



COUNTY OF ONONDAGA

Office of the
County Comptroller

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August 17, 2015

The Honorable County Executive
The Honorable Members of the County Legislature
The Chief Fiscal Officer
Mr. Robert DeMore, Director of Community Development Department

Enclosed is our audit report on the Department of Community Development.

The Onondaga County Community Development Department utilizes funds from federal and New York State government agencies in order to provide a significant amount of resources to assist with local housing, resident services, and other development activities. Proper administration of these grant funds should be a County priority to ensure the maximum benefits and accountability from these grant funds are realized at the local level.

Our audit focused on the fiscal operations of the Department and providing recommendations to better account for grant funding received, as well as identifying policies and procedures to help the Department improve the efficiency and effectiveness of its operations.

Our audit's primary conclusions are as follows:

1. Grants are not being reviewed for closure in a timely manner; grants were found to have excess revenue as compared to their actual expenses; unsupported expenditures were posted; and some grant budgets didn't reflect actual awards.
2. Grant files need to be better organized and all grant-related information needs to be readily available for accessibility purposes at any time.
3. Grant balancing and reconciliation procedures with the County's financial accounting system were not operating effectively.

We appreciate the cooperation of the Community Development's staff during our review and acknowledge the efforts of the Director of Community Development in submitting the attached response to our report.

Hopefully, this report provides necessary and useful information to the Community Development Department and to the Chief Fiscal Officer as his department takes over the fiscal operations of the Community Development Department.

Sincerely,

Robert E. Antonacci II, CPA

**Audit Report on the
Community Development Department**
By Onondaga County Comptroller Robert E. Antonacci II, CPA, Esq.

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SECTION I

BACKGROUND AND EXECUTIVE SUMMARY

Background

The Onondaga County Community Development Department (the department) utilizes funds from federal and New York State government agencies. These funds provide a significant amount of resources to assist with local housing, resident services, and other developmental activities. Administration of these grants provides a significant opportunity for the County to utilize funding from higher level governments to advance local priorities within the constraints of the various programs. Proper administration of these grant funds should be a County priority to ensure the maximum benefits and accountability from these grant funds are realized at the local level.

The department identifies qualified participants within Onondaga County based on income demographics for their capital and commercial rehabilitation projects and personal income standards for their residential projects. All programs and projects on personal residences and commercial properties within these qualifications are discussed at Public Hearings. Approved projects are then detailed in the Consolidated Five Year Action Plan and in the annual Action Plan. These plans are a required submission to U. S. Department of Housing & Urban Development (HUD) as support for the requested Federal funding.

The length the funding is available for use is dependent on the specific agency; it could range from one year on various New York State grants to indefinitely as with the federally funded Community Development Block Grant.

The department manages the Home Ownership, Lead Hazard Reduction, Shape Up, Neighborhood Rehabilitation, Ramp, Commercial Rehabilitation and Emergency Solutions Grant programs.

Executive Summary of Findings and Recommendations

During our audit of the Community Development Funds, we found the following:

1. The department had 48 grants with an available balance at December 31, 2014 totaling, approximately \$17.6 million, per the 2014 Consolidated Financial Statements.
2. We noted the following issues with the overall grant funds management:
 - a. Grants are not reviewed for closure in a timely manner.
 - b. Activity was posted in error to some grants.
 - c. Some grants were not reviewed to ensure current year activity was properly posted.
 - d. Grants were found to have excess revenue as compared to their actual expenses.
 - e. A few funding sources were misclassified.
 - f. Unsupported expenditures were posted to grants.
 - g. A couple grant budgets did not reflect actual awards.

Our high level recommendations to the Community Development Department management include:

3. Each grant should have a file. Each grant file should include, at a minimum, the grant:
 - a. Application
 - b. Funding approval and budget, including amounts, end dates, specific items funded, performance criteria, and other restrictions.
 - c. Specific person responsible for administering the grant.
 - d. Specific person responsible for accounting for the grant.
 - e. Specific authorized expenditure categories and limits.
 - f. Specific authorized staffing, contracts, etc.
 - g. Specific authorized time frames for expenditures and meeting requirements.
 - h. Methods for tracking required accomplishments and performance measures.
 - i. If there are expenditure transfers, there should be references to the specific underlying expenditures (payee, date, check number, amount, contract information, etc.) included in the file to ensure proper accountability.

4. Separate duties of the staff for the grant application, administering the grant, and accounting for the grant. The general rule should be no one person can control enough of any transaction so that there could be significant transactional errors or irregularities and that same person has the ability to cover it up to avoid detection. Segregation of duties for these grants could be accomplished in a number of different ways, but a typical effective method of segregation of duties would include:
 - a. A grant application developer. This person would typically be responsible for developing grant proposals and negotiating the final terms with the grantor.
 - b. A grant manager. This person could be assigned program authority and accountability duties. This could include authorizing contracts, employees, expenditure of funds, etc. to accomplish program goals, managing the grant on a day-to-day basis, and being held responsible for meeting program requirements, goals and performance measures.
 - c. Another person would be assigned to handle the accounting and fund accountability duties. This could include setting the grant up on the accounting records, properly tracking the expenditures and coding them properly to the grant and specific expenditure category, questioning whether a grant expenditure is properly charged to the grant, billing the grantor at the approved levels to cover grant expenditures in accordance with the grant terms, accruing grant revenues according to the grant terms and proper accounting rules, monitoring the grant terms to ensure reconciliation and compliance, and closing out the grant properly at the appropriate time. The person assigned to the accounting functions for the grant should work closely with the Comptroller's office staff to make sure that the accounting rules and balances stay in sync.

5. While it is important to have all of the above duties separated, there can be some mixing of the duties depending on specific staff and situations. However, it is important to remember the purpose of segregating the duties is to achieve the maximum results and accountability. As a general rule, the assigned grant manager duties should be separated from the accounting and accountability functions.
6. Grants should be administered, reconciled, and closed out in a timely fashion. Examples of grants which should have been closed include:
 - a. 734066 001 – NYS AHC Mudslide 11/93 – 10/95
 - b. 734017 001 – Comm Dev Block Grant 9/96 – 8/97
 - c. 734018 001 – Comm Dev Block Grant 9/98 – 8/99

SECTION II

SCOPE AND METHODOLOGY

SCOPE AND OBJECTIVES

The purpose of this report is to provide information and recommendations to the Onondaga County Community Development's Department management on internal controls, processes and procedures.

Our objectives were to review:

- Policies and procedures related to the Community Development grant management functions and practices.
- Review specific Community Development grant management programs and transactions.
- Provide the Community Development administrators with information and recommendations related to processes and procedures to improve internal controls, effectiveness, and efficiency of their grant programs.

METHODOLOGY

In order to complete our objectives we:

- Reviewed relevant Community Development grant management policies and procedures to determine the expectations.
- Interviewed Community Development grant management and staff to determine their policies and procedures.
- Interviewed various Community Development grant staff to determine specific practices.

- Tested grant expenditures and status to determine compliance with requirements, such as direct labor charges and contractor invoices to the 2010 Lead Paint Hazard Grant, 2006 Community Development Block Grant and AHC NYS Affordable Housing Grant.
- Analyzed and compared expected, required, and best practices to current practices and developed draft recommendations.
- Discussed draft recommendations with Community Development administrators for their input, practicality and evaluation.
- Finalized recommendations and included them in this report.

