



# DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Biennial Performance  
Audit for Fiscal Years  
Ended June 30, 2020 and  
2019

City Auditor, Josh Pasch

NOVEMBER 2021



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Honorable Bill Henry, Comptroller  
and Other Members  
of the Board of Estimates  
City of Baltimore

## EXECUTIVE SUMMARY

The Department of Audits (DOA) conducted a Biennial Performance Audit of the Department of Housing and Community Development for the fiscal years (FYs) ended June 30, 2020 and June 30, 2019. The audit objectives for the Department of Housing and Community Development (DHCD) were to: (1) evaluate whether the City of Baltimore (City) has effective processes to identify and accurately report the City's vacant properties; and (2) follow up on prior findings and recommendations included in the previous Biennial Performance Audit Report dated November 7, 2019. The scope of this audit is DHCD's reporting processes on unoccupied and unsafe properties in Fiscal Years 2020 and 2019.

### Department of Housing and Community Development

The DHCD is authorized to administer and enforce the City's Building, Fire, and Related Codes Article and all other regulatory codes of Baltimore City that relate to buildings, housing, or sanitation, except where that administration and enforcement is required by the City Charter or by State law to be exercised exclusively by some other officer, department, bureau, or agency of the City.

Source: Baltimore City Code, Article 13, Housing and Urban Renewal – Subtitle 2

One of the audit methodologies to accomplish the audit objective (1) was to research and determine the methodologies used by DHCD and other reporting organizations (i.e. United States Postal Service (USPS) and United States Department of the Census (US Census) to calculate vacant properties. Specifically,

- **DHCD** follows the definition of Vacant Structure stated in Section 116, *Unsafe Structures of the Baltimore City Building, Fire and Related Codes (Code)*. According to the Code, a vacant structure means a structure or distinguishable part of a structure that is:
  - Unoccupied; and
  - Either:
    - ✓ Unsafe or unfit for human habitation or other authorized use; or
    - ✓ Nuisance property.

An unsafe structure, unfit for human habitation includes but is not limited to: 1) structures that are boarded up, 2) no proper ventilation, 3) open entry, 4) there is visible roof damage, 5) insanitary and other violations stated under the Code.

A nuisance property must be unoccupied with at least two violations that remain unabated for ten days or more beyond the date of the violation to be corrected or have been served six or more separate Property Maintenance Code violations within the twelve-month period. This usually applies to sanitation violations.

The DHCD’s count of the number of vacant properties is based on the number of Vacant Building Notices (VBNs) housing inspectors issued that met the legal definition of a vacant property under the Code. According to DHCD, housing inspectors issue a VBN to a building / property owner - not by units. For example, a VBN is issued and counted as one for a building with 10 units.

- **USPS** includes unoccupied units within uninhabitable and habitable residential (e.g. apartment building) and business (e.g. office building or mall) properties, that meet code, as part of its unoccupied unit calculation.
- **US Census** includes, but is not limited to, unoccupied housing, separate living quarters within a housing unit, hotel rooms if deemed the place of occupancy, quarters in institutions, general hospitals and military installations, excluding staff that have separate housing residency, and vacant seasonal / migratory mobile homes, as part of its vacant unit and living quarter calculation.

As a result, as shown in Table I below, the balances reported by the US Census and USPS will be significantly higher than the balances reported by DHCD.

**Table I**  
**Vacancy Counts**

<b>Entity</b>	<b>US Census Vacant Units and Living Quarters as of December 31, 2020<sup>1</sup></b>	<b>USPS Unoccupied Units as of March 31, 2021</b>	<b>DHCD VBNs as of March 31, 2021</b>
Total Vacancies	41,770	30,794	15,610

Note: <sup>1</sup> Census is completed every ten years. The last census was completed in December 2020.

Within the context of City’s definition of vacant structure for safety purpose, our audit concludes that DHCD has established effective processes and controls to identify and accurately report the number of vacant properties within the City.

