



Issue Date
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Audit Report Number
2011-PH-1002

TO: Nadab O. Bynum, Director, Office of Community Planning and Development,
Philadelphia Regional Office, 3AD

//signed//

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

SUBJECT: The City of Scranton, PA, Did Not Administer Its Community Development
Block Grant Program in Accordance With HUD Requirements

HIGHLIGHTS

What We Audited and Why

We audited the City of Scranton, PA's (City), Community Development Block Grant (CDBG) program. We selected the City for audit because of the size of its program, its high U.S. Department of Housing and Urban Development (HUD) risk analysis score, and a citizen's complaint alleging misuse of HUD funds. The objectives of the audit were to determine whether the City (1) maintained records and documentation to identify the source and application of funds to demonstrate that funded activities were eligible and met program requirements, (2) established and maintained an effective system of budget controls for proper management of its CDBG program, and (3) properly monitored its subrecipients, in accordance with applicable HUD requirements.

What We Found

The City failed to adequately administer its CDBG funds and could not demonstrate that it used more than \$11.7 million in CDBG funds in accordance with applicable HUD requirements. Specifically, it (1) failed to maintain adequate records identifying the source and application of funds for its HUD-

sponsored activities, (2) did not maintain required documentation and budget controls demonstrating that its expenditures complied with program requirements, (3) did not use proper subrecipient agreements, and (4) failed to adequately monitor its subrecipients. Additionally, it did not ensure that its activities complied with program requirements and allowed an apparent conflict-of-interest situation to exist.

What We Recommend

We recommend that the Director of HUD's Philadelphia Office of Community Planning and Development (1) perform additional monitoring and provide technical assistance to the City, as needed, to ensure that the City properly administers the CDBG funding in accordance with applicable requirements; and (2) evaluate issues in this report and if appropriate, initiate appropriate administrative action against responsible officials.

We further recommend that the Director direct the City to (1) provide documentation to demonstrate that more than \$11.7 million was used for eligible activities that met the intent of its HUD-approved budget line items or repay HUD from non-Federal funds; and (2) improve its financial management system and implement improved accounting procedures to ensure that it meets the requirements of regulations at 24 CFR (Code of Federal Regulations) 85.20, Office of Management and Budget Circular A-87, and 24 CFR 570.506. At a minimum, the financial management system should maintain accounting records and other supporting documents that (1) distinguish expenses paid by HUD from those paid through other funding sources; (2) demonstrate that expenditures paid were for eligible activities; (3) determine and adequately document the reasonableness, allocability, and allowability of costs; and (4) demonstrate that expenditures meet HUD-approved budget line items. We also recommend that the Director direct the City to (1) develop and implement controls to ensure that it monitors its subrecipients as required and maintains adequate documentation to support its monitoring efforts, and (2) revise its subrecipient agreement to comply with HUD requirements.

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 provided a discussion draft audit report to the City on September 23, 2010, and discussed it with the City at an exit conference on October 4, 2010. The City provided a written response to the draft audit report on October 12, 2010. It

disagreed with some conclusions and recommendations in the report. The written response consisted of a 5-page letter and 6 exhibits that were an additional 77 pages. We considered the exhibits in our evaluation of the City's response. The complete text of the City's response, without the exhibits, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Community Development Block Grant (CDBG) program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383 as amended, 42 U.S.C. (United States Code) 5301.

The U.S. Department of Housing and Urban Development (HUD) awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Entitlement communities develop their own programs and funding priorities. To be eligible for funding, every CDBG-funded activity, except for program administration and planning, must

- Benefit low- and moderate-income persons,
- Aid in preventing or eliminating slums or blight, or
- Address 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 of Scranton, PA (City), is a CDBG entitlement grantee. HUD awarded the City \$3.4 million in CDBG funding in fiscal years 2008 and 2009 and \$3.7 million in 2010.¹ The City operates under a mayor-council form of government and provides the following services: public safety, roads, sanitation, health, culture and recreation, and general government services. The City administers its CDBG program through its Office of Economic and Community Development. In addition to the programs administered in-house, the City works with a number of outside nonprofit organizations to carry out its CDBG-funded programs. The director manages the daily operations of the office, which maintains its records at 538 Spruce Street, Scranton, PA.

Our audit objectives were to determine whether the City (1) maintained records and documentation to identify the source and application of funds to demonstrate that funded activities were eligible and met program requirements, (2) established and maintained an effective system of budget controls for proper management of its CDBG program, and (3) properly monitored its subrecipients, in accordance with applicable HUD requirements.

¹ The City's fiscal year is January 1 through December 31.

RESULTS OF AUDIT

Finding: The City Did Not Administer Its CDBG Program in Accordance With HUD Requirements

The City (1) failed to maintain adequate accounting records identifying the source and application of funds for its HUD-sponsored activities, (2) did not maintain adequate documentation and budget controls to demonstrate that its expenditures complied with program requirements, (3) failed to execute proper agreements with its subrecipients, and (4) did not adequately monitor its subrecipients. Additionally, it did not ensure that its activities complied with program requirements and allowed an apparent conflict-of-interest situation to exist. These problems occurred because responsible City officials did not fully understand HUD requirements. Therefore, HUD had no assurance that more than \$11.7 million in CDBG funds the City drew down from its grants was used for eligible activities that met the intent of the program.



The City Failed To Support \$11.7 Million in CDBG Expenditures

The City did not maintain adequate accounting records and supporting documentation showing that its expenditures of CDBG funds complied with program requirements. HUD's Integrated Disbursement and Information System showed that the City drew down more than \$11.7 million in funds for 150 CDBG activities (see appendix C) during its fiscal years 2008, 2009, and 2010. Contrary to HUD and Federal requirements, however, the City's own accounting records and supporting documents did not distinguish expenses paid by HUD from those paid through other funding sources such as the State of Pennsylvania and other non-Federal sources. Additionally, the City's accounting records for 2008 and 2009² showed disbursements of more than \$10.6 million for its CDBG program, which was nearly \$2.8 million more than the amount of CDBG funds that the City drew down during this period. This overstatement occurred because the City's CDBG accounting records included funding from sources other than HUD, which were not separately identifiable in its accounting records.