SECTION III

DETAIL FINDINGS AND RECOMMENDATIONS

OVERVIEW

We reviewed 67 grants, which received funding predominately from the U. S. Department of Housing & Urban Development (HUD), the New York State Homes & Community Renewal (NYS) and Onondaga County. It is our understanding some grants are active until the funding award is fully exhausted, while others have a specified duration period, such as 1 to 3 years to use the funds. Of the 67 grants we identified: 18 grants were considered as either a current year grant or incurring current year activity and, the remaining 49 grants were identified as requiring additional review by Community Development and possible closure. The 49 grants were categorized as follows, 41 were fully funded per information provided by the awarding agency, 5 were due to the lack of recent financial activity, which ranged from 1999 to 2008, and 3 were due to their available balance of 85 cents, \$1 and \$769, with the last activity posted in 2011, 2012 and 2013, respectively. This listing is presented on the following page.

The illustration below presents 15 grants with available funding provided by HUD and NYS agencies.

NYS & HUD FUNDED GRANTS WITH AN AVAILABLE BALANCE AS OF 9/30/14

County Name	County Project #	NYS / HUD Authorized	CD Revenue Estimate	Diff	NYS / HUD Disbursed	CD Recognized Revenue	Difference	NYS / HUD Available Balance
180042 HOME PROGRAM 2009	734139001	900,299	900,299	-	900,298.15	898,404.69	1,893.46	0.85
180034/180042 ESG GRANT 2010	734158001	97,616	97,616	-	97,615.00	97,616.00	(1.00)	1.00
180034/180042 ESG GRANT 2011	734159001	155,745	155,745	-	154,975.81	154,975.81	-	769.19
ACCESS TO HOME 2012-3077	734476001	150,000	150,000	-	140,573.00	104,046.00	36,527.00	9,427.00
180042 ESG 2012	734451001	178,517	178,517	-	144,128.00	144,128.00	-	34,389.00
180042 AHC 2011 HL-734169-#3L61	734169001	300,000	300,000	-	212,031.00	212,031.00	-	87,969.00
180042 NYS HTF LEAD-SAFE HOUSING REHAB	734477001	300,000	300,000	-	210,903.00	210,903.00	-	89,097.00
ESG 2014 (sb ESG 2013)	734452001	122,573	122,573	-	31,157.27	31,157.27	-	91,415.73
180050 NYS AHC NSP (2009) (HDFC loss recovery)	734164001	350,000	350,000	-	218,020.00	218,020.00	-	131,980.00
180042 AHC SUBSIDIES 2011-734461-#3L62	734461001	300,000	300,000	-	150,000.00	150,000.00	-	150,000.00
180034/180042 HOME 2011	734421001	747,987	790,916	(42,929)	573,878.51	773,990.05	(200,111.54)	174,108.49
180034/180042 HOME 2012	734422001	484,180	484,180	-	12,683.10	990.11	11,692.99	471,496.90
HOME 2014 (sb HOME 2013)	734423001	479,992	479,992	-	-	-	-	479,992.00
180042/180034 CDBG 2012	734412001	1,870,228	1,870,228	-	1,200,759.67	1,044,066.19	156,693.48	669,468.33
CDBG 2014 (sb CDBG 2013)	734413001	1,959,683	1,959,683	-	-	79,108.40	(79,108.40)	1,959,683.00
8,396,820		8,439,749	(42,929)	4,047,022.51	4,119,436.52	(72,414.01)	4,349,797.49	

In performing our testing, we also identified procedures which should be implemented to improve the overall accounting and budgeting practices of the department.

Community Development Grants Reviewed

	Name	Project	Category
1	180034/180042 ESG GRANT 2010	734158001	\$1 available/ last activity posted 2012
2	180034/180042 ESG GRANT 2011	734159001	\$769.19 available/ last activity posted 2013
3	180042 HOME PROGRAM 2009	734139001	.85 available/ last activity posted 2011
4	VAC/CHO/HDF MISCELLANEOUS EXPENSES	734080100	Currently Active
5	180XXX 2005 LOCAL FUNDED COMM	Various	Currently Active
6	180050 NYS AHC NSP (2009) (HDFC loss recovery)	734164001	Currently Active
7	180042 AHC 2011 HI-734169-#3L61	734169001	Currently Active
8	180034/42 LEAD PAINT HAZARD (12)	734189001	Currently Active
9	180042/180034 CDBG 2012	734412001	Currently Active
10	CDBG 2014 (sb 2013)	734413001	Currently Active
11	180034/180042 HOME 2011	734421001	Currently Active
12	180034/180042 HOME 2012	734422001	Currently Active
13	HOME 2014 (sb 2013)	734423001	Currently Active
14	180050 HOME OWNERSHIP PROGRAM 2005 (hdfc)	734430001	Currently Active
15	180050 HOME OWNERSHIP PROGRAM 2008 (hdfc)	734431001	Currently Active
16	180042 ESG 2012	734451001	Currently Active
17	ESG 2014 [combined all 3 35200, 35201, 35202]	734452001	Currently Active
18	180042 AHC SUBSIDIES 2011-734461-#3L62	734461001	Currently Active
19	ACCESS TO HOME 2012-3077 (3520, 01, 02)	734476001	Currently Active
20	180042 NYS HTF LEAD-SAFE HOUSING REHAB	734477001	Currently Active
21	180034 COMMUNITY DEV 2011 ERI	734998001	Currently Active
22	180034/42 COMM DEV BLOCK GRANT 9/96-8/97	734017001	Fully Funded
23	180034/42 COMM DEV BLOCK GRANT 9/98-8/99	734018001	Fully Funded
24	180034 LEAD PAINT HAZARD GRANT 2001	734037001	Fully Funded
25	180034/42 LEAD PAINT HAZARD GRANT 2004	734039001	Fully Funded
26	180034/042 COMM. DEV. BLOCK GRANT 2001	734121001	Fully Funded
27	180034/042 COMM. DEV. BLOCK GRANT 2002	734122001	Fully Funded
28	180034/42 COMM DEV BLOCK GRANT 2003	734123001	Fully Funded
29	180034/42 COMM DEV BLOCK GRANT 2004	734124001	Fully Funded
30	180034/42 COMM DEV BLOCK GRANT 2005	734125001	Fully Funded
31	180034/42 COMM DEV BLOCK GRANT 2006	734126001	Fully Funded
32	180034/42 COMM DEV BLOCK GRANT 2007	734127001	Fully Funded
33	180034/42 COMM DEV BLOCK GRANT 2008	734128001	Fully Funded
34	180042 COMM DEV BLOCK GRANT 2009	734129001	Fully Funded
35	HOME PROGRAM GRANT (2001)	734131001	Fully Funded
36	HOME PROGRAM GRANT 2002	734132001	Fully Funded
37	180034/42 HOME PROGRAM GRANT 2004	734134001	Fully Funded
38	180034/42 HOME PROGRAM GRANT 2005	734135001	Fully Funded
39	180034/42 HOME 2006	734136001	Fully Funded
40	180034/42 HOME PROGRAM GRANT 2007	734137001	Fully Funded
41	180034/42 HOME PROGRAM GRANT 2008	734138001	Fully Funded
42	180034/42 EMERGENCY SHELTER GRANT 2003	734150001	Fully Funded
43	EMERGENCY SHELTER GRANT 2004	734151001	Fully Funded
44	180042 EMERGENCY SHELTER GRANT 2005	734152001	Fully Funded
45	180042 EMERGENCY SHELTER GRANT 2006	734153001	Fully Funded
46	180034/42 EMERGENCY SHELTER GRANT 2007	734154001	Fully Funded
47	180034/42 EMERGENCY SHELTER GRANT 2008	734155001	Fully Funded
48	180034/180042 HPRP GRANT 2009	734156001	Fully Funded
49	180034/180042 ESG GRANT 2009	734157001	Fully Funded
50	180042 NYS AFFORDABLE HSG SUBS (2009)	734166001	Fully Funded
51	180042 NYS AFFORDABLE HSG SUBS (2011)	734167001	Fully Funded
52	180042 NYS AFFORDABLE HOUSING 2011 3K43	734168001	Fully Funded
53	180034/42 NYS RESTORE PROGRAM 2011	734174001	Fully Funded
54	180034 LEAD PAINT HAZARD GRANT 2006	734185001	Fully Funded
55	180034 LEAD PAINT HAZARD GRANT 2008	734186001	Fully Funded
56	180034 LEAD HAZARD DEMO GRANT 2008	734187001	Fully Funded
57	180034/42 LEAD PAINT HAZARD (10)	734188001	Fully Funded
58	180042/180034 CDBG 2010	734410001	Fully Funded
59	180042/180034 CDBG 2011	734411001	Fully Funded
60	180034/180042 HOME 2010	734420001	Fully Funded
61	180042 NYS HFA NSP (2009)	734460001	Fully Funded
62	180034/42 ACCESS TO HOME 2011	734475001	Fully Funded
63	180042 NYS AHC MUDSLIDE REL. 11/93-10/95	734066001	Last Activity posted 1999
64	180042 CD PROGRAM INCOME & REPAYMENTS	734190001	Last activity posted 2003
65	180034/42 FARMERS HOME HOUSING PRESERVAT	734450001	Last Activity posted 2006
66	180042 EDI 2001 FEDERAL	734440001	Last Activity posted 2007
67	180042 ENVIR PROTECTION AGENCY EPA 2005	734441001	Last Activity posted 2008

