



**U.S. Department of Housing and Urban Development
Office of Inspector General**

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Issue Date

September 21, 2009

Audit Memorandum Number

2009-SE-1803

MEMORANDUM FOR: Ken Bowring, Administrator, Northwest Office of Native American Programs, OAPI

Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, OAGA

SUBJECT: Capacity Review of the Warm Springs Housing Authority, Warm Springs, Oregon

INTRODUCTION

In accordance with our goal to review funds provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we conducted a capacity review of Warm Springs Housing Authority's (Authority) operations. We selected the Authority for this review based upon the results of our audit of the Authority in 2007. Our objective was to determine whether there was evidence indicating that the Authority lacked the capacity to adequately administer Recovery Act funding.

For each recommendation without a management decision, please respond and provide status reports in accordance with U.S. Department of Housing and Urban Development (HUD) Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of this review.

METHODOLOGY AND SCOPE

Our review of the Authority was limited to gaining an understanding of internal controls over the administration of Recovery Act funds. To meet our objective, we reviewed Recovery Act documentation and the Authority's proposed Recovery Act project. We interviewed Authority management and staff and briefly reviewed Authority policies and procedures, organizational charts, and financial and accounting documents and records.

Our review of this documentation was limited to our stated objective and should not be considered a detailed analysis of the Authority's internal controls or operations. Since this was a limited scope review, it was not performed in accordance with generally accepted government auditing standards.

BACKGROUND

The Warm Springs Tribal Council designated the Authority to act on its behalf for Native American Housing Assistance and Self-Determination Act of 1996 grants. The Authority provides housing services for low-income families on the Warm Springs reservation, located in central Oregon, and is responsible for the management of housing programs funded by both the tribe and HUD.

Under the Recovery Act, HUD allocated more than \$626,000 to the Authority, with which it proposes to build five new homeownership units. Consequently, our review consisted of the Authority's internal controls related to procuring the goods and services needed to build the houses, accounting for the costs and materials associated with the project, and ensuring quality construction.

RESULTS OF REVIEW

We did not find evidence indicating that the Authority lacked the capacity to adequately administer its Recovery Act funding. Our limited review found that the Authority's procurement process and accounting system generally met HUD requirements. The Authority's development plan for the five new units and recently implemented changes to its inventory system should safeguard purchased materials. If the Authority follows its internal controls and its development plan, it should properly use its Recovery Act funding.

While the Authority had developed the areas of capacity necessary to administer its Recovery Act-funded project of building five new homeowner units, we have a significant concern regarding the management of the Authority's operations. The concern is that accomplishments will not be sustained without a commitment to future management and to continued improvement of the internal control environment.

Previously, the tribal government placed the Authority's board of commissioners in abeyance due to abuses, but the board was later reinstated. During the course of this review, two members of the board were removed because they were ineligible to be covered under the tribe's liability insurance due to prior offences that could have been disclosed by performing a background check. In addition, a third member's term has expired and another resigned, and they were not reinstated or replaced.

As a result, the Authority's board has only three members of the seven mandated by Warm Springs' tribal code and lacks the quorum required by the code to conduct business. Also, the executive director came out of retirement to help transition the Authority into new management, but a new executive director has not yet been hired, and the Authority faces uncertainty about its future leadership. Although the board does not have the required quorum, the executive director has the

authority to enter into the contracts necessary to complete the development of the units funded by the Recovery Act.

A qualified executive director and functional board of commissioners are necessary to establish the organization's internal control environment; integrity and ethical values; commitment to competence; and framework for planning, directing, and controlling operations to achieve Authority objectives. New leaders need to be selected that are qualified, experienced, and dedicated to the mission of the Authority.

RECOMMENDATIONS

We recommend the Administrator, Northwest Office of Native American Programs,

- 1A. Provide technical assistance using Northwest Office of Native American Programs staff, as needed, in the Authority's efforts to complete open grants, acquire new leadership, improve its control environment, and implement its inventory system.
- 1B. Monitor the Authority's progress in completing the activities noted in recommendation 1A.
- 1C. Request the Tribal Council of the Confederated Tribes of Warm Springs to appoint qualified and insurable members to the Authority's board of commissioners in accordance with the Warm Springs tribal code and follow up on the status of the search for board members.
- 1D. Request the Tribal Council of the Confederated Tribes of Warm Springs to endorse and expedite the search for a qualified and insurable executive director for the Authority in accordance with the Warm Springs tribal code and follow up on the status of the search for an executive director.

