CONTROLLER OF DELAWARE COUNTY
**GOVERNMENT CENTER BUILDING**
**201 W. FRONT STREET**
**MEDIA, PENNSYLVANIA 19063**

PHONE 610-891-4441
FAX NUMBER 610-566-3256

Louis F. Rosenthal
CONTROLLER

Matthew Morley, Esq.
SOLICITOR

Jeffrey J. Powers, C.P.A
FIRST DEPUTY CONTROLLER

Judy A. Drake
DEPUTY CONTROLLER PAYROLL

**May 6, 2026**

**To:** **Mr. Richard R. Womack**
**Chairperson, County Council**

**From:** **Louis F. Rosenthal**
**Controller, Delaware County**

**Subject: Report 2026/01 of an Audit of utilization of the Property Demolition Fund in Office of Housing and Community Development (Assignment No. AP2025/11)**

1. Attached please find the final report on the above-mentioned audit.

2. Please note that the Internal Audit Department (IAD) - Controller's Office will report on the progress made to implement its recommendations. IAD will also report to the Chair, County Council semi-annually for critical recommendations and annually for important recommendations.

3. The Controller's Office wishes to express its appreciation to the management and staff of the Office of Housing and Community Development (OHCD).

Cc: Ms. Joanne Phillips, Esq., Member, County Council
Ms. Barbara O'Malley, Executive Director
Mr. Marc Woolley, Deputy Executive Director
Mr. Christopher Welsh, Chief, Social Services and Community Programs
Mr. Philip Welsh, Director, Office of Housing and Community Development
Mr. Jeffrey Powers, First Deputy Controller
Mr. Tony Aguirre, Internal Audit Manager

# INTERNAL AUDIT DEPARTMENT - OFFICE OF THE CONTROLLER

# REPORT 2026/01

## Audit of utilization of County Demolition Fund administered by the OHCD

**The Office of Housing and Community Development needed to develop and implement oversight and internal control mechanisms on its utilization of the County Demolition Fund**

**May 6, 2026**

**Assignment No. AP2025/11**

## Executive Summary: Property Demolition Fund Audit

The Internal Audit Department (IAD) conducted an audit of the Office of Housing and Community Development's (OHCD) Property Demolition Fund between December 2025 and January 2026, covering the period from January 2022 to December 2024. The audit assessed the effectiveness of fund utilization for clearing blighted properties and evaluated the internal controls governing disbursements to municipalities and contractors.

The audit determined that OHCD must strengthen oversight and internal control mechanisms. Following technical evaluations of the findings, OHCD has formally accepted all nine audit recommendations, acknowledging that current processes require enhanced tracking, documentation, and fiduciary reconciliation to ensure full financial and regulatory compliance.

Summary of Recommendations & Management Actions

The IAD issued two critical[1] and seven important[2] recommendations. OHCD has committed to the following actions to mitigate risk and protect Delaware County (County) assets:

1. Centralize Monitoring (Critical): By June 1, 2026, OHCD will establish a digital master log and Standard Operating Procedures (SOPs) to track all grant actions, change orders, and real-time balances. This system replaces manual tracking to eliminate accounting errors and fund misclassifications.
2. Verify Physical Progress (Critical): By March 20, 2026, OHCD will implement a mandatory Certification of Completion procedure. The OHCD Administrator will perform non-technical site reviews to reconcile physical project completion with financial disbursements, ensuring a three-way match (contract vs. invoice vs. physical existence).
3. Mandate Procurement Evidence (Important): Effective March 2, 2026, OHCD will require municipalities to submit bid tabulations and proof of public solicitation. Mandatory debarment checks will verify the selection of the lowest responsible bidder for all projects.
4. Enforce Legal Security (Important): By March 20, 2026, OHCD will strictly withhold final payments and closeouts until a verified, recorded lien bearing an official stamp is provided. This secures the County's right to recover approximately $873,517 in distributed funds if grant terms are breached.
5. Monitor Substantial Investments (Important): Starting April 3, 2026, OHCD will implement annual monitoring for high-value grants (exceeding $85,000) via site visits and Recorder of Deeds verifications. This safeguards long-term public use covenants for major investments like the $400,000 Pulaski School project.
6. Refine Financial Reporting (Important): By June 1, 2026, OHCD will establish supplemental reporting to separately categorize current-year costs from prior-year carryovers, ensuring transparent annual performance reporting and institutional memory.

