



Issue Date: July 8, 2003
Audit Case Number: 2003-SE-0802

TO: Wayne Mundy, Administrator, Alaska Office of Native American Programs, OCPI

FROM: /s/ Robert H. Woodard
for Frank E. Baca, Regional Inspector General for Audit, OAGA

SUBJECT: Review of complaints regarding the Alaska ONAP's funding of Indian Housing Block Grants and awarding of Indian Community Development Block Grant funds

INTRODUCTION

As part of an assessment of an anonymous complaint, we reviewed the Alaska Office of Native American Program's (AkONAP) processing of the Fiscal Year 2001 Indian Housing Block Grant (IHBG) funding for Amendment 1 to the Association of Village Council Presidents Regional Housing Authority's (AVCP) Indian Housing Plan. Our review objectives were to determine (1) whether Departmental Officials complied with financial requirements when reserving and obligating IHBG funds, and (2) if the Alaska Office of Native American Programs complied with programmatic departmental requirements when reserving and obligating IHBG funding. In addition, we reviewed AkONAP's rating, ranking, and awarding of Indian Community Development Block Grant (ICDBG) funds for Fiscal Year 2002 to determine if grants were fairly and properly awarded.

To achieve our objectives, we reviewed the funding approval agreement for the Amendment, Indian Housing Plan (IHP) submission, and controls over the accounting entry for the Amendment. We also reviewed and evaluated records and files maintained by the AkONAP and Chief Financial Officers (CFO) Fort Worth Accounting Center; and interviewed AkONAP and CFO Accounting Center staff, and an AVCP official. We also interviewed AkONAP staff and reviewed documentation relating to the ICDBG award process.

We performed field work in the Seattle, Fort Worth, and Anchorage HUD offices (including other audit work related to the complaint) from December 2001 through December 2002, and conducted the review in accordance with Generally Accepted Government Auditing Standards.

Should you or your staff have any questions, please contact me at (206)-220-5360.

SUMMARY

The Office of Native American Programs did not enforce program deadlines for the Indian Housing Block Grant submissions of the Village of Stony River and Native Village of Paimiut. In addition, AkONAP provided funding for these two Indian Housing Plans even though there was not an executed funding approval agreement as required. As a result, AkONAP improperly provided \$126,242 to the Association of Village Council Presidents Regional Housing Authority. AVCP is the Tribally Designated Housing Entity (TDHE) for the Village of Stony River and Native Village of Paimiut. AkONAP officials said the Office of Native American Programs did not consider this deadline requirement to be clear, and interpreted the requirements in the tribes' favor. Also, AkONAP relied on a funding log rather than official documents when it made funds available to the TDHE. In response to our draft report, AkONAP requested guidance from the Office of Native American Programs regarding deadlines, stated it will reevaluate AkONAP's decisions to accept the late submittals, and strengthened controls over funding approval.

Alaska ONAP did not maintain documentation regarding the initial rating and ranking process for awarding Indian Community Development Block Grant (ICDBG) funds for Fiscal Year 2002. As such, we could not determine the validity of the concerns alleging that AkONAP made improper changes to the ICDBG ratings and rankings. In response to our draft report, AkONAP requested the Office of Native American Programs obtain a legal opinion as to whether documenting of the review process complied with the HUD Reform Act.

BACKGROUND

The Indian Housing Block Grant program is a formula grant that provides a range of affordable housing activities on Indian reservations and Indian areas. The block grant approach to housing for Native Americans was enabled by the Native American Housing Assistance and Self Determination Act of 1996.

The Indian Community Development Block Grant program provides funds to Native American groups, primarily on a competitive basis, for use in developing viable Indian and Alaska Native Communities. This includes decent housing, a suitable living environment, and economic opportunities primarily for low and moderate-income persons.

FINDING 1

AkONAP Did Not Enforce Submission Deadlines and Provided Funding Without Proper Approval

Deadlines for IHBG Submissions Were Not Enforced

The Office of Native American Programs did not enforce program deadlines for the Indian Housing Block Grant submissions of the Village of Stony River and Native Village of Paimiut. Specifically:

- The Village of Stony River did not notify HUD by the September 15, 2000 deadline that it would submit an Indian Housing Plan (IHP), and
- Neither the Village of Stony River nor Native Village of Paimiut submitted their IHPs to HUD by the July 1, 2001 deadline.