GRANT PROJECTS

A. We noted 20 grants with a net short fall in recognized revenue of \$834,753 as compared to funds actually disbursed by HUD and NYS. The funding agency has indicated the grant award has been fully disbursed and there is no available balance. The department's management was unable to provide any specific reasons to address these differences, which are illustrated in the following exhibit.

Recommendation:

1. We recommend the department balance and close these grants.

HUD'S DISBURSED FUNDS VS. COMMUNITY DEVELOPMENT'S RECOGNIZED REVENUE							
County Name	County Project #	NYS & HUD Grant #	NYS & HUD Disbursed	CD Recognized Revenue	Difference	Available Balance per HUD & NYS	
1	180042/180034 CDBG 2011	734411001	B11UC3-60100	2,318,999.00	2,116,413.23	(202,585.77)	-
2	180042 COMM DEV BLOCK GRANT 2009	734129001	B09UC3-60100	2,517,407.00	2,399,510.65	(117,896.35)	-
3	180034/42 COMM DEV BLOCK GRANT 2006	734126001	B06UC3-60100	2,491,721.00	2,388,299.31	(103,421.69)	-
4	180034/42 COMM DEV BLOCK GRANT 2008	734128001	B08UC3-60100	3,110,058.00	3,013,188.27	(96,869.73)	-
5	180034/42 HOME PROGRAM GRANT 2005	734135001 & 002	M05DC3-60509	928,764.00	838,764.00	(90,000.00)	-
6	180042/180034 CDBG 2010	734410001	B10UC3-60100	2,780,208.00	2,695,633.41	(84,574.59)	-
7	180034/42 COMM DEV BLOCK GRANT 2007	734127001	B07UC3-60100	2,513,419.00	2,477,914.59	(35,504.41)	-
8	180034 LEAD PAINT HAZARD GRANT 2001	734037001	NYLHB018901	2,100,000.00	2,068,290.00	(31,710.00)	-
9	180034/42 HOME 2006	734136001	M06DC3-60509	859,412.00	841,851.00	(17,561.00)	-
10	180034/42 HOME PROGRAM GRANT 2007	734137001 & 002	M07DC3-60509	854,906.00	839,238.31	(15,667.69)	-
11	180034/42 HOME PROGRAM GRANT 2004	734134001 & 002	M04DC3-60509	1,047,608.00	1,033,628.00	(13,980.00)	-
12	180042 NYS AFFORD HSG SUBS (2011)	734167001	3K47	600,000.00	590,000.00	(10,000.00)	-
13	180034/42 COMM DEV BLOCK GRANT 9/98-8/99	734018001	B98UC3-60100	2,559,000.00	2,551,216.13	(7,783.87)	-
14	180034/42 COMM DEV BLOCK GRANT 9/96-8/97	734017001	B97UC3-60100	2,639,000.00	2,632,685.77	(6,314.23)	-
15	180034/42 HOME PROGRAM GRANT 2008	734138001	M08DC3-60509	815,653.00	814,755.00	(898.00)	-
16	180034/42 COMM DEV BLOCK GRANT 2004	734124001	B04UC3-60100	2,882,000.00	2,881,456.00	(544.00)	-
17	180034/180042 ESG GRANT 2009	734157001	S09UC3-60013	96,210.00	96,209.00	(1.00)	-
18	180034/180042 HOME 2010	734420001	M10DC3-60509	896,284.00	896,283.60	(0.40)	-
19	180034/042 COMM. DEV. BLOCK GRANT 2001	734121001	B01UC3-60100	2,755,000.00	2,755,000.06	0.06	-
20	180034/42 COMM DEV BLOCK GRANT 2005	734125001	B05UC3-60100	2,736,296.00	2,736,856.00	560.00	-
			\$ 37,501,945.00	\$36,667,192.33	\$ (834,752.67)	\$ -	

This illustrates the grants with differences of recognized revenue per Community Development as compared to funds disbursed per HUD & NYS. Per HUD & NYS funds have been fully disbursed for these grants and there is no available balance.

B. We noted 7 grants with a net difference of \$383,141 in their recorded budget as compared to NYS & HUD's authorized award amounts. One grant, titled CDBG 2008 Addtl Approps recorded in project #734128003, had a budget in the amount of \$140,192. However, HUD did not indicate this amount as an authorized award. We did note no expenses or revenues have been recorded in this grant. Also, per information received from HUD, \$42,929 was de-obligated from the HOME 2011 grant in July 2014. These grants are listed in the illustration on the following page.

Recommendation:

2. We recommend the department review their budget recording process and implement procedures to ensure an accurate and up-to-date budget has been recorded in the County's financial system. These grants should be reviewed and adjusted accordingly.

NYS & HUD'S AUTHORIZED FUNDS vs. COMMUNITY DEVELOPMENT'S ESTIMATED REVENUE

County Name	County Project #	NYS & HUD Grant #	NYS & HUD Authorized	CD Revenue Estimate	Difference
180034/042 COMM. DEV. BLOCK GRANT 2001	734121001	B01UC3-60100	2,755,000.00	2,894,000.00	(139,000.00)
180034/42 CDBG-2008 ADDTNL APPROPS	734128003			140,192.00	(140,192.00)
HOME PROGRAM GRANT (2001)	734131001	M01DC3-60509	810,000.00	890,000.00	(80,000.00)
180034/42 HOME PROGRAM GRANT 2004	734134001 & 002	M04DC3-60509	1,047,608.00	1,033,628.00	13,980.00
180034/180042 HPRP GRANT 2009	734156001	S09UY3-60013	897,453.72	897,454.00	(0.28)
180034/180042 HOME 2011	734421001	M11DC3-60509	747,987.00	790,916.00	(42,929.00)
180042 NYS AHC MUDSLIDE REL. 11/93-10/95	734066001	AHC-93/787/788	300,000	295,000	5,000.00
			\$ 6,558,048.72	\$ 6,941,190.00	\$ (383,141.28)

This illustrates the grants with differences in their authorized funding per HUD as compared to Community Development's recorded estimate.

