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# AUDIT REPORT



Lower Manhattan Development Corporation  
Community Development Block Grant  
Disaster Recovery Assistance Fund  
New York, New York

2006-NY-1006

March 31, 2006

**OFFICE OF AUDIT**  
**New York/New Jersey Region**

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Issue Date March 31, 2006
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Audit Report Number 2006-NY-1006
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TO: Nelson R. Bregon, General Deputy Assistant Secretary for Community Planning and Development, D

FROM: *Edgar Moore*  
Edgar Moore, Regional Inspector General for Audit, 2AGA

SUBJECT: Lower Manhattan Development Corporation, New York, New York,  
Community Development Block Grant Disaster Recovery Assistance Funds

## **HIGHLIGHTS**

### **What We Audited and Why**

Pursuant to congressional mandate, we performed the sixth of our ongoing audits of the Lower Manhattan Development Corporation's (the auditee) administration of the Community Development Block Grant (Block Grant) Disaster Recovery Assistance funds provided to the State of New York following the September 11, 2001, terrorist attacks on the World Trade Center in New York City. The U.S. Department of Housing and Urban Development (HUD) has allocated \$2.783 billion in Disaster Recovery Assistance funds to the auditee, and during our audit period of April 1 through September 30, 2005, the auditee disbursed \$64 million of these funds.

Our audit objectives were to determine whether the auditee (1) disbursed Disaster Recovery Assistance funds in accordance with HUD-approved action plans, (2) expended Disaster Recovery Assistance funds for eligible planning and administrative expenses in accordance with applicable laws and regulations, and (3) maintained a financial management system that adequately safeguarded Disaster Recovery Assistance funds.

## What We Found

The auditee generally disbursed the \$64 million in Disaster Recovery Assistance funds in accordance with HUD-approved action plans. It also expended Disaster Recovery Assistance funds for eligible planning and administrative expenses in accordance with applicable laws and regulations and maintained a financial management system that adequately safeguarded the funds. Our review disclosed weaknesses in the auditee's control procedures that permitted funds to be disbursed contrary to the terms of its subrecipient agreements and charged to the wrong program. Specifically, \$259,712 was disbursed contrary to a subrecipient agreement, \$7.5 million was disbursed for eligible costs, but without auditee approval as required by a subrecipient agreement, and \$7,090 was charged to the wrong program.

## What We Recommend

We recommend that HUD's general deputy assistant secretary for community planning and development require the auditee to (1) obtain reimbursement for the \$259,712 disbursed contrary to the subrecipient agreement; (2) strengthen its controls over the Disaster Recovery Assistance funds to ensure that funds are not disbursed without proper approval and/or authorization; and (3) obtain reimbursement for \$7,090 incorrectly charged to the wrong program.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

## Auditee's Response

We discussed the contents of the report with the auditee during the audit and at an exit conference held on March 21, 2006, and they provided written comments on March 24, 2006. The auditee has taken corrective action in response to each recommendation cited in the report. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

# TABLE OF CONTENTS

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Background and Objectives	4
Results of Audit	
Finding 1: Weaknesses in Control Procedures Permitted Funds to Be Disbursed Contrary to Subrecipient Agreements and Charged to the Wrong Program	6
Scope and Methodology	9
Internal Controls	10
Follow-up on Prior Audits	12
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	13
B. Auditee Comments and OIG's Evaluation	14
C. Schedule of Program Funding and Disbursements as of September 30, 2005	18

## BACKGROUND AND OBJECTIVES

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In the aftermath of the September 11, 2001, terrorist attacks on the World Trade Center in lower Manhattan, Congress authorized the U.S. Department of Housing and Urban Development (HUD) to provide the State of New York with \$3.483 billion in Community Development Block Grant (Block Grant) Disaster Recovery Assistance to assist with recovery and revitalization. On November 5, 2001, the Office of Management and Budget designated \$700 million in Block Grant funding for New York City out of the Emergency Response Fund that Congress had appropriated.<sup>1</sup> On January 10, 2002, Congress appropriated an additional \$2 billion for Block Grant funding, earmarking at least \$500 million to compensate small businesses, nonprofit organizations, and individuals for their economic losses.<sup>2</sup> On August 2, 2002, Congress appropriated an additional \$783 million in Block Grant funding.<sup>3</sup>

The Lower Manhattan Development Corporation (auditee) was created in December 2001 as a subsidiary of the Empire State Development Corporation to function as a joint city-state development corporation. The auditee was designated by the State of New York to develop programs and distribute \$2.783 billion of the \$3.483 billion appropriated by Congress in the January and August 2002 Emergency Supplemental Acts. The Empire State Development Corporation, the parent company of the auditee, administers the remaining \$700 million. A 16-member board of directors, appointed equally by the governor of New York and the mayor of New York City, manages the affairs of the auditee. The Empire State Development Corporation performs all accounting functions for the auditee, including payroll, payments to the auditee's vendors, and drawing down funds from HUD.

