

Performance Audit

City of Pittsburgh
OFFICE OF THE MAYOR

Report by the
Office of City Controller

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MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

June 10, 2016

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this performance audit of the *Office of the Mayor* conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The mayor is the chief executive officer of the City of Pittsburgh and is elected every four years. The powers and duties of the mayor are defined in the Home Rule Charter (HRC), Article 2, and in Title One, Article III, Chapter 113 of the Pittsburgh Code (PC). This audit focuses on the restructuring of staff positions (as compared to the past administration) and budgeted salaries; total cost to the City to remodel various administrative offices; funding, functions and responsibilities of the Bureau of Neighborhood Empowerment; grant procurement and procedures; and the status of Boards, Authorities and Commission appointments.

Findings and Recommendations

Mayoral Staff Positions in the Budget

The current administration took office in January of 2014 and restructured various staff positions in the mayor's office and created different departments and titles. The mayor's office was comprised of 16 full-time positions budgeted at \$994,146 in 2013. In 2014, the mayor's office staff consisted of 16 full-time positions with a budget of \$1,125,924 (an 11.7 % increase of \$131,778). In 2015, the mayor's office consisted of 15 full time positions with a budget of \$1,060,675 (a 6.2% decrease of \$65,249).

Bureau of Neighborhood Empowerment

The Bureau of Neighborhood Empowerment (BNE) was created by the mayor in 2014 and according to the mayor's webpage, is the first City department to focus solely on working hand-in-hand with communities and residents of the City of Pittsburgh. This bureau focuses on 4

areas of need: non-profit and faith based initiatives, mixed-income housing, small business and workforce development, and high quality education. Currently 10 positions are budgeted under the Bureau of Neighborhood Empowerment. The Equal Opportunity Review Commission (EORC) merged most of its positions from 2013 into the BNE.

Recommendation: Within the BNE, if the Chief Education & Neighborhood Reinvestment Officer position is eliminated, another assistant manager position should be added to help facilitate the Chief Education & Neighborhood Reinvestment office responsibilities.

Finding: In 2016, the number of positions in the Bureau of Neighborhood Empowerment increased by 3.

Budgeted Money Concerns

Finding: The Mayor budgeted for salaried positions to be paid from foundation sources without securing the funding first.

Recommendation: Foundations make gifts to programs that they have an interest in. Grants should not be added to the budget unless there is a signed agreement from all potential donors.

Finding: With the 3 position increase in the Bureau of Neighborhood Empowerment in 2016, the budget increased from \$618,530 to \$725,049; an increase of \$106,519.

Foundation Money Received

The auditors found that approximately \$440,000 dollars was donated by foundations to pay the salaries of BNE employees in 2014 and 2015.

Finding: Because of unfilled budgeted positions, the 2014 and 2015 salaries for BNE were funded at 100% with foundation money.

Office Renovations

The administration decided to remodel various offices on several floors in the City County Building. City employees were used for plumbing, carpentry, painting, etc. and the money to pay for the remodeling was spent from City funds. Conversations with mayoral staff indicated that this approach was used to save the City money. The reasoning was that labor personnel were being paid no matter what work was being performed.

The removal of skilled labor employees from a previously scheduled project delays that projects completion. This in turn costs the City additional money because personnel and materials earmarked for the original project are used elsewhere and money originally allocated for that original project needs to be reallocated again.

Finding: New renovation projects cost the City money, especially if overtime is used.

As of January 1st, 2016, a new policy titled, “New Construction and Major Repairs/Improvements to City Facilities” was adopted by the Office of Management and Budget. It states that: “All proposals exceeding \$10,000 (including staff time, materials, etc.) for new construction and major repairs/improvements on City facilities, with reasonable exceptions, must be submitted to the Office of Management and Budget for review and approval. Departments may not engage in any major work on City facilities without the notification of the Office of Management and Budget”.

Requested Costs of Renovations

The auditors wanted to determine the amount of money spent on City County building renovations alone. An initial request was made on April 4, 2014 to the DPW Facilities Manager for construction work costs for the mayor’s office and the other offices in the City County building. Information was to include a cost of all materials by office and the amount of labor costs, both regular and overtime hours.

Written requests for information were made by e-mail to DPW staff. Additionally, calls and other verbal requests were made when possible. In a phone conversation in May of 2015, an auditor was told that a spreadsheet of all costs had been compiled and would be forthcoming after supervisory approval. To date the auditors have never received this spreadsheet.

A letter dated July 28, 2015 was received from the Director of DPW. It contained job titles and the number of hours worked along with the cost of materials only for renovations on the 5th floor. This document listed a total of 7,736 hours for labor. These labor hours were broken down by position as follows: painters worked 1,734 hours, carpenters 4,928 hours, HVAC technicians 200 hours, electricians 754 hours, truck drivers 72 hours and laborers 48 hours. A lump sum cost of materials of \$43,477.05 for the work performed was included. No details of what comprised these material costs were listed.

The total cost of labor was not given. Consequently, an attempt to determine the **total labor costs** was calculated using the 2014 budgeted hourly rate for each of the positions listed multiplied by the number of hours worked.

The auditors were told by construction employees that plenty of overtime occurred on these renovation projects. In fact, statements were made that some City employees worked 7 days a week. Unionized employees, such as painters and carpenters, get paid straight time Monday through Friday. Overtime pay rates are 1½ times their base rate for Saturday and 2 times their base rate on Sunday.

Painters and carpenters did the most work on the City County Building 5th floor renovation project. In order to get an idea of the total labor costs spent for remodeling, **the auditors calculated a conservative estimate for overtime costs for these 2 positions.** This was done by inferring that 2 days out of the 7 days worked, or 29% of the time, was paid overtime.

The **estimated total labor costs** spent on the mayor's remodeling is **\$239,679.03**. Add in the reported materials cost of \$43,477.05 brings the total costs to **\$283,156.08** for work completed on the 5th floor.

Finding: More than \$283,156.08 was spent on remodeling projects requested by the administration in 2014.

Finding: An exact amount of money spent on renovations was not provided by DPW personnel.

Materials Used in Remodeling Work

Auditors were able to find departmental invoices associated with the City County Building remodeling in 2014. The vouchers totaled \$41,251.43 and were for trim (mayor's office), light fixture installation and repair, reconstruction materials (e.g. lumber), flooring, curtains and hardware, etc.

Finding: Many of the vouchers auditors were able to analyze were not documented specifically enough to know exactly which office the expense was for.

Recommendation: Vouchers showing labor hours, and costs of constructions should contain information about what, when and where a job was completed. This would ensure accuracy in reporting expenditures.

DPW Records

Finding: DPW does not keep construction information about what, where, when and why a project is undertaken electronically.

Recommendation: Taxpayers are entitled to know where and how much money is spent on different projects. DPW administration needs to enter all expenditures into a database. The database should contain how much money was spent, where it was spent and why. This will provide easy access as to how much money was spent per office.

Lounge Construction

The lounge in the mayor's office was one of the rooms renovated in 2014. According to the mayor, the furniture and appliances in that room was donated by IKEA. A budget office representative said that they have no record of those donations and that donations of material items are not tracked.

Finding: The administration was unable to provide any documentation as to the cost for furniture and appliances donated from IKEA.

After the exit conference an IKEA invoice was provided to the auditors showing that promotional merchandise totaled \$10,078.72. This total includes things such as: a kitchenette, Stockholm Rug, pendant lights, love seat, chairs and a coffee table.

Further investigation found that there were no official procedures for reporting donations to the City; only a reference in the Home Rule Charter, Article 7, Personnel, #706., Prohibitions in General. It reads:

No elected official, officer or employee shall in any manner receive benefit from the profits or emoluments of an contract, job work or service for the City, or accept any service or thing of value directly or indirectly upon more favorable terms than those granted to the public generally, from any person, firm or corporation having dealings with the City. Etc.

Finding: The Home Rule Charter is unclear about procedures or ethics in accepting donations from private individuals or companies to the City.

Finding: There is no official City policy for accepting and reporting donations to the City.

Recommendation: The City should adopt a formal policy to accept donations received by the City. Without a formal policy to follow, donations or any gift to the City could be misconstrued and/or interpreted as a gift to the mayor or another City employee. The City Solicitor with City Council should work to establish policy and procedures for tracking donations.

Recommendation: The City Solicitor should investigate all donations of furniture, appliances or money given to the City to determine if the receipt of these items violates the Home Rule Charter provision. Whatever the finding, the City Solicitor with City Council should legislate policy holding someone accountable for approving, accepting, and recording donations as a Capital Asset and as a matter of public record.

Fixed Capital Assets

According to the Government Finance Officers Association (GFOA) standards, fixed assets of \$5,000 or more with a useful life in excess of one year are reported in the City's

Comprehensive Annual Financial Report (CAFR). The auditors consulted Controller's office staff (who prepare the CAFR) and were told that the City is considering also reporting a "controlled asset" list which would be items worth between \$1,000 and \$5,000.

Recommendation: The Controller's Office should request from all City departments a list of capital assets over \$1,000 and their location. This would make tracking and accountability easier to follow.

Conversations with the Director of the Office of Management and Budget (OMB) indicate that capital assets over \$1,000 are now being tracked in-house by the Fixed Asset Manager.

Transparency

The new administration made several reforms to create transparency in government. The mayor's daily schedule is available online for public viewing.

Finding: In 2014, in conjunction with the City Controller's office and City Council, the mayor's office contracted with the firm OpenGov and in January of 2015 launched Fiscal Focus Pittsburgh. A financial transparency platform that allows the public to analyze and download customized reports based on the City's operating budget.

Recommendation: Providing the public access to information and data online about City operations and spending is an excellent idea. It creates transparency and should be continued.