AUDITEE'S RESPONSE

We provided a discussion draft memorandum report to the auditee on September 3, 2009, and held an exit conference on September 9, 2009. The Warm Springs Housing Authority provided written comments which are attached as Appendix A. The authority agreed with our findings and recommendations and proposed a course of corrective actions.

Appendix A

AUDITEE COMMENTS



Joan S. Hobbs
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
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September 9, 2009

Joan

Re: Capacity Review of the Warm Springs Housing Authority

In response to your memorandum addressed to Mr. Ken Bowring, Northwest Office of Native American Programs (NwONAP) that I received via FedEx on Friday September 4, 2009.

And, our subsequent exit phone conference call on Wednesday, September 9, 2009 for my comments and response to the site review. Let me first of all comment on the staff site visit for their review of our programs and services. It met the highest standards that are demanded of the Office of Inspector General. We appreciated the professionalism, integrity, and work ethics of all staff in their site visit.

RECOMMENDATIONS

We recommend the Administrator, Northwest Office of Native American Programs,

1A Provide technical assistance using northwest Office of Native American Programs Staff, as needed, in the Authority's efforts to complete open grants, acquire new leadership, improve its control environment, and implement its inventory system.

Thru the efforts of Mr. Ken Bowering Administrator, Northwest Office of Native American Programs and staff, we have been in contact with staff on question for resolution of our open grants and help in bring about closure to this matter.

Thru the efforts of Mr. Ken Bowering and his programs, services, and communications with Mr. Charles R. Calica, Secretary Treasurer/CEO for the Warm Springs Confederated Tribes. Collectively we are addressing the leadership question for both the LHA Board of Commissioners and the selection of a new Executive Director for the Warm Springs Housing Authority.

Improvements to our control environment and implementation of our inventory system are a works in progress. We are engaging Mr. Kermit Mankiller, consultant with the National American Indian Housing Council to review and make improvements to our current procurement and contracting process and procedures, along with policy language improvements. While our current practices meet HUD requirement we are looking for improvements to our current practices and procedures.

1B Monitor the Authority's progress in completing the activities noted in recommendation 1A.

We will keep Mr. Ken Bowering posted on our activities and make periodic reports to his office of current activities and changes to our processes and procedures.

1C Request the Tribal Council of the Confederated Tribes of Warm Springs to appoint qualified and insurable members to the Authorities' board of commissioners in accordance with the Warm springs tribal code and follow up on the status of the search for board members.

I am currently scheduled to meet with Tribal Council on Thursday September 10, 2009 at 1:30 PM for my Housing Report. My first order of business is to request Tribal Council action on the filling the four (4) LHA Board of Commissioners vacant positions. And the need to expedite the process and procedures outlined by Tribal Council. I will further request that Mr. Charles

R. Calica, Secretary Treasurer/CEO for the Warm Springs Confederated Tribes to keep Mr. Ken Bowering informed of the Tribal Council process and procedures.

I will keep Mr. Bowering posted on the out come of my request and the actions of Tribal Council on resolution to this matter.

1D Request the Tribal Council of the Confederated Tribes of Warm Springs to endorse and expedite the search for a qualified and insurable Executive Director for the Authority in accordance with the Warm Springs Tribal Code and follow up on the status of the search for an Executive Director.

I have signed a service contract with Mr. Greg Lambert, President of the **Mid Oregon Personnel** Greg@MidOregonPersonnel.com phone Madras, Oregon 541-475-7640, on Wednesday September 8, 2009 to conduct a regional and national search for an Executive Director for the Warm Springs Housing Authority.

From the finalist the remaining three (3) LHA Board of Commissioners and two (2) senior managers from Tribal government will conduct an interview and selection for the new Executive Director for the Warm Springs Housing Authority.

I will keep Mr. Ken Bowering posted on all of the above recommendations from the Office of Inspector General, Region X Office. With email copies to jhobbs@hudoig.gov on our progress for resolution to the identified I.G. site Report for Warm Springs.

Respectfully,

Signed

Jeffery Sanders Sr.
Executive Director
Warm Springs Housing Department
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Cell Phone 541-460-0377

CC: Mr. Ken Bowering, Administrator Northwest Office of Native American Programs
Mr. Charles R. Calica, Secretary Treasurer/CEO Warm Springs Confederated Tribes