[1] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the County of Delaware.

[2] Important recommendations address those risk issues that require timely management attention. Failure to act could have a high or moderate adverse impact on the County of Delaware.

## CONTENTS

| | |
|---|---|
| **Assignment Title:** | Audit of the Utilization of Property Demolition Fund in Office of Housing and Community Development in the County of Delaware |
| **Assignment No:** | AP 2025-11 |

## I. Background

1. The Controller's Office - Internal Audit Department (IAD) conducted an audit of the utilization of Property Demolition Fund in Office of Housing and Community Development (OHCD) in the County of Delaware (County).

2. The fund was established under Pennsylvania's Act 152 of 2016 (and affirmed by Act 149 of 2022). The County levies a $15 fee on real estate document recordings. These funds are restricted to the demolition of blighted properties -defined by state law as structures meeting at least three of nine criteria (e.g., public nuisance, unfit for habitation, fire hazard).

3. OHCD serves as the implementing agency. As a recipient of Act 152 funds, Delaware County is subject to oversight by the Department of Community and Economic Development (DCED) and must submit annual reports detailing costs per property and total structures cleared.

4. The Financial Highlights from 2017 – 2025 is summarized as follows:

- Total Revenue Collected: $4,166,000
- Total Expenditures (Grants and Administration): $2,251,000
- Current Fund Balance: $1,948,000

## II. Audit Objective, Scope, and Methodology

5. The objective of the audit was to assess the internal controls governing the Property Demolition Fund and assess the efficiency and compliance of fund disbursements to municipalities and contractors.

6. The audit was conducted between December 2025 to January 2026 and covered the period from January 2022 to December 2024. The scope included expenditure reviews, grant award compliance, and contractor procurement verification. The audit did not cover the revenue or collections for the Property Demolition Fund.

7. The audit methodology includes a) interviews with key OHCD personnel; b) performed a statistical sample test of 13 projects (totalling $873,517) to verify documentation completeness; c) reconciled annual reports submitted to the DCED against internal general ledger accounts; and d) analysed contractor payment concentrations to identify potential procurement risks. Furthermore, a random sample testing of transactions occurring between January 2022 and December 2024 was conducted to verify the authorization of payments, competitive bidding for demolition contracts, and post-demolition outcomes.

## III. Audit Results

### A. Oversight of Property Demolition Funds

**Need to improve oversight on competitive bidding**

8. Under Government Accountability Office (GAO) 10.03 and Government Auditing Standards (GAGAS) 6.11, management must maintain controls and documentation readily available for examination to provide reasonable assurance of compliance. As the Grantor, OHCD is responsible for ensuring municipalities follow transparent procurement by verifying public solicitations, bid tabulations, cost

estimates, and debarment checks thereby fulfilling the County's fiduciary duty under Home Rule Charter Section 408 to protect public appropriations.

9. A review of $1.89M in cumulative disbursements (2017–2024) across 13 municipalities revealed a systemic absence of procurement documentation. Furthermore, there is a high concentration of awards among a limited vendor pool, with 70.1% of all funds ($1.33M) awarded to just three contractors. The following table reflects the utilization for the eight contractors who have performed work under the fund:

| Contractor Name | Total Amount Received | No. of Projects | % of Total Fund | Fiscal Years of Awards |
|---|---|---|---|---|
| Robert Lilick dba BRB Contractors | $521,805.69 | 10 | 27.5% | 2019, 2020, 2021, 2022, 2024 |
| A To U Services, Inc. | $442,524.60 | 11 | 23.3% | 2018, 2019, 2020, 2022, 2023 |
| Tamco Construction Inc | $366,525.00 | 5 | 19.3% | 2022 |
| Benjamin Washington LLC | $309,042.42 | 6 | 16.3% | 2022, 2023, 2024 |
| International Waste Service Inc. | $86,900.00 | 4 | 4.6% | 2018 |
| Fares Farhat General Construction | $82,699.57 | 2 | 4.4% | 2019 |
| FH Demolition | $46,999.80 | 1 | 2.5% | 2024 |
| Diamond Huntbach Construction | $39,015.00 | 2 | 2.1% | 2020 |
| Total Cumulative | $1,895,512.08 | 41 | 100% | 2017–2024 |