Office of Management and Budget - Grants Office

The Grant's Office was conceived and started with the current administration so the auditors believed that a review and analysis was appropriate as part of this Mayor's Office Audit. The Grant's Office is located within the Office of Management and Budget. Its function is to write, promote collaboration and coordination during the grants process between City departments and grantors.

In 2014 and 2015, 57 grants were received totaling \$43,473,209.00. The sources of the grants vary between federal, state and local organizations that include foundations and local businesses. The largest grant was from Housing and Urban Development (HUD) for \$30,000,000. The second largest grant was from the US Justice Department for \$2,526,657.00.

Finding: The current administration created an office solely for finding and obtaining grants.

Recommendation: It is an excellent idea to establish an office solely for finding and obtaining grants. This operation should be continued.

Recommendation: The success and personnel of the Grants Office should be evaluated yearly.

Boards, Authorities and Commissions

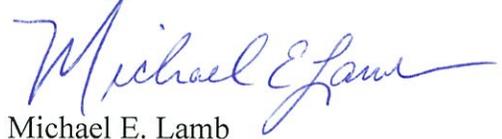
The Controller's 2009 mayor's office audit reported that appointments to boards, authorities and commissions were not made within the 60 day requirement of the Home Rule Charter.

On March 17, 2014 the mayor appointed 45 people to serve on 11 of the City's boards, authorities and commissions. This was just over the 60 day requirement. The mayor's office reported that these appointments are the most diverse in the City's history, with 55% percent of the appointees being women and 25% of the appointees being African American.

As of January 19, 2016, the City's website states that there are currently 8 openings on the Boards, Authorities and Commissions: Building and Code Board of Appeals, Disruptive Property Appeals Board, Water Exoneration Hearing Board, Board of License and Inspection Review, Civil Service Commission, Education Commission, Historic Review Commission and Young Pittsburgh Advisory Commission.

Recommendation: The vacant openings in the boards, authorities and commissions should be filled in a timely fashion (within 60 days) from the end of their term or when a vacancy occurs.

Sincerely,



Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the City of Pittsburgh Office of the Mayor was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. This audit focuses on the restructuring of staff positions (as compared to the past administration) and budgeted salaries; total cost to the City to remodel various administrative offices; funding, functions and responsibilities of the Bureau of Neighborhood Empowerment; grant procurement and procedures; and the status of Boards, Authorities and Commission appointments. A previous performance audit of the Office of the Mayor was released in 2009.

OVERVIEW

Duties of the Mayor

The mayor of Pittsburgh is the chief executive officer of the City and is elected to a four-year term. The powers and duties of the mayor are defined in the City's Home Rule Charter, Article 2, and in Title One, Article III, Chapter 113 of the Pittsburgh Code. A summary of the primary duties of the mayor include:

- To provide leadership for the City
- To execute and enforce the provisions of the Home Rule Charter, City Ordinances, Resolutions and the laws of the Commonwealth
- To inform council at least once a year the state of finances and general conditions of the City
- To provide council with information concerning the administration and conditions of the City as requested
- To submit proposed legislation to any member of council for introduction
- To make long and short range plans for the improvement of the economic, physical and social condition of the City and its neighborhoods
- To promote intergovernmental relations generally and specifically by:
 - Initiating as well as cooperating in working relationships with other governments, public and quasi-public agencies for the promotion of public services, economic development and cultural activities of mutual benefit
 - Aggressively seeking funds for City programs from federal, state and county sources
- To prepare the yearly operating and capital budgets. On the second Monday in November, the mayor will present both proposed budgets to council with a message explaining them. Council will adopt by Resolution an operating budget and a capital budget before the end of each fiscal year
- Council submits all proposed legislation to the mayor for approval prior to its effective date
- The mayor appoints the heads of all major administrative units (department and bureau directors) subject to approval of council. All directors hold office during the term for which the mayor is elected until removed and until their successors

are appointed. If the mayor removes a director, the removal isn't effective until the mayor transmits reasons to council in writing

- The mayor appoints the members of all boards, authorities, and commissions, subject to approval of council. (by law, some appointments do not require City Council approval) The mayor may remove any member of a board or commission at will, unless the law states otherwise. If the mayor removes any member of a board or commission, the removal isn't effective until the mayor transmits reasons to council in writing

Office of the Mayor

Initial Actions

The newly elected mayor in 2014 made significant changes to City of Pittsburgh government operations. He employed the use of a third party organization called Talent City to screen and supply him with a list of individuals qualified for City employment. On November 19, 2013 the Pittsburgh Post-Gazette reported "that Talent City, a foundations-backed initiative [was] meant to take the politics out of hiring".

The administration's objectives were to involve more private citizens in government and promote transparency. To accomplish his objective he compiled a transition team and executive team. Members of the transition teams were made up of private citizens; members of the executive teams are employees of the City.

Transition Teams

The transition teams included more than 1,200 volunteers. Together they formed the following transition teams: Economic Development, Innovation & Performance, Administration & Finance, Operations & Infrastructure, Housing & Urban Empowerment, Education & Neighborhood Reinvestment, Public Safety and Law & Ethics.

Over 100 recommendations were created by these teams, all of which are posted to the respective chief's webpage (e.g. education related recommendations would be on the chief urban affairs officer's webpage). The mayor's office states that they are carefully reviewing all of the recommendations and plans to continue to engage the community in future change related initiatives. The ideas and recommendations of the transition teams are outside the scope of this audit.

Mayor's Executive Team

A six (6) member executive team was established to focus on specific divisions of the government and assist the mayor through collaboration. The executive team consists of: 1) Chief of Staff & Chief Development Officer, 2) Chief Innovation & Performance Officer, 3) Chief Administration Officer, 4) Chief Urban Affairs Officer, 5) Chief Operations Officer, and 6) Solicitor & Chief Legal Officer.

The chief of staff & chief development officer is the City's number two position and manages the executive team, reports directly to the mayor and oversees all development activities in the City. This chief is involved with advising, managing department directors and other administrators; oversees City Planning, Urban Redevelopment Authority, Pittsburgh Water & Sewer Authority, Sports & Exhibition Authority and the Stadium Authority.

The chief innovation & performance officer manages all technology, sustainability, innovation and performance functions of the City and directs the Department of Innovation & Performance. This chief works directly with the mayor on information technology implementation, software systems, workplace efficiency, sustainability and management best practices; works with City Council on efficient and timely adoption of policy; represents the mayor on work related topics at events, meetings and to the press; and oversees City Channel Pittsburgh, 311, network systems, data and analytics.

The chief administration officer manages all administrative tasks of the City; works closely with the mayor's office on projects related to personnel management, budgeting and finance, events and the media, the Citizens Police Review Board, the Office of Municipal Investigations, and all mayoral appointments (boards, authorities and commissions); as well as represents the mayor at meetings, works with City Council on policy adoption; and oversees the Department of Personnel & Civil Service.

The chief urban affairs officer directs the Bureau of Neighborhood Empowerment (BNE); works directly with the mayor on projects related to affordable housing and housing policy, community development and main streets, workforce reinvestment programs, education and non-profit and faith based initiatives; represents the mayor at meetings, events and the media; works with city council on policy adoption; and oversees the City of Pittsburgh Housing Authority, Equal Opportunity Review Commission and the Commission on Human Relations. Under-served neighborhoods are also a special focus of this position.

The chief operations officer manages all operational functions of the City. This chief works directly with the mayor on projects related to the Department of Public Works (DPW), Parks and Recreation, Pittsburgh Parking Authority, Pittsburgh Water & Sewer Authority and utility coordination; represents the mayor at meetings, events and the media; and works with city council on policy adoption.

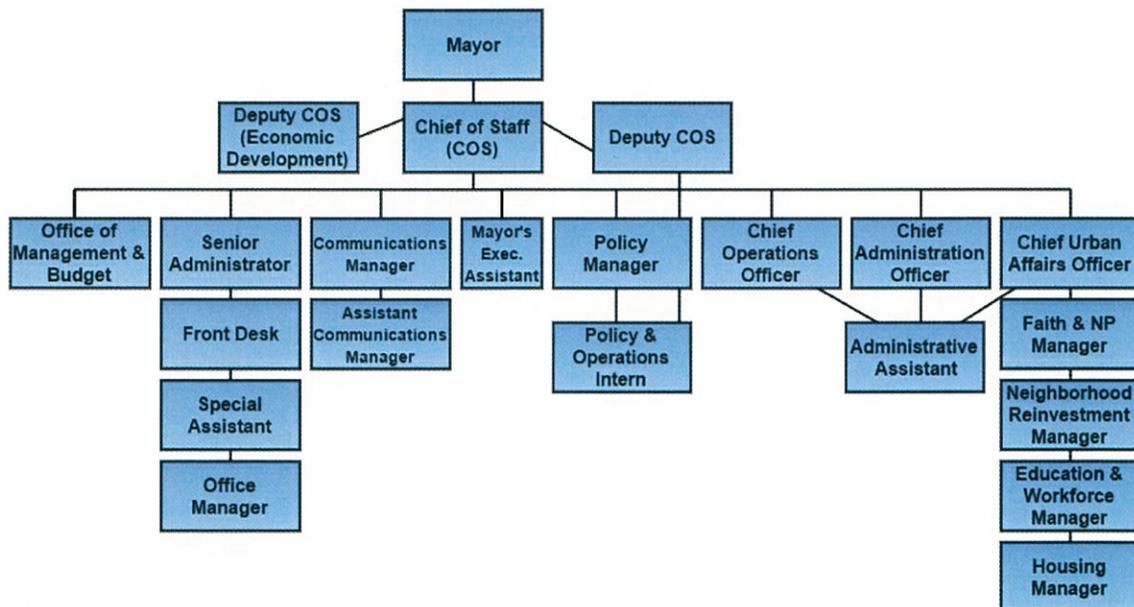
The solicitor & chief legal officer manages all legal and ethical responsibilities of City government; reviews and oversees the drafting of all City contracts, legislations and other legal documents; represents the City in all court cases, negotiations and other legal proceedings; advises the mayor and city council on legal issues and projects related to law and ethics, policy adoption and policy implementation; represents the mayor and chief of staff at meetings, events and to the press; and oversees the Law Department, Ethics Hearing Board and the Office of Municipal Investigations.

