



Issue Date	2010-PH-1001
Audit Report Number	October 2, 2009

TO: John E. Tolbert III, Director, Office of Community Planning and Development, Pittsburgh Field Office, 3ED

FROM: *John P. Buck*
John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The City of Altoona, Pennsylvania, Made Unsupported Community Development Block Grant Payments

HIGHLIGHTS

What We Audited and Why

We audited the City of Altoona's (City) U.S. Department of Housing and Urban Development (HUD)-funded programs based on a citizen complaint. The objective of the audit was to determine whether the City properly paid a subrecipient for eligible Community Development Block Grant (CDBG) activities.

What We Found

The City paid a subrecipient \$914,335 for activities that it could not demonstrate were eligible. Specifically, the City could not demonstrate that it paid a subrecipient for eligible activities that met a national objective under its Blighted Property Maintenance Program.

What We Recommend

We recommend that the Director of the Pittsburgh Office of Community Planning and Development require the City to provide documentation to demonstrate that \$914,335 was used for eligible activities that met a national objective of the CDBG program or repay HUD from nonfederal funds. We further recommend that the Director require the City to establish and implement written policies and procedures requiring it to maintain records that (1) provide a full description of each activity undertaken; (2) demonstrate that each activity undertaken meets a national objective of the CDBG program; (3) determine the eligibility of the activities; and (4) document the acquisition, improvement, use, or disposition of real property acquired or improved with CDBG assistance. Lastly, the City should evaluate its subrecipient in terms of compliance risk, performance, and funding levels at least on an annual basis.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the findings with the City during the audit. We provided a copy of the draft report to City officials on August 28, 2009, for their comments and discussed the report with the officials at the exit conference on September 3, 2009. The City provided its written comments to our draft report on September 10, 2009. It generally disagreed with our findings.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The City of Altoona (City), an entitlement community, receives grant funds for community development, housing, and homeless programs directly from the U.S. Department of Housing and Urban Development (HUD) under Title I of the Housing and Community Development Act of 1974, as amended; Title II of the National Affordable Housing Act; and the Stewart B. McKinney Homeless Assistance Act. The funds are provided on a formula-allocation basis. HUD headquarters in Washington, DC, performs a mathematical calculation, which takes into account many demographic, economic, and housing factors, to determine funding allocation amounts for local entitlement grantees throughout the nation.

The City was incorporated in 1868 under the provisions of the Commonwealth of Pennsylvania. The City is a third-class city organized under a council-manager form of government in which the seven-member council, including the mayor and controller, are elected officials. The council appoints the city manager, who in turn, appoints department heads. The council, on behalf of the City, makes policy decisions, borrows money, levies local taxes, and authorizes expenditures in accordance with the third-class city code of the Commonwealth of Pennsylvania. In addition, the City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's community development programs are administered through its Department of Planning and Community Development. The City administers three programs, which include the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program, and the Emergency Shelter Grant (ESG) program. The City has received the following HUD program grants over the past six years:¹

Program	Amount
CDBG	\$13,208,843
HOME	\$2,657,793
ESG	\$531,049
Total	\$16,397,685

The objective of our audit was to determine whether the City properly paid its subrecipient for eligible CDBG expenditures.²

¹The City's program year runs from July 1 through June 30.

² During the survey phase of this audit, audit tests did not indicate significant weaknesses within the City's administration of its HOME program. However, significant weaknesses were found in the City's CDBG program.

RESULTS OF AUDIT

Finding: The City Paid a Subrecipient for Unsupported CDBG Activities

The City could not demonstrate that the \$914,335 it spent on its Blighted Property Maintenance Program was for eligible activities that met a national objective. This condition occurred because the City did not maintain supporting documentation required by 24 CFR [*Code of Federal Regulations*] 570.506 and the subrecipient agreement. Therefore, HUD had no assurance that the City's expenditures met the intent of the CDBG program.