C. We noted 21 HUD and NYS grants with differences between their actual expenses and revenue as compared to their available funding. 20 of these grants have virtually no remaining funding available.

- It is not clear why 11 of these grants have not fully recognized revenue as compared to their expenses resulting in a shortage of revenue of \$280,683. These grants have virtually no available balance to cover this shortfall. The remaining 10 grants have excess revenue of \$74,719 as compared to their expenses. It is not clear why a grant would recognize more revenue than its actual expenses. HUD and NYS have indicated funds for 9 of these grants have been fully disbursed. Only the "NYS HTF LEAD-SAFE HOUSING REHAB" #734477001, which is a current active grant, has available funding.

Also presented for informational purposes only are the grant's authorized awards. This is illustrated on the exhibit on page 10.

Recommendation:

3. We recommend the department balance and close these grants accordingly.

DIFFERNCES IN EXPENSES VS. RECOGNIZED REVENUE						
Name	Project	HUD & NYS Authorized	Expense	Recognized Revenue	Recognized Revenue vs. Expenses	HUD & NYS Available Revenue
1 180042/180034 CDBG 2011	734411001	2,318,999.00	2,213,487.00	2,116,413.23	97,073.77	-
2 180042 COMM DEV BLOCK GRANT 2009	734129001	2,517,407.00	2,469,104.51	2,399,510.65	69,593.86	-
3 180034/42 COMM DEV BLOCK GRANT 2006	734126001	2,491,721.00	2,422,999.31	2,388,299.31	34,700.00	-
4 180042/180034 CDBG 2010	734410001	2,780,208.00	2,725,944.56	2,695,633.41	30,311.15	-
5 180034/42 HOME PROGRAM GRANT 2005	734135001 & 2	928,764.00	868,764.00	838,764.00	30,000.00	-
6 180034/42 COMM DEV BLOCK GRANT 9/98- 8/99	734018001	2,559,000.00	2,558,999.56	2,551,216.13	7,783.43	-
7 180034/42 COMM DEV BLOCK GRANT 9/96- 8/97	734017001	2,639,000.00	2,639,000.00	2,632,685.77	6,314.23	-
8 180042 NYS AHC MUDSLIDE REL. 11/93-10/95	734066001	300,000.00	213,478.79	211,010.79	2,468.00	-
9 180042 HOME PROGRAM 2009	734139001	900,299.00	900,299.00	898,404.69	1,894.31	0.85
10 180034/42 COMM DEV BLOCK GRANT 2004	734124001	2,882,000.00	2,881,999.98	2,881,456.00	543.98	-
11 180034/180042 HPRP GRANT 2009	734156001	897,453.72	897,454.00	897,453.72	0.28	-
Expenses in excess of revenue		21,214,851.72	20,791,530.71	20,510,847.70	280,683.01	0.85
1 180034/042 COMM. DEV. BLOCK GRANT 2001	734121001	2,755,000.00	2,755,000.00	2,755,000.06	(0.06)	-
2 180034/42 EMERGENCY SHELTER GRANT 2003	734150001	83,000.00	82,999.63	83,000.00	(0.37)	-
3 180034/42 LEAD PAINT HAZARD (10)	734188001	3,100,000.00	3,099,999.52	3,100,000.00	(0.48)	-
4 180034 LEAD HAZARD DEMO GRANT 2008	734187001	3,615,358.00	3,615,170.55	3,615,358.00	(187.45)	-
5 180034 LEAD PAINT HAZARD GRANT 2008	734186001	3,000,000.00	2,998,804.43	3,000,000.00	(1,195.57)	-
6 180042 NYS HTF LEAD-SAFE HOUSING REHAB	734477001	300,000.00	209,281.00	210,903.00	(1,622.00)	89,097.00
7 180034/42 HOME PROGRAM GRANT 2007	734137001 & 2	854,906.00	837,345.00	839,238.31	(1,893.31)	-
8 180042 NYS HFA NSP (2009)	734460001	816,200.25	803,019.00	816,200.25	(13,181.25)	-
9 180042 NYS AFFORD HSG SUBS (2011)	734167001	600,000.00	570,000.00	590,000.00	(20,000.00)	-
10 180034/42 COMM DEV BLOCK GRANT 2008	734128001 & 2	3,110,058.00	2,976,549.35	3,013,188.27	(36,638.92)	-
Revenue in excess of expenses		18,234,522.25	17,948,168.48	18,022,887.89	(74,719.41)	89,097.00
Net Effect		39,449,373.97	38,739,699.19	38,533,735.59	205,963.60	89,097.85

Onondaga County's Home Ownership Grants

D. We noted all three of the County Home Ownership grants have recorded revenue from homeowner subsidies in excess of their respective adopted resolutions and one grant has recorded expenses in excess of its adopted budget. We also noted Resolution #137 of 2009 was not mathematically correct as it indicated \$850,000 of subsidies and \$3,440,000 in mortgage proceeds would provide \$4,300,000 of funding instead of \$4,290,000. These grants were adopted in 2005, 2008 and 2009. A brief explanation of the grants follows:

The County Home Ownership grants provide affordable homeownership opportunities to low income, first time homebuyers, through the construction of new housing and the purchase and rehabilitation of vacant properties, as administered via the County's not-for-profit, Housing Development Fund Company (HDFC). Funding is provided from mortgage proceeds and home ownership subsidies awarded from the New York State Housing Trust and NYS Housing Finance Agency.

The activity of these grants is presented in the illustration on page 11.

Recommendation:

4. We recommend the department adhere to the authorized balances of their grants, balance all three accordingly and close the 2005 and 2008 grants. We further suggest, as a means to facilitate the accounting activity, consideration be given to only utilizing one grant to record the activity of the Home Ownership Program. The department should exercise due care when preparing resolutions and individuals should be informed of the importance of performing their duties. We further suggest management perform a more thorough review of the activity posted to the grants.

County Home Ownership As of 9/30/14							
Description	Revenue Estimate As Adopted	Recognized Revenue	Difference	Budget As Adopted	Expense	Encumbrance	Available Budget
2005 ~ Resolution # 188 734430 001							
Mortgage Proceeds	2,400,000	2,200,788.56	199,211.44				
Homeowner Subsidies	800,000	923,245.86	(123,245.86)				
Acquisition & Development				3,200,000.00	3,112,472.88	-	87,527.12
Total	3,200,000	3,124,034.42	75,965.58	3,200,000.00	3,112,472.88	-	87,527.12
2008 ~ Resolution # 60 734431 001							
Mortgage Proceeds	2,400,000	2,117,144.31	282,855.69				
Homeowner Subsidies	800,000	886,600.00	(86,600.00)				
Acquisition & Development				3,200,000.00	4,319,108.78	-	(1,119,108.78)
Total	3,200,000	3,003,744.31	196,255.69	3,200,000.00	4,319,108.78	-	(1,119,108.78)
2009 ~ Resolution #137 734432 001							
Mortgage Proceeds	3,440,000	2,251,082.92	1,188,917.08				
Homeowner Subsidies*	860,000	873,963.42	(13,963.42)				
Acquisition & Development				4,300,000.00	3,068,388.80	2,800.00	1,228,811.20
Total	4,300,000	3,125,046.34	1,174,953.66	4,300,000.00	3,068,388.80	2,800.00	1,228,811.20
Grand Total	10,700,000	9,252,825	1,447,175	10,700,000	10,499,970	2,800	197,230

* Resolution #137 of 2009 is not mathematically correct. It indicates \$3,440,000 of mortgage financing and \$850,000 of homeowner subsidies totaling \$4,300,000. It should total \$4,290,000 not \$4,300,000.