Planned expenditures of Disaster Recovery Assistance funds are documented in action plans that receive public comment and must be approved by HUD. As of September 30, 2005, HUD had approved 10 partial action plans submitted by the auditee that provide for the allocation of approximately \$1.96 billion, or 70 percent, of the \$2.783 billion appropriated (see appendix C for amounts by program). As of September 30, 2005, the auditee had disbursed \$942 million, or 48 percent, of the \$1.96 billion allocated.

For the audit period of April 1 through September 30, 2005, we reviewed disbursements related to the following: (1) the World Trade Center Memorial and Cultural Program, (2) the Neighborhood Parks and Open Spaces Program, (3) the Public Service Activities Program, (4)

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<sup>1</sup> 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States, Pub. L. 107-38, 115 Stat. 220 (2001).

<sup>2</sup> The Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act 2002 (Emergency Supplemental Act 2002), Pub. L. 107-117, 115 Stat. 2336 (2002).

<sup>3</sup> The 2002 Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States, Pub. L. 107-206.

the Utility Restoration and Infrastructure Rebuilding Program – Category 2, (5) the Job Creation and Retention Program, (6) the Lower Manhattan Communications Outreach Program, (7) the Chinatown Tourism and Marketing Program, and (8) the History and Heritage Downtown Marketing Initiative. In addition, we examined the auditee’s planning and administrative expenses related to the Utility Restoration and Infrastructure Rebuilding Program and the Lower Manhattan Construction Command Center and determined whether the auditee had expeditiously reallocated unobligated funds remaining for programs that have been completed.

For the items tested, our review disclosed exceptions under the History and Heritage Downtown Marketing Initiative, the Neighborhood Parks and Open Space Program, and the Job Creation and Retention Program.

#### History and Heritage Downtown Marketing Initiative

The History and Heritage Downtown Marketing Initiative is intended to enrich the cultural resources of lower Manhattan through a marketing initiative to promote downtown as a cultural destination. The auditee executed three contracts with three different vendors for marketing services associated with this program. Partial Action Plan No. 3 allocated more than \$4.6 million to this program from the initial \$2 billion appropriation.

#### Neighborhood Parks and Open Space Program

The Neighborhood Parks and Open Space Program is intended to enhance existing parks and create new green spaces across residential communities in lower Manhattan for local workers, be a draw for businesses, and improve the quality of life of downtown’s growing residential population. Funding of nearly \$26.1 million from the initial \$2 billion appropriation was approved by HUD through Partial Action Plan No. 4, which was later amended to increase funding by more than \$1.3 million, bringing the total allocation to almost \$27.5 million. The auditee executed a subrecipient agreement with the New York City Department of Parks and Recreation on August 2, 2004, to administer this program.

#### Job Creation and Retention Program

The purpose of the Job Creation and Retention Program was to retain and create jobs in lower Manhattan through grants, loan guarantees, and low-cost loans. HUD approved \$150 million for this program from the initial \$2 billion appropriation in Partial Action Plan No. 2.

Our audit objectives were to determine whether the auditee (1) disbursed Disaster Recovery Assistance funds in accordance with HUD-approved action plans, (2) expended Disaster Recovery Assistance funds for eligible planning and administrative expenses in accordance with applicable laws and regulations, and (3) maintained a financial management system that adequately safeguarded Disaster Recovery Assistance funds.

## RESULTS OF AUDIT

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### Finding 1: Weaknesses in Control Procedures Permitted Funds to Be Disbursed Contrary to Subrecipient Agreements and Charged to the Wrong Program

Weaknesses in the auditee's internal controls caused Block Grant Disaster Recovery Assistance funds to be disbursed contrary to the terms of the subrecipient agreements and charged to the wrong program. Specifically, \$259,712 was disbursed contrary to the subrecipient agreement for the Neighborhood Parks and Open Space Program, nearly \$7.5 million under the Job Creation and Retention Program was disbursed without the approval of the auditee as required by the subrecipient agreement, and \$7,090 was incorrectly charged to the History and Heritage Downtown Marketing Initiative. These weaknesses could result in the disbursement of funds for other than intended purposes.

