



The City of Erie, PA

Community Development Block Grant Program



To: John E. Tolbert, Director, Office of Community Planning and Development,
Pittsburgh Field Office, 3ED
//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia
Region, 3AGA

Subject: The City of Erie, PA, Did Not Always Administer Its Code Enforcement and
Community Policing Activities in Accordance With HUD and Federal
Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of Erie's Community Development Block Grant program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



Audit Report Number: 2018-PH-1008

Date: September 26, 2018

The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements

Highlights

What We Audited and Why

We audited the City of Erie, PA's Community Development Block Grant program. We audited the City's program because we received a complaint regarding its code enforcement program and we had not audited the City's program since 1997. The complaint alleged that the City targeted low- to middle-income residents in certain neighborhoods requiring expensive repairs to their homes and properties, which could result in legal actions and liens if the homeowners did not make repairs by a deadline, generally 30 days. Our audit objective was to determine whether the City properly used its Block Grant funds for its code enforcement and community policing activities in accordance with U.S. Department of Housing and Urban Development (HUD) and Federal requirements.

What We Found

The City did not always properly use its Block Grant funds for code enforcement and community policing activities according to HUD and Federal requirements. The complaint was correct in that the City conducted code enforcement inspections in areas where most residents were low- and moderate-income. Block Grant funds are intended to benefit these residents. However, the City did not maintain documentation to (1) show that it complied with program eligibility requirements, and (2) support expenses. These conditions occurred because the City lacked policies and procedures for its Block Grant-funded code enforcement and community policing activities and misunderstood HUD requirements. As a result, the City's use of nearly \$1.7 million in program funds was unsupported.

What We Recommend

We recommend that the Director of HUD's Pittsburgh Office of Community Planning and Development require the City to (1) provide documentation to support \$671,838 in code enforcement costs or repay the program from non-Federal funds for any amount it cannot support, (2) provide documentation to support \$1 million in community policing costs or repay the program from non-Federal funds for any amount it cannot support, and (3) develop and implement policies and procedures to ensure that its code enforcement and community policing activities costs comply with applicable program requirements, thereby ensuring that program funds totaling \$597,801 can be put to better use.

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Background and Objective

The City of Erie, PA, receives Community Development Block Grant funds annually from the U.S. Department of Housing and Urban Development (HUD) as an entitlement grantee. The City uses its annual Block Grant allocation to fund projects and activities to address housing and community development needs of low- and moderate-income persons in Erie. Federal regulations at 24 CFR (Code of Federal Regulations) 570.208 require that Block Grant funds be used for eligible activities that meet one of the three national objectives, which include (1) benefiting low- and moderate-income persons, (2) preventing or eliminating slums or blight, or (3) addressing a need with a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

The City operates under a mayor-council form of government. It is the responsibility of the mayor and his or her cabinet to implement and administer laws based upon city council ordinances. There are seven members of the council, who appoint a president from its members. The council is empowered to confirm the mayor's appointments to various City authorities. The City's Department of Economic and Community Development administers its Block Grant program.

The City obtains and draws program funds for activity costs through HUD's Integrated Disbursement and Information System. This system is the drawdown and reporting system for HUD's formula grant programs, which include the Block Grant program. HUD awarded the City more than \$8.4 million in Block Grant funds from fiscal years 2015 through 2017. The table below provides details.

Fiscal year	Grant amount
2015	\$2,806,751
2016	2,804,599
2017	2,791,421
Total	8,402,771

We received a complaint alleging that the City used its code enforcement program to target low- to middle-income residents in certain neighborhoods requiring expensive repairs to their homes and properties, which could result in legal actions and liens if the homeowners did not make repairs by a deadline, generally 30 days. Block Grant regulations allow the City to use funds for code enforcement in deteriorated areas where at least 51 percent of the residents are low- and moderate-income when it meets the area benefit national objective. For Block Grant program purposes, code enforcement is defined as a process whereby local governments gain compliance with ordinances and regulations regarding health and housing codes, land use and zoning ordinances, sign standards, and uniform building and fire codes. Code enforcement may take place in primarily residential, commercial, and industrial areas. HUD expects grantees to

emphasize health and safety issues in buildings. Additional efforts to address violations of codes concerning vacant lots, signs, and motor vehicles are permitted in conjunction with efforts regarding buildings but should form a minor part of the code enforcement program.

Our audit objective was to determine whether the City properly used its Block Grant funds for its code enforcement and community policing activities in accordance with applicable HUD and Federal requirements.