- E. All six adopted budget load projects with an approximate value of \$9M should be closed out. It also appears some of these funds have been recorded in specific projects, thus representing a duplicated budget amount. This is presented on the next page.

It has been the departments practice to record the following year's anticipated budget as a lump sum during September's budget review process and then when actual awards are received, from their Federal and State agencies, generally late in the third quarter, these funds are moved out of the budget load project and into their respective grants. However, it appears the budget load funds were not reduced at the time the actual grants were recorded.

Recommendation:

5. We recommend the department close these projects and implement procedures to ensure budgets are moved in a timely manner. It should also implement an annual review process to ensure any remaining balance in their budget load projects are closed prior to year end.

Adopted Budget Load Projects		
Name	Project	Budget
2011 COMMUNITY DEV ADOPTED BUD	734999011	1,022,442.58
2012 COMMUNITY DEV ADOPTED BUDGET	734999012	1,336,491.00
2013 COMM DEV ADOPTED BUDGET	734999013	1,389,505.65
2013 COMM DEV ADOPTED BUDGET	734999013	3,241,746.37
2014 COMM DEV ADOPTED BUDGET	734999014	471,616.00
2014 COMM DEV ADOPTED BUDGET	734999014	1,500,000.00
Total		<u>8,961,801.60</u>

- F. The local funded grant #734099 as a whole has approximately \$7,961 more expenses as compared to its adopted budget. This is a multiple phase grant with activity dating from the mid 1990's through 2014. This is presented on the next page.

Recommendation:

6. We recommend the department balance and close this multi-phase grant at the grant level. The department should review its grant budgeting practices to ensure enough local funds have been requested to cover anticipated expenditures. It should also work with Management & Budget in requesting additional local dollars from the County Legislature to balance this project. We further recommend consideration be given to establishing an annual single grant, if local funds are needed in the future, thus eliminating the use of a multi-phase grant. These grants should then be closed out on a yearly basis and any unused funds should be returned to the General Fund.

**Community Development
Local Funds
734099 XXX
As of 12/16/14**

Adopted Budget	470,096.57
Less: Expenses	478,058.00
Expenses in Excess of authorized funding level	(7,961.43)

This is the summary of the multiphase grant.

Neighborhood Stabilization Program Grant of 2009 (NSP09)

G. An \$850,000 NSP09 grant was provided through the American Resource Recovery Act (ARRA) and issued Federal funds through the New York State Housing Finance Agency (HFA). Funds were to be used for redevelopment of targeted neighborhoods and required all funds to be obligated by September 20, 2010 and duly expended by no later than March 20, 2013. The agreement also required NSP09 funds to be placed in a separate non-interest bearing bank account. The department utilized these funds through Onondaga County's not-for-profit Housing Development Fund Company (HDFC). The HDFC purchases and renovates houses for resale to low-income first time home buyers. The HDFC's management and operational costs are provided by the department's personnel. These costs are covered by their 100% federally funded Community Development Block Grants (CDBG). HDFC's acquisition and renovation costs are supported by State funded homeowner subsidy grants and the locally funded County Homeownership grant. Sale proceeds from the houses are used to reimburse the County Homeownership grant.

The following issues were noted regarding the Neighborhood Stabilization Grant (NSP09):

- The department misclassified \$535,797 of the \$816,200 NSP09 revenue actually received as State aid. This resulted in reporting errors on the County's financial statements and Single Audit reports. It also failed to deposit all of the NSP proceeds into the separate bank account as required. The portion misclassified as State aid was properly deposited, while the remaining balance of \$280,403 classified as Federal aid was deposited into a main disbursing account.
- Due to the time constraints noted above, the department was able to claim \$816,200 of the \$850,000 award. Per correspondence with the funding agency, no more funds will be provided. However, the grant's adopted budget has not been reduced accordingly. Based on our analysis, the department has incurred \$816,200 of expenses, however only \$803,019 has been recorded in the grant. As illustrated, on page 16, the department has used \$390,403 and \$343,963 to offset expenses in the County Homeownership grant #734431 and #734432, respectively, and \$68,653 in the 2011 Community Development Block Grant

(CDBG) #734411 001, discussed in item C. Thus, technically leaving an available balance of \$13,181.

- We noted \$68,653 of payroll expenses from account 641010 were transferred from the 2011 Community Development Block Grant (CDBG) #734411 001 and charged to the NSP09 grant. However, the documentation provided by the department related to HDFC costs such as legal hours and mileage. Also included were costs denoted as “sales Lee Best Realty”, which are commissions from the sale of the house. We further question this transfer as both programs are 100% federally funded, as compared to the County Homeownership grants #734432 and #734431, which contain the local share. We do note per the NSP09 grant agreement, administration and soft costs as denoted above were allowable reimbursable costs and the supporting documentation submitted and approved for reimbursement by the granting agency included these costs. However, they are not payroll related. The proper documentation to charge a Federal Award, payroll costs, is detailed in OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments section 8) Compensation for personal services, subsection (h) (4), which requires employees working on multiple activities or cost objectives prepare personal activity reports, as a support of the distribution of their salaries or wages. This type of documentation was not provided. Therefore, we question transferring payroll expenses from #734411 into the NSP09 grant.
- We noted a \$17,375 error in a department prepared memo dated February 13, 2013 which caused the Homeownership Subsidies expenses account #661560 in this grant to be over charged and excess revenue to be recognized in the County Home Ownership grant #734432 001, Program Income-Home Owner Subsidized account #522750. This error was brought to the department’s attention during 2013 and again in 2014. It has not been corrected. It is the departments practice to prepare this type of entry at year end for multiple homeownership subsidies received. It appears this error could have been avoided had the department prepared the entry at the time the subsidy was received from the granting agency in March of 2012 (cash report #1338).
- We noted the balance of \$173,785 in the NSP09’s separate bank account #171, as of December 31, 2014 appears to be excessive as compared to the activity of the HDFC and the fact the project has an available balance of \$13,181. Based on our analysis, the HDFC incurred costs on their properties which were subsidized by NSP funds in excess of the mortgage proceeds and NSP subsidies received by \$129,556. We have also illustrated losses incurred in the County Home Ownership Grant for the years 2013 and 2014 of \$33,504 and \$25,294, respectively, which has the potential to further reduce the balance in the NSP09’s bank account.

Recommendation:

7. We recommend the department should obtain a full understanding of their funding sources, as well as, developing and implementing better managerial oversight on the recording of Federal and State Aid.
8. This grant should be reviewed for possible closure. This is one of the many grants with issues addressed in the exhibit on page 10 of this report.
9. Consideration should be given to removing the payroll related charge and moving expenses from a grant which incurred the acquisition and redevelopment costs.

Management should also become familiar with and follow the requirements of Federal OMB Circular A-87.

10. The \$17,375 error should be corrected and the current procedure of preparing an annual entry should be revisited, preferably the entry should be made at the time the funds are received.
11. The department should revisit the NSP09 bank account and discuss its intent with the Chief Fiscal Officer and the Deputy Comptroller of Accounting.

