASDA.

Recommendation 1H. Reimburse U.S. Treasury \$270 from non-Federal funds for hours paid and not worked.

Comment 12

The Authority can document that one of the employees, who was paid \$254.88, did work on the project, as discussed above. If upon review, the documentation shows that \$15.34 was paid for time not worked, the Authority will repay that amount.

Recommendation 1I. Reimburse the U.S. Treasury \$6,617 for the unreasonable wages cited in this report.

Comment 13

This recommendation is understood to correspond to the earlier reference to “nearly \$7,000.” We note that this is identified as an unreasonable cost, and not an ineligible or unsupported cost. No

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law was violated. We disagree with having to reimburse the grant solely on the basis that there were instances in which the Authority paid more than the minimum required by Davis Bacon.

Comment 22

Recommendation 1J. Review all payments to employees who charged time to the grants not reviewed⁴ to determine whether additional wage restitution is owed or additional unreasonable wages were paid. If owed, make restitution from non-federal funds, and if unreasonable wages were paid, reimburse the U.S. Treasury from non-federal funds.

We do not agree that the de minimus amount of wage restitution that has been identified warrants a complete and exhaustive review of all payroll records for all employees over the life of the two grants. The auditors identified only \$186 in underpayments. We also do not agree that an exhaustive records review to identify “unreasonable wages” is warranted, for reasons already stated.

Comment 23

Recommendation 1K. Implement policies already in place to ensure that all costs are charged to corresponding units.

We incorporate our earlier comments.

Recommendation 1L. Implement policies already in place to ensure that the receiver signs and dates the receiver's report confirming that materials have been received and are in acceptable condition.

We incorporate our earlier comments.

Comment 24

Recommendation 1M. Implement policies to ensure that value of materials on hand does not exceed \$5,000.

We incorporate our earlier comments. The Authority owns and operates its own warehouse, which can accommodate more than \$5,000 of materials safely and securely. If this is against policy, then the Authority may consider amending its policy.

Recommendation 1N. Develop and implement policies to ensure that unrelated activities are not charged to grants for rehabilitation or new construction.

The Authority will review its policies and consider any necessary amendments.

Recommendation 1O. Develop and implement policies to ensure that YNHA pays at Davis Bacon rates or uses appropriate personnel.

The Authority will review its policies and consider any necessary amendments.

Recommendation 1P. ONAP should conduct future monitoring to ensure that the Authority follows its policies.

⁴At the exit conference, the auditors clarified that this means to review the payments that were not reviewed in this audit, not the grants not reviewed in this audit.

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Comment 15

The report has not established that the Authority failed to follow its policies. Any additional monitoring must be in accordance with NAHASDA.

Comment 25

II. FINDING 2: THE AUTHORITY SPLIT PURCHASES TO AVOID THE \$5,000 THRESHOLD THAT WOULD REQUIRE IT TO OBTAIN MULTIPLE PRICE QUOTATIONS. (PP. 11-12)

The report states that the Authority's policy "contradicted itself and incorrectly permitted it to make multiple purchases from a single source and not obtain a price quotation as long as each purchase order was less than \$5,000," resulting in the Authority not being able to "demonstrate that it received the best value for more than \$372,000 worth of materials purchased."

Section 203(g) of NAHASDA authorizes micro-purchases utilizing IHBG grants and states:

DE MINIMUS EXEMPTION FOR PROCUREMENT OF GOODS AND SERVICES. Notwithstanding any other provision of law, a recipient shall not be required to act in accordance with any otherwise applicable competitive procurement rule or procedure with respect to the procurement, using a grant provided under this Act, of goods and services the value of which is less than \$5,000.

The report does not mention this statute in Appendix C. Nor does it identify any other provision of law that the Authority violated when purchasing materials valued at under \$5,000.

Comment 26

Appendix C lists 24 C.F.R. Section 85.36(d)1, which pertains to small purchase procedures. Under the plain language of Section 203(g) of NAHASDA, purchases of less than \$5,000 are covered by a "de minimus exemption" from otherwise applicable competitive procurement rules. The only reference we found in 24 C.F.R. Section 85.36 to dividing purchases appears at 24 C.F.R. 85.36(e)2.iii, which refers to "Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises." We have not found a law or regulation that required the Authority to aggregate its purchases.

Comment 27

A. Comments to "The Authority Split Purchases." (p. 11).

The report claims that the Authority split purchases to avoid having to obtain and document price quotations. On Appendix D, the report identifies 112 separate purchases from 5 different vendors and says those purchases should have been combined into 32 purchases based on the dates the purchase orders were approved. Even if combined, all of these purchases would have been small purchases and the majority would still be under \$10,000, even in the aggregate. Under the Authority's policy, small purchases required three quotations by phone or other informal procedure. YNHA Procurement Policies and Procedures, par. V.E.

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Comment 28

Bid splitting by definition is dividing purchases for the purpose of avoiding competition. Appendix C to the report includes a reference to HUD Notice PIH-2009-14 (TDHEs),⁵ which states:

The Procurement or Contracting Officer should be aware of the prohibition against breaking down requirements of a purchase *for the purpose* of bid splitting to avoid the requirements that apply to larger purchases.

The notice does not identify an applicable law or regulation for the “prohibition,” but the focus is on dividing purchases *for the purpose* of avoiding competition. The auditors do not consider whether there were reasons that the Authority made smaller purchases, but just assume that it was to avoid having to obtain three price quotations by phone.

Comment 29

The Authority is not able to respond as to each of the procurements without more information, but there were many different reasons that the Authority would make smaller purchases other than to avoid a phone procurement. Purchase orders were prepared and submitted throughout the week, so the fact that they were signed on the same day does not point to bid splitting. We note that there is no finding in the report that the prices were not reasonable. The Authority is situated in a rural area, so there were a limited number of vendors from which the Authority could obtain its materials, and based on its experience with the vendors, the Authority could determine the costs to be reasonable. HUD Notice PIH-2009-14 (TDHEs) states:

Under a Micro Purchase, the Procurement or Contracting Officer determines reasonableness based on prior purchases of a similar nature or other source of information. When the purchase order is signed, it signifies that the cost has been determined to be reasonable.

