



Office of the City Auditor

**Report to the City Council
City of San José**

**AN AUDIT OF THE
CONCENTRATED CODE
ENFORCEMENT PROGRAM**

**Concentrated Code Enforcement Program
Management Needs To Enhance Its Ability
To Control Program Threats proved**

**Report 04-01
April 2004**



CITY OF SAN JOSÉ, CALIFORNIA

800 N. First Street, San Jose, California 95110 • Tel: (408) 277-4601

GERALD A. SILVA
City Auditor

April 6, 2004

Honorable Mayor and Members
of the City Council
801 North First Street, Room 600
San Jose, CA 95110

Transmitted herewith is a report on *An Audit Of The Concentrated Code Enforcement Program*. This report is in accordance with City Charter Section 805. An Executive Summary is presented on the blue pages in the front of this report. The City Administration's response is shown on the yellow pages before the appendices.

This report will be presented to the Making Government Work Better Committee at its April 14, 2004, meeting. If you need any additional information, please let me know. The City Auditor's staff members who participated in the preparation of this report are Eduardo Luna and Chris Constantin.

Respectfully submitted,

Gerald A. Silva
City Auditor

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GS:lg

cc: Stephen Haase	Sara Hensley	Del Borgsdorf
Mike Hannon	Cora Velasco	Kay Winer
Jamie Matthews	Peggy Rollis	Peter Jensen



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Executive Summary

In accordance with the City Auditor's 2003-04 Workplan, we have audited the Concentrated Code Enforcement Program (CCEP) of the Department of Planning, Building, and Code Enforcement. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

Finding I Concentrated Code Enforcement Program Management Needs To Enhance Its Ability To Control Program Threats

The CCEP provides code enforcement inspection services to low-to-moderate income areas using Federal Community Development Block Grant (CDBG) funds. Code Enforcement also uses other resources, such as the Targeted Neighborhood Clean-up Program, in CDBG areas as matching resources. In 2002-03, Code Enforcement changed how it provides CCEP services from a proactive to a reactive basis. We found that:

- Code Enforcement and PRNS have not clearly communicated the new role of the CCEP;
- PRNS does not retain adequate CCEP documentation or appropriately monitor the CCEP to ensure full compliance with CDBG requirements;
- Code Enforcement has not measured the impact that CCEP and other activities have had on blight in Strong Neighborhood Initiative areas; and
- Code Enforcement needs to improve its data systems and documentation for the CCEP.

In addition, based on our Risk and Vulnerability Assessment of the CCEP, we identified several threats for which Code Enforcement had weak or no corresponding controls in place.

In our opinion, Code Enforcement and/or PRNS should
1) clearly and consistently communicate the current role of the CCEP, 2) adequately document that the CCEP is in full

compliance with OMB A-87 documentation requirements, 3) develop a documentation checklist of required documents, 4) improve its ability to evaluate grant subrecipients, 5) conduct a comprehensive blight survey for SNI areas every five years, 6) continue to improve its internal controls to address identified program threats, and 7) update and improve CES information.

RECOMMENDATIONS

We recommend that Code Enforcement and PRNS:

- Recommendation #1**
- **Update existing documentation to clearly and consistently describe the current role of the CCEP program. (Priority 3)**

We recommend that PRNS:

- Recommendation #2**
- **Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements. (Priority 2)**
- Recommendation #3**
- **Develop a comprehensive and up-to-date checklist of required CCEP documentation and the location where documentation should be retained. (Priority 3)**
- Recommendation #4**
- **Conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients. (Priority 2)**

We recommend that Code Enforcement:

- Recommendation #5**
- **Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)**
- Recommendation #6**
- **Continue to improve its internal controls to address identified program threats. (Priority 3)**
- Recommendation #7**
- **Update CES census tract information,**
 - **Include the CCEP as a program designation in the CES, and**
 - **Maintain written documentation showing CCEP work conducted in CDBG-eligible areas. (Priority 3)**

Introduction

In accordance with the City Auditor's 2003-04 Workplan, we have audited the Concentrated Code Enforcement Program (CCEP) of the Department of Planning, Building, and Code Enforcement. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor's Office thanks Code Enforcement and the Department of Parks, Recreation, and Neighborhood Services (PRNS) staff for giving their time, information, insight, and cooperation during the audit process.

Background

The Concentrated Code Enforcement Program (CCEP) provides code enforcement services to low-to-moderate income areas of the City. The CCEP provides reactive complaint response and investigations of complaints concerning violations of the Municipal Code. In addition to Code Enforcement inspections, Code Enforcement utilizes other funding resources to conduct Neighborhood Clean-ups and participate in neighborhood community meetings.

The CCEP receives Community Development Block Grant (CDBG) funding. The CDBG is a 1974 Federal grant program that provides assistance in support of community development activities. The current CDBG statute requires that each funded activity meets one of three national objectives:

1. Benefiting low- and moderate-income persons,
2. Preventing or eliminating slums or blight, or
3. Meeting urgent needs that pose a serious and immediate threat to the health or welfare of the community when other financial resources are not available to meet such needs.

