



Fiscal Follow-Up Report

**DEPARTMENT OF FINANCE
AND
URBAN REDEVELOPMENT AUTHORITY**

**2023 FOLLOW-UP: TAX ABATEMENT AND TAX INCREMENT
FINANCING PROGRAMS**

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Rachael Heisler, **Deputy Controller**

Lee Ajang, Fiscal Audit Manager
Michelle Gibbs, Assistant Fiscal Audit Manager

Edward Miller, Fiscal Auditor
Amelia Evener-Tinsley, Fiscal Auditor (CPA)

May 2023

TABLE OF CONTENTS

INTRODUCTION	3
SCOPE AND METHODOLOGY	4
2017 FINDINGS AND RECOMMENDATIONS	5
PRIOR FINDING #1 of 2017: HISTORICAL DATA	5
PRIOR FINDING #2 of 2017: RELIABILITY OF ESTIMATES AND PROJECTED REVENUE FROM EXPIRED PROGRAMS	7
PRIOR FINDING #3 of 2017: IMPROVED ROLE IN MANAGING THE PROGRAMS.....	8
PRIOR FINDING #4 of 2017: TRACKING AND UPDATING EXPIRED PROGRAMS	10
2018 FINDINGS AND RECOMMENDATIONS	12
PRIOR FINDING #1 of 2018: LACK OF SUPPORTING DOCUMENTATION (FINANCE)	12
PRIOR FINDING #1 of 2018: LACK OF SUPPORTING DOCUMENTATION (URA).....	14
PRIOR FINDING #2 of 2018: CALCULATION OF TAX ABATEMENTS	16
PRIOR FINDING #3 of 2018: MINIMUM PAYMENT AGREEMENT	18
2019 FINDINGS AND RECOMMENDATIONS	19
PRIOR FINDING #1 of 2019: LACK OF SUPPORTING DOCUMENTATION	19
PRIOR FINDING #2 of 2019: CALCULATION OF TAX ABATEMENTS	21
2021 FINDINGS AND RECOMMENDATIONS	23
PRIOR FINDING #1 of 2021: CALCULATION OF TAX ABATEMENTS.....	23
PRIOR FINDING #2 of 2021: LACK OF SUPPORTING DOCUMENTATION	25
PRIOR FINDING #3 of 2021: OVERSIGHT OF TIF PROJECTS.....	27
ADDENDUM	29

INTRODUCTION

Pursuant to the Controller’s powers under Article IV, Section 404(b) of the Pittsburgh Home Rule Charter, the prior four fiscal audits of the **TAX ABATEMENT AND TAX INCREMENT FINANCING PROGRAMS** were originally published in [2017](#), [2018](#), [2019](#), and [2021](#). Each year connects to each report respectively.

In 2023, we are attempting to aggregate and standardize the reporting of our Prior Findings and Recommendations. Therefore, this follow-up report will provide updates on the statuses of each Prior Finding going back to the 2017 report along with information on how any outstanding issues will be reported going forward. Please refer to the updates provided in this report and in the 2023 audit report—published separately—for more information. Please note that follow-up procedures are part of the monitoring process administered for fiscal audits to determine what to-date actions, if any, have been taken, if any, to remediate any previously reported issues.

When **Findings and Recommendations** are reported, they are given a status: **Open** or **Closed**. Please see the details below.

<p>OPEN</p>	<p>An OPEN status indicates that the previously published Finding and Recommendation has not yet been resolved. This may mean one of the following:</p> <ul style="list-style-type: none"> • The auditee(s) agreed with our report; however, efforts have not yet been initiated and implemented to reduce the internal control risk. • The auditee(s) agreed with our report and some processes have been initiated to remediate risk; however, these processes are unfinished at this time. • The auditee(s) disagreed with our report and declined the Finding and/or Recommendation provided. Therefore, the risk remains as described in the original report.
<p>CLOSED</p>	<p>A CLOSED status indicates that the previously published Finding and Recommendation is resolved. This may mean one of the following:</p> <ul style="list-style-type: none"> • The auditee(s) implemented either our prior Recommendation or a comparable solution to resolve the risk identified. The City Controller’s Office will verify implementation before assigning this status. • The Finding and Recommendation is no longer relevant based on changes in condition.