Two (2) chiefs operate departments or bureaus with separate budgets outside of the mayor's office. The city solicitor, who is the chief legal officer, operates the city's Law

Department. The chief innovation & performance officer manages the Department of Innovation & Performance. Consequently, these 2 positions are not found on the following mayor’s office flow chart.

The mayor’s office staffing flowchart shows the 2014-2015 office structure. It includes: the Office of Management and Budget, the Communications Manager, the Policy Manager, Chief of Staff & Chief Development Officer, the Chief Operations Officer, the Chief Administration Officer, and the Chief Urban Affairs Officer.

2015 Mayor’s Office Department Staffing Flowchart:

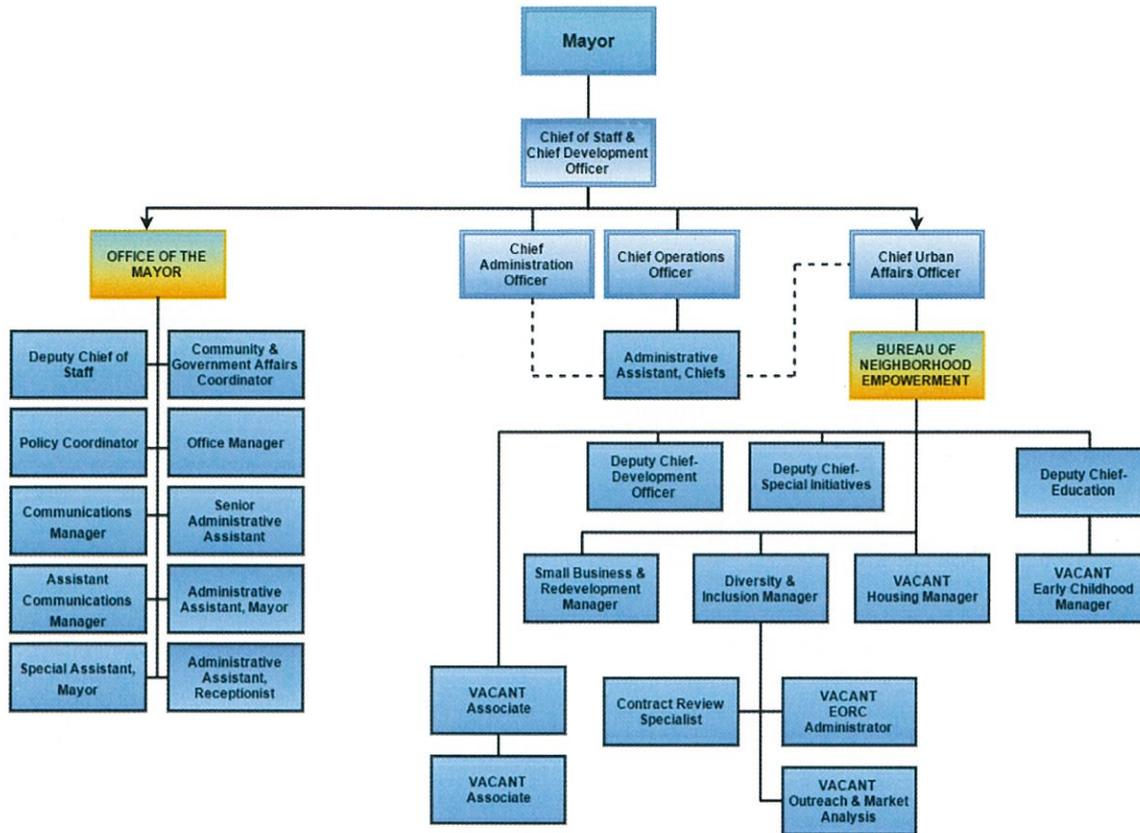


Source: Mayor's Office from the Chief of Staff and Chief Development Officer in 2016

The following Mayor’s Office Department Staffing Flowchart was given to the auditors after the March 14, 2016 exit conference by the Chief of Staff and Chief Development Officer. In this flowchart the Office of the Mayor is separated from the other Chiefs. This separation may suggest that the Chief Administration Officer, Chief Operations Officer and the Chief Urban Affairs Officer function more independently than originally portrayed.

Finding: The Mayor’s Office operation is separate from the other operations under the mayor.

2016 Mayor's Office Department Staffing Flowchart:



Source: Mayor's Office from the Chief of Staff and Chief Development Officer in 2016

Office of Management and Budget

The Office of Management and Budget (OMB) has the responsibility of all administrative and human resource functions of the mayor's office. The Grant Writing Office, located within OMB, was conceived and created under the current administration in 2014. As such, the auditors believed it to be noteworthy to include the office as part of this mayor's performance audit. It will be discussed in the audit. Other responsibilities of OMB are outside of the scope of this audit.

The Bureau of Neighborhood Empowerment

The Bureau of Neighborhood Empowerment (BNE) was created by the mayor in 2014. The goal of this bureau is to focus exclusively on working hand-in-hand with communities and residents of the City of Pittsburgh. It includes a Chief Education & Neighborhood Reinvestment

Officer and a Chief Urban Affairs Officer. The former Department of Equal Opportunity & Review merged within the BNE.

Boards, Authorities and Commissions

The City of Pittsburgh has numerous Boards, Authorities and Commissions under the control and responsibility of the mayor's office. All residents of the City of Pittsburgh are eligible to sit on any Board, Authority or Commission. Appointment decisions are made without regard to one's color, race, religion, gender, age, ancestry, sexual orientation, nation origin, place of birth, citizenship, or non-job related disability.

The City's 23 Boards, Authorities and Commissions include: Board of Appeals, City-Council Task Force on Disabilities, City Planning Commission, Civil Service Commission, Clean Pittsburgh Commission, Commission on City Archives, Commission on Human Relations, Comprehensive Municipal Pension Trust Fund, Disruptive Property Appeals Board, Equal Opportunity Review Commission, Equipment Leasing Authority, Historic Review Commission, House Authority City of Pittsburgh, Pittsburgh Parking Authority, Pittsburgh Water & Sewer Authority, Propel Pittsburgh, Shade Tree Commission, Southwestern Pennsylvania Commission, Sports and Exhibition Authority, Stadium Authority, Urban Redevelopment Authority, Water Exoneration Hearing Board and Zoning Board of Adjustment.

OBJECTIVES

1. To review the mayor's office budgets for years 2013, 2014 and 2015.
2. To explain the function and responsibilities of the Executive Team and the Bureau of Neighborhood Empowerment.
3. To review 2014 and 2015 mayor's office remodeling and construction costs.
4. To evaluate the process of accepting monetary and capital asset donations to the City.
5. To assess grant revenues received by the City.
6. To make recommendations for improvement.

SCOPE

The scope of this audit is the mayor's office structure, positions, budgets, expenditures and grants for 2013, 2014 and 2015. Also included is the 2016 update of the mayor's office and the Bureau of Neighborhood Empowerment structure.

METHODOLOGY

The auditors met with the Mayor and his Chief of Staff and Deputy Chief of Staff, to discuss preliminary audit objectives. Meetings were also scheduled with the Mayor's Executive Team. Those interviews included: the Chief of Staff & Chief Development Officer, Chief Innovation & Performance Officer, Chief Administration Officer, Chief Urban Affairs Officer, Chief Operations Officer and the Solicitor & Chief Legal Officer. Auditors also interviewed a budget representative on behalf of the Budget Director.

The City budgets for the years 2013, 2014 and 2015 were reviewed. Auditors compared budgeted positions for 2013, 2014 and 2015.

Portions of the City Code and Home Rule Charter defining the mayor's powers and duties were utilized.

Auditors reviewed the 2009 performance audit of the City of Pittsburgh's mayor's Office. Online research was conducted in search of other mayor's office performance audits. No performance audits were found to use as a reference or model.

The administration remodeled various offices on several floors of the City-County Building. City employees were used for plumbing, carpentry, painting, etc. and the money to pay for the remodeling was spent from budgeted funds. The auditors requested information from the Facilities Manager, DPW's Project Manager for the Architecture Division, and the DPW Director as to the total amount of money spent (time and materials) to remodel each individual room. Numerous requests were made for this information. Auditors received only the number of labor hours for 2014 by position for remodeling work on the 5th floor of the City-County Building (which includes the mayor's office).

The City's Collective Bargaining Agreement between the City of Pittsburgh and the Pittsburgh Joint Collective Bargaining Committee Section 13 - Overtime was used to determine and calculate estimated overtime rates for Carpenters and Painters. The 2014 City budget provided the regular rates of pay for the Carpenters, Painters, HVAC Technicians, Electricians, Truck Driver and Laborers.

FINDINGS AND RECOMMENDATIONS

The current administration took office in January of 2014 and restructured various staff positions in the Mayor's Office and created different departments and titles. This audit examines the mayor's office and Bureau of Neighborhood Empowerment staff positions, budgets and construction expenditures for years 2013, 2014 and 2015 and the source, number and amount of grants received from the Grant Office since its inception.