The United States Department of Housing and Urban Development (HUD) provides CDBG funding to San José. The Grants Section of Parks, Recreation, and Neighborhood Services (PRNS) administers the block grant. The CDBG Steering Committee makes CDBG funding recommendations for the City Council's approval. The CCEP began receiving CDBG funding in 1987-88. Exhibit 1 highlights the CDBG revenue and CCEP expenditures for 2000-01 to 2002-03.

Exhibit 1 2000-01 To 2002-03 CDBG Revenue And CCEP Expenditures

	2000-01	2001-02	2002-03
CDBG Revenue	\$12,559,000	\$12,996,000	\$12,757,000
CCEP Expenditures	\$623,970	\$767,570	\$825,268
CCEP Expenditures As A Percent Of CDBG Revenue	5%	5.9%	6.5%

Source: City of San José Comprehensive Annual Financial Reports and Financial Management System.

Projected 2003-04 CDBG revenue is **\$12,432,000**, and the CCEP proposed expenditure budget is **\$884,396**, or 7.1 percent of total CDBG revenue. CCEP staffing includes a .5 Supervisor Full-time Equivalent (FTE), six Code Enforcement Inspector FTEs, and one Office Specialist FTE.

Audit Objective, Scope, And Methodology

Our audit objective was to identify the operational threats facing the CCEP and the controls that the Administration has in place to prevent, eliminate, or minimize these threats.

We reviewed all available 2000-01 to 2003-04 Code Enforcement inspection data. We interviewed staff from Code Enforcement, PRNS, and spoke with officials from the US Department of Housing and Urban Development.

Additionally, we conducted limited testing of the Code Enforcement System (CES) to test data reliability.

Major Accomplishments Related To This Program

In Appendix B, the Deputy Director of Code Enforcement informs us of the CCEP's accomplishments.

Finding I

Concentrated Code Enforcement Program Management Needs To Enhance Its Ability To Control Program Threats

The CCEP provides code enforcement inspection services to low-to-moderate income areas using Federal Community Development Block Grant (CDBG) funds. Code Enforcement also uses other resources, such as the Targeted Neighborhood Clean-up Program, in CDBG areas as matching resources. In 2002-03, Code Enforcement changed how it provides CCEP services from a proactive to a reactive basis. We found that:

- Code Enforcement and PRNS have not clearly communicated the new role of the CCEP;
- PRNS does not retain adequate CCEP documentation or appropriately monitor the CCEP to ensure full compliance with CDBG requirements;
- Code Enforcement has not measured the impact that CCEP and other activities have had on blight in Strong Neighborhood Initiative areas; and
- Code Enforcement needs to improve its data systems and documentation for the CCEP.

In addition, based on our Risk and Vulnerability Assessment of the CCEP, we identified several threats for which Code Enforcement had weak or no corresponding controls in place.

In our opinion, Code Enforcement and/or PRNS should

- 1) clearly and consistently communicate the current role of the CCEP,
- 2) adequately document that the CCEP is in full compliance with OMB A-87 documentation requirements,
- 3) develop a documentation checklist of required documents,
- 4) improve its ability to evaluate grant subrecipients,
- 5) conduct a comprehensive blight survey for SNI areas every five years,
- 6) continue to improve its internal controls to address identified program threats, and
- 7) update and improve CES information.

CDBG Eligibility And Program History

The CCEP began in 1987 as a proactive community-focused program targeting specific low-to-moderate income residential areas. Generally, the program targeted two neighborhoods for a six-month program. The CCEP included an education

component to 1) educate residents about building and zoning codes, 2) encourage neighborhood association development, and 3) promote the use of other City services to arrest deterioration in targeted neighborhoods.

CDBG regulations provide specific eligibility requirements. CCEP serves low-to-moderate income areas under the CDBG regulations.

CDBG funds Code Enforcement inspectors and ancillary costs in order to respond to and resolve citizen-identified code violations. The regulations allow this activity in low-to-moderate, slum/blighted areas, but other resources must also be used to arrest deterioration in addition to the CDBG-funded Code Enforcement inspections.

The CDBG regulations set a standard that CDBG funds, together with other public and/or private resources, *may be expected* to arrest the deterioration of the areas that the CCEP serves. As a result, coordination of CCEP services with other programs and services should reasonably meet the standard that the services together arrest deterioration.

According to a PRNS official, PRNS reports the CCEP to HUD as solely a low-to-moderate income program in order to maintain compliance with 24 CFR 570.200(a)(3). This regulation requires the City to spend not less than 70 percent of all of its CDBG funds on low-to-moderate income areas. According to PRNS, the City needs the CCEP to serve only low-to-moderate income areas in order to satisfy the overall 70 percent Citywide requirement.