Results of Audit

Finding: The City Did Not Use Its Block Grant Funds for Code Enforcement and Community Policing Activities in Accordance With Requirements

The City used Block Grant funds for code enforcement and community policing activities that did not meet HUD requirements. The City lacked documentation to show that code enforcement activities met the national objective of benefiting low- and moderate-income persons because it did not maintain documentation to show that repairs were made to correct the code violations at properties it inspected. Also, salaries it paid totaling \$671,838 were not supported with adequate documentation for the work performed. For its community policing activities, the City lacked documentation to show that community policing activities met the eligibility requirement of being a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government. Also payments for salaries totaling \$1 million were not properly supported. These conditions occurred because the City lacked policies and procedures for its Block Grant-funded activities and misunderstood HUD requirements. Unless the City develops and implements policies and procedures for both activities, its use of \$597,801 in funds not yet drawn from its 2017 code enforcement and community policing activities will also lack documentation to show that they meet eligibility requirements.

The City Could Not Show That It's Code Enforcement Activities Met Eligibility Requirements

The City could not show that the \$671,838 it used to fund code enforcement activities met eligibility requirements. The City lacked documentation to show that code enforcement activities met the national objective of benefiting low- and moderate-income persons because it did not maintain documentation to show that repairs were made to correct the code violations at properties it inspected. Regulations at 24 CFR 570.202(c) make code enforcement an eligible activity to meet a national objective when conducted in deteriorated or deteriorating areas and where such code enforcement, together with public or private improvements, rehabilitation, or other services to be provided, may be expected to arrest the decline of the area. The City had programs to assist homeowners to make repairs to their homes. Regulations at 24 CFR 570.506 required the City to establish and maintain sufficient records to show that activities met program requirements. The City did not perform adequate code enforcement inspections. Specifically, for 15 files reviewed, 13 lacked documentation to show that violations identified during the code enforcement inspections were corrected. The code enforcement inspections of these properties occurred between August 2016 and June 2017. HUD's Office of Community Planning and Development (CPD) Notice CPD-14-016 states that grantees are expected to emphasize health and safety issues in buildings. The costs of the code enforcement by themselves do not provide a direct benefit to the homeowner. It is the correction of the code violations that provides the benefit. The City's code enforcement inspection policy required it to include photos and

documentation, including affidavits, in the case file and computer system to confirm compliance. The following examples illustrate how files lacked documentation to support that violations were corrected:

- Case 1 – West Bayfront Area – The property had an initial inspection on November 15, 2016. The unit was reinspected twice; however, as of April 4, 2018, the case remained open. The inspection review showed that the inspector found that the owner needed to scrape and repaint all exterior peeling paint, but the file lacked documentation showing that the repairs were completed. We visually inspected the property with City officials on March 20, 2018, and determined that the items had not been repaired.
- Case 2 – West Bayfront Area – The property had an initial inspection on November 10, 2016, and one reinspection; however, the case remained open. The inspector found that the stairs had to be rebuilt so the property needed a new handrail with proper spacing. The file lacked documentation showing that the repairs were made. We visually inspected the property with City officials on March 20, 2018, and determined that the repairs had not been completed.
- Case 3 – Pulaski-Lighthouse Area – The inspector received a complaint about the property and inspected the property on August 12, 2016. The inspector found that the owner needed to install gutters on the upper roof and downspouts on the porch roof. The inspector's case notes showed that as of September 30, 2016, the case was closed. The file lacked documentation showing that the repairs were made. We visually inspected the property with City officials on March 20, 2018, and determined that the items had not been repaired.

The City agreed that its files did not always contain adequate documentation to show that repairs were completed. It believed that as long as the code enforcement officer updated the case file to say that the repairs were made and the case was closed, this was adequate support to show that the code enforcement process was completed. It also explained that the system used to capture code enforcement results was outdated and had limited function that did not allow all information to be inserted for each case. Lastly, the City acknowledged a need to change the timeframe in which the repairs should be completed because the code enforcement process took longer than 120 days to complete.

