



The City of Pittsburgh, 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 Pittsburgh, PA, Did Not Always Administer Its Community
Development Block Grant Program 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 Pittsburgh'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 Web site. 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: 2017-PH-1001

Date: March 22, 2017

The City of Pittsburgh, PA, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD and Federal Requirements

Highlights

What We Audited and Why

We audited the City of Pittsburgh, PA's administration of its Community Development Block Grant program. We conducted the audit because the City's program had the second largest number of completed activities without accomplishment information reported nationwide. Our audit objective was to determine whether the City administered its Block Grant program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) and Federal requirements.

What We Found

The City did not always administer its Block Grant program in accordance with HUD and Federal requirements. Specifically, of seven activities reviewed, the City did not (1) prepare independent cost estimates before awarding contracts for three activities with costs totaling \$1.4 million; (2) ensure that more than \$1 million disbursed to subrecipients for two activities was for costs that benefited the activity; and (3) document its determination that seven activities with costs totaling \$4.7 million were exempt or categorically excluded from environmental review requirements. Additionally, the City did not always properly report program accomplishments to HUD. As a result, it could not show that costs totaling more than \$4.7 million¹ complied with applicable requirements and that accomplishments were accurately reported.

What We Recommend

We recommend that HUD require the City to provide documentation to show that (1) prices paid for products and services totaling \$1.4 million were fair and reasonable; (2) disbursements to subrecipients totaling more than \$1 million were for costs that benefited the activity; and (3) seven activities with costs of \$2.3² million were exempt or categorically excluded from environmental reviews or repay its program from non-Federal funds for any amount that it cannot support. We also recommend that HUD require the City to review its accomplishment data to ensure accurate reporting.

¹ Five activities had more than one deficiency. The total cost associated with all seven activities was \$4.7 million. See appendix C.

² To avoid double-counting costs in our recommendations, we reported costs related to more than one deficiency only once. The \$2.3 million is the full amount related to activities with environmental review requirement issues (\$4.7 million) less the amounts (\$1.4 and \$1 million) related to activities that also had other deficiencies.

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Background and Objective

The Community Development Block Grant program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Established in 1974, the program is one of the U.S. Department of Housing and Urban Development's (HUD) longest continuously running programs. The program provides annual grants on a formula basis to 1,209 general units of local government and States. The City of Pittsburgh receives its Block Grant funds as an entitlement grantee. To be eligible for funding, every activity, except for program administration and planning, must meet one of the following three national objectives:

- Benefit low- and moderate-income persons,
- Prevent or eliminate slums or blight, or
- Address certain urgent needs in a community because conditions pose an immediate threat to the health and welfare of the community.

The City operates under a mayor-council form of government, which consists of nine elected council members serving each of the City's nine districts. The City's Department of City Planning administers its Block Grant program.

The City obtains and draws program funds for activity costs through HUD's Integrated Disbursement and Information System (IDIS). This system is the drawdown and reporting system for HUD's formula grant programs, which include the Block Grant program. HUD awarded the City \$39.1 million in Block Grant funds from fiscal years 2013 through 2015.

Fiscal year	Grant amount
2013	\$13,338,643
2014	13,005,764
2015	12,766,552
Total	39,110,959

Our objective was to determine whether the City administered its Block Grant program in accordance with applicable HUD and Federal requirements.

Results of Audit

Finding: The City Did Not Always Administer Its Block Grant Program in Accordance With HUD and Federal Requirements

The City did not always administer its Block Grant program in accordance with HUD and Federal requirements. Specifically, of seven activities reviewed, the City did not (1) prepare independent cost estimates before awarding contracts for three activities with costs totaling \$1.4 million; (2) ensure that more than \$1 million disbursed to subrecipients for two activities was for costs that benefited the activity; and (3) document its determination that seven activities with costs totaling \$4.7 million were exempt or categorically excluded from environmental review requirements. Additionally, the City did not always properly report program accomplishments to HUD. This condition occurred because the City did not fully understand applicable requirements and did not have adequate controls in place to ensure that activities complied with all applicable requirements. As a result, it could not show that costs totaling more than \$4.7 million³ complied with applicable requirements and that accomplishments were accurately reported in IDIS.