10. From 2017 to 2024, OHCD disbursed $1,895,512.08 to eight contractors. However, project files lack verified evidence of the competitive bidding process used by municipalities. Notably, 70% of all funds ($1.33M) were concentrated among top three contractors (BRB Contractors, A To U, and Tamco).

11. This was mainly due to OHCD's internal controls prioritizing the review of final invoices over procurement verification. This has led to an over-reliance on municipal assertions rather than independent verification.

12. Without verified procurement records, the County cannot confirm that nearly $1.9 million in public funds were awarded through a fair, competitive market. This creates financial risk, including potential overpayment and vulnerability to bid-splitting or favoritism.

13. OHCD advised that the limited vendor pool in the County and the refusal of some contractors to work in specific municipalities contribute to vendor concentration. OHCD also clarified that funds are committed early to ensure municipal budget security. While OHCD has not historically required full bid tabs in property folders, management agrees to make the submission of these documents a mandatory requirement for project files moving forward.

**(1) OHCD should update the Project Documentation Checklist to require municipalities to submit advertisements and bid tabulations as a condition of the grant.**

*Office of Housing and Community Development (OHCD) accepted recommendation 1 and stated that bid tabulations and proof of advertisement will be collected when applicable.* Recommendation 1 remains open pending receipt of evidence of an updated Project Documentation Checklist which requires municipalities to submit advertisements and bid tabulations as a condition of the grant.

**(2) OHCD should perform a mandatory check of contractor debarment status and a review of bid tabulations prior to authorizing final disbursements to confirm the lowest responsible bidder was selected.**

*OHCD accepted recommendation 2 and stated that the lowest responsible bidder will be verified.* Recommendation 2 remains open pending receipt of evidence of mandatory check of contractor debarment status and a review of bid tabulations prior to authorizing final disbursements to confirm the lowest responsible bidder was selected.

**Need to verify post-demolition lien requirements**

14. The OHCD Project Documentation Checklist requires participating municipalities to record a lien on behalf of the County. This legal mechanism is mandatory to ensure the recovery of costs for non-publicly owned properties.

15. A review of the 2022 Annual Report representing $873,517.01 in utilized funds revealed that none of the 13 properties tested contained verified proof that a municipal lien was recorded on behalf of the County:

- Project files lacked confirmation that liens were placed by municipalities. For example, the 8 properties located in Chester City totaling $555,566,90: a property in Lansdowne amounting to $30,000 and a property in Aston Township amounting to $87,000. In these instances, municipalities were not required to demonstrate that a lien had been placed to secure the construction and restoration costs borne by the County.

16. This was mainly due to the lack of enforcement by OHCD the Lien Proof requirement as a mandatory prerequisite for final project closeout and payment authorization. There is currently no administrative stopgap to prevent funds from being released before legal security is confirmed.

17. As a result, the County is exposed to financial risk. Without recorded liens, there is no legal encumbrance on these properties to guarantee the reimbursement of funds if the properties are sold or repurposed in violation of grant conditions.

18. OHCD acknowledged the need for better documentation and agreed to incorporate lien proof into future project files. IAD advised that OHCD holds the ultimate oversight responsibility to verify that the filing has occurred before closing the grant.

**(3) OHCD must enforce the Lien Proof requirement as a mandatory prerequisite for project closeout. Project signoffs should be withheld until the municipality provides a copy of the recorded lien bearing an official recording stamp.**

*OHCD accepted recommendation 3 and stated that project will not be closed out until recorded lien is verified, when applicable.* Recommendation 3 remains open pending receipt of evidence that the Lien Proof requirement as a mandatory prerequisite for project closeout is enforced and project signoffs withheld until the municipality provides a copy of the recorded lien bearing an official recording stamp.