The City's Files Lacked Documentation To Support Salary Payments

The City paid salary and benefit costs totaling \$671,838 for five code enforcement officers and a manager that were not supported with adequate documentation, such as timesheets, showing that inspections were performed in eligible targeted areas for work performed. HUD Notice CPD-14-016, dated October 2014, allowed the City to use Block Grant funds to pay for salaries; related benefits; and costs, such as uniforms, equipment, and vehicle use allowances, only for staff responsible for conducting inspections in specific deteriorated target areas that met the low- and moderate-income area benefit national objective. In addition, HUD regulations at 2 CFR 200.430 state that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly

allocated. Additionally, program regulations at 24 CFR 570.506 required the City to establish and maintain sufficient records to enable HUD to determine whether it has met program requirements. During the audit period, the City paid the salaries of its four full-time Block Grant code enforcement officers, the one part-time Block Grant code enforcement officer, and the manager. Of the 283 timesheets reviewed,

- 230 timesheets provided to support salaries totaling \$568,963 lacked documentation, such as an inspection log, to show that each inspector performed inspections within one of the City's seven designated deteriorated areas. In addition, 12 of the 230 timesheets were not signed by a supervisor. Although the timesheets showed that the hours were charged to the City's community development activities, the timesheets should also be supported by documentation showing that the inspections were performed on buildings located in one of the seven designated deteriorated areas. Program regulations at 2 CFR 200.430 required the City to maintain salary records based on records that accurately reflected the work performed and were supported by a system of internal control, which provided reasonable assurance that the charges were accurate, allowable, and properly allocated.
- 53 timesheets provided to support salaries totaling \$98,638 paid to the code enforcement manager were not supported with adequate documentation. The City used program funds to pay part of the code enforcement manager's full-time salary, and the timesheets were not reviewed or signed by his supervisor. Regulations at 2 CFR 200.430 required the City to maintain salary records based on work performed. Further, HUD Notice CPD-14-016 allows direct costs of performing code enforcement inspections supported by time distribution records; however, any indirect time requires an indirect cost allocation plan prepared in accordance with applicable Federal cost principles. The City did not provide documentation to show that the manager performed inspections in eligible target areas or documentation of an allocation plan.

The City also incorrectly calculated salaries totaling \$4,237, which resulted in its overcharging the program. Regulations at 2 CFR 200.430 require salary payments to be accurate and reasonable.

These conditions occurred because the City lacked policies and procedures for its Block Grant-funded code enforcement activities and misunderstood HUD requirements. As a result, the City's use of 671,838¹ in program funds was unsupported. Regulations at 24 CFR 570.501(b) made the City responsible for ensuring that Block Grant funds were used in accordance with all program requirements. Regulations at 24 CFR 570.506 required the City to maintain documentation and records to support program activities.

¹ \$568,963 + \$98,638 + \$4,237 = \$671,838

The City Could Not Show That Its Community Policing Activities Met Eligibility Requirements

The City could not show that funds totaling \$1 million used to pay salaries for its community policing activities in program years 2015 and 2016 met eligibility requirements. Program regulations at 24 CFR 570.201(e) allow crime prevention to be an eligible public service program activity. To be eligible for Block Grant funds, the public service must be either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government in the 12 calendar months before the submission of the action plan. The City's community policing program had been in existence since 1994. However, the City could not provide documentation to show that the community policing activities targeting areas of high crime were either a new service or a quantifiable increase in the level of an existing service.

The City used the funds for these activities to pay the salaries of the 18 law enforcement officers it assigned to its community policing activities. Regulations at 2 CFR 200.430 required the City to maintain salary records based on records that accurately reflected the work performed and were supported by a system of internal control, which provided reasonable assurance that the charges were accurate, allowable, and properly allocated. The City maintained 278 activity logs and other documentation to support its payments for salaries. However, 162 of the activity logs did not comply with requirements. Specifically,

- 96 logs were not signed by a supervisor and did not show daily hours worked by the officers;
- 28 logs were not signed by the officer's supervisor;
- 18 logs did not show daily hours worked by the officers;
- 11 logs were completed by a supervisor, and the supervisor approved his own activity log and did not show daily hours worked;
- 7 logs were completed by a supervisor, and the supervisor approved his own activity log; and
- 2 logs were not signed by the officer or the officer's supervisor and did not show daily hours worked.

An April 2017 report of an internal monitoring review conducted by the City of its 2014, 2015, and 2016 community policing activities resulted in eight findings, including that

- officers did not always complete activity logs,
- officers did not always use the same log to report activity,
- officers did not always report their daily work hours on the log,
- some activity logs contained math errors,
- the majority of logs lacked a supervisor's signature to evidence approval, and
- a supervisor approved his own activity log.

These conditions occurred because the City lacked controls to ensure that it maintained documentation to show that its community policing activities met HUD and Federal

requirements. Because the City lacked required documentation, disbursements totaling \$1 million were unsupported. Regulations at 24 CFR 570.501(b) made the City responsible for ensuring that Block Grant funds were used in accordance with all program requirements. Regulations at 24 CFR 570.506 required the City to maintain documentation and records to support program activities.