The City's Blighted Property Maintenance Program Expenditures Were Unsupported

The City initially entered into a one-year agreement with a subrecipient to carry out activities of its Blighted Property Maintenance Program in July 2002. The agreement required the subrecipient to secure and maintain blighted properties located in Altoona. The City's inspections department was required to handle the daily coordination and supervision of the program. The agreement was renewed on an annual basis; thus, the subrecipient carried out these activities from 2003 through 2008.³ From 2003 through 2008, the City paid the subrecipient \$914,335 for activities associated with the removal of slums and blight under the program. We reviewed documentation maintained by the City to determine whether the subrecipient was paid for eligible activities. Specifically, we reviewed the supporting documentation for 112 checks issued to the subrecipient from January 1, 2003, through December 31, 2008. The table below summarizes the expenditures.

Salaries for staff	\$792,382
Uncategorized miscellaneous expenditures	\$69,381
Vehicle leases, gas, and insurance premiums	\$43,922
Administrative fees	\$8,650
Total expenditures	\$914,335

³The agreements for years 2007 and 2008 required that the subrecipient perform demolition activities in addition to the maintaining and securing of the blighted properties.

Although the City was able to provide time sheets for salaries paid, gas receipts, and other invoices used to support the expenses noted in the table, it failed to demonstrate that the expenditures paid were for eligible activities.

Specifically, the documentation provided as support for the payment of salaries, totaling \$792,382, did not demonstrate eligibility. The time sheets of the staff carrying out activities of the program did not disclose which properties were maintained or demolished by the employee, what type of work was done at each property, how much time was charged to the work at each property, and when the work was done and did not always show how the salaries were calculated for the staff who worked on the program activities. Without this information, we were unable to determine whether the expenditures met eligibility requirements. Thus, staff salaries, totaling \$792,382, charged to the program were unsupported.

Also, the City paid \$69,381 in miscellaneous expenditures. Some of the miscellaneous expenditures included items such as payment of accounts for supplies, utility expenses, cell phones, and other miscellaneous items. The City could not provide documentation showing the properties assisted, for which the supplies were used for the prevention of slums and blight. Thus, these expenditures, totaling \$69,381, charged to the program were unsupported.

In addition, the City charged \$43,922 for vehicle leases, gas, and insurance premiums. Specifically, from 2003 through 2005, the City leased a truck and owned two trucks which were to be used by the maintenance crew to assist with activities associated with the prevention of slums and blight. Thus, various expenses were incurred and paid to the subrecipient including gas expenses and monthly insurance premiums. We requested that the City provide documentation to show how the vehicles were used, what properties were assisted, mileage used, and gas expenditures. The City could not provide vehicle logs or other records that would document the items noted above because it did not require such records to be maintained. The City explained that it had always operated with an understanding of trust with the crew; thus, it did not require records to be maintained. Without a record showing how the vehicles were used and expenses paid were used to assist in the prevention of slums and blight, the expenditures, totaling \$43,922,⁴ charged to the program were unsupported.

Lastly, although the subrecipient agreement did not require the payment of administrative fees, the City paid \$8,650 in unsupported administrative fees to the subrecipient.

Overall, the City failed to follow HUD requirements for the CDBG program. Regulations at 24 CFR 570.200(a) state that CDBG-funded activities must meet one of the national objectives: benefit low- and moderate-income families, prevent or eliminate slums or blight, or meet urgent community development

⁴ The total paid for vehicles charged to the program was calculated by adding the total expenditures for each: \$43,922 = \$25,111 for vehicle leases + \$11,049 for gas expenses + \$7,762 in vehicle insurance premiums.

needs. Further, regulations at 24 CFR 570.506, along with subrecipient agreements between the City and the subrecipient, required the subrecipient to establish and maintain sufficient records. Each document specifically stated that at a minimum, the records should (1) provide a full description of each activity undertaken; (2) demonstrate that each activity undertaken met one of the national objectives of the CDBG program; (3) determine the eligibility of the activities; and (4) document the acquisition, improvement, use, or disposition of real property acquired or improved with CDBG assistance. The City did not require these records; thus, it could not demonstrate that \$914,335 in CDBG expenditures paid to its subrecipient was eligible.