Mayoral Staff Positions in the Budget

The mayor's office was comprised of 16 full-time positions budgeted at \$994,146 in 2013. Those positions included: Mayor, Chief of Staff, Director of Operations, Press Secretary, Government Affairs Manager, Policy Manager, Economic Development Coordinator, Senior Administrator/Mayor, Senior Secretary/Mayor, Senior Secretary/Operations, Communications Assistant, Communications Specialist, Administrative Assistant, Secretary, Clerical Assistant 2 and Chief Service Officer.

In 2014, the mayor's office staff consisted of 16 full-time positions with a budget of \$1,125,924 (an 11.7 % increase of \$131,778). These positions included Mayor, Chief of Staff, Deputy Chief of Staff, Chief Operations Officer, Communications Manager, Office Manager, Government Affairs Manager, Policy Manager, Chief Administration Officer, Deputy Chief of Operations & Administration, Special Assistant to Mayor, 2 Administrative Assistants, Senior Secretary to Mayor, Communications Assistant and Responsible Hospitality Coordinator.

In 2015, the mayor's office consisted of 15 full time positions with a budget of \$1,060,675 (a 6.2% decrease of \$65,249). Two positions were eliminated from 2014: Government Affairs Manager and Responsible Hospitality Coordinator. The position of Deputy Chief of Staff for Economic Development was created. The Communications Assistant position was changed to Assistant Communications Manager and the Chief of Staff became the Chief of Staff & Chief Development Officer.

Table 1 on the next page compares all the budgeted positions in the mayor's office for the years 2013, 2014 and 2015. Over the three year period, some job titles changed, some positions were eliminated while other positions remained the same. For example, Press Secretary in 2013 was changed to Communications Manager in 2014 and 2015.

It should be noted that in 2013 the position of City Solicitor existed under the Department of Law's budget. In 2014 and 2015, that position changed and became part of the Mayor's Executive Team as Chief Legal Officer & City Solicitor, but the budgeted position remains under the Department of Law.

In 2014 the Computer & Information Systems Department (CIS) became the Department of Innovation & Performance (I&P). The Chief Innovation & Performance Officer, also an executive team member, now oversees this revamped department and is budgeted under the Department of Innovation & Performance.

TABLE 1

MAYOR'S OFFICE BUDGET POSITIONS FROM 2013-2015			
POSITION IN BUDGET	2013	2014	2015
Mayor	✓	✓	✓
Chief of Staff	✓	✓	
Chief of Staff & Chief Development Officer			✓
Director of Operations	✓		
Press Secretary	✓		
Government Affairs Manager	✓	✓	
Policy Manager	✓	✓	✓
Economic Development Coordinator	✓		
Senior Administrator/Mayor	✓		
Senior Secretary/Mayor	✓	✓	✓
Senior Secretary/Operations	✓		
Communications Assistant	✓	✓	
Communications Specialist	✓		
Administrative Assistant	✓	✓ (2)	✓ (2)
Secretary	✓		
Clerk Assistant 2	✓		
Chief Service Officer	✓		
Deputy Chief of Staff		✓	✓
Chief Operations Officer		✓	✓
Communications Manager		✓	✓
Office Manager		✓	✓
Deputy Chief of Staff For Economic Development			✓
Chief Administration Officer		✓	✓
Deputy Chief, Operations & Administration		✓	✓
Special Assistant, Mayor		✓	✓
Assistant Communications Manager			✓
Responsible Hospitality Coordinator		✓	
Management Intern, As Needed	*	*	*
Policy Coordinator			
Community & Government Affairs Coordinator			
TOTAL POSITIONS	16	16	15

*Position is a part-time position and not included in the total count.

Source: 2013, 2014 and 2015 City of Pittsburgh Budgets

Table 2 shows the total dollar amounts budgeted in 2013, 2014 and 2015 for the mayor's office, the amount of increases, decreases and the percentage differences.

TABLE 2
MAYOR'S OFFICE BUDGET
AMOUNTS 2013-2015

BUDGET YEAR	TOTAL BUDGET	BUDGET DIFFERENCE	BUDGET DIFFERENCE IN %
2013	\$994,116		
2014	\$1,125,924	↑\$131,808	11.7%
2015	\$1,060,675	↓\$65,249	-6.2%

Source: City of Pittsburgh Budgets

Bureau of Neighborhood Empowerment

Functions and Responsibilities

The Bureau of Neighborhood Empowerment (BNE) was created by the Mayor in 2014 and according to the mayor's webpage, is the first City department to focus solely on working hand-in-hand with communities and residents of the City of Pittsburgh. On the website, the Mayor stated that the need comes from a history of "neglect and disinvestment" with residents and communities.

This bureau focuses on 4 areas of need: non-profit and faith based initiatives, mixed-income housing, small business and workforce development, and high quality education. As reported in the Pittsburgh Courier on March 26, 2014 the Mayor stated that "priorities [have been realigned] in such a way that now 30% of the [Mayor's] Office is dedicated to the new Bureau of Neighborhood Empowerment."

Initiatives of the Bureau include:

- Rent to own opportunities and changes to the URA and Housing Authority
- Rebuilding the “decimated” business corridors in poor neighborhoods and tempting new developers to participate
- Create a City-wide, tax-free entity that would allow churches to “adopt a block” and renovate properties around their church
- Proactively seek minority firms for project bidding
- Providing universal pre-K and making the Pittsburgh Public Schools a top-rated district again

Bureau of Neighborhood Empowerment Staff Positions

Currently 10 positions are budgeted under the Bureau of Neighborhood Empowerment. Since the Bureau of Neighborhood Empowerment was created in 2014, no prior positions or budget existed in 2013. However, the Equal Opportunity Review Commission (EORC) merged most of its positions from 2013 into the BNE including the Manager of EORC, EORC Administrator, Contract Review Specialist, Outreach & Market Analysis Specialist and Audit & Inspection Specialist. The only position that was eliminated in the merge was the Manager of EORC.

The remaining 6 positions in the Bureau consist of the Chief Education & Neighborhood Reinvestment Officer, Education & Workforce Development Manager, Small Business & Redevelopment Manager, Chief Urban Affairs Officer, Non-Profit & Faith Based Manager and the Housing Manager.

Table 3 shows the positions of the EORC and the BNE in the 2013, 2014 and 2015 budgets and the 2016 mayor’s office flowchart.

TABLE 3

EQUAL OPPORTUNITIES REVIEW COMMISSION AND BUREAU OF NEIGHBORHOOD EMPOWERMENT POSITIONS FROM 2013-2016				
POSITION	2013 EORC	2014 BNE	2015 BNE	2016 BNE
Manager EORC	✓			
Chief Education & Neighborhood Reinvestment Officer		✓	✓*	
Education & Workforce Development Manager		✓	✓*	
Small Business & Redevelopment Manager		✓	✓	✓
Chief Urban Affairs Officer		✓	✓	✓
Non-Profit & Faith Based Manager		✓	✓	
Housing Manager		✓	✓	✓*
EORC Administrator	✓	✓	✓	✓*
Contract Review Specialist	✓	✓	✓	✓
Outreach & Market Analysis Specialist	✓	✓	✓	✓*
Audit & Inspection Specialist	✓	✓	✓	
Deputy Chief- Development Office				✓
Deputy Chief- Special Initiatives				✓
Deputy Chief- Education				✓
Diversity & Inclusion Manager				✓
Early Childhood Manager				✓
Associate				✓ (2)*
TOTAL POSITIONS	5	10	10	13

*This position remains vacant. Source: City of Pittsburgh Budgets

It should be noted that the Chief Education & Neighborhood Reinvestment Officer only served one year (2014) and retired. This position was not filled in 2015 and all duties are being performed by the Chief Urban Affairs Officer. Conversations with the Mayor and the Chief Urban Affairs Officer indicated that the position would not be filled.

RECOMMENDATION NO. 1:

If the Chief Education & Neighborhood Reinvestment Officer position is eliminated, another assistant manager position should be added to help facilitate the Chief Education & Neighborhood Reinvestment office responsibilities.

Information for the Bureau of Neighborhood Empowerment positions for 2016 was obtained during the auditors' exit meeting with the Mayor's Office and was therefore included in the above chart.

Finding: In 2016, the number of positions in the Bureau of Neighborhood Empowerment increased by 3.

Budgeted Money Concerns

The City of Pittsburgh's budget is based on expected property tax income and unless there is an increase in taxes or property reassessment, it remains a fairly constant number. In creating the Bureau of Neighborhood Empowerment, the Mayor had to find money to pay for the Bureau's salaries for the added positions.

In June 2014, the Tribune Review reported that the mayor's 2014 budget planned for foundations to cover half the salary costs (\$233,000) of the Bureau yet no agreement from any potential donors existed.

Finding: The Mayor budgeted for salaried positions to be paid from foundation sources without securing the funding first.

RECOMMENDATION NO. 2:

Foundations make gifts to programs that they have an interest in. Grants should not be added to the budget unless there is a signed agreement from all potential donors.

Finding: With the 3 position increase in the Bureau of Neighborhood Empowerment in 2016, the budget increased from \$618,530 to \$725,049; an increase of \$106,519.

Foundation Money Received

The mayor told the auditors that he originally expected the salaried positions for the newly planned Bureau of Neighborhood Empowerment (BNE) to be funded at 50% with foundation money.

The auditors found that approximately, \$440,000 dollars was donated by foundations to pay the salaries of BNE employees in 2014 and 2015. These foundations included: The Heinz Endowment, The Richard King Mellon Foundation, The Pittsburgh Foundation, The Hillman Foundation and The Buhl Foundation. Table 4 lists the foundations name and the amount donated.

