



# Homes and Community Renewal

Housing  
Trust Fund  
Corporation

**KATHY HOCHUL**  
Governor

**RUTHANNE VISNAUSKAS**  
Commissioner/CEO


March 15, 2023

The Honorable Kathy Hochul  
Governor of the State of New York  
The Capitol, Executive Chamber  
Albany, New York 12224

Dear Governor Hochul:

Pursuant to Section 170 of the Executive Law, I am submitting this response to the recommendations for corrective action in the Office of the State Comptroller's Report 2021-S-10, Housing Trust Fund Corporation: Internal Controls Over and Maximization of Federal Funding for Community Development Block Grant & HOME Investment Partnerships Programs.

Sincerely,



RuthAnne Visnauskas  
Commissioner/CEO

cc: Honorable Thomas P. DiNapoli, Comptroller, State of New York  
Honorable Antonio Delgado, NYS Senate President  
Honorable Andrea Stewart-Cousins, NYS Senate President Pro Tempore and Majority Leader  
Honorable Robert G. Ort, NYS Senate Minority