SCOPE AND METHODOLOGY

The City's Code of Ordinances, **§265.12** and **§267.10**, delineate the Controller's responsibility to perform an accounting of projected and catalogued values of assessment reductions, tax credits, and tax abatements and also verify projections of revenues due to the City upon the expiration of the assessment reductions, tax credits, and tax abatements as granted via the authority given in Chapters 265 and 267 of Ordinance.

Our annual audits began in 2017, at that time focused only on the City's Tax Abatement Programs (TAPs) initiated or projected during the period 2007 – 2026; however, this scope was expanded in 2018 to include Tax Increment Financing (TIF) programs. Our 2018, 2019, and 2021 reports reviewed samples and projections of data for all programs thereof for the period **2009 – 2040**.

In following up on the original report, we administered the following procedures:

- Reviewed all Prior Findings, Recommendations, and auditee responses provided in our audit reports published in 2017, 2018, 2019, and 2021.
- Aggregated previously reported data on Prior Findings into an organized database.
- Performed analysis on data provided to us in 2022 to determine what Prior Findings were resolved.
- Developed a system for tracking Findings specific to TAPs and TIF programs going forward.

Please refer to the **Update** section of each **Prior Finding** discussed in this report for information on how to track any unresolved issues going forward. Please note that any current Findings, as applicable, will be reported separately in our **2023** publication of this audit.

2017 FINDINGS AND RECOMMENDATIONS

The results below are follow-up updates for the Findings and Recommendations previously reported in 2017 via the fiscal audit report located [here](#).

PRIOR FINDING #1 of 2017: HISTORICAL DATA¹

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF "IMPLEMENTATION OF INFORMATION SYSTEM (FINANCE)." SEE 2023 AUDIT REPORT.
PRIOR FINDING	<p>The data provided for abatements initiated between 2007 – 2016 were not originally filterable by active and expired abatements and were also not separated into the seven programs that were offered during that period of time. The Department of Finance advised the Controller’s Office at that time that this type of data filtering was not available but that a new system was being worked on. The system in place was not capable of retaining historical information for abatements flagged as expired. Please see the following timeline of updates on this Finding:</p> <ul style="list-style-type: none"> • In 2017, the Finding above was reported under the header “Historical Data.” • In 2018, the new system was not yet available; however, abatements were then able to be filtered by active and expired categories. • In 2019, the new system was not available; however, the Controller’s Office was able to assist the Department of Finance in managing its spreadsheet to allow for data retention and filtering of abatement program type. Abatements were no longer flagged for expiration so that historical data remained available. • In 2020, an agreement (i.e., Contract 53205) with CSS, Inc.—allowable per Resolution 724 of 2019—was executed to purchase an integrated tax and real estate management system and support services for \$4 million. The department administrators advised us that the new real estate system was expected to be fully implemented by the summer of 2021. As of our fourth audit report of April 22, 2021, this system had not yet been implemented.

¹ See update for 2017-01 in [Addendum](#).

<p>PRIOR RECOMMENDATION</p>	<p>We recommended that the department implement a new data system that allows for all necessary data to be retained. It was noted that this is not only important for compliance with City Council legislation but also in accurately supporting the annual financial reporting administered by the Controller’s Office.</p>
<p>PRIOR AUDITEE RESPONSE</p>	<p>No response was reported.</p>
<p>UPDATE</p>	<p>On July 25, 2022, we inquired about the Business and Real Estate Tax Management system purchased via Contract 53205 and were informed by the department administrators that, due to numerous issues, the system was not yet operational. On December 14, 2022, we were advised that the system is expected to launch in 2023. It was noted that temporary loss of informational technology (IT) personnel and also ongoing coordination of the system's specifications caused significant delay in implementation. This Finding will remain in an Open status until the department is able to provide evidence that the new management system is operational and functions according to the department's processing needs.</p> <p>To ease the organization and tracking of the Findings reported between 2017 – 2021, we are closing these Findings and reopening them, if needed, under new Finding headers. In the 2023 audit report and going forward, this Finding will be tracked under the header “Implementation of Information System (Finance)” until it has been fully remediated.</p>
<p>AUDITEE RESPONSE</p>	<p>Please refer to our 2023 publication of this audit.</p>