Regulations at 24 CFR 85.20 require the City to maintain records which adequately identify the source and application of HUD funds provided for its CDBG activities. These records should contain information pertaining to each grant or subgrant award and authorization, obligations, unobligated balances,

² The CDBG activity report audited was for the period January 1, 2008, through September 10, 2009.

assets, liabilities, outlays or expenditures, and income. The regulations also state that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents. Additionally, 24 CFR 570.506 requires the City to maintain documentation to demonstrate compliance with program requirements. Such records should include but not be limited to records providing a full description of each activity undertaken and records demonstrating that each activity undertaken met one of the national objectives of the CDBG program. Office of Management and Budget (OMB) Circular A-87, attachment A(C)(1)(j), further requires that to be allowable under Federal awards, costs must be adequately documented. As shown by the audit, the City failed to adequately maintain support for its CDBG expenditures with accounting records detailing expenditures and failed to maintain adequate supporting documents such as invoices, receipts, canceled checks, and employee payroll records tied to these expenditures.

The City Did Not Maintain Required Budget Controls

The City failed to prepare the required budget for its CDBG-funded activities with a comparison of budgeted with actual expenditures for each category. Regulations at 24 CFR 85.20(b)(4) state that actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. To compare and control expenditures against approved budgets, the City must

- Maintain records of the amounts budgeted for eligible activities.
- Include unexpended/unobligated balances for budgeted categories.
- Compare planned versus actual obligations and expenditures.

To efficiently manage its CDBG program, the City should document and maintain effective budget controls. An effective system of budget controls requires a periodic comparison of actual obligations and expenditures against planned obligations and expenditures and against projected accomplishments for such outlays.

The City Did Not Execute Proper Subrecipient Agreements

The City's standard subrecipient agreement did not comply with HUD requirements. Regulations at 24 CFR 570.503 require that subrecipient agreements include a description of the work to be performed, a schedule for

completing the work, and a budget. These items must be in sufficient detail to provide a sound basis for the recipient to effectively monitor performance under the agreement. Our review of nine standard agreements the City signed with its subrecipients showed that the City's subrecipient agreements and files did not contain adequate statements of work, schedules for completing the work, or required budgets. Additionally, two agreements did not contain the same national objective as those the City reported to HUD and were not updated with change orders and HUD requirements for each program year. Moreover, since the City's record keeping was inadequate, it could not demonstrate the exact amount of CDBG funds that it disbursed to its subrecipients. The City estimated that about \$2.8 million of the \$11.7 million in CDBG funds it drew down went to nine subrecipients during fiscal years 2008, 2009, and 2010.

The City Failed To Adequately Monitor Its Subrecipients

The City could not demonstrate that it properly monitored its subrecipients as required. Subrecipient monitoring is required by regulations found at 24 CFR 85.40, which state that grantees are responsible for managing the day-to-day operations of grant- and subgrant-supported activities. The City was further required to carry out its responsibility to review its subrecipient performance by 24 CFR 570.501. Our review of the City's onsite monitoring of its nine reported subrecipients showed that the monitoring was not sufficient. The City was able to provide some evidence that it performed some limited monitoring reviews during March and April 2009. However, for three of the nine subrecipients, it could not provide a monitoring checklist. The six completed checklists lacked documentation to support the monitoring conclusions. For three of the nine subrecipients, the City could not provide a completion letter. For two of the nine subrecipients, no monitoring information was provided by the City. City officials acknowledged that for one of these two subrecipients, they did not know what services the subrecipient performed with the CDBG funds. The City provided an internal written procedure which required it to carry out its statutorily mandated responsibility to review subrecipient performance as cited in the CDBG regulations at 24 CFR 570.501. However, the audit results showed that the City apparently did not fully understand its own internal written policy.

CDBG Activities Did Not Comply With Program Requirements

We reviewed six of the City's CDBG activities shown in HUD's Integrated Disbursement and Information System to determine whether activities contained documentation to demonstrate compliance with national objective and eligibility criteria and eligibility and support for disbursements. We found problems with all six activities. The following paragraphs provide details.

- Four of the six activities were missing required documentation to demonstrate that the City completed required environmental reviews. The City must reevaluate its environmental findings to determine whether the original findings are still valid as required by 24 CFR 58.47 for each CDBG-assisted activity. The City did not determine the level of environmental review and designate whether it was exempt, the project required an environmental statement only, or an environmental review was necessary. As part of the environmental review, the City could not provide all of the letters from the Pennsylvania State Historical Preservation Office for the addresses acquired, rehabilitated, or demolished with CDBG funding. Section 106 of the National Historic Preservation Act requires the City to take into account the effects of its undertakings on historic properties and afford the council a reasonable opportunity to comment on such undertakings.
- Three of six activities had a national objective of addressing slum and blight on a spot basis. Documentation requirements are described at 24 CFR 570.506(b)(10) (i) and (ii) and include (1) a description of the specific condition of blight or physical decay treated; (2) for rehabilitation carried out under this category, a description of the structure, including the specific conditions detrimental to public health and safety that were identified; and (3) details and scope of the CDBG-assisted rehabilitation. The City's files did not adequately demonstrate how this national objective was being met.
- For two of the six activities, it was noted that during construction, damage occurred to two adjacent buildings. OMB Circular A-87, attachment B, section 22(c) states that actual losses, which could have been covered by permissible insurance (through a self-insurance program or otherwise), are unallowable. The City paid the owners \$49,500 each without adequate documentation to support the payments in its files.
- For one activity, there was no evidence of approval for a \$50,000 change order transaction between the City and the subrecipient. The City indicated that it was an error and proactively started processing the required documentation during our review. The City also provided a 2004 subrecipient agreement for this activity, but the agreement was out of date and incomplete.
- For one economic development initiative grant, the City did not obtain required appraisals before the purchase and demolition of eight residential properties. Regulations at 24 CFR 570.606(e) reference 49 CFR part 24, subpart B for the acquisition of real property for an assisted activity. Regulation 49 CFR 102(d), requires that for real property, the (1) offer of compensation be no less than the appraisal amount, (2) the closing statement identify all incidental expenses, and (3) there is evidence that

the owner received all of the net proceeds due from the sale. The City's files contained no documentation to demonstrate that the value of the properties was appraised.