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#### **Parks and Open Space Subrecipient Agreement Requirements Were Not Followed**

The auditee executed a subrecipient agreement with the New York City Department of Parks and Recreation on August 2, 2004, to administer the Neighborhood Parks and Open Space Program. The program was created to enhance existing parks and create new green spaces across the residential communities in lower Manhattan. Section X, item D 2, of the subrecipient agreement required the subrecipient to obtain the auditee's written consent before entering into any subcontracts.

On May 4, 2005, contrary to the subrecipient agreement, the auditee disbursed nearly \$5.2 million to the New York City Department of Parks and Recreation for services performed on a subcontract that was not approved in writing by the auditee. Consequently, there is a weakness in the controls over monitoring and approving subcontracts for this program. However, since we determined that the disbursement was for eligible program costs, we are not taking a monetary exception.

Of the nearly \$5.2 million in disbursements reviewed, \$259,712 represented funds that should not have been disbursed to the subrecipient because all work was not complete at the time of disbursement. Section IV of the subrecipient agreement provided that payments would be made on a reimbursement basis to the subrecipient for actual eligible costs incurred. According to the terms of the agreement, the \$259,712 was a retainer that should not have been paid until all work was complete. Therefore, the subrecipient should not have been reimbursed this amount.

**Funds Were Disbursed  
Contrary to the Job Creation  
and Retention Program  
Subrecipient Agreement**

The Empire State Development Corporation, the auditee's parent company, created the Job Creation and Retention Program to assist certain businesses in retaining and creating jobs. In August 2003, the auditee entered into a subrecipient agreement with its parent company under which the auditee agreed to provide its parent company with \$150 million in supplemental funding to continue the program. Section D of the subrecipient agreement provided that the subrecipient would submit an invoice to the auditee for the required funds for approval and the auditee would provide written approval or disapproval of the invoice within five business days of receipt. When the invoice was approved, the auditee would provide a HUD drawdown and transfer request form authorizing the subrecipient (its parent company) to draw down the funds from the U.S. Treasury. The subrecipient was also required to provide written confirmation to the auditee when funds were withdrawn and transferred through the bank accounts of both the auditee and the subrecipient.

The subrecipient made 10 withdrawals amounting to \$7.5 million from the auditee's Disaster Recovery Assistance grant account for Job Creation and Retention Program grant disbursements during the period April 1, 2005 through September 8, 2005. Contrary to section D of the subrecipient agreement, the subrecipient did not obtain the auditee's written approval for any of these withdrawals. Further, our review disclosed that an additional 22 withdrawals, totaling \$51.1 million, were also made without obtaining the auditee's written approval during the period August 2003 through March 31, 2005. An official of the subrecipient told us that since the Job Creation and Retention Program was originally one of its programs, it withdrew and disbursed Disaster Recovery Assistance funds for the program as it had when it was using its own funds. The official also stated that he was not aware that the subrecipient agreement required the subrecipient to obtain the auditee's written approval before drawing down funds from the U.S. Treasury for Job Creation and Retention Program grant disbursements.

We are not taking a monetary exception to the amount drawn down and disbursed because our prior audit work did not disclose expenditures that were inconsistent with program regulations. However, these drawdowns and disbursements represent weaknesses in the auditee's controls. Although operational challenges may exist because the subrecipient, who is also the auditee's parent company, performs all accounting functions for the auditee, including drawing down HUD funds from the U. S. Treasury, there should be compliance with the terms of the subrecipient agreement.

In a prior audit,<sup>4</sup> we reported that a subrecipient (the auditee's parent company) drew down funds under the Utility Restoration and Infrastructure Rebuilding Program

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<sup>4</sup> 2005-NY-1003 dated March 23, 2005.



without submitting invoices to the auditee for review and approval as required by the subrecipient agreement. The auditee stated that the procedures were discussed with the subrecipient and that, since October 2004, all drawdowns from the Utility Restoration and Infrastructure Rebuilding Program have complied with the subrecipient agreement. Similar action is required for drawdown procedures in the Job Creation and Retention Program to ensure that drawdowns comply with the provisions of the subrecipient agreement.