Comment 30

Both the Authority and its vendors had limited space to store bulk purchases. It was also not always possible to predict the materials that would be required for a repair, because unexpected conditions were regularly encountered that required more extensive work than was originally anticipated. The Authority made some smaller purchases to help track some of the costs by unit. In short, there are many other reasons for making smaller purchases, other than to avoid competition.

B. Comments to “The Authority’s Procurement Policy Permitted this Approach.” (p. 12)

The basis for the statement that the Authority’s policy “contradicted itself” is unclear. The Authority’s policy on micro-purchases is identical in all relevant respects to the sample policy HUD recommended for TDHEs in HUD Notice PIH-2009-14 (TDHEs).⁶

HUD’s sample policy:

Comment 25

For purchases of less than \$5,000, also known as Micro Purchases, only one price quote is required, provided the quote is considered reasonable. Quotes may be

⁵A HUD notice is not adopted under the federal rulemaking process and does not have the force of law.

⁶The Authority’s Procurement Policies and Procedures handbook was originally adopted in 2001 and was modeled on the HUD Handbook 7460.8 REV 1, “Procurement Handbook for Public and Indian Housing Authorities” (1/93).

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obtained orally (either in person or by telephone), by catalog, fax, or email. If the purchase is made for reasons other than price, the file must clearly describe the reason for the purchase. Under no circumstances will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold. The Micro Purchase must be documented by an authorized purchase order or contract.

The Authority's policy:

Comment 31

For small purchases of less than \$5,000, (except for contracts of \$2,000 or more involving labor), only one price quote is required, provided the quote is considered reasonable. Quotes may be obtained orally (either in person or by telephone), by catalog, fax, or email. If the purchase is made for reasons other than price, the file must clearly describe the reason for the purchase. Under no circumstances will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold. The Micro Purchase must be documented by an authorized purchase order or contract.

Comment 32

The report states that the Authority "ignored the part of its policy stating that it was not to break down the purchases, under any circumstances, to meet the threshold." This assumes that each of the purchases identified by the auditors was a single purchase, which was then broken down for the purpose of avoiding competition. The policy does not prohibit breaking down purchase orders for other reasons, and there is no requirement that smaller purchases be aggregated into larger purchases.

Comment 33

B. Comments to "The Authority Could Not Demonstrate That It Received the Best Value." (p. 12).

The report states that the Authority was not able to demonstrate "best value" because it did not obtain more than one price quotation for purchases under \$5,000. Purchases under \$5,000 do not require documentation of "best value." As stated in HUD Notice PIH-2009-14 (TDHEs), "When the purchase order is signed, it signifies that the cost has been determined to be reasonable." *See also* NAHASDA, Section 203(g).

Comment 26

The report states that the Authority "should have combined purchase orders to one vendor for related items...to determine whether it should have obtained additional quotes to obtain the best possible pricing." (p. 12) The report does not state any law or rule that requires an IHBG grantee to aggregate its purchases and we are not aware of one that would apply here.

C. Comments to the Recommendations (p. 12)

Recommendation 2.A. Provide support showing that the Authority received the best value for \$372,221 worth of materials it purchased or reimburse the U.S. Treasury from nonfederal funds for any amount that is not supported.

Comment 34

The auditors explained that the exit conference that the amount they would recommend to be reimbursed was not the entire \$372,221, but the difference between the “best value” cost and the actual cost. This should be clarified in the recommendations.

Comment 35

The report does not state how the “best value” is to be determined. It would not be appropriate to require the Authority to aggregate the 112 purchases into 32 purchases (as the report does in Appendix D) and then evaluate whether there could have been a cost savings, because the Authority was not required to aggregate its purchases. If there is evidence that any of the purchases was intentionally split, there still may have been other reasons for dividing the purchase other than to avoid competitive procurement, in which case bid splitting cannot be established. We do not believe there is a legal basis for requiring the Authority to document “best value” for a micro-purchase or reimburse the grant.

Recommendation 2.B. Amend the Authority’s policy to require that purchases from a single source, within a reasonable timeframe, be combined to determine whether they exceed the \$5,000 threshold, and if so, obtain additional price quotations.

Comment 26

The report does not identify any legal basis for requiring the Authority to amend its policy. Sometimes aggregating purchases may make sense, but there may be good reasons for not aggregating purchases, as recognized in 24 C.F.R. Section 85.36(e)2.iii, and as already discussed.

III. FINDING 3: THE AUTHORITY DID NOT PROPERLY REPORT ITS RECOVERY ACT INFORMATION (PP. 13-15)

Comment 36

The Authority acknowledges that some errors occurred in its reporting utilizing the FederalReporting.gov system. The project descriptions stated that the Authority would offer zero percent loans and grants, which was accurate when written. The initial plan was to use zero percent loans, secured by mortgages, for some of the homes and that the loans would “convert” to grants over a 10-year period. When the Bureau of Indian Affairs was unable to approve trust land mortgages in a timely manner, the Authority decided not to use loans.

Comment 37

The report also states that the Authority overstated its payments made to four vendors. The ARRA guidance for recording payments to vendors was not very clear and the Authority reported certain vendor payments in a cumulative fashion, and reported the number of employees it hired rather than the FTEs of the jobs that were funded. The Authority’s reporting methodology did not cause any general ledger duplication of payments. Given the lack of clear guidance, having the reporting information reviewed by the supervisor may not have made much difference. We understand these were common reporting errors among ARRA grantees. Any lack of transparency was certainly not purposeful.

Recommendation 3A. Make the necessary changes to reports on FederalReporting.gov.

The Authority agrees with the recommendation to make the necessary changes to the project descriptions and fields relating to final vendor payment figures in FederalReporting.gov. If it were possible, the Authority would also change the jobs information, but unfortunately those numbers cannot be adjusted.

COMMENTS TO INTERNAL CONTROLS: SIGNIFICANT DEFICIENCIES (P. 18)

Our comments to the deficiencies and lack of procedures identified in the report are as follows:

**Comment 4
Comment 15**

A. Comment to “The Authority did not have controls in place to ensure that it followed its policies to...”

1. Maintain records identifying the source and application of funds. We believe the records identified the source and application of funds in compliance with the applicable regulations and circulars. We do not believe HUD should find a significant deficiency solely on the basis that not all costs were identified to a specific unit.

