

**RESOLUTION 994(21)**

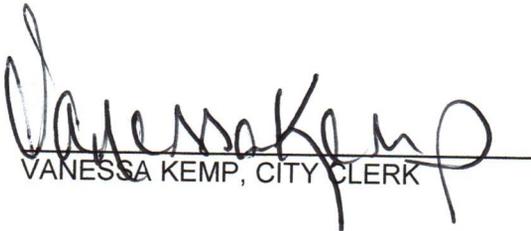
**RESOLUTION APPROVING THE MAY 2021 COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY INTERNAL AUDIT REPORT**

**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 September 2020 through March 2021 and the City has responded and prepared a course of action

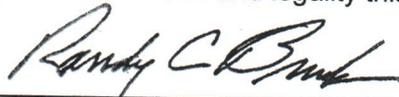
**NOW, THEREFORE, BE IT RESOLVED**, by the Mayor and City Council of the City of Moore, Oklahoma, as follows:

**ADOPTED**, this 21<sup>st</sup> Day of June, 2021, 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 21<sup>st</sup> day of June, 2021.

  
RANDY BRINK, CITY ATTORNEY

# City of Moore, Oklahoma

Policy and Procedure Review and South Janeway  
Street Reconstruction Infrastructure Project

May 4, 2021

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Kahley Gilbert  
Projects Grant Manager  
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This report presents the results of the Internal Audit procedures performed for the City of Moore, Oklahoma's CDBG-DR Policy and Procedure Review and South Janeway Street Reconstruction Infrastructure Project from April 6, 2021 to May 4, 2021, 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 September 17, 2020 to March 16, 2021.

The objectives of the Internal Audit performed were as follows:

- A. Review and evaluate the City of Moore Policies and Procedures to verify compliance with CDBG-DR requirements.
- B. 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.
- C. 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 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, observations and findings.

*Weaver and Tidwell, L.L.P.*

Weaver and Tidwell, L.L.P.  
Houston, Texas  
May 4, 2021

**City of Moore, Oklahoma**  
South Janeway Street Reconstruction Infrastructure Project and  
Policy and Procedure Review  
HUD CDBG-DR  
May 4, 2021

## **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 19th through May 31st, 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 South Janeway Reconstruction Infrastructure Project included the removal of current roadway, curb, and gutter and the construction of a new roadway, curb, and gutter. The project also included the construction of Dreesen Drive with the installation of the roadway, curb, and gutter, which is approximately 150 feet south of SW 12th Street. The intersection of SW 12th Street and Dreesen Drive was also reconstructed to include the roadway, curb, and gutter. The purpose of the reconstruction projects was to repair the streets damaged from the tornado and from heavy truck traffic that occurred during the construction of related CDBG- DR infrastructure projects.

## **Scope and Objectives**

The scope of this internal audit focused on the City of Moore, Oklahoma's coverage of the existing policies and procedures for CDBG-DR compliance and the South Janeway Reconstruction Infrastructure 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:

- Policies and Procedures
- 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 evaluation of the City of Moore Policies and Procedures to verify compliance with CDBG-DR requirements, including the following:
  - o Financial Management
  - o Internal Controls
  - o Payment and Financial Reporting
  - o Improper Payments
  - o Program Income
  - o Revision of Budget and Program Plans

# City of Moore, Oklahoma

## South Janeway Street Reconstruction Infrastructure Project and Policy and Procedure Review HUD CDBG-DR May 4, 2021

- o Period of Performance
  - o Record Retention and Access
  - o Audit Requirements
  - o Procurement Process
  - o Prevention of Duplication of Benefits
  - o Timely Expenditures
  - o Maintaining a Comprehensive Website
  - o Detecting Fraud, Waste, and Abuse of Funds
  - o General Program Requirements
  - o Other Program Requirements
- B. 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:
- o Evaluated internal controls for construction management and monitoring
  - o Evaluated policies and procedures for CDBG-DR requirements
  - o Evaluated the procurement performed to verify solicitation, selection, and contracting are in compliance with CDBG-DR, city policies, and applicable regulations
  - o Evaluated contractor and subcontractors for compliance with CDBG-DR requirements, including Davis Bacon Act and Section 103
  - o Evaluated contract closeout procedures and reporting
- C. 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:
- o Coding and classification of transactions
  - o Authorization and allowability
  - o Completeness and accuracy of forms and applicable supporting documentation
  - o 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 five findings and four observations.

