

RESOLUTION 85(24)

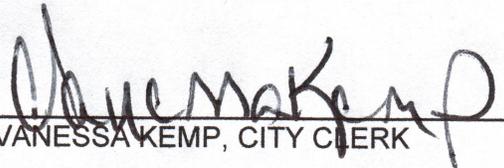
RESOLUTION APPROVING THE APRIL 2024 COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY INTERNAL AUDIT REPORT

WHEREAS, the City has hired Weaver and Tidwell, LLP to complete an internal audit for the Community Development Block Grant-Disaster Recovery

WHEREAS, Weaver and Tidwell, LLP has provided an internal audit report for the months of January 2024 through April 2024 and the City has responded and prepared a course of action

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and City Council of the City of Moore, Oklahoma, as follows:

ADOPTED, this 19th Day of August 2024, at a regularly scheduled meeting of the governing body in compliance with the Open Meeting Act, 25 O.S. SS301-314 (2001).

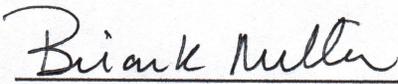


VANESSA KEMP, CITY CLERK



MARK HAMM, MAYOR

Approved as to form and legality this 19th day of August, 2024



BRIAN MILLER, CITY ATTORNEY



City of Moore, Oklahoma

Eastmoor Sewer Line Replacement Project

April 17, 2024

CONTENTS

Page

Eastmoor Sewer Line Replacement Project..... 1

Summary and Background2

Scope and Objectives.....2

Results3

Conclusion3

Procedures Performed, Findings, Observations, and Management Response4



Kahley Gilbert
Projects Grant Manager
City of Moore, Oklahoma
301 N. Broadway
Moore, OK 73160-5130

This report presents the results of the Internal Audit procedures performed for the City of Moore, Oklahoma's CDBG-DR Eastmoor Sewer Line Replacement Project from January 17, 2024 to April 17, 2024, relating to the Housing and Urban Development (HUD) Community Development Block Grant - Disaster Recovery (CDBG-DR) program funding the City of Moore (City) received for the period of December 21, 2015 to September 30, 2025.

The objectives of the Internal Audit performed were as follows:

- A. Review and verify that internal controls, policies and procedures, and applicable CDBG-DR, city, and state requirements were followed for the project, including initiation to closeout procedures.
- B. Evaluate a sample of transactions from the project and test against the criteria to ensure the processes and procedures were performed according to applicable CDBG-DR, city, and state requirements.

To accomplish these objectives, we conducted interviews with select City of Moore employees and reviewed specific process level and project transaction documentation. In addition, we tested specific project transactions against supporting documentation, verified compliance with applicable CDBG-DR, City, and State policies and procedures, verified actual expenditures were within the approved project budget, and reported within the appropriate period.

The procedures were performed based on general guidelines provided by HUD CDBG-DR, the City of Moore, and the State of Oklahoma. We were not engaged to, and did not perform an audit, in which the objective would be the expression of an opinion. Accordingly, we do not express such an opinion.

This report is intended solely for the use of the City of Moore and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. The following report summarizes the procedures performed and observations.

Weaver and Tidwell, L.L.P.
Houston, Texas
April 17, 2024

Weaver and Tidwell, L.L.P.
4400 Post Oak Parkway, Suite 1100 | Houston, Texas 77027
Main: 713.850.8787

CPAs AND ADVISORS | WEAVER.COM

City of Moore, Oklahoma

Eastmoor Sewer Line Project Review

HUD CDBG-DR

April 17, 2024

Summary and Background

In May of 2013 the City of Moore Oklahoma was hit by a mile wide F-5 Tornado and experienced winds up to 200 MPH, resulting in the loss of 24 citizens, 2 schools, a school administration building, a regional hospital, 90 businesses and 2,400 housing units being damaged or completely destroyed. In January 2013 Congress passed, and the President signed into law, The Disaster Relief Appropriations Act, also known as Public Law 113-2 (the "Act"), which appropriated approximately \$50 billion for recovery efforts related to Hurricane Sandy and other natural disasters specified in the Act, as well as disasters occurring in the remaining months of Fiscal Year 2013. Of those funds, approximately \$16 billion was set aside for the Community Development Block Grant - Disaster Recovery Program (the "CDBG-DR Program"), to be administered by the United States Department of Housing and Urban Development ("HUD"). The Moore tornado and other tornadoes affecting Oklahoma during the period April 19 through May 31, 2013 were included by HUD in the allocation created by the Act. The City's total HUD CDBG-DR funding received equals \$52.2 million, which are subject to federal compliance requirements based on the approved Action Plan and allocated for infrastructure, housing, and public service projects.