The City Disregarded HUD Requirements and Its Own Policy and Procedures

The City disregarded HUD requirements and failed to follow its own requirements. Regulations at 24 CFR 570.506 require the City to maintain records that would determine the eligibility of the activities. Additionally, the City's subrecipient agreement required the subrecipient to maintain records to support eligibility. The City explained that it did not follow the requirements because the intent of the agreement met the national objective for the prevention of slums and blight; thus, it believed that all activities performed under the agreement would have been eligible. The City also disregarded its own monitoring policy governing HUD programs. The City's monitoring policy required it to, at least on an annual basis, evaluate the subrecipient in terms of compliance risk, performance, and funding levels. Based on this evaluation, subrecipients should be monitored at least annually, by way of an on-site visit or a desk file review. A review of the City's monitoring reports showed that the most recent fully documented evaluation of the subrecipient was completed more than five years ago (June 2004). The City stated that although an evaluation had not been performed since June 2004, it monitored the activities by way of completing desk reviews of the monthly invoices submitted for payment. However, audit evidence showed that the invoices and other documentation used to justify payment of expenditures did not demonstrate that the activities were eligible.

Conclusion

The City paid a subrecipient for unsupported CDBG expenditures. Specifically, the City could not demonstrate that \$914,335 was spent for eligible activities. Although regulations at 24 CFR 570.506 and the subrecipient agreement between the City and the subrecipient required that records be maintained to support eligibility, the City disregarded this requirement. As a result, HUD had no assurance that federal funds, totaling \$914,335, met the intent of the CDBG program.

For the program year beginning July 1, 2009, the City planned to continue its program to remove blighted properties and planned to use the \$458,700 in CDBG funds awarded. However, if the City continues not requiring records to determine eligibility, it cannot ensure that the \$458,700 will be used for the purposes intended.

Recommendations

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

- 1A. Provide documentation to demonstrate that \$914,335 was used for eligible activities that met a national objective of the CDBG program or repay HUD from nonfederal funds.
- 1B. Establish and implement written policies and procedures requiring the City to maintain records that (1) provide a full description of each activity undertaken; (2) demonstrate that each activity undertaken meets one of the national objectives of the CDBG program; (3) determine the eligibility of the activities; and (4) document the acquisition, improvement, use, or disposition of real property acquired or improved with CDBG assistance, thereby ensuring that \$458,700 in program funds will be put to better use in the next year.
- 1C. Evaluate its subrecipients in terms of compliance risk, performance, and funding levels at least on an annual basis.

SCOPE AND METHODOLOGY

To accomplish our objective, we

- Reviewed program requirements, including federal laws and regulations and Office of Management and Budget circulars.
- Reviewed HUD's monitoring reports and funding awards for the City's HUD-funded programs.
- Conducted interviews and inquiries with HUD's Office of Community Planning and Development field officials to obtain an understanding of the City's HUD-funded programs.
- Reviewed the City's program policies and procedures, consolidated plan, annual action plans, consolidated annual performance and evaluation reports (CAPER), and audited financial statements.
- Conducted interviews with the City's administrative and finance staff to gain an understanding of the internal controls related to the administration of the City's HUD-funded programs.
- Selected and reviewed a survey sample of 10 expenditures out of the universe of 7,377 CDBG and HOME expenditures.
- Selected and reviewed all 112 checks, totaling \$914,335, issued in the administration of the City's Blighted Property Maintenance Program from January 1, 2003, to December 31, 2008, to ensure compliance with program regulations and procedures.
- Compared the City's expenditures recorded in its check register to the HUD-funded program expenditures the City reported in its audited financial statements and its CAPERs during 2003-2007.

We performed our audit fieldwork between February and August 2009 at the City's Department of Planning and Community Development office located at 1301 12th Street, Suite 400, Altoona, Pennsylvania, and HUD's Pittsburgh, Pennsylvania, field office. Our audit generally covered the period January 1, 2003, to December 31, 2008.

To achieve our audit objective, we relied in part on computer-processed data at 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.

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. 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 an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- 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.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

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

- The City did not ensure compliance with laws and regulations as it did not demonstrate that activities were eligible.

