

RESOLUTION 959(20)

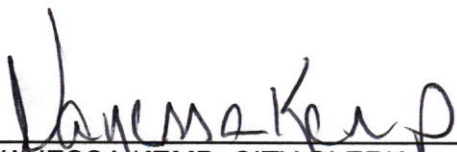
RESOLUTION APPROVING APRIL 2020 COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY INTERNAL AUDIT REPORT

WHEREAS, the City has hired Deloitte to complete an internal audit for the Community Development Block Grant-Disaster Recovery

WHEREAS, Deloitte has provided an internal audit report for the months of October 2019 through March 2020 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 6th Day of July, 2020, 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



GLENN LEWIS, MAYOR

Approved as to form and legality this 6th day of July, 2020.



RANDY BRINK, CITY ATTORNEY



City of Moore CDBG-DR Internal Audit Report

This CDBG-DR Internal Audit Report is intended solely for the informational purposes and internal use of the City of Moore, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner or for any purpose, on this CDBG-DR Internal Audit Report.



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June 18, 2020

Honorable Mr. Glenn Lewis
Mayor
City of Moore
301 North Broadway
Moore, OK 73160

Dear Mr. Lewis,

We are pleased to provide the attached Internal Audit Report for the period October 1, 2019 through March 30, 2020 with respect to the Housing and Urban Development (HUD) Community Development Block Grant - Disaster Recovery (CDBG-DR) program funding the City of Moore (City) received. This work was performed based on the terms outlined in the engagement letter dated June 20, 2017, as amended. The areas covered during the analysis were jointly identified with the City based on a risk-based planning process and are outlined within this report.

Our services were performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). However, our services did not constitute an engagement to provide audit, compilation, review, or attestation services as described in the pronouncements on professional standards issued by the AICPA, and, therefore, we will not express an opinion or other form of assurance with respect to our services.

In addition, our services did not constitute an examination or compilation of prospective financial information in accordance with standards established by the AICPA. We did not provide any assurance regarding the outcome of any future audit or regulatory examination or other regulatory action; nor did we provide any legal advice regarding our services; the responsibility for all regulatory and legal issues with respect to these matters resides with the City. It is further understood that the City is responsible for, among other things, identifying and ensuring compliance with laws and regulations applicable to the City's financial statement activities.

This report is intended solely for the information and use of City and is not intended to be, and should not be, used by any other party, with the exception of oversight agencies, for the performance of their oversight responsibilities.

The accompanying pages of our report include an executive summary as well as detailed observations, recommendations, and management's responses. Although we have included management's responses to our findings and recommendations, we take no responsibility for their sufficiency or the effective implementation of any corrective action.

We appreciate the cooperation received from management and staff of the City during the performance of this internal audit.

Very truly yours,

Deloitte & Touche LLP

By: 

Shawn Kilchrist, Managing Director

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Executive Summary

Background

The City received two rounds of HUD CDBG-DR funding totaling \$52.2 million which are subject to federal compliance requirements. Based on the Capital Plan developed by the City, the funds were allocated for infrastructure, housing, and public service projects. In order to manage the spending and oversight of the grant funds received, the City has developed a CDBG-DR organization to manage the on-going spending of the funds received. As needed, contracted professionals are engaged to provide additional technical assistance. Additionally, the City has developed a CDBG-DR Compliance Manual, established internal controls, and implemented systems to govern the use of the funds received.

Scope & Objectives

The areas of focus for this CDBG-DR Internal Audit included:

1. **Contracts** – An analysis of active contracts to determine if mandatory federal clauses¹ are present and to confirm that the language present conforms with the Federal Code of Regulations:
 - a. Meshek & Associates, PLC;
 - b. Community Development Services;
 - c. Downey Contracting, LLC;
 - d. Rudy Construction, Co.;
 - e. Silver Star Construction, Co.;
 - f. Veolia Water North America – Central, LLC;
 - g. NHS Moore Curve, LLC;

2. **Closed Projects** - Analyze one closed project from each category below to assess whether requisite documentation is present in the final folder. The sample was randomly selected in agreement with the City of Moore using the risk register during a call on March 11, 2020:
 - a. Housing – Project HR-H-04;
 - b. Infrastructure – S. Broadway (Streets and Water);
 - c. Public Facilities – Little River Playground;
 - d. Administration – S. Bryant Ave.; and
 - e. Planning – Infrastructure Recovery and Implementation Plan;

¹ 24 C.F.R. § 85.1 – Applicability of and cross reference to 2 C.F.R. § 200.