TABLE 4

FOUNDATION DONATIONS FOR BNE OFFICER SALARIES FOR 2014 AND 2015	
FOUNDATION	AMOUNT
Heinz Endowment	\$100,000
Richard King Mellon	\$150,000
The Pittsburgh Foundation	\$130,000
The Hillman Foundation	\$ 50,000
The Buhl Foundation	\$ 10,000
TOTAL	\$440,000

Source: Mayor's Office

BNE salaries in the budget for 2014 and 2015 are \$637,660 for 10 staff positions. However, according to the mayor's office, the donated money is covering 100% of the salaries. This could not have happened if the Chief Education & Neighborhood Reinvestment Officer position was not vacant (with a salary of \$102,543) and if the 2 managers, with salaries of \$65,249 each, hadn't been hired until mid-2015.

Finding: Because of unfilled budgeted positions, the 2014 and 2015 salaries for BNE were funded at 100% with foundation money.

This topic was also the subject of an October 28th 2014 Tribune Review article, "Foundation Gift of \$440,000 will let Pittsburgh Cover Neighborhood Empowerment Salaries". This article cites a City representative confirming the above finding.

The 2016 Staff flowchart (on page 5) shows that there are 6 vacant positions open in the Bureau of Neighborhood Empowerment. These titles are Housing Manager, Early Childhood Manager, EORC Administrator, Outreach and Market Analysis and 2 Associate positions.

Finding: The six new staff positions that are currently vacant within the BNE, increases the amount of money the City will need to run the organization.

Office Renovations

The administration decided to remodel various offices on several floors in the City-County Building. City employees were used for plumbing, carpentry, painting, etc. and the money to pay for the remodeling was spent from City funds.

Renovation Process

Major renovations are considered large construction projects and are usually scheduled in advance. If the work is to be done by an outside contractor, any renovations over \$10,000 require a Request for Proposal (RFP) to be advertised for bids on the construction project (New

Construction and Major Repairs/Improvements to City Facilities). This process produces competitive bids and the lowest responsible bidder is selected. However, the administration did not use this process. Instead, the administration used City workers and City resources for various renovation projects.

Conversations with mayoral staff indicated that this approach was used to save the City money. The reasoning was that labor personal is being paid no matter what work was being performed.

As of January 1st, 2016, a new policy titled, “New Construction and Major Repairs/Improvements to City Facilities” was adopted by the Office of Management and Budget. It states that: “All proposals exceeding \$10,000 (including staff time, materials, etc.) for new construction and major repairs/improvements on City facilities, with reasonable exceptions, must be submitted to the Office of Management and Budget for review and approval. Departments may not engage in any major work on City facilities without the notification of the Office of Management and Budget”.

According to a budget office representative, the renovations to the mayor’s office were done in-house by Department of Public Works (DPW) staff. Any building fixtures or materials needed for the renovations were paid for through DPW’s budget.

The skilled labor and professional employees, both union and non-union, that the administration used for renovations do not directly cost the City any additional monies unless unplanned overtime is used. However, the removal of skilled labor employees from a previously scheduled project delays that projects completion. This in turn costs the City additional money because personnel and materials earmarked for the original project are used elsewhere and money originally allocated for that original project needs to be reallocated again.

Finding: New renovation projects cost the City money, especially if overtime is used.

Requested Costs of Renovations

Reported on June 21, 2015 by the Pittsburgh Post-Gazette, the mayor’s office allegedly spent “more than a half of million dollars on renovations, including furniture, window shades, paint, carpeting, flooring, equipment and appliances across several department offices. Those included the mayor’s office, Parks and Recreation and Innovation & Performance in the City-County Building on Grant Street, as well as the Ross Street Offices of the Department of Permits Licenses and Inspections”.

The auditors wanted to determine the amount of money spent on City-County building renovations alone. An initial request was made on April 4, 2014 to the DPW Facilities Manager for construction work costs for the mayor’s office and the other offices in the City-County

Building. Information was to include a cost of all materials by office and the amount of labor costs, both regular and overtime hours.

Written requests for information were made by e-mail to DPW staff. Additionally, calls and other verbal requests were made when possible. In a phone conversation in May of 2015, an auditor was told that a spreadsheet of all costs had been compiled and would be forthcoming after supervisory approval. To date the auditors have never received this spreadsheet.

A timeline of the dates the Controller’s Office requested renovation information by e-mail or phone calls and the department’s/persons’ responses can be found in Table 5. The correspondences continue over several pages, but are all part of Table 5.

TABLE 5

DATE OF REQUEST FOR COST OF RENOVATIONS WITH RESPONSE AND DATE OF RESPONSE BY E-MAIL OR PHONE			
DATE OF REQUEST	WHAT WAS REQUESTED or RESPONDED	RESPONSE DATE	RESPONSE
4/9/2015	A meeting was requested to discuss renovation expenditures involving the reconstruction of City-County Building Offices.	4/14/2015	What information is needed for this meeting?
4/14/2015	A request was made for records of what work was done by City employees, how many hours were spent and what was the cost of the City-County Building remodeling.	4/14/2015	Are you asking how much money was spent on the 2014 office renovations?
4/14/2015	A response was sent confirming that was the information needed.	4/14/2015	OK
5/28/2015	An email was sent mentioning that the information on mayor’s spending since he has been in office was still needed. The information was requested in an Excel format.	N/A	NO RESPONSE
May 2015	A phone call was made inquiring about the previous request and status of the information.	May 2015	Spreadsheet was sent for supervisory approval
6/24/2015	A second request was made for all expenditures relating to the construction and remodeling of the mayor’s office since he took office. Include total hours worked (regular and overtime) of all City personnel who worked on each project and cost of materials. The Facilities Manager said that he e-mailed this information to you, please forward.	N/A	NO RESPONSE

TABLE 5 (continued)

DATE OF REQUEST FOR COST OF RENOVATIONS WITH RESPONSE AND DATE OF RESPONSE BY E-MAIL OR PHONE			
DATE OF REQUEST	WHAT WAS REQUESTED OR RESPONDED	RESPONSE DATE	RESPONSE
7/1/2015	A reminder was sent about the previous request.	N/A	NO RESPONSE
7/8/2015	A query was made about the status of the spreadsheet and if the Director had responded yet. You were going to call me yesterday.	7/8/2015	Information was forwarded to Director for review.
7/9/2015	A request was made of a copy of all expenditures relating to the construction and remodeling of the mayor's and related offices/departments since the Mayor took office. Information was sent to Supervisors for review.	7/10/2015	The Director responded by saying "I will do my best to get it to you early next week. Thanks."
7/16/2015	A reminder was sent asking for the status of the information.	7/16/2015	A representative said the data wasn't complete (had 2014 info but not 2015), they need more info from another department
7/20/2015	A request was made just for the 2014 information to start with.	7/20/2015	I will prepare that.
7/28/2015	A letter arrived from DPW Director See Table 6	7/28/2015	Letter listed total hours of personnel and total cost of materials used in 2014 for construction or renovation on the 5 th floor City-County Building.
August 2015	The audit manager talked on phone with the Director and Facilities Manager about the request for information.	August 2015	Phone conversation about problems collecting data.
8/26/2015	A follow-up e-mail was sent clarifying the request for total amount labor (regular and overtime) and materials spent per room. It acknowledged that it would take time because of 3 separate software systems and that invoices were in boxes. Audit manager offered 2 auditors to assist in going through boxes to find the information.	N/A	NO RESPONSE

TABLE 5 (continued)

DATE OF REQUEST	WHAT WAS REQUESTED OR RESPONDED	RESPONSE DATE	RESPONSE
10/22/2015	An inquiry was made about status of gathering information and another offer of auditors available was made to help obtain the information.	10/22/2015	Close to being ready will be in your hands next week.
10/22/2015	A thank you was sent along with a request asking that auditors be notified when the information was ready.	10/22/2015	Will do.
		10/23/2015	Confirmation that "I was asked for the time period from 1/1/14 to 12/31/14"
10/29/2015	A response of "Yes" was sent, confirming that requested time period was 1/1/14 to 12/31/14.	10/29/2015	Information was sent to the immediate supervisor and will be forthcoming
11/2/2015	An email was sent to the supervisor stating that data was e-mailed to him. Audit manager asked for it to be sent ASAP.	11/16/2015	Data needed to be reviewed by the Director before it would be released.
11/30/2015	An email was sent to the Director asking if the data had been reviewed and if it was ready to be released.	N/A	NO RESPONSE
1/12/2016	The City Controller e-mailed a follow-up to a conversation with DPW Director earlier in the day. In May of last year, as part of a request for information, the Facilities Manager responded that he had provided his supervisor with a spreadsheet of all the labor costs on renovation projects. A request was made to please forward the information to the auditors.	N/A	NO RESPONSE

A letter dated July 28, 2015 was received from the Director of DPW. It contained job titles and the number of hours worked along with the cost of materials only for renovations on the 5th floor. Table 6 shows the job titles of City employees used, the total hours worked and a lump sum of material costs.

TABLE 6

INFORMATION FROM DPW DIRECTOR'S JULY 28, 2015 LETTER	
JOB TITLES	HOURS WORKED
Painters	1,734
Carpenters	4,928
HVAC Technicians	200
Electricians	754
Truck Driver	72
Laborer	48
TOTAL	7,736
Material Costs	\$43,477.05

The auditors contacted the Director to explain that the information received was incomplete. The auditors again asked for the total amount of money spent for construction work on all renovation work in the City-County Building. Specifically, the auditors wanted to know how much was spent on each room remodeled, including materials and labor costs both regular and overtime.

No further information about the cost of the renovations has been received despite past assurances from the Director of DPW that the information was forthcoming.

It has been over 10 months since the initial request was made for the cost of renovations in 2014. The Controller's Office has decided to complete the audit with the information that was received and calculate an estimate of labor costs based on the DPW Director's July 28, 2015 letter.