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/
1A	\$914,335	
1B		\$458,700

- 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 instance, by requiring records to document eligibility, the City will ensure that \$458,700 will be used for eligible purposes in the next year.


Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

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Voice – 814/949-2408
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DEPARTMENT OF ADMINISTRATION

Joseph F. Weakland
City Manager

Linda Rickens
City Clerk

September 10, 2009

Mr. John P. Buck
Regional Inspector General for Audit
Philadelphia Region 3AGA
U.S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, PA 19107-3380

SUBJECT: City of Altoona, Pennsylvania
Audit Response

Dear Mr. Buck:

This letter is in response to your draft "Results of Audit" report as provided by email to the City of Altoona, Pennsylvania. The audit concludes that the City of Altoona disregarded maintaining adequate records demonstrating that the Safeguarding Program meets a National Objective making expenditures ineligible. We contest these findings with the following information.


A. Program Description

The Blighted Property Safeguarding Program description reads "Altoona Blair County Development Corporation will maintain a staff of three individuals responsible for securing blighted properties located in the City. The Code Enforcement Department will handle the daily coordination and supervision of this program. The City of Altoona will provide the required supplies and equipment to allow for the successful operation of this program." This description is for the project as well as the "activity". We do not have separate activities per property address.

B. Regulatory Citations

The program description is in compliance with the General Policies (570.200)(a) Determination of Eligibility, and specifically 570.201(d) Clearance Activities with the national objective of 570.208(b)(2) slums and blight removal on a spot basis, and 570.208(b)(1)(i) *allowing the definition of blighted to be interpreted by state law.*

The relevant regulatory citations address the procedures followed under 570.201(d) Clearance Activities. The national objective for this Activity is 570.208(b)(2) slums and



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Comment 1

Comment 1

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blight removal on a *spot basis*. The boarding and safeguarding of property is eligible as long as it is part of either a clearance or disposition activity. See attached memo dated May 14, 1990, from Anna Kondratas, Assistant Secretary for Community Planning and Development "Request for Determination of Eligibility Boarding Up Buildings with CDBG funds."

Comment 1

C. Property Eligibility

To meet the National Objective to address slums and blight on a spot basis (570.208)(b)(2) each property had entered the Safeguarding property program through the procedures outlined in state law. Only those properties that had entered the program through this procedure were the properties safeguarded by the Subrecipient's employees.

Since the Federal Regulations, 570.208(b)(2), permit activities to address "spot blight" they provide no clear definition of "spot blight", nor do they provide a method for determining "spot blight." Section 570.280(b)(1)(i) only defines "blight" on an area basis permitting the utilization of state law as a means to determine blight. Therefore we felt it necessary to utilize the state criteria for determining "spot blight". All of the properties declared blighted constitute a collection of scattered properties eligible under the National Objective of addressing slums and blight on a "Spot" basis. There are specific criteria in state law to be used in determining a property blighted. (This procedure was outlined in an attachment to the email to Kim Harrison dated 8/3/09 from Mary Johnson) The word "blight" in this response only refers to property meeting those criteria and is never used as a generic term.

Comment 1

D. Further explanation of Spot Blight Safeguarding Actions

There are two types of activities in which the Safeguarding crew routinely engaged after the property was declared blighted. One was to secure the property. This included boarding the property and removing debris so to prohibit the property from becoming a haven for drug activities, fire setting, and abating health and safety issues to the neighborhood. A property may need to be secured many times before its final demolition. The second activity is to remove vegetation after the property is demolished and prior to disposition. This activity is also conducted multiple times. Safeguarding takes place both before and after the blighted property demolition activity.

Comment 2

E. Safeguarding the Category of "Blighted Properties"

Each Safeguarding program expense is not related to an individual property but rather to the group of individual properties that have been determined blighted. Expenses incurred such as gas, vehicle leasing/purchasing, vehicle insurance, supplies mailings, postings of property, equipment repairs and debris removal are related to the program

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in whole not specific individual addresses. Salaries related to this program are also not related to specific properties, but to the program. Each employee under the sub-recipient agreement with ABCD Corporation was assigned only to the Blighted Property Safeguarding program. Their employment record keeping was not tied to each individual property but rather to the program, therefore their daily activities were dedicated solely to the safeguarding program which included the multiple properties that entered the program.