**Need to strengthen project monitoring and documentation oversight**

19. Under Article XIII of the Delaware County Administrative Code and GAO Standard 13.04, OHCD is mandated to develop and maintain an integrated management information system. This centralized database is essential for ensuring financial integrity and operational oversight, allowing for the precise tracking of contractor performance, subrecipient activities, and real-time project balances. Relying on

decentralized files or individual archives fails to meet these local and federal standards for institutional knowledge and fiscal accountability.

20. A review of the demolition fund case files such as Demolition Fund Agreement, Demolition Program Application, invoices, transaction reports, and DCED annual reports revealed significant gaps in administration. OHCD does not maintain a master monitoring log; project files are decentralized and tracking of Change Orders is inconsistent. For example, Grant DF 21-60A had three price increases (from $150,000 to $165,375), yet the final completion status and contractor performance remain undocumented in a central system. Furthermore, a journal entry error was identified where $15,336 was mischarged to the Home Program instead of the Demolition Fund.

21. Due to the lack of a master log and final review, the current completion and financial status of this project cannot be verified. The department relies on manual, folder-based tracking rather than a digital master log. There are no Standard Operating Procedures (SOPs) requiring staff to record grant actions, change orders, or amendments in a single, accessible, and start-to-finish digital format.

22. OHCD advised and provided an Excel sheet that currently tracks these items. However, IAD found that existing summaries do not provide the necessary start-to-end project data and OHCD needs to create a master log to provide a snapshot of all controls and funding in one line. This master log will centrally track projects from inception to completion in a format accessible to third parties, such as the County Council and reviewers.

An example of a Demolition Fund Master Tracking Log may look this way:

| Category | Column Header | Purpose / Data Point |
|---|---|---|
| **Project Identity** | Project ID / Grant No. | Unique identifier (e.g., Grant DF 21-60A) |
| | Municipality | Entity responsible for the property |
| | Property Address | Physical location of the demolition |
| **Procurement** | Lowest Bidder Form | Confirmation that procurement documents are on file |
| | Selected Contractor | Name of the firm awarded the contract |
| **Financials** | Original Award | Initial funding allocation |
| | Change Orders ($) | Cumulative value of all approved increases |
| | Total Disbursement | Total funds paid to date |
| | Funding Account | Correct categorization (e.g., "Demolition Fund") |
| **Physical Status** | Physical Progress (%) | Status of demolition/restoration |
| | Engineer Sign-off | Date of certified technical completion |
| | OHCD Verification | Date of independent physical inspection |
| **Compliance** | Completion Date | Date building clearance was finalized |
| | Lien Filed Date | Date stamped by Recorder of Deeds |
| | Lien Stamp # | Filing reference for cost-recovery audit |
| | Use Restriction | 5-year public use or 10-year affordable housing |

23. Without a centralized database, OHCD cannot effectively hold poorly performing contractors accountable across multiple projects. This creates a high risk of unauthorized cost escalations, fund misstatements, and projects may remain in uncertain status without final resolution.

**(4) OHCD should establish a centralized digital monitoring log to track all grant actions and change orders.**

*OHCD accepted recommendation 4 and stated that an Excel tracker showing year awarded, address with Municipality, project ID, procurement verified, allocation, bid award amount, debarred* *contractor check, change orders, payment dates and received lien. Items may be listed as non-applicable on certain projects.* Recommendation 4 remains open pending receipt of evidence of a centralized digital monitoring log to track all grant actions and change orders.

**(5) OHCD should implement a Certification of Completion form that must be signed by the OHCD Administrator and the Grant Officer before a project is officially closed in the system.**

*OHCD accepted recommendation 5 and stated OHCD administrator will verify invoiced work is completed via non-technical site review. Final project closeout will not be completed until action items in recommendation #3 are completed.* Recommendation 5 remains open until receipt of evidence that OHCD implements a formal sign-off by the Administrator and Grant Officer to protect the County from further misstatements and incomplete deliveries.

**Need to track and document long-term use conditions**

24. OHCD maintains an internal policy for Local Municipal Participants that limits eligible costs to site restoration and clearance, with a maximum award of $85,000 per structure. Furthermore, grant agreements require strict adherence to long-term use provisions: five years of public use or ten years of affordable housing, with a full reimbursement clause for unauthorized early sales or change in use.