Village of Stony River's late notification that an IHP will be submitted

HUD requires Alaskan tribes to notify HUD that they will submit an Indian Housing Plan (24 CFR 1000.327 (b)). The regulations state that by September 15 of each year, each tribe in Alaska not located on a reservation or its Tribally Designated Housing Entity must notify HUD in writing whether it or its TDHE intends to submit an IHP. Further the regulations at 1000.327 (b) state that, if HUD receives no response from the tribe or its TDHE, the funds that would have been credited to the Alaska Native Village will be credited to the Regional Indian Tribe, or if there is no Regional Indian Tribe, to the Regional Corporation.

By facsimile dated September 18, 2000 the Village of Stony River notified HUD that it intended to submit an IHP. The facsimile cover sheet clearly stated that the attached letter dated September 15, 2000 was not submitted until Monday, September 18, 2000.

The AkONAP Grants Management Division Director advised us that the regulations are not clear in specifying what constitutes notification (i.e., date of notification, date postmarked, date received, etc). The Division Director provided us an email from the ONAP Director, Office of Grants Management, which stated that ONAP accepts submissions as timely if they are received or postmarked on or before the submission deadline. We also spoke to the ONAP Grants Management Director, who confirmed this and further stated that if the notification was not submitted by the deadline the formula data should be credited to the Regional Tribe or Corporation. Although the regulations do not specifically state what constitutes notification of HUD, we agree with the ONAP Director, Office of Grants Management that notification could be considered timely based on a postmark. However, the Village of Stony River notification was neither received nor postmarked by the deadline.

Village of Stony River's and Native Village of Paimiut's late submission of IHPs

HUD regulations require Alaskan tribes to submit Indian Housing Plans to the Area ONAP no later than July 1 (24 CFR 1000.214). Further, at 1000.218 the regulations allow Tribally Designated Housing Entities to prepare and submit an IHP on behalf of a tribe if the tribe so authorizes. Finally, regulations at 24 CFR 1000.216 state that if the IHP is not initially sent by July 1, the recipient will not be eligible for IHBG funds for that fiscal year, and any funds not obligated because an IHP was not received before the deadline has passed shall be distributed by formula in the following year.

The Village of Stony River and Native Village of Paimiut did not submit Indian Housing Plans or designate a Tribally Designated Housing Entity by the July 1, 2001 deadline. AkONAP subsequently advised both Villages that if they designated a TDHE that had submitted an IHP by July 1, the funding would be provided to the TDHE to benefit the two Villages. In August 2001, the two Villages passed resolutions designating the Association of Village Council Presidents

Regional Housing Authority as their TDHE. In September, AVCP submitted an amended IHP to include the two Villages.

The AkONAP Grants Management Division Director advised us the regulations do not preclude a recipient who has initially submitted an IHP by the deadline from amending its IHP to include additional tribes. The decision to allow AVCP to amend its IHP was an AkONAP management decision made in consultation with the National Office of Native American Programs. The Division Director provided email showing that the ONAP Director, Office of Grants Management concurred in the decision.

In our opinion, the interpretation is not consistent with requirements for the timely submission of an Indian Housing Plan by recipients. Neither the Village of Stony River nor Native Village of Paimiut authorized the AVCP to submit a plan to HUD until after the July 1 deadline for submission of an IHP. Accordingly, it is not reasonable to accept the AVCP's September 28 amendment to its IHP as meeting the July 1 deadline for an IHP on behalf of the Village of Stony River or Native Village of Paimiut.

Need For Stronger Controls Over IHBG Accounting Entries

The Alaska ONAP provided funding for the Village of Stony River and Native Village of Paimiut even though there was not an executed funding approval agreement as required. As a result, AkONAP improperly provided \$126,242 to the Association of Village Council Presidents Regional Housing Authority, the Tribally Designated Housing Entity for the two Villages. This occurred because AkONAP relied on a funding log rather than official documents when it made funds available to the AVCP.

AkONAP procedures for processing Indian Housing Plan amendments

1. AkONAP office sends a fund reservation form to the Fort Worth Accounting Center after receipt of a Tribal resolution to amend an IHP. The Accounting Center enters the fund reservation into the accounting system.
2. Upon receipt of the IHP amendment, AkONAP reviews the IHP and, if acceptable sends three original approval agreements to the grantee to sign and return two.
3. After the grantee signs and returns the agreements, AkONAP forwards one of the original copies to the Fort Worth Accounting Center. AkONAP also records the funds being set aside in a funding log.
4. The Fort Worth Accounting Center enters the fund obligation and contract authority, and this entry automatically advises AkONAP, through the accounting system, that the funds can be made available to the grantee.
5. AkONAP checks the notice from the Accounting Center against its funding log and then makes the funds available to the tribe or TDHE by making a budget entry in the Line of Credit Control System (LOCCS).

