



**Audit Report on Onondaga County Community Development
Division's New York Main Street Program**

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By Onondaga County Comptroller Martin D. Masterpole

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SECTION I

BACKGROUND & EXECUTIVE SUMMARY

The Onondaga County Community Development Division (Community Development) is a component of Onondaga County government whose mission, per its website, is “to improve the quality of life for Onondaga County’s low and moderate income people by preserving and rebuilding neighborhoods, revitalizing and increasing the County’s housing stock, upgrading the infrastructure and providing needed community facilities.” Community Development has a number of programs that help accomplish these goals, one of which is called the New York Main Street Program.

Oversight & Planning

Community Development has a Steering Committee who determines the annual funding for all of their programs. The committee members are appointed by the County Executive and include 6 elected officials-2 town supervisors, 2 village mayors and 2 County Legislators. The Steering Committee determines how the department’s major funding streams are to be spent and reports these goals both in an Annual Plan as well as in a Five Year Strategic Plan. Where required (e.g. HUD funding) the plans are submitted to granting agency for review and approval.

The Program

The New York Main Street program provides financial resources and technical assistance to communities to strengthen the economic vitality of the State’s traditional Main Streets and neighborhoods. The New York Main Street program (NYMS) is administered by the Office of Community Renewal (OCR) under the direction of the Housing Trust Fund Corporation (HTFC). HTFC contracts with NYS Homes and Community Renewal (HCR) to administer the Corporation’s activities and manage its affairs. The Onondaga County Community Development department (OCCD) utilizes funding from the NYMS program, and meets the required matching with funds from the Community Development Block Grant (CDBG), and participating property owners to rehabilitate commercial buildings within eligible target areas.

Per Article XXVI of the Private Housing Finance Law an eligible target encompasses an area which has experienced sustained physical deterioration, decay, neglect, or disinvestment, has a number of substandard buildings or vacant residential or commercial units, and more than fifty percent of the residents are persons whose incomes do not exceed ninety percent of the area median income for the county or metropolitan statistical area (MSA) in which the project is located, or which is designated by a state or federal agency to be eligible for a community or economic development program.

Onondaga County Community Development may utilize the CDBG eligible areas as identified by Housing and Urban Development (HUD) in determining eligible target areas for the NYMS program. As the Local Program Administrators, (LPA) Onondaga County is encouraged to identify

well-defined Main Street areas to maximize the impact the local program will have on the community. Funding proposals where contiguous buildings will be assisted, maximizing the impact of the investment, are preferred. The proposed activities must be carried out in a program target area of generally no more than three contiguous blocks.

On December 28th, 2018 OCCD was awarded a NYMS grant in the amount of \$294,500 from the Housing Trust fund Corporation, a public benefit corporation created and existing as a subsidiary of the New York State Housing Finance Agency. These funds were used to improve commercial properties in Liverpool.

The Liverpool Village Code Enforcement Office identified properties in CDBG eligible zones and 11 interested property owners were invited to attend an informational meeting on May 30th, 2018 to learn about the program and receive applications to participate. Of the 11 only 6 submitted applications and all were deemed eligible to participate in the program. The participating property owners were required to provide matching funds of at least 10% of the total project costs for the renovation activities to take place at their property. Once the property owners reached their established funding amount OCCD could utilize up to \$50,000 of NYMS funds per property, with the remaining costs covered by CDBG matching funds. Eligible activities include health and safety improvements such as fire alarms, sprinklers, fire escape repair, and correcting code violations. Accessibility improvements such as ramps, elevators, widening entryways, and automatic doors. Energy efficiency improvements such as insulation, HVAC system upgrades, and water-conservation improvements. Façade restoration such as preservation projects, reopening storefronts, removing solid security gates, signs, awnings, re-pointing brick, and window repairs. Residential improvements such as converting vacant upper stores to apartments, correct code violations, and updating existing apartments. Prepare commercial spaces for tenants such as drywall, electrical, and plumbing.