The City Allowed an Apparent Conflict-of-Interest Situation To Exist

The audit identified an apparent conflict-of-interest situation, whereby the executive director of the Scranton Redevelopment Authority, who was responsible for administering its CDBG funds, was also the president of a consulting company that did business with the redevelopment authority. The consulting company received more than \$130,000 in CDBG funds from the redevelopment authority. As a subrecipient, the redevelopment authority was required to comply with the provisions of 24 CFR 570.611 with regard to conflicts of interest, but it did not do so. Contrary to the regulations, the executive director had a significant financial interest in the consulting firm while also serving as the executive director of the redevelopment authority. The regulations at 24 CFR 570.489(h)(4) do allow, upon written request, an exception to the conflict-of-interest provisions when approved by HUD on a case-by-case basis. However, neither the City nor the redevelopment authority contacted HUD to request an exception.

The City Informed Us It Was Working To Correct Problems Identified

Officials in the City's Office of Economic Community Development informed us that the conditions identified by the audit occurred because responsible City employees did not fully understand all of the HUD requirements and, therefore, did not follow them. They informed us that going forward, they intended to ensure that the City's records properly identified CDBG funding and funding from sources other than HUD, which were not separately identifiable during the audit period. Officials also agreed that they needed to maintain adequate supporting documentation tied to the accounting records and adequately monitor their subrecipients. Officials also stated that they were hopeful that this audit report would help responsible personnel understand the importance of these requirements.

Conclusion

As discussed above, the City could not demonstrate that it used more than \$11.7 million in CDBG funds for eligible activities that met the intent of the program.

Although HUD regulations and its grant agreements required the City to adequately maintain records to demonstrate that funds were spent on eligible activities, execute proper subrecipient agreements, and adequately monitor its subrecipients, it did not fully understand these requirements. It also failed to maintain budget controls and accounting procedures to support the reasonableness, allocability, and allowability of costs charged to the grants. Therefore, HUD had no assurance that CDBG funds, totaling more than \$11.7 million, met the intent of its CDBG program. By improving its financial management system and adequately supporting CDBG expenditures and complying with HUD requirements, the City can ensure that future funds will be used for the purposes intended.

Recommendations

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

- 1A. Perform additional monitoring and provide technical assistance to the City, as needed, to ensure that the City properly administers its CDBG funding in accordance with applicable requirements.
- 1B. Evaluate issues in this report, including the apparent conflict-of-interest issue, and if appropriate, initiate appropriate administrative action against responsible officials.

We further recommend that the Director of HUD's Philadelphia Office of Community Planning and Development direct the City to

- 1C. Provide documentation to demonstrate that \$11,735,924 was used for eligible activities that met the intent of its HUD-approved budget line items or repay HUD from non-Federal funds.
- 1D. Improve its financial management system and implement improved accounting procedures to ensure that it meets the requirements of regulations at 24 CFR 85.20, OMB Circular A-87, and 24 CFR 570.506. At a minimum, the financial management system should maintain accounting records and other supporting documents that (1) distinguish expenses paid by HUD from those paid through other funding sources; (2) demonstrate that expenditures paid were for eligible activities; (3) determine and adequately document the reasonableness, allocability, and allowability of costs; and (4) demonstrate that expenditures meet HUD-approved budget line items.

- 1E. Develop and implement controls to ensure that it monitors its subrecipients as required and maintains adequate documentation to support its monitoring efforts.
- 1F. Revise its subrecipient agreement to comply with HUD requirements.

SCOPE AND METHODOLOGY

We conducted our onsite work from January through August 2010 at the City's office located at 538 Spruce Street, Scranton, PA, and at our offices located in Pittsburgh, PA. The audit covered the period January 2008 through December 2009 but was expanded when necessary to include other periods. We relied in part on computer-processed data in the City's computer system. 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 accomplish our objectives, we

- Obtained relevant background information.
- Reviewed applicable HUD regulations and Federal guidelines.
- Reviewed the applicable City policies, financial records, subrecipient agreements, subrecipient monitoring reports, environmental reviews, and reports from its independent auditors.
- Interviewed officials from HUD's Philadelphia Office of Community Planning and Development and members of the City's staff.
- Reviewed HUD files including Integrated Disbursement and Information System reports and grantee monitoring reports.
- Obtained a listing of CDBG-funded activities administered by the City from January 2008 through September 2009. Nonstatistically selected and reviewed 6 of the 119 CDBG activities listed to verify compliance with national objective and eligibility criteria and eligibility and support for disbursements. We selected the six activities because they either had a large amount of disbursements or were associated with the Scranton Redevelopment Authority. The total dollar value of disbursements for the 6 activities during our audit period was \$908,000, of the 119 activities valued at \$7.8 million.
- Analyzed general ledger and disbursement information from the City's computer system.
- Obtained a legal opinion from the Office of Inspector General's (OIG) Office of General Counsel regarding the apparent conflict-of-interest situation involving the Scranton Redevelopment Authority. Counsel opined that that a conflict of interest existed.

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. The audit included tests of internal controls that we considered necessary under the circumstances.