2 C.F.R. § 200.326 – Contract Provisions states that a non-Federal entity's contract must contain the applicable provisions described in Appendix II to Part 200 – Contract Provisions for non-Federal Entity Contracts Under Federal Awards.

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3. **Procurement** - Assess previously unassessed procurement documents for the following projects:
 - a. Eagle Drive Street Repair;
 - b. JD Estates;
 - c. Eastmoor; and
 - d. Baers Westmoore.

The objectives of our analysis consisted of assessing the appropriateness of the design and the effectiveness of internal controls for the aforementioned focus areas. In order to evaluate the internal controls, HUD CDBG-DR requirements were evaluated along with the City CDBG-DR compliance manual, City procurement policies, and other relevant federal and state requirements related to the funding received.

We discussed the observations and recommendations with the City on April 20, 2020 and provided management action plans related to the observations, which are also included in this report.

Approach

The approach for this documentation review consisted of the following:

- **Step 1:** Held planning meeting with personnel responsible for the managing and oversight of the CDBG-DR funds.
- **Step 2:** Developed a planning narrative that outlined the activities, scope and procedures to be performed for this CDBG-DR internal audit.
- **Step 3:** Performed testing based on the activities, scope, and procedures as outlined in the planning narrative and in the Scope and Objectives section above. The methodology used for testing was:
 - **Contracts** – City provided active contracts between the City and contracting entity with contract amendments, referenced documents, and written options to extend contract term. Analyzed contract clauses for conformity with 2 C.F.R. Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.
 - **Closed Projects** - Evaluated the procurement process for each contractor obtained to finish work within Project HR-H-04, South Broadway (Street and Water) Project, Little River Playground Project, South Bryant Avenue Project, and the Infrastructure Recovery and Implementation Plan by reviewing requests for proposals, notices of bidding, and evaluations of received bids to determine if policies and procedures were followed in accordance with City CDBG-DR Policies and Procedures and HUD CDBG-DR requirements. Analyzed contracts, change orders and financials for contractors to determine if policies and procedures were followed for cost reasonableness and change orders, as well as the accuracy of financials. Assessed drawdowns represented in Disaster Recovery Grant Reporting System (DRGR), Project and General Ledgers to confirm accordance with the City CDBG-DR Policies and Procedures and HUD CDBG-DR requirements.

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- **Procurement** - Evaluated the procurement process for contractors obtained to complete the Eagle Drive, JD Estates, Eastmoor, and Baer's Westmoore projects by reviewing requests for proposals, notices of bidding, and evaluations of received bids to determine if policies and procedures were followed in accordance with City CDBG-DR Policies and Procedures and HUD CDBG-DR requirements.
- **Step 4:** Conducted a closing meeting on April 20, 2020 and discussed the observations and recommendations with City of Moore management.

Summary of Observations

Below is a summary of observations identified. A detailed outline of the observations and recommendations are included in the **Observations and Recommendations** section of this report.

- **The Meshek & Associates Contract does not contain the mandatory clause requiring compliance with the Byrd Anti-Lobby Amendment (31 U.S.C. 1352).**
- **Per an Interlocal Agreement with the City of Oklahoma City, the City of Oklahoma City was delegated the responsibility of procuring contractors for work in the City of Moore to be paid for by the City of Moore with HUD CDBG-DR funds. The City of Oklahoma City did not obtain quotes from an adequate number of qualified sources.**
- **The City does not have a sufficient process to identify Historically Underutilized Businesses which must be solicited in compliance with 2 C.F.R. 200.321.**

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Observations & Recommendations