Of the two prior year recommendations that we followed up during this Biennial Performance Audit, one recommendation, or 50 percent, was fully implemented and one recommendation, or 50 percent, was not implemented. (See Table II on page 5).

We wish to acknowledge DHCD's cooperation extended to us during our audit.

Respectfully,



Josh Pasch, CPA  
City Auditor  
Baltimore, Maryland  
November 10, 2021

## OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our performance audit in accordance with *Generally Accepted Government Auditing Standards*, except for peer review requirements. 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 objectives of our audit were to:

- Evaluate whether the City has effective processes to identify and accurately report the City's vacant properties; and
- Follow-up on prior findings and recommendations included in the previous Biennial Performance Audit Report dated November 7, 2019.

The scope of our audit is for the periods of FY 2020 and FY 2019 and the DHCD's reporting processes on unoccupied and unsafe properties.

To accomplish our objectives, we:

- Researched and reviewed newspaper and other periodic journal articles related to the number of vacant properties reported by Baltimore City and other governmental (e.g. US Census and USPS) and private entities;
- Obtained and analyzed USPS's quarterly vacant property reporting, submitted to the Department of Housing and Urban Development, for all Maryland jurisdictions;
- Interviewed key individuals to obtain an understanding of the processes and procedures associated with the identification, reporting, and validation of DHCD's vacant property counts;
- Evaluated the design of certain: (1) internal controls such as recording, reporting, documenting and segregation of duties; (2) processes; and (3) procedures associated to the audit objectives; and
- Reviewed and evaluated: (1) management responses and timelines; (2) applicable records including an invoice, procurement records, Scorecards, and Budget Book details to gain an understanding of the reasonableness of DHCD's implementation status of the prior findings and recommendations.

IMPLEMENTATION STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

Table II

**Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2018 and 2017 for Service 593 – Community Support Projects<sup>1</sup>**

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No.	Finding	Prior Recommendation	Management’s Self-reported Implementation Status	Auditor’s Assessment
1.	A process to ensure the accuracy and completeness of all subrecipient awards, contracted activities and the corresponding metric calculations is missing for the Service 593. The DHCD current process for tracking subrecipients’ activities involves multiple databases. These databases are not integrated which makes it difficult to produce accurate reports. Also, DHCD does not have a verification process to ensure that all subrecipients and the corresponding contracted activities are identified, monitored, and reviewed by senior management.	<ul style="list-style-type: none"> <li>• Use performance minimums as specified by contract to determine subrecipients’ performance and Service 593’s performance;</li> <li>• Establish a database that tracks all awards and contracted activities under the Service 593’s control; and</li> <li>• Acquire the population of contract activities from the database and reconcile it to the contract files to ensure completeness and senior management review.</li> </ul>	<p>Implemented in FY 2021</p> <p>Deployment of Neighborly Database Software in FY 2021 to track and monitor grant activity.</p>	<p><b>Not Implemented</b></p> <p>The DHCD initiated the implementation of the Neighborly Database Software and began staff training. However, the risks identified in the audit findings remain and will not be addressed until full implementation is achieved. A project plan has been established to implement the software by the fourth quarter of 2022.</p>

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<sup>1</sup> The selected performance measure for review was Percent of Activities Carried Out by Subrecipients and City Agencies that Met Contractual Goals.

Table III

**Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2018 and 2017 for Service 751 – Building and Zoning Inspections and Permits<sup>2</sup>**

No.	Finding	Prior Recommendation	Management’s Self-reported Implementation Status	Auditor’s Assessment
1.	The DHCD did not periodically evaluate the reasonableness of the target. The difference between target and actual for FY 2018 and FY 2017 is 30 percent and 25 percent, respectively. As a result, there is a risk that performance measure targets may be artificially low to increase the probability of achieving them.	Periodically re-evaluate the reasonableness of target set for the Service 751 performance measure - "Number of Inspections."	Implemented in FY 2021 budget cycle	<b>Implemented</b>

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<sup>2</sup> The selected performance measure for review was Number of Inspections.