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 operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial 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.
- Safeguarding of resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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 did not ensure compliance with applicable laws and regulations concerning record-keeping requirements, budget controls, and supporting source documentation that is to be maintained in its activity files.
- The City did not ensure compliance with applicable laws and regulations regarding subrecipient monitoring and procurement of services based on full and open competition by its subrecipients, allowing a conflict of interest to exist.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Unsupported 1/
1C	\$11,735,924

- 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

<u>Ref to OIG Evaluation</u>	<u>Auditee Comments</u>
	<p>Scranton OECD <small>Office of Economic and Community Development</small></p> <p>October 12, 2010</p> <p>Mr. John P. Buck Regional Inspector General for Audit U. S. Department of Housing and Urban Development Office of Inspector General Wanamaker Building 100 Penn Square East, Suite 1005 Philadelphia, Pennsylvania 19107-3380</p> <p>Re: Scranton, Pennsylvania Office of Inspector General Exit Conference</p> <p>Dear Mr. Buck:</p> <p>This letter is in response to your draft "Audit Report" and our exit conference with the Inspector General's office on Monday, October 4, 2010 held in the Office of Economic and Community Development. This letter would like to formally address several of the issues documented in the draft "Audit Report".</p> <p>Summary:</p> <p>The draft "Audit Report" contained one finding:</p> <p>Finding 1: The City did not administer its CDBG Program in accordance with HUD Requirements. The City (1) failed to maintain adequate accounting records identifying the source and application of funds for its HUD sponsored activities; (2) did not maintain adequate documentation and budget controls to demonstrate that its expenditures complied with program requirements; (3) failed to execute proper agreements with its sub recipients, and (4) did not adequately monitor its sub recipients.</p> <p>During the recent audit the IG Auditor was provided a list of accounts payable (income and expenses) for the period 2008 and 2009 from OECD's accounting system. The IDIS system indicated \$7,839,641.93 was drawn down during this time period. On the CDBG account payable ledger there was a discrepancy of \$2,764,263.75. This is due to income and expenses deposited into the CDBG checkbook from other funding sources such as the State of Pennsylvania and other non-federal sources from grants.</p> <p>Corrective Action Taken</p> <p>OECD immediately discontinued depositing and disbursing other grant funding from the CDBG checkbook. At the exit conference Ms. Braun from the Pittsburgh IG office was provided documentation to identify each funding source from the State of Pennsylvania and other non-Federal funding sources that were deposited in the CDBG account totaling \$3,078,631.76. (Exhibit A). This amount is not the exact amount of the discrepancy due to the time line. OECD documented from January 1, 2008 to December 31, 2009 whereas HUD IG timeline was from January 1, 2008 to September 2009. OECD did indicate they will provide HUD copies of the actual deposits and expenses out of the CDBG account to backup up these incomes and expenses from other grant funding. OECD wants to note that when a check was received by another funding grant it was immediately deposited and disbursed to the sub-grantee/vendor.</p>

Comment 1

OECD prepared and was recently passed by City Council two Ordinances to open a separate State of Pennsylvania and an Emergency Shelter Grant (ESG) checking account in order to keep future funding separate from CDBG that will result in a cleaner audit trail. (Exhibit B)

OECD also immediately inserted into their Quick Book System an additional memo line to identify the IDIS number for each deposit and check disbursed.

The City failed to adequately administer its CDBG funds and could not demonstrate that it used \$11.7 million in CDBG funds in accordance to HUD requirements.

During the Inspector General's monitoring visit six (6) files were reviewed. They were:

Scranton Redevelopment Authority (VPRC)	IDIS #1705
Scranton Redevelopment Authority	IDIS #1473
Scranton Redevelopment Authority (O'Connor Place)	EDI Grant
Architectural Heritage Authority (AHA)	IDIS #1808
500 Lackawanna Avenue Project	IDIS #1399
Demolition of Hazardous Structures	IDIS #1813

City Response:

Based on the amount of files the IG reviewed the City is disputing that more than \$11.7 million in CDBG funds were inadequately administered. The IG inspected six (6) files and is indicating that OECD could not demonstrate that a total of 150 files are in compliance with CDBG regulations. The City feels this statement is misleading and an unfair misconception assumption without looking at all 150 files. This misleading statement can result in enormous consequences for both OECD and the City of Scranton. The City is requesting the IG to reevaluate this statement to reflect a more realistic determination of this audit.

In order to prove that CDBG funds were adequately administered OECD will provide documentation to the HUD Philadelphia office proving the eligibility for each IDIS activities that was reported in the "Draft" Audit Report.

City Did Not Maintain Required Budget Controls

The City failed to prepare the required budget for its CDBG funded activities with a comparison of budget with actual expenditures for each category.

Every year after our Action Plan is passed by City Council and approved by HUD, OECD prepares a list of budgeted approved projects and activities in the IDIS system for the exact amount. OECD is not allowed to go over the approved budgeted amount unless a change order for additional funding occurs. In each individual activity file there is a voucher for each payment and an IDIS drawdown sheet that indicates the amount of the draw and the amount that is left in the budget. When a voucher is prepared it begins with the staff person overseeing the particular project examining the paperwork to be sure it is all in compliance; Finance Analyst prepares the voucher, Director of Finance and Compliance and Executive Director signs and approves the voucher; it is then taken to City Hall for the City Controller's signature; also the City Controller's office has access to the IDIS system to determine if the correct approved funding amount is in the IDIS system. The voucher comes back to OECD to begin the draw and approval through the IDIS system. When the funds are deposited from the U. S. Treasury into our checkbook a check is prepared and stamped by the City Treasurer.

Comment 2

Comment 3

Corrective Action:

This office believes we do maintain budget controls, however, an excel sheet along with a check list will be maintained in each individual file that will indicate the budget approval amount and the estimated cost of the budget to include project delivery costs. (Exhibit C)

The City Did Not Execute Proper Sub Recipient Agreements

The City's standard Sub Recipient agreement did not comply with HUD requirements.

City Response:

This office reviewed our Sub Recipient agreements that were prepared by our Solicitor and find that it does indicate a budgeted amount located in Part VI on page 4, description of the work to be performed is documented page 2, Program Delivery and is also located in Exhibit D which is a copy of their submitted application. This office is providing a copy again of a Sub Recipient contract for IG's review (Exhibit D).

The City Failed to Adequately Monitor Its Sub Recipients

The City could not demonstrate that it properly monitored its Sub Recipients as required. Sub recipient monitoring is required by regulations found at 24 CFR 85.40.