**City of Moore, Oklahoma**  
South Janeway Street Reconstruction Infrastructure Project and  
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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 financial 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 South Janeway Street Reconstruction Infrastructure Project was appropriately procured, effectively and appropriately managed, and was performed according to CDBG-DR, State and City requirements. However we identified opportunities to strengthen the City's policies and procedures through the Disaster Recovery Manual, enhance existing processes to include adequate support and documentation, and incorporate secondary review processes to validate the completeness and accuracy of completed checklist/forms.

## Detailed Procedures Performed, Findings, Observations, and Management Response

### Policies and Procedures Review

**Objective:** Review and evaluation of the City of Moore Policies and Procedures to verify compliance with CDBG-DR requirements.

**Procedure Performed:** We obtained and examined the City of Moore's Policies and Procedures to determine if the City's policies and procedures address HUD CDBG-DR and State of Oklahoma requirements, including applicable sections of:

- o 2 CFR 200.302, 303, 305, 308, 309, 318, through 326, 400-475, 501, 510-512
- o 2 CFR 91.505
- o 24 CFR 58
- o 24 CFR 570.200, 490, 500, 502, 503, 504, 506, 570, 902
- o 24 CFR 85.32, 91
- o FR-5582-N-01, FR-5696-N-01, FR-5710-N-01

The policy and procedure review included an evaluation of coverage of the following areas:

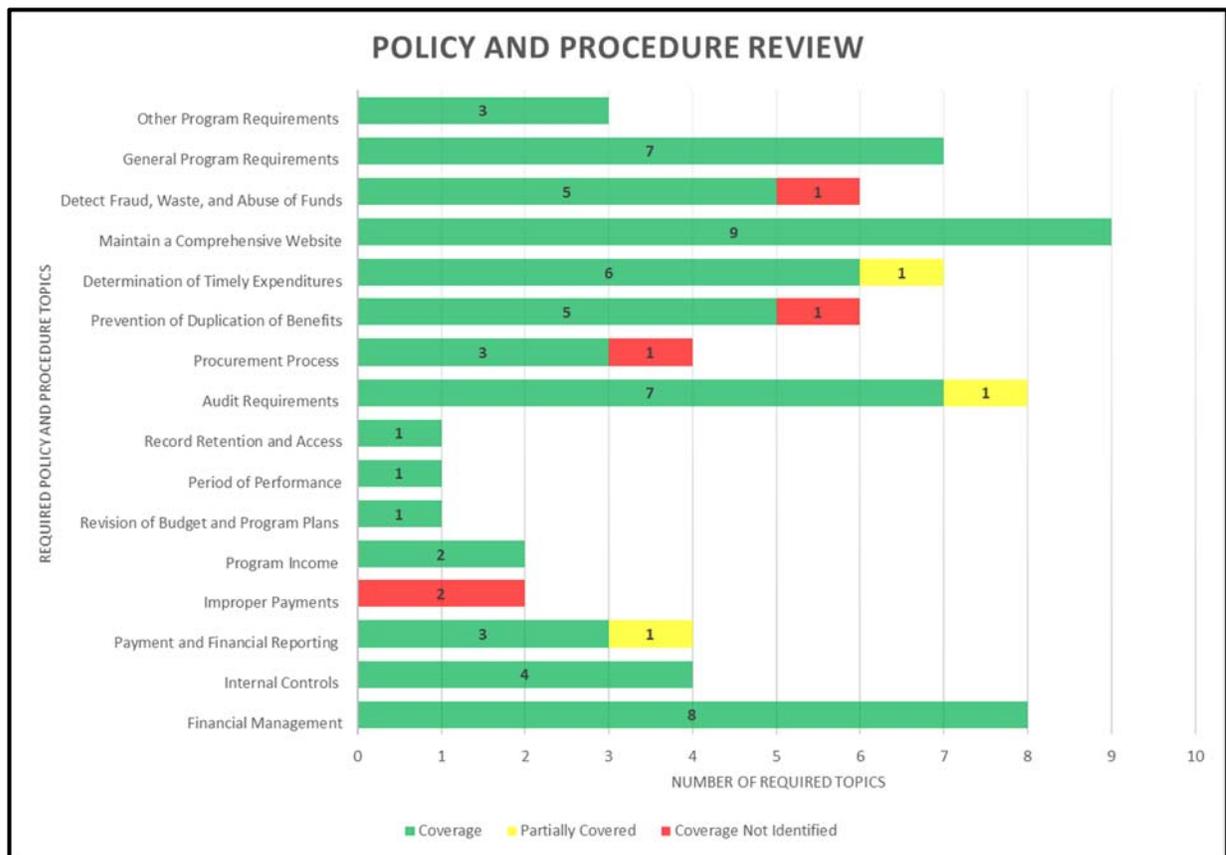
- o Financial Management
- o Internal Controls
- o Payment and Financial Reporting
- o Improper Payments