These six projects totaled \$1,316,912 and was covered by NYMS funds of \$279,500, \$686,702 in CDBG funds and \$350,710 of owners matching funds. The remaining \$15,000 of NYMS funds could not be awarded.

In addition to the NYMS project in Liverpool, OCCD has also performed NYMS projects in Camillus, Jordan, and most recently East Syracuse. The impact of these Main Street projects has encouraged the County to implement a Main Street program funded solely by Local dollars. That program is separate and distinct from the NYMS program and will be addressed at a later date.

Executive Summary

Over the course of the audit, we noted the following:

1. Failure to fully adhere to the administrative plan
2. Incomplete applications and forms
3. MWBE goals were not met

4. Inconsistent project payment tracking
5. Lack of proper approvals for change orders

Our high level recommendations are as follows:

1. Implementation of comprehensive documentation including but not limited to formalized policies and procedures.
2. Reworking forms to help facilitate the management of contract payments.
3. Adhere to established requirements set forth by the Grant Agreement and its associated schedules.
4. Execute a contract between the County and participating property owners.
5. Contacting the Office of Diversity and Inclusion for assistance with meeting MWBE goals as necessary.

SECTION II

SCOPE AND METHODOLOGY

Scope:

The purpose of this report is to provide Onondaga County Community Development's management with information and recommendations pertaining to the New York Main Street (NYMS) program's policies, procedures, internal controls and their operating effectiveness. In order to gain an understanding of their current process we analyzed the application process for 3 of 6 projects and the vouchers and financial aspect of 1 out of 6 projects from the Village of Liverpool NYMS program during the time period of December 28th, 2018 to January 31st 2023.

Our objectives were to:

- Obtain an understanding of the NYMS program policies and procedures.
- Evaluate and report on compliance with laws, regulations, policies, and procedures in regards to NYMS grant requirements.
- Evaluate and report on the effectiveness and efficiency of internal controls.
- Determine if funds were spent within program guidelines.

Methodology:

In order to complete our objectives we:

- Reviewed laws, policies, procedures, grant agreements, and requirements to gain an understanding of the NYMS program.
- Interviewed OCCD personnel to gain insight into the interworking of the program and the implementation of the aforementioned laws, policies, and procedures.
- Selected and tested a sample of approved projects to determine the effectiveness of NYMS policies and procedures.
- Selected and tested the vouchers of an approved project to evaluate internal controls and adherence to the grant agreement rules and regulations.
- Reviewed and discussed our findings and recommendations with the department's management for inclusion in this report.

SECTION III

FINDINGS AND RECOMMENDATIONS

1. We noted the department was not in compliance with Schedule B – Administrative Plan of the NYMS grant agreement requirement’s, Contracting Procedures § 2.D. which states “The LPA will enter into a contract with the property Owner to provide the program financial assistance. The Contract will outline the roles and responsibilities for both the LPA and the participating property owner,” as all six property owners did not execute a contract, which at minimum would address and enforce the following NYMS requirements:
 - Requirement to sign and file the NYMS Property Maintenance Declaration form.
 - LPA has the right to inspect work at any time.
 - Property owner will cooperate with the LPA requirement to monitor the ongoing maintenance of the property, including the rent limits for assisted residential units for the five-year regulatory term.
 - Agreed upon scope of work
 - Payments will be made only after work is complete and on a reimbursement basis
 - Estimated project timeline

Recommendation

We recommend OCCD’s director and program administrators familiarize themselves with the NYMS grant agreement and its accompanying schedules to ensure proper program administration and compliance with established requirements. Furthermore, OCCD should take advantage of resources provided by the State for the administration of the NYMS program such as the NYMS Program Guide and Template for Contract between LPA and participating property owners.