Conclusion

The City did not always properly use its Block Grant funds for its code enforcement and community policing activities in accordance with HUD and Federal requirements. The City did not maintain documentation to (1) show that it complied with eligibility requirements, and (2) support expenses. These conditions occurred because the City lacked policies and procedures for its Block Grant-funded activities and misunderstood HUD requirements. As a result, the City's use of nearly \$1.7 million in program funds was unsupported. By implementing our recommendations, the City will put to better use \$597,801 in funds yet to be drawn from its 2017 code enforcement and community policing activities.²

Recommendations

We recommend that the Director of HUD's Pittsburgh Office of Community Planning and Development require the City to

- 1A. Follow up on the 15 properties in our sample to ensure that the code enforcement violations have been corrected, that the necessary documentation has been gathered and retained in the code enforcement file for the property, and that the code enforcement process has been completed.
- 1B. Provide documentation to support \$671,838 in code enforcement costs or repay the program from non-Federal funds for any amount that it cannot support.
- 1C. Develop and implement policies and procedures to ensure that its Block Grant-funded code enforcement activities comply with HUD requirements, including documentation requirements, thereby ensuring that funds totaling \$301,866 can be put to better use.
- 1D. Provide documentation to support \$1 million in community policing salary costs or repay the program from non-Federal funds for any amount that it cannot support.
- 1E. Develop and implement policies and procedures to ensure that Block Grant-funded community policing salaries and benefits comply with HUD requirements, including documentation requirements, thereby ensuring that funds totaling \$295,935 are put to better use.

² \$597,801 = \$301,866 (code enforcement) + \$295,935 (community policing)

Scope and Methodology

We conducted the audit from November 2017 through August 2018 at the City's offices located at 626 State Street, Erie, PA, and our offices located in Baltimore, MD, and Pittsburgh, PA. The audit covered the period October 1, 2015, to September 30, 2017, but was expanded to include the period July 1 to September 30, 2015, because the City's program year begins on July 1.

To accomplish our objective, we reviewed

- HUD's program requirements at 24 CFR Part 570 and 2 CFR Part 200, HUD Notice CPD 14-016, and HUD's Community Development Block Grant Guidebook.
- Summary reports of financial data and detailed drawdown reports for the City's Block Grant activities maintained in HUD's Integrated Disbursement and Information System.
- The City's code enforcement and community policing program files; financial records; and annual audited financial statements for its calendar years ending 2014, 2015 and 2016; approved city council resolutions; the City's April 2017 report from its monitoring of its 2014, 2015, and 2016 community policing activities; and an organizational chart of the City's Office of Economic and Community Development.

We also interviewed City staff, officials from HUD's Pittsburgh Office of Community Planning and Development, and officials from HUD headquarters.

To achieve our audit objective, we relied in part on computer-processed data in HUD's Integrated Disbursement and Information System. We used data from HUD's system to identify the universe of the City's activities in order to select a sample of activities for review to determine whether they complied with requirements. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

As of September 30, 2017, the City had drawn more than \$4.4 million for 33 Block Grant activities for the period July 1, 2015, to September 30, 2017. Of the 33 activities, we selected 4 of the 6 activities with the largest amounts drawn, including the code enforcement activity identified in the complaint. We did not review the other two high-dollar-value activities because HUD had monitored them in October 2009 and did not identify any deficiencies. The chart below provides details on the four activities we selected for review.

Plan year	Activity number	Activity name	Funded amount	Drawn amount	Code enforcement	Community policing
2016	2103	Code enforcement	\$371,788	\$371,788	\$371,788	
2016	2095	Community policing	500,000	500,000		\$500,000
2015	2044	Code enforcement	300,429	300,429	300,429	
2015	2036	Community policing	500,000	500,000		500,000
Totals			1,672,217	1,672,217	672,217³	1,000,000

The nearly \$1.7 million that the City drew down for these four activities accounted for 38 percent of the funds drawn by the City during our audit period.

For the audit period, based on documentation provided by the City, its code enforcement officers performed 5,926 inspections and charged the Block Grant program salary and benefit costs for its officers to perform them. We narrowed our review of code enforcement inspections to those related to the largest draw the City made for code enforcement salary and benefit costs during the audit period, which was the period July 1 to December 11, 2016. The City performed inspections on 756 buildings and structures during this period. We filtered the 756 associated files to focus on inspections that involved health and safety issues related to structures. This left us with a universe of 492 files. We used the random number generator feature in Microsoft Excel and selected 15 of the 492 files for review to determine whether the City maintained documentation to show (1) that the inspection was performed in a deteriorated area, (2) whether other services were provided to arrest the decline of the area, and (3) whether repairs were made to the property. We did not use a statistical sample, therefore our results were not projected. In this case, the City had yet to draw \$597,801 from its 2017 code enforcement and community policing activities.⁴ By implementing our recommendations, the City will develop and implement policies and procedures to ensure that it spends the remaining funds in accordance with HUD and Federal requirements and, as a result, put those funds to better use.