PRIOR FINDING #2 of 2017: RELIABILITY OF ESTIMATES AND PROJECTED REVENUE FROM EXPIRED PROGRAMS²

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT DOCUMENTATION (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	Per Finding #1 of 2017, the data necessary to perform adequate testing was not available. In addition, auditors could not test the abatement process as the department was unable to provide supporting documentation of requested samples. Applications, abatement schedules, and calculations were not readily available.
PRIOR RECOMMENDATION	We recommended that the Department of Finance retain documentation necessary to support the abatements themselves (e.g., applications and schedules) and any calculations used in determining the abatement amounts.
PRIOR AUDITEE RESPONSE	No response was reported.
UPDATE	<p>In order to provide reasonable assurance of the financial statements made by departments and authorities, auditors will, typically, perform sample testing on a percentage of the data population to determine if all necessary documents; details; and, if applicable, calculations are available. The fundamental issue stated in this Finding is the lack of supporting documentation retained by the department. Although this Finding’s header is not directly addressed in our reports of 2018, 2019, and 2021, this issue is reported in all those years under the header "Lack of Supporting Documentation."</p> <p>To ease the organization and tracking of the Findings reported between 2017 – 2021, we are closing these Findings and reopening them, if needed, under new Finding headers. In the 2023 audit report and going forward, this Finding will be tracked under the header “Lack of Sufficient Documentation (Finance)” until it has been fully remediated.</p>
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

² See update for 2017-02 in [Addendum](#).

PRIOR FINDING #3 of 2017: IMPROVED ROLE IN MANAGING THE PROGRAMS³

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT INTERNAL CONTROLS (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	This Finding speaks to the overall management of the programs and magnitude of that responsibility. It was noted that sufficient supporting documentation is not retained, the calculation process is not adequately documented, and there is no comprehensive system in place to manage these factors. The Real Estate Division of the Department of Finance is responsible for retaining applications and schedules so that it can correctly calculate the abatement amounts and update the tax bill to reflect the reductions.
PRIOR RECOMMENDATION	Because issues were discovered in the retention of documentation and calculation of abatements, as noted in Findings #1 and #2 of 2017, we recommended that the department explore the possibility of an automated digital retention system and an improved process for ensuring the availability of abatement schedules.
PRIOR AUDITEE RESPONSE	No response was reported.
UPDATE	<p>There are two factors that support this Finding: the missing management system, as the primary root of Finding #1 of 2017, and a lack of sufficient controls to retain records and data used in support of operations. Our 2017 Recommendation was that the department consider the implementation of a digital system that could automate and streamline the retention of abatement schedules and associated information.</p> <p>To ease the organization and tracking of the Findings reported between 2017 – 2021, we are closing these Findings and reopening them, if needed, under new Finding headers. In the 2023 audit report and going forward, this Finding will be tracked under the header “Lack of Sufficient Internal Controls (Finance)” until it has been fully remediated. As noted in the Update for Finding #1 of 2017, issues specific to</p>

³ See update for 2017-03 in [Addendum](#).

	the management system will be covered under “ Implementation of Information System (Finance) ” until remediated.
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #4 of 2017: TRACKING AND UPDATING EXPIRED PROGRAMS⁴

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT INTERNAL CONTROLS (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	In 2017, it was reported that no formal procedure was in place for steps to be taken once abatements are approved or expired. The Department of Finance relies on an assessment from the County, which occurs following an application for an occupancy permit, but no information is sent to the owner to communicate the status. Without a formal process, abatements could expire but not be reflected timely or at all, which means that the City could be missing out on tax revenue due from the parcel with the expired abatement.
PRIOR RECOMMENDATION	We recommended that the department implement a procedure of sending formal notifications to the applicants of the approvals, start- and end-dates, and abatement amounts.
PRIOR AUDITEE RESPONSE	No response was reported.
UPDATE	<p>The department has not had policies and procedures in place since the onset of these annual audits. Without these, an expectation to maintain adequate documentation, support for calculations, and action steps taken throughout the abatement processes may not be evident to the personnel tasked with day-to-day operations. This means that the risk remains at high magnitude year by year.</p> <p>As a standard, systematized procedures and segregation of staff duties are tiers of preventative practices and auditors will analyze departmental operations to determine if these controls are in place. This Finding will remain in an Open status until audit testing and review of statements, calculations, and policies and procedures show that appropriate controls are in place.</p> <p>To ease the organization and tracking of the Findings reported between 2017 – 2021, we are closing these Findings and</p>

⁴ See update for 2017-04 in [Addendum](#).

	reopening them, if needed, under new Finding headers. In the 2023 audit report and going forward, this Finding will be tracked under the header “ Lack of Sufficient Internal Controls (Finance) ” until it has been fully remediated.
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

2018 FINDINGS AND RECOMMENDATIONS

The results below are follow-up updates for the Findings and Recommendations previously reported in 2018 via the fiscal audit report located [here](#).