Comment 8

2. Obtain, sign and date receiving reports for purchased materials. We believe there are other ways to document and verify the receipt of purchased materials. The Authority’s policy does not proscribe the use of other methods, and we do not believe there is a basis for a determination of a significant deficiency on the basis that not all purchases have receiving reports.

Comment 9

3. Purchase materials for a specific job purpose and keep extra materials of no more than \$5,000. We believe purchases are made for a job purpose even when they are not assigned to a specific identified unit, and under certain circumstances it may be more economical for the Authority to store more than \$5,000 of materials in its warehouse.

Comment 16

B. Comment to “The Authority lacked procedures to ensure that...”

1. Maintenance staff meeting time was charged to its operating fund and not to the grants. If this occurred, then it was an isolated mistake. Managers knew that only the labor costs associated with the two projects should be charged to the grant. The Executive Director also held weekly managers’ meetings to provide an opportunity for the managers to exchange relevant information around a conference table.

Comment 22

2. It paid employees the prevailing Davis-Bacon wage for the tasks they performed. The report identifies only \$186 in underpayments. The Authority will evaluate the circumstances and determine whether it needs to revise its procedures, but given the total amount of wages paid on these two projects we do not agree that \$186 represents a significant deficiency.

Comment 26

3. Staff obtained additional price quotations to obtain the best pricing possible for small purchases. We do not agree that it was a significant deficiency not to have procedures in place to aggregate micro purchases, when there was no regulation or circular that required aggregation.

**Comment 36
Comment 37**

4. Filing of information was complete and accurate. We agree that there were some errors in reporting, but we do not agree that the reason was a lack of internal procedures. HUD provided limited guidance in how to report the vendor payments and the job FTEs and many grantees were confused.

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COMMENTS TO SCHEDULE OF QUESTIONED COSTS (P. 20)

Comment 38

The schedule of questioned costs shows that only .3% of the questioned costs are considered to be “ineligible costs,” meaning the auditors believe those costs are not allowable by law. Those are the costs of safety meetings and hours not worked. The bulk of the questioned costs, 87.1% are identified as “unsupported costs.” The report explains that

Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

That includes the costs not assigned to specific identified units, those paid without receiver’s reports, split purchases, and de minimus underpayments under Davis Bacon. The remaining 12.6% are identified as “unreasonable costs” and include the stored materials and payments above Davis Bacon.

We have responded to each of the costs in our comments. With 99.7% in costs identified as either “unsupported” or “unreasonable,” we anticipate there will be the opportunity to work with the HUD ONAP officials to address the issues we have raised in these comments and others as they arise. We have had a positive working relationship with the Regional HUD ONAP staff and we anticipate being able to work through these findings. Our comments are, of course, preliminary, because we either do not have the source information or we have not had the time yet to analyze it. We have been advised that in order to obtain a copy of the auditors’ working papers, we will need to submit a Freedom of Information Act (“FOIA”) request after the report is published.

We appreciate the opportunity to provide these comments. If there are any questions, I may be reached at (509) 877-6171.

Sincerely,

William Picotte, Executive Director
Yakama Nation Housing Authority

OIG Evaluation of Auditee Comments

- Comment 1** The Authority stated that the report recognizes that the Yakama Nation exercises powers of self-government, but leaves out that Tribal self-determination is a guiding principle of NAHASDA. We agree that Tribal self-determination is a guiding principle within the constraints of NAHASDA.
- Comment 2** The Authority believed our statement “As a result, it completed only 19 of 60 planned units with its competitive grant” was an unfair characterization of the auditee’s performance, contradicted the facts, and should be removed from the report. We relied on the Authority’s original application, its final Recovery Act report submission as of September 2012, and its 2011 annual performance plan in which it stated that it planned to repair up to 60 homes, and purchase up to 15 modular homes. Although the Authority provided a copy of the signed approval for the purchase of the 12 modular homes, there was not a signed amended application reducing the number of units to be repaired and the HUD approval did not mention the decrease in the number of planned units for rehabilitation. However, as a result of HUD’s assertion that the reduction in the number of units to be rehabilitated was approved, we changed our effect to state that the Authority could not demonstrate that it spent \$1.2 million of grant funds on eligible housing activities.
- Comment 3** The Authority believed our conclusion that “more homeowners could have benefited from the unreasonable pay for labor and unnecessary materials stored in [the YNHA] warehouse” is misleading and should be removed from the report because less than \$7,000 in wages that was identified as “unreasonable” would not have covered even one additional unit. As a result of the auditee’s response and our discussions with HUD, we removed the unreasonable wages from the report. However, we also identified \$177,000 in unnecessary materials that remained in inventory and could have been used to benefit eligible families.
- Comment 4** Part 1000.28 of the Native American Housing And Self-Determination Act (NAHASDA) requires the Authority, as a self-governance Indian tribe, to have administrative requirements, standards and systems that meet or exceed the comparable requirements of 24 CFR 1000.26. This requires the Authority to meet requirements in 24 CFR 85.20, which requires grantees to maintain financial records that are accurate, current, and complete and that adequately identify the source and application of funds provided for assisted activities. It also requires financial information to be related to performance or productivity data, including the development of unit cost information whenever appropriate. The

Authority could not demonstrate that bulk materials purchased and labor paid with Recovery Act grant funds were used in the performance of the work and to benefit eligible units and recipients.

In addition, Federal Regulations at 24 CFR 1000.156, as clarified by HUD Notice PIH 2010-47, maintains that the Authority, "...is responsible for ensuring that the amount of funds from **all** sources used to construct each unit does not exceed the TDC [total development cost] limits..." and that units that improperly exceed total development cost limits without appropriate HUD approval will not be considered to be "...affordable housing..." All Indian Housing Block Grant funds expended on such units will be disallowed. Consequently, it needs to know the amount of block grant funds that went into each unit to demonstrate that total development cost limits were not exceeded.

Further, Section 205 (a)(2) of the NAHASDA requires each dwelling unit to remain affordable according to binding commitments for the remaining useful life of the property. The useful life restrictions in the binding commitments, according to HUD program guidance No. 2007-07, provide that the NAHASDA funds invested in a property be refunded, either in full, or as a prorated amount in the event of a default. Consequently, the Authority needs to know the amount of block grant funds that went into a specific unit to determine the amount to be refunded in the event of default.

