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Audit Report Number	2007-DE-1007
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TO: Sherone Ivey, Associate Deputy Assistant Secretary, Policy Development, RP

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FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8 AGA

SUBJECT: Sitting Bull College, Fort Yates, ND, Generally Met Requirements While Administering Its Tribal Colleges and Universities Program Assistance Award

HIGHLIGHTS

What We Audited and Why

We reviewed the Tribal Colleges and Universities Program Assistance Award issued to Sitting Bull College (college) on September 8, 2005. Our objectives were to determine whether the college purchased materials to build the Family Support Center (center) in accordance with federal procurement requirements and whether materials purchased to build the center were allowable under the terms specified in Office of Management and Budget Circular A-21 and the Tribal Colleges and Universities Program Assistance Award. We audited the college because it was the only 2005 award recipient in our region to have completely drawn down its grant funds at the time of our review.

What We Found

With minor exceptions, the college complied with applicable requirements while administering this award. The college did not properly develop its contract agreements, include applicable U.S. Department of Housing and Urban Development (HUD) procurement procedures in its procurement policies, or have

written standards of conduct governing the performance of its employees engaged in the award and administration of the contracts. However, these deficiencies did not have an adverse effect on building the center.

What We Recommend

Based on the results of our review, we do not recommend any corrective action.

Auditee's Response

We provided the discussion draft of the audit report to the college on August 14, 2007, and received its verbal response on August 28, 2007. The college agreed with our report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	5
Scope and Methodology	6

BACKGROUND AND OBJECTIVES

The Sitting Bull College (college) is a tribally controlled college on the Standing Rock Reservation of North Dakota and South Dakota. Its offices are located at 1341 92nd Street, Fort Yates, North Dakota. The college began as the Standing Rock Community College on September 21, 1973. On that date, the Standing Rock Sioux Tribal Council granted a charter to the Standing Rock Community College to operate as a postsecondary educational institution with the authority to grant degrees at the associate level. On March 6, 1996, the Standing Rock Sioux Tribal Council voted to amend the charter, changing the college's name to the Sitting Bull College. The college received approval in 2004 to begin offering bachelor of science programs in business administration and elementary education.

On September 8, 2005, the U.S. Department of Housing and Urban Development (HUD) issued a Tribal Colleges and Universities Program Assistance Award to the college for \$600,000. The grant agreement was for three years. The college was to use its grant to construct the Family Support Center (center). The center was to consist of an early childhood education department, an infirmary, and modern and safe spaces for up to 75 children.

There were three separate funding sources used to finance construction of the center. These included the U.S. Department of Education, the tribal general fund, and HUD. The estimated cost to build the center was more than \$3 million. Of this amount, HUD funded \$600,000 to be used for the purchase of construction materials.

Our objectives were to determine whether the college purchased materials to build the center in accordance with federal procurement requirements and whether materials purchased to build the center were allowable under the terms specified in Office of Management and Budget Circular A-21 and the Tribal Colleges and Universities Program Assistance Award.

RESULTS OF AUDIT

The college generally followed requirements while administering this award. More specifically, the college

- Did not use suspended, debarred, or otherwise ineligible contractors;
- Conducted the procurement of the construction contracts to build the center in a competitive manner;
- Properly used the bidding process in awarding the construction contracts to build the center;
- Completed all forms and information required for Line of Credit Control System drawdowns and met the method of payment requirement specified in its grant;
- Separately accounted for grant funds; and
- Properly performed a price analysis associated with the purchasing of materials to build the center.

However, we identified two areas in which the college did not comply with requirements.

Contract Administration

The college did not include all required provisions in its contracts with Capital City Construction, Incorporated; Central Mechanical, Incorporated; and Skeels Electric Company. In addition, the college did not include applicable HUD procurement procedures in its procurement policies. It also did not have written standards of conduct governing the performance of its employees engaged in the award and administration of the contracts. The three contracts are closed, and these deficiencies did not have an adverse effect on completion of the center.

Allowability of Costs

The college did not review and track the contractors' costs to ensure that it spent the proceeds of this award on only construction materials as was required. We are not reporting this as a finding or requiring corrective action for the following reasons:

- The general construction contract was a lump sum contract,
- The college built the center and uses it for its intended purpose,
- The college entered into a contract with a local architect to provide oversight and review of subcontractor work before authorizing payment for materials,
- The review of the architect and our review of the completed building showed that the college used more than the \$600,000 worth of HUD-authorized materials in its construction, and
- The college will not regularly administer this type of award in the future.

We discussed these deficiencies with college officials, and they will address them if they apply for and receive another Tribal Colleges and Universities Program Assistance Award.

SCOPE AND METHODOLOGY

Our review period covered September 5, 2005, through March 1, 2007. We performed our on-site review at the college from April 18 through April 27, 2007.

To accomplish our objectives, we obtained and reviewed applicable procurement requirements and regulations. We obtained and reviewed portions of the HUD Office of University Partnerships project file for the college along with the center contract files and financial records maintained by the college. We reviewed contract documents, materials invoices, procurement procedures, allowability of costs, and contract administration. We conducted a site visit to the center. We also interviewed HUD and college staff.

We performed our review in accordance with generally accepted government auditing standards.