We reviewed all of the City's draws for salaries for its code enforcement and community policing activities.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³ Consists of \$671,838 for salary and benefit costs and \$379 for office supplies

⁴ \$597,801 = \$301,866 (code enforcement) + \$295,935 (community policing)

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The City lacked policies and procedures for its Block Grant-funded code enforcement and community policing activities and misunderstood HUD requirements.

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1B	\$671,838	
1C		\$301,866
1D	1,000,000	
1E		295,935
Totals	1,671,838	597,801

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this case, the funds to be put to better use represent the balances the City has yet to draw from its 2017 code enforcement and community policing activities. By implementing our recommendations, the City will develop and implement policies and procedures to ensure that it spends the remaining funds in accordance with HUD and Federal requirements.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



THE CITY OF ERIE

JOSEPH V. SCHEMBER, MAYOR

August 17, 2018

Mr. David E. Kasperowicz, Regional Inspector General
Audit Department of Housing and Urban Development
Wanamaker Building
100 Penn Square East- Suite 10205
Philadelphia, PA 19107-3380

RE: Response to the OIGs Audit Report Regarding the City of Erie's CDBG Code Enforcement and Community Policing Activities

Dear Mr. Kasperowicz:

We appreciate the time you took in meeting with the City to discuss the U.S. Department of Housing and Urban Developments (HUD) Office of the Inspector draft audit report ("OIG Audit Report"). We have taken the observations and recommendations included in the draft report and look forward to working with HUD's Pittsburgh Office of Community Planning and Development to improve our policies and procedures with respect to Code Enforcement and Community Policing Activities so that those funds may continue to be used for the betterment of the community.

We would also like to provide comments to the draft OIG Audit Report regarding the City of Erie's Department of Economic and Community Development administration of its CDBG assisted code enforcement and community policing activities for the period of July 1, 2015 to September 30, 2017 (FYs 2015, 2016 and 2017). Specifically, the City would like to clarify various items included in the draft audit report, especially as it relates to the findings.

The City does not agree with several of the findings in the OIG Audit Report. The following paragraphs provide specific responses for each of the findings outlined by the OIG. It also provides either additional or clarifying information which supports the reasons why the City does not agree with the findings.

The City is also requesting that the OIG include or address the City's responses to the findings, included in this letter, as part of the final audit report.

Finding: The City did not use its block grant funds for code enforcement and community policing activities in accordance with the requirements.

Finding 1A: The City could not show that its code enforcement activity met eligibility requirements. Specially, it could not show that \$671,838 used to fund code enforcement activities met a national objective of benefiting low-moderate

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

Comment 1

Comment 2

Comment 2

Comments 1 and 2

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enforcement activities met a national objective of benefiting low-moderate income persons since it did not maintain documentation to show that the repairs were made to correct code violations at properties it inspected.

Response: During the course of the audit, the City's Code Department described how code enforcement violations were tracked and resolved. The City has been utilizing a proprietary computer software program since 2001 for tracking and documenting all permitting and code enforcement activity in the City. The program being used does not allow for some types of supporting documentation, such as photos, memos or other documents to be uploaded/entered into its system; any additional supporting documents are maintained in the City's digital filing/archiving system and also in paper files to supplement the information entered into the tracking program. The City recognizes that the program is outdated and is working with the current software provider to explore updates to the existing program to allow for expanded documentation capabilities. The City is also currently researching other code enforcement tracking software as well.

The City's Code Enforcement Department provided all available documentation demonstrating how the various case files reviewed by the OIG as part of the audit were documented and how each of the outstanding violations were addressed. Reports were generated from the code enforcement tracking software used to document all inspection activity and results during the audit period, including inspector confirmation when violations were corrected. Other relevant supporting documentation was also included such as photos and inspector notes, as requested, for the 15 case files selected for additional review.

Prior to this audit, the City was not aware that the verification/documentation entered into the official code enforcement tracking software regarding corrected violations was insufficient, or that additional information was required in order to be in compliance with CDBG requirements. The City was not provided with any specific guidance describing or detailing the additional documentation requirements. For the 15 case files selected for additional review, the code enforcement office can provide additional documentation confirming that violations were corrected in 12 of the 15 cases. The three case examples listed in the audit report can also be addressed specifically if the case numbers are provided for reference.