F. Verification of Property Eligibility

Documentation for properties acquired were never requested or examined by the auditor. Each property entering the program whether acquired, condemned or just determined blighted had its own property file outlining the process that each property went through along with pictures and signed declaration/certification of blight by the Altoona City Planning Commission. 133 properties have entered the program between 2003 and 2008.

Individual properties files demonstrate the date the properties entered the program, when they were declared blighted by the Blighted Property Review Committee, a resolution declaring the property blighted by the Altoona City Planning Commission signed by the chairman, photos of the property, appraisals, review appraisals, actions taken by the Altoona Redevelopment Authority's board and attorney to acquire through standard acquisition or by condemnation, title search work, demolition contracts, and finally disposition paperwork.

G. Further Verification of the Programmatic Approach

To further demonstrate that this program addressed the Safeguarding Program and not individual properties, the environmental review record and the programmatic release of funds were for the safeguarding program and not the individual properties. The Consolidated Plan, the Annual Plan and the Consolidated Annual Performance Evaluation Report (CAPER) address the Safeguarding Program, not individual properties.

H. Response to allegations of "ineligible expenditures" in the draft report

There are four activities with dollar amounts attached which were specifically questioned by the auditors.

Comment 3

Comment 1

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Comment 4

1. "Salaries not tied to individual properties" All of the properties eligible for safeguarding were the only properties worked on daily. A complete annual budget of salaries, fringes benefits and monthly delivery costs were provided by the sub-recipient with the submission of the CDBG application requests. That application does not list individual properties. Only properties that entered the Safeguarding Program were eligible for safeguarding. Therefore all salaries are an eligible expenditure.

Comment 2

2. "Miscellaneous Expenditures not tied to individual properties" – Cannot be allocated to individual properties but are allocated to the Safeguarding Program. Example – repairs to equipment, purchase of tools and supplies to secure properties. Items are sometimes purchased in bulk to be used in all properties in the program, not by individual property. Therefore all miscellaneous expenditures are eligible under the Safeguarding Program.

Comment 2

3. "Vehicle leases, gas and insurance premiums tied to individual properties" – The vehicles activities were not tied to individual property addresses nor the activities at that specific address, but rather to the Safeguarding Program. Therefore all expenses that relate to these items are eligible for the operation of the program. For general information purposes it should be noted that the invoices for the leases, gas and insurance premiums were generated from the City of Altoona's Finance Department and forwarded for payment by the Subrecipient (Altoona Blair County Development Corporation), who in turn invoiced the CDBG Program under the Safeguarding Program. The amount of gasoline used for the program was questioned by Ms. Genevie, however, the safeguarding crew had access cards for the city owned gasoline pumps which records amount of usage and odometer readings. The auditor was made aware of the gasoline records and declined to review them.

Comment 2

4. Administrative Fees – The \$8,650 as titled by the ABCD Corporation where actually program delivery expenses for processing payroll of the Safeguarding Crew. While named "administrative" by the subrecipient this is an allowable program delivery expenditure.

Comment 4

5. Statement that the time sheets of the staff carrying out activities did not disclose which properties were purportedly maintained or demolished by the employee, what type of work at each property, and when the work was done. The time sheets did not disclose that information. But every invoice from the subrecipient included the time sheet and a list of properties safeguarded during that payroll

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period and noted their activities at that address. These records met the requirement for reporting for the *safeguarding program*.

Comment 5

6. In a verbal discussion with Kimberly Harrison and Amy Genevie, they indicated that time sheets were not signed by the employees. Upon review of the files, of approximately 468 payroll submissions from 2003 to 2008, approximately 40 time sheets lacked employee signatures. However, as indicated by the timesheets, these employees were absent at the time of payroll submission and could not sign them due to sick, vacation or personal leave or out on a job site.

I. Response to Allegations of Inadequate Records

Comment 1

1. Provide a full description of each activity undertaken.
This description is provided in the Consolidated Plan, The Annual Plans, and reported in the annual CAPERS.