The City Did Not Prepare Independent Cost Estimates Before Awarding Contracts

The City did not comply with applicable procurement requirements for six contracts under three activities⁴ with related costs totaling \$1.4 million. Specifically, it did not prepare independent cost estimates for six contracts. Regulations at 24 CFR (Code of Federal Regulations) 85.36(f)(1) required the City to prepare independent cost estimates before receiving bids or proposals. This condition occurred because the City was unfamiliar with the requirement and its policies and procedures were insufficient to ensure that independent cost estimates were prepared before it received bids or proposals. By not complying with requirements, the City had no assurance that the \$1.4 million⁵ it paid for products and services was fair and reasonable.

The City Did Not Ensure That Disbursements to Subrecipients Were for Costs That Benefited the Activity

The City did not ensure that more than \$1 million disbursed to subrecipients for two activities complied with Federal cost principle requirements at 2 CFR Part 200, subpart E.⁶ Regulations at 24 CFR 570.501 state that grantees are responsible for ensuring that funds are used in accordance with all program requirements, including when they use subrecipients. While agreements between the City and its subrecipients required the subrecipients to comply with all applicable Federal grant requirements, the City did not have documentation to show that it met these requirements.

³ Five activities had more than one deficiency. The total costs associated with all seven activities was \$4.7 million. See appendix C.

⁴ Activities 5734, 7248, and 8016. See appendix C.

⁵ See appendix C for details.

⁶ Before December 26, 2014, the relevant Federal cost principle requirements were found in 2 CFR Part 225, appendix B.

- For activity 7099, the City did not have documentation, such as personnel activity reports, to support a subrecipient's Block Grant salary and benefit costs totaling \$942,636. The subrecipient also received non-Block Grant funds to pay for salary and benefit costs. Regulations at 2 CFR 200.430(i) state that employee compensation costs are allowable if the total compensation is based on records that accurately reflect the work performed, including a distribution of the employee's total salary among all of the activities the employee works on, and be supported by a system of internal controls providing reasonable assurance that the charges are accurate, allowable, and properly allocated. However, the City did not have documentation to show that the subrecipient complied with these requirements.
- For activity 6865, the City did not have documentation to show that \$100,000 disbursed to two subrecipients was for costs that benefited the Block Grant activity. Each subrecipient was reimbursed \$50,000, one receiving reimbursement for salary and benefit costs and the other for salary and benefit, rent, utilities, audit services, publication and consultant costs. However, in both cases, the subrecipients also received non-Block Grant funding for these costs during the same performance period. Rather than require the subrecipients to document that the costs directly benefited the Block Grant activity, the City reimbursed all of these costs until each subrecipient had exhausted its \$50,000 in funding. For payroll costs, regulations at 2 CFR 200.430(i) state that employee compensation costs are allowable if the total compensation is based on records that accurately reflect the work performed, including a distribution of the employee's total salary among all of the activities the employee works on, and be supported by a system of internal controls providing reasonable assurance that the charges are accurate, allowable, and properly allocated. Regulations at 2 CFR 200.403(a) and (g) state that allowable costs must be reasonable, necessary, and allocable to the Federal award and be adequately documented. Further, regulations at 2 CFR 200.405(a) state that a cost is allocable to a particular Federal award if the products or services involved are chargeable or assignable to the Federal award in accordance with relative benefits received.

The conditions described above occurred because the City was unfamiliar with regulations specifying required documentation for payroll and other costs funded by multiple funding sources and lacked controls to ensure that subrecipients complied with these documentation requirements. Additionally, for activity 6865, the City stated that subrecipients worked solely on eligible Block Grant activities, however, it provided no documentation to support this claim. As a result, HUD and the City had no assurance the more than \$1 million disbursed to these subrecipients was for costs that benefited the activity.