# City of Moore, Oklahoma

## South Janeway Street Reconstruction Infrastructure Project and Policy and Procedure Review HUD CDBG-DR May 4, 2021

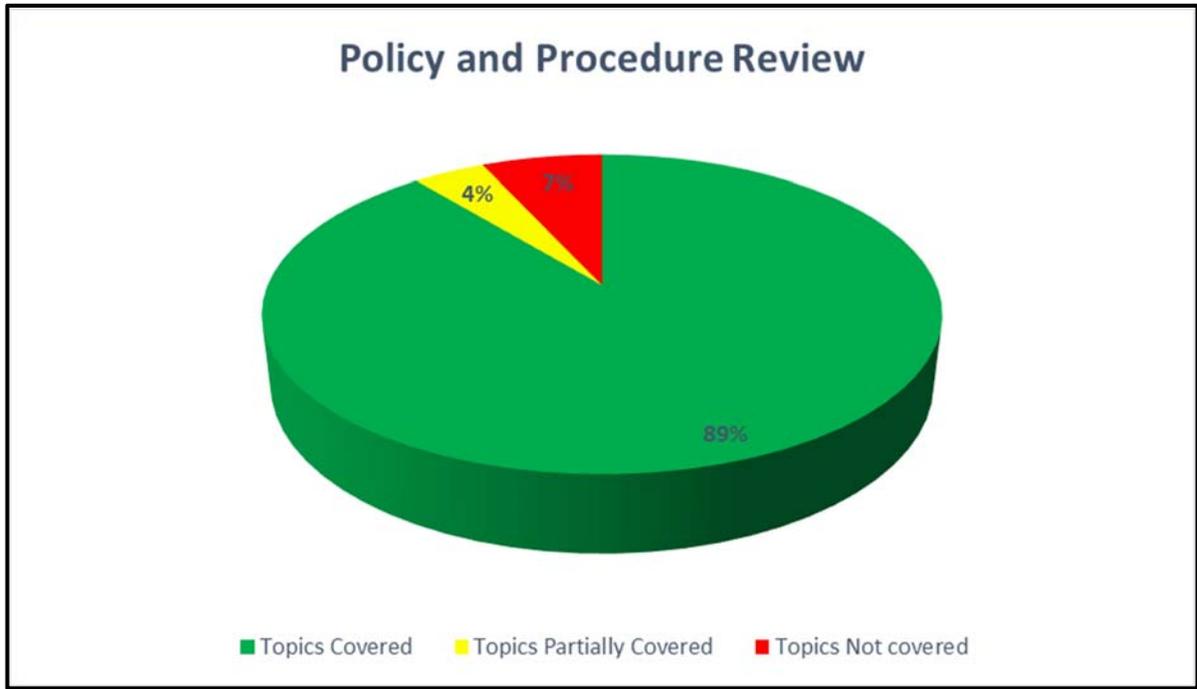
- o Program Income
- o Revision of Budget and Program Plans
- o Period of Performance
- o Record Retention and Access
- o Audit Requirements
- o Procurement Process
- o Procedures for the Prevention of Duplication of Benefits
- o Procedures to Determine Timely Expenditures
- o Procedures to Maintain a Comprehensive Website
- o Procedures to Detect Fraud, Waste, and Abuse of Funds
- o General Program Requirements
- o Other Program Requirements