25. A review of case files such as the Demolition Fund Agreement, Demolition Program Application, invoices and transaction reports related to the former Pulaksi School in Chester City (granted $400,000 by the County) indicate critical oversight lapses:

a) The $400,000 award significantly exceeds the department's internal maximum limit of $85,000 without a documented waiver or policy reconciliation.
b) No documentation exists to verify formal project sign-off, closure, or current compliance with the special conditions established in the September 21, 2022, amendment.
c) There is no evidence of a mechanism to track whether the property continues to meet the public use or affordable housing requirements.

26. This condition stems from a lack of formalized administrative controls to reconcile County Council approvals with internal OHCD policy. Furthermore, OHCD lacks a post-completion monitoring system to track property usage after the initial demolition phase. Management's reliance on informal evidence such as County Council attendance at a groundbreaking ceremony is used as a substitute for institutionalized, documented project tracking.

27. The absence of a formal tracking mechanism exposes the County to a $400,000 financial risk. Without documented oversight, the property could be sold or repurposed for non-public use without triggering the required reimbursement of the County's Property Demolition Fund.

**(6) OHCD should: a) update award policies to align with authorized spending limits; b) formalize comprehensive filing and tracking requirements for all grants; and c) create a recurring annual or biennial verification schedule to enforce long-term compliance and ensure that the reimbursement clauses remain active and enforceable for all substantial investments.**

*OHCD accepted recommendation 6 and stated that OHCD Administrator will monitor projects identified as substantial investments annually with submission of annual report to DCED. Recorder of Deeds website will be utilized to ensure land has not been sold. Properties with restricted use covenants will be visited to ensure they are available to the public. Details on progress for properties with future development plans will be requested from property owner.* Recommendation 6 remains open pending receipt of evidence that OHCD: a) aligns award policies with authorized spending limits; b) formalizes grant filing and tracking; and c) establishes a recurring verification schedule to enforce long-term reimbursement clauses.

**Need to create a Grant Tracking System**

28. OHCD is responsible for the financial integrity and oversight of demolition activities, which requires maintaining an accurate database for contractor performance, contract values, and proper account classifications.

29. There is no centralized system to track contractors across multiple sites or to monitor project amendments. Additionally, there are no Standard Operating Procedures requiring staff to log grant actions into a master record. For example, account misclassification was noted. A journal entry error was identified where $15,336 was charged to account 240720 “Home Program" instead of the "Demolition Fund".

30. OHCD lacks a master monitoring log and did not conduct comprehensive financial reviews before closing project files. Without a master record to validate account classifications, there is a risk for the misapplication of funds and documented misclassification of expenditures.

**(7) OHCD should establish a master grant tracking system and Standard Operating Procedure. The system must capture all grant actions including IDs, funding sources, contract history, and real-time disbursement balances.**

*OHCD accepted recommendation 7 and stated that a master grant tracking will be created.* Recommendation 7 remains open pending receipt of evidence of a centralized digital monitoring log and Standard Operating Procedure that captures all grant actions, including project IDs, funding sources, contract history, and real-time disbursement balance.

**Need for sign-off procedure that reconciles physical progress with disbursements**

31. OHCD is responsible for the fiscal oversight and administrative closure of grant-funded projects, ensuring all deliverables are met prior to final payment.

32. A review of project files for 108 Stratford Avenue in Aldan Borough (Grant: $81,600) revealed that OHCD authorized payments despite the project being unfinished.

a) There was no formal sign-off procedure that reconciles physical project progress with financial disbursements. Specifically, 108 Stratford Avenue was recorded as satisfactorily completed, yet the project remained unfinished with no formal proof of demolition.

b) The contractor (SB Conrad Inc.) submitted a bid ($16,100) significantly lower than competitors, yet there was no enhanced monitoring to ensure the contractor could complete the scope for that price.

| Financial Category | Amount | Audit Notes/Findings |
|---|---|---|
| Total Grant Award | $81,600.00 | Total available funding |
| Initial Bid (SB Conrad Inc.) | $16,100.00 | Significantly below competitors |
| Final Approved Payment | ($14,700.00) | Paid despite incomplete status |
| Unspent Grant Balance | $66,900.00 | Unutilized funds (82%) |
| Additional Legal/Eng. Costs | $2,617.38 | Result of administrative failures |
| Est. Cost to Stabilize Site | $1,400.00 | Remaining liability |

c) OHCD relied solely on a third-party engineer's certification without verifying the existence of supporting progress documentation or physical site status.