The City Did Not Comply With Environmental Review Requirements

The City did not comply with environmental review requirements for seven activities⁷ with costs totaling \$4.7 million. Regulations at 24 CFR Part 58 discuss the environmental review requirements for recipients of HUD assistance. For activities that the City determined to be exempt from the environmental review requirements, regulations at 24 CFR 58.34(b) required it

⁷ Activities 5734, 6865, 7099, 7231, 7248, 7913, and 8016. See appendix C.

to document in writing its determination that each activity or project was exempt and met the conditions for such exemption. Further, for activities that the City determined to be categorically excluded from the environmental review requirements, regulations at 24 CFR 58.35(d) required it to create a well-organized written record of the process and determinations made. However, the City did not maintain written records documenting its determination that three activities were exempt and four activities were categorically excluded. This condition occurred because the City experienced personnel turnover and did not ensure that new staff members were familiar with HUD's environmental review requirements. It also lacked controls to ensure that it complied with the requirements. As a result, HUD did not have assurance that the activities were exempt or categorically excluded from the requirements.

HUD's Environmental Monitoring Review Identified Similar Issues

In March 2010, HUD's Pittsburgh, PA, Office of Community Planning and Development performed an onsite environmental review and identified issues similar to those identified here. Specifically, HUD found that the City lacked written documentation supporting its environmental review process and did not fully complete an environmental assessment for one activity. In October 2010, HUD approved the City's corrective action plans to resolve these deficiencies, which required the City to complete and maintain environmental review records for each activity. However, the issues identified during our review showed that the City did not adequately implement the corrective actions. While the City stated that newer employees had received training and that it began complying with the environmental review requirements in January 2016, HUD had no assurance that the City had begun complying with the requirements after October 2010 when it approved the City's corrective action plan.

Program Accomplishments Were Not Always Properly Reported to HUD

The City did not always properly report program accomplishments in IDIS for activities that it stated met the national objective to benefit low- and moderate-income persons. HUD's Guidance for Reporting Community Development Block Grant Accomplishments and Performance Measures in IDIS allowed grantees to state that their accomplishments would be reported on another activity's record when entering an activity's accomplishment data into IDIS. When doing this, grantees are not permitted to report the same results under both activities because it would misrepresent the results of the program. However, of 15 activities reviewed, in 5 cases,⁸ while the City stated that it would report accomplishments on another activity's record, it duplicated the accomplishments by reporting them for both activities. Additionally, in six cases,⁹ the City did not have documentation to support accomplishments reported in IDIS. The City normally used outcome measurement forms to document accomplishments before entering data into IDIS, but the forms for these six activities were missing or inaccurate. Therefore, because of the missing or inaccurate documentation, the City underreported accomplishments for three activities, over-reported accomplishments for two activities, and accurately reported total accomplishments but incorrectly reported detailed accomplishments for one activity. These deficiencies occurred because the City did not fully understand HUD's guidance and did not have adequate controls to ensure that accomplishments were adequately documented and

⁸ See appendix D for details.

⁹ See appendix D for details.

properly entered into IDIS. As a result, HUD had no assurance that the City's accomplishments were accurately reported in IDIS.

Conclusion

The City did not ensure that its activities always complied with procurement, cost principle, environmental review, and accomplishment reporting requirements. This condition occurred because the City did not fully understand applicable requirements and did not have adequate controls in place to ensure that activities complied with all applicable requirements. As a result, the City incurred unsupported costs totaling more than \$4.7 million.

Recommendations

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

- 1A. Provide documentation to show that prices paid for products and services totaling \$1,423,262 for three activities were fair and reasonable or repay its program from non-Federal funds for any amount that it cannot support.
- 1B. Provide documentation to show that costs totaling \$942,636 for activity 7099 were for employees' actual time spent benefiting the activity or repay its program from non-Federal funds for any amount that it cannot support.
- 1C. Provide documentation to show that costs totaling \$100,000 for activity 6865 benefited the activity or repay its program from non-Federal funds for any amount that it cannot support.
- 1D. Provide documentation to show that seven activities with costs totaling \$2,266,543¹⁰ were exempt or categorically excluded from environmental reviews or repay its program from non-Federal funds for any amount that it cannot support (excluding any amount repaid as a result of recommendations 1A, 1B, and 1C).
- 1E. Revise its policies and procedures to address compliance with applicable procurement regulations requiring independent cost estimates before receiving bids or proposals.
- 1F. Train its staff on requirements for documenting costs funded by multiple funding sources.
- 1G. Develop and implement controls to ensure that subrecipients comply with requirements for documenting costs funded by multiple funding sources.