We modified the finding to include additional information and the additional criteria are now included in appendix C. In addition, we requested further documentation on the Authority's calculation of total development costs and the useful life of the units it assisted with these grants, but it did not provide the support.

Comment 5 The Authority stated that we have not found any noncompliance with OMB Circular A-87, and that OMB Circular A-133 applies to audits of Indian Housing Block Grants and does not state that expenditures for affordable housing must be allocated to specific, individual units. It also stated that it complied with acceptable accounting practices by maintaining records which showed that the funds under each grant were applied to pay for materials, labor, and related costs incurred to carry out the award. Cost principles in 2 CFR 225 (OMB Circular A-87) state that, "only materials and supplies actually used for the performance of a Federal award may be charged as direct costs." We did not dispute that the Authority complied with acceptable accounting practices. However, although the Authority stated that it maintained these records and applied the costs to the grants, the Authority could not demonstrate that it used the materials purchased and the labor charged on the eligible projects. This criterion was added to appendix A. Also, see Comment 4.

- Comment 6** Whether the construction industry accounts for its performance of work on a project using the percentage of completion method is irrelevant. According to 2 CFR 225 Appendix B, Selected Items of Cost, number 26, "...only materials and supplies actually used for the performance of a Federal award may be charged as a direct cost." The Authority must show the materials were used in the performance of the award.
- Comment 7** The Authority claimed that it had not had time to determine the basis for the \$196,000 as it would take time to put together the documents that were pulled apart and reviewed by the auditor. The Authority's documentation (purchase orders, invoices, checks, and timesheets) was contained in boxes it provided to the auditors. However, because the Authority's filing system within these boxes was a challenge to work with, it was agreed that Authority staff would pull the documentation from those boxes and provide it to the auditors. Upon completion of the fieldwork, the auditors presented the documentation back to the Authority in the condition in which it had been received.
- Comment 8** We did not take exception to documentation of delivery receipts as long as there was evidence that the Authority received the materials and goods in the correct quantity and quality. For example, a purchase order that was stamped, signed, and dated was considered acceptable. We found that use of only a vendor's invoice was unacceptable to document receipt of the correct quantity and quality of materials since no one compared the vendor's invoice to what was received.
- Comment 9** Note the date specified in the report is July 19, 2013, not July 29, as stated in the response. The Authority purchased \$38,366 of additional inventory after it stopped charging labor to the formula grant projects at the end of June 2011. Also, the Authority claimed that it purchased roofing materials in bulk to obtain the best price, but needed to reprogram some of the grant funds due to a fire so did not use all of these roofing materials. However, review of its accounting system showed the Authority purchased \$21,360 of roofing materials on March 16, 2011, and \$22,800 on August 25, 2011. These purchases were made after the February 14, 2011 fire and after it knew that it was not going to repair as many homes as shown in its grant application. In addition, the second of these purchases was made after the Authority received approval of its amended grant application.
- Comment 10** The Authority disagrees that time spent in safety meetings needed to be assigned to specific units. We rephrased the audit report to delete the wording, "...and was not allocated to particular units" in this instance because it detracted from the issue that these costs should not have been charged to the grant.

Comment 11 The Authority stated that the report did not explain how we calculated the underpayment of the prevailing Davis Bacon wages, and that during the exit we stated that we used the March 2010 wage rates. We used the wage rates adopted by the Authority at the beginning of the grant period to test and recalculate the labor costs. We also corrected this amount to be \$176 as pointed out during the exit conference.

Comment 12 The timesheet in question showed 10.25 hours worked on the days in question, but 18 hours were entered into the system. When asked about the discrepancy, the Authority was not able to provide documentation to support this difference. If the Authority is now able to produce the documentation, it should work with HUD to resolve the recommendation.

Comment 13 The Authority stated that paying more than it was required to pay under Davis Bacon was not a violation of the law. We considered the Authority's comment and removed this from the report because the Davis Bacon Act addresses the minimum wage rate, not the ceiling rate.

Comment 14 One employee told us he worked on administrative tasks such as typing up purchase orders and scope of work assessments as well as coordinating purchases for the supervisors by calling or faxing for bids, whichever means was called for in the particular circumstance. The other employee was no longer with the Authority at the time of our payroll review and was unavailable to be interviewed. However, although one employee described some activities he performed, the Authority did not provide documentation of the "other" work that was performed. The Authority needs to provide documentation to HUD for resolution.

These costs were included in the unsupported costs in Recommendation 1A and in the Schedule of Questioned costs.

Comment 15 The Authority's policy requires that costs be charged to the "appropriate project" or "appropriate programs." However, the Authority's policy also states that an issue slip (requisition form) will be filled and transmitted weekly to the accountant. This slip includes detailed information for charging the costs to specific units such as the address of the unit, the workorder number, and the materials unit cost. This form was not always complete.

Comment 16 Although the Executive Director of the Authority held regular, weekly meetings with its managers and discussed the Recovery Act projects, the maintenance program manager said that no budgetary and expenditure reports were provided to the program managers for review to identify whether maintenance labor was incorrectly charged to Recovery Act grants and he was not aware that maintenance costs were charged to the grants.

- Comment 17** The Authority claimed that it would be a waste of resources for it to have to create specific per unit records for every cost and expenditure of funds under both of the grants. The Authority had already created and assigned accounting codes to each individual unit that it worked on in its accounting software as it had for the \$3.5 million to which the audit did not take exception. It needed to do this to determine the remaining useful life of the property it assisted to comply with the criteria cited in comment 4.
- Comment 18** As stated in comment 4, “only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.” Inventory held in the Authority’s warehouse has not been used for the performance of a Federal award. Further, the grants were completed about 1 ½ years ago and all materials purchased should have been used on the projects at that time.
- Comment 19** The Authority does not agree that if there is a reimbursement to be made for the maintenance staff meetings and maintenance operations, it should be from non-Federal funds. We rephrased the recommendation to state that the reimbursement should be made from the Authority’s operating account rather than from non-Federal funds.
- Comment 20** The Authority stated a review of all other payroll charges would be overload; if a review is required, the scope should be on meetings the maintenance staff were paid to attend during the relevant period. Reviewing all payroll charged to the Recovery Act projects should identify any ineligible costs charged to the grants in addition to maintenance meetings. Also see comment 19.
- Comment 21** We have rephrased the recommendation to delete the requirement that the restitution come from non-Federal funds because the Authority should have compensated the employees from its operating account.
- Comment 22** We reviewed labor charges to two units rehabilitated with competitive grant funds. Of the 20 pay periods reviewed, the Authority made errors for multiple employees in 14 pay periods or 70 percent of the time. This was a pervasive problem on these units for this grant. Therefore, the Authority should be required to review all payments charged to the grants to determine whether additional wage restitution is owed.
- Comment 23** After review of the auditee and HUD's comments, we removed this recommendation from the report because we are emphasizing that the costs should be attributed to the project.