AkONAP did not rely on official documents when making funds available

The Alaska ONAP made available \$126,242 in Indian Housing Block Grant funds to AVCP for the Village of Stony River and Native Village of Paimiut in August 2001, even though it did not receive a proposed Indian Housing Plan amendment from AVCP until September 28, 2001, and did not determine the amendment was in compliance until October 26, 2001.

Two anomalies occurred that resulted in AkONAP prematurely and improperly providing \$126,242 in funding for the Village of Stony River and Native Village of Paimiut before there was an approved agreement in place. First, the Fort Worth Accounting Center, when it received the fund reservation form from AkONAP in early August 2001, apparently made an input error into the accounting system. Instead of the funds being reserved, the input error resulted in the funds being reserved, obligated, and contracted resulting in the accounting system automatically notifying AkONAP that it should budget the funds in the LOCCS system to make the funds available to AVCP.

The second anomaly also occurred in August 2001, when the ONAP Director, Office of Grants Management, instructed AkONAP staff to record a set aside of funds for the Village of Stony River and Native Village of Paimiut in the funding log. The ONAP Grants Management Director did this to ensure that ONAP would not identify these funds as available for other purposes. As discussed above, normally AkONAP would not enter set asides in the funding log until it received a signed agreement from the grantee.

When AkONAP received the notification from the Fort Worth Accounting Center that the budget needed entry for AVCP, AkONAP staff referred to the funding log to determine if funding was appropriate. The AkONAP staff identified the funding in the log and entered the only budget line item code appropriate for an IHBG amendment. This made \$126,242 available to AVCP for use. However, funding for the AVCP amendment was not appropriate because a funding approval agreement had not been executed, nor had the amendment even been received. Had AkONAP staff checked to see if there was an approved agreement, the improper funding could have been avoided.

AUDITEE COMMENTS

In its May 23, 2003 response to the draft audit report, AkONAP disagreed with the finding conclusions, but concurred with the audit recommendations. AkONAP's interpretation of the regulations and their failure to specify that the notification must be "received" by the September 15 deadline led AkONAP to believe the notification executed by the tribe on Friday, September 15, but received Monday, September 18, met the regulatory requirements. With respect to the amendment to AVCP's IHP to include the Village of Stony River and Native Village of Paimiut, AkONAP, in consultation with the Office of Grants Management, determined regulatory and statutory provisions did not preclude the acceptance of the IHP amendments in question solely because the amendments added additional tribes. Therefore, AkONAP concluded the funding was provided in accordance with the applicable regulatory and statutory provisions.

AkONAP agreed with the audit recommendations and has requested clarification from the Office of Native American Programs regarding IHP deadlines. Based on the clarification, AkONAP will reevaluate its decisions and, if appropriate, recover IHBG funds. In addition, AkONAP has implemented controls to ensure staff verifies that a properly executed grant agreement is on file prior to inputting budgets into LOCCS.

OIG EVALUATION OF AUDITEE COMMENTS

We believe AkONAP's comments are consistent with the finding's conclusion that the interpretation of the program requirements is an issue, and our recommendations to obtain clarification of the requirements reflect this.

We concur with the actions AkONAP has taken or will take to resolve these issues.

RECOMMENDATIONS

We recommend that you:

- 1A. Request clarification from the ONAP Director, Office of Grants Management on what will be accepted as the date of receipt for written notification that an Indian tribe in Alaska intends to submit an IHP.
- 1B. Request clarification from the ONAP Director, Office of Grants Management on the proper handling of amendments to a TDHE IHP that attempts to add Indian tribes after the deadline for submission of IHPs.
- 1C. Reevaluate the decision to accept the Village of Stony River Notification that a 2001 Indian Housing Plan would be submitted, and if appropriate, take steps to reallocate the FY 2001 funding to the appropriate Regional Tribe or Corporation.
- 1D. Reevaluate the decision to allow AVCP to amend its IHP after the July 1, 2001 deadline to include the Village of Stony River and Native Village of Paimiut and if appropriate, recover the IHBG funds provided to AVCP for the Village of Stony River and Native Village of Paimiut for distribution by formula in the following year.
- 1E. Ensure that there is an approved IHP agreement on file before making funds available in the LOCCs system.

Status of Recommendations: Based on the completed and proposed actions outlined in AkONAP's response to the draft report, management is taking sufficient actions to satisfy the recommendations and no additional response to this finding is necessary.

