



U.S. Department of Housing and Urban Development  
**Office of Inspector General, Region VI**  
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June 3, 2010

**MEMORANDUM NO:**  
**2010-FW-1804**

**MEMORANDUM FOR:** Jerry D. Hyden  
Acting Director, Office of Community Planning and Development, 6ID

//signed//  
**FROM:** Gerald R. Kirkland  
Regional Inspector General for Audit, Fort Worth Region, 6AGA

**SUBJECT:** The City of Oklahoma City Had the Capacity to Manage Recovery Acts Funding

### **INTRODUCTION**

The City of Oklahoma City, OK (City), received more than \$6.4 million under the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009 (Recovery Acts). As part of the Office of Inspector General's commitment to ensure the proper use of these funds, we reviewed the City's operations. Our objective was to determine whether the City had the capacity to account for Recovery Acts funding and the controls to ensure that it and its contractors and subrecipients spend funds on eligible program activities. Specifically, we reviewed and assessed the City's capacity and risks in the following areas: basic internal controls, financial operations, and procurement. Our review did not disclose any reportable conditions or control deficiencies.

### **METHODOLOGY AND SCOPE**

Under the City's grant agreements with the U. S. Department of Housing and Urban Development (HUD), the City accepted responsibility for ensuring that its contractors and subrecipients carry out program activities consistent with the Recovery Acts. Therefore, our review focused on the capacity, policies, and procedures the City had in place to ensure that it and its contractors and subrecipients comply with Recovery Acts requirements. We designed the review to be proactive and focus on prevention. Therefore, our work was limited to the stated objective and should not be considered a detailed analysis or assessment of the City's internal controls and operations.

The review period covered activities administered during the 14-month period ending February 28, 2010, and policies and procedures in place at the time of the audit. We conducted the review from January through May 2010. We gathered information from officials and staff at the Oklahoma City offices of the HUD Office of Community Planning and Development (CPD) and the City's planning department.

To accomplish the objective, we

- Reviewed applicable legislation, relevant program guidance and criteria, and the City’s grant agreements with HUD to understand the governing criteria and requirements.
- Interviewed HUD and City management and staff regarding the City’s operations for carrying out Federal grant programs.
- Assessed the adequacy of City policies and procedures for administering HUD funding under the Recovery Acts.
- Reviewed the planned grant activities for the City’s three programs funded by the Recovery Acts—the Community Development Block Grant-Recovery program (CDBG-R), Homelessness Prevention and Rapid Re-Housing Program (HPRP), and Neighborhood Stabilization Program (NSP)—to ensure consistency with requirements.
- Reviewed funding spent on the three programs totaling more than \$972,000, or 15 percent of the award amount. For the CDBG-R program, we reviewed more than \$10,000 in funding spent by the City on administration and \$100,000 spent by one subrecipient on one project to buy equipment. For HPRP, we reviewed more than \$123,000, or 43 percent, of the \$289,000 in total expenditures by the City and its public service providers. For NSP, we reviewed more than \$738,000 spent on purchasing houses.

## **BACKGROUND**

The City has a council-manager form of government. The mayor and council appoint the city manager who serves as the City’s chief administrative officer. The mayor, council, and city manager direct the City’s financial resources and operating departments. The planning department administers the Recovery Acts’ programs as well as other HUD-sponsored community planning and development programs. Under the Recovery Acts, HUD granted the City more than \$6.4 million. The City has 3 years to expend CDBG-R and HPRP funding and 4 years to expend NSP funding. The HUD Oklahoma City CPD field office reviewed the City’s administration of HUD programs and found it to be generally compliant with HUD rules and regulations and responsive to HUD’s recommendations.

## **RESULTS OF REVIEW**

HUD awarded the City Recovery Acts grant funding to carry out activities in three programs: more than \$1.4 million for CDBG-R, more than \$2.1 million for HPRP, and more than \$2.8 million for NSP. Based upon the review, the City had the capacity and management controls to account for Recovery Acts funding and ensure that it and its contractors and subrecipients spend the funds on eligible program activities within the allotted time. In one instance, a subrecipient made three large purchases without written procurement procedures. However, the subrecipient agreed to adopt written procurement procedures when the deficiency was noted.<sup>1</sup> We did not consider this exception as a reportable condition that negatively impacted the City’s ability to meet HUD requirements.

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<sup>1</sup> The City confirmed that the subrecipient’s board of directors formally adopted the required procedures. Our review of the expenditures did not reveal any departure from Office of Management and Budget requirements.

We provided a draft memorandum to the City on May 17, 2010, and held an exit conference with them and HUD on May 24, 2010. We have attached the City's May 27, 2010 response to this memorandum. The City was pleased with results of the review. We appreciate the City's cooperation and prompt assistance afforded us throughout the audit.

Should you or your staff have questions, please contact me at 817-978-9309 or William W. Nixon, Assistant Regional Inspector General for Audit, at 817-978-9318.

**AUDITEE COMMENTS**

**LOGO**

**The City of  
OKLAHOMA CITY**  
Planning Department

May 27, 2010

Gerald R. Kirkland  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
819 Taylor Street, Suite 13A09  
Fort Worth Texas 76102

Dear Mr. Kirkland:

We are very pleased to receive your audit report and its positive message. We appreciate that your review of City of Oklahoma City financial operations has affirmed that we have the capacity, experience, and management controls in place to ensure that allocated Recovery Act funds can be properly expended within the allotted time, on eligible project activities, and with appropriate management practices in place to oversee activities of contractors and subrecipients. Working with your on-site staff, Lon Keister and Beth Howard, was a very positive experience. They were very concise and accommodating in their requests for documentation and scheduling staff interviews. They also made suggestions that we have found to be most helpful.

The Results of Review section of your May 18, 2010 correspondence pointed out that one subrecipient had made three large purchases without written procurement procedures in place. We have followed up with this organization and confirmed that their board of directors has formally adopted the required procedures.

We appreciate the thoroughness of your review process and most certainly your validation of our capacities and procedures. Our goals are always one hundred percent compliance and one hundred percent efficiency in use of federal funds allocated to Oklahoma City. Your report is very reassuring, and we expect to continue our efforts to employ these funds to achieve maximum benefits for our citizens. On behalf of the Planning Department, other City staff, and the other numerous organizations involved in planning and execution of the Recovery Programs, I would like to thank you and your auditors for their review and recommendations.

Sincerely,

*//signed//*  
Russell Claus  
Planning Director

Pc Cathy O'Connor, Assistant City Manager  
Jim Williamson, City Auditor  
W.W. Rice, Jr., Planner IV