33. As a result, the County paid for incomplete work and the Borough remains exposed to a $1,400 liability for site stabilization. Furthermore, the Borough incurred over $2,600 in unnecessary legal fees to address the administrative failure. By leaving 82% of the grant unspent on an unfinished site, the program failed to achieve its primary objective of blight removal.

34. OHCD advised that they do an occasional drive-by confirmations but not a certified inspection. Also, requiring a formal County sign-off on technical demolition could shift professional liability to the County. However, IAD clarified that the recommendation is for an overseer sign-off based on a physical inspection to supplement, not replace, the certified engineer's report. This serves as an essential internal control and an additional layer of verification to ensure project completeness before funds are released.

**(8) OHCD must implement a mandatory checklist and sign-off procedure that reconciles physical progress with financial disbursements.**

*OHCD accepted recommendation 8 and stated that fiduciary reconciliation is included in verification outlined in recommendation item #5.* Recommendation 8 remains open pending receipt of evidence that OHCD implements a formal Certification of Completion, signed by both the Administrator and Grant Officer, to verify all physical and financial reconciliations.

## B. Regulatory Framework

**Need for proper financial categorization of Act 152 expenditure**

35. To ensure transparency and accurate performance measurement, financial reporting must distinguish between current-year project costs and prior-year obligations. Under GAO Principle 13, management should use quality information to achieve objectives, which requires data that is complete, accurate, and provided on a timely basis. Furthermore, the PA Act 152 framework implies that annual reports should reflect the actual demolition activity achieved within the reported fiscal cycle to justify the continued collection of demolition fees.

36. A review of OHCD annual reports submitted to the Department of Community and Economic Development (DCED) revealed that Act 152 expenditures are not distinctly categorized by fiscal year of activity. The reporting structure blends prior-year and current-year costs into a single total. For example, the 2022 Annual Report cited a total expenditure of $873,517.01, but this figure included $37,658.11 for five projects that were completed and reported in 2021.

37. This lack of distinction is primarily due to a reliance on footnotes rather than isolated reporting categories. While OHCD cited constraints within the DCED-mandated templates, the current practice prioritizes making numerical totals tie over providing a clear timeline of activities. There is currently no internal supplemental reconciliation to bridge the gap between DCED requirements and local oversight needs.

38. Obscured data makes it difficult for users of the report (e.g. County Council, auditors, and the public) to determine the true cost of demolitions performed within a specific year. This results in a cashflow summary rather than a performance-based report, requiring time consuming manual reconciliations to verify if the program is meeting its annual targets.

39. We suggest that OHCD formulate a project closeout and verification checklist as shown in an example below:

OHCD Project Closeout & Verification Checklist

| Task | Verification Step | Sign-off (OHCD) |
|---|---|---|
| Document Audit | Confirm a unique file exists for each of the 13 properties, including the final "satisfactory completion" certificate. | ☐ |
| Fiscal Year Split | Verify that payments for projects completed in prior years (e.g., 2021) are isolated from current project totals. | ☐ |
| Expenditure Reconciliation | Match contractor invoices against the total "Funds Used" line item to ensure no administrative or legal fees are mislabeled as demolition costs. | ☐ |
| Engineer Certification Match | Confirm the physical status of the site matches the Engineer's certification before authorizing final grant utilization. | ☐ |

40. OHCD advised that they are constrained by the reporting formats requested by the DCED and have focused on maintaining the integrity of the total numbers. OHCD acknowledges the need for clarity and will evaluate methods to improve the visibility of these reconciliations. While the DCED template is fixed, OHCD has the authority to create supplemental reports for Delaware County Council to provide necessary transparency for local fiscal oversight.