**Results of Procedure:** Of the 73 required policy and procedure topics for coverage to comply with CDBG-DR requirements, we identified 65 topics are included in current policies and procedures, 3 topics that were partially covered which need further clarity, and 5 topics in which coverage was not identified to meet the requirements.



# City of Moore, Oklahoma

South Janeway Street Reconstruction Infrastructure Project and  
Policy and Procedure Review  
HUD CDBG-DR  
May 4, 2021



**Finding #1:** Through our review of the City of Moore’s Policies, Procedures, and Disaster Recovery Manual, we identified CDBG-DR requirements that were not covered in the policy and procedure documentation, including:

- **Improper Payments:**
  - Documented procedures to ensure that program expenditures will not result in improper payments. (2 CFR 200.302 (b)(4))
  - Documented procedures to take prompt and appropriate corrective action(s) to address any identified improper payments. (2 CFR 200.302 (b)(4) and 2 CFR 200.303 (d))
- **Procurement:** The documented policies and procedures covering general procurement procedures do not include a chart specifying responsible personnel/unit and their duties within the procurement process, along with their contact information. (2 CFR 200.318 – 200.326)
- **Prevention of Duplication of Benefits (Stafford Act):** The documented policies and procedures include details regarding the declining of SBA loans but do not reflect the treatment of other loan types that are consistent with the requirements of the Declined Loans Provision and the Disaster Recovery Reform Act. (84 FR 28836)
- **Procedures to Detect Fraud, Waste, and Abuse of Funds:** The documented policies, procedures, and contracts do not require that the grantee and its subrecipients to attend fraud related training provided by HUD OIG. (2 CFR Part 85, 570.200, 570.503; 2 CFR Part 200.400-401)

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**Recommendation:** We recommend that the City include the CDBG-DR required topics identified within the existing City of Moore Disaster Recovery Manual to ensure appropriate coverage.

**Management Response:** The City will incorporate the required topics identified to its Disaster Recovery Manual.

**Responsible Party:** Kahley Gilbert, Project-Grants Manager

**Implementation Date:** August 2021

**Observation #1:** Through our review of the City of Moore's Policies, Procedures, and Disaster Recovery Manual, we identified areas in which enhancements to the coverage of the CDBG-DR requirements and could be made for additional clarity, including:

- o **Audit Requirements:** Documented policies and procedures that specifically identify the City's responsibility to electronically submit to the Federal Audit Clearinghouse the data collection form and reporting package within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Current policies and procedures do not mention the Federal Audit Clearinghouse by name. ( 2 CFR 200.512 (a) and (d))
- o **Payment and Financial Reporting:** The documented policies and procedures reference the CFR requirements and includes details for ensuring advance payments of CDBG-DR funds will be deposited and maintained, but does not mention placing the funds in insured accounts whenever possible. (2 CFR 200.305 (b)(7)(ii))
- o **Procedures to Determine Timely Expenditures:** The City has processes in place to track and monitor expenditures monthly, but the procedures performed are not explicitly stated in the documented policies, procedures, or manual. (24 CFR 570.902; FR-5710-N-01)

**Recommendation:** We recommend that the City enhance the existing City of Moore Disaster Recovery Manual to fully clarify and cover the CDBG-DR topics identified.