### **Funds Disbursed for Costs Not Related to the History and Heritage Downtown Marketing Initiative**

On June 14, 2003, HUD approved Partial Action Plan No. 3, which allocated nearly \$4.7 million for the History and Heritage Downtown Marketing Initiative, a joint initiative of museums in lower Manhattan. In accordance with the plan, the auditee executed three contracts to promote lower Manhattan as a cultural destination and increase visitors to these museums. During our audit period, the auditee made four disbursements, totaling \$403,414, from the funds allocated to this initiative.

However, documentation supporting the disbursements disclosed that five invoices, totaling \$7,090, were approved for costs related to other auditee-funded programs and/or to administrative expenses. The disbursements were erroneously charged to the History and Heritage Downtown Marketing Initiative because auditee officials charged the wrong program code when approving the disbursement.

### **Recommendations**

We recommend that HUD's general deputy assistant secretary for community planning and development require the auditee to

- 1A. Recover \$259,712 from the Department of Parks and Recreation for the Neighborhood Parks and Open Spaces Program.
- 1B. Strengthen its control procedures over the drawdown of funds from HUD to ensure that its subrecipients are in compliance with the provisions of subrecipient agreements.
- 1C. Reimburse \$7,090 that was erroneously charged to the History and Heritage Downtown Marketing Initiative.
- 1D. Review and enhance its program management and accounting controls to ensure that costs are charged to the proper programs.

## SCOPE AND METHODOLOGY

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During the audit period, April 1 through September 30, 2005, the auditee disbursed \$64 million of the \$2.783 billion in Disaster Recovery Assistance funds for activities related to the rebuilding and revitalization of lower Manhattan. We tested \$60 million, representing approximately 94 percent of the amount disbursed for the period. In addition, we expanded our review of the Job Creation and Retention Program to include controls over expenditures during the period August 2003 through September 30, 2005.

To achieve our audit objectives, we reviewed applicable laws, regulations, and program requirements; HUD-approved partial action plans, and the auditee's accounting books and records. We examined and tested the documentation supporting disbursements related to the following:

- World Trade Center Memorial and Cultural Program
- Neighborhood Parks and Open Spaces Program
- Public Service Activities Program
- Utility Restoration and Infrastructure Rebuilding Program – Category 2
- Job Creation and Retention Program
- Chinatown Tourism and Marketing Program
- Lower Manhattan Communications Outreach Program
- History and Heritage Downtown Marketing Initiative

We reviewed the auditee's procedures for closing programs and redistributing over \$41 million in unobligated funds related to the Residential Grant, Business Recovery Grant, Interim Memorial, and Employee Training and Assistance Programs. We also reviewed payroll records and timesheets of the auditee's subrecipient related to the Utility Restoration and Infrastructure Rebuilding Program; and the payroll records related to the establishment of the Lower Manhattan Construction Command Center, a subsidiary of the auditee that was created to oversee construction activity in lower Manhattan.

In reviewing these programs, we tested a representative nonstatistical sample of disbursements. However, for the Neighborhood Parks and Open Spaces Program and History and Heritage Marketing Initiative, we tested 100 percent of the disbursements made for the period because the population was relatively small and feasible to review. For the Job Creation and Retention Program, we did not test the basis for awarding grants since this was reviewed in prior audits.

The audit covered the period from April 1 through September 30, 2005, and was expanded when necessary. We performed our on-site work at the auditee's office and the office of the auditee's parent company, the Empire State Development Corporation, from September 2005 through February 2006.

We performed our review in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

We assessed the relevant controls identified above.

A reportable weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Weaknesses

Based on our review, the following items are reportable weaknesses:

- Compliance with laws and regulations - The auditee did not ensure compliance with its subrecipient agreements when it allowed funds to be disbursed contrary to the terms of the subrecipient agreements and for costs charged to the wrong program (see finding).
- Safeguarding resources - The auditee did not safeguard resources when it allowed Block Grant Disaster Recovery Assistance funds to be withdrawn by its parent company without the auditee's written approval (see finding).

## FOLLOW-UP ON PRIOR AUDITS

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### Prior Report Number and Date

We issued Audit Report 2005-NY-1008 on September 27, 2005. The report contained two audit findings with recommendations for corrective action. The findings involved funds that were disbursed contrary to the subrecipient agreement for the Hudson River Park Improvements Program and the need for additional documentation and collection actions for funds owed to the Residential Grant Program. The auditee has implemented corrective action for the Hudson River Park Improvements Program. However, although the auditee has taken additional action to recover amounts owed the Residential Grant Program a management decision has not been reached.