- Comment 24** The Authority stated that it owns and operates its own warehouse, which can accommodate more than \$5,000 of materials safely and securely. If this is against policy, then it may consider amending its policy. We quoted the policy and made the recommendation based on the policy that was in effect during the scope of the audit.
- Comment 25** The Authority's policy adopted the provisions of the HUD Office of Public and Indian Housing Notice 2009-14. Its policy states, "under no circumstances will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold." This is contradicted by the statement in the Authority's policy, which states, "Single purchases for the purpose of this policy and procedure shall be considered to mean the total cost of one or more similar items to be obtained at any one time from a single source and listed on a single purchase order." Consequently, by creating multiple purchase orders under \$5,000 each, the Authority was able to circumvent the requirement for obtaining 3 price quotations.
- Comment 26** Regulations at 24 CFR 85.36(b)(4) state, "Grantee...will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase." This criterion has been added to appendix C.
- Comment 27** We agree that the purchases listed in appendix D if combined would still be under \$10,000 even in aggregate. However, since they would be over \$5,000, the Authority would have been required by its policy to obtain three quotations, documented in writing or by fax for each.
- Comment 28** We identified specific evidence of splitting purchases. On June 1, 2010, the Authority obtained an estimate for storage containers from one vendor; one type of container at \$3,995 and another type of container at \$3,495 with a \$125 delivery fee. The Authority purchased two containers totaling \$8,240 on two separate purchase orders on the same day; P10-7171 was for \$4,120 and P10-7172 was for \$4,120. The Authority did not obtain additional price quotes to obtain the best possible pricing. There was no documentation why the purchase was made on two separate purchase orders other than "...no bid required..."

On July 12, 2010, the Authority obtained an estimate of \$5,153.40 from one vendor for various construction supplies. The estimate shows a hand-drawn line and total about half way down, indicating the Authority split this estimate into two separate purchase orders, P10 7376 for \$1,197.90, and P10 7377 for \$3,955.70. These were separately invoiced on August 3, 2010. This indicated that the split of the purchase was intentional.

Comment 29 The Authority stated that it was not able to respond as to each of the procurement issues without more information. It also stated that there were many reasons it would make smaller purchases other than to avoid a phone procurement, and that purchase orders were prepared and submitted throughout the week. However, we noted that the purchase orders questioned were not only signed on the same day, but the purchase order dates were the same day or within one day. The Authority is correct that the audit did not find that the costs were unreasonable. We also did not find that the costs were reasonable and so we recommend that the Authority provide documentation supporting that it received the best value for the materials it purchased or reimburse HUD for the transmission to the U.S. Treasury from non-Federal funds for any amount that is not supported.

Comment 30 The Authority stated that it and its vendors had limited space to store bulk purchases, and that it was also not always possible to predict the materials that would be required for a repair. It also said it made some smaller purchases to help track some of the costs by unit and bought smaller purchases for many reasons, other than to avoid competition. We considered space as a reason the Authority made multiple purchases on the same day, but noted that the Authority purchased a total of 6 40-foot and 2 20-foot standard container storage units in August, and September 2010, to store Recovery Act project materials. In addition, it made many purchases of less than \$5,000 that if combined, would not have taken additional storage space since the purchases were made on the same day or within one day. Further, the Authority said that it, "...made some smaller purchases to help track some of the costs by unit," but it did not identify the unit on these purchase orders. Finally, the Authority stated that it owns and operates its own warehouse, which can accommodate more than \$5,000 of materials safely and securely (see comment 24).

Comment 31 The issue is not what the requirements are for purchases of less than \$5,000, but that the Authority broke down purchases so that they would be less than \$5,000. At this point, the Authority would be responsible for following its policy as stated in comments 24 and 25.

Comment 32 The Authority stated that the report assumed that the purchases were broken down for the purpose of avoiding competition and its policy does not prohibit breaking down purchase orders for other reasons. However, the Authority's policy states that "under **no circumstances** will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold." The policy does not allow breaking down purchase orders for any reason. See comments 27 and 28.

Comment 33 These purchases were under \$5,000 as a result of splitting them into multiple single purchases or not combining them. These purchases were

from the same vendor, on the same day, and in many cases in sequential order. It would have been prudent to create one purchase order and obtain quotes from multiple vendors to determine which would provide the best value.

- Comment 34** The Authority stated that the difference between the \$372,221 materials and the best value be clarified in the recommendations. We clarified in the exit conference that the recommended reimbursement would be the difference between the \$372,221 paid for materials the Authority purchased and the documentation it is able to provide showing that it received the best value.
- Comment 35** It is the Authority's responsibility to work with HUD to determine how to document that it received the best value for the grant funds spent. See comments 27, 32, and 33.
- Comment 36** The final submission of the Recovery Act reporting was for the quarter ending September 30, 2012. There were many previous filings, beginning in October 2009, during which the Authority could have updated its data to reflect accurate information.
- Comment 37** The Authority was unable to provide documentation for determining how it arrived at the data it reported. The chief financial officer obtained the data verbally from a temporary project coordinator over the phone. Although guidance was not clear at the beginning, clarification was made throughout the grant period. In addition, if there had been documentation for review, it is possible that at least some of the mistakes would have been caught.
- Comment 38** The Authority commented on the questioned costs stating that .3% was determined to be ineligible, 87.1% unsupported, and 12.6% unreasonable or unnecessary. Although only a small portion of the questioned costs were ineligible, the unsupported costs require supporting documentation to be eligible. Without that documentation, the costs are ineligible and need to be returned to HUD for transmission to the U.S. Treasury.