The Eastmoor project consisted of the replacement of approximately 3,000 feet of 8-inch sewer line across from the Eastmoor neighborhood. The sewer lines run along S Silver Leaf Dr from SE 8th St to SE 4th St; S Patterson Dr from SE 8th St to SE 4th St; Avery Dr from SE 8th St to SE 4th St; and S Bouziden from SE 8th St to SE 4th St. The purpose of the project was to replace the water lines due to the lines reaching their age for maximum efficiency and the damaged caused by debris from the 2013 tornado.

Scope and Objectives

The scope of this internal audit focused on the City of Moore, Oklahoma's coverage of the existing and applicable policies and procedures for CDBG-DR compliance and the Eastmoor Sewer Line Replacement Project. We evaluated the processes and procedures performed from initiation to close out of the project along with compliance with relevant CDBG-DR requirements. The following are the areas that were evaluated as part of the internal audit:

- Procurement Requirements, including solicitation, selection, and contracting
- Monitoring and Managing Progress and Compliance for all applicable CDBG – DR requirements
- Project Closeout and Completion

The objectives of our procedures are as follows:

- A. Review and verify that internal controls, policies and procedures, and applicable CDBG-DR, city, and state requirements were followed for the project, including initiation to closeout procedures. The following were performed:
 - Evaluated internal controls for construction management and monitoring
 - Evaluated the procurement performed to verify solicitation, selection, and contracting are in compliance with CDBG-DR, city policies, and applicable regulations
 - Evaluated contractor and subcontractors for compliance with CDBG-DR requirements, including Davis Bacon Act and Section 103
 - Evaluated contract closeout procedures and reporting

City of Moore, Oklahoma
Eastmoor Sewer Line Project Review
HUD CDBG-DR
April 17, 2024

- B. Evaluate a sample of transactions from the project to ensure the processes and procedures were performed according to applicable CDBG-DR, city, and state requirements. The following were evaluated:
- Coding and classification of transactions
 - Authorization and allowability
 - Completeness and accuracy of forms and applicable supporting documentation
 - Transactions were recorded timely in the appropriate period.

To complete these objectives, we conducted interviews with select City of Moore employees and reviewed specific process level and project transaction documentation. In addition, we tested specific project transactions against supporting documentation, verified compliance with applicable CDBG-DR, City, and State policies and procedures, verified actual expenditures were within the approved project budget, and reported within the appropriate period.

Results

Through our interviews, walkthroughs, evaluation of policies and procedures, internal controls, and testing of transactions for the three objectives, we identified eight (8) observations.

The issues identified in our audit are classified as either Findings or Observations which are defined as follows:

- **Finding:** The internal audit areas identified are considered to be non-compliance issues with documented City policies and procedures, State or Federal rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to the City. These issues could have significant financial, operational, or compliance implications.
- **Observation:** The internal audit areas identified are not considered to be non-compliance issues with documented City policies and procedures, State or Federal rules and regulations required by law. These are considered to be process improvement observations and the intent for the recommendation of the observation is to strengthen the City's current policies, processes, procedures, or internal controls in place to cover risks to the City. These issues do not have significant financial, operational, or compliance implications.

Conclusion

Based on our evaluation, we identified that the Eastmoor Sewer Line Replacement Project was appropriately procured, effectively and appropriately managed, and was performed according to CDBG-DR, State and City requirements. However, we identified opportunities to enhance existing processes to include adequate support and documentation.

City of Moore, Oklahoma
Eastmoor Sewer Line Project Review
HUD CDBG-DR
April 17, 2024

Detailed Procedures Performed, Findings, Observations, and Management Response

Objective A: Review and verify that internal controls, policies and procedures, and applicable CDBG-DR, city, and state requirements were followed for the project, including initiation to closeout procedures.

Procedures Performed:

1. Evaluation of Internal controls for construction management and monitoring, including:

- Segregation of duties
- Delegation of authority
- System and user access
- Safeguards of data and information

Results of Procedures: No Findings or Observations Identified.

2. Evaluation of the procurement process performed to verify solicitation, selection, and contracting are in compliance with CDBG-DR, city policies, and applicable regulations, including:

- Preparation of the sealed bid, RFP, or RFQ
- City required forms
- Soliciting proposals
- Procurement reviews
- Price/cost analysis
- Awards
- Contract negotiation
- Contracting

Results of Procedures: No Findings or Observations Identified.

3. Evaluation of contractor and subcontractors for compliance with CDBG-DR requirements, including Davis Bacon Act and Section 103, including:

- Labor Standards & Davis Bacon Acknowledgment
- Section 3 Training Acknowledgement
- Written Authorization Request
- Business Certification Questionnaire
- ACH Authorization Form
- Federal Labor Standards Provisions
- Progress Reports
- MOB or WOE Report

Results of Procedures: No Findings or Observations Identified.

