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**CITY OF ROCHESTER
GREATER ROCHESTER HEALTH FOUNDATION GRANT
REVIEW OF THE LEAD SAFE HOMES PROGRAM**

**Office of Public Integrity
Date: October 30, 2017**

I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) reviewed a grant agreement between the Department of Neighborhood and Business Development (NBD) and the Greater Rochester Health Foundation (GRHF). This grant provided funding for lead hazard control through the Lead Safe Homes program. In general, the results of the review indicate that the program met its goals. We noted that the City awarded all contracts to the lowest bidder, certified all work as complete and obtained lead clearance for all properties. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policy and contract requirements.

- ◆ NBD could only provide 20 of the 28 property files requested by OPI. Per the New York State Archives MU-1 Records Retention and Disposition Schedule, the City must retain files for housing rehabilitation and public/community service projects for six years.
- ◆ Action for a Better Community, Inc. (ABC), who the City contracted with to administer application intake services for the program, was unable to provide OPI with any files relating to the properties that we selected for detail testing. ABC indicated that their office moved to another location and they could not readily locate the files. As a result, we were unable to review intake documents including applications and income eligibility.
- ◆ Eight of eleven investor-owners who owned five or more City properties did not pay a 20% match toward the project cost as stipulated in the agreement. This is an error rate of 73%.
- ◆ The agreement between the City and the property owner requires the grantee to retain ownership of the property for three years from the date of the agreement or to repay the City a pro-rated amount based on the time elapsed since the agreement date. OPI noted that two of the 28 property owners sold their property before the required 3-year period. As a result of our review, NBD referred these two cases to the Law Department.

II. BACKGROUND, OBJECTIVES, AND SCOPE

A. Assignment

The Office of Public Integrity routinely conducts reviews of grants that the City receives. As part of our annual work program, we selected the GRHF grant for the City's Lead Safe Homes program administered in NBD.

B. Background

The Greater Rochester Health Foundation was created in 2006 when the MVP Health Plan acquired the HMO Preferred Care. It used the proceeds of the purchase price of \$232 million to create a foundation to improve the health status of residents of the Greater Rochester community, including people whose unique health care needs have not been met because of race, ethnicity or income. The GRHF is a private foundation governed by a community-based board of directors and managed by a professional staff.

In 2012, the City entered into a 2-year grant agreement with the Greater Rochester Health Foundation. GRHF awarded the City \$577,500 to fund the Lead Safe Homes program. The Lead Safe Homes program provides grants to property owners in select, high-risk areas in the City, for repairs needed to reduce lead paint hazards in their homes.

As part of the grant agreement, NBD worked with the Action for a Better Community, Inc. (ABC) Lead Resource Center as the primary source of applications for the Lead Safe Homes program.

C. Objectives and Scope

The purpose of the review was to determine if NBD utilized the grant funding in compliance with the terms of the agreement, to determine that all expenses submitted for reimbursement are valid and substantiated by supporting documentation, and to determine that properties and owner/occupants were eligible for the grant funding. We selected a sample of 28 properties for detail testing and requested documentation from NBD and from Action for a Better Community, Inc. The total amount paid to contractors for these properties was \$412,281.

A list of the selected properties and the corresponding amounts paid to the contractors follows:

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Neighborhood Business Development
Greater Rochester Health Foundation Grant
Sample Selection of Properties

<u>Contract #</u>	<u>Property Owner</u>	<u>Property Address</u>	<u>Amount</u>
124339	Todd Vanbeurden	58 Whitney St.	\$ 4,372
124340	Betty McNeal	15 Woodford St.	15,725
124434	Elizabeth Rivera	382 Saxton St.	13,810
124435	Erika Ayala & Keith Jackson	6 Gladys St	18,451
124803	Michelle Raymond	277 Saxton St.	13,251
125027	Ethel and Siah Clancy	290 Campbell St.	11,678
125029	Brian Goodman	93 Campbell St.	1,880
125124	Nelsa Roman	341 Saxton St.	7,890
125439	Antonio Colon	119 Flower St.	15,520
125499	Lydia Montanez	12 Treyer St.	7,075
125984	Frederick Alexander	84 Radio St.	2,245
126027	Lawrence Galusha	978 Clifford Ave.	18,578
126029	Aurelio & Sonia Alvarado	187-189 Delamaine Dr.	5,769
126062	Karen Freeman	61 Holbrooke St.	7,350
126266	Charlene Hylton	58 Baird St.	3,900
126315	Ubiquity Enterprise LLC	1004-1006 Ave D	16,561
126389	Antonio & Carmen Colon	63 Radio St.	9,200
126390	AnnTruong	210 Klein St	8,690
126433	Henry Dybowski	251 Durnan St.	9,345
126743	Carol Garrett	56 Holebrooke St	9,180
126762	Khanah Nguyen	146 Delamaine Dr.	17,875
126784	North Coast Property Assoc	144 Ferncliff Dr.	2,040
127129	Maria Cruz	691 W Broad St.	19,100
127178	Giorgi Properties	146 Campbell St.	22,340
127186	Elisa Rodriguez	930 Jay St.	21,390
127188	Giorgi Properties	151 Campbell St.	65,160
127191	Carmen Diaz	209 Orange St.	31,356
127273	Yvette Williams	166 Campbell St.	<u>32,550</u>
			<u>\$412,281</u>