2. We noted the department was not in compliance with Schedule B: Administrative Plan of the NYMS grant agreement, Section 2.b. states “The property owner will be responsible for paying for all agreed upon repairs, but the LPA will not reimburse more than the costs identified as available per building for the funding year and reimbursements will be issued only upon satisfactory completion of all work as described in the written scope of work.” OCCD made payments directly to contractors as opposed to reimbursing the participating property owners.

Recommendation:

We recommend OCCD’s director and program administrators familiarize themselves with the NYMS grant agreement and its accompanying schedules to ensure proper program administration and compliance with established requirements.

3. We noted that OCCD did not fulfill the MWBEs goals set forth by Schedule C: Participation by Minority Group Members, Women and Service Disabled Veterans with respect to State Contracts: Requirements and Procedures, of the NYMS grant agreement. A Monitoring Review performed by the Office of Community Renewal (OCR) in 2022 on the 2018 NYMS

grant identified this as a “concern” stating “it was noted during the monitoring review outreach efforts to Minority and Women-Owned Business Enterprises was insufficient.”

Recommendation

We recommend appropriate solicitation processes to ensure equal opportunity for certified Minority and Women Owned Business Enterprises to participate in the program, and to clearly document all outreach efforts. Additionally we suggest contacting the Office of Diversity and Inclusion for assistance with MWBE matters.

4. We noted all three properties had incomplete applications as property owners omitted requested improvements, did not address the codes violation’s section and OCCD staff failed to indicate proof of ownership and proof of taxes paid. Although incomplete each application was approved. An example of an incomplete application is pictured below in Exhibit A.

Recommendation

We recommend OCCD administration develop and implement application review and approval policies and procedures to ensure applications are fully and accurately completed prior to approval.

5. We noted 7 of 15 payment requests forms for case # VLP-MST-2018-22-4863, Charles Project, did not have a signature from the program coordinator, We were informed this signature indicates the bids were properly solicited by Community Development. We question this logic and relevance of signing off on multiple vouchers for an action which has taken place before expenditures are incurred and only occurs once. It would seem more appropriate for this individual to be attesting to the fact the invoice is appropriate for the work being billed and the payment request form is properly completed, for example the accounting information and contract award is correct, change orders are accurately reflected and it is mathematically correct.

The following vouchers do not have the program coordinator sign off on the payment request form...

- 03261901
- 03265562
- 03267720
- 03270711
- 03277731
- 03282987
- 03307118

Recommendation

We recommend department administration utilize the program coordinator sign off to signify a payment request form review and approval process was completed in order to ensure the voucher is complete and correct prior to submitting for payment.

6. We noted 3 of 5 Change Orders for Case # VLP-MST-2018-22-4863, Charles Project, were inadequately completed and did not have either the owner's and or the contractor's signature indicating their acceptance of the change to the original contract terms. Despite not having the required signatures these incomplete forms were signed off by the project coordinator and sent to Onondaga County Financial Operations to update the associated purchase order. Examples are presented below in Exhibit C.

Recommendation

We recommend department administration devise and implement control procedures to ensure all financial documentation including change orders are reviewed and signed off for mathematical accuracy and required signatures are obtained prior to seeking OCCD administrative approval. Additionally any and all change orders affecting the contract should be reflected on any subsequent payment authorization forms as well as change orders.

7. We noted 10 of 15 Payment Authorization forms, for Case # VLP-MST-2018-22-4863, Charles Project, listed below, incorrectly state the Contract totals, grant amount, and/or owner amounts, and the calculations for these amounts are not mathematically correct. Exhibit B shows 2 of the vouchers that do not display accurate Contract, grant, and owner amounts.
 - 03261901
 - 03265562
 - 03267720
 - 03270711
 - 03292798
 - 03296593
 - 03307067
 - 03307118
 - 03308612
 - 03329004

Recommendation

We recommend OCCD administration implement controls to ensure the effects of change orders are properly tracked and reflected on subsequent payment authorization forms in addition to notations of all previous payments to ensure the available contract balance is accurate and the payment requested does not exceed the awarded contract including change orders.