In response to the audit findings, the City is updating the existing internal code enforcement policies and procedures manual and the CDBG Policies & Procedures as they relate to CDBG funded code enforcement. Policies that are updated will include additional detail on required documentation of corrected violations especially as it relates to CDBG funded code enforcement. For

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comments 1 and 2

Comment 3

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example, once a code violation has been corrected by the owner and the case is closed, the case file will include a dated memo from a code enforcement officer certifying that all of the original deficiencies/violations were addressed with appropriate evidence of the corrected items. The case file will also include before and after photos of the property. The City has already begun implementing this updated policy.

Finding 1B: The City lacked documentation to support salary payments of code enforcement officers and a manager such as time sheets and that inspections were performed in CDBG eligible areas.

Response: All of the code enforcement officers whose salaries were funded with CDBG funds carried out code enforcement activities in the City's CD Impact Area only.

Since the early 2000's, the City of Erie has historically expended CDBG funds in the City's defined "CD Impact Area" to address a variety of deteriorating and deteriorated conditions in this area of the City. The boundary of this area is defined as the Bayfront in the north to 26th Street in the south and Cranberry Street to the west and the City line to the east.

The CD Impact area was certified as such in August 2007 using the determination of blight definition under the PA Urban Redevelopment law. The assessment and designation of this area was approved by the HUD Pittsburgh office at that time.

Additionally, in 2015-16, the City completed and adopted a new Comprehensive Plan entitled "Erie Refocused". As part of the planning process for the Comprehensive Plan, the consultant undertook a detailed property conditions survey on a parcel-by-parcel basis for the entire City which included the CD Impact Area. The consultant's methodology for this conditions survey included a parcel by parcel rating of property conditions that mirrored the methodology and results of the City's CD Impact Area analysis from 2007, and also broke down the deteriorating and deteriorated conditions into seven smaller planning areas contained within the CD Impact Area. All of these studies were adopted by the City and in accordance with CPD Notice 14-016.

In addition to blighting/deteriorate/deteriorating conditions, this area also has a high number of low and moderate-income households and a high poverty rate. The City has targeted CDBG funds to this area since 2007 to address these conditions with its CDBG funds in an effort to improve the overall conditions of the area. This included such activities as housing rehabilitation, demolition, street improvements, public facilities improvements and public service activities.

Auditee Comments and OIG's Evaluation

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Auditee Comments

Comment 3

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The City provided detailed data from the CD Impact study from 2007, various maps showing the location of the CD Impact Area as well as the updated mapping and property condition analysis from the Erie Refocused Plan to the OIG auditors as evidence of the conditions of the CD Impact area and how the area met CDBG requirements for addressing the needs of low-moderate income persons. It also provided detailed documentation as to how this area met the CDBG definition of deteriorated and/or deteriorating conditions in CPD Notice 14-016.

Comment 3

The data shows how this area met the CDBG requirements. In addition, documentation was provided via maps, and property/case records taken from the tracking software, demonstrating that the CDBG funded code officers only worked in the CD Impact area, more specifically in the seven deteriorated planning areas within the CD Impact area. This means that the CDBG funds used for code enforcement were used pursuant to the CDBG program requirements.

Comments 1 and 3

Additionally, the City has provided supporting documentation for the timesheets of the code officers as requested by the auditors. Since the audit, the City has updated and implemented its policy for timesheets and record keeping. The City now requires each code officer's timesheet show where each CDBG funded code officer worked and verify that it was performed in the CD Impact Area. The City also now requires a signature by the Code Department Manager for each CDBG funded code officer's timesheet.

Comment 4

On Page 7 of the OIG Audit Report, it indicates that the City incorrectly calculated salaries totaling \$4,237.00. The City has reviewed its salary payments and has discovered three data entry errors with code enforcement personnel. Two of the three errors were corrected before the withdrawal of the final payment for that fiscal year. With these two corrections, the actual amount of the overpayment is \$961.92. In its Audit Report, OIG raised concerns about what appeared to be a \$394.70 overpayment. The City confirmed that no such overpayment was made.

Attached are two spreadsheets showing:

Comment 4

1. TAB "2016": The 2 data entry errors corrected (highlighted in yellow) and subsequently, the cumulative total for the year calculated and reimbursed accordingly. With these corrections, the overpayment is \$961.92.

Comment 4

2. TABS "2017Q1" and "2017Q2": The shortage of funds in a line item of \$394.70 in Q1 that was not reimbursed to the City at that time. Cumulative amounts calculated and reimbursed accordingly in Q2.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

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The City respectfully requests that the OIG amend its final report to reflect the correct overpayment of \$961.92.