Appendix C

CRITERIA

Native American Housing Assistance and Self-Determination Act of 1996 Section 203 Program Requirements (b) Maintenance and Efficient Operation

SEC. 203. (b) Maintenance and Efficient Operation – each recipient who owns or operates (or is responsible for funding any entity that owns or operates) housing developed or operated pursuant to a contract between the [HUD] Secretary and an Indian housing authority pursuant to the United States Housing Act of 1937 shall, using amounts of any grants received under this Act, reserve and use for operating assistance under section 202(1) such amounts as may be necessary to provide for the continued maintenance and efficient operation of such housing.

Native American Housing Assistance and Self-Determination Act of 1996 Section 205 (a)(2) Low Income Requirement and Income Targeting

(a) IN GENERAL.—Housing shall qualify as affordable housing for purposes of this Act only if—(2) except for housing assisted under section 202 of the United States Housing Act of 1937 (as in effect before the date of the effectiveness of this Act), each dwelling unit in the housing will remain affordable, according to binding commitments satisfactory to the Secretary, for the remaining useful life of the property (as determined by the Secretary) without regard to the term of the mortgage or to transfer of ownership, or for such other period that the Secretary determines is the longest feasible period of time consistent with sound economics and the purposes of this Act, except upon a foreclosure by a lender (or upon other transfer in lieu of foreclosure) if such action—

2 CFR 225 (OMB Circular A-87) Appendix B 26 to Part 225 (26) c. Selected Items of Costs (26) Materials and Supplies Costs

c. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.

24 CFR 85.20(b) Standards for Financial Management Systems

The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially- assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

24 CFR 85.36(b)(4) Procurement Standards

Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

24 CFR 85.36(d)1

If small purchase procedures are used, price quotations shall be obtained from an adequate number of qualified sources. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$100,000.

24 CFR 1000.26 What are the administrative requirements under NAHASDA?

(a) Except as addressed in §1000.28, recipients shall comply with the requirements and standards of OMB Circular No. A-87, “Principles for Determining Costs Applicable to Grants and Contracts with State, Local and Federally recognized Indian Tribal Governments,” and with the following sections of 24 CFR part 85 “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.” For purposes of this part, “grantee” as defined in 24 CFR part 85 has the same meaning as “recipient.”

24 CFR 1000.28 May a self-governance Indian tribe be exempted from the applicability of §1000.26?

Yes. A self-governance Indian tribe shall certify that its administrative requirements, standards and systems meet or exceed the comparable requirements of §1000.26. For purposes of this section, a self-governance Indian tribe is an Indian tribe that participates in tribal self-governance as authorized under Public Law 93-638, as amended (25 U.S.C. 450 *et seq.*).

24 CFR.1000.156 Is affordable housing developed, acquired, or assisted under the IHBG program subject to limitations on cost or design standards?

Yes. Affordable housing must be of moderate design. For these purposes, moderate design is defined as housing that is of a size and with amenities consistent with unassisted housing offered for sale in the Indian tribe's general geographic area to buyers who are at or below the area median income. The local determination of moderate design applies to all housing assisted under an affordable housing activity, including development activities (*e.g.*, acquisition, new construction, reconstruction, moderate or substantial rehabilitation of affordable housing and homebuyer assistance) and model activities. Acquisition includes assistance to a family to buy housing. Units with the same number of bedrooms must be comparable with respect to size, cost and amenities.

United States Office of Management and Budget Memorandum M-09-21 Section 2 – Basic Principles and Requirements of Recovery Act Recipient Reporting

2.1 What recipient reporting is required in Section 1512 of the Recovery Act? Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter. Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that, the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
 - Description
 - Completion status
 - Estimates on jobs created or retained;
- Details on sub-awards and other payments.

Report United States Office of Management and Budget Memorandum M-09-21 Section 4 – Data Quality Requirements

4.1 What is the scope of required data quality reviews?

Data quality (i.e., accuracy, completeness and timely reporting of information) reviews required by this Guidance are intended to emphasize the avoidance of two key data problems -- material omissions and significant reporting errors.

Significant reporting errors are defined as those instances where required data is not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question.

4.2 Who is responsible for the quality of data submitted under Section 1512 of the Recovery Act?

Data quality is an important responsibility of key stakeholders identified in the Recovery Act. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted.

- Prime Recipient
 - Owns recipient data and sub-recipient data
 - Initiates appropriate data collection and reporting procedures to ensure that Section 1512 reporting requirements are met in a timely and effective manner
 - Implements internal control measures as appropriate to ensure accurate and complete information
 - Performs data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data and working with the designated sub-recipient to address any data quality issues

United States Office of Management and Budget Memorandum M-09-21 Section 5 – Reporting on Jobs Creation Estimates by Recipients

5.2 What information are recipients covered by Section 1512 required to report? Recipients will be required to report an aggregate number for the cumulative jobs created or retained for the quarter in a separate numeric field.

The estimate of the number of jobs required by the Recovery Act should be expressed as “full-time equivalents” (FTE), which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient (see Section 5.3 for more information). The FTE estimates must be reported cumulatively each calendar quarter.

Housing and Urban Development Office of Native American Program Guidance No. 2007-07

Record of Use Restrictions: The Record of Use Restrictions is a form that can be used by recipients to record both NAHASDA and other useful life/use restrictions. Restrictions can vary both in how they are imposed and their length. Since recipients may have properties that are subject to other use restrictions, this model reporting form is designed to be the registry of all of the various use restrictions that are placed on recipient properties.

Binding Commitments: There are a number of different ways to place both NAHASDA and other use restrictions on assisted properties. The four attached sample Useful Life/Use Restriction Agreements can be used for this purpose. Whichever form is used, it must be properly recorded with the appropriate land records offices. Additional use restrictions may be imposed on such properties as long as they do not contradict the NAHASDA useful life restrictions.

2.2 Recovery of Amounts Contributed by the Tribe. The Tribe has contributed through loan(s) or grant(s) the sum of _____ (\$ _____) to the Owner or Property and shall be entitled to recover this amount in its entirety for any violation of the Land Restriction agreement during the Term of the Land Restriction.