Neighborhood Stabilization Program 2009
Illustration of HDFC Property Costs Used to Claim Reimbursement of NSP09 funds as compared to NSP09 Aid Actually Used.
Also Illustrated is the Balance of NSP09 Funds Held in a Special Bank Account
Grant 734460 001

HDFC Year of Sale	Property	County Home Ownership 734431	County Home Ownership 734432	All Other Grants (detail below)	Total COGS Per HDFC	NSP 09 Funds 734460	Mortgage Proceeds	Gain (Loss)	
1	2010	923 Second St	93,640	24	3,936	97,600	23,803	78,244	4,447
2	2010	101 Elmsford Rd	137,460		8,688	146,148	40,000	97,649	(8,499)
3	2010	130 Pardee Ave	144,838		10,226	155,064	40,000	103,543	(11,521)
4	2010	208 Leonard St	100,495		128	100,623	30,000	67,272	(3,351)
5	2010	119 Pardee Ave	143,444		6,271	149,715	40,000	103,444	(6,271)
6	2010	133 Wendell Ave	128,779		23,504	152,283	40,000	88,529	(23,754)
7	2010	130 Orchard Ave	153,520		-	153,520	40,000	91,517	(22,003)
8	2010	126 Orchard Ave	154,418		-	154,418	26,600	104,832	(22,986)
9	2010	108 Dolores Terr N	132,579		411	132,990	30,000	86,045	(16,945)
10	2010	140 Meredith Ave	156,089		-	156,089	40,000	91,634	(24,455)
11	2011	136 Earl Ave	129,418		22,344	151,762	30,000	69,324	(52,438)
12	2011	99 Clarence Dr	330	138,997	355	139,682	30,000	88,428	(21,254)
13	2011	107 Florida Rd N	330	95,898	8,033	104,261	29,000	59,953	(15,308)
14	2011	106 Edgeware Rd		140,809	5,758	146,567	39,000	68,763	(38,804)
15	2011	206 Bump dr		103,638	388	104,026	34,627	69,683	284
16	2012	121 Lind Ave		129,629	3,686	133,315	61,385	73,198	1,268
17	2012	111 Michael Ave	147	122,746	5,228	128,121	68,000	79,764	19,643
18	2012	136 Henderson Blvd		97,549	407	97,956	94,424	75,358	71,826
19	2012	401 Boston Rd		87,506	15,671	103,177	79,361	64,381	40,565
			1,475,487	916,796	115,034	2,507,317	816,200	1,561,561	(129,556)

NSP09 funds used to offset HDFC costs

390,403	343,963	734,366
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NSP09 funds used to offset Costs in CDBG 734411 unrelated to funds claimed for reimbursement above

68,653

Total Expenses charged to NSP09 Grant

803,019

Balance of revenue remaining in NSP09 Grant # 734460

13,181

Estimated HDFC losses incurred Only in the County Home Ownership Grants:

HDFC 2013 - Acquisition & Redevelopment	(33,504)
HDFC 2014 - Acquisition & Redevelopment	(25,294)
Total	(58,798)

Balance of NSP09 funds in Solvay Bank #171 as of 12/31/2014

173,785

		Detail of All Other Grants Above						
HDFC Year of Sale	Property	Vacant House		CDBG 2005 734125	Lead 734186	Lead 734187	Lead 734188	Total
		Revolving 734080	Revolving 734089					
2010	923 Second St	286	3,225	280	70	75	-	3,936
2010	101 Elmsford Rd	8,348		280	-	60		8,688
2010	130 Pardee Ave		10,226					10,226
2010	208 Leonard St					128		128
2010	119 Pardee Ave		6,271					6,271
2010	133 Wendell Ave		23,504					23,504
2010	108 Dolores Terr N				131	280		411
2011	136 Earl Ave				22,261	83		22,344
2011	99 Clarence Dr				280	75		355
2011	107 Florida Rd N				7,973	60		8,033
2011	106 Edgeware Rd	22			5,716	20		5,758
2011	206 Bump Dr				335	53		388
2012	121 Lind Ave	330			3,263	93		3,686
2012	111 Michael Ave				4,948	280		5,228
2012	136 Henderson Blvd						407	407
2012	401 Boston Rd						15,671	15,671
Total		8,986	43,226	560	44,977	1,207	16,078	115,034

TRIAL BALANCE ACCOUNTS

H. Community Development Fund's cash balance at the end of 2014 was a negative \$779,258. This is an improvement as compared to the negative balances of \$1,346,819, \$1,528,592, \$708,389 and \$840,187 reported in 2010, 2011, 2012 and 2013, respectively. Given the nature of the various funding sources expenditure reimbursement (drawdown) requirements cash will be in a negative position. Two contributing factors in the reimbursement of costs relate to the LEAD program, which requires a project (houses) to be 100% completed before the department can submit for reimbursement and under the advice of the Federal agency, which advised the department to keep reimbursement submissions below \$100,000, thus minimizing the amount of supporting documentation the agency staff would be required to review. It appears this practice is not a requirement but a suggestion and is a contributing factor in the cash flow. New York State Affordable Housing Home Improvement (AHC) grants, limit their reimbursement request to 25% of the award, which has generally been \$300,000 resulting in a \$75,000 limitation per submission. The Community Development Block Grant (CDBG), HOME and Emergency Solutions Grant (ESG) are on a cost reimbursement basis. Their cash position would improve if their reimbursement claims for the CDBG, HOME and ESG are submitted on a more frequent basis of actual expenses incurred.

Recommendation:

12. We recommend the department revisit its reimbursement claiming practices as a means to improve their cash flow.
- I. We noted the following four liability accounts, which based on our analysis all appear to be related to the NYS Revolving Fund recorded in grant #734089.
- The first three are related to bank #170, which was opened in 1991. Other than monthly interest earnings this account has had no activity since July 1996. We did request information from the department's management, however due to the age of the account information was not forthcoming.
 - The fourth liability account of \$45,192 was established via a Community Development letter to Comptroller's in August 2000, the balance has remained the same since November 2000. Other than these balances all relating to the same grant, due to the age of the account, we were unable to make a correlation of the \$45,192 to bank #170. We do note grant #734089 was balanced but not officially designated as closed in December of 2008.

These four liability accounts are presented on the next page.

Onondaga County Development NYS HTF Vacant House Repayment		
Liability		Balance
Subsidiary Account	Description	12/31/14
220 000 001	Miscellaneous	502
220 000 002	Comm Dev Interest Earnings	24,982
220 000 330	Due to HTFC Comm Dev Principal	109,497
	Balance per PS	134,981
	Balance per bank	136,949
	Difference possibly related to miss posting of interest	(1,968)
<hr/>		
220 000 331	Due to HTFC Comm Dev Interest	45,193
<hr/>		
Based on FAMIS reports, these accounts related to the NYS Revolving Fund Grant #734089. Due to the age of the activity, the interest in 220 000 331 could not be associated with the bank account #170.		

Recommendation:

13. We recommend the department work with Finance, Management & Budget and Comptroller's to determine the best course of action regarding these accounts.

- J. We noted a liability in the amount of \$734,000 owed to HUD as of 12/31/14. This liability relates to a float loan, recorded on the books in 2003. An entry of \$16,000 was posted in August of 2010, reducing the account to its current balance. Per our inquiry, a HUD representative indicated, "The County has reported the float loan (activity ID 1429) as completed in HUD's Integrated Disbursement Information System."

Recommendation:

14. We recommend the department work with Comptroller's to determine the best course of action regarding this account. Also, we recommend the department become familiar with the trial balance activity reported on the County's financial system.

EXPENSE & REVENUE TESTING

- K. The Audit Division selected 12 Accounts Receivable reimbursement requests from 10 different grants and respectively tested 82 expenditure vouchers associated with the accounts receivable requests. The objective of the audit testing was to ensure reimbursement requests were supported by actual expenditures and an allowable charge to the respective grant. Our testing also included comparing six contractor invoices to their approved bid. We noted the

contractor's invoices were within their approved bid. The findings below relate to the grant awards and the supporting documentation of the reimbursement requests.