**Code Enforcement
Changed How It
Provides CCEP
Services To Low-
To-Moderate
Income
Neighborhoods
From A Proactive
To A Reactive Basis**

In 2002-03, Code Enforcement made fundamental changes to the focus of the CCEP. The following exhibit shows how Code Enforcement changed its CCEP in 2002-03 to address code violations, target areas for inspection, coordinate other public/private services, and measure program performance.

Exhibit 2 Comparison Of How Code Enforcement Provides CCEP Services Before And After 2002-03

	Pre 2002-03 CCEP	Since 2002-03 CCEP
<u>Code Violations</u>	Inspectors proactively identify all exteriorly visible code violations. Interior violations identified through voluntary home inspections or complaints received from residents.	Inspectors reactively respond to complaints received from residents.
<u>Targeted Areas</u>	Generally, all homes in a small targeted neighborhood for six months of extensive service.	Selected homes in all CDBG-eligible areas.
<u>Other Services</u>	Coordination of other services in small neighborhoods.	Services provided in a larger area (such as SNI area).
<u>Program Performance</u>	Blight survey conducted at beginning and end of six-month period to identify impact of CCEP services.	No blight survey conducted. Some measures for outcomes and outputs are collected.

Source: Code Enforcement.

According to the Deputy Director of Code Enforcement, “changes to the CCEP Program were undertaken in July 2001 because of the implementation of the Strong Neighborhoods Initiative. The CCEP was changed to avoid duplication of the SNI Driveway Team proactive front yard blight enforcement efforts and to provide additional enforcement resources to respond to resident complaints of substandard housing and structural conditions, illegal occupancies and other enforcement issues in low-income neighborhoods. These changes expanded the services of the CCEP from two small neighborhoods averaging 800 to 900 houses per year to reactive code enforcement response to more than 1,500 properties per year. The SNI Driveway Team provides proactive code enforcement

sweeps to approximately 20,000 properties per year. Coordination of other services is provided through the SNI program to 20 specific neighborhoods.”

**Code Enforcement
And PRNS Have
Not Clearly
Communicated The
New Role Of The
CCEP**

Code Enforcement and PRNS have not clearly and consistently communicated the new CCEP role and purpose. While the summarized CCEP changes shown above represent a fundamental change in how inspectors address violations in target areas, Code Enforcement and PRNS have not communicated those changes in several important documents.

For example, the current 2003-04 Adopted Operating Budget describes the CCEP as a program that provides “*proactive, comprehensive enforcement of various health, safety, and housing codes in selected low- and moderate-income single family and duplex neighborhoods.*” Additionally, the 2003-04 Exempt Activities Environmental Review document states that the CCEP is a neighborhood revitalization program designed to prevent or eliminate slum and blighted conditions through proactive code enforcement activities to correct code violations, community meetings and trash removal. Other documentation does not describe the CCEP as either a proactive or reactive inspection program. In our opinion, Code Enforcement and PRNS should update existing documentation to clearly and consistently describe the program as it exists today.

We recommend that Code Enforcement and PRNS:

Recommendation #1:

- **Update existing documentation to clearly and consistently describe the current role of the CCEP program. (Priority 3)**

**PRNS Does Not
Retain Adequate
CCEP
Documentation**

The documentation of CCEP activities is inconsistent and incomplete. PRNS and Code Enforcement maintain separate project files for the CCEP. PRNS administers the CDBG for the City of San José. Under CDBG regulations, PRNS is responsible for ensuring that CDBG funds are used in accordance with all requirements. The use of Code Enforcement as a subrecipient does not relieve PRNS of this responsibility. Our review of 2001-02 to 2003-04 CCEP project files indicates that neither PRNS nor Code Enforcement filed CCEP-related documentation consistently or completely.

During our review of CCEP project files, we found that CCEP documentation does not satisfy certain CDBG requirements. CDBG regulations indicate that PRNS must 1) maintain records demonstrating that the CCEP is CDBG-eligible, 2) have a signed grant agreement between PRNS and Code Enforcement including program description, budget, and required reports, and 3) prepare a semi-annual certification of personnel costs in accordance with the Office of Management and Budget Circular A-87 (OMB A-87). Adequate documentation is necessary to demonstrate that the City is in full compliance with CDBG requirements.

Current CCEP documentation does not clearly show how CCEP resources and other public/private resources are used to address the deterioration in CDBG-eligible areas. According to HUD regulations, the CCEP remains an eligible activity if the City uses CDBG funds to fund Code Enforcement activities in CDBG-eligible areas and uses other resources (or services) to reasonably arrest deterioration in low-to-moderate income areas.

PRNS should ensure that it has adequate documentation to articulate how the CCEP and other resources can be reasonably expected to arrest deterioration in low-to-moderate income areas. However, the lack of adequate written, verifiable documentation showing reasonable coordination of the CCEP with other City resources to address deterioration in low-to-moderate income areas increases the risk that the City can not demonstrate full compliance with CDBG regulations.