**Management Response:** The City will amend the identified sections for clarification in its Disaster Recovery Manual.

**Responsible Party:** Kahley Gilbert, Project-Grants Manager and Doris Levy, Accountant II

**Implementation Date:** August 2021

**City of Moore, Oklahoma**  
South Janeway Street Reconstruction Infrastructure Project and  
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**South Janeway Street Reconstruction Infrastructure Project**

**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:**

- A. Evaluation of Internal controls for construction management and monitoring, including:
- o Segregation of duties
  - o Delegation of authority
  - o System and user access
  - o Safeguards of data and information

**Results of Procedures:** No Findings Identified

- B. Evaluation of policies and procedures for CDBG-DR requirements

**Results of Procedures:** Refer to the results of the Policy and Procedure review above

- C. Evaluation of the procurement process performed to verify solicitation, selection, and contracting are in compliance with CDBG-DR, city policies, and applicable regulations, including:
- o Preparation of the sealed bid, RFO, or RFQ
  - o City required forms
  - o Soliciting proposals
  - o Procurement reviews
  - o Price/cost analysis
  - o Awards
  - o Contract negotiation
  - o Contracting

**Finding #2:** Through our evaluation of the procurement file for the All Roads Paving contract, we identified that there was no documented evidence of an established evaluation committee which reviewed the responses and completed the bid tabulation sheet for the Sealed Bids received, as required by the Disaster Recovery Manual Section 4. Procurement Reviews.

**Recommendation:** We recommend the City add a memorandum to the procurement file documenting the evaluation committee, including those present for the opening and reading of the sealed bids and those that evaluated the bids and completed the bid tabulation sheets. Additionally, the City should retain in the procurement file the individual tabulation sheets for each member of the evaluation committee.

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**Management Response:** The City will complete a memo summarizing the evaluation committee and will keep all bid tabulation sheets for any future procurement.

**Responsible Party:** Kahley Gilbert, Project-Grants Manager

**Implementation Date:** June 2021

**Observation #2:** Through our evaluation of the sealed bid solicitation and the contract and insurance forms for All Road Paving, we identified that the insurance requirements specified in the formal bid solicitation were not as prescriptive as the insurance requirements stated in the contract and agreed to by the vendor.

**Recommendation:** We recommend the City ensure the insurance requirements identified in the formal bid solicitations are descriptive and match the insurance requirements identified in the contract and insurance forms that must be completed by selected vendors.

**Management Response:** The City will update its bid template to match the requirements in its contracts.

**Responsible Party:** Kahley Gilbert, Project-Grants Manager

**Implementation Date:** June 2021

- D. Evaluation of contractor and subcontractors for compliance with CDBG-DR requirements, including Davis Bacon Act and Section 103, including:
- o Labor Standards & Davis Bacon Acknowledgment
  - o Section 3 Training Acknowledgement
  - o Written Authorization Request
  - o Business Certification Questionnaire
  - o ACH Authorization Form
  - o Federal Labor Standards Provisions
  - o Progress Reports
  - o MOB or WOE Report

**Results of Procedures:** No Findings Identified

- E. Evaluation of contract closeout procedures and reporting, including
- o Master Checklist was approved by authorized personnel
  - o Each closeout checklist was finalized, signed by the correct personnel, and within the project file
  - o All required documents were approved and within the project file

**Finding #3:** During our review of the CDBG-DR 11 Compliance Checklist and applicable supporting documentation, we identified that the initial risk assessment was not completed as required within the Disaster Recovery Manual - Compliance Review Procedures.

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**Recommendation:** We recommend the City enhance existing processes to ensure the initial risk assessment is performed for all projects as described within the Disaster Recovery Manual – Compliance Review Procedures. Additionally, the City should complete a memorandum for the S. Janeway project file detailing the justification for not completing the Initial Risk Assessment and what processes were performed to mitigate the inherit risks of the projects?