Finding 1C: The City could not show that its Community Policing Activity met eligibility requirements in FY 2015 and 2016 per 24 CFR Part 570.201(C) and 2 CFR Part 200.430.

Response:

The City of Erie has developed two community policing teams: the Neighborhood Action Team (NAT) and the Saturation team (SAT). These two teams patrol high crime areas within the CD Impact Area. These teams were not responsible for regular police activity. The focus of the teams are to provide an additional street presence and attend to quality of life issues specifically within the CDBG area. Members of these teams regularly attend neighborhood watch meetings to develop a relationship with the residents of the CD Impact Area.

Comment 5

During FY 2015 and 2016, the City saw a dramatic increase in crime in various City neighborhoods. In 2015, four officers were temporarily added to the NAT team and became permanent members of the team 2016.

Comment 5

As part of the audit, the City provided copies of officer logs for FY 2015 and 2016 that had information showing that the CDBG community policing funds were used for the saturation patrols and that there was an increase in the level of existing services.

Comment 6

In 2017, the City performed an internal monitoring of the CDBG funded community policing activity and identified eight findings. As a result of the internal audit, the police department revised its CDBG police activity log and went back to previous years and corrected each of the identified findings. A copy of these updated logs were provided to the OIG as part of this audit but this was not taken into account as part of the OIG Audit Report. The updated logs from 2017 addressed the various findings under the community policing activity and show overall program compliance. The City respectfully requests that the OIG remove this finding from the final report.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

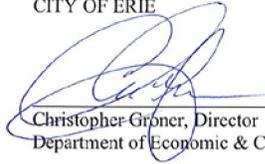
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Thank you for your consideration. Should you want to discuss any items in this response, please feel free to me at (814) 870- 1272.

Sincerely,

CITY OF ERIE



Christopher Gröner, Director
Department of Economic & Community Development

cc: John E. Tolbert, HUD Pittsburgh
Christine D. Dzubinski, HUD Pittsburgh
Kimberly Harrison, OIG
Debra Braun, OIG Pittsburgh
Edward J. Betza, Solicitor, City of Erie

OIG Evaluation of Auditee Comments

- Comment 1 The City stated that it does not agree with several findings in the audit report. Although it does not agree, we are encouraged that it is taking action to improve its program, such as exploring updates to its existing code enforcement software and researching other code enforcement software; updating its existing policies and procedures; and updating and implementing its policy for timesheets and record keeping for code enforcement officers. As part of the audit resolution process, HUD and OIG will agree on the action to be taken and the documentation to be provided by the City to show that its corrective actions satisfy the recommendations.
- Comment 2 The City stated that it provided all available documentation to show how its code enforcement software documented and tracked its code enforcement actions and supplemented that with other documentation that it maintained in a digital filing system and hardcopy paper files. It stated that it was not aware that its process of documenting code enforcement actions was insufficient and that it was not provided any specific guidance describing or detailing additional documentation requirements. The City also stated that it can provide additional documentation to show that violations were corrected for the 15 cases reviewed by the auditor. In response to the audit findings, the City stated it was updating its existing policies and procedures.

Although the City generated and provided reports from its code enforcement software and other documentation that it maintained outside of the automated system, collectively, the documentation was not adequate to show that its code enforcement activities met a national objective of benefiting low- and-moderate-income persons because it did not show that repairs were made. As stated in the audit report, the costs of the code enforcement by themselves do not provide a direct benefit to the homeowner. It is the correction of the code violations that provides the benefit.

The City agreed that its computer software for tracking and documenting code enforcement activities was outdated and that it did not allow for some types of supporting documentation, such as photos, memos, and other documents to be uploaded in the system. It also acknowledged that prior to the audit, it was not aware that the documentation maintained in its current program was insufficient and that the documentation it maintained did not comply with program requirements. Program regulations at 24 CFR 570.506 required the City to maintain sufficient records to show that its activities met program requirements. HUD's general standard for Block Grant record keeping is that records must be accurate, complete, and orderly. We are encouraged that the City is taking action to improve its program, such as exploring updates to its existing code enforcement software and researching other code enforcement software; updating

its existing policies and procedures; and updating and implementing its policy for timesheets and record keeping for code enforcement officers.

As part of the audit resolution process, the City will have an opportunity to provide documentation to HUD to address the recommendations. HUD and OIG will agree on the action to be taken and the documentation to be provided by the City to show that its corrective actions satisfy the recommendations.