PRIOR FINDING #1 of 2018: LACK OF SUPPORTING DOCUMENTATION (FINANCE)⁵

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT DOCUMENTATION (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	The department was unable to provide all supporting documentation for the samples selected by auditors. Due to this, auditors could not test 32% of the samples requested, and, therefore, the accuracy and validity of these abatements cannot be confirmed. Specifically, there were testing exceptions due to missing applications, approval signatures, and permits; incorrectly documented permit numbers and construction types; and evidence of permits not being submitted within the appropriate timeframe of the application.
PRIOR RECOMMENDATION	We recommended that the Department of Finance utilize the City's management software OnBase to scan and store supporting documentation for both expired and active parcels that received or are receiving abatements. We also recommended that applications be approved by a designated signer and accompanied by supporting documentation.
PRIOR FINANCE RESPONSE	"Beginning in 2019, the Finance Department will date stamp received on all applications and scan documents to OnBase to better centralize the information. A written policy will be written as to who is authorized to approve the abatement."
UPDATE	In our 2019 report, this 2018 Finding was listed as Closed , per the Update to Prior 2018 Report section; however, reported also in that report was Finding #1 of 2019, <i>Lack of Supporting Documentation</i> , which speaks to same core issue described in Finding #1 of 2018—that supporting documentation is often not provided to support the samples of abatements requested. Rather than opening and closing Findings of the same core risk year by year, we will, going forward, be addressing issues

⁵ See update for 2018-01 in [Addendum](#).

	central to missing documentation under the header “ Lack of Sufficient Documentation (Finance) ” until they have been fully remediated. We hope that this will ease the organization and tracking of Findings reported for this audit. Please refer to the new Finding header referenced above in our 2023 audit report for more information.
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #1 of 2018: LACK OF SUPPORTING DOCUMENTATION (URA)⁶

AUDITEE	URA
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT DOCUMENTATION (URA).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	As of 2018, the URA reviewed and approved applications for Residential LERTA and Residential Enhanced LERTA. Of the URA samples reviewed, one was missing an application and another was missing an approval letter. It was also noted that the applications for these programs do not have a designated field to document the date of the submission, which is an important piece of data to retain being that applications must be submitted within 180 days following the issuance of a building permit.
PRIOR RECOMMENDATION	We recommended that the applications be approved by a designated signer and accompanied by proper documentation. We also recommended that the URA consider an adjustment to the applications for Residential LERTA and Residential Enhanced LERTA to include a submission date.
PRIOR URA RESPONSE	"The URA will work with the DoF-RE to add a submission date field on the LERTA application template. The URA will review with the DOF-RE to determine if the LERTA application form 14 needs modification. At the time of application review, the URA will confirm that the permit issue date field is completed by the applicant before issuing approval. Please note that the applicant is required to submit a copy of the building permit with the LERTA application. The building permit issue date is noted on the permit."
UPDATE	As noted in Prior Finding #1 of 2018, this Finding, in this case specific to the URA, was listed as Closed in our 2019 report. The core issue stated in 2018 was that adequate supporting documentation was not retained. This issue was present again 2019 for the Department of Finance but not the URA. To ease the tracking of each Finding as unique to the department or Authority responsible for remediation, any issues specific to

⁶ See update for 2018-01 in [Addendum](#).

	missing documentation will be addressed, going forward, under the header “ Lack of Sufficient Documentation (URA) ” until they have been fully remediated.
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #2 of 2018: CALCULATION OF TAX ABATEMENTS⁷