8. We noted there were vouchers for Case # VLP-MST-2018-22-4863, Charles Project, associated with purchase order #0000072273 which used project #734080101. Project #734080101 was not included in purchase order #0000072273. Once a PO is set up, if the expenses need to be charged differently than the existing PO, where possible, the original PO should be cancelled and a new PO created.

Recommendation

We recommend OCCD administration implement controls to ensure vouchers are paid out on projects that correspond to the project numbers listed on the associated purchase order. In the future we advise OCCD to contact the Deputy Comptroller of Accounting on how best to proceed, and to cancel and create a new purchase order when necessary to ensure project budgets are accurate.

SECTION IV EXHIBITS

Exhibit A: Incomplete application for 101 First st (charles project)

2. Address of Building to be renovated 101 First St

Business/Tenant _____

Property Tax ID # _____

3. Improvements requested:

A. Storefront / First Floor Business _____

B. Rental Units _____

4. List All Known Code Violations: _____

5. To be completed by Community Development:

Ownership (Deed shown) _____

All Taxes paid (proof) _____

Tax I.D.# _____

Certification Signed _____

Signature: [Handwritten Signature] Date: 7/27/18
(Property Owner)

Exhibit B: Consecutive Payment authorization forms associated with vouchers on PO#0000072273 (Charles project) Displays lack of previous payment and change order tracking and inconsistent total contract, grant, and owner amounts. No change orders were submitted between the dates of these two vouchers as such the total contract, grant and owner amounts should be the same on each form. The vouchers should display the following Contract, Grant and Owner amounts...

Total Contract: \$182,585.00

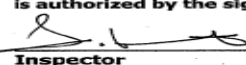

Grant Amount: \$158,790.00 (50,000.00 NYMS + \$106,790.00 CDBG)

Owner amount: \$23,795.00

Voucher #03307118 – Charles Project – PO 0000072273 - Grant and owner amounts do not properly foot to Total Contract amount.

Original Price	Total Contract	Grant Amount	Owner Amount
	182,585. ⁰⁰	96,000 / 50,000 ^{MST} +	22,795. ⁰⁰
5/16/22	5,316. ⁰⁰	5,316. ⁰⁰	—
Final Payment			
AMOUNT OF MONEY TO BE PAID TO CONTRACTOR AT THIS TIME			5,316. ⁰⁰

All items contracted for and listed above have been satisfactorily completed and met the work standards and specifications of the Onondaga County Community Development Rehabilitation Programs. Payment is authorized by the signatures below.

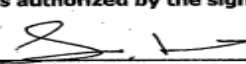
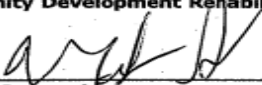



Inspector (FINALINSPFORM.DOC) Date: 5/16/22 Supervisor Date: 5/17/22

Voucher #03308612 – Charles Project – PO 0000072273 – Total, grant and owner amounts are not accurately represented.

Original Price	Total Contract	Grant Amount	Owner Amount
	160,295. ⁰⁰	90,995 / 50,000 ^{MST}	20,000. ⁰⁰
5/31/22	40,000. ⁰⁰	$\left(\begin{array}{l} \text{CP} \\ 38,000, \end{array} \right)$ $\left(\begin{array}{l} \text{MST} \\ 2,000 \end{array} \right)$ $40,000.$	—
Final Payment			
AMOUNT OF MONEY TO BE PAID TO CONTRACTOR AT THIS TIME			40,000. ⁰⁰ / 100

All items contracted for and listed above have been satisfactorily completed and met the work standards and specifications of the Onondaga County Community Development Rehabilitation Programs. Payment is authorized by the signatures below.

Inspector (FINALINSPFORM.DOC) Date: 5/31/22 Supervisor Date: 5/31/22

Exhibit C: Displays 3 consecutive change orders associated with PO #0000072273 for the Charles NYMS project (VLP-MST-2018-22-4863). Two of the change orders lack the required signatures of the contractor and owner. Total contract, grant amount, and owner amounts are inconsistent and do not properly foot.