- We questioned salaries and/or fringe benefit expenditures claimed for reimbursement in the LEAD PAINT HAZARD grant #734188 001, (AR38770 & AR38766), and Access to Home 2012 grant #734476 001 (AR38798). The department could not support these expenditures with detailed documentation such as payroll registers or personal activity reports, as required by OMB circular A-87. The department stated that the amount of the expenditures were a percentage of the budgeted amount for those categories. They are included on the reimbursement request in order to meet grant spending benchmarks. It is our understanding reimbursement should be based on actual costs incurred, not on budgeted amounts, as this appears to be the case.

Recommendation:

15. We recommend payroll and fringe benefit costs claimed for reimbursement have the proper supporting documentation to charge a Federal Award, as detailed in OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments, section 8. Failure to provide appropriate supporting documentation in the event of a Federal audit has the potential of the department being sanctioned or losing future awards.

ACCOUNTING PRACTICES

- L. We noted cash was improperly posted to LEAD 2010 grant #734188 001 in the amount of \$99,474 instead of to the LEAD 2012 grant #734189 001, per review of CR143325 dated 6/17/14. This was posted in error by Comptroller's; however, it indicates Community Development is not reviewing or reconciling their cash postings to their grants. Internal Audit brought this to the attention of the Comptroller's Accounting section and it was corrected on 10/15/14.

Recommendation:

16. We recommend the department assign an individual with the responsibility of reconciling its grant's cash balances. This individual should also ensure cash is properly posted to the correct grants.
- M. The department maintains an Accounts Receivable Log, however, it appears it is not tracking its outstanding accounts receivable or performing follow up inquiries on outstanding balances. Community Development prepared AR39058 for \$99,863, dated 9/24/14, for reimbursement of expenditures from the LEAD program. These funds were in fact received on 9/26/14. These funds were reported on a cash report approximately 41 days later, on 11/7/14, which was the result of the Department of Finance's routine bank reconciliation process. It was noted LEAD funds are received an average of 7 days after the account receivable date.

Recommendation:

17. We recommend the department assign an individual with the responsibility of reviewing and following up on outstanding balances on the Accounts Receivable Log on a routine basis.

N. We noted the following adjusting journal entries submitted to the Comptroller’s Office in 2014 to correct previously posted vouchers and cash receipts. We do note these documents are reviewed and approved by the department’s management. However, it appears these individuals are not fully aware of the department’s account coding structure to determine if these documents are properly coded or require corrections prior to submission.

Examples of Adjustments			
Original Date	Adjustment Date	Doc. Ref. #	Description
Various	2/26/2014	JW14019	reclass expenses charged to wrong grant on voucher
Various	4/23/2014	JW14065	reclass expenses from HOME 2012 charged to CDBG 2012
Various	12/20/2014	JW14364	reclass expenses paid in error from wrong g/l acct to correct acct
10/15/2014	12/31/2014	KB14634	Adj CR145576 coded by dept. to a revenue acct, s/b A/R acct
6/30/2014	8/28/2014	KB14334	Adj CR143585 dept. request coed to wrong AR and grant numbers

Recommendation:

18. We recommend the department assign an individual with extensive knowledge of the general ledger accounting structure and grants activity to review invoices and claims prior to submitting them to Comptroller’s for posting into the financial system. This will help to reduce the need to revisit work and prepare adjusting journal entries.

O. We noted the department does not upload their grant budgets into the financial system in a timely manner. We were informed this has resulted in the preparation of adjusting journal entries to move previously recorded expenditures from older grants into the newer grants once their budgets were uploaded into the system. This can be illustrated with the following entry; JW13327, dated 10/17/13, which transferred expenses from grant #734412 – CDBG 2012 to #734476 – Access to Home, with the following explanation – “Had to wait until the ATH 2012 budget was loaded in PS.”

We question the delay in uploading budgets by illustrating the following key dates for their 2013 Action Plan entitlement grants; Community Development Block Grant (CDGB), HOME Investment Partnership Program (HOME) and Emergency Solutions Grant (ESG) grants, whose budgets were posted in January of 2014:

- On June 19, 2013, a public hearing was held on the 2013 Action Plan detailing the amount and expected uses of the funds.

- On July 2, 2013, Resolution #100 authorized the filing of the 2013 Action Plan with the U.S. Department of Urban Development (HUD).
- On September 26, 2013, the funding approval letter was received from (HUD). In this particular instance, the funding levels did not change from those presented in June.

The above indicates the department has a relatively good estimate of the award amounts and should be able to make a reasonable estimate for inclusion and adoption of these grants for the County's budgeting and review process. We noted the amounts of these awards remained the same for each of the above grants, which we were informed, may not always be the case. It would also seem highly unlikely the amounts would change significantly to materially affect the department's adopted budget.

Therefore, we question waiting until January 2014 to upload these grant budgets as the acceptance of these funds would have been authorized by the County Legislature during the budget review process during the month of September 2013.

Recommendation:

19. We recommend the department post their grant budgets in a timely manner to avoid the duplication of efforts in preparing journal entries to transfer expenditures from one grant to another.

Response to the Report on the Community Development Department

Background

Public Hearings are held to discuss and review Onondaga County's Community Development Program and the current year's Action Plan, as submitted to the U.S. Department of Housing and Urban Development (HUD). The Community Development Department (CD) reviews the 3 major programs available: Capital Projects, Housing Rehabilitation and Commercial Rehabilitation.

The projects are detailed in the Five Year Consolidated Plan and in the annual Action Plan.

Executive Summary

Department records have been balanced to FAMIS and PeopleSoft. Some errors have occurred and the majority of them have been corrected. Additional corrections are forthcoming.

Grants were closed internally within the department, but not on Comptroller's records. Since the Report, the Department has requested that 30 grants be closed by Comptroller's. Additional grants will be closed as they are reviewed and finalized.

The misclassified funding source refers to the NSP Grant awarded by NYS. Revenue was posted to a NYS Housing Finance Agency (HFA) account. It was later determined these were federal pass-through funds and the revenue should have been reported as federal, rather than state revenue.

Recommendation – Each grant should have a file.

The Department has all of this grant information, some of it in paper in files, and now, much of it electronically, either on CD's network or ready accessible on-line from our funding sources' websites.

Separate duties

The Department has a grant application developer, grant manager and other staff to perform the accounting functions as suggested.

Overview

Department has requested that 30 of these grants be closed by Comptroller's. Some of these had balances less than \$1 and should be closed. Additional grants will be closed as they are reviewed and finalized.

Grant Projects

A. HUD distributes Community Development Block Grant (CDBG) and HOME funds on a FIFO basis, not a grant specific basis as used by CD. HUD's grant balances are cumulative.

The Lead Grant amounts in the table only include expenditures and revenue from the CD fund; they do not include the Housing Development Fund which is also operated by this department.

For example, the Lead Paint Hazard Grant (2001) had \$31,710 in expenses for the Homeownership Program recorded in the Housing Development Fund, which is not included in this chart. There are several other grants that have expenditures and revenues in both funds.

The grants with balances under \$1 because of rounding should be closed.

The Department is in the process of reviewing the older grants for closure by Comptroller's.

B. The additional appropriations in project #734128003 seems to be due to a resolution that was duplicated by Comptroller's in FAMIS. It can be cancelled.

The Department has asked HUD for an explanation of the apparent deobligation of HOME 2011 funds and is awaiting an answer. The department was never directly notified of this and is pursuing it with HUD.

