



# The City of New York, Office of Management and Budget, New York, NY

Community Development Block Grant Disaster  
Recovery Assistance Funds, Administration Costs



**To:** Marion Mollegen McFadden  
Deputy Assistant Secretary for Grant Programs, DG

//SIGNED//

**From:** Karen A. Campbell-Lawrence  
Acting Regional Inspector General for Audit, 2AGA

**Subject:** The City of New York, NY, Generally Disbursed Community Development Block Grant Disaster Recovery Assistance Funds For Administrative Costs In Accordance With HUD Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of New York, Office of Management and Budget's administration of the Community Development Block Grant Disaster Recovery Assistance funds awarded to the City.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 212-264-4174.



**Audit Report Number: 2015-NY-1004**

**Date: April 23, 2015**

**The City of New York, NY Generally Disbursed Community Development Block Grant Disaster Recovery Assistance Funds For Administrative Costs In Accordance With HUD Regulations**

## Highlights

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### What We Audited and Why

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We audited the City of New York, Office of Management and Budget's administration of the Community Development Block Grant Disaster Recovery Assistance (CDBG-DR) funds awarded to the City as a result of damages caused by Hurricane Sandy. This review was related to the disbursement of approximately \$4 million in CDBG-DR funds pertaining to administration costs for the City, the New York City Mayor's Office of Housing Recovery Operations, and the New York City Department of Housing Preservation and Development. The objectives of the audit were to determine whether the City (1) disbursed CDBG-DR funds for its administration costs in accordance with the guidelines established under the U.S. Department of Housing and Urban Development (HUD)-approved action plan and amendments and applicable Federal requirements and (2) maintained a financial management system that adequately safeguarded the funds and prevented misuse.

### What We Found

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City officials generally disbursed CDBG-DR funds for administration costs in accordance with the guidelines established under the HUD-approved action plan and amendments and applicable Federal requirements and had a financial management system in place that adequately safeguarded funds and prevented misuse.

### What We Recommend

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There are no recommendations.

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# Background and Objectives

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The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The U.S. Department of Housing and Urban Development (HUD), Office of Block Grant Assistance, is responsible for the management and oversight of the CDBG Disaster Recovery Assistance (CDBG-DR) program.

A unique part of the CDBG-DR program is that it provides disaster recovery assistance, which helps cities, counties, and States recover from presidentially declared disasters, especially in low-income areas. CDBG-DR funding is appropriated by Congress as a special CDBG appropriation in response to a disaster. The statutory authority for CDBG-DR funding is made through individual supplemental appropriations to address specific disasters. Funding for damages caused by Hurricane Sandy is found in the Disaster Appropriations Act of 2013 (Public Law 113-2). This appropriation has provided the City of New York access to more than \$4.2 billion in disaster assistance. CDBG-DR funds are to be used for necessary expenses related to disaster relief, long-term recovery and restoration of infrastructure, and housing and economic revitalization in the most impacted and distressed areas. Each activity must (1) address a disaster-related impact (direct or indirect) in a presidentially declared county for the covered disaster, (2) be a CDBG-DR-eligible activity, and (3) meet a national objective.

Hurricane Sandy, which hit New York City on October 29, 2012, caused the metropolitan area to experience high winds, extensive rainfall, and a storm surge that flooded many low-lying areas. The storm resulted in power outages, damaged homes, and damage to critical public and private infrastructure.

The City's Office of Management and Budget manages the CDBG Entitlement program. In addition, the New York City Department of Housing Preservation and Development (HPD) and the Mayor's Office of Housing Recovery Operations (HRO) work with local elected officials to address Sandy-related housing needs and partner with other New York City agencies on a comprehensive outreach plan.

The table below identifies the three allocations made to the City for CDBG-DR-funded activities.

According to Federal Registers	Allocation amount
March 5, 2013	\$1,772,820,000
November 18, 2013	\$1,447,000,000
October 16, 2014	\$994,056,000
<b>Total funding through October 2014</b>	<b>\$4,213,876,000</b>

The City received an allocation of \$95.4 million in CDBG-DR funds for the administration of its program and had drawn down and disbursed more than \$5.8 million of these funds as of September 30, 2014.

The administrative function provides administrative and support services for the management and citizen participation necessary to formulate, implement, and evaluate the City's CDBG-DR program. These activities include the following:

- Ensuring citizen participation (including publication of public notices);
- Preparing the required CDBG-DR quarterly reports;
- Maintaining the CDBG-DR Web site;
- Monitoring the expenditures for CDBG-DR programs;
- Monitoring subrecipients, contractors, and New York City agencies;
- Defining population groups served by CDBG-DR programs;
- Coordinating with HUD, the Federal Emergency Management Agency, and other Federal departments; and
- Certifying and maintaining the necessary records to demonstrate that Federal requirements for environmental review, fair housing, relocation, labor standards, equal opportunity, and citizen participation are met.