We also noted that the CCEP does not document staffing costs in accordance with CDBG regulations. Specifically, CDBG regulations require a semi-annual report of CDBG-funded staff in accordance with the Office of Management and Budget Circular A-87. OMB A-87 requires a strict semi-annual accounting of every fully-funded CDBG employee. In addition, the employee and the employee's supervisor must sign a certification in order to fully comply with CDBG regulations. CCEP employees and supervisors are not signing the required certifications. In our opinion, PRNS should ensure that CCEP employees and supervisors are in full compliance with OMB A-87 requirements.

*CCEP Project Files
Are Not Completely
And Consistently
Maintained*

During our review of PRNS and Code Enforcement files, we noted several inconsistencies in program documentation from 2001-02 to 2003-04.

Specifically, of the three yearly PRNS project files we reviewed, only 2001-02 included a signed CDBG Eligibility Determination form. The CDBG Eligibility Determination form documents the activities that qualify the CCEP for CDBG funding. Eligibility Determination forms for 2002-03 and 2003-04 are not signed and dated to indicate when PRNS conducted the eligibility review. As a result, we cannot verify who completed the forms or when they were actually completed. The CDBG Eligibility project evaluation helps ensure that CCEP activities remain eligible for CDBG funding.

We also found that the CCEP project files do not consistently have documentation to substantiate approval for expense, personnel, and project goals. The documentation for expense, personnel, and project goals requires approval signatures from both a Code Enforcement and a CDBG representative. We found that, while 2003-04 documents included the necessary signatures, 2001-02 and 2002-03 project files did not include such documentation.

Additionally, we found that a comprehensive checklist indicating the documents to retain in the project files does not exist. In our opinion, PRNS and Code Enforcement should establish and maintain a complete and up-to-date checklist of required documentation to be retained. The checklist will improve the consistency and completeness of CCEP project files and provide a guideline for reviewing source documentation during PRNS monitoring visits.

We recommend that PRNS:

Recommendation #2

- **Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements. (Priority 2)**

We recommend that PRNS:

Recommendation #3

- **Develop a comprehensive and up-to-date checklist of required CCEP documentation and the location where documentation should be retained. (Priority 3)**

PRNS Does Not Appropriately Monitor The CCEP To Ensure Full CDBG Compliance

PRNS policies and procedures require a monitoring process for each funded project. The primary purpose of the monitoring process is to assess progress in meeting the goals identified in the CCEP grant and to provide the basis for reports to the CDBG Steering Committee and the City Council on the achievement of the project's goals and objectives. CCEP project files do not consistently include documents which substantiate or verify the accuracy of performance reports and evidence that CCEP activity was restricted to CDBG-eligible areas. For example, the Code Enforcement Community Improvement Program includes performance information and a listing of cases that substantiate the performance information. In our opinion, including the cases CCEP inspectors handled and the corresponding census tracts will strengthen PRNS's ability to verify the accuracy of its performance reports to the CDBG Steering Committee and the City Council.

The PRNS project files do not consistently or accurately maintain summaries or results for monitoring visits. During our review of the 2001-02 PRNS project files we could not locate a monitoring visit summary. The 2002-03 project files did include a monitoring visit summary but some of the information was erroneous. The 2002-03 summary indicates that the CCEP retains satisfactory documentation for male/female, ethnicity/race, and female head of household. The 2002-03 summary, that a PRNS analyst signed, also indicates that these files were in order. We did not identify corroborating information for these summaries in either PRNS or Code Enforcement project files. In our opinion, PRNS should conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients.

We recommend that PRNS:

Recommendation #4

- **Conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients. (Priority 2)**

Code Enforcement Has Not Measured The Impact That The CCEP And Other Activities Have Had On Blight In Strong Neighborhood Initiative Areas

The CCEP does not measure the long term impact of code enforcement efforts in SNI areas. With the pre-2002-03 CCEP, Code Enforcement conducted a thorough blight survey of the small target area before and after the CCEP as a means to measure the impact of CCEP services. This survey measured the reduction in blight on a street-by-street basis. However, Code Enforcement no longer conducts a blight survey. Instead, Code Enforcement developed specific CCEP output and outcome measures:

- Number of inspections/reinspections;
- Number of Clean-ups;
- Number of community meetings; and
- Percent of code violations resolved within 90 days of the first inspection.

The new CCEP measures do not provide a basis for comparing the impact of Code Enforcement efforts on the level of blight in the SNI area. A 2002 SNI Preliminary Report identified over 64,000 code violations in the SNI target area. Current CCEP performance measures track the number of inspections, clean-up events, community meetings, and Code Enforcement's efficiency in addressing identified code violations. The 2003-04 Operating Budget includes performance measures gauging residents' perceptions of neighborhood conditions based on resident surveys. However, Code Enforcement no longer conducts a comprehensive blight survey identifying blight on a street-by-street basis. In our opinion, Code Enforcement should conduct a comprehensive blight survey, similar to the 2002 SNI Preliminary Report, every five years to measure the long term impact of Code Enforcement efforts in SNI areas.