**(9) OHCD should establish: a) a supplemental reporting process that clearly separates Current Year Project Costs from Prior Year Carryover Payments in all main report bodies and b) a Project Closeout & Verification Checklist to support this transition.**

*OHCD accepted recommendation 9 and stated that this will be accomplished with grant tracking discussed in recommendation item #4.* Recommendation 9 remains open pending receipt of evidence of a supplemental reporting process that clearly separates Current Year Project Costs from Prior Year Carryover Payments in all main report bodies and a Project Closeout & Verification Checklist to support this transition.

## IV. Acknowledgement

41. The Controller's Office - Internal Audit Department wishes to express its appreciation to the management and staff of Delaware County's Office of Housing and Community Development for assistance and cooperation extended to the auditors during this assignment.

Tony Aguirre, CPA, CFE, CRMA, MBA
Internal Audit Manager, Internal Audit Department
Office of the Controller

ANNEX I

## STATUS OF AUDIT RECOMMENDATIONS

### Audit of the Utilization of Property Demolition Fund in Office of Housing and Community Development in County of Delaware

| Rec. no. | Recommendation | Critical[3]/ Important[4] | C/O[5] | Actions needed to close recommendation | Implementation date[6] |
|---|---|---|---|---|---|
| 1 | OHCD should update the Project Documentation Checklist to require municipalities to submit advertisements and bid tabulations as a condition of the grant. | Important | O | Receipt of evidence of an updated Project Documentation Checklist which requires municipalities to submit advertisements and bid tabulations as a condition of the grant. | March 2, 2026 |
| 2 | OHCD should perform a mandatory check of contractor debarment status and a review of bid tabulations prior to authorizing final disbursements to confirm the lowest responsible bidder was selected | Important | O | Receipt of evidence of mandatory check of contractor debarment status and a review of bid tabulations prior to authorizing final disbursements to confirm the lowest responsible bidder was selected. | March 2, 2026 |
| 3 | OHCD must enforce the Lien Proof requirement as a mandatory prerequisite for project closeout. Project signoffs should be withheld until the municipality provides a copy of the recorded lien bearing an official recording stamp. | Important | O | Receipt of evidence that the Lien Proof requirement as a mandatory prerequisite for project closeout is enforced and project signoffs withheld until the municipality provides a copy of the recorded lien bearing an official recording stamp. | March 20, 2026 |
| 4 | OHCD should establish a centralized digital monitoring log to track all grant actions and change orders. | Critical | O | Receipt of evidence of a centralized digital monitoring log to track all grant actions and change orders. | June 1, 2026 |
| 5 | OHCD should implement a Certification of Completion form that must be signed by the | Critical | O | Receipt of evidence OHCD implements a formal sign-off by the Administrator and Grant Officer to protect | March 20, 2026 |

[3] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the County of Delaware.
[4] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the County of Delaware.

[5] C= closed, O= Open
[6] Target date of County of Delaware

| Rec. no. | Recommendation | Critical[3]/ Important[4] | C/O[5] | Actions needed to close recommendation | Implementation date[6] |
|---|---|---|---|---|---|
| | OHCD Administrator and the Grant Officer before a project is officially closed in the system. | | | the County from further misstatements and incomplete deliveries. | |
| 6 | OHCD should: a) update award policies to align with authorized spending limits; b) formalize comprehensive filing and tracking requirements for all grants; and c) create a recurring annual or biennial verification schedule to enforce long-term compliance and ensure that the reimbursement clauses remain active and enforceable for all substantial investments. | Important | O | Receipt of evidence that OHCD: a) aligns award policies with authorized spending limits; b) formalizes grant filing and tracking; and c) establishes a recurring verification schedule to enforce long-term reimbursement clauses. | April 3, 2026 |
| 7 | OHCD should establish a master grant tracking system and Standard Operating Procedure. The system must capture all grant actions including IDs, funding sources, contract history, and real-time disbursement balances | Important | O | Receipt of evidence of a centralized digital monitoring log and Standard Operating Procedure that captures all grant actions, including project IDs, funding sources, contract history, and real-time disbursement balance. | June 1, 2026 |
| 8 | OHCD must implement a mandatory checklist and sign-off procedure that reconciles physical progress with financial disbursements | Important | O | Receipt of evidence that OHCD implements a formal Certification of Completion, signed by both the Administrator and Grant Officer, to verify all physical and financial reconciliations. | March 20, 2026 |
| 9 | OHCD should establish: a) a supplemental reporting process that clearly separates Current Year Project Costs from Prior Year Carryover Payments in all main report bodies and b) a Project Closeout & Verification Checklist to support this transition. | Important | O | Receipt of evidence of a supplemental reporting process that clearly separates Current Year Project Costs from Prior Year Carryover Payments in all main report bodies and a Project Closeout & Verification Checklist to support this transition. | June 1, 2026 |