FINDING 2

AkONAP Did Not Fully Document the ICDBG Award Process

Alaska ONAP did not maintain documentation regarding the initial rating and ranking process for awarding Indian Community Development Block Grant, funds for Fiscal Year 2002. As such, we could not determine the validity of the concerns alleging that AkONAP made improper changes to the ICDBG ratings and rankings.

During the course of our review, some HUD employees expressed concerns about AkONAP's process for rating, ranking, and awarding ICDBG funding. The concerns alleged that two original reviews and scoring results were changed during a second rating and ranking process without documenting the bases or explaining the changes. It was further alleged that at least two applicants that initially failed the threshold requirements were subsequently re-reviewed and awarded grants, and that these applicants had been given an unfair or uncompetitive advantage.

Flexibility in reviewing ICDBG applications

The SUPERNOFA for FY 2002 for HUD's Discretionary Grants Programs lists the requirements and procedures applicable to the ICDBG program, including rating, ranking and documenting requirements. The SUPERNOFA provided the rating factors for evaluating applications which rate and rank each against others according to points awarded. However, HUD also has flexibility when evaluating and rating applications. For example, HUD can take into account applicants' past performance in managing funds, including the ability to account for funds appropriately, timely use of funds received, meeting performance targets for completion of activities, and the number of persons to be served or targeted for assistance. HUD may also use information on hand or available from public sources. Further, in evaluating past performance, HUD may elect to deduct points from the rating score or establish threshold levels as specified under the Factors for Award in the program section of the SUPERNOFA.

HUD Reform Act includes requirements for documenting funding decisions

The SUPERNOFA also required that Section 102 of the HUD Reform Act, Documentation and Public Access requirements, be followed to ensure greater accountability and integrity in providing assistance for the ICDBG program. Based on the Reform Act, HUD was required to ensure that documentation and other information for each application submitted for ICDBG funding was sufficient to indicate the basis upon which assistance was provided or denied.

Alaska ONAP documenting policy

The Alaska ONAP office documented their final rating and ranking for all applications on standardized forms. However, AkONAP did not retain documentation for any initial ratings done by staff. AkONAP staff said that office policy was to document only the final application rating and ranking information because that is all the SUPERNOFA required.

Because AkONAP could not provide us with documentation relating to the initial ICDBG ratings and rankings, we were unable to determine the validity of the concerns alleging that AkONAP made improper changes to the ICDBG ratings and rankings.

AUDITEE COMMENTS

AkONAP disagreed with the finding, stating it has complied with the HUD Reform Act and maintained sufficient records of its decisions in the ICDBG program. However, AkONAP concurs with the audit recommendation, and requested the Office of Native American Programs to obtain a legal opinion on the issue.

OIG EVALUATION OF AUDITEE COMMENTS

We concur with AkONAP's action to resolve the audit recommendation.

RECOMMENDATION

We recommend you:

- 2A. Request the Office of Native American Programs obtain a legal opinion as to whether retention of only the final rating and ranking of ICDBG applications meets the documentation requirements of the HUD Reform Act.

Status of Recommendation: Based on the action outlined in AkONAP's response to the draft report, management is taking sufficient action to satisfy the recommendation and no additional response to this finding is necessary.

MANAGEMENT CONTROLS

Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

The objectives of our review included management controls over Indian Housing Plan submission, accounting entries for an IHP amendment, and the award process for Indian Community Development Block Grant funds.

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

The findings discuss weaknesses in the controls over Indian Housing Plan submission, accounting entries for an IHP amendment, and the award process for Indian Community Development Block Grant funds.

Auditee Comments



U.S. Department of Housing and Urban Development

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MAY 27 2003

HUD/OIG AUDIT
 SEATTLE, WA

May 23, 2003

MEMORANDUM FOR: Frank E. Baca, Regional Inspector General for Audit, OAGA

FROM: Wayne Mundy, Administrator, OCPI

SUBJECT: *Wayne Mundy*
 Comments on draft audit report of review of complaints regarding the Alaska ONAP's funding of Indian Housing Block Grants and awarding of Indian Community Development Block Grant funds

On May 6, 2003, the Office of the Inspector General for Audit, Region 10, provided a draft audit report of a review of complaints regarding the Alaska Office of Native American Program's funding of Indian Housing Block Grants and awarding of Indian Community Development Block Grant funds. We have reviewed the draft report and provide the following comments, management decisions and action plans:

Finding 1 - AkONAP Did Not Enforce Submission Deadlines and Provided Funding Without Proper Approval