¹⁰ To avoid double-counting, we reduced the amount shown as unsupported for recommendation 1D by the amounts discussed in recommendations 1A, 1B, and 1C. The \$2,266,543 is the full amount related to activities with environmental review requirement issues (\$4,732,441) less the amounts cited in recommendations 1A (\$1,423,262), 1B (\$942,636), and 1C (\$100,000).

- 1H. Determine whether it has complied with environmental review requirements for all activities since October 2010 and provide a copy of its determination to HUD. If it did not comply, either provide the necessary support for the activities or repay its program from non-Federal funds for any activity costs it cannot support.
- 1I. Develop and implement controls to ensure that it complies with environmental review requirements.
- 1J. Review accomplishment data that it reported in IDIS for open and completed activities to ensure that accomplishments were reported accurately.
- 1K. Train its staff on reporting accomplishments in IDIS and develop and implement policies and procedures for supervisory review to ensure accuracy.

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

- 1L. Include compliance with environmental review requirements in its project-specific reviews in its next periodic monitoring of the City's Block Grant program.

Scope and Methodology

We conducted the audit from June through November 2016 at the City's offices located at 200 Ross Street, 2nd Floor, Pittsburgh, PA, and our offices located in Philadelphia and Pittsburgh, PA. The audit covered the period January 1, 2013, to May 31, 2016, but was expanded when necessary.

To accomplish our objective, we reviewed

- Relevant background information.
- Applicable regulations; HUD program requirements at 24 CFR Parts 58, 85, and 570; and other guidance.
- The City's program files, procurement files, environmental review files, annual audited financial statements for years 2014 and 2013, policies and procedures, consolidated annual performance and evaluation reports, and action plans.
- IDIS data reports, grant agreements, subrecipient grant agreements, subrecipient monitoring reports, and documents supporting the City's draws for program activities.

We also interviewed City employees, staff of the City's subrecipients, and HUD staff.

To achieve our audit objective, we relied in part on computer-processed data contained in IDIS and provided by the City. 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.

To select a sample of activities for review to determine whether the City complied with national objective, procurement, environmental review, and cost principle requirements, we obtained information from IDIS on the City's activities as of June 2016. The universe included 216 open, 5,503 completed, and 1,053 canceled activities that the City created between 1994 and 2016. We segregated the open activities from the completed activities and sorted the activities in descending dollar order based on the amount of funds allocated to the activity. We nonstatistically selected seven activities for review using a risk-based sampling method. Although this approach did not allow us to make a projection to the population, it was sufficient to meet the audit objective. The City allocated more than \$4.9 million to the seven activities, and they had costs of nearly \$4.7 million as of June 2016. For activities that had been open for at least 4 years, we selected the three activities with the largest amount of allocated funds. For the completed activities, we selected the four completed activities with the largest costs that also had at least one draw during the last 4 years. We did not select canceled activities because they had no costs. The chart below contains details on the seven activities selected for review.

#	Activity ID	Plan year	Activity name	Amount funded	Amount drawn	Activity status
1	7248	2013	Street Resurfacing	\$1,232,500	\$1,232,500	Completed
2	7231	2013	CDBG ¹¹ Personnel	1,000,000	1,000,000	Completed
3	7099	2012	URA ¹² Program Delivery - Housing Rehabilitation	942,636	942,636	Completed
4	6865	2012	Community Based Organizations	700,000	700,000	Completed
5	5734	2009	Splash Zones	500,000	497,870	Open
6	8016	2009	Building Improvements	225,996	212,304	Open
7	7913	2006	Penn Avenue Reconstruction	365,514	147,131	Open
			Totals	4,966,646	4,732,441	

We reviewed the City’s program, procurement, and environmental review files for each of the seven activities selected. We also performed site visits for activities 5734, 7248, 7913 and 8016.

