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# AUDIT REPORT



## CITY OF DECATUR NEIGHBORHOOD RENEWAL PROGRAM

DECATUR, ILLINOIS

2005-CH-1008

MARCH 30, 2005

OFFICE OF AUDIT, REGION V  
CHICAGO, ILLINOIS

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Issue Date	March 30, 2005
Audit Report Number	2005-CH-1008

TO: Ray E. Willis, Director of Community Planning and Development, 5AD

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

SUBJECT: The City of Decatur's Neighborhood Renewal Program; Decatur, IL; The City Generally Followed HUD's Requirements

## **HIGHLIGHTS**

### **What We Audited and Why**

We reviewed the City of Decatur's (City) Neighborhood Renewal Program. We initiated the review based on a citizen's complaint to our office. The complainant alleged the contractor who did the housing rehabilitation work at 327 East Stuart Avenue charged for work not within the final contract work specifications. Additionally, the complainant alleged the City paid for work that was improperly performed or that was not provided, and did not follow proper procurement practices.

Our review objectives were to determine whether the complainant's allegations were substantiated and whether the U.S. Department of Housing and Urban Development's (HUD) requirements were followed. Since there were deficiencies with the housing rehabilitation work at 327 East Stuart Avenue and the work was completed in 1999, we expanded our review objectives to determine whether the City followed HUD's requirements for housing rehabilitation work completed between August 1, 2002, and July 31, 2004. Further, the City's audited financial statements for fiscal years 2001, 2002, and 2003 included findings on the City's Community Development Block Grant (Block Grant) and HOME Investment Partnership (HOME) Programs. Based on these findings, we included in our review objectives to determine whether the City: reported program income to HUD and spent the income prior to drawing down additional HOME funds; conducted on-site monitoring visits of community housing development organization sub-recipients; reviewed original appraisals prepared

prior to the purchase of real property with Block Grant funds; and conducted desk reviews and on-site monitoring visits on Block Grant sub-recipients.

### **What We Found**

We determined the City generally complied with HUD's requirements. However, we informed the City's Manager of Neighborhood Renewal of the Department of Economic and Urban Development and HUD's Director of the Chicago Regional Office of Community Planning and Development of minor deficiencies through a memorandum dated March 29, 2005.

### **What We Recommend**

Since the City generally complied with HUD's requirements, we did not recommend any corrective action.

### **Auditee's Response**

We did not request a response from the City since it generally complied with HUD's requirements. We held an exit conference with City's Assistant Director of Economic and Urban Development and its Assistant City Manager on January 13, 2005.

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## BACKGROUND AND OBJECTIVES

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***The Community Development Block Grant Program.*** Under Title I of the Housing and Community Development Act of 1974, the U.S. Department of Housing and Urban Development (HUD) provides funding for the Community Development Block Grant (Block Grant) Program. The primary purpose of the Block Grant Program is to develop and maintain viable communities that provide decent housing, a suitable living environment, and expanding economic opportunities for low- and moderate-income persons. The Block Grant Program provides a flexible local decision making tool for assisting local governments in meeting identified needs through innovative and comprehensive approaches to improve the physical, economic, and social conditions throughout the community.

***The HOME Investment Partnerships Program.*** Authorized under Title II of the Cranston-Gonzales National Affordable Housing Act, as amended, the HOME Investment Partnerships (HOME) Program is funded for the purpose of increasing the supply of affordable standard rental housing; improving substandard housing for existing homeowners; assisting new homebuyers through acquisition, construction, and rehabilitation of housing; and providing tenant-based rental assistance.

***The City of Decatur.*** Organized under the laws of the State of Illinois, the City of Decatur is governed by a Mayor and a seven-member City Council. The City's Mayor is Paul Osborne. The City's Economic and Urban Development Department administers the City's Neighborhood Renewal Program (Program). The Program is funded with \$1,772,000 in Block Grant and \$601,699 in HOME funds for fiscal year 2004. The Program's records are maintained at the Decatur Civic Center. The Civic Center is located at 1 Gary K. Anderson Plaza, Decatur, IL.

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## SCOPE AND METHODOLOGY

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We performed our review at HUD's Chicago Regional Office and the City's Civic Center from July through October 2004. To accomplish our audit objectives, we interviewed HUD's staff, the City's employees, the complainant, the contractor who did the rehabilitation work at 327 East Stuart Avenue, and Neighborhood Renewal Program recipients.

To determine whether the complainant's allegations were substantiated and whether HUD's requirements were followed, we reviewed HUD's

- Block Grant and HOME files for the City,
- Consolidated Annual Performance and Evaluation Reports information related to the City, and
- Integrated Disbursement and Information System information related to the City;

We also reviewed the City's

- Block Grant and HOME Grant Agreements with HUD,
- Housing Rehabilitation Program Manuals,
- Five Year Consolidated Plan (2000 - 2004),
- Annual audited financial statements for the fiscal years ending April 30, 2000, through April 30, 2003,
- Financial records,
- Neighborhood Renewal Program recipients' files, and
- Monitoring documentation for Block Grant and HOME funds.

We also reviewed 24 Code of Federal Regulations, parts 85, 92, and 570; Office of Management and Budget Circulars A-87 and A-122; and HUD Handbook 2000.6, REV 3.

The review covered the period from May 1, 2001, through April 30, 2004. This period was adjusted as necessary. We performed our review in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our review objectives:

- Program Operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and Reliability of 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 Laws and Regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding 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 significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives. We noted no significant weaknesses in the City's current internal controls.