While the AkONAP concurs that the audit report accurately sets forth the facts surrounding the funding actions, the AkONAP does not concur with this finding. 24 CFR § 1000.327(b) requires that, "[b]y September 15 of each year," each Alaskan Native village must notify HUD in writing whether it or its TDHE intends to submit an IHP. At the time of the occurrences referenced in the audit, AkONAP's interpretation of the regulations and their failure to specify that the notification must be "received" by the September 15 deadline led AkONAP to believe the notification executed by the tribe on Friday, September 15, but received Monday, September 18, met the regulatory requirements. With respect to the amendment to AVCP's IHP to include the Village of Stony River and Native Village of Paimiut, AkONAP, in consultation with the Office of Grants Management, determined regulatory and statutory provisions did not preclude the acceptance of the IHP amendments in question solely because the amendments added additional tribes. Therefore, AkONAP concludes the funding was provided in accordance with the applicable regulatory and statutory provisions. The AkONAP does, however, concur with the audit recommendations. The following management decisions and action plans are provided.

1A. Request clarification from the ONAP Director, Office of Grants Management on what will be accepted as the date of receipt for written notification that an Indian tribe in Alaska intends to submit an IHP.

By memorandum dated May 23, 2003, a copy of which is attached hereto, the AkONAP has requested clarification from the ONAP Director, Office of Grants Management, as to what will be accepted as the date of receipt for written notification that an Indian tribe in Alaska intends to submit and IHP. Accordingly, it is our management decision that corrective action for this recommendation is complete and can be closed.

1B. Request clarification from the ONAP Director, Office of Grants Management on the proper handling of amendments to a TDHE IHP that attempts to add Indian tribes after the deadline for submission of IHPs.

By the same memorandum dated May 23, the AKONAP has requested clarification on what is the proper handling of amendments to a TDHE IHP that attempts to add Indian tribes after the deadline for submission of IHPs. Accordingly, it is our management decision that corrective action for this recommendation is complete and can be closed.

1C. Reevaluate the decision to accept the Village of Stony River notification that a 2001 Indian Housing Plan would be submitted, and if appropriate, take steps to reallocate the FY 2001 funding to the appropriate Regional Tribe or Corporation.

Within 30 days of a response to the above requests for clarification, the AKONAP will reevaluate its decision to accept the Village of Stony River Notification that a 2001 IHP would be submitted and, if appropriate, take steps to reallocate the FY 2001 funding to the appropriate Regional Tribe or Corporation. Accordingly, it is our management decision that action is pending with a target date for completion of September 30, 2003.

1D. Reevaluate the decision to allow AVCP to amend its IHP after the July 1, 2001 deadline to include the Village of Stony River and the Native Village of Paimiut and if appropriate, recover the IHBG funds provided to AVCP for the Village of Stony River and Native Village of Paimiut for distribution by formula in the following year.

Within 30 days of a response to the above requests for clarification, the AKONAP will reevaluate its decision to allow AVCP to amend its IHP after the July 1, 2001, deadline to include the Village of Stony River and Native Village of Paimiut and, if appropriate, recover the IHBG funds provided to AVCP for the Village of Stony River and Native Village of Paimiut for distribution by formula in the following year. Accordingly, it is our management decision that action is pending with a target date for completion of September 30, 2003.

1E. Ensure that there is an approved IHP agreement on file before making funds available in the LOCCS system.

The AKONAP developed Standard Operating Procedures regarding the handling of funding documents. Grants Management Staff training was completed and the procedures implemented May 14, 2003. The procedures require the Grants Management Assistant verify that a properly executed grant agreement is on file prior to spreading budgets in LOCCS. A copy of the Standard Operating Procedures are attached. Accordingly, it is our management decision that corrections action has been taken and this recommendation can be closed.

Finding 2 - AkONAP Did Not Fully Document the ICDBG Award Process

Again, the AKONAP concurs that the audit report accurately sets forth the facts surrounding the rating and ranking for the FY 2002 ICDBG funding; however, AKONAP does not agree with the finding that the HUD Reform Act requires all documentation generated in the rating and ranking process be maintained in office records. Section 102(a)(4)(B) of the Department of Housing and Urban Development Reform Act of 1989 requires the following:

The Secretary shall ensure that documentation and other information regarding each application for assistance is sufficient to indicate the basis on which any award or allocation was made or denied.

42 USC § 3545(a)(4)(B) (emphasis added). The AKONAP interprets this provision

of the HUD Reform Act to require a rating office maintain only enough records to show the basis for HUD's decision. AkONAP believes the final rating and ranking meets this requirement. Had Congress intended that all documentation of the rating and ranking process be maintained, AkONAP believes the HUD Reform Act would have so stated.