Observation Number	Observation Name	Observation/ Risk	Recommendation/Management Action Plan
1	<p>The Meshek & Associates Contract does not contain the mandatory clause requiring compliance with the Byrd Anti-Lobby Amendment (31 U.S.C. 1352).</p>	<p>2 CFR Appendix II to Part 200 (I) 2 CFR Appendix II to Part 200 (I) requires a contractual clause requiring contractors that apply or bid for an award exceeding \$100,000.00 must file the required certification in compliance with the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). Appendix II to Part 200 - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards (I) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352) - Contractors that apply or bid for an award exceeding \$100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352</p>	<p><u>Recommendations</u> The City of Moore has a ready Byrd Anti-Lobbying Certificate which it attaches to many of its contracts. The City should add an Amendment to their contract with Meshek & Associates to sign the certification.</p> <p><u>Management Action Plan</u> The City of Moore will amend the contract with Meshek and Associates to include a signed Byrd Anti-Lobbying certification.</p>

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Observation Number	Observation Name	Observation/ Risk	Recommendation/Management Action Plan
2	<p>Per an Interlocal Agreement with the City of Oklahoma City, the City of Oklahoma City was delegated the responsibility of procuring contractors for work in the City of Moore to be paid for by the City of Moore with HUD CDBG-DR funds. The City of Oklahoma City did not obtain quotes from an adequate number of qualified sources.</p>	<p>2 CFR 200.320(b) Methods of procurement to be followed - Procurement by small purchase procedures.</p> <p>In the Housing Rehabilitation Project (HR-H-04), the City of Moore entered into an Interlocal agreement with the City of Oklahoma City. The City of Oklahoma City is responsible for preparing and bidding the housing rehabilitation work. The work included repair to a home and another scope of work for installation of a storm shelter. Both projects are above the micro-purchase threshold and require procurement through small purchase procedure. For the repair of the home scope of work, the City of Oklahoma City provided two estimates. For the installation of the storm shelter, the City of Oklahoma City provided one estimate.</p> <p>According to City of Moore Community Development Block Grant Policies and Procedures Manual, an "adequate number of qualified sources" is three (pg. 173).</p>	<p><u>Recommendations</u></p> <p>In projects which use federal funds and do not require Request for Proposals, the City should obtain at least three quotes from qualified vendors.</p> <p><u>Management Action Plan</u></p> <p>The City will obtain at least 3 vendor quotes for all future small purchases.</p>

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Observation Number	Observation Name	Observation/ Risk	Recommendation/Management Action Plan
3	<p>The City does not have a sufficient process to identify Historically Underutilized Businesses which must be solicited in compliance with 2 C.F.R. 200.321.</p>	<p>2 CFR 200.321 - Contracting with small and minority businesses, women's business enterprises, and labor surplus areas.</p> <p>The City of Moore has provided its professional consultant and construction vendor solicitation list. The City also requires a Certification as Minority Owned, Women Owned, Or Section 3 Business and a Statement of Intent of MOB/WOD/Section 3 Utilization as an exhibit as part of its procurement package.</p> <p>The non-Federal entity must take affirmative steps to solicit historically underutilized businesses ("HUBs"). While the City has a qualified professional consultant and construction vendor solicitation list, there is nothing on the list to denote that a business is a HUB. Therefore, there is nothing to affirm that HUBs are being solicited as potential sources.</p> <p>The Certification as a HUB is a way of identifying if a HUB responded to the request, but it leaves the respondent with the discretion to certify if it is a HUB or if it intends to utilize and subcontract a HUB. This is not mandatory and therefore does not meet 2 CFR 200.321(b)(6).</p>	<p><u>Recommendations</u></p> <p>The City should revise its professional consultant and construction vendor solicitation list to include a column denoting whether the contractor is a HUB. The City should make sure it has a HUB for each category. The City has a way to track how many emails were sent to solicit an RFP response.</p> <p>The City should amend its contracts template to be compliant with 2 CFR 200.321.</p> <p><u>Management Action Plan</u></p> <p>The City will research HUB certified contractors and update the solicitation list to include HUB contractors. The City will also update the template for contracts to include 2 CFR 200.321.</p>

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Deloitte.