City Response:

OECD believes we have monitored our Sub Recipients; in fact, OECD monitors each Sub Recipient as the payment requests are received. OECD does not process a payment on any activity until all documentation for each payment request is received and reviewed.

Comment 4

OECD's Project Coordinator monitored all Public Services and Emergency Shelter Grant Sub Recipients in March 2009 for the years 2007 and 2008. Check lists and monitoring letters were provided during the audit. This is also verifiable through any of our Sub Recipients. If further documentation is needed OECD will be happy to provide.

Currently monitoring is being conducted for 2009 Sub recipients for both ESG and Public Service Sub Recipients. During the audit the IG did not monitor the HOME Program, however, I personally monitored our Sub Recipient of our Housing Rehabilitation Program in May 2007 when I held the position as Director of Housing at the time. Our current Director of Housing monitored the HOME Program Sub Recipients in 2009. Attached are the City of Scranton's Monitoring Plan and a copy of the check list along with the HOME Monitoring correspondence (Exhibit E)

Scranton Redevelopment Authority / 500 Lackawanna Development Company

A contract in the amount of \$250,000.00 was granted to the Scranton Redevelopment Authority for Architectural/Engineering costs for the 500 block of Lackawanna Avenue project to the 500 Lackawanna Development Company. In 2008 due to additional Architectural/Engineering to the project a change order was prepared in the amount of \$50,000.00. The change order was between the SRA and the 500 Lackawanna Development Company. An oversight by OECD failed to prepare a change order from the City/OECD to the SRA for this amount.

Corrective Action:

A change order was prepared the same day this oversight was discovered and a change order was executed by City Officials along with the Representative of the Scranton Redevelopment Authority. The Executive Director of OECD personally handled this change order

Comment 5

and provided the executed change order along with the additional billing to back up the additional changes to the HUD IG. This should be cleared from this audit.

Scranton Redevelopment Authority / O'Connor Place

An EDI Grant the City did not obtain required appraisals before the purchase and demolition of eight residential properties.

City Response

The SRA did not acquire appraisals. This was a safety emergency situation to demolish these properties. SRA did provide the IG with copies of the HUD-1, Deed, and correspondence for each property.

Corrective Action:

City has requested from the Department of Licensing, Inspections & Permits documentation indicating the emergency of demolishing these building that were condemned many years ago that resulted in a dangerous and unhealthy situation.

Scranton Redevelopment Authority / Conflict of Interest

The audit identified an apparent conflict of interest situation, whereby the executive director of the SRA was also the president of a consulting company that did business with the SRA.

City Response

[REDACTED] was engaged to perform the duties of part time executive director in March 2004. At that time, through to the date of this response, the SRA had no employees and [REDACTED] was not employed as a common law employee, but rather an independent contractor.

[REDACTED] conducted his business and performed his services through the entity through which he was engaged in business prior to being engaged by the SRA. The Urban Redevelopment Law (URL), which is the governing statute for operation of the SRA permits this relationship, as [REDACTED] duties were directly related to activities within the power granted to Redevelopment Authorities under the URL. He had other clients to whom he was providing services including, but not limited to public relations services, and it was believed that the SRA was able to properly make the checks for his services payable to his company.

The invoices for his services were for his own personal services and no one else from his corporation received any compensation from the SRA or remuneration of any kind. All invoices were reviewed each month by the Board and by the Chair of the Board prior to a vote of the Board, and were only paid after Board approval of each invoice. Amounts paid to [REDACTED] were not contingent upon, or directly related to and Federal grant or sub grant proceeds. At no time did the SRA have any actual knowledge that this arrangement with [REDACTED] would be interpreted as any impermissible apparent conflict of interest, and, prior to the issue being raised in 2010, no prior comment on the arrangement was made by any federal or state agency with oversight or audit authority over the SRA. As a result, it is respectfully submitted that no conflict in violation of the language or spirit of the applicable regulations did in fact occur.

The SRA provided Ms. Braun documentation of all detailed invoices that was submitted and approved by the SRA Board.

Comment 6

Comment 7

Comment 8

Demolition of Hazardous Structures

Four of the six activities were missing required documentation to demonstrate that the City completed required environmental reviews.

Three of the six activities had a national objective of addressing slum and blight on a spot basis.

City Response:

Environmental - The City believes all necessary procedures were followed and the required clearances were obtained prior to the use of funds. The City will insure the necessary documentation is placed in each project file. OECD provided the IG with a multi-year demolition clearance.

Slum and Blight - Every property that was demolished was a condemned property. A report from the Department of Licensing, Inspections & Permits will be provided to HUD.

Corrective Action:

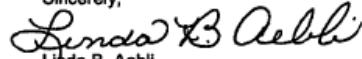
All future Demolition of Hazardous Structures will be documented individually with photos of front, back, up and down the street and sent to SHPO and an environmental review check list will be attached for each structure.

Documentation will be provided in each file to describe the specific conditions of blight or physical decay for each property. A new time sheet is currently being designed that will include signatures of the workers and Director of the Department will be included.

OECD indicated at the exit conference that documentation of all expenses will be on the attached sample spread sheet that was previously used in 2005 and 2006 (Exhibit F).

If you have any further questions please do not hesitate to contact me at 570/348-4216, ext. 110. I look forward to receiving the final audit report and as always this office will continue to work with HUD to assure that all federal funded activities follow the proper procedures.