C. HUD uses the FIFO method in disbursing grant funds. Funds are drawn on a cumulative basis from the oldest grant first. Only the most recent grants would show a balance of funds.

D. Of the hundreds of resolutions prepared by the Department, there was a typo in one resolution for the County Homeownership Program (2009) which was missed by all levels of review. The amount for subsidies was \$860,000, not \$850,000. The amount for mortgage proceeds was correct at \$3,440,000 and the total of \$4,300,000 was correct. The error was caught and the grant was correctly loaded in FAMIS and later correctly transferred to PeopleSoft.

The CHO (2005) requires final review and can be closed shortly. Regarding the CHO(2008), the department records balance to PeopleSoft with the exception of a \$1.1 million inventory adjustment made by Comptroller's. This adjustment requires further review before closing the grant.

E. The Department provides the Comptroller's Office (now the Budget Department) with a budget spreadsheet for each grant to be loaded on FAMIS or PeopleSoft. The grants are typically loaded by them from the Adopted Budget. This process has always been handled by either Comptroller's or the Budget Department. The Budget Department has since requested that the Adopted Budgets Load Projects through 2013 be closed.

F. This has been done as recommended.

Neighborhood Stabilization Program Grant of 2009 (NSP09)

G. 1. Since the funds were awarded by the NYS Housing Finance Agency, the Cash Reports were credited as NYS funds to subobject 0726, NYS HTF. It was later determined by the Comptroller's Office that the state was just a pass-through for federal funds.

NSP09 are federal funds that were made available to the State (authorized by the Housing & Economic Recovery act of 2008) which in turn awarded funds to Onondaga County. Department records show a total of \$816,200.25 drawn from the \$850,000 award. Bank statements indicate that \$816,200.25 drawn was indeed deposited in the "separate bank account," i.e., Solvay Bank Municipal Account #41171117 (Bank #171 on FAMIS). In fact, the Housing Finance Agency (HFA) could only wire the funds into this account as dictated by the Direct Deposit Form. Some

of the Accounts Receivable Reports erroneously indicated the funds were deposited in Bank #143, a main disbursing account, when all funds were actually deposited in the correct account, Bank #171. The \$280,403 amount above is the total of the first 8 cash reports credited to this grant through 12/31/2010.

2. The audit correctly states that NYS will provide no additional NSP funds beyond the \$816,200.25 previously drawn. It is important to note however, that a portion of these NSP dollars on deposit in the Solvay Bank account are designated as Program Income (see E below regarding Program Income and Audit Recommendation B below which recommends the grant be reviewed for closure). The budget should not be reduced at this point, because the Department is able to use program income already received to do additional work.

While the audit is correct in that \$803,019 has been recorded in the grant, additional eligible expenses went unrecognized.

3. The audit “questions this transfer” of the administrative expenses from CDBG to NSP because both are 100% federally funded. While it is true that both are 100% federally funded, the use of NSP to offset expenses which are integral and allocable to the acquisition, rehabilitation, and resale of an NSP eligible property frees CDBG funds for eligible expenses and activities not reimbursable with NSP thus allowing the Department to maximize its use of federal funds.

The audit goes on to reference OBM Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments with respect to the transfer of payroll expenses from CDBG to NSP. OBM Circular A-87 directs the agency to prepare personal activity reports to support reimbursable personal expenses. These same Cost Principles allow for a substitute system or systems to support personal expenses (i.e., payroll) where employees work on more than one Federal award. With respect to payroll expenses, namely Housing Inspector salary, a substitute system was utilized that considered Inspector hourly salary, average hours committed to each unit per week based on history of projects of similar size and scope, and actual time period that the project was under construction.

Although administrative expenses were incurred by the Department and allowed for salary, mileage, printing, supplies, real estate fees, and legal fees, the Department chose to charge the total allowable expenses directly to the salary account to simplify the accounting. The individual charges for salaries, mileage, fees, etc are available by house as a part of the department’s records of total development costs for each house.

4. It was the understanding of the Department that this error was corrected by the Comptroller’s Office following the audits.

5. With respect to \$173,785.25 in the NSP09 account, \$129,732.67 represents Program Income that remained available upon closeout (final disposition/reconciliation with HFA) of the most recent NSP property, 136 Henderson Blvd. This amount must remain in the Solvay Bank Account. The department has requested the Finance Office to withdraw the difference of \$44,052.58 and transfer it to a County account. This had not been done previously because the Department was awaiting the final approval of the total development costs for the Henderson Blvd house before withdrawing federal funds from a designated account.

Program income is defined as gross income received by the Department directly generated from the use of NSP funds. More specifically, in the case of the Community Development, proceeds available from the sale of properties acquired and improved with NSP funds.

This \$129,732.67 in Program Income is considered to be additional NSP funds. As such, its use locally requires written approval by NYS Housing Finance Agency and upon approval the Department must comply with all applicable NSP use requirements and federal statutes. Since Program Income remains available and can be used for eligible expenses, the grant should remain open.

H. Given that the Department is essentially grant funded, it operates on a reimbursement basis and there will always be a negative cash balance. As to the Lead Grant drawdowns, keeping the draw amounts under \$100,000 was more than a suggestion; it was a recommendation and much preferred by the funding agency's representatives.

The Department has made an effort to submit drawdowns on a regular basis, which is why the cash position has improved.

I. This is being worked on. The department has asked the state if the balance of funds could be used to continue funding the Homeownership Program.

J. This is essentially a cash advance provided by HUD intended to assist with financing the Homeownership Program. The Department will look to the Comptroller's Office for assistance with trial balance reporting.

K. Access to Home

OMB Circular A-87 applies to Federal awards. Access to Home 2012 grant #734476 is a NY State funded project through New York State Homes and Community Renewal, therefore A-87 does not apply. All claims for reimbursement are submitted on NYSHCR supplied forms. The "Project Detail Sheet" and "Administrative Funds Detail Sheet" specifically lists claims for salary/fringe reimbursement. NYSHCR staff review and approve said requests. OCCD staff work with NYSHCR staff to insure all claims are properly supported.

Lead Paint Hazard Reduction Program

In response to "...department could not support these expenditures with detailed documentation such as payroll registers...", this statement is incorrect. CD staff advised audit staff that while payroll registers could not be provided at that specific moment, they could be gathered and presented if requested.

OCCD Lead Hazard Reduction Program maintains that all salaries & fringe claimed for reimbursement are fair and reasonable and that in the event of a Federal audit would stand up to scrutiny. But given the requirements of A-87, Section 8, staff will review possible personal activity reporting practices/methodologies and implement accordingly to further support claims for reimbursement.

L. In the future, this function can be provided by Financial Operations.

M. The Department will monitor the Accounts Receivable log more closely.

N. The Department understands there is a new approval path in the works which will accommodate this recommendation.

O. It is the Department's practice not to have a grant budget entered into FAMIS/PeopleSoft until the grant is approved by the funding source. Sometimes the budget loading has been on

hold if the Department was not ready to spend the funds. The Department is currently having the budgets loaded as soon as possible after agency approval.

Audit Department's Reply to Community Development's Response

It is the department's responsibility to ensure their budgets are properly recorded in the financial system and to notify the Comptroller's Office if mispostings, errors or omissions have occurred via the department's balancing and reconciliation procedures.

All errors determined by Internal Audit are communicated to the departments. It is the department's responsibility to assess this information and take the appropriate measures to ensure an adjustment letter is submitted to Comptroller's accounting section for posting into the financial system.

At times during year-end financial statement preparation, Internal Audit and the Chief Governmental Accountant have prepared and posted entries relating to the Housing Development Fund Company. These entries have been provided to the department for their review.