



U.S. Department of Housing and Urban Development
Office of Inspector General
Region V Office of Audit
Ralph H. Metcalfe Federal Building - 26th floor
77 W Jackson Blvd.
Chicago, Illinois 60604-3507

**MEMORANDUM NO:
2010-CH-1802**

January 12, 2010

MEMORANDUM FOR: Jorgelle Lawson, Director of Community Planning and Development,
5ED

//signed//

FROM: Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The City of East Cleveland, OH, Had Sufficient Capacity To Effectively and
Efficiently Administer Its Recovery Act Block Grant Program

INTRODUCTION

In accordance with our goal to review funds provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we conducted a capacity review of the City of East Cleveland's (City) operations. We also selected the City based upon the results of our audit of the City's Community Development Block Grant (Block Grant) and HOME Investment Partnerships (HOME) programs (see OIG audit report #2009-CH-1008, issued May 11, 2009). Our objective was to determine whether there was evidence to indicate that the City lacked the capacity to adequately administer its Recovery Act funding.

BACKGROUND

Under the Recovery Act, the U.S. Department of Housing and Urban Development (HUD) allocated nearly \$300,000 in Block Grant funding to the City. The funding will be used to address the City's planning for street reconstruction and resurfacing of Glenmont Avenue, as identified by an inventory of street improvement projects based on need in the City's low- and moderate-income neighborhoods.

Organized under the laws of the State of Ohio, the City is governed by a mayor and a five-member council. The City's Department of Community Development (Department) administers the City's Block Grant program. The Department's overall mission is to (1) use available resources to build a stable and economically viable community, (2) work to eliminate blighted conditions in areas suffering from a lack of investment, (3) direct available resources to benefit low- and moderate-income citizens and neighborhoods serving low- and moderate-income citizens, and (4) and work to eliminate any conditions that pose a threat to public health and welfare, which the City does not otherwise have the available resources to address. The City's former and current mayors took office on January 1, 2006, and January 1, 2010, respectively. The former director of the City's Department resigned on May 16, 2008. At that time, the City's

former mayor assumed oversight of the Department. The City had not hired a new director or named an acting director as of November 26, 2009. However, but not officially, the City's director of water and sewer has been interacting with the day-to-day operations of the Department since May 2009. The City's Block Grant program records are located at 13601 and 14340 Euclid Avenue, East Cleveland, OH.

The City was awarded more than \$3.1 million from HUD's Office of Community Planning and Development's formula programs for fiscal years 2008 and 2009. This amount included funding under the Block Grant and HOME programs. The following chart shows the allocations by program per fiscal year.

Fiscal year	Block Grant	HOME	Totals
2009	\$1,124,081	\$491,682	\$1,615,763
2008	<u>1,104,770</u>	<u>442,118</u>	<u>1,546,888</u>
Totals	<u>\$2,228,851</u>	<u>\$933,800</u>	<u>\$3,162,651</u>

Additionally, under the Housing and Economic Recovery Act, the State of Ohio's Department of Development's Office of Housing and Community Partnership approved the City's application for more than \$2.2 million in Neighborhood Stabilization Program funding.

METHODOLOGY AND SCOPE

Our review of the City was limited to gaining an understanding of internal controls over the administration of Recovery Act funds. To meet our objective, we reviewed the City's Recovery Act documentation and funding agreements with HUD, 2008 action plan and substantial amendment to the plan, grant agreements, policies and procedures, organizational charts, and job descriptions. We also interviewed City and HUD staff involved with the Recovery Act. Additionally, we reviewed one drawdown from the City's line of credit to determine whether the Block Grant funds were adequately supported and appropriately used. Our review of this documentation was limited to our stated objective and should not be considered a detailed analysis of the City's internal controls or operations.

RESULTS OF REVIEW

We did not find evidence that the City lacked the capacity to adequately administer its one-time Block Grant funding under the Recovery Act. Based on our review, the City had

- Written policies and procedures,
- Adequate staffing,
- Plans for the use of funds, and
- Supporting documentation.