Comment 1

2. Demonstrate that each activity undertaken meets one of the National Objectives of the CDBG Program.
The "Regulatory Citations" component of this report demonstrates the ability of this *program* to meet the National Objectives.

Comment 1

3. Determine the eligibility of the activities
The logic of the "Property Eligibility" component of this response addresses the **Program Eligibility**.

Comment 3

4. Document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance.
The acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance are documented in the Planning and Community Development Department and organized by property address. These records were never requested for review by the Auditors. Over 133 property records exist for the time period audited.

Comment 3

5. An inadequate audit was performed because the auditors only reviewed the financial records, related to the Blighted Property Safeguarding program, assuming (in black folders) that all programmatic material was attached. If you attached the programmatic material to each financial record the files would be cumbersome. A parallel of project and property files exist, but were never reviewed.

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Comment 6

Monitoring:

The site-review monitoring was inadequate for the program years from 2005-2007. Our close interaction with the daily activities of the safeguarding crew lulled us into treating it as if it was an in-house program. We will rectify our monitoring issues with staff training for all of our CDBG, ESG, HOME, CDBG-R and HPRP Programs.

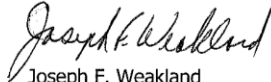
In Summary:

Comment 6

As of December 16, 2008, the Safeguarding Program now operates with City staff from the Planning and Community Development Department. The crew not only safeguards, but now demolishes properties. The Subrecipient Agreement with Altoona Blair County Development Corporation has been amended removing the Safeguarding Program. This was done under mutual agreement between both parties.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Joseph F. Weakland
City Manager

Attachments

Cc: Mr. John Tolbert
Mr. Roger Allen
Ms. Kimberly Harrison

OIG Evaluation of Auditee Comments

- Comment 1** The elimination of slums and blight on a spot basis does in fact meet a CDBG national objective and the City has a Blighted Property Maintenance Program. That was never in dispute during the audit and it is not the issue discussed in this audit report. The issue in this report is that the City could not show that \$914,335 it paid to its subrecipient was used solely for its Blighted Property Maintenance Program. It could not adequately show it was used for individual properties or groups of individual properties determined to be blighted since it did not maintain documentation required by 24 CFR [*Code of Federal Regulations*] 570.506, OMB Circular A-122, and its subrecipient agreement.
- Comment 2** The documentation the City provided during and after the audit to support 112 checks it issued to the subrecipient from January 1, 2003, through December 31, 2008, totaling \$914,335 was not adequate to support the expenditures. The City was unable to provide documentation supporting its assertion that these funds were used solely to carry out activities of its Blighted Property Maintenance Program either for individual properties or groups of individual properties determined to be blighted.
- Comment 3** We conducted the audit in accordance with generally accepted government auditing standards. The City's assertion that documentation for properties acquired, improved, or disposed of was not requested or reviewed is incorrect. The audit team requested this information and informed the City several times during the audit that it would consider these expenditures unsupported unless the City provided additional documentation. After the audit exit conference the City was given another opportunity to provide documentation to support the expenditures. It then provided a listing of properties it had reportedly demolished. However, the listing did not adequately show or document what work was performed at each property or groups of properties, which staff did the work, how much time was charged to the work at each property or group of properties, when the work was performed, and how the salaries were calculated for the staff who reportedly worked on program activities.
- Comment 4** The salaries are considered unsupported because the City did not provide documentation to substantiate its assertion that the salaries were paid solely to carry out activities of its Blighted Property Maintenance Program either for individual properties or groups of individual properties determined to be blighted. The City did not provide listings or any other information showing properties or groups of properties it may have safeguarded during any individual payroll period. The City told us during the audit that it did not require this supporting documentation because it trusted its subrecipient to charge only for eligible activities.
- Comment 5** In some cases, timesheets were in fact not signed. Although the City should make every effort to ensure that timesheets are signed, this issue was not reported in the

audit report as it was not a major reason the salaries were considered unsupported (see comment 4).

Comment 6 While the City has acknowledged some of its monitoring deficiencies related to its subrecipient, it did not adequately address the problems and recommendations in this audit report.