The Grants Management Business Process Guidebook clearly envisions changes in application scoring. The GM Division Director may assign another reviewer to re-score an application when found that the initial reviewer did not effectively and carefully review the application. Also, through either the summary review or panel review process required to ensure consistency and accuracy among reviewers in rating ICDBG applications, modifications to scores may be made. The AkONAP considers these ratings pre-decisional and only after a final score is determined through this process are applications ranked for funding. For these reasons, it is AkONAP opinion that it has complied with the HUD Reform Act and maintained sufficient records of its decisions in the ICDBG program. However, AkONAP concurs with the audit recommendation. Accordingly, the following management decision and action plan is provided:

2A Request the Office of Native American Programs obtain a legal opinion as to whether retention of only the final rating and ranking of ICDBG applications meets the documentation requirements of the HUD Reform Act.

The AkONAP has requested the Office of Native American Programs obtain a legal opinion as to whether retention of only the final rating and ranking of ICDBG applications meets the documentation requirements of the HUD Reform Act. A copy of this May 23, 2003 memorandum is attached hereto. Accordingly, it is our management decision that corrective action is complete and this finding can be closed.

Cc:

Colleen Bickford, Field Office Director
Anchorage HUD Office, OCM

Roger Boyd, Deputy Assistant Secretary
Office of Native American Programs, PN

Ted L. Key, Senior Advisor
Office of Native American Programs, PN

Deborah Lalancette, Director,
Office of Grants Management, PNPG



U.S. Department of Housing and Urban Development

Alaska Office of Native American Programs

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May 23, 2003

MEMORANDUM FOR: Rodger Boyd, Deputy Assistant Secretary, Office of Native American Programs, PN

ATTENTION: Deborah M. Lalancette, Director, Office of Grants Management
 PNPG

FROM: Wayne Mundy, Administrator, OCPI

SUBJECT: Request for Clarification

A draft audit report of a review of complaints regarding the Alaska Office of Native American Program's funding of Indian Housing Block Grants recommends that we request clarification from you on two regulatory provisions.

24 CFR 1000.327(b) provides in part "By September 15 of each year, each Indian Tribe in Alaska not located on a reservation, including each Alaska Native village, regional Indian tribe and regional corporation, or its TDHE must notify HUD in writing whether it or its TDHE intends to submit an IHP." In the reviewed circumstance the AKONAP accepted a memorandum dated Friday September 15, 2000 and faxed to our office on Monday, September 18, 2000 as sufficient to satisfy this provision. The fax transmittal from the tribe stated the notification had been signed on Friday September 15, however they had forgot to fax it to the AKONAP until Monday, September 18. Clarification is requested as to what will be accepted as the date of receipt for written notification that an Indian Tribe in Alaska intends to submit an IHP.

24 CFR 1000.214 provides in part "IHPs must be initially sent by the recipient to the Area ONAP no later than July 1." 24 CFR 1000.216 further provides "If the IHP is not initially sent by July 1, the recipient will not be eligible for IHBG funds for that fiscal year." In the reviewed circumstance, two tribes did not submit an Indian Housing Plan for their formula amount prior to July 1. The tribes designated, in August, a recipient who had submitted an IHP by the July 1 date as their TDHE. Subsequently, the tribes' TDHE submitted an Indian Housing Plan Amendment increasing the IHP to include the formula amounts for the two tribes. It was determined in consultation with the Office of Grants Management, that there was no statutory or regulatory provision, which precludes the acceptance of an IHP amendment from a recipient who had initially submitted an IHP by the July 1 deadline to subsequently submit an IHP amendment to add the funds for Tribes who elected not to submit an IHP. Clarification is requested on the proper handling of amendments to a TDHE IHP that attempts to add Indian tribes after the deadline for submission of IHPS.

A copy of the draft audit report and the AkONAP response to the draft report are attached hereto. If you have any questions please call me at (907)271-4633 or if your staff has any questions please call Donna Hartley at (907)271-4603.

Attachments

Standard Operating Procedures
Processing of Fund Documents, HUD-718 (I) Indian Housing Block Grant Fund
Reservation and HUD-52734-B Funding Approval/Agreement

PURPOSE: A Financial Audit of the Indian Housing Block Grant Program disclosed discrepancies in the funding process warranting review and clarification of the procedures for processing funding documents. The purpose of this Standard Operating Procedure (SOP) is not to restate all the procedures but to assign responsibility within the AKONAP for the required actions, clarify existing guidance where needed and establish policies and practices which minimize the potential for future discrepancies.