Sincerely,



Linda B. Aebli
Executive Director

Lba/
Cc: Mr. Nadab O. Bynum, Director, CPD, HUD, Philadelphia
Mr. David Kasperowicz, HUD IG
Ms. Debra Braun, HUD IG, Pittsburgh, PA
Mr. Steve Stein, CPD, HUD, Philadelphia
Mr. Ryan McGowan, Director of Finance & Compliance
Mrs. Lori Reed, Deputy Director, OECD

OIG Evaluation of Auditee Comments

- Comment 1** As stated in the audit report, we concluded that the City could not demonstrate that it used more than \$11.7 million in CDBG funds in accordance with applicable HUD requirements because its accounting records did not distinguish between expenses paid by HUD funds and those paid by other funds. The City did not dispute that it failed to maintain adequate accounting records and did not develop procedures to track expenses paid by HUD versus expenses paid through other funding sources. We commend the City for taking action to improve controls by discontinuing the practice of commingling funds and opening two additional bank accounts to segregate funds, modifying its Quick Book system to track expenditures by activity, and pledging to provide documentation to HUD for each activity identified in the audit report.
- Comment 2** As stated in the audit report, regulations at 24 CFR 85.20 state that grantees and subgrantees must maintain records which adequately identify the source and use of funds provided for financially-assisted activities. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. To compare and control expenditures against approved budgets, the City must maintain records of the amounts budgeted for eligible activities, include unexpended/unobligated balances for budgeted categories, and compare planned versus actual obligations and expenditures. We determined that the City did not prepare and process a \$50,000 change order for additional architectural/engineering costs that increased the total CDBG funding for a 2008 subrecipient activity. The City acknowledged this discrepancy and took immediate action to prepare the missing change order during the audit. However, this occurrence illustrates the City's need to improve its budget controls. Further, on numerous occasions during the audit, we requested the City provide documentation to support expenditures. Documentation such as invoices, employee timesheets, property appraisals, receipts, or canceled checks to support expenditures were not located in the files.
- Comment 3** The subrecipient agreement the City provided as an attachment to its written response does not comply with HUD requirements. As stated in the audit report, regulations at 24 CFR 570.503 require subrecipient agreements to include a description of the work to be performed, a schedule for completing the work, and a budget. These items must be in sufficient detail to provide a sound basis for the City to effectively monitor performance under the agreement. The subrecipient agreement did not identify how the subrecipient planned to use the CDBG funds to assist 10 homeless families to move to apartments, when the assistance would be completed, and how much the subrecipient planned to spend for the type of assistance provided. Further, the agreement references a "grantee policy" concerning the purchase of equipment and maintenance of inventory records of all non-expendable personal property. However, the policy is not included as an addendum to the agreement and the City did not provide a copy of it to us when we requested it during the audit.

- Comment 4** As stated in the audit report, the City could not demonstrate that it properly monitored its subrecipients. Regulations at 24 CFR 85.40 and 24 CFR 570.501 require the City to monitor its subrecipients. The City was able to provide some evidence that it performed some limited monitoring reviews during March and April 2009. However, for three of the nine subrecipients, it could not provide a monitoring checklist. The six completed checklists lacked documentation to support the monitoring conclusions. For two of the nine subrecipients, no monitoring information was provided by the City. The monitoring plan and HOME monitoring correspondence that the City provided as an attachment to its written response does not demonstrate adequate monitoring of its CDBG subrecipients.
- Comment 5** We commend the City for taking immediate action to create and process the change order. Although the change order has been processed, the City lacked documentation to demonstrate that the payment was made for only eligible expenses, that the expenses were reasonable in relation to the actual performance, and that the funds were not in excess of immediate needs. This lack of documentation is critical in light of the fact that the City made another \$50,000 payment for another activity to the same contractor within 2 days without supporting documentation.
- Comment 6** The City provided copies of the HUD-1, deed, and notes from the files of the Scranton Redevelopment Authority for three of eight properties. However, there was no evidence demonstrating how the City took possession of the remaining five properties. Also, for activities determined to meet a community development need having a particular urgency, regulations at 24 CFR 507.506(b) require that the following records be maintained: documentation concerning the nature and degree of seriousness of the condition requiring assistance, evidence that the grantee certified that the CDBG activity was designed to address the urgent need, information on the timing of the development of the serious condition, and evidence confirming that other financial resources to alleviate the need were not available. The City's files did not contain this documentation.
- Comment 7** Because the individual has a financial interest in his company, serves as the executive director of the redevelopment authority, and did not obtain an exception from HUD, an apparent conflict of interest arises from his submission of invoices from his company to the redevelopment authority for reimbursement with CDBG funds. Even if the vacant property reviews were authorized and were services independent from his role as the executive director at the redevelopment authority, to be compliant with the requirements of redevelopment authority's agreement with the City, the individual, as the executive director of the redevelopment authority, should have solicited competitive proposals for the reviews pursuant to regulations at 24 CFR Part 570. Those rules require compliance with regulations at 24 CFR 85.36, which, in relevant part, require open competitive bidding in negotiation. This step does not appear to have been taken by the individual while he was acting as the redevelopment authority's

executive director. In addition, an open competitive bidding process is one of the factors to be considered by HUD in determining whether to grant an exception under 24 CFR Part 570. Finally, assuming that the individual's consultancy work was otherwise permissible under 24 CFR Part 570, here, the conflict rules take precedence over the consultancy rules and operate as a bar to the consulting activity at issue.

- Comment 8** The multi-year environmental review for demolition clearance that the City provided was not sufficient because it did not provide details. That is, it did not relate to a specific CDBG activity identified in the City's 5-year plan and did not identify specific properties. CDBG-funded activities must comply with the environmental review requirements in 24 CFR Part 58. Environmental review guidance on HUD's Web site states that a complete and clear project description is the first step in the environmental review process. The project description should provide location-specific information and geographic boundaries, as well as a delineation of all activities included in the overall scope of the project.