City of Moore, Oklahoma
Eastmoor Sewer Line Project Review
HUD CDBG-DR
April 17, 2024

4. Evaluation of contract closeout procedures and reporting, including:

- Master Checklist was approved by authorized personnel
- Each closeout checklist was finalized, signed by the correct personnel, and within the project file
- All required documents were approved and within the project file

Observation #1: Through our evaluation of the Work Order, we observed that the signature's completion date reported on the Closeout Master Checklist (10/21/22) does not match the completion date (signature date of 10/27/23) presented on the Work Order.

Recommendation: We recommend the City revise the Closeout Master Checklist to include the correct signature date.

Observation #2: Through our evaluation of the Financial Checklist, we observed discrepancies in two checklist items in which the listed dates do not correspond to the date listed on the document or lacks date information altogether, including:

- The Project Ledger is not dated and therefore does not match the completion date listed on the Financial Checklist (10/31/23).
- The completion date reported on the Financial Checklist of the Reconciliations (11/2/23) does not match the completion date on the Reconciliations documentation (12/31/23).

Recommendation: We recommend the City amend the Project Ledger and Financial Checklist to include the correct date and to ensure the checklist and support match.

Observation #3: Through our evaluation of the Environmental Procedures Checklist, we observed that the checklist was not complete and/or is missing elements as described below:

- Three checklist items were marked as N/A but justification was not provided on the checklist to indicate why the items were marked N/A.
- Checklist did not include dates for items that were signed off as present.

Additionally, on the originally provided Environmental Procedures Checklist, an item that was not applicable was marked as present. When seeking clarification from the City on the item, the City stated that the item marked as present was an error and provided a revised version of the checklist. The updated checklist was provided by the City on 3/13/24 but was back dated to 7/17/23.

Recommendation: We recommend that the City revise the Environmental Procedures Checklist to include the justification for the items that were identified as N/A and include the correct completion date for each item as applicable. Moreover, we recommend the City date the Checklist with the current date and provide a description of the reasoning for the date change.

Observation #4: Through our evaluation of the Contracting Checklist, we observed that the Purchase Order reported on the checklist (10/21/22) does not match the completion date reported on the Purchase Order (11/4/22).

City of Moore, Oklahoma
Eastmoor Sewer Line Project Review
HUD CDBG-DR
April 17, 2024

Recommendation: We recommend the City revise the Contracting Checklist to reflect the correct Purchase Order date.

Objective B: Evaluate a sample of transactions from the project to ensure the processes and procedures were performed according to applicable CDBG-DR, city, and state requirements.

Procedures Performed:

1. **Payroll Testing:** Evaluate payroll transactions for compliance with David Bacon Act, Section 103, and relevant CDBG-DR requirements, including:

- Payroll Register approved by appropriate personnel
- Rate of pay is greater than or equal to the standards set by the Federal Labor Standards Provisions
- Gross amount earned for the project is accurate
- Payroll Deduction Authorization is appropriately approved
- Deductions are accurate and agree to the Payroll Deduction Authorization

Observation #5: Through our evaluation of the Payroll samples, we observed that authority was not appropriately granted to two of the three payroll signees. Two staff members attempted to authorize themselves as Payroll approvers, resulting in neither of them having the appropriate authorization to approve the Payroll Register. In response to this item, the City provided a letter on 4/19/24 from the President of the Subcontractor granting both staff, the authority to approve payrolls.

Recommendation: We recommend a memo be developed explaining the reasoning that appropriate authority was granted after the payrolls had been signed by the two staff members. The memorandum should be included in the project file for future reference.

Observation #6: Through our evaluation of the Payroll samples, we observed a discrepancy between the payroll deduction amount and the deduction amount listed on the laborer's authorized deduction form. On Payroll #18, the first individual listed had a deduction of \$2.11 greater than the authorized amount specified on their deduction form.

Recommendation: We recommend the City issue a memorandum explaining the discrepancy between the payroll deduction amount and the deduction amount authorized by the laborer. The memorandum should be included in the project file for future reference.

Observation #7: Through our evaluation of the Payroll Deduction Forms, we observed that the Payroll Deduction Forms do not state the correct project name. The City of Moore stated that they will "amend the payroll deduction forms to exclude the project name so they can be used for more than one project," per the City's email on 03/11/24.

Recommendation: We concur with the City's approach and recommend the City amend current and future payroll deduction forms to be able to apply to all Davis-Bacon projects.

City of Moore, Oklahoma
Eastmoor Sewer Line Project Review
HUD CDBG-DR
April 17, 2024

2. **Project Ledger, Invoices, and Drawdowns Testing:** Evaluate project ledger, invoices, and drawdowns for completeness, accuracy, appropriate approvals, and timely payment.

Result of Procedures: No Findings or Observations Identified.

3. **Change Orders Testing:** Evaluate Change Orders for compliance with required CDBG-DR procedures for proper approvals and appropriate supporting documentation.

Results of Procedures: No Change Orders identified for this project.