We recommend that Code Enforcement:

Recommendation #5

- **Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)**

Based Upon The City Auditor's Risk Assessments, Code Enforcement Agreed To Develop Formal Procedures To Improve Its Internal Controls

The purpose of the City Auditor's Risk Assessment process is to identify the potential threats facing the program or operation under audit and to identify the controls or procedures the City has in place to prevent, eliminate, or minimize the associated potential threats. The threats we identified relate to 1) compliance with laws, rules, regulations, procedures, and policies; 2) economy; 3) efficiency; and 4) effectiveness. Our Risk Assessment of the CCEP revealed that it had inadequate and/or undocumented procedures. Specifically, during the Risk Assessment phase of our audit we identified nine specific potential threats to the CCEP. Of these nine potential threats, we found that Code Enforcement had adequate controls for two threats, no controls in place for three threats, and weak controls in place for four threats. The City Auditor's Risk Assessment process identifies the potential threats to a program. We should note that a threat does not mean that something has actually occurred. The City Auditor's Office uses threats to assess the audited entity's system of internal controls and to develop its audit programs. The following list highlights the nine potential threats we identified during our audit and our assessment of the internal controls Code Enforcement has in place to address those threats.

Exhibit 3 Internal Control Assessment Of The Nine Potential Threats To The CCEP

Potential Threats	Internal Control Assessment¹
The CCEP does not comply with all applicable CDBG regulations.	Weak
The new form of the CCEP does not meet the Federal criteria as an eligible CDBG program.	Weak
Matching funds (matches against CDBG) are not utilized in CDBG-eligible areas.	No Controls
Code Enforcement has not defined or established all CDBG-eligible areas.	Weak
The CCEP does not serve all applicable areas.	Weak
CDBG-funded staff are used for non-CDBG activities.	No Controls
Code Enforcement does not monitor or track CCEP accomplishments.	Adequate
The CCEP is not effective in achieving program outcomes.	Adequate
Performance measures are not reported accurately.	No Controls

After we shared our Risk and Vulnerability Assessment with Code Enforcement, it drafted written procedures to address the nine potential threats listed above. In our opinion, Code Enforcement’s efforts are a step in the right direction, but additional work is necessary to strengthen these controls. Code Enforcement should continue to improve its internal controls over the potential threats we identified.

We recommend that Code Enforcement:

Recommendation #6

- **Continue to improve its internal controls to address identified program threats. (Priority 3)**

The Code Enforcement System (CES) Accuracy Can Be Improved

The CCEP relies on Code Enforcement System (CES) data to document CDBG-eligible areas to inspect. During our review, we found that the CES does not consistently present accurate census tract information. This inconsistency increases the risk that CCEP performance reports may not be representative of work performed in CDBG-eligible areas. For the CCEP, the inconsistent census tract information can lead to inspectors working in non CDBG-eligible areas, in violation of Federal CDBG regulations.

¹ See Appendix C.

We found that the CES census tract information for 19,386 of the 93,864 total Code Enforcement cases (20.7 percent) was either missing or invalid. The CES tracks the location of Code Enforcement cases by addresses and census tracts. The CES uses 2000 decennial US Census information to match addresses with the Federally-recognized boundaries of the US Census. The eligible areas include HUD-eligible low-to-moderate income areas and areas the City designated as slums and blighted.

In our opinion, inconsistent census tract information may lead to Code Enforcement assigning CDBG-funded inspectors to non-eligible areas. Code Enforcement should update CES census information to improve the accuracy and completeness of census tract information.

**Documentation Of
CCEP Services Can
Be Enhanced**

We also found that the CES does not clearly identify CCEP inspections. For the CCEP, CDBG-eligible areas include HUD defined low-to-moderate income areas and areas the City Council designates as slum/blighted. Code Enforcement's CES data system does not clearly identify CCEP inspection services in CDBG-eligible areas. Instead, the CES classifies Code Enforcement cases into programs such as General, Multiple Housing, and Vehicle Abatement. In 2000 and 2001, the CES specifically identified CCEP cases. However, beginning in 2002 Code Enforcement stopped specifying CCEP cases in the CES. As a result, the CES does not provide evidence of inspections conducted in CDBG-eligible areas by CDBG-funded inspectors.

CDBG regulations require that Code Enforcement appropriately document that all CDBG resources service CDBG-eligible areas. In our opinion, Code Enforcement can satisfy this requirement by adding to the CES a CCEP designation for eligible low-to-moderate income census tracts and maintaining written documentation showing CCEP work conducted in those eligible census tracts.