**Appendix I**

## Management Response

### Audit of the Utilization of Property Demolition Fund in Office of Housing and Community Development in County of Delaware

| Rec. no. | Recommendation | Critical/ Important | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|---|---|---|---|---|---|---|
| 1 | OHCD should update the Project Documentation Checklist to require municipalities to submit advertisements and bid tabulations as a condition of the grant. | Important | Yes | OHCD Director | 03/02/2026 | Bid tabulations and proof of advertisement will be collected when applicable. |
| 2 | OHCD should perform a mandatory check of contractor debarment status and a review of bid tabulations prior to authorizing final disbursements to confirm the lowest responsible bidder was selected. | Important | Yes | OHCD Director | 03/02/2026 | The lowest responsible bidder will be verified. |
| 3 | OHCD must enforce the Lien Proof requirement as a mandatory prerequisite for project closeout. Project signoffs should be withheld until the municipality provides a copy of the recorded lien bearing an official recording stamp. | Important | Yes | OHCD Director | 03/20/2026 | Project will not be closed out until recorded Lien is verified, when applicable. |
| 4 | OHCD should establish a centralized digital monitoring log to track all grant actions and change orders. | Critical | Yes | OHCD Director | 06/01/2026 | An excel tracker showing year awarded, address with Municipality, project ID, procurement verified, allocation, bid award amount, debarred contractor check, change orders, payment dates and received lien. Items may be listed as non-applicable on certain projects. |
| 5 | OHCD should implement a Certification of Completion form that must be signed by | Critical | Yes | OHCD Director | 03/20/2026 | OHCD administrator will verify invoiced work is completed via non-technical site |

| Rec. no. | Recommendation | Critical/ Important | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|---|---|---|---|---|---|---|
| | the OHCD Administrator and the Grant Officer before a project is officially closed in the system. | | | and Grant Accountant | | review. Final project closeout will not be completed until action items in recommendation #3 are completed. |
| 6 | OHCD should: a) update award policies to align with authorized spending limits; b) formalize comprehensive filing and tracking requirements for all grants; and c) establish a monitoring system to enforce long-term compliance and reimbursement clauses for substantial investments. | Important | Yes | OHCD Director | 04/03/2026 | OHCD Administrator will monitor projects identified as substantial investments annually with submission of annual report to DCED. Recorder of Deeds website will be utilized to ensure land has not been sold. Properties with restricted use covenants will be visited to ensure they are available to the public. Details on progress for properties with future development plans will be requested from property owner. |
| 7 | OHCD should establish a master grant tracking system and Standard Operating Procedure. The system must capture all grant actions including IDs, funding sources, contract history, and real-time disbursement balances. | Important | Yes | OHCD Director | 06/01/2026 | Master grant tracking discussed in recommendation item #4. SOP will be created. |
| 8 | OHCD must implement a mandatory checklist and sign-off procedure that reconciles physical progress with financial disbursements. | Important | Yes | OHCD Director and Grant Officer | 03/20/2026 | Fiduciary reconciliation is included in verification outlined in recommendation item #5. |
| 9 | OHCD should establish: a) a supplemental reporting process that clearly separates Current Year Project Costs from Prior Year Carryover Payments in all main report bodies; and b) a Project Closeout & Verification Checklist to support this transition. | Important | Yes | OHCD Director | 06/01/2026 | This will be accomplished with grant tracking discussed in recommendation item #4. The report submitted to DCED cannot be modified. |