BACKGROUND: Guidance is provided on the processing of forms HUD-718 (I) and HUD-52734-B in a number of references including:

Grants Management Business Process Guidebook 2, Indian Housing Block Grant Program dated 5/9/02

3.6 Step 4: Reserve Funds

4.1.2. After Funds are Available

4.1.3 Congressional Release

5.1 Congressional Release

5.2.2. Preparing the Grant Agreement Package

Attachment 5-1: Checklist for Processing the Grant Agreement Package

NAHASDA Guidance Bulletin 98-03-Procedures to Establish a Recipient in the Line of Credit Control System for Access to the Indian Housing Block Grant Funds

NAHASDA Guidance Bulletin 98-03A-Expansion of Procedures to Establish a Recipient in the Line of Credit Control System For Access to the Indian Housing Block Grant Funds

NAHASDA Guidance Bulletin 98-03B-Drug-free Workplace Certification

NAHASDA Guidance Bulletin No. 01-02 Revision of NAHASDA Guidance 00-01(A), IHBG Fund Tracking

Program Guidance No., 2002-10 Procedures for Returning Funds to the IHBG Program

Form HUD-718(I) Indian Housing Block Grant Fund Reservation is an internal accounting form which authorizes HUD accounting staff to input a reservation of funds for a future grant award. Form HUD-52734-B Funding Approval/Agreement is a legal and binding contract with the Grant Recipient and when input into the accounting system allows the grant recipient access to its IHBG funds. As such the preparation, handling review and processing of these documents needs to be monitored very closely for accuracy.

PROCEDURES: These procedures apply to each grant award and grant amendment when funds are increased or decreased

1. The Grants Management Specialist is responsible for the accurate preparation of the HUD-718(I) and HUD-52734 B. The documents will be prepared error free, the HUD 718-(I) signed and other documents concurred on by the GMS, and forwarded with the approval package including the reviewed and compliant IHP or IHP Amendment which supports the grant amount indicated on the HUD-718 & 52734B, and congressional notification if appropriate.
2. The approval package will be routed to the Director, Grants Management Division and Administrator who will review the packet and if approvable:
 - Sign and date the HUD-718(I)
 - Concur and sign the Congressional Notification
 - Concur on IHP Compliance Letter with HUD-52734-B
 - Return the Package to the Grants Management Program Assistant
3. The Grants Management Program Assistant will:
 - Verify the Grant Amount with the Funding Log & Formula Allocation
 - Fed Ex the Original HUD-718(I) to FAD
 - Fax Congressional Notification
 - Hold the Compliance Letter w/Grant Agreement(HUD 52734-B) for Release Date
 - Upon receipt of release date, date the compliance letter and grant agreements, obtain the Administrator's signature and mail the package to the recipient.
 - Enter all required information on the fund control log
4. Upon return of the executed grant agreement package, including the HUD-52734-B, the package is routed to the GM Program Assistant who is responsible for entering the receipt date on the funding log and forwarding the grant agreement package to the Grants Management Specialist.
5. The Grants Management Specialist is responsible for reviewing the executed grant agreement package to ensure all required information has been submitted. The Grants Management Specialist will initial and date each grant agreement (HUD-52734-B) in the lower left corner showing the date reviewed and determined acceptable, file one grant agreement and certifications in the grant file and return one grant agreement to the program assistant.
6. The program assistant will fed ex an original signature grant agreement to the FAD and monitor the LOCCS system to assure that the obligation is entered. When the grant appears on the LOCCS report indicating that the budget must be spread in LOCCS, so that the funds will be available to the recipient, the program assistant will verify that a fully executed grant agreement initialed by the Grants Management Specialist is on file.

Upon verification the program assistant will spread the budget in LOCCS and enter appropriate dates in the funding log.

REMEDIES: Common problems which arise and remedies include:

1. Loss of Grant Award Package. When a grantee cannot locate its grant award package to execute and return, a new package will be prepared by the Grants Management Specialist and transmitted by letter signed by the Administrator to the recipient. The Grant Agreement will carry the new date of letter and execution of the new package. A model letter is attached to this SOP.

2. End of year transactions. Fax transmission of HUD 718-I and HUD-52734-B will be used that last month of the fiscal year to facilitate expedited processing of funding documents. A Fax transmittal will be prepared and executed by the program assistant and maintained in the grant file. The original document will be forwarded by mail to FAD for their records and clearly indicate faxed to FAD on (date) – original for FAD records.