To select a sample of activities for review to determine whether the City complied with accomplishment reporting requirements, we obtained information from IDIS on 1,777 completed activities recorded without accomplishments as of May 2016. We nonstatistically selected 15 activities for review using a risk-based sampling method. Although this approach did not allow us to make a projection to the population, it was sufficient to meet the audit objective. Of the 1,777 completed activities, the City drew down \$1.7 million for 214 activities after 2012. From these 214 activities, we selected the 11 activities with the largest amount of funding allocated. We selected four additional activities with different matrix codes to obtain a diverse range of types of activities for testing. The chart below contains relevant details for the 15 activities selected.

¹¹ CDBG = Community Development Block Grant

¹² URA = Urban Redevelopment Authority of Pittsburgh

#	Activity ID	Amount funded	Matrix code
1	5758	\$100,000	05K
2	5296	90,000	05
3	5118	76,776	05
4	6111	76,246	05
5	7068	60,000	05C
6	6533	50,000	05I
7	7390	45,000	19C
8	7384	45,000	19C
9	7398	42,000	19C
10	7848	42,000	19C
11	7727	42,000	19C
12	7061	30,000	05A
13	7852	30,000	05H
14	7838	2,500	05
15	7857	2,386	05A
	Total	733,908	

We reviewed the City's files for each of the 15 activities to determine whether the City followed HUD's guidance for reporting accomplishments and whether the reported data were adequately supported. For activities for which the City indicated that accomplishments would be reported on another activity's record, we also reviewed the City's files for the second activity.

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.

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:

- Effectiveness and efficiency of 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 program participants comply with program 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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The City was unfamiliar with procurement, cost principle, environmental review, and accomplishment reporting requirements.
- The City did not have controls to ensure that it complied with all procurement, cost principle, environmental review, and accomplishment reporting requirements.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/
1A	\$1,423,262
1B	942,636
1C	100,000
1D	2,266,543 ¹³
Total	4,732,441

- 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.

¹³ To avoid double-counting, we reduced the amount shown as unsupported for recommendation 1D by the amounts discussed in recommendations 1A, 1B, and 1C. The \$2,266,543 is the full amount related to activities with environmental review requirement issues (\$4,732,441) less the amounts cited in recommendations 1A (\$1,423,262), 1B (\$942,636), and 1C (\$100,000).

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



**CITY OF
PITTSBURGH**

Department of City Planning
William Peduto
Mayor
Raymond W. Gastil, AICP
Director

February 8, 2017

David Kasperowicz, Regional Inspector General for Audit
U.S. Department of HUD
100 Penn Square East, Suite 10205
Philadelphia, Pa 19107-3380

Subject: City of Pittsburgh CDBG Program Audit

Dear Mr. Kasperowicz:

This is in response to the audit performed for the City of Pittsburgh covering the period of January 1, 2013 to May 31, 2016. The audit report was shared with staff of various City departments and divisions responsible for the administration and implementation of the Community Development Block Grant Program (CDBG).

The audit report indicated one finding and recommendations. As a whole, the City understands and accepts the audit, but disagrees with the Office of Inspector General's (OIG) opinion that "The City did not ensure that more than \$1 million disbursed to sub-recipients for two activities were for costs that benefitted the activity". During the resolution process of the audit, the City will provide the U. S. Department of Housing and Urban Development (HUD) with documentation that indicates the costs incurred related to this finding benefitted the activity. The City will also provide documentation that will:

- Show prices paid for goods and services were fair and reasonable.
- Justify the City's determination that exempt activities are not subject to 24 CFR 58.5 and that categorically excluded activities that are subject to 24 CFR 58.5 were converted to exempt after completing the Environmental Review Statutory Checklist.