The City had established policies and procedures through its codified ordinances and charter. The charter provided direction and responsibilities City-wide. The City's Finance Department had a manual for all City purchases, and the City's Department had established its own internal departmental procedures, which included purchasing, demolition, change orders, contracting for professional services, and contracting for street projects. These procedures were for all of its

departmental programs' activities and were not specifically designed for Recovery Act program activities.

The substantial amendment to the City's action plan activity data spreadsheet showed the planning for street reconstruction and resurfacing of Glenmont Avenue, as identified by an inventory of street improvement projects based on need in the City's low- and moderate-income neighborhoods. Funding was being used for engineering and reconstruction of Glenmont Avenue and no administrative costs. In the City's estimation, the activity will create an estimated six full-time jobs and two part-time jobs for 1 month. The projected start date was July 6, 2009, with an estimated end date of October 30, 2009. As of November 26, 2009, the street reconstruction and resurfacing were complete with the exception of the landscaping, which is scheduled to be completed in the spring of 2010. Additionally, the City drew down more than \$119,400 in Recovery Act funding from its line of credit for its Block Grant activity.

The activity focused on the City's infrastructure. To accomplish its goal, the Department appropriately procured the professional services of an engineer to oversee the reconstruction and resurfacing activity, as identified in its 2008 amended action plan. It also appropriately procured the contractor performing the reconstruction and resurfacing of the Glenmont Avenue project. The Department maintained the required documentation to support its actions and ensured that the payment request was adequately supported and the payment was issued within a reasonable period after the funds were drawn from its line of credit.

The Department followed its own procedures including maintaining adequate supporting documentation and appropriately used the first drawdown from its line of credit. The finance director approved the draw on October 29, 2009, and the check was dated November 5, 2009. The payment was made within a reasonable/feasible period of 5 days from when the funds were drawn.

A total of eight City employees and a contracted engineer were involved with the administration and oversight of the activity. Three City employees were specific to the Department, and three were from the Finance Department. The remaining employees included the director of water and sewer and the service director. According to the service director's job description, "the service director shall be the City's engineer." However, the service director lacked the necessary qualifications to be a City engineer. Also, the former mayor unofficially appointed the director of water and sewer to interact with the Department, but she had limited knowledge of HUD programs. Although the City's staffing levels were inadequate overall, the Recovery Act activity did not create a new activity.

Based upon our review, we determined that the City had sufficient capacity to effectively and efficiently administer its Recovery Act Block Grant program. This determination does not reflect a finding of sufficient capacity to administer its regular Block Grant, HOME, or Neighborhood Stabilization programs.

RECOMMENDATION

Based on the results of our capacity review, this memorandum contains no recommendation.

AUDITEE COMMENTS

The City of East Cleveland MAYOR GARY NORTON JR.

January 5, 2010

Ron Farrell
Assistant Regional Inspector General for Audit
United States Department of HUD
Office of Inspector General
200 North High Street, Room 334
Columbus, Ohio 43125

Re: Draft Audit Memorandum

Dear Mr. Farrell:

I would like to acknowledge receipt of your correspondence dated December 15, 2009 and addressed to Eric Brewer, former Mayor of the city of East Cleveland relative to the city of East Cleveland's draft audit memorandum of HUD's Office of Inspector General for Audit.

Upon review of this correspondence, it appears the objective of the audit was to determine if the city lacked the capacity to adequately administer its Recovery Act funding. According to the results of the review, your office determined that the City had sufficient capacity to effectively and efficiently administer its Recovery Act Block Grant program. Based on these results, the City has no comments at this time.

Please be advised that I am newly elected to the office of Mayor for the City of East Cleveland. I will be working with our HUD field office to perform an overview of the City's Community Development Block Grant program and will be implementing changes to improve our program based upon this overview. Meanwhile, if you have any questions, please do not hesitate to contact me at 216-681-2207.

Sincerely,

/signed/
Gary Norton, Jr.
Mayor
City of East Cleveland

Cc: Heath Wolfe, Regional Inspector General for Audit-HUD
Jorgelle Lawson, Director of CPD-HUD
Collette Clinkscale, Chief of Staff
Karen Hood, Deputy Director

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