Change Order #3: Lacks owner and contractor approvals.

	Total Contract Amount	Grant Amount	Owner Amt/(Escrow)
Original Price	177,710. ⁰⁰	153,915. ⁰⁰	23,795. ⁰⁰
Change Sum	2,875. ⁰⁰	2,875. ⁰⁰	—
Adjusted Contract Sum	180,585. ⁰⁰	156,790. ⁰⁰	—
Owner Approval	(Signature) _____ Date _____		
Contractor Approval	(Signature) _____ Date _____		
CDD Approval	(Signature) <i>[Signature]</i> Date 10/14/21		

Change Order #4: Lacks owner and contractor approval, and grant and owner amounts do not foot to total contract amount.

	Total Contract Amount	Grant Amount	Owner Amt/(Escrow)
Original Price	180,585. ⁰⁰	≠ 94,200 ^{CP} / 50,000 ^{MST}	+ 23,795. ⁰⁰
Change Sum	2,000. ⁰⁰	2,000 ^{CP}	(2,000. ⁰⁰)
Adjusted Contract Sum	182,585. ⁰⁰	≠ 96,200. ⁰⁰	+ 25,795. ⁰⁰
Owner Approval	(Signature) _____ Date _____		
Contractor Approval	(Signature) _____ Date _____		
CDD Approval	(Signature) <i>[Signature]</i> Date 01/18/2022		

Change Order #5: - Incorrect Total, Grant, and Owner amounts.

	Total Contract Amount	Grant Amount	Owner Amt/(Escrow)
Original Price	160,295. ⁰⁰	140,295. ⁰⁰	20,000. ⁰⁰
Change Sum	5,316. ⁰⁰	5316. ⁰⁰	—
Adjusted Contract Sum	165,611. ⁰⁰	165,611. ⁰⁰	—
Owner Approval	Michael P. Chandler Jr (Signature) _____ Date 5/16/2022		
Contractor Approval	(Signature) <i>[Signature]</i> _____ Date 5.16.2022		
CDD Approval	(Signature) <i>[Signature]</i> _____ Date 5/31/22		

SECTION V

Management Response

Below was received from Martin Skahen, Director of Community Development on 10/4/24:

OCCD RESPONSE:

- 1) All program participants execute standard OCCD contracts. NYMS has specific contract requirements that were previously identified by program staff as not being covered under the existing OCCD standard contract. OCCD has amended its contract procedures for this program to include the NYMS specific items and has implemented them for the current NYMS grant cycle.
- 2) OCCD is compliant with NYMS procedures. OCCD is on its 4th NYMS grant and NYMS staff understand how the OCCD program operates as it relates to program/owner financing and reimbursements.
- 3) OCCD strives to meet the MWBE goals. OCCD will continue to work with Purchasing Dept on identifying contractors to meet these goals and will reach out to the Office of Diversity and Inclusion for further assistance.
- 4) OCCD will ensure all relevant applicant data is entered onto the program applications.
- 5) The program coordinator signature on the PO set-up/Payment Request form was implemented at the request of the Purchasing Dept. 5 of the vouchers identified appear to have been placed prior to the signature line being implemented. The signature does not represent signing off or approving of the payment or invoice. The form on which this signature is located exists simply to provide Financial Operations with the grant specific accounting information needed to process the payment. The actual Payment Form of the 7 vouchers identified have the requisite signoffs of the staff Architect and Director.
- 6) OCCD has control procedures in place to ensure all financial documentation is reviewed and signed off for and will ensure all future Change order forms are complete and accurate.
- 7) OCCD has control procedures in place to ensure all financial documentation is reviewed and signed off for and will ensure all future Payment Forms are complete and accurate.
- 8) OCCD works with Financial Operations on PO set-up and implements change notices when necessary.