The objectives of the audit were to determine whether the City (1) disbursed CDBG-DR funds for its administration costs in accordance with the guidelines established under the HUD-approved action plan and amendments and applicable Federal requirements and (2) maintained a financial management system that adequately safeguarded the funds and prevented misuse.

An exit conference was conducted on April 15, 2015, at New York City's Office of Management and Budget and City officials did not provide any written comments.

# Results of Audit

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## **Finding: The City Generally Disbursed CDBG Disaster Recovery Assistance Funds for Administration in Accordance With HUD Regulations**

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City officials generally disbursed CDBG-DR funds for administration costs in accordance with the guidelines established under the HUD-approved action plan and amendments and Federal requirements and had a financial management system in place that adequately safeguarded funds and prevented misuse.

### **Funds Disbursed in Compliance With HUD-approved Action Plan and Federal Requirements**

City officials generally disbursed CDBG-DR funds in accordance with the HUD-approved action plan and amendments and Federal requirements. Review and testing of \$4 million in CDBG-DR funds reimbursed to the City, HRO, and HPD for administration costs incurred during the period October 29, 2012, through September 30, 2014, identified no material deficiencies.

The administration costs tested were found to be reasonable, properly supported, eligible, and in compliance with the HUD-approved action plan and amendments and Federal requirements. City officials continuously monitored the performance of HRO and HPD against the goals and performance standards prescribed in the memorandums of understanding.<sup>1</sup> City officials properly documented the expenditure of CDBG-DR funds, provided guidance to HRO and HPD regarding timekeeping requirements, and acquired employee time certifications from staff members who worked solely on CDBG-DR-funded Sandy recovery and rebuilding programs.

### **Adequate Financial Management System**

The City had a financial management system in place that adequately safeguarded the funds and prevented misuse. City officials performed adequate reviews of employees' salaries and fringe benefits, which provided assurance that CDBG-DR funds were spent to meet the administration objectives in accordance with the HUD-approved action plan and amendments. Specifically, City officials conducted program budget analysis, evaluated program performance, monitored expenditures, prepared analytical reports, provided technical information, and represented the City in implementing the CDBG-DR program. In addition, time certifications of employees working solely on the Sandy grant had been obtained and documented. Other nonpayroll costs were adequately supported to show that the costs had been properly authorized and procured. As

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<sup>1</sup> A memorandum of understanding is a written agreement between two or more parties that defines the roles and responsibilities of each party with respect to the collaborative efforts of a particular program or project.

a result, City officials had developed and implemented accounting procedures that ensured accurate, current, and complete reporting of financial data.

### **Conclusion**

City officials generally administered CDBG-DR funds in accordance with the guidelines established under the HUD-approved action plan and amendments and Federal requirements and had a financial management system in place that safeguarded funds and prevented misuse.

### **Recommendations**

There are no recommendations.



# Scope and Methodology

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The review generally covered the period October 29, 2012, through September 30, 2014. We performed our fieldwork from December 2014 through March 2015 at the City's office located at 255 Greenwich Street, New York, NY.

To accomplish our audit objectives, we

- Reviewed applicable laws, regulations, HUD handbooks, Federal Registers, the Code of Federal Regulations, public laws, and the City's policies and procedures.
- Obtained an understanding of the City's disbursement and financial controls.
- Interviewed officials of the City, HRO, and HPD.
- Reviewed the City's action plan and amendments.
- Reviewed the memorandums of understanding between the City and HRO and HRO and HPD.
- Evaluated the City's internal controls and disbursement files to identify potential weaknesses related to our objectives.
- Reviewed data in HUD's Disaster Recovery Grant Reporting system.<sup>2</sup>
- Reviewed HUD monitoring reports.
- Reviewed the City's financial statements for the year ending in June 2013.
- Reconciled administration cost disbursements recorded during the review period in HUD's Disaster Recovery Grant Reporting system.

The universe of administration costs included six activities that spent CDBG-DR funds totaling \$5.86 million during the review period. We selected for review a nonstatistical sample of two activities with the highest amounts disbursed totaling \$4.07 million, which represented 69 percent (\$4.07 million/\$5.86 million) of the universe. We reviewed 100 percent of the two activities, which consisted of reimbursements made to the City, HRO, and HPD for providing administrative and support services for the management and citizen participation necessary to formulate, implement, and evaluate the City's CDBG-DR programs.

While we used the data obtained from HUD's Disaster Recovery Grant Reporting system for informational purposes, our assessment of the reliability of the data in the system was limited to the data reviewed, which were reconciled to the City's records; therefore, we did not assess the reliability of this system.

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<sup>2</sup> The Disaster Recovery Grant Reporting system was developed by HUD's Office of Community Planning and Development for the CDBG Disaster Recovery Assistance program and other special appropriations. Data from the system are used by HUD staff to review activities funded under these programs and for required quarterly reports to Congress.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objectives in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the City's internal control as a whole.

# Appendix

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## Appendix A

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### **Auditee Comments and OIG's Evaluation**

The auditee elected not to provide written comments.