**Management Response:** The City will review its processes for the initial risk assessment and create a memo detailing what processes were performed to mitigate risks.

**Responsible Party:** Ryan Coggins, Compliance Specialist  
**Implementation Date:** June 2021

**Finding #4:** During our review of the CDBG-DR 10 Contracting Checklist and applicable supporting documentation, we identified that the monitoring plan was not completed for the project. However, we did verify that the City did perform monitoring procedures and maintained all the reporting requirements from the vendor, which were completed accurately and timely. The reporting requirements verified would have been included in the formal monitoring plan, as required by the Disaster Recovery Manual – Monitoring Procedures.

**Recommendation:** We Recommend the City enhance existing processes to ensure the monitoring plan is performed for all projects as described within the Disaster Recovery Manual – Compliance Review Procedures. Additionally, the City should complete a memorandum for the S. Janeway project file detailing the justification for not completing the monitoring plan and what procedures were performed to validate contractor compliance.

**Management Response:** A memo will be created documenting the reason for the lack of a monitoring plan and what monitoring procedures were performed throughout the project to ensure compliance with the vendor.

**Responsible Party:** Ryan Coggins, Compliance Specialist  
**Implementation Date:** June 2021

**Observation #3:** Through our review of the Financial Checklist and applicable supporting documentation, we identified that the line item for Lien Release Form was marked as “Not Applicable”. Although there were no liens to be released for the project, there was no documentation within the project file describing the reasoning of the requirement to be not applicable.

**Recommendation:** We recommend the City document within the project file the justification for indicating certain fields as not applicable for the project within the Financial Checklist, including explanatory notes or comments within the checklist.

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**Management Response:** The City will add an explanation for fields that are not applicable to the financial checklist.

**Responsible Party:** Doris Levy, Accountant II  
**Implementation Date:** June 2021

**Observation #4:** During our review of the Contracting Checklist and applicable supporting documentation, we identified that the line item for “All required state and federal forms are present” was incorrectly marked “N/A” when it should have been marked “Yes”. However, we verified all required state and federal forms were included in the signed contract and project files.

**Recommendation:** We recommend the City perform a secondary review process to ensure all items included within the Contracting Checklist for the project are completed accurately.

**Management Response:** The City will correct the contracting checklist and initiate a secondary review for future projects.

**Responsible Party:** Sky Larson, Administrative Assistant  
**Implementation Date:** June 2021

**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:**

- A. **Payroll Testing:** Evaluate payroll transactions for compliance with David Bacon Act, Section 103, and relevant CDBG-DR requirements, including:
- o Payroll Register approved by appropriate personnel
  - o Rate of pay is greater than or equal to the standards set by the Federal Labor Standards Provisions
  - o Gross amount earned for the project is accurate
  - o Payroll Deduction Authorization is appropriately approved
  - o Deductions are accurate and agree to the Payroll Deduction Authorization

**Finding #5:** For the 25 payroll transactions sampled and tested, we identified the following 2 exceptions:

- o 2 payroll transactions did not include documented evidence within the project file of employee approved Payroll Deduction Authorization forms to verify the payroll deductions were accurate, as required by David Bacon, Section 103.

**Recommendation:** We recommend the City obtain from the contractor the missing Payroll Deduction Authorization forms, validate they were approved and accurate, and to include them within the project file.

# City of Moore, Oklahoma

## South Janeway Street Reconstruction Infrastructure Project and Policy and Procedure Review HUD CDBG-DR May 4, 2021

**Management Response:** The City has requested the missing payroll forms from the contractor and will review the certified payroll once received.

**Responsible Party:** Ryan Coggins, Compliance Specialist

**Implementation Date:** September 2021

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

**Results of Procedures:** No Findings Identified

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

**Results of Procedures:** No Findings Identified