Labor Costs of Remodeling the 5th Floor, City-County Building in 2014

The letter from the DPW Director listed the construction personnel and the number of hours each worked on the remodeling of the 5th floor in the City-County Building in 2014. This document listed a total of 7,736 hours for labor. These labor hours were broken down by position as follows: painters worked 1,734 hours, carpenters 4,928 hours, HVAC technicians 200 hours, electricians 754 hours, truck drivers 72 hours and laborers 48 hours.

A lump sum cost of materials of \$43,477.05 for the work performed was included. No details of what comprised these material costs were listed.

The total cost of labor was not given. Subsequently, an attempt to determine the **total labor costs** was calculated using the 2014 budgeted hourly rate for each of the positions listed multiplied by the number of hours worked. The City's Collective Bargaining Agreement was consulted for rules governing overtime pay rates.

The auditors were told by construction employees that plenty of overtime occurred on these renovation projects. In fact, statements were made that some City employees worked 7 days a week. Unionized employees, such as painters and carpenters, get paid straight time Monday through Friday. Overtime pay rates are 1½ times their base rate for Saturday and 2 times their base rate on Sunday.

According to the Director's letter, painters and carpenters did the most work on the City-County Building 5th floor renovation project. In order to get an idea of the total labor costs spent for remodeling, **the auditors calculated a conservative estimate for overtime costs for these 2 positions.**

This was done by inferring that 2 days out of the 7 days worked, or 29% of the time, was overtime paid to these employees. As a result, 29% of 1,734 hours for painters equals 502.86 divided by 2 (to get uniform hours worked on Saturday & Sunday) equaled 251.43 hours worked each day. For carpenters, 29% of 4,928 hours equaled 1,429.12 hours. Divided this by 2, equals 714.56 hours worked each for Saturday and Sunday.

Painters

The regular (base) pay rate for painters is \$21.17 an hour. Overtime pay for painters is 1½ times the base rate on Saturdays or \$31.76 an hour. Multiply this rate by the 251.43 estimated hours worked on Saturday totals \$7,985.42 in overtime pay.

The estimated overtime pay for painters on Sunday is 2 times the base rate or \$42.34 an hour. This rate multiplied by 251.43 estimated hours for Sunday work equals \$10,645.55. Adding together Saturday and Sunday's *estimated* overtime gives a total cost for the painters of \$18,630.97.

Carpenters

The regular (base) pay rate for carpenters is \$21.59 an hour. The carpenters were reported to have 4,928 hours of work for the renovation project. Twenty-nine (29%) of these hours is 1,429.12. Divided by 2, half completed on Saturday and half completed on Sunday, equals 714.56 hours each day.

Overtime pay for carpenters is 1½ times the base rate on Saturdays or \$32.39 an hour. Multiply this rate by the 714.56 estimated hours worked on Saturday, totals \$23,144.60 in overtime pay.

The estimated overtime for carpenters on Sunday is 2 times the base rate or \$43.18 an hour. This rate multiplied by 714.56 estimated hours for Sunday work equals \$30,854.70. Adding together Saturday and Sunday's *estimated* overtime gives a total cost for the carpenters of \$53,999.30.

The auditors acknowledge that there may have been overtime associated with the other construction positions. This is why this is only a conservative estimate.

Table 7 summarizes the calculation of all labor costs with estimates for overtime.

TABLE 7
2014 CALCULATION OF LABOR HOURS
PER POSITION
WITH OVERTIME ESTIMATES

JOB TITLE	TOTAL HOURS WORKED	ESTIMATED REGULAR HOURS	HOURLY PAY RATE	REGULAR HOURS TOTAL	ESTIMATED OVERTIME (OT) HOURS (29%)	SATURDAY HOURLY OT RATE (1 ½ Times)	SUNDAY HOURLY OT RATE (2 Times)
Painter	1,734	1,231.14	\$ 21.17	\$ 36,708.78	502.86	\$7,985.42	\$10,645.55
Carpenter	4,928	3,498.88	\$ 21.59	\$106,395.52	1,429.12	\$23,144.60	\$30,854.70
HVAC Technician	200	--	\$ 21.84	\$ 4,368.00	--	--	--
Electrician	754	--	\$ 22.79	\$ 17,183.66	--	--	--
Truck Driver	72	--	\$ 19.99	\$ 1,439.28	--	--	--
Laborer	48	--	\$ 19.24	\$ 953.52	--	--	--
TOTAL	7,736	4,730.02	--	\$167,048.76	1,931.98	\$31,130.02	\$41,500.25

Source: Department of Public Works and the 2014 City of Pittsburgh Budget

Adding together the total estimated overtime costs for both the painters and carpenters equals \$72,630.27. Add this to the straight time amount of all personnel multiplied by their respective base rates totals \$167,048.76. The **estimated total labor costs** spent on the mayor's remodeling is **\$239,679.03**. Add in the reported materials cost of \$43,477.05 brings the total costs to **\$283,156.08 for work completed on the 5th floor.**

The request for renovation costs was to include all offices remodeled in the City-County Building. Because this information was not provided the total of \$283,156.08 calculated by the auditors is incomplete and is a conservative estimate.

Finding: More than \$283,156.08 was spent on remodeling projects requested by the administration in 2014.

Finding: An exact amount of money spent on renovations was not provided by DPW personnel.

Materials Used in Remodeling Work

The DPW Director's letter reported that the cost materials spent in remodeling the parts of the 5th floor of the City-County Building was \$43,477.05.

Auditors were able to find departmental invoices associated with the City-County Building remodeling in 2014. The vouchers totaled \$41,251.43 and were for trim (mayor's office), light fixture installation and repair, reconstruction materials (e.g. lumber), flooring, curtains and hardware, etc.

Finding: Many of the vouchers auditors were able to analyze were not documented specifically enough to know exactly which office the expense was for.

RECOMMENDATION NO. 3:

Vouchers showing labor hours and costs of constructions should contain information about what, when and where a job was completed. This would ensure accuracy in reporting expenditures.

Department of Public Works Records

When the auditors requested construction details the second time, the conversations with DPW personnel stated that the information was not easily accessible. The auditors were told that documentation for labor time and materials was recorded on individual invoices and stored in boxes. The manager stated that staff had to look through boxes for the information requested. The task was very labor intensive.

Finding: DPW does not keep construction information about what, where, when and why a project is undertaken electronically.

RECOMMENDATION NO. 4:

Taxpayers are entitled to know where and how much money is spent on different projects. DPW administration needs to enter all expenditures into a database. The database should contain how much money was spent, where it was spent and why. This will provide easy access to how much money was spent per office.

Lounge Construction

The lounge in the mayor's office was one of the rooms renovated in 2014. According to the mayor, the furniture and appliances in that room was donated by IKEA. A budget office

representative said that they have no record of those donations and that donations of material items are not tracked. Consequently, the cost of the furniture and appliances donated by IKEA is unknown.

Finding: The administration was unable to provide any documentation as to the cost for furniture and appliances donated from IKEA.

Further investigation found that there were no official procedures for reporting donations to the City. The only reference the auditors found was in the Home Rule Charter, Article 7, Personnel, #706., Prohibitions in General. It reads:

No elected official, officer or employee shall in any manner receive benefit from the profits or emoluments of an contract, job work or service for the City, or accept any service or thing of value directly or indirectly upon more favorable terms than those granted to the public generally, from any person, firm or corporation having dealings with the City. No elected official, officer, or employee shall solicit or receive any compensation, gratuity or other thing for any act done in the course of public work. This section shall be broadly construed and strictly enforced. Any violation of this section shall cause the offending official, officer, or employee to forfeit office or employment.

Finding: The Home Rule Charter is unclear about procedures or ethics in accepting donations from private individuals or companies to the City.

Finding: There is no official City policy for accepting and reporting donations to the City.

One of the basic requirements of an elected official is to report any gifts or monetary contributions. As a matter of law, candidates and elected officials must complete a campaign expense report up to 9 times a year listing all types of contributions. This requirement promotes honesty for candidates and elected officials.

RECOMMENDATION NO. 5:

The City should adopt a formal policy to accept donations received by the City. Without a formal policy to follow, donations or any gift to the City could be misconstrued and/or interpreted as a gift to the mayor or another City employee. The City Solicitor with City Council should work to establish policy and procedures for tracking donations.

RECOMMENDATION NO. 6:

The City Solicitor should investigate all donations of furniture, appliances or money given to the City to determine if the receipt of these items violates the Home Rule Charter provision. Whatever the finding, the City Solicitor with City Council should legislate policy holding someone accountable for approving, accepting, and recording donations as a Capital Asset and as a matter of public record.

An IKEA invoice was provided to the auditors showing that promotional merchandise totaled \$10,078.72. This total includes things such as a kitchenette, Stockholm Rug, pendant lights, love seat, chairs and a coffee table.

Fixed Capital Assets

According to the Government Finance Officers Association (GFOA) standards, fixed assets of \$5,000 or more with a useful life in excess of one year are reported in the City’s Comprehensive Annual Financial Report (CAFR) under five different categories:

1) furniture/fixtures, 2) vehicles, 3) equipment, 4) land and 5) buildings. Capital assets are recorded at historical cost or estimated historical cost.

The auditors consulted Controller’s office staff (who prepare the CAFR) and were told that the City is considering also reporting a “controlled asset” list which would be items worth between \$1,000 and \$5,000. This could be anything of value that the City decides to include, e.g. a chandelier, a refrigerator. In such a list, the City would be able to account for items like those donated by IKEA.

RECOMMENDATION NO. 7:

The Controller’s Office should request from all City departments a list of capital assets over \$1,000 and their location. This would make tracking and accountability easier to follow.