4.0 USEFUL LIFE.

4.1 Term of Land Restriction Should Meet HUD Requirements. NAHASDA requires that the Secretary of the U.S. Department of Housing and Urban Development determine that the Property is minimally restricted for a period of time acceptable to its Secretary, 25 U.S.C. § 4135(a)(2). In section 1.4 of this Land Restriction agreement, a Term has been set for this Land Restriction and that Term should not be less than what is acceptable to the Secretary of HUD based on the nature and the amount of IHBG funds to this Property. The Tribe should ensure that a Land Restriction has been obtained for a Term that meets HUD’s standards.

Housing and Urban Development Office of Native American Program Guidance No. 2009-07

In the formula program and competitive program, the provisions of Section 104(b) of the Native American Housing Assistance and Self-Determination Act (NAHASDA), and 24 CFR 1000.16(b) govern the use of Recovery Act IHBG/NAHBG [Native American Housing Block Grant] formula and competitive funds. In accordance with Section 104(b)(1) of NAHASDA, Davis-Bacon applies to projects assisted with IHBG/NAHBG funds.

Housing and Urban Development Office of Public and Indian Housing Notice 2009-14

This Notice allows the Authority to adopt and implement the Micro Purchase Procurement clause in its procurement policy for purchases of goods and services with a value of less than \$5,000. The intent of Micro Purchasing is to reduce the burden of complying with the federal procurement process for goods and services of minimal cost. It also prohibits the Authority

breaking down requirements of a purchase for the purpose of bid splitting to avoid the requirements that apply to larger purchases.

Housing and Urban Development Office of Native American Program Guidance No. 2010-47
The tribe/TDHE is responsible for ensuring that the amount of funds from **all** sources used to construct each unit does not exceed the TDC limits. The tribe/TDHE must maintain records showing that housing was developed in accordance with these limits and other applicable NAHASDA requirements. Units that improperly exceed TDC limits without appropriate HUD approval will not be deemed to be “affordable housing” and all IHBG funds expended on such units will be disallowed.

Yakama Nation Housing Authority Financial Administration Policy

Accounting Records: The Authority must maintain records that adequately identify the source and application of funds provided under IHBG [Indian Housing Block Grant].

Yakama Nation Housing Authority Financial Administration Policy

Inventory of Materials – the Authority shall only procure materials for a specific job or purpose....any extra materials shall be 1. returned to the supplier for credit, 2. sold as surplus 3. inventoried at a central location, keeping the material safe and secure, provided that the material can be used on other federally funded projects in the near future (the value of this material shall not exceed \$5,000), or 4. scrap the material.

Yakama Nation Housing Authority Property Accountability Policy

Part V, Section A.1(e), Issuing materials – charging the cost of materials and supplies to the appropriate project for which the materials and supplies are being used is a primary goal of the inventory system. An issue slip will be filled and transmitted to the Accountant. The Accountant will charge the cost of issuance to the appropriate programs and prepare the necessary journal entries to record the transaction.

Yakama Nation Housing Authority Procurement and Contract Administration Procedures

Part III, Section C, The Receiver’s Report – upon receipt of the goods, the receiver shall prepare the Receiver's Report. The report should be signed and dated. Upon preparation, the receiver should forward the original receiver’s report and the signed copy of the vendor’s delivery receipt (if available) to the accounting office.

Yakama Nation Housing Authority Procurement and Contract Administration Procedures

Part V, Section F, Procurement of Less than \$5,000 states that for small purchases of less than \$5,000, (except for contracts of \$2,000 or more involving labor), only one price quote is required, provided the quote is considered reasonable. Quotes may be obtained orally (either in person or by telephone), by catalog, fax, or email. If the purchase is made for reasons other than price, the file must clearly describe the reason for the purchase. Under no circumstances will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold. The Micro Purchase must be documented by an authorized purchase order or contract.

Yakama Nation Housing Authority Procurement and Contract Administration Procedures

Part IV, Section D.1. Definition of Single Purchases – single purchases for the purpose of this policy and procedure shall be considered to mean the total cost of one or more similar items to be obtained at any one time from a single source and listed on a single purchase order.

Appendix D

MULTIPLE PURCHASES FROM VENDORS

Vendor A approval date	Purchase order	Amount	Items
7/26/10	P10-7376	\$ 1,196.62	Trim molding
	P10-7377	3,955.30	Sheetrock & plywood
	P10-7378	<u>1,826.89</u>	Drywall materials
	Total (3)	\$ 6,978.81	
8/23/10	P10-7502	\$ 4,528.49	Plumbing materials
	P10-7505	<u>4,522.04</u>	Painting materials
	Total (2)	\$ 9,050.53	
9/14/10	P10-7619	\$ 489.90	Door locks
	P10-7620	197.91	Drop cloths
	P10-7621	<u>4,577.90</u>	Plumbing materials
	Total (3)	\$ 5,265.71	
11/22/10	P11-7914	\$ 3,175.36	Paint
	P11-7915	313.80	Sheetrock
	P11-7919	<u>1,611.63</u>	Security fencing
	Total (3)	\$ 5,100.79	
02/01/11	P11-8149	\$ 4,377.85	Stock materials
	P11-8153	3,284.73	Stock materials
	P11-8154	<u>3,162.13</u>	Stock materials
	Total (3)	\$ 10,824.71	
02/11/11	P11-8190	\$ 4,998.75	Stock materials
	P11-8198	<u>1,782.00</u>	Stock materials
	Total (2)	\$ 6,780.75	
03/16/11	P11-8289	\$ 2,692.80	Insulation
	P11-8290	4,259.84	Paint sealer
	P11-8291	<u>4,912.28</u>	Paint & doors
	Total (3)	\$ 11,864.92	
04/12/11	P11-8376	\$ 3,622.21	Steps project materials
	P11-8380	4,328.40	Doors & misc.
	P11-8390	2,257.95	Stock materials
	P11-8400	1,923.77	Stock materials
	P11-8401	3,344.33	Stock materials
	P11-8402	3,445.33	Stock materials
	P11-8408	4,347.27	Stock materials for windows
	P11-8410	<u>730.00</u>	Stock materials and windows
	Total (8)	\$ 23,999.26	