Comment 3 The City stated that all of the code enforcement officers whose salaries were funded with Block Grant funds carried out code enforcement activities only in its community development impact area. It stated that it provided detailed data from its community development impact study and various maps showing the location of the impact area and an analysis showing the property conditions in the impact area and documentation to show that the area had deteriorated or deteriorating conditions as described in CPD Notice 14-016. It stated that it provided documentation to support the timesheets of the code officers requested by the auditors. It also stated that since the audit, it has updated and implemented its policy for timesheets and record keeping. The City stated that it now requires each Block Grant-funded code officer's timesheet to show where the code officer worked and verify that it was performed in the impact area. In addition, it now requires the code department manager to sign each Block Grant-funded officer's timesheet.

The City provided documentation to show that it designated an impact area as well as maps, legends, and other documentation. However, as stated in the audit report, the code enforcement officers' timesheets lacked supporting documentation to show that the officers conducted inspections only in the eligible targeted areas. In addition, timesheets used to support the City's use of Block Grant funds to pay part of the code enforcement manager's salary were not reviewed and signed by a supervisor. The City did not provide any documentation to show that the manager performed inspections in eligible target areas or documentation of an allocation plan. Regulations at 2 CFR 200.430 required the City to maintain salary records that accurately reflect work performed and provide reasonable assurance that the charges were accurate, allowable, and properly allocated.

We are encouraged by the City's statements that it has updated and implemented its policy for timesheets and record keeping and that it now requires (1) the Block Grant-funded code enforcement officers to show where they worked and verify that they performed inspections in the impact area, and (2) the code department manager to sign each Block Grant-funded officer's timesheet. As part of the audit resolution process, HUD and OIG will agree on the action to be taken and the documentation to be provided by the City to show that its corrective actions satisfy the recommendations.

Comment 4 The City stated that it reviewed its salary payments and found three data entry errors. It asserted that two of the three errors were corrected before the withdrawal of the final payment for that fiscal year. Considering these corrections, it believes that the actual overpayment was \$962. It also asserted that in the audit report we raised concerns about what appeared to be a \$395 overpayment and it confirmed no such overpayment was made. It requested that we revise the report to reflect an overpayment of \$962 instead of the overpayment totaling \$4,237 stated in the audit report.

The City did not provide documentation to support its assertions regarding the three data entry errors specifically that two errors were corrected and one error did not result in an overpayment. It provided three spreadsheets to show its calculations. However, the spreadsheets were not sufficient for us to revise the audit report because the City did not provide source documentation such as timesheets, drawdown documents, check registers, bank deposits, or adjusting entries to the general ledger to support its assertions or show that it corrected the payroll. As part of audit resolution, the City will have an opportunity to provide documentation to HUD to address the recommendation. HUD will review the documentation provided by the City, determine whether it satisfies the recommendation, and provide its determination and the documentation to OIG for review and concurrence.

Comment 5 The City stated that it provided copies of logs for fiscal years 2015 and 2016 that had information showing that community policing funds were used for the patrols in the City's impact area and that there was an increase in the level of existing services.

During the audit, we requested documentation from the City to show that the community policing activity was either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government in the 12 calendar months before the submission of the action plan. The logs the City provided were not sufficient to show that the community policing activity met these requirements. As part of the audit resolution process, HUD and OIG will agree on the action to be taken and the documentation to be provided by the City to show that its corrective actions satisfy the recommendations.

Comment 6 The City agreed that, as stated in the audit report, it monitored its community policing activity and identified eight findings. It stated that as a result of its monitoring, the police department revised its Block Grant police activity log and went back to prior years and made corrections to address the monitoring findings. The City also stated that although it gave us a copy of the updated police activity log during the audit, we did not take it into consideration. It asserted that the updated logs addressed our findings and showed overall program compliance. The City requested that we remove the finding from the audit report.

We reviewed all 278 community policing logs for the period July 1, 2015, to March 31, 2017. The City's monitoring effort involved a review of a sample of 53 logs from the period October 2014 through December 2016. Eighteen of the 53 logs were outside our audit period; therefore, we did not review them. We reviewed the other 35 logs and found no issues. As stated in the audit report, 162 logs did not comply with requirements. The 162 logs did not include the 53 logs. The finding is supported because the City could not show that the community policing activity was either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government in the 12 calendar months before the submission of the action plan, and 162 of 278 activity logs (58 percent) related to the activity did not comply with requirements. As part of the audit resolution process, HUD and OIG will agree on the action to be taken and the documentation to be provided by the City to show that its corrective actions satisfy the recommendations.