Table 8 shows the City’s Fixed Capital Assets per category for 2013-2014. The amounts for 2015 have not yet been reported.

TABLE 8

FIXED CAPITAL ASSETS AS REPORTED IN THE CITY’S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEARS 2013-2014		
ASSETS	2013	2014
Furniture & Fixtures	\$ 4,192,053	\$ 4,192,053
Vehicles	\$ 67,644,872	\$ 68,565,361
Machinery & Equipment	\$ 4,325,887	\$ 3,450,477
Land	\$ 45,602,091	\$ 45,602,091
Buildings & Systems	\$ 88,778,564	\$ 88,778,564
GRAND TOTAL	\$210,545,480.00	\$210,590,560.00

Source: City’s Comprehensive Annual Financial Report

Conversations with the Director of the Office of Management and Budget (OMB) indicate that capital assets over \$1,000 are now being tracked in-house by the Fixed Asset Manager.

Transparency

The new administration made several reforms to create transparency in government. The mayor's daily schedule is available online for public viewing. The City Planning Department's process for awarding federal Community Development Block Grants was changed to make it more fair and accessible to different groups, and in March of 2014, the mayor's office pushed an open data bill and purchased software designed to allow the public access to City information.

Finding: In 2014, in conjunction with the City Controller's office and City Council, the mayor's office contracted with the firm OpenGov and in January of 2015 launched Fiscal Focus Pittsburgh. A financial transparency platform that allows the public to analyze and download customized reports based on the City's operating budget.

RECOMMENDATION NO. 8:

Providing the public access to information and data online about City operations and spending is an excellent idea. It creates transparency and should be continued.

Office of Management and Budget - Grants Office

Normally as part of an audit of the Mayor's Office, functions found under the Office of Management and Budget (OMB) would not be included. However, the Grant's Office was conceived and started with the current administration, the auditors believed that a review and analysis was appropriate, and should be part of this Mayor's Office Audit.

The Grant's Office is located within the Office of Management and Budget. The functions of the Grant's Office is to promote collaboration and coordination during the grants process between City departments; establish partnerships between private, public and foundation sectors; maintain procedures and guidelines throughout City departments for applying and managing grants; serve as a resource for all City departments on the grant process and encourage City departments usage of the AmeriCorps resources through the servePGH initiative.

Prior to the current administration, it was each department's responsibility to find and apply for grants. Expertise in grant writing was not always available yet sometimes obtaining grants were successful. Grants can be a bonus to any organization, especially where money is tight. Grant writing is a specialty field. The more successful operations hire experienced grant writing professionals.

Finding: The current administration created an office solely for finding and obtaining grants.

There were 57 grants received from 2014 to 2015 totaling \$43,473,209.00. The sources of the grants vary between federal, state and local organizations that include foundations and local businesses.

The Director of the Office of Management and Budget (OMB) provided a list of all grants received in 2014 and 2015. The Director stated that each grant was the result of written proposals initiated by the Grant's Office. Table 9 shows the name of the grant funder and the total amount received during this time period.

TABLE 9

TOTAL NUMBER OF GRANTS RECEIVED FROM EACH FUNDER FROM 2014 TO 2015		
GRANT FUNDER	# OF GRANTS RECEIVED	GRANT AMOUNT TOTALS
2015 Highmark Summer Youth	1	\$ 50,000.00
Allegheny County Economic Development (ACED)	1	\$ 45,000.00
Allegheny County / Heinz	1	\$ 929,040.00
Allegheny County Conservation District	1	\$ 39,816.00
Allies for Children	1	\$ 11,676.00
Buhl Foundation	1	\$ 10,000.00
Cities of Service	1	\$ 25,000.00
Commonwealth/DCED	1	\$ 802,990.00
Department of Community and Economic Development (DCED)	1	\$ 1,590,000.00
Department of Human Services (DHS) / Federal Emergency Management Agency (FEMA)	1	\$ 100,430.00
Dollar Bank/Conference Mayors	1	\$ 14,000.00
DuPont	1	\$ 75,000.00
FEMA	1	\$ 571,000.00
Federal Motor Carrier Safety Administration (FMCSA)	1	\$ 202,645.00
Federal Transportation Administration (FTA) / Department of Transportation (DOT)	1	\$ 1,200,000.00
Grable Foundation	1	\$ 11,500.00
Heinz Foundation	4	\$ 275,000.00
Hillman	1	\$ 50,000.00
Hillman Foundation	2	\$ 95,000.00
Housing and Urban Development (HUD)	1	\$ 30,000,000.00
Keystone Library Grant	1	\$ 500,000.00

TABLE 9 (continued)

TOTAL NUMBER OF GRANTS RECEIVED FROM EACH FUNDER FROM 2014 TO 2015		
GRANT FUNDER	# OF GRANTS RECEIVED	GRANT AMOUNT TOTALS
National League of Cities	1	\$ 50,000.00
National Recreation and Park Association	1	\$ 8,000.00
Neighborhood Allies	1	\$ 2,000.00
Pennsylvania Historical and Museum Commission (PAHMC)	3	\$ 55,800.00
Pennsylvania Commission on Crime and Delinquency (PCCD)	2	\$ 109,200.00
Pennsylvania Emergency Management Agency (PEMA)	1	\$ 13,691.00
PennDot	4	\$ 1,149,996.00
People's Gas	2	\$ 40,000.00
Pittsburgh Foundation	2	\$ 230,000.00
PNC	1	\$ 10,000.00
Redevelopment Assistant Capital Program (RCAP) / Urban and Redevelopment Authority (URA)	1	\$ 490,000.00
Rebuilding Together	1	\$ 11,352.00
Riverlife	1	\$ 1,251,244.00
Richard K Mellon	2	\$ 550,000.00
Rockefeller Foundation	1	\$ 295,840.00
The Pittsburgh Foundation	1	\$ 26,332.00
URA	1	\$ 25,000.00
US Department of Justice (USDOJ)	5	\$ 2,526,657.00
Walmart Foundation	1	\$ 30,000.00
GRAND TOTAL	57	\$ 43,473,209.00

Source: Office of Management and Budget

The largest grant was from Housing and Urban Development (HUD) for \$30,000,000. The second largest grant was from the US Justice Department for \$2,526,657.00. Both funders are bolded in Table 9.

Some funding organization contributed to more than one project. Table 10 and 11, show the projects name, funder and amount of each grant in 2014 and 2015 respectively.

**TABLE 10
GRANTS RECEIVED
in 2014**

SPONSOR / GRANTOR	PROJECTS NAME	AMOUNT AWARDED
Rebuilding Together	AmeriCorps Vista	\$ 11,352.00
People's Gas	Love Your Block	\$ 15,000.00
PNC	Love Your Block	\$ 10,000.00
Hillman	Welcoming Pittsburgh	\$ 50,000.00
DuPont	Lead Safe for Kid's Sake	\$ 75,000.00
RK Mellon	BNE Support	\$ 150,000.00
Pittsburgh Foundation	BNE Support	\$ 130,000.00
Hillman Foundation	BNE Support	\$ 50,000.00
Buhl Foundation	BNE Support	\$ 10,000.00
Heinz Foundation	BNE Support	\$ 100,000.00
National League of Cities	CHAMPS	\$ 50,000.00
RK Mellon	Code for America	\$ 400,000.00
Heinz Foundation	Astronomical Footprint	\$ 25,000.00
PAHMC	Arch Planning Grant	\$ 12,800.00
USDOJ	COPS 2014 Grant	\$ 1,875,000.00
The Pittsburgh Foundation	Rocco Memorial	\$ 26,332.00
DHS/FEMA	Port Security Grant	\$ 100,430.00
USDOJ	2014 Justice Assistance	\$ 153,718.00
PCCD	ATF Officer Overtime	\$ 9,500.00
PCCD	Project Safe Neighborhood	\$ 99,700.00
PennDot	Highway Safety Grant	\$ 89,996.00
PEMA	Fire Equipment	\$ 13,691.00
FEMA	Assistance to Fire Fighters '14	\$ 571,000.00
PennDot	Schenley Traffic Signal	\$ 120,000.00
Commonwealth/DCED	Lawrenceville H2O	\$ 802,990.00
HUD	Larimer Project	\$ 30,000,000.00
Rebuilding Together	AmeriCorps Vista	\$ 11,352.00
People's Gas	Love Your Block	\$ 15,000.00
PNC	Love Your Block	\$ 10,000.00
Hillman	Welcoming Pittsburgh	\$ 50,000.00

Source: Office of Management and Budget

TABLE 11
GRANTS RECEIVED
in 2015

SPONSOR / GRANTOR	PROJECTS NAME	AMOUNT AWARDED
Allies for Children	AmeriCorps Vista	\$ 11,676.00
Hillman Foundation	City ID	\$ 45,000.00
Neighborhood Allies	My Brother's Keeper	\$ 2,000.00
People's Gas	AmeriCorps Vista LYB	\$ 25,000.00
Heinz Foundation	Lean Sigma 6	\$ 50,000.00
Grable Foundation	Recreation Center Wifi	\$ 11,500.00
ACED	I&P Innovation Fellow	\$ 45,000.00
Rockefeller Foundation	100 RC	\$ 295,840.00
Cities of Service	Resilience AmeriCorps	\$ 25,000.00
Allegheny County / Heinz	Western Pa Data Center	\$ 929,040.00
Dollar Bank/Conf Mayors	Financial Literacy Program	\$ 14,000.00
2015 Highmark Summer Youth	Summer Youth Employment	\$ 50,000.00
Pittsburgh Foundation	Summer Youth 2015	\$ 100,000.00
PAHMC	Architectural Survey	\$ 18,000.00
PAHMC	National Registry Grant	\$ 25,000.00
URA	National Registry / PreservePGH	\$ 25,000.00
FTA/DOT	Fifth/Forbes Corridor	\$ 1,200,000.00
Keystone Library Grant	Allentown Library Renovations	\$ 500,000.00
DCED	PPC Frick Environmental Center	\$ 1,590,000.00
FMCSA	Federal Motor Carrier Grant 2015	\$ 202,645.00
USDOJ	2015 Justice Assistance Grant	\$ 127,939.00
USDOJ	Body Worn Camera Grant	\$ 250,000.00
PennDot	Impaired driver, aggressive driver grant	\$ 190,000.00
USDOJ	Building Community Trust and Justice	\$ 120,000.00
Heinz Foundation	21st Century Policing Grant	\$ 100,000.00
Allegheny County Conservation District	Buttonwood	\$ 39,816.00
PennDot	Monwharf Switchback	\$ 750,000.00
Riverlife	Monwharf Switchback	\$ 1,251,244.00
RCAP/URA	Monwharf Switchback	\$ 490,000.00
Walmart Foundation	School Lunches	\$ 30,000.00
National Recreation and Park Association	Parks	\$ 8,000.00

Source: Office of Management and Budget

RECOMMEDATION NO: 9:

It is an excellent idea to establish an office solely for finding and obtaining grants. This operation should be continued.