Appendix C

CDBG ACTIVITIES

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
527	NHS – home buyer counseling	LMC	\$3,417			\$3,417
677	Celtic Arms/W.T. Hackett's	LMJ		\$809	\$4,244	5,053
889	Jo Ellen Exeter	LMH	7,577			7,577
1087	East Mountain Road reconstruction	SBA	4,900			4,900
1236	Paving and reconstruction of streets	LMA	6,584			6,584
1371	Reconstruction of Lackawanna Avenue bridges	LMA		67,395		67,395
1399	Redevelopment of the 500 block of Lackawanna Avenue	LMJ	129,879	10,588	5,786	146,253
1426	Lackawanna Avenue garage	LMJ	19,774	8,619		28,393
1430	Northern Light Espresso Bar, Inc.	LMJ	305	588		893
1435	410-412 Spruce Street	LMJ	3,896	5,318	83	9,297
1438	Knitney Lines, Inc.	LMJ	1,685	525		2,210
1439	119 Jefferson Associates, LLC	LMJ		2,011		2,011
1456	K & A Imports	LMJ	1,255			1,255
1458	Cross the Pond, LLC	LMJ	53	42		95
1473	Redevelopment of 500 Lackawanna Avenue	LMJ	50,000			50,000
1505	Preferred Produce and Food Service, Inc.	LMJ		758		758

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1508	Lackawanna Avenue bridge	LMA	\$77,879	\$78,762		\$156,641
1509	Rockwell Avenue bridge	LMA	10,792		\$419	11,211
1510	West Lackawanna Avenue bridge	LMA		5,000		5,000
1514	Johnson College	LMC	41,200			41,200
1538	DJK Ventures, LLP	LMJ		1,827		1,827
1547	North Scranton Junior High (Goodwill)	LMJ	4,342	184	770	5,296
1559	ED project delivery costs	LMJ	24,485			24,485
1560	Demolition of former Scranton Lace building	LMJ	113			113
1562	Facade grants	SBS	30,000	29,600		59,600
1564	Lackawanna Avenue garage	SBA		15,821		15,821
1566	Providence Square phase II	LMA	9,460	2,540		12,000
1581	Mr. James Gerrity	LMH		825		825
1602	UNC transitional/ condemnation	LMC	2,143			2,143
1606	Connell Park - restoration	LMA	44,770	29,171		73,941
1608	North Scranton little league	LMC		59,400		59,400
1610	Blight initiative	SBS	2,757			2,757
1624	UNC permanent housing/ chronically ill	LMC	19,196			19,196
1634	Community development delivery cost		11,702			11,702
1638	National Pastry bake shop	LMJ	210	662		872
1652	Ipanema Grill, Inc.	LMJ	1,270	1,334	4,796	7,400
1664	Alexander's Salon and Day Spa, Inc.	LMJ	315	4,658	3,163	8,136

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1666	Program administration		\$315,548	\$32,582		\$348,130
1667	Hyde Park baseball	LMA	15,113	600		15,713
1668	Connell Park little league	LMA	19,515			19,515
1669	Reconstruction of Rockwell Avenue bridge	LMA	1,985			1,985
1671	UNC-Bellevue Center	LMC	14,201			14,201
1677	Salvation Army - emergency fuel assistance	LMC	3,225			3,225
1679	NEPA Philharmonic	LMC	12,500			12,500
1680	Healthy Northeast Pennsylvania Initiative	LMC		10,000		10,000
1685	Catherine McAuley Center	LMC	2,000			2,000
1688	North Scranton Neighborhood Association	LMC	18,000	9,950	\$1,265	29,215
1689	West Scranton Neighborhood Association	LMA	1,450	28,300	939	30,689
1690	South Scranton junior football	LMC		4,700		4,700
1693	Westen Park senior league	LMA	8,567			8,567
1695	Weston Field/ Department of Parks and Recreation	LMA	8,504			8,504
1697	Neighborhood police patrol	LMA	117,047	144,493	20,632	282,172
1699	Scranton Mall Association		15,395	123,632		139,027
1700	Scranton Hotel, LLP		93,539	17,488		111,027

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1701	SPA - Lackawanna Avenue parking garage	LMJ	\$31,000	\$7,279	\$6,281	\$44,560
1703	Benjamin Franklin Fire Fighters and Police	LMA			40,135	40,135
1704	Plot Neighborhood Association	LMA	37,309			37,309
1705	Scranton Redevelopment Authority	SBS	171,615			171,615
1707	ARC of Lackawanna County	LMC	18,500			18,500
1723	Paul M. Nardone D/B/A/ Outrageous	LMJ	205	420		625
1724	Kelbri Development, LLC	LMJ	1,491	79		1,570
1726	Blight Initiative	SBS	247,987			247,987
1728	Vida Tapas Bar and Grill, Inc.	LMJ	914	4,204	1,797	6,915
1729	Electric City Roasting Company	LMJ	210	530		740
1731	Parker Street bridge	LMA	75,000			75,000
1737	SECCAS, LLC	LMJ	263	578		841
1742	Bethel AMC	LMC	87,484	24,525		112,009
1748	Friendship House energy improvements	LMC		163,885	127,750	291,635
1757	Clover Field junior football	LMA	9,325			9,325
1759	Cedar Avenue revitalization area study	SBS	90,000			90,000
1760	Downtown senior center	LMC	53,000			53,000
1761	Sloan baseball association	LMC	19,850			19,850

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1763	Tree planting project	LMA	\$18,488	\$34,540	\$7,673	\$60,701
1766	Purchase of fire truck	LMA		399,999		399,999
1768	MTM Real Estate Company, LLC	LMJP	252,394			252,394
1771	Rejuven Essence Management Services, LLC	LMJP	153,449	\$609		154,058
1780	Program administration		422,792	292,574		715,366
1782	UNC condemnation	LMC	115,409	54,591		170,000
1783	Friends of the Poor	LMC	20,000			20,000
1784	UNC - Bellvue Center	LMC		9,000		9,000
1785	UNC - Project HOPE	LMC	67,500			67,500
1786	Boys and Girls Club "Park-it"	LMC	26,000			26,000
1787	Deutsch Institute	LMC	50,000			50,000
1791	UNC - Arts in the Park	LMC	6,000			6,000
1792	Scranton Comm. Concerts BBBS	LMC	9,000			9,000
1793	Scranton Public Theatre	LMC	1,710	5,040		6,750
1794	Healthy NEPA Initiative	LMC			51,340	51,340
1795	Salvation Army emergency fuel assistance	LMC	9,000			9,000
1798	Catholic Social Services – Perm. Housing	LMC		4,500		4,500
1800	Community Intervention Center permanent supervisor	LMC	12,000	6,000		18,000
1801	Catherine McAuley Center	LMC	13,500			13,500
1802	UNC – permanent housing	LMA	5,287	16,520	5,193	27,000