The following six (6) recommendations will be implemented by the City of Pittsburgh to strengthen the overall performance of the CDBG Program:

- Revise its policies and procedures to address compliance with applicable procurement regulations requiring independent cost estimates before receiving bids or proposals.
- Train its staff on requirements for documenting costs funded by multiple funding sources.
- Develop and implement controls to ensure that sub-recipients comply with the requirements for documenting costs funded by multiple funding sources.
- Review accomplishment data that it reported in IDIS for open and completed activities to ensure that accomplishments are reported accurately.
- Train staff on reporting accomplishments in IDIS and develop and implement policies and procedures for supervisory review to ensure accuracy.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

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The City would like it noted that with the inception of the HUD Environmental Review Online System (HEROS) and attendance at Environmental Review training sponsored by HUD, the City has implemented changes that now comply with 24 CFR Part 58. We welcome HUD's Environmental Review Specialist to review the City's process to confirm that the City is in compliance, and if necessary provide additional recommendations to strengthen the City's Environmental Review process.

Sincerely,



Michael Petrucci
Assistant Planning Director for Community Development

CC: Ray Gastil - DCP
Jerry Cafardi - DCP
Dana Deresh - DCP
Debra Darby - HUD OIG
Mathew Jacobs - HUD OIG
John Tolbert - HUD CPD
Rebecca Maclean - HUD CPD
Jennifer Presutti - OMB
Jennifer Olzinger - OMB
Mike Gable - DPW
Robert Rubinstein - URA
Jason Hobbes - URA
Tom Short - URA

OIG Evaluation of Auditee Comments

- Comment 1 The City stated that it disagreed with our finding that it did not ensure that more than \$1 million it disbursed to subrecipients for two activities was for costs that benefited the activities. However, it agreed to provide documentation to HUD to show that the costs benefited the activities. As stated in the audit report, we could not determine whether payments for employee salaries and benefits and purchases of products and services totaling more than \$1 million benefited the activities. We are encouraged by the City's statement that it will provide documentation to support these questioned costs. As part of the audit resolution process, the City can provide documentation to HUD to support all \$4.7 million of questioned costs identified in the report. HUD will review the documentation and determine whether it supports the questioned costs. If it does not, then the City must repay its program from non-Federal funds for the costs that it cannot support.
- Comment 2 The City stated that since the inception of the HUD Environmental Review Online System (HEROS) and its attendance at environmental review training sponsored by HUD, it has implemented changes to bring its program into compliance with the environmental review procedures contained in 24 CFR Part 58. It also stated that it welcomes HUD's Environmental Review Specialist to review the City's process to confirm that it is in compliance and provide additional recommendations to strengthen its process. We are encouraged by the City's response. To that end, we recommended that HUD include compliance with environmental review requirements in its project-specific reviews in its next periodic monitoring of the City's Block Grant program.

Appendix C

Activities That Did Not Meet Procurement, Cost Principle, and Environmental Review Requirements

#	Activity name (activity ID)	Total cost	Amount lacking cost estimate	Amount lacking support	Amount lacking environmental review documentation	Total unsupported cost
1	Street Resurfacing (7248)	\$1,232,500	\$835,753		\$1,232,500	\$1,232,500
2	CDBG ¹⁴ Personnel (7231)	1,000,000			1,000,000	1,000,000
3	URA ¹⁵ Program Delivery - Housing Rehabilitation (7099)	942,636		\$942,636	942,636	942,636
4	Community Based Organizations (6865)	700,000		100,000	700,000	700,000
5	Splash Zones (5734)	497,870	375,205		497,870	497,870
6	Building Improvements (8016)	212,304	212,304		212,304	212,304
7	Penn Avenue Reconstruction (7913)	147,131			147,131	147,131
	Totals	4,732,441	1,423,262	1,042,636	4,732,441	4,732,441

¹⁴ CDBG = Community Development Block Grant

¹⁵ URA = Urban Redevelopment Authority of Pittsburgh

Appendix D

Activities That Did Not Comply With Accomplishment Reporting Requirements

#	First activity ID	Second activity ID	Accomplishments were reported on both activities	Accomplishments were not supported by documentation
1	5758	5810	X	X
2	5296	7140		X
3	5118	7140	X	X
4	6111	7141	X	X
5	7068	7050		X
6	7061	7000		X
7	7852	7851	X	
8	7857	7856	X	
		Totals	5	6