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	<p>OPEN UNDER THE FOLLOWING NEW HEADERS:</p> <ul style="list-style-type: none"> • APPLICATION OF TAX ABATEMENT CALCULATIONS (FINANCE) • LACK OF SUFFICIENT DOCUMENTATION (FINANCE) • IMPLEMENTATION OF INFORMATION SYSTEM (FINANCE) <p>SEE 2023 AUDIT REPORT.</p>
PRIOR FINDING	<p>The Department of Finance's Real Estate Division was responsible for calculating abatements for Act 42, Act 42 Enhanced Residential, Commercial LERTA, Residential LERTA, Residential Enhanced LERTA, Local Economic Stimulus, and Visitability Residential. Our 2018 audit found that several samples were incorrectly calculated. Three parcels were over-abated by a total of \$178.94 and three were under-abated by a total of \$560.48.</p> <p>In addition, the department was unable to provide samples for Commercial LERTA and Visitability Residential, and, therefore, no testing could be performed on those programs.</p>
PRIOR RECOMMENDATION	<p>We recommended that the department implement staff trainings, additional staff for sharing the responsibility of performing calculations, and levels of review.</p>
PRIOR AUDITEE RESPONSE	<p>“The Finance Department has added an additional staff person to assist with the process of reviewing abatements. A letter of approval will be sent to all applicants eligible for abatement. In conclusion, the abatement program has been a manual process since it was first created. Steps are being taken to automate the process. The Finance Department is moving forward with a new Real Estate system which will eliminate improperly calculated abatements and abatements which have expired.”</p>
UPDATE	<p>While this 2018 Finding was addressed again in our 2019 and 2021 reports as a work-in-progress, it remains as a standalone</p>

⁷ See update for 2018-02 in [Addendum](#).

	<p>risk in all years. Our ongoing Recommendation was for the department to take appropriate steps to ensure proper derivation and calculation of abatements. This issue reappears again in our 2023 report. Therefore, to ease the organization and tracking of this Finding, we are, as of our 2023 audit report and going forward, renaming and tracking this Finding under the header “Application of Tax Abatement Calculations (Finance)” until it has been fully remediated.</p> <p>Incidentally, the department was unable to provide the samples requested for Commercial LERTA and Visitability Residential, which meant that no testing could be administered on those programs. This connects to the ongoing issue associated with the Finding header "Lack of Sufficient Documentation (Finance)."</p> <p>Finally, in the latter portion of the department's response to this Finding, it again mentions the new Real Estate system, which, as previously noted, will be tracked via the new header of "Implementation of Information System (Finance)."</p>
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #3 of 2018: MINIMUM PAYMENT AGREEMENT⁸

AUDITEE	URA
STATUS OF FINDING	CLOSED
PRIOR FINDING	The URA is tied into a Minimum Payment Agreement (MPA) as part of a cooperation agreement designed to satisfy the required debt service. Our review in 2018 found an MPA shortfall of \$70,260.61. The Vice President and manager at Zion Bank had confirmed that an invoice was issued for the shortfall amount but no proof of payment could be provided. Incidentally, this missing payment was also noted in an external audit administered by an independent third party.
PRIOR RECOMMENDATION	We recommended that ongoing payment reviews be administered to prevent and/or remediate missed payments.
PRIOR AUDITEE RESPONSE	<p>“The Trustee determined that the account balance was sufficient to meet all debt requirements.</p> <p>Trustee determined that the \$70,261.61 did not need to be collected as doing so would have resulted in excess funds at Zions bank account which would have been returned to the Developer and not pay down debt or distributed to the taxing bodies.</p> <p>The URA has received conflicting audit opinions as to the proper accounting for the Mellon TIF with one auditing firm stating that we have deviated from GAAP. We will be reaching out to other like organizations to determine which method follows government standards and will make necessary corrections prior to bond payoff in May 2019.”</p>
UPDATE	This Finding was changed to a Closed status in 2019. No further action is required.
AUDITEE RESPONSE	N/A.

⁸ See update for 2018-03 in [Addendum](#).

2019 FINDINGS AND RECOMMENDATIONS

The results below are follow-up updates for the Findings and Recommendations previously reported in 2018 via the fiscal audit report located [here](#).

PRIOR FINDING #1 of 2019: LACK OF SUPPORTING DOCUMENTATION⁹

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	<p>OPEN UNDER THE FOLLOWING NEW HEADERS:</p> <ul style="list-style-type: none"> • LACK OF SUFFICIENT DOCUMENTATION (FINANCE) • LACK OF SUFFICIENT INTERNAL CONTROLS (FINANC) <p>SEE 2023 AUDIT REPORT.</p>
PRIOR FINDING	<p>In 2018, we were unable to test 53% of the samples requested due to missing documentation, a persisting issue through the course of our audits.</p> <p>In addition, a handful of the samples that were provided were also missing approval signatures. There was also an instance where a Local Economic Stimulus program was approved for a parcel with a significant delinquent tax history. In accordance with program rules, parcels cannot be in tax-delinquency to receive approval for abatement.</p>
PRIOR RECOMMENDATION	<p>We recommended that the Department of Finance create a step-by-step guide detailing the process for managing the City's abatement programs, noting that those steps should include the approval, communication, and documentation of abatements.</p>
PRIOR AUDITEE RESPONSE	<p>“We have selected a vendor for a new tax system which will start development in 2020. All applications will be electronic and accessible by customer via a customer portal. All images will be stored on a centralized document management system to allow accessibility but also it will follow the City's document retention policy. Customer will be able to see all actions taken on applications and follow progress. This will create the ability to follow a standard process (workflow) on all applications taken away the ability for staff to pick which order approvals</p>

⁹ See update for 2019-01 in [Addendum](#).