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1804	Scranton Park enhancement	LMA	\$45,000	\$7,730		\$52,730
1805	Connell Park little league	LMA	14,059	7,854		21,913
1806	Hyde Park baseball	LMA		54,476	\$9,333	63,809
1807	Economic development projects	LMJP	27,779			27,779
1808	Architectural Heritage Association	SBS	150,473	59,710		210,183
1810	South Scranton little league	LMC	36,628	23,139	4,990	64,757
1811	Weston Park senior little league	LMA		22,500		22,500
1812	West Scranton little league	LMA		3,858	1,938	5,796
1813	Blight initiative	SBS	73,041	326,959		400,000
1815	Paving and handicap curb cuts	LMA	379,024	4,902		383,926
1818	Scranton Hotel, LLP		330,000	276,671		606,671
1819	Scranton Mall Association		68,330			68,330
1822	It's Outrageous, LLC	LMJP	63,614			63,614
1824	Cartegna Family Wines, LLC	LMJP	37,764	772	3,288	41,824
1842	Electric City Television	LMJ	92,515	572	83	93,170
1843	Weston Field fence and lights	LMA	16,988			16,988
1844	Weston Park pool lighting	LMA	1,238			1,238
1845	Capouse Avenue pool	LMA	1,238			1,238

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1846	Connell Park pool	LMA	\$1,238			\$1,238
1847	Keyser Village, LLC	LMJ	187,394			187,394
1859	Jay's Commons, LLP	LMJ	88,321	\$1,019		89,340
1864	John's Signs	LMJ		25,315		25,315
1876	Danielle & Company	LMJP		27,032		27,032
1888	Gleason Custom Kitchens, Inc.	LMJP		52,525	\$1,315	53,840
1889	Backyard Ale House, LLC	LMJP		38,822		38,822
1897	West Side Falcons field lighting	LMC		2,500		2,500
1902	CDBG administration			490,956	142,027	632,983
1904	SRA Connell Building	LMJP		501,236	853	502,089
1910	Paving of streets and handicap curb cuts	LMA		407,917		407,917
1911	West Side Falcons junior football	LMC		87,594		87,594
1912	Neighborhood Police Patrol	LMA			35,679	35,679
1921	United Neighborhood Centers	LMC		3,500	7,500	11,000
1922	United Neighborhood Centers-Project Hope	LMC		67,500		67,500
1923	Boys and Girls Club -“Park- it” Program	LMC		25,000		25,000
1924	Friends of the Poor	LMC			11,000	11,000
1925	Deutsch Institute	LMC		35,000		35,000
1927	Community Intervention Center	LMC		15,000	5,000	20,000

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
1928	UNC-Permanent Supportive Housing	LMC			\$10,000	\$10,000
1929	Catherine Mcauley Center-Perm Supp Housing	LMC		18,000	3,244	21,244
1930	Salvation Army – Utility Services	LMC		6,756	73,784	80,540
1931	Condemnation – City of Scranton	LMC		17,969	29,705	47,674
1933	Lackawanna Avenue Bridge	LMA		63,753	53,567	117,320
1934	Blight initiative	SBS		93,545		93,545
1936	Scranton Hotel, LP				278,291	278,291
1937	Scranton Mall Associates				170,000	170,000
1938	Sidewalk & Period Lighting	LMA		4,645	34,375	39,020
1945	Connell Little League	LMA		4,054	1,019	5,073
1967	Fitness 53, Inc.	LMJ		25,000	1,680	26,680
1982	Diversified Disaster Recovery Services, Inc.	LMJ		50,000	3,275	53,275
1996	Administration-CDBG				370,874	370,874
2012	Sidewalks at Washington & Linden	LMA			1,741	1,741
2024	Deutsch Institute	LMC			23,761	23,761
2027	United Neighborhood Centers Permanent Supportive Housing	LMC			5,000	5,000
2032	Scranton Mall Associates				8,238	8,238
2044	Center for Independent Living Sidewalks	LMC			1,322	1,322

Activity number	Activity name	Nat. obj.*	Funds drawn in 2008	Funds drawn in 2009	Funds drawn in 2010	Total
2052	Repayment of Section 108 – 2010				\$733,778	\$733,778
2053	Project Delivery Costs – Sordoni v OECD				3,300	3,300
2055	500 Lackawanna Avenue - Park	LMJ			49,000	49,000
Totals			\$4,797,874	\$4,576,836	\$2,361,226	\$11,735,936³

*National objective codes:

Code	Description	24 CFR citation
LMC	Low/mod limited clientele benefit. Activities that benefit a limited clientele, at least 51 percent of whom are low/mod income. LMC activities provide benefits to a specific group of persons rather than to all the residents of a particular area.	570.208(a)(2)
LMJ	Low/mod job creation and retention. Activities undertaken to create or retain permanent jobs, at least 51 percent of which will be made available to or held by low/mod persons.	570.208(a)(4)
LMJP	Low/mod job creation, location-based. Activities in which a job is held by or made available to a low/mod person based on the location of the person's residence or the location of the assisted business.	570.208(a)(4)(iv)
SBA	Slum/blight area benefit. Activities undertaken to prevent or eliminate slums or blight in a designated area.	570.208(b)(1)
SBS	Slum/blight, spot basis. Activities undertaken on a spot basis to address conditions of blight or physical decay not located in designated slum/blight areas.	570.208(b)(2)
LMA	Low/mod area benefit. Activities providing benefits that are available to all the residents of a particular area, at least 51 percent of whom are low/mod income. The service area of an LMA activity is identified by the grantee and need not coincide with census tracts or other officially recognized boundaries.	570.208(a)(1)
LMH	Low/mod housing benefit. Activities undertaken to provide or improve permanent residential structures that will be occupied by low/mod income households.	570.208(a)(3)

³ This amount is \$12 more than the amount of unsupported costs shown in recommendation 1C due to the rounding of amounts for the 150 activities listed in the chart.