We issued Audit Report 2005-NY-1003 on March 23, 2005. The report contained two audit findings with recommendations for corrective action. The findings involved deficiencies in the administrative costs related to the Utility Restoration and Infrastructure Rebuilding Program and the lack of written documentation to ensure monitoring was performed. The auditee has implemented corrective actions to address these deficiencies.

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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Recommendation number	Ineligible 1/
1A	\$259,712
1C	\$ 7,090
Total	<u>\$ 266,802</u>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local polices or regulations.



## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

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#### Ref to OIG Evaluation

#### Auditee Comments

 <b>LMDC</b> Remember Rebuild Renew	Lower Manhattan Development Corp. One Liberty Plaza, 20th Floor, New York, NY 10006 Tel: 212.962.2300 Fax: 212.962.2431 TTY: 212.962.0045 www.RenewNYC.com
March 24, 2006	
Edgar Moore Regional Inspector General for Audit U.S. Department of Housing and Urban Development 26 Federal Plaza, Room 3430 New York, NY 10278	
Dear Mr. Moore,	
The Lower Manhattan Development Corporation ("LMDC") has reviewed the U.S. Department of Housing and Urban Development Office of Inspector General Draft Audit Report that was provided to us on March 23, 2006. The LMDC understands the significance of HUD's review of activities associated with the use of CDBG funds and its recommendations for additional or modified management policies and controls. The attached document presents LMDC management's responses to the draft Audit Report.	
Sincerely,	
	
Stefan Pryor President	
Attachment	
LMDC Response to HUD IG Audit Report	1

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

Comment 1

#### **LMDC Response to HUD OIG Draft Report**

LMDC has reviewed the draft audit report from the HUD Office of the Inspector General (OIG) covering the period from April 2005 through September 2005. As you are aware, the LMDC has and will continue to work diligently to ensure Disaster Assistance funds are safeguarded and disbursed for eligible HUD-approved expenses. This report reflects that effort in that no ineligible spending was identified. It should also be noted that this report identifies two cases where agreements may not have been followed precisely with regards to the timing of payments but the actions taken to disburse eligible grant money promptly posed minimal risks. In fact, in both cases, strong controls were in place to ensure the amounts paid were eligible. The other matter reported, which was corrected during the audit, represents a miscoding between two grant categories representing an immaterial overstatement of the specific program costs. Corrective action was taken during your audit to resolve the issues noted. Our responses to the findings noted and recommendations are provided below.

Comment 2

***HUD IG Recommendation 1A: Recover \$259,712 from the Department of Parks and Recreation for Neighborhood Parks and Open Spaces Program.***

The Project Manager that approved this invoice was in possession of the documentation needed to approve the subcontractor but, at that time, LMDC did not require project managers to provide a memo to file regarding contract approval. The CFO recalls supporting the approval of the subcontractor. The new Project Manager, upon assuming this responsibility in September 2005, wrote a memo to file approving the contracts based on this information. Therefore, we do not agree that there is a weakness in controls over monitoring or approving subcontracts.

Comment 3

When the invoice was paid, the Project Manager was aware that the subcontractor had completed other eligible work above and beyond what we were initially invoiced for and that we would be sent invoices for the additional work. The next invoice payment was reduced by \$259,712 plus the required amount to be retained from that invoice. Consequently, there is no need to recover the \$259,712 from the Department of Parks and Recreation. This matter has been resolved.

Comment 4

***HUD IG Recommendation 1B: Strengthen its control procedures over the drawdown of funds from HUD to ensure that its subrecipients are in compliance with the provisions of subrecipient agreements.***

Since the execution of this Subrecipient Agreement with the Empire State Development Corporation (ESDC) in August 2003, LMDC (a subsidiary of ESDC) has maintained awareness of program activities for the Job Creation and Retention Grant Program (JCRP). LMDC Project Managers have been notified of approvals by the ESDC Board of Directors of all eligible grant recipients. LMDC receives quarterly reports from ESDC on program activities including all expenditures, grant recipients approved, and jobs created. LMDC also communicates with ESDC on program activities and developments. Consequently, minimal risk exists that might result in the misuse of funds. Despite the minimal risk, LMDC has enhanced its current procedures whereby ESDC provides LMDC a list of approved eligible grant recipients and the anticipated funding needs for the upcoming quarter in advance of payments being made. LMDC reviews the lists and provides written approval for the transfer of the funds needed to make grant payments in that quarter. ESDC then provides LMDC a monthly list of the actual grant payments made during that quarter. This matter has been resolved.



