

September 20, 1996

Audit-Related Memorandum  
96-SF-209-1808

TO: C. Rafael Mecham, Administrator, Southwest Office of Native American Programs,  
9EPI

FROM: Charles S. Johnson, Senior Auditor, 9AGA

SUBJECT: PY Neighborhood Association, Inc.  
Tenant Opportunities Program  
Tucson, Arizona

### INTRODUCTION

We conducted a limited review of PY Neighborhood Association, Inc.'s (PYNA) implementation and administration of its Tenant Opportunities Program (TOP) grant. We concluded that the PYNA had not developed the administrative capability, including development of appropriate policies and procedures, necessary to carry out its activities or a work plan and strategies for achieving the goals/tasks set out in its TOP grant application. Additionally, PYNA had not implemented procedures to properly account for TOP grant funds. In fact, they could not locate documentation to fully support any of the \$19,973 in TOP grant funds expended by PYNA. Due to the seriousness of the problems noted we are recommending that you continue the current suspension of PYNA's TOP grant draw down authority until adequate administrative and financial procedures are established.

### BACKGROUND

PYNA<sup>1</sup> was incorporated in the State of Arizona as a non-profit entity on August 3, 1994 and is currently attempting to obtain federal tax exempt status as a 501(C)(3) organization. On October 30, 1994, PYNA received a TOP grant of \$100,000. As of August 15, 1996 it had drawn down \$20,000 of this grant and had expended \$19,973. The Southwest Office of Native American Programs (SWONAP) has placed a hold on further drawdowns because PYNA has not demonstrated the ability to administer the grant in accordance with the grant agreement.

The objective of the TOP grant program is to ". . . prepare residents to experience the dignity of meaningful work, to own and operate businesses, to move toward financial independence, to enable them to choose where they want to live and to meaningfully participate in the management of their housing development." This is to be accomplished by providing the resident groups technical assistance and training relating to management of a project, business development, youth initiatives, identification of social support needs, and the securing of support to carry out these activities. Guidelines and requirements relating to the TOP grant program are contained in Notice PIH 94-20 (HA) and the May 13, 1994 Notice of Fund Availability for the Public and Indian Housing Tenant Opportunities Program Technical Assistance. Administrative requirements of the program are set out in OMB Circular No. A-110, Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.

### PURPOSE AND METHODOLOGY

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<sup>1</sup>PY stands for Pascua Yaqui.

The objective of this review was to ascertain if PYNA was conducting its TOP Program in accordance with program requirements and whether grant expenditures were eligible under HUD regulations. To accomplish our review objective we:

- √ Interviewed HUD SWONAP staff and reviewed documentation maintained by HUD relating to PYNA's TOP grant program.
- √ Reviewed pertinent program regulations and guidelines.
- √ Reviewed all available records maintained by PYNA relating to the administration and operation of its TOP grant program.
- √ Interviewed principal PYNA board members involved in the program.

Our review covered the period from November 1, 1994 through July 24, 1996.

## REVIEW RESULTS

### **PYNA FAILED TO DEVELOP MANAGEMENT AND FINANCIAL SKILLS NEEDED TO ADMINISTER THE TOP PROGRAM**

PYNA has not developed the management and financial skills necessary to properly administer its TOP grant program. Specifically:

- A work plan setting out goals of the program and strategies to achieve these goals was not developed. Further, there was no evidence that required program training requirements were achieved.
- Policies and procedures necessary to determine cost eligibility and properly account for grant expenditures were not established.
- Policies necessary for the proper administration of its program were not developed.

As a result, it appears that PYNA, although in its second year of funding, has made little progress in meeting the objectives of the TOP grant program. Further, documentation was not available to fully support any of the \$19,973 of grant expenditures. Under the terms of its TOP grant agreement and OMB Circular No. A-110, PYNA is required to have the managerial and financial capability to ensure proper planning, management and completion of its program. This requirement has not been met.

#### **a. Planning and related actions to meet grant objectives were inadequate**

There was no available evidence indicating that PYNA had established a plan setting out specific goals of its program and strategies to achieve these goals. Further, no one could tell us what type of participant capacity building, the primary task set out in PYNA's grant application, was to be carried out nor the strategy to be used in accomplishing this task. The only evidence available that any of the tasks set out in PYNA's grant application had been even partially achieved was a draft memorandum of understanding with the local Pascua Yaqui Housing Authority. Even this is of questionable value as the Pascua Yaqui Housing Authority is currently experiencing serious administrative problems and is engrossed in trying to improve its own operations and thus has little time or even the expertise to assist PYNA.

