

RESOLUTION 72(23)

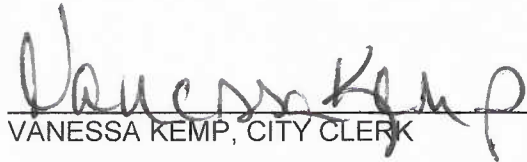
RESOLUTION APPROVING THE DECEMBER 2023 COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY INTERNAL AUDIT REPORT

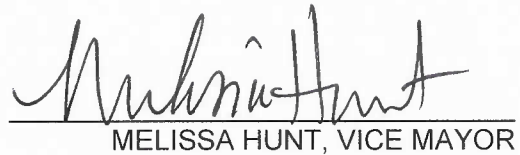
**WHEREAS**, the City has hired Weaver and Tidwell, LLP to complete an internal audit for the Community Development Block Grant-Disaster Recovery

**WHEREAS**, Weaver and Tidwell, LLP has provided an internal audit report for the months of September 2023 through October 2023 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 16<sup>th</sup> Day of January 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

  
MELISSA HUNT, VICE MAYOR

Approved as to form and legality this 16<sup>th</sup> day of January, 2024.

  
BRIAN MILLER, CITY ATTORNEY



# City of Moore, Oklahoma

Baers Westmore Sewer Line Replacement Project  
December 5, 2023

# CONTENTS

Page

Baers Westmore Sewer Line Replacement Project Transmittal Letter ..... 1

Summary and Background ..... 2

Scope and Objectives ..... 2

Results ..... 3

Conclusion ..... 3

Procedures Performed, Findings, Observations, and Management Response ..... 3

Appendix ..... 8

    Chain of Approval for CDBG-DR Invoices ..... 9



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 Baers Westmore Sewer Line Replacement Project from September 28, 2023 to October 19, 2023, 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 July 14, 2023.

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 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.*

Weaver and Tidwell, L.L.P.  
Houston, Texas  
December 5, 2023

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

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

# **City of Moore, Oklahoma**

## Baers Westmore Sewer Line Project Review

### HUD CDBG-DR

December 5, 2023

### **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 Baers Westmore project consists of the replacement of approximately 2,130 feet of 8-inch sewer line across from the Baers Westmore neighborhood. The sewer line runs along SW 19th Street from Lakecrest Drive to Goodrich Drive. 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 Baers Westmore 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**  
Baers Westmore Sewer Line Project Review  
HUD CDBG-DR  
December 5, 2023

- 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 four observations.

The issues identified in our audit are classified as Observations which is defined as follows:

- **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 Baers Westmore 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.

## 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.

**City of Moore, Oklahoma**  
Baers Westmore Sewer Line Project Review  
HUD CDBG-DR  
December 5, 2023

**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 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 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 Identified.

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

**City of Moore, Oklahoma**  
Baers Westmore Sewer Line Project Review  
HUD CDBG-DR  
December 5, 2023

**Observation #1:** Through our evaluation of the contract closeout procedures and reporting, we observed an inconsistency regarding the dates listed between the Closeout Checklist and the Compliance Checklist. In the Closeout Checklist, the authorization date for the Compliance Checklist is listed as 7/23/2023, but the Compliance Checklist is dated 6/23/2023.

**Recommendation:** We recommend the City revise the existing Closeout Checklist with the correct Compliance Checklist authorization date of 6/23/2023.

**Management Response:** The City will revise the Closeout Checklist with the correct date and will note the error.

**Implementation Date:** January 15, 2024  
**Responsible Party:** Sky Larson

**Observation #2:** Through our evaluation of the contract closeout procedures and reporting, we observed an inconsistency regarding the dates listed between the Contracting Checklist for the contract signed date and the date that the contract was signed. In the Contracting Checklist it states that the contractor (Veolia) signed the contract on 9/2/2022, but the contract was signed and dated 12/30/2015.

**Recommendation:** We recommend the City revise the existing Contracting Checklist to reflect the accurate contract execution date of 12/30/2015.

**Management Response:** The City will revise the Contracting Checklist with the correct date and note the error.

**Implementation Date:** January 15, 2024  
**Responsible Party:** Sky Larson

**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

**Results of Procedures:** No Findings Identified.



**City of Moore, Oklahoma**  
Baers Westmore Sewer Line Project Review  
HUD CDBG-DR  
December 5, 2023

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

**Observation #3:** Through our evaluation of the project invoice, we observed that the City's CDBG-DR invoicing procedures as stated in the City's Disaster Recovery Manual (revised 4/14/2023) in section VIII. L. 2. and 3 (Appendix A) do not appear to fully align with federal requirements or the process the City follows. The procedures state that the first step for invoice approval is for the Administrative Assistant to log the invoice, and then prepare the purchase order (PO) request. However, to be compliant, a PO must be issued in order for work to commence, which would be prior to the initial invoice. The City followed the federally required procedures in the correct order, in which the PO was issued prior to work commencement and the incurrence of the first invoice.

The City provided clarification on the process misalignment and stated that the manual does not align with implemented procedures, and should be re-worded to state that the administrative assistant requests the invoice to be paid against the already established purchase order and to prepare a corresponding payment request.

**Recommendation:** We recommend the City revise the manual to reflect the correct City procedures and include a memorandum in the project file stating that the current version of the manual does not align with the City's payment procedures and that the manual will be or has been revised to accurately portray the City's process. The memo should also state that the process followed for the project was in compliance with the applicable federal requirements.

**Management Response:** The City will update its manual to correctly reflect its payment procedures. A memo will also be included in the project file.

**Implementation Date:** January 15, 2024

**Responsible Party:** Kahley Gilbert

**Observation #4:** Through our evaluation of the project invoice, we observed that the invoice was paid after 54 calendar days of receipt of the invoice. The payment terms for this contract is 30 calendar days. The City provided clarification on the reason for delayed payment, which was due to an amended action plan that was submitted to HUD through the Disaster Recovery Reporting System (DRGR) for approval on 3/17/23, which was also the date the invoice was approved by the Project Manager. If HUD is reviewing an action plan or action plan amendment, drawdowns cannot be completed until HUD approves the action plan or amendment. The Finance Director held payment until the City was able to drawdown funds, which was discussed with and approved by the contractor. The action plan amendment was approved on 4/26/23, and payment to the vendor was issued on 5/3/23, which aligns with the City's process for paying invoices only on a weekly basis.

**Recommendation:** We recommend that the City include a memorandum to the project file describing the reason for delayed payment and document the contractor's approval for the delay.

# City of Moore, Oklahoma

Baers Westmore Sewer Line Project Review

HUD CDBG-DR

December 5, 2023

**Management Response:** The City will create a memo for the project file to explain the delay in payment.

**Implementation Date:** January 15, 2024

**Responsible Party:** Kahley Gilbert

- 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 Findings Identified.

# Appendix

**City of Moore, Oklahoma**  
 Baers Westmore Sewer Line Project Review  
 HUD CDBG-DR Appendix  
 December 5, 2023

City's Disaster Recovery Manual (rev. 4/14/2023), p. 88

**Chain of Approval for CDBG-DR Invoices**