We recommend that Code Enforcement:

Recommendation #7

- **Update CES census tract information,**
- **Include the CCEP as a program designation in the CES, and**
- **Maintain written documentation showing CCEP work conducted in CDBG-eligible areas. (Priority 3)**

CONCLUSION

The CCEP provides code enforcement services to low-to-moderate income areas of the City using Federal CDBG funds. We found that Code Enforcement and PRNS need to improve certain aspects of program documentation and oversight. Specifically, Code Enforcement and/or PRNS should 1) clearly and consistently communicate the current role of the CCEP, 2) adequately document that the CCEP is in full compliance with OMB A-87 documentation requirements, 3) develop a documentation checklist of required documents, 4) improve its ability to evaluate grant subrecipients, 5) conduct a comprehensive blight survey for SNI areas every five years, 6) continue to improve its internal controls to address identified program threats, and 7) update and improve CES information.

RECOMMENDATIONS

We recommend that Code Enforcement and PRNS:

Recommendation #1

- **Update existing documentation to clearly and consistently describe the current role of the CCEP program. (Priority 3)**

We recommend that PRNS:

Recommendation #2

- **Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements. (Priority 2)**

Recommendation #3

- **Develop a comprehensive and up-to-date checklist of required CCEP documentation and the location where documentation should be retained. (Priority 3)**

We recommend that PRNS:

- Recommendation #4**
- **Conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients. (Priority 2)**

We recommend that Code Enforcement:

- Recommendation #5**
- **Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)**
- Recommendation #6**
- **Continue to improve its internal controls to address identified program threats. (Priority 3)**
- Recommendation #7**
- **Update CES census tract information,**
 - **Include the CCEP as a program designation in the CES, and**
 - **Maintain written documentation showing CCEP work conducted in CDBG-eligible areas. (Priority 3)**

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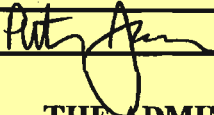
Memorandum

TO: Gerald A. Silva

FROM: Stephen M. Haase
Sara L. Hensley

SUBJECT: SEE BELOW

DATE: April 6, 2004

Approved: 

Date: 4-6-04

**SUBJECT: THE ADMINISTRATION'S RESPONSE TO AN AUDIT OF THE
CONCENTRATED CODE ENFORCEMENT PROGRAM**

BACKGROUND

The Department of Planning, Building and Code Enforcement and the Department of Parks, Recreation and Neighborhood Services have reviewed the final draft report of *An Audit Of The Concentrated Code Enforcement Program* and are generally in agreement with the recommendations. Specific responses to the recommendations are listed below.

RESPONSE TO RECOMMENDATIONS

Recommendation #1. *Update existing documentation to clearly and consistently describe the current role of the CCEP program (Priority 3)*

The Department of Planning, Building and Code Enforcement and the Department of Parks, Recreation and Neighborhood Services concur with this recommendation. Changes to the CCEP were prompted by City Council direction in FY 1999-2000 to increase productivity. Code Enforcement and PRNS agree that the resulting program changes could have been communicated better. Code Enforcement and PRNS will ensure that the revised CCEP program is consistently described in all documents, including the Operating Budget and in the Exempt Activities Environmental Review form.

Recommendation #2. *Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements.*

The Department of Parks, Recreation and Neighborhood Services concurs with this recommendation. All costs associated with the CCEP are documented in the City's Financial Management System (FMS). Personnel time is documented in PeopleSoft, the City's Human Resources and Payroll System. Supervisors electronically approve timecards indicating agreement with staff's accounting of the time spent on the job. With the implementation of PeopleSoft, a paperless system, certification is now implemented electronically. A drawback to

this system is the absence of signatures. PRNS has drafted a Personnel Certification form that includes signatures to augment the current paperless system.

Recommendation #3. *Develop a comprehensive and up-to-date checklist of required CCEP documentation and the location where documentation should be retained. (Priority 3)*

The Department of Parks, Recreation and Neighborhood Services concurs with this recommendation. PRNS agrees that a checklist of documents to retain in the project files ensures the consistency and completeness of project files. A draft operating project file checklist has been developed. Upon finalization, it will be included in the operating project files.

A report entitled U.S. Department of Housing and Urban Development (HUD) CPD Consolidated Plan Listing of Proposed Projects is electronically submitted to HUD for approval on an annual basis for input to its on-line Integrated Disbursement and Information Management System (IDIS). The reports submitted for FY 2000-01, 2002-2003 and 2003-2004 specify the eligible activity for CCEP as code enforcement and national objective as services to low-and moderate-income people. This report is the primary instrument to document eligibility and HUD's approval and funding of the CCEP program officially documents that the project is eligible for receipt of CDBG funds.

Recommendation #4. *Conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients. (Priority 2)*

The Department of Parks, Recreation and Neighborhood Services concurs with this recommendation. PRNS agrees that improvements to the Grants Unit's monitoring process need to be made. With the consolidation of the various grants in PRNS into one unit, the Grants Unit launched various grant improvement processes, including a review of its monitoring procedures. A project monitoring working group has been meeting regularly for this purpose.