RECOMMEDATION NO: 10:

The success and personnel of the Grants Office should be evaluated yearly.

Boards, Authorities and Commissions

The Controller's 2009 mayor's office audit reported that appointments to boards, authorities and commissions were not made within the 60 day requirement of the Home Rule Charter. Vacancies occur in 3 ways: at-will appointees are replaced, the term limit is up or the member resigns.

Home Rule Charter on Vacancies

In section 222 of the Home Rule Charter it states that "Should the mayor fail to nominate a person to fill any vacancy, however created, on any authority, board or commission within sixty days after an office becomes vacant, Council may fill the vacancy unless prohibited by law." As noted in the Home Rule Charter Commentaries "...prolonged vacancies can be harmful".

The mayor has made appointments for positions on the Boards, Authorities and Commissions a multiple step process. Once a vacancy occurs, the position is posted on the Talent City webpage. Anyone can apply for any position. Then, collaboration occurs with Talent City members and mayor's office personnel on the selection of the applicants. Lastly, the mayor finalizes his selections for the positions. The positions that need City Council approval go through that process; the positions that don't require council approval are appointed.

On March 17, 2014 the mayor appointed 45 people to serve on 11 of the City's boards, authorities and commissions. This was just over the 60 day requirement. It has been reported that these appointments are the most diverse in the City's history, with 55% percent of the appointees being women and 25% of the appointees being African American.

The appointments include:

- ALCOSON - 4 appointees,
- Allegheny Regional Asset District - 2 appointees,
- Planning Commission - 8 appointees,
- Housing Authority - 5 appointees,
- Public Parking Authority - 4 appointees,
- Pittsburgh Water and Sewer (PWSA) - 6 appointees,
- Sports and Exhibition Authority - 3 appointees,

Stadium Authority - 3 appointees,
Urban Redevelopment Authority (URA) -3 appointees,
Zoning Board of Adjustment - 3 appointees and
Southwestern Pennsylvania Commission - 4 appointees.

As of January 19, 2016, the City's website states that there are currently 8 openings on the Boards, Authorities and Commissions: Building and Code Board of Appeals, Disruptive Property Appeals Board, Water Exoneration Hearing Board, Board of License and Inspection Review, Civil Service Commission, Education Commission, Historic Review Commission and Young Pittsburgh Advisory Commission.

Two (2) of these organizations were created under this administration. The Education Commission is newly formed and evolved out the mayor's Education Task Force; The Young Pittsburgh Advisory Commission was originally the Propel Commission which was created in 2007 by the previous administration. In 2015 the Propel Commission became the Young Pittsburgh Advisory Commission as a measure to clarify its mission.

RECOMMEDATION NO: 11:

The vacant openings in the boards, authorities and commissions should be filled in a timely fashion (within 60 days) from the end of their term or when a vacancy occurs.



CITY OF PITTSBURGH

“America’s Most Livable City”

Office of Mayor William Peduto

March 21, 2016

Mrs. Gloria Novak
Office of the City Controller
414 Grant Street
Pittsburgh, PA 15219

Dear Ms. Novak:

Thank you for taking the time to meet with us on March 14, 2016 regarding the Controller’s performance audit of the Mayor’s Office. In that meeting, we discussed several corrections and you requested additional information regarding the draft audit you provided for our review on February 19, 2016 (the “Draft”). We are pleased to provide the following response.

Organizational Chart

Attached as Exhibit A please find an updated organizational chart for the Office of the Mayor, including the current staffing for the Bureau of Neighborhood Empowerment. This Exhibit should replace the chart you previously included on Page 4 of the Draft.

Bureau of Neighborhood Empowerment

In Recommendation No. 1 on Pages 12-13 of the Draft, you propose to eliminate the Chief Education & Neighborhood Reinvestment Officer position and replace with an assistant manager position. We note that this action has already been implemented by the Administration as part of the 2016 operating budget, so you might consider deleting this recommendation.

In Recommendation No. 2 on Page 13 of the Draft, you assert that foundation grants should not have been added to the budget. We note that submissions for funding to launch the formation of the Bureau were made at the specific request of the foundations, and verbal commitments were made to support this important work. We also note that all expected foundation grants were received, and 50% of the salaries of the Bureau (not including EORC) were covered for each of 2014 and 2015. We are pleased to finally have a working relationship between foundations and the Mayor’s office, and the work of the Bureau closely aligns with investments they are making in city neighborhoods that have been disinvested for years.

Grant Updates

At our meeting, we appreciated your kind words regarding the successful grant program that we have been running through the Mayor's Office and Office of Management and Budget, which has resulted in tens of millions of dollars to support city initiatives. As you requested, attached as Exhibit B please find an updated schedule of grants received in 2014 and 2015.

Fifth Floor Renovations

At our meeting, we discussed several corrections to the Draft and you requested additional information regarding the Fifth Floor renovations completed in 2014.

Use of In-House Labor

In the fourth paragraph on Page 14 of the Draft, you assert that any project on city property that has a total cost above \$10,000 must be publicly bid. Section 161.04 of the City Code conflicts with this assertion. The City has as a practice always retained the right--and it is in fact the preference for cost reasons--to complete projects with in-house Public Works labor instead of using outside contractors. These hours are budgeted for and incurred at no additional cost to the taxpayers. We object and request that you delete this erroneous reference from the Draft.

Regular and Overtime Hours

At our meeting, you requested data regarding the regular and overtime hours incurred by in-house employees for repairs completed on the Mayor's Offices. On Page 18 of the Draft, you cite receiving a letter from the Department of Public Works asserting that 7,736 hours were logged on Fifth Floor projects in 2014, and that you estimate overtime costs based upon a fabricated percentage. We believe that these numbers are *physically impossible*, and that the figures presented obviously cover hours logged for projects beyond the renovations the Mayor's Offices. For example, there are 23 offices on the Fifth Floor; even if it took a painter 8 hours for each office, that would amount to 184 hours, and your chart of Page 18 cites an extraordinary 1,734 hours allocated to painters. We object to the obvious error of this data and request that you delete this erroneous reference from the Draft.

As we discussed at length at our meeting and over the course of this audit, the record keeping in the Department of Public Works is not presently reliable to discern regular and overtime hours by project. Timesheets are filled out for employees when they work. Work orders are filled out for projects on city properties. However, these work orders do not record time spent by employees working on a project, and projects are not cross referenced to each other. Additionally, all of these records are kept on paper, in file boxes in the Department of Public Works and had to be hand sorted. It is clear that compiling the data you requested would involve a lot of time, guesswork and estimation, and the result is not reliable.

To address the historically anachronistic tracking of in-house hours for city projects, the Mayor ordered last year that the Department of Public Works begin building upon the Cartograph software system to digitally track expenses within the department. That work is ongoing, and once it is complete we will be able to pull reliable labor and material costs for all future city projects.

Strategic Facilities Initiative

In the sixth paragraph on Page 14 of the Draft, you assert that the completion of repair work in the Mayor's Offices prevented other scheduled maintenance from occurring on other facilities. Attached as Exhibit C is a draft mid-year report showing substantial maintenance and improvements to all city facilities in 2014 and 2015, with the Mayor's Offices (approximately \$43,000) being *less than one half of one percent* of the total \$10.6MM invested in 2014-15. The Peduto Administration has made facilities improvement a top priority all across the city, in particular in public safety and parks facilities, and the City has increased its expenditures on facilities work substantially over the last two years. We object and request that you delete this erroneous reference from the Draft.

IKEA Donations to the City

Attached as Exhibit D is a schedule of furniture and fixtures that were donated to the City by IKEA for installation in a conference room in the Mayor's Offices, in honor of IKEA's 25th anniversary in Pittsburgh, at no cost to the taxpayers. On Page 22 of the Draft, you assert that by the City accepting the donation of furniture and fixtures from IKEA for the conference room, this may constitute a violation of the city's campaign finance laws. We object and request that you delete this erroneous reference from the Draft. The donation of these materials was to the City of Pittsburgh, not to any individual, and they were all installed in the City-County Building permanently.

* * *

Thank you again for taking the time to meet throughout the auditing process. We appreciate your engagement on these important issues and continuing to work with the Controller's Office for the betterment of the City of Pittsburgh.

Sincerely,



Kevin Acklin
Chief of Staff

EXHIBIT A

Organizational Chart

Office of the Mayor & Bureau of Neighborhood Empowerment

