**U. S. Department of Housing and Urban Development**
**Office of Inspector General**
New York/New Jersey Office
26 Federal Plaza – Room 3430
New York, NY 10278-0068

**MEMORANDUM NO. 2010-NY-1801**

December 22, 2009

**MEMORANDUM FOR:** Jon L. Gant, Director, Office of Healthy Homes and Lead Hazard Control, L

Edgar Moore

**FROM:** Edgar Moore, Regional Inspector General for Audit, New York/New Jersey, 2AGA

**SUBJECT:** The City of Utica, New York, Has the Capacity to Administer Lead-Based Paint Funds Provided Under the American Recovery and Reinvestment Act of 2009

## INTRODUCTION

We conducted a review of the City of Utica, New York's (City) administration of its lead-based paint hazard control program. On April 15, 2009, the U.S. Department of Housing and Urban Development (HUD) awarded the City $2.04 million under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to carry out lead-based paint hazard control activities in privately owned homes. The U.S. Office of Management and Budget directed the inspectors general to perform audits to ensure that funds provided under the Recovery Act are used for their intended purposes. Our objective was to determine whether the City had the capacity in the area of internal controls, eligibility, financial controls, procurement, and output/outcomes to effectively administer its lead hazard control program funds provided under the Recovery Act in accordance with applicable requirements.

There are no recommendations in this report. Should you or your staff have any questions, please contact Karen Campbell, Assistant Regional Inspector General for Audit, at (212) 542-7977.

## METHODOLOGY AND SCOPE

To gain an understanding of the City's administration of its lead hazard control program, we reviewed applicable laws, regulations, and HUD program requirements. In addition, we reviewed the City's procurement policy, conducted interviews with City personnel to gain an understanding of the internal controls, and tested the system of controls to determine whether the controls were functioning as intended. We also analyzed project files and records at the offices

of the subrecipient contracted by the City to implement its lead hazard grant awarded under the Recovery Act.

We performed our on-site work from August through September 2009 at the City's and subrecipient's offices located in Utica, NY. For this capacity report, our work was not conducted in accordance with generally accepted government auditing standards. Under the Recovery Act, inspectors general are expected to be proactive and focus on prevention; thus, this report is significantly reduced in scope.

## BACKGROUND

On February 17, 2009, the President signed the Recovery Act. As part of the Recovery Act, Congress appropriated $100 million to the lead hazard control program administered by HUD's Office of Healthy Homes and Lead Hazard Control. Of this amount, $99.5 million was awarded under four grant programs: (1) Lead-Based Paint Hazard Control, (2) Lead Hazard Reduction Demonstration Grant, (3) Healthy Homes Demonstration Grant, and (4) Healthy Homes Technical Studies Grant. The grants were to be awarded to applicants who had applied under the Lead Hazard Reduction Program notices of funding availability for fiscal year 2008 and were found to be qualified for an award, but were not given a grant because of funding limitations. The City was awarded $2.04 million in Federal funding under the Lead-Based Paint Hazard Control Program. The City plans to use the funds to identify and control lead-based paint hazards in eligible privately owned rental or owner-occupied housing.

## RESULTS OF REVIEW

The City has the capacity in the areas of internal controls, eligibility, financial controls, procurement, and output/outcomes to effectively administer its lead hazard grant funds provided under the Recovery Act in accordance with applicable requirements. Specifically, the City has adequate internal control procedures pertaining to accounting controls, staffing levels, personnel operating policies, monitoring of subrecipients, procurement of goods and services, and establishment of program guidelines that comply with HUD requirements. In addition, a recent HUD monitoring review disclosed no major problems with the City's lead-based paint program. The City is planning to use its Recovery Act funds on eligible activities that meet the objectives of the program and the Recovery Act.

1. Adequate Policies and Procedures Governing the City's Operations

   Review of the City's policies and procedures disclosed that the City has an adequate personnel policy in place for all employees and an adequate procurement policy that complies with HUD requirements. The City also has established adequate procedures to monitor it's subrecipient of lead hazard grant funds and is maintaining adequate documentation to demonstrate that it is monitoring the activities of its subrecipient. Further, the City has established program guidelines and a detailed lead grant procedures manual for its lead hazard program.

2. Adequate Staffing

The City has adequate staff to implement its lead hazard program activities. The City administers its lead hazard program through its Department of Urban and Economic Development. It has identified a core group of employees within the department's Community Planning and Economic Development Office who will be responsible for program administration and financial oversight. In addition, the City has retained the services of the former director of community development as a consultant, who will be responsible for ensuring that all requirements and conditions of the lead grant agreement are met.

3. Planned Activities Eligible Under Program Guidelines

At the time of our review, the City's subrecipient had a list of 24 properties that were determined to be qualified for funding under the lead grant. We selected five of the qualified properties and reviewed their project files to determine whether the activities were eligible and supported by appropriate documentation. Our review found that all of the five project files contained the required intake documentation in accordance with the City's policies and procedures and HUD requirements. For each of the five properties, (1) risk assessments by a licensed lead-based paint assessor had been performed, (2) lead hazards had been identified, and (3) the scope of work statement addressed the lead hazards identified in the risk assessment.

4. No Major Problems Affecting Capacity Disclosed in Audited Financial Statements

The City's independent public auditor issued an unqualified opinion on the City's financial statement for the years ending March 31, 2007, and March 31, 2008. The audit reports did not disclose any issues that would affect the City's capacity to implement its Recovery Act program activities.

5. Established Procurement Policies and Procedures

We reviewed the documentation related to the consultant and subrecipient contracts awarded by the City under the lead hazard grant to determine whether the City followed its procurement policy and HUD's procurement regulation. The City followed its procurement policy and HUD requirements related to both of the contracts.

6. No Problems Affecting Capacity Disclosed in HUD Monitoring Review

HUD completed a monitoring review of the City's HOME Investment Partnerships Program in June 2008. The scope of HUD's on-site monitoring review included a compliance review of lead-based paint regulations and was conducted at the offices of the subrecipient contracted by the City to implement its 2009 Lead Hazard Reduction Demonstration Grant. There were no findings or concerns related to the lead-based paint segment of HUD's review.

## CONCLUSION

The City has the capacity to effectively administer lead hazard grant funds provided to it under the Recovery Act according to applicable program requirements. Moreover, the City is planning to use its Recovery Act funds on eligible activities that meet the objectives of the program and the Recovery Act.

## RECOMMENDATIONS

Since we did not identify any deficiencies, there are no recommendations.

# AUDITEE COMMENTS AND OIG'S EVALUATION

**Ref to OIG Evaluation** **Auditee Comments**

**CITY OF UTICA**

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**DAVID R. ROEFARO**
**MAYOR**

ROBERT D. SULLIVAN
*COMMISSIONER*

November 30, 2009

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Dear Mr. Moore:

We are in receipt of the positive I.G. audit review of the City of Utica, NY's administration of its lead-based paint hazard control program with funding provided under the American Recovery and Reinvestment Act of 2009.

**Comment 1**

We appreciate the report that the City has the capacity to administer the lead funds, and look forward to a successful conclusion of the lead hazard control grant.

Sincerely,

Robert D. Sullivan
Commissioner

## OIG Evaluation of Auditee Comments

**Comment 1** Officials for the City are appreciative of the positive audit review and are looking forward to a successful conclusion of the lead hazard control grant.