Recommendation #5. *Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)*

The Department of Planning, Building and Code Enforcement concurs with this recommendation. The comprehensive blight survey of the proposed Strong Neighborhoods Initiative Project Area was required by redevelopment law in order to utilize redevelopment funding for neighborhood improvement programs. Code Enforcement conducted a street-by-street survey and observed 64,000 incidents of blight in 2001. The Code Enforcement "Driveway Team" a proactive code enforcement unit, funded by the Redevelopment Agency, has successfully reduced blight within the SNI by 3,215 per year since 2002. In addition to proactive enforcement the "Driveway Team" regularly attends the SNI Neighborhood Advisory Committee (NAC) meetings to discuss current code enforcement efforts in the various neighborhoods.

The City of San Jose is confronted with a severe budget crisis, which may impact Code Enforcement's delivery of services. Therefore, Code Enforcement proposes to conduct a blight survey in 2007 depending upon the availability of staff and funding to perform the survey.

Recommendation #6. *Continue to improve its internal controls to address identified program threats. (Priority 3)*


The Department of Planning, Building and Code Enforcement concurs with this recommendation. Code Enforcement has met with the Auditor on the identified program threats and has submitted preliminary procedures to address these threats. Code Enforcement will continue these efforts.

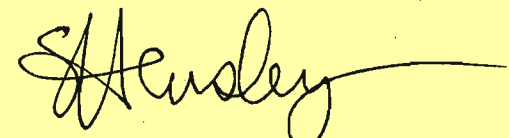
Recommendation #7. *Update CES census tract information, include CCEP as a program designation in the CES, and maintain written documentation showing CCEP work conducted in CDBG-eligible areas. (Priority 3)*

The Department of Planning, Building and Code Enforcement concurs with this recommendation. Code Enforcement will work with the IT Department in an effort to modify CES in an effort to capture CCEP as a separate program. Furthermore, Code Enforcement will work with IT staff in updating CES so that the census tract data identifies the address as CDBG eligible.

CONCLUSION

Improvements to the internal controls for the CCEP have progressively been made during the last three years. The above recommendations will significantly improve our continued improvement efforts.

for 
STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement


SARA L. HENSLEY, DIRECTOR
Parks, Recreation and Neighborhood Services

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

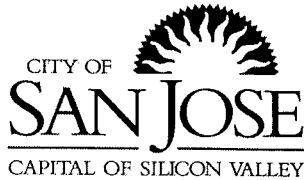
Priority Class¹	Description	Implementation Category	Implementation Action³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. **(CAM 196.4)**

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.
(CAM 196.4)

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.
(CAM 196.4)

APPENDIX B



Memorandum

TO: Gerald A. Silva

FROM: Michael Hannon

**SUBJECT: CONCENTRATED CODE
ENFORCEMENT PROGRAM
ACCOMPLISHMENTS**

DATE: April 5, 2004

This memorandum summarizes the Code Enforcement Division's recent accomplishments for the Concentrated Code Enforcement Program (CCEP). The accomplishments reflect the continuing commitment of the program that has been providing code enforcement services to eliminate sub-standard housing and blight in the City's Strong Neighborhoods and other low-income neighborhoods for over 15 years. The CCEP activities are closely coordinated with the Strong Neighborhood Initiative (SNI) proactive driveway team to ensure maximum benefit of available enforcement resources to address blight and substandard housing in low-income areas.

CCEP services transformation to maximize service delivery in low-income neighborhoods

The Concentrated Code Enforcement Program has been successful in combating blight and substandard housing conditions, in low-moderate income neighborhoods, since 1987-1988. In FY 2001-02, it became apparent that Code Enforcement Division services to low-moderate income neighborhoods would be impacted as a result of anticipated reductions in San Jose's General Fund, coupled with the shifting of inspection staff to fee funded programs.

In FY 2000-01, the Code Enforcement Division had nine General Fund Code Enforcement Inspectors who responded to complaints from residents involving both life safety conditions, such as improper occupancies of garages and basements, sewage leaks, substandard housing conditions, pool fence enclosures and vacant buildings. In addition, these Code Enforcement Inspectors responded to resident complaints, which impacted the quality of life in San Jose's neighborhoods. These requests for service included auto repair businesses, property blight and zoning. Since FY 2000-01, the number of Code Enforcement Inspectors, funded through the General Fund, has decreased to the point wherein the number of Code Enforcement Inspectors available to respond to the above-referenced complaints is proposed for reduction to five for FY 2004-05.

The transition of Code Enforcement Inspectors to other programs with specific funding sources, which limited their deployment, led to the determination that continuing to provide enhanced proactive code enforcement services, at a time when essential code enforcement services to address immediate health and safety conditions was being reduced, could no longer be offered. Furthermore, the Division determined that responsiveness to community priorities, in low-moderate income neighborhoods, outweighed the continuation of these proactive services.