**Appendix B**  
**AUDITEE COMMENTS AND OIG'S EVALUATION**

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**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 5**

*HUD IG Recommendation 1C: Reimburse \$7,090 that was erroneously charged to the History and Heritage Downtown Marketing Initiative.*

Since this is simply a matter of miscoding, reimbursement is not required. Corrective entries were completed shortly after LMDC was notified of the error by HUD OIG.

*HUD IG Recommendation 1D: Review and enhance its program management and accounting controls to ensure that costs are charged to the proper programs.*

**Comment 6**

Existing program management and accounting controls were effective in correctly allocating \$64 million of expenditures to over 30 programs during the audit period. The errors identified by the HUD OIG, totaling 1.75% of the disbursements tested, occurred in the process of data entry into the accounting system. LMDC does not believe that enhanced review of our data entry processes or additional staffing would be cost effective. We have, however, reminded our staff to be more careful in processing these entries.

### **OIG Evaluation of Auditee Comments**

- Comment 1** Ineligible costs are costs that are charged to a HUD-financed program or activity that are not allowable by law; contract; or federal, state, or local policies or regulations. Accordingly, while the two disbursements noted in this report may be eligible costs under the overall Disaster Recovery Assistance Grant, they are considered ineligible costs under the specific programs to which they were charged.
- Comment 2** The auditee's action to include specific documentation for approval of the subcontract in the project files responds to our recommendation.
- Comment 3** The auditee states that they have recovered the amount that should have been retained by withholding that amount from a subsequent invoice payment under the same program. We recommend that HUD verify that such adjustment was made.
- Comment 4** The auditee's action to institute procedures to ensure that any drawdown of funds under the Job Creation and Retention Program is approved in advance each quarter is responsive to our recommendation. We recommend that HUD verify that such procedures are functioning as intended.
- Comment 5** The auditee's actions to correct the erroneous charges to the History and Heritage Program is responsive to our recommendation.
- Comment 6** While the auditee believes that its program management and accounting controls were effective, it has taken action to emphasize to its staff the importance of correct processing of disbursements. This action is responsive to our recommendation.

## Appendix C

### SCHEDULE OF PROGRAM FUNDING AND DISBURSEMENTS AS OF SEPTEMBER 30, 2005

<b>Program</b>	<b>Budget as of September 30, 2005</b>	<b>Audit period disbursements April 1– September 30, 2005</b>	<b>Cumulative disbursed as of September 30, 2005</b>	<b>Balance remaining as of September 30, 2005</b>
Residential Grant	\$280,500,000	\$3,803,874	\$235,500,573	\$44,999,427
Employment Training Assistance	500,000	80,457	345,909	154,091
Memorial Design and Installation	350,000	0	299,969	50,031
Columbus Park Renovation	428,571	0	0	428,571
History and Heritage Downtown Marketing Initiative	4,664,000	403,414	1,720,193	2,943,807
Downtown Alliance Streetscape	4,000,000	0	4,000,000	0
New York Stock Exchange Area Improvements	10,160,000	0	0	10,160,000
Parks and Open Space	27,481,689	5,317,328	5,317,328	22,164,361
Hudson River Park Improvements	2,600,000	0	2,466,968	133,032
Millennium High School	3,007,500	0	0	3,007,500
West Street Pedestrian Crossing	21,155,811	0	12,840,920	8,314,891
Public Service Activities	7,296,900	1,591,351	3,362,395	3,934,505
Lower Manhattan Community Outreach	1,000,000	259,450	800,210	199,790
Green Roof Project	100,000	0	0	100,000
Chinatown Tourism and Marketing	1,000,000	403,999	737,499	262,501
Lower Manhattan Information	2,570,000	0	921,072	1,648,928
Business Recovery Grant	224,500,000	(15,009)	213,894,330	10,605,670
Job Creation and Retention	150,000,000	7,484,242	61,194,262	88,805,738
Small Firm Attraction Grant	50,000,000	0	0	50,000,000
World Trade Center Memorial and Cultural	308,117,180	10,488,062	122,054,454	186,062,726
Lower Manhattan Tourism	3,450,000	232,625	2,113,072	1,336,928
Disproportionate Loss of Workforce	33,000,000	0	32,999,997	3
Utility Restoration and Infrastructure Rebuilding	735,000,000	30,000,000	190,313,178	544,686,822
Administration and Planning	87,725,190	4,197,140	50,966,527	36,758,663
<b>Totals</b>	<b>1,958,606,841</b>	<b>\$64,246,933</b>	<b>\$941,848,856</b>	<b>\$1,016,757,985</b>