	<p>are processed. Administration will be able to see when and by whom approvals are made as well as track SLAs. Delinquencies will be evaluated by the system using the tax account and will function as a compliance requirement for all applicants.”</p>
<p>UPDATE</p>	<p>In order to provide reasonable assurance of the financial statements made by departments and authorities, auditors will, typically, perform sample testing on a percentage of the data population to determine if all necessary documents; details; and, if applicable, calculations are available. The fundamental issue stated in this Finding is the lack of supporting documentation retained by the department. This core issue is reported again in 2021 under the header "Lack of Supporting Documentation."</p> <p>To ease the organization and tracking of the Findings reported between 2017 – 2021, we are closing these Findings and reopening them under new Finding headers specific to the department responsible. In the 2023 audit report and going forward, this core issue stated in this Finding will be tracked under the header “Lack of Sufficient Documentation (Finance)” until it has been fully remediated.</p> <p>Incidentally, the Finding notes an exception for a Local Economic Stimulus program approved for a parcel in tax delinquency. This issue speaks more to the department's internal control system and, therefore, will be tracked via "Lack of Sufficient Internal Controls (Finance)."</p>
<p>AUDITEE RESPONSE</p>	<p>Please refer to our 2023 publication of this audit.</p>

PRIOR FINDING #2 of 2019: CALCULATION OF TAX ABATEMENTS¹⁰

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	<p>OPEN UNDER THE FOLLOWING NEW HEADERS:</p> <ul style="list-style-type: none"> • APPLICATION OF TAX ABATEMENT CALCULATIONS (FINANCE) • LACK OF SUFFICIENT INTERNAL CONTROLS (FINANCE) <p>SEE 2023 AUDIT REPORT.</p>
PRIOR FINDING	The reemergence of the same core issue stated for Finding #2 of 2018 is documented in both 2019 and 2021. Please see Prior Finding #2 of 2018 and our 2023 audit report for additional details concerning improper derivations and calculations.
PRIOR RECOMMENDATION	Our 2019 Recommendation was that the department implement a formal process for calculating abatements, tax credits, and/or assessment reductions; identify the parties responsible for each step; and work with the County of Allegheny to formalize the communication of abatement data throughout the abatement periods.
PRIOR AUDITEE RESPONSE	“We are currently working with County to receive an updated property data set every month instead of twice per year to improve our ability to set flags on assessment changes during the year. Moving forward with the new system, flags can be set automatically to ensure both City and County are alerted when property assessment data is changed. Abatement calculations will happen automatically based on system criteria.”
UPDATE	Testing in 2019 again revealed issues with the application and derivation of abatements. Our report noted that the County will provide abatement schedules for LERTA programs but updates in assessment values post-issuance do not prompt the County for updated schedules. It is not clear which party is responsible for updating the assessment schedules used as the basis for calculating tax credits. This issue reappeared again during our 2022 – 2023 procedures. This Finding indicates issues in the accuracy of the calculations themselves but also in the system of control used in the calculation process. Therefore, to more

¹⁰ See update for 2019-02 in [Addendum](#).

	easily categorize and track these issues, we are closing this Finding and reopening it under two separate Findings. In 2023 and forward, please refer to “ Application of Tax Abatement Calculations (Finance) ” and “ Lack of Sufficient Internal Controls (Finance) .”
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

2021 FINDINGS AND RECOMMENDATIONS

The results below are follow-up updates for the Findings and Recommendations previously reported in 2018 via the fiscal audit report located [here](#).

