

Community Development Block Grant Program Corrective Action Plan

12-Month Follow Up

Objective

In accordance with 12 Navajo Nation Code, Section 7(G), the Office of the Auditor General conducted a follow up review on the status of the Community Development Block Grant (CDBG) Program's corrective action plan that the Budget and Finance Committee approved on December 19, 2000 per resolution number BFD-107-00. Our follow up review objective was to determine whether the CDBG Program implemented its corrective action plan and resolved the findings reported in audit report 00-19.

Scope and Methodology

In meeting our objective, we reviewed CDBG Program project records and files and interviewed CDBG Program staff. We reviewed federal regulations pertaining to grant close out procedures of the CDBG Program grants. We also reviewed a sample of completed power line project folders to determine if the project files contain construction progress reports and to determine whether the CDBG Program monitors the project costs. In addition, we reviewed the 1991, 1992, 1993, 1994 and 1995 grant files to determine if these grants were closed out.

Review Results

The CDBG Program has implemented a substantial portion of its corrective action plan which fully resolves two of the three audit findings presented in audit report 00-19. The CDBG Program has yet to resolve the lack of monitoring project costs. Funding for CDBG projects come from several sources, which include grants from the U.S. Housing and Urban Development (HUD) and contributions from other entities such as the Navajo Tribal Utility Authority (NTUA), Indian Health Service (IHS), Navajo Nation Capital Improvement Office (CIO) and Navajo Nation Chapters. To effectively manage CDBG projects and identify cost overruns and timely expend project funding, project costs must be monitored.

The CDBG Program is not monitoring project costs because entities that contributed funds to the CDBG projects are not submitting quarterly financial reports required by the memorandum of agreement. Non submission of quarterly financial reports resulted in the CDBG Program not having information to monitor the costs of ongoing construction projects. Although the CDBG Program made some efforts to obtain the quarterly reports from these entities, none of the entities complied with the quarterly reporting requirement. However, the entities are submitting financial reports to CDBG Program only after the projects are completed. The lack of monitoring project costs resulted in approximately \$388,000 of unexpended 1995 federal grant reverting to HUD. The risk of the CDBG Program losing unexpended federal grants will continue if the project costs are not monitored during the duration of the project.

Conclusion

The CDBG Program has shown a good faith effort in implementing its corrective action plan and has resolved two of the three findings presented in audit report 00-19. Therefore, the CDBG Program provided reasonable assurance that it is meeting its purpose and objective as prescribed in its plan of operation. Accordingly, we recommend to not impose sanctions against the CDBG Program pursuant to 12 N.N.C. section 9, sanctions for failure to implement the corrective action plan.

The CDBG Program must make a diligent effort to implement monitoring of project costs that would timely address cost overruns and full use of available funds. The CDBG Program and applicable entities should work cooperatively to comply with the financial reporting requirement to facilitate the monitoring of project costs.