Vendor A approval date	Purchase order	Amount	Items
04/25/11	P11-8442 P11-8445 P11-8446 Total (3)	\$ 2,376.52 2,623.32 <u>2,638.62</u> \$ 7,638.46	Windows, vents, doors & shelves Nails & screws Nails & screws
04/28/11	P11-8454 P11-8458 P11-8460 Total (3)	\$ 4,986.25 1,081.20 <u>4,904.30</u> \$ 10,971.75	Doors Panels Windows
05/02/11	P11-8472 P11-8473 P11-8474 P11-8475 P11-8476 P11-8477 Total (6)	\$ 2,129.38 2,373.30 2,165.48 4,553.95 4,073.89 <u>3,213.48</u> \$ 18,509.46	Stock materials Stock materials & sheet rock Caulk, toilet supplies & plywood Stock materials, plywood Stock materials, caulk & tile Stock materials & insulation
05/06/11	P11-8505 P11-8506 Total (2)	\$ 2,682.57 <u>3,738.13</u> \$ 6,420.70	Stock materials, toilets, closets Stock materials, elbows & sinks
05/24/11	P11-8565 P11-8566 P11-8567 P11-8568 Total (4)	\$ 4,980.00 4,283.05 2,796.03 <u>3,253.00</u> \$ 15,312.08	Stock materials & windows Stock materials & laminate Stock materials, windows & trims Stock materials & windows
06/06/11	P11-8595 P11-8601 P11-8603 P11-8604 P11-8605 Total (5)	\$ 4,707.94 2,629.80 439.05 2,961.28 <u>1,651.45</u> \$ 12,389.52	Materials Plywood Hammer tacker staples Materials Materials for formula projects
06/29/11	P11-8659 P11-8662 Total (2)	\$ 4,860.69 <u>4,090.16</u> \$ 8,950.85	Materials for formula projects
07/06/11	P11-8691 P11-8692 P11-8694 P11-8696 Total (4)	\$ 3,867.83 4,708.68 877.23 <u>2,695.06</u> \$ 12,148.80	Windows, sheetrock & paint Plywood & trim Materials for formula projects Materials for formula projects
07/29/11	P11-8795 P11-8796 Total (2)	\$ 4,792.91 <u>4,756.51</u> \$ 9,549.42	Stock materials for formula projects

Vendor A approval date	Purchase order	Amount	Items
08/09/11	P11-8843 P11-8844 P11-8845 Total (3)	\$ 4,782.14 4,735.20 <u>2,333.99</u> \$ 11,851.33	Plumbing materials Insulation Stock materials
08/19/11	P11-8908 P11-8909 P11-8910 P11-8911 Total (4)	\$ 4,914.00 4,953.00 3,561.89 <u>4,470.12</u> \$ 17,899.01	Foundation materials Foundation materials Foundation materials Foundation materials
09/07/11	P11-8956 P11-8957 P11-8958 Total (3)	\$ 3,860.66 1,796.10 <u>2,439.04</u> \$ 8,095.80	Stock materials, plumbing & bathroom fixtures
09/01/11	P11-8991 P11-8992 P11-8993 P11-8994 Total (4)	\$ 4,797.25 395.18 1,286.04 <u>4,375.00</u> \$ 10,853.47	Restock materials & insulation Restock materials & insulation Restock materials & insulation Restock materials & insulation
09/20/11	P11-9005 P11-9007 P11-9011 Total (3)	\$ 276.83 2,128.26 <u>4,803.99</u> \$ 7,209.08	Materials Restock Vinyl windows
05/18/12	P12-9776 P11-9777 Total (2)	\$ 4,080.87 <u>4,143.65</u> \$ 8,224.52	Materials
06/04/12	P12-9826 P12-9827 P12-9828 P12-9829 P12-9830 P12-9831 Total (6)	\$ 3,229.25 4,060.50 3,488.43 872.25 4,867.95 <u>2,301.98</u> \$ 18,820.36	Materials
06/05/12 06/06/12	P12-9843 P12-9844 P12-9845 P12-9847 P12-9849 P12-9850 Total (6)	\$ 4,366.43 2,193.31 4,414.47 1,893.77 2,718.87 <u>1,770.76</u> \$ 17,357.61	Materials & restock materials
07/05/12	P12-9928 P12-9929 Total (2)	\$ 4,452.90 <u>3,573.16</u> \$ 8,026.06	Plumbing materials

Vendor A approval date	Purchase order	Amount	Items
07/20/12	P12-9965	\$ 4,900.74	Materials
	P12-9966	3,698.35	
	P12-9967	<u>4,122.99</u>	
	Total (3)	\$ 12,722.08	
	Total (94)	\$302,815.84	

Vendor B approval date	Purchase order	Amount	Items
02/11/11 02/10/11	P11-8184	\$ 4,097.91	Steel & electrical
	P11-8185	<u>2,597.40</u>	Electrical
	Total (2)	\$ 6,695.31	
06/26/12	P12-9902	\$ 657.85	Electrical materials
	P12-9903	2,608.48	
	P12-9904	<u>4,703.28</u>	
	Total (3)	\$ 7,969.61	
	Total (5)	\$ 14,664.92	

Vendor C approval date	Purchase order	Amount	Items
08/26/11	P11-8919	\$ 4,990.00	Cabinets & granite counter tops
	P11-8920	4,990.00	
	P11-8921	4,924.00	
	P11-8922	4,818.00	
	P11-8923	4,568.00	
	P11-8924	4,924.00	
	P11-8926	4,924.00	
	P11-8927	<u>4,818.00</u>	
	Total (9)	\$ 38,956.00	

Vendor D approval date	Purchase order	Amount	Items
09/02/11	P11-8949	\$ 2,992.17	Stock materials, plumbing & bathroom fixtures
	P11-8950	<u>3,227.42</u>	
	Total (2)	\$ 6,219.59	

Vendor E approval date	Purchase order	Amount	Items
09/20/11	P11-9013	\$ 4,620.50	Stock materials
	P11-9014	<u>4,944.50</u>	Stock materials
	Total (2)	\$ 9,564.50	