PRIOR FINDING #1 of 2021: CALCULATION OF TAX ABATEMENTS¹¹

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “APPLICATION OF TAX ABATEMENT CALCULATIONS (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	Of samples tested in 2021, six parcels were given incorrect abatement amounts. Four parcels were under-abated and two parcels were over-abated.
PRIOR RECOMMENDATION	We again recommended that the department create a formal procedure for calculating and verifying abatements. All parties responsible should be delineated for each part of the process and steps should be taken to remediate the incorrectly abated parcels.
PRIOR AUDITEE RESPONSE	“Finance will work to ensure that current abatements are reviewed and calculated properly. Finance continues to work with Allegheny County to receive an updated property data set every month instead of twice per year to improve our ability to set flags on assessment changes during the year. Moving forward with IMPACT, the new tax and real estate system, flags can be set automatically to ensure both the City and Allegheny County are alerted when property assessment data is changed. Tax abatement calculations will happen automatically based on system criteria.”
UPDATE	In 2019, the department noted that a vendor had been selected to provide a new Real Estate system. In 2020, the department indicated that the system selected is called IMPACT. Per Contract 53205 with CSS, Inc., an agreement was executed with the vendor. While the information system was noted in Finding #1 of 2021 and discussed further by the Department of Finance in its response, this issue is specific to the integration of a digital and automated system. As noted in the update for Finding #1 of 2017, this system has yet to be implemented and

¹¹ See update for 2021-01 in [Addendum](#).

	<p>system-implementation issues will be, in 2023 and future audits, tracked via “Implementation of Information System (Finance).”</p> <p>Since the testing connected to this Finding is specific to the calculation of abatements, this Finding will be reported in 2023 under "Application of Tax Abatement Calculations (Finance)," and, as previously noted, risks associated with this core issue will be tracked under that header going forward.</p>
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #2 of 2021: LACK OF SUPPORTING DOCUMENTATION¹²

AUDITEE	DEPARTMENT OF FINANCE
STATUS OF FINDING	OPEN UNDER NEW HEADER OF “LACK OF SUFFICIENT DOCUMENTATION (FINANCE).” SEE 2023 AUDIT REPORT.
PRIOR FINDING	The Department of Finance was unable to provide 28% of the documentation requested by auditors. Being that the department continues to wait on the implementation of a digital management system, records are still not adequately centralized and organized. Our 2021 report noted that the department was responsible for the review and approval of applications for Act 42, Act 42 Enhanced, and Local Economic Stimulus, and fieldwork testing indicated that adequate supporting documentation, records of required documentation and proper approvals, was not retained.
PRIOR RECOMMENDATION	We provided a similar recommendation to that given in 2018—for the department to create a detailed procedure that provides specific steps and all parties involved in each. We also recommended that the department locate any missing documentation.
PRIOR AUDITEE RESPONSE	“Finance will work to scan any hardcopies of applications and supporting documentation of old and current abatements. Implementation of IMPACT, the new tax and real estate system began in early 2020. All tax abatement and other applications will be electronic and accessible to customers on the Department of Finance’s webpage. In addition to the application, any supporting documents will be stored on a centralized document management system to allow for easy access.”
UPDATE	It is important for departments to retain any documentation that supports the actions of its operations. City Ordinance requires specific documentation, tax standings, timing of certain notifications, and other specifics in order for abatements to move forward. To assert that active abatements are properly approved and abatement, the department should retain any documentation used in processing the abatements.

¹² See update for 2021-02 in [Addendum](#).

	This core issue of missing documentation is reported in 2017, 2018, 2019, 2021, and again in 2023. As noted in all Prior Findings with this core issue, this Finding will be tracked in 2023 and going forward under " Lack of Sufficient Documentation (Finance) " until fully remediated.
AUDITEE RESPONSE	Please refer to our 2023 publication of this audit.

PRIOR FINDING #3 of 2021: OVERSIGHT OF TIF PROJECTS¹³

AUDITEE	URA
STATUS OF FINDING	CLOSED
PRIOR FINDING	In accordance with §201.11 of City Ordinance, the URA is responsible for the oversight of TIF proposals, implementations, and compliance. The TIF Committee tasked with the review of these obligations should be comprised of City Council members and representatives of the City, URA, County of Allegheny, and Pittsburgh Board of Education. As of our 2021 report, the TIF Committee had been inactive since March 2019 and was, at that time, comprised of only URA staff.
PRIOR RECOMMENDATION	We recommended that the URA reinstate the TIF Committee and ensure that ensure its composition consist of the appropriate representatives.
PRIOR AUDITEE RESPONSE	<p>“In response to Finding #3: Oversight of TIF Projects, the URA accepts this finding.</p> <p>The URA takes this finding very seriously. The finding is a result of personnel turnover and change of leadership over the course of the last 16 months. This was further complicated by COVID-19. The first step to correcting this is identifying proper staff responsibilities. In addition to the onboarding of two new Directors (Director of Finance & Director of Development Services), there have also been staff promotions to assist in improving the URA’s oversight of this project; namely, the Assistant Director of Policy & Development.</p> <p>The Assistant Director of Policy & Development will take on the project management lead of correcting this finding. This individual has prior experience with TIFs, as well as familiarity with the GFOA best practice for ‘Establishing an Economic Development Incentive Policy’. Effective immediately, the URA will began strategizing and planning for improvements to the TIF program in accordance with this policy. Additionally, we will work to reinstate the TIF Committee by Q4 2021.”</p>
UPDATE	As of October 11, 2022, the URA was able to provide a list of active TIF Committee members. We confirmed that the list, 10