As CCEP was transitioning its service delivery model in response to identifiable neighborhood priorities, the City of San Jose and the Redevelopment Agency were embarking on a collaborative effort to divert Redevelopment Agency funding to San Jose's neighborhoods. This effort, which was applauded by the Mayor and City Council, business owners and residents, provided the City of San Jose an opportunity to focus City services on neighborhoods where revitalization was deemed necessary. The Code Enforcement Division played a pivotal role in the development of the project area by identifying 64,000 instances of blight conditions. These efforts led to the formulation of the Strong Neighborhoods Project Areas. Furthermore, the creation of the Project Area led to the creation of the Code Enforcement Division's Driveway Team. This Team was assigned the responsibility of partnering with the 20 Neighborhood Action Committees (NAC) in an attempt to develop priorities for City services within the 20 SNI neighborhoods. At the same time, the Team was to proactively address and correct the 64,000 instances of blight within the Project Area. Proactive enforcement continues to be provided to one-third of San Jose in the form of the Driveway Team. As the Code Enforcement Division continues to struggle with budgets cuts, it remains committed to responding to life safety complaints in a timely manner.

FY 2003-04 Case Workload Accomplishments

- CCEP inspection staff responded to 639 project area resident requests for code enforcement service to investigate and address code violations in the first three quarters of FY 2003-04.
- CCEP enforcement activities resulted in the correction of code violations and the resolution of 642 resident complaints and requests for service in the first three quarters of FY 2003-04.

Correction of Substandard Housing Conditions in the City's Affordable Housing Stock

- Dangerous substandard housing and structural conditions were corrected in over 200 low- and moderate-income housing units in the first three quarters of FY 2003-04. These units were rehabilitated by property owners and have been brought up to code standards for decent, safe and sanitary housing.
- Potentially life-threatening illegal occupancies of attics and basements and similar unsafe living conditions were eliminated. Tenants were assisted in finding relocation benefits and replacement housing through the Housing Department and local social service agencies.
- Code Enforcement activities resulted in prompt correction of dangerous housing and Building Code violations in the City's affordable housing stock. Responsible parties corrected 75% of all cited Housing and Building Code violations within 90 days of notification.

Blight Eradication and Neighborhood Quality of Life Issues

- Code Enforcement activities in the first three quarters of FY 2003-04 resulted in the correction of more than 700 blight, zoning and solid waste code violations on residential and commercial properties in the targeted areas.
- The Code Enforcement Division provides four CCEP neighborhood cleanup events each program year to remove unwanted junk, trash, weeds, debris, litter, abandoned vehicles and graffiti from targeted neighborhoods.
- Inspection staff and managers attend ten community meetings per year to understand the community's perspective on code issues, to explain Code Enforcement programs, to answer resident questions and to encourage voluntary compliance with codes and regulations.
- Project Blossom, through the Multiple Housing Program, provided property owner training to low-income property owners and managers to foster an understanding of good management techniques, the benefits of operating rental businesses in compliance with codes and regulations, and tenant rights and fair housing laws.

The Code Enforcement Division will continue to look at opportunities to enhance its service delivery to San Jose's residents, whether in the form of a proactive or complaint-based model. In addition, Code Enforcement will pursue opportunities to engage Neighborhood Associations and other City Departments as it seeks to maintain high-quality performance in the wake of severe budget reductions.

Should you have any questions regarding this memorandum, please contact Code Enforcement Administrator Peggy Rollis at extension 5565.



Michael Hannon, Deputy Director
Planning, Building and Code Enforcement

cc: Peter Jensen, Asst. to the City Manager
Stephen Haase, PBCE Director

APPENDIX C

Internal Control Rating Guide

The internal control is	if
WEAK	<p>Management and/or staff demonstrate an uncooperative or uncaring attitude with regard to compliance, recordkeeping, or external review.</p> <p>Prior audits or the preliminary survey has disclosed significant problems.</p> <p>The Risk Matrix reveals that adequate and/or sufficient internal control techniques are not in place.</p> <p>Documentation of procedures is lacking or of little use.</p>
ADEQUATE	<p>Management and staff demonstrate a cooperative attitude with regard to compliance, recordkeeping, and external review.</p> <p>Prior audits or the preliminary survey has disclosed some problems but management has implemented remedial action and has satisfactorily responded to audit recommendations.</p> <p>The Risk Matrix reveals that adequate and/or sufficient internal control techniques are in place.</p> <p>Although deficient or outdated, documentation of procedures is still useful or can easily be updated.</p>
STRONG	<p>Management and staff demonstrate a constructive attitude, including an eagerness to anticipate and forestall problems.</p> <p>Prior audits and the preliminary survey have not disclosed any problems.</p> <p>The Risk Matrix reveals that numerous and effective internal control techniques are in place.</p> <p>Procedures are well documented.</p>