We could not determine whether any steps had been taken to train residents and PYNA members in the skills necessary to meet the objectives of the TOP grant program. Further, there was no evidence available to demonstrate that even the minimum training requirements of Section III of the NOFA had been met, including training in:

- HUD regulations and policies governing operation of low-income housing;
- Financial management, including budgetary and accounting principles and techniques; and
- Capacity building to develop the necessary skills to assume management responsibilities.

PYNA board members and its consultant stated that the primary goal and achievement of PYNA has been in identifying and carrying out resident initiatives such as park improvements, improvements to school crossings, and miscellaneous youth activities through partnerships with the local tribal government, local schools, and other local service groups. They feel they have been very active and successful in these endeavors. These achievements were not documented. However, even if actually accomplished, such activities are only a part of the intended objectives of the TOP grant and plans and strategies must be developed to meet the other objectives of the program such as training, developing a technical assistance plan, development of management capability, etc.

**b. Financial management and accountability for grant funds were lacking**

PYNA had no documentation available to fully support the eligibility and/or purpose of any of its \$19,973 in grant expenditures. For example, PYNA paid a consultant \$7,600. Yet there was no contract available setting out the consultant's contracted responsibilities, there were no billing invoices supporting payments, and PYNA board members we talked to could not even tell us what services the consultant was to provide. Other problems noted in PYNA's grant accountability/financial administration included:

- Travel policies and procedures had not been adopted. As a result, payments (advances) were made to members for travel with no documented purpose, financial accountability or even evidence that the planned travel was ever completed.
- Only minimal accounting records had been established, i.e. a cash disbursement listing showing check number, payee, and purpose. However, the purpose as set out in this listing was not descriptive making it often impossible to determine what the payment was actually for. Further, billing invoices were not maintained and bank statements and cancelled checks were missing. Essentially, there was no support for expenditures.
- Payments were made which, based upon the limited documentation available appear to be ineligible grant expenditures. For example, payments were listed as being for vehicle repair, meals, payments to members for attending meetings, etc.

**c. Other administrative concerns**

Although it appears that PYNA has adopted by-laws, a copy of these were not provided for our review. Further, no board meeting minutes were available for review making it impossible to determine what formal actions the board had made as it related to grant management, activities and planning. For example, the former Board Chairperson claims to have resigned and is now a paid coordinator for

PYNA. However, there are no board minutes available documenting her appointment, her responsibilities, or her compensation.

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Due to PYNA's failure, during the last 21 months, to develop a workable, documented plan to meet the objectives of its TOP grant program and its failure to properly account for its expenditures, it is apparent that it is not currently capable of managing its existing grant program.

**AUDITEE COMMENTS**

On September 9, 1996 we received an undated memorandum from the PYNA and other parties addressing the concerns we identified during our review. According to the memorandum, the PYNA was receiving technical assistance from a number of sources to significantly accelerate its management capacity building for the TOP program. In addition, PYNA planned to reconcile all its accounting records, implement strong financial policies and procedures, and maintain ongoing board training. The memorandum also cited active participation by the board and members in 16 resident initiatives, estimating that over 7,000 volunteer hours had been spent.

The complete text of PYNA's comments is included as Attachment A to this memorandum.

**RECOMMENDATIONS**

We recommend that you:

- A. Maintain the suspension of PYNA's draw down authority until it has demonstrated that it has the financial and administrative capacity of effectively administer its TOP Grant program;
- B. Require PYNA to submit documentation to support the \$19,973 of undocumented expenditures, refund any expenditures determined to be ineligible or reduce its grant by a like amount; and
- C. Work with PYNA to establish needed financial and management procedures, realistic goals and a strategy to meet these goals including the provision of needed and/or required training of residents.

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Within 60 days, please furnish us a status report on the corrective action taken, the proposed corrective action and the date to be completed, or why action is not considered necessary for the recommendation. Also, please furnish us copies of correspondence or directives issued because of this review.

We have provided a copy of this audit-related memorandum to the Grantee. If you have any questions, please contact me at (602) 379-4675.

Attachments: A - Auditee Comments  
B - Distribution

**Auditee Comments**







**Distribution**

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Pascua Yaqui Neighborhood Association