¹³ See update for 2021-03 in [Addendum](#).

	<p>members in total, included representatives of the City, URA, County of Allegheny, and Pittsburgh Board of Education. The URA also provided documentation of meeting agendas, presentations, and briefing materials showing that the committee held meetings in 2021 and 2022. Because evidence was provided to indicate that a committee is active, comprised of the required representatives, and holding meetings to oversee TIF projects, this Finding is now in a Closed status.</p>
AUDITEE RESPONSE	<p>Please refer to our 2023 publication of this audit.</p>

ADDENDUM

A summary of statuses for any Findings and Recommendations relevant to the follow-up procedures administered on the prior audit reports is provided below. The Office of the Controller will continue to follow up on any Findings and Recommendations with Open statuses. An audit on the TAPs and TIF programs is administered annually, giving the auditee from the date of the prior audit report to remediate the risks reported.

In the table below, “DOF” refers to Department of Finance. For internal purposes, Findings are given a unique identifier (e.g., “2017-01-DOF”) that allows auditors to track the core issues of that Finding going forward until the stated risk has been remediated. These identifiers are named by year, in YYYY format; Finding number; and department. Therefore, “2017-01-DOF” is Finding #1 of 2017 for the Department of Finance.

NUMBER OF FINDINGS REPORTED BETWEEN 2017 – 2023	12 BETWEEN 2017 – 2021 7 IN 2023
ORIGINAL FINDINGS BY NAME BETWEEN 2017 – 2021	2017-01-DOF: Historical Data 2017-02-DOF: Reliability of Estimates and Projected Revenue from Expired Programs 2017-03-DOF: Improved Role in Managing the Programs 2017-04-DOF: Tracking and Updating Expired Programs 2018-01-DOF: Lack of Supporting Documentation 2018-01-URA: Lack of Supporting Documentation 2018-02-DOF: Calculation of Tax Abatements 2018-03-URA: Minimum Payment Agreement 2019-01-DOF: Lack of Supporting Documentation 2019-02-DOF: Calculation of Tax Abatements 2021-01-DOF: Calculation of Tax Abatements 2021-02-DOF: Lack of Supporting Documentation 2021-03-URA: Oversight of TIF projects
NUMBER OF OPEN FINDINGS BY NEW FINDING HEADER	<ol style="list-style-type: none"> 1. 2023-01-DOF Implementation of Information System (Finance): 2017-01-DOF 2. 2023-02-DOF Lack of Sufficient Documentation (Finance): 2017-02-DOF, 2019-01-DOF, 2021-02-DOF 3. 2023-03-DOF Lack of Sufficient Internal Controls (Finance): 2017-03-DOF, 2017-04-DOF

	4. 2023-04-DOF Application of Tax Abatement Calculations (Finance): 2018-02-DOF, 2019-02-DOF, 2021-01-DOF
NUMBER OF CLOSED FINDINGS	2 CLOSED BETWEEN 2017 – 2023 FINDING #3 OF 2018 CLOSED IN 2019 FINDING #3 OF 2021 CLOSED IN 2023
ALL FINDINGS REPORTED IN 2023 AUDIT REPORT	1. 2023-01-DOF Implementation of Information System 2. 2023-02-DOF Lack of Sufficient Documentation 3. 2023-03-DOF Lack of Sufficient Internal Controls 4. 2023-04-DOF Application of Tax Abatement Calculations 5. 2023-05-URA Lack of Sufficient Documentation 6. 2023-06-DOF Lack of Compliance with City Ordinance 7. 2023-07-URA Lack of Compliance with City Ordinance

Fiscal audit reports and follow-ups can be viewed on the Controller portion of the City of Pittsburgh’s website under [Fiscal Audits](#).