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in

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accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

In general, the results of the review indicate that the program met its goals. We noted that the City awarded all contracts to the lowest bidder, certified all work as complete and obtained lead clearance for all properties. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policy and contract requirements.

A. NBD Files Not Available

NBD maintains files for each property that receives a grant. These files include income eligibility, contractor proposals and bid selection results, owner agreements, third party lead clearance, City certifications of work completed and contractor's affidavit of work completed.

New York State Archives MU-1 Records Retention and Disposition Schedule states that the retention period for housing rehabilitation case files and public /community service project case files is six years.

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NBD could only provide 20 of the 28 property files requested by OPI. Records Management had received these 20 files for retention. NBD could not locate the remaining eight files and Records Management had no record of receiving them.

OPI was able to verify, through MUNIS, most of the information for the eight properties that we did not have files for. However, we were not able to verify income eligibility for two of 13 owner occupied properties in our sample selection.

◆ Recommendation

We recommend that NBD comply with the New York State Archives MU-1 Records Retention and Disposition Schedule and retain files accordingly.

B. Requested Documentation Not Provided by ABC

The City contracted with Action for a Better Community, Inc. to administer application intake services for the City's Lead Hazard Control program. ABC accepted applications from prospective applicants through referrals from agencies, the City and from eligible property owners.

The contract required ABC to complete applications and collect information from applicants including a property deed, articles of incorporation, training certificate verifying the applicant completed the EPA Lead Renovator course and proof of income. Additionally, the contract states that the City shall have access to and the right to examine any pertinent records up until three years after the final payment.

OPI requested from ABC, the documentation relating to 28 properties that we selected for detail testing. ABC informed OPI that their office moved to another location and the files were not readily available. They indicated they would continue to look for these files but they never provided any of them to us. As a result, we were unable to review intake documents including applications and income eligibility.

◆ Recommendation

We recommend that with any future contracts, City personnel should ensure that ABC complies with the terms of the agreement and retains documentation as required.

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C. Owner-Investors Did Not Contribute the Required 20% Match

The grant agreement between the City and the Greater Rochester Health Foundation required owner-investors who owned five or more properties to provide a match of 20%.

Of the 28 properties selected for testing, 15 were owner-investors and 11 owned five or more properties. OPI noted that eight of the 11 grantees who owned five or more properties did not contribute a 20% match toward the funding for the project. This is an error rate of 73%.

◆ Recommendation

We recommend that with any future grants, NBD personnel comply with the terms of the agreement and ensure that owner-investors pay any required matches.

D. Property Ownership Transfer prior to 3 year expiration

The program agreement between the City and the property owner states that the grantee must retain ownership for three years from the date of the agreement. If the owner conveys title within the three year period, the owner agrees to repay the City a pro-rated amount based on the time elapsed since the agreement date.

OPI noted that two of 28 properties examined, transferred ownership of the property prior to the 3-year expiration. As a result of this review, NBD referred these two cases to the Law Department.

◆ Recommendation

We recommend that NBD establish a way to monitor the rehabilitated properties for ownership transfer within the 3-year period and take appropriate action for any exceptions noted.

IV. DEPARTMENTAL RESPONSE

The revised response of the Department of Neighborhood Business and Development follows.



City of Rochester

Neighborhood and Business Development
City Hall Room 223B, 30 Church Street
Rochester, New York 14614
www.cityofrochester.gov

Baye Muhammad
Commissioner



October 18, 2017

Timothy Weir
City of Rochester
Office of Public Integrity
85 Allen Street
Rochester, New York 14614

RE: Audit Response
Greater Rochester Health Foundation

The City of Rochester's Office of Public Integrity conducted an audit of the former Lead Safe Homes Program that City staff contractually managed for the Greater Rochester Health Foundation. Neighborhood and Business Development staff have reviewed the findings of the audit and have prepared the following responses for each of the findings.

Finding:

1. NBD could only provide 20 of the 28 files requested by OPI

Action Steps/Timeframe:

All files for the subject program had been sent to Records Management for storage and retention. This was part of a large archiving effort, involving approximately 100 boxes of files. While we are unsure why the 8 subject files requested by OPI could not be initially located by the Records Management staff, after the conclusion of the audit period we contacted Records Management staff and they were able to find the 8 records. The files are now readily available and can be reviewed upon request. We also reviewed our archiving process to ensure we have good records of the files being transferred to Records Management for storage. Some of the issue may have had to do with the sheer volume of records that were being archived during this period of time.

As mentioned in the audit findings, OPI was able through the MUNIS system to verify most of the information for the subject 8 properties but was unable to verify the income eligibility for 2 of the owner occupied properties. As mentioned above, those files have since been accessible and we were able to verify the income eligibility information was in the files.

2. Requested Documentation Not Provided by ABC

Action Steps/Timeframe:

The application intake for the Lead Safe Homes Program was performed by Action for a Better Community (ABC). For the subject program ABC had a direct contract with the GRHF and was not



under contractual obligation with the city. We have been unable to obtain a copy of the contract agreement between ABC and the GRHF but we know our records retention requirement for the other programmatic contracts we have with them do require the three year time period. Based on that presumption the information we were able to get from ABC was during the audit period they were in the process of relocating their offices which may have caused the problem. We do know that we have not experienced any issues with ABC in our other housing repair programs and the NBD Administrative unit randomly audits all of our contractors on an annual basis to ensure these issues do not occur. We believe that our extensive experience with ABC and the current accountability measures that are in place adequately address any potential for this being an issue moving forward.

3. Owner-Investors Did Not Contribute the Required 20% Match

Action Steps/Timeframe:

In the 2008 audit of the Lead Safe Homes Program by the National Center for Healthy Housing (NCHH), it was recommended that the requirement for the 20% match be reconsidered because it was identified as a disincentive for rental property owners to join the program. As a result and since the statistics clearly demonstrate that in our lead high risk area the majority of the units are rentals, after consultation with the Greater Rochester Housing Foundation, this requirement was discontinued. In the future any decisions to alter the terms of a contract will only be accomplished by supporting written documentation with accompanied signatures.

It should be noted that rental properties in the City of Rochester are held to an unparalleled standard for ongoing property maintenance. All structures with at least one residential rental dwelling unit must renew their Certificate of Occupancy and in the process of doing so must have the unit(s) inspected. This program which is one of the most proactive in the country ensures that all rental properties are being properly maintained to minimal code standards. This by default ensures that ongoing investments are made by the property owners that keep the units safe, habitable and non-blighted.

4. 2 owners had sold their property prior to the 3 year holding requirement of the contract

Action Steps/Timeframe:

NBD has always had a process to address this issue by sending annual mailing notifications to the owner occupant grant recipients who then have to respond by submitting a residency verification form. Although the contract with the GRHF did not explicitly include the 3 year ownership for landlords NBD added the same language to the landlord contracts to keep it uniform. This issue stems from the fact that this addition of the landlord group to this requirement was not properly relayed to the Administrative unit who actually sends out the ownership verification forms. Moving forward if and when we set this requirement for landlords in any of our grant programs we will ensure the appropriate process is followed. As mentioned in the audit findings, the two situations have been referred to the Law Department and both owners are cooperating with the necessary repayment.

In summary, the Greater Rochester Housing Foundation (GRHF) provided the City with funds in 2008 to address lead based paint hazards in a target area in the city of Rochester. The program operated from 2008-2015. Since the inception of the program the GRHF has conducted four (4) programmatic

audits, conducted by the NCHH. During the course of these four audits there were no significant findings. In addition, the NBD Administration and Finance unit periodically undertakes desk audits to review project files for all of our rehab grant programs to further ensure quality control.

Sincerely,

A handwritten signature in black ink, appearing to read "Bayé Muhammad". The signature is fluid and cursive, with the first name "Bayé" being more prominent and the last name "Muhammad" following in a similar style.

Bayé Muhammad
Commissioner

xc: Gary Kirkmire, Director of Buildings and Zoning
Johanna Santiago, Manger of Contract Services