

# **CITY OF ALLENTOWN**

## **Lead Hazard Control and Healthy Home Program**

**Date of Report: August 04, 2023**

The City of Allentown has received funding through the Federal HUD Lead Hazard Reduction & Healthy Homes Grant to address lead paint and healthy home hazards in residential properties. This funding is available at no cost to qualified homeowners and landlords of income qualified tenants. The homes must be occupied or frequently visited by a child under the age of 6.

Homeowners and landlords who own a residential property in the City of Allentown, built prior to 1978 and occupied by a pregnant woman and/or children aged 6 or younger are eligible. The occupants must have a combined income at or below 80% of the median household income.

### **OBJECTIVE**

The objective of the review was to:

- Document the process flow for the Federal HUD Lead Hazard Reduction & Healthy Homes Grant Program to identify any potential control weaknesses.
- Ensure that all required documentation was collected during the application process and that the applicant met the requirements for the grant.
- Determine the existing policies and procedures for the lead hazard inspections and the final inspections were being followed as laid out in the program's work plan.

### **PROCEDURES**

This audit was conducted in accordance with Generally Accepted Governmental Auditing standards and utilized an approach that included staff interviews, reviews of documents, and reports and examinations of individual financial transactions.

The period selected for testing was 2022 – present. Our process began by:

- Developing a Flowchart and Narrative for the Lead Hazard Control program.
- Using the Process Flowchart and Narrative to identify the potential risks and developing the appropriate testing of the risk area. Reviewing the controls for the process and identifying any potential weaknesses.
- Selecting a sample of case files ensuring all items have been properly documented in accordance with the Federal HUD Lead Hazard Reduction & Healthy Homes Grant.
- Ensuring all inspections and testing was done in accordance with the requirements of the Federal HUD Lead Hazard Reduction & Healthy Homes Grant.

## **FINDINGS, RECOMMENDATIONS AND RESPONSES**

### **INTERNAL CONTROL WEAKNESSES**

#### **1. Unbilled Tax Certifications**

The Lead Hazard Reduction and Healthy Homes grant is a reimbursement grant. Program costs will only be reimbursed to the City after the expense is incurred and payment has been made. The City is required to make a minimum 10% match to Lead Grant funds which can be in the form of CDBG match and in-kind contribution of services provided by the City.

The Lead Hazard Control and Healthy Home Program requires that the homeowner be current on real estate and earned income taxes.

To ensure compliance with this requirement, Community & Economic Development (CED) requests a tax certification from the Revenue and Audit Department.

Currently, the Revenue and Audit Department does not bill CED for the service of performing a tax certification. Therefore, the cost cannot be submitted for grant reimbursement or match.

Tax Certifications are \$30.00 (thirty) each.

For 01/2022 – 06/30/2023 the total number of tax certifications is 134, totaling \$4,020.00.

#### **Recommendation**

Revenue and Audit should bill CED for the Tax Certifications and CED can request reimbursement from the grant program or apply the service as in-kind match.

#### **Administration's Response**

We agree and will begin to apply the tax certifications as in-kind service match.

#### **2. Inefficient Escrow Contractor Check Process**

The Contractor payment(s) for the Lead Hazard Control and Healthy Home Program is held in escrow until the contractual requirements are fulfilled.

The checks are written out of the General City bank account and the Community Development Block Grant (CDBG match) account for the full cost of the Contractor's contract. The checks must be endorsed by the homeowner and then deposited into the Escrow bank account. Until the checks are signed, they cannot be deposited into the Escrow account which may result in delays.

The process of writing the checks is cumbersome and adds an avoidable cost to the City. If the homeowner is not available to endorse the escrow checks it further delays the payment process.

Currently, there is no process for an internal transfer of funds for this program or for electronic approval of the transfer.

**Recommendation**

CED should consider creating an acknowledgement of transfer form, having the homeowner sign the transfer form that allows for an internal transfer of funds into the escrow account instead of writing a check. The form can be endorsed electronically and does not require the parties to physically sign a check.

**Administration's Response**

We agree and will incorporate this process.