3. Corrections. If at any time after the grant agreement is executed an error is noted it will be brought to the Director's attention. Typically necessary corrections to the project number, recipient tax ID or dates on the document will be made by pen change, and initialed by the Administrator and documented in the project file. Corrections to the funding amounts will be made by creating an entirely new corrected funding package.

Effective Date: These procedures are effective May 14, 2003 until superceded by revision to this SOP



U.S. Department of Housing and Urban Development
Region X – Anchorage Filed Office
VECO Alaska Building
Office of Native American Programs
949 East 36th Avenue, Suite 401
Anchorage, AK 99508-4399
www.hud.gov/local/anc

SUBJECT: Indian Housing Block Grant No.
Duplicate Grant Agreement Package

The Alaska Office of Native American Programs is providing a duplicate grant award package to replace the documents transmitted to you by our letter dated (date).(copy enclosed) The Funding Approval/Agreements enclosed with our (date) letter may be destroyed if they are found in the future. Please refer to the enclosed letter for additional information and instructions for executing and returning these documents.

If we can be of further assistance to you in the successful implementation of this grant, please contact (GMS at (907)271-____ or e:mail at _____ hud.gov.

Sincerely,

Wayne Mundy
Administrator

Enclosures

**GRANTS MANAGEMENT STAFF TRAINING
STANDARD OPERATING PROCEDURES
Processing of Fund Documents, HUD-718(I) IHBG Fund Reservation and
HUD-52734-B Funding Approval /Agreement
May 13, 2003**

Background: Report of Audit/Investigation indicated a need to expand Standard Operating Procedures for fund documents. The audit disclosed that a Grant Agreement Amendment was executed by HUD without an IHP amendment on file supporting the grant agreement amendment and that funds were placed under contract and budget spread in LOCCS making these funds available to the grantee without an executed grant agreement or IHP amendment found in compliance. Further documents had white out corrections, were faxed to the FAD and no original was on file at the FAD leading to questioning of the authenticity of the document. The audit disclosed no financial loss to HUD, misuse of funds or personal gain to any HUD employee, however, the instances point to a weakness in management controls and need to improve procedures.

Through implementation of the SOP and this Training I believe future such instances can be avoided. I expect preparation, handling & processing of these documents to be accurate and closely monitored. The following changes are being made:

- **Eliminate practice of Administrator signing undated documents**
- **Eliminate existence of multiple copies of org signature documents in project files**
- **Limit use of fax transmissions to last month of fiscal year**
- **Establish uniform process for correction/replacement of documents**
- **Assign responsibility to specific positions including post verification of executed grant agreement prior to budget spread**

Standard Operating Procedures Effective May 14, 2003

Review of Standard Operating Procedures

- SOP does not repeat guidance in GM Business Process Guidebook or NAHASDA Guidance. It assigns responsibility within AkONAP, clarifies existing guidance *where needed and establishes internal procedures to minimize future discrepancies.*
- What is a HUD-718-(I) and HUD-52734-B and why is accuracy important? To alter, falsify or forge a Government documents is an offense, which carries penalties ranging from a reprimand to removal from Federal Service.
- Review and discussion of each Step
- Review of Attached Sample Letter for Duplicate Grant Agreement Package



U.S. Department of Housing and Urban Development

Alaska Office of Native American Programs
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 949 East 36th Avenue, Suite 401
 Anchorage, AK 99508-4399
<http://www.hud.gov/local/anc/anconap.html>

May 23, 2003

MEMORANDUM FOR: Rodger Boyd, Deputy Assistant Secretary, Office of Native American Programs, PI

ATTENTION: Deborah Lalancette, Director, Office of Grants Management, PNPB

FROM: Wayne Mundy, Administrator, OCPI

SUBJECT: Request for Legal ^{Wayne Mundy} Opinion

On May 6, 2003, the Office of the Inspector General for Audit, Region 10, provided a draft audit report of a review of complaints regarding the Alaska Office of Native American Program's funding of Indian Community Development Block Grant funds. The audit report recommends, among other things, that the Office of Native American Programs request a legal opinion as to whether retention of only the final rating and ranking of ICDBG applications meets the documentation requirements of the HUD Reform Act.

In accordance with the audit recommendation, we request the Office of Native American Programs obtain a legal opinion as to whether retention of only the final rating and ranking of ICDBG applications meets the documentation requirements of the HUD Reform Act.

A copy of the draft audit report and the AkONAP response to the draft report are attached hereto. If you have any questions please call me at (907)271-4633 or if your staff has any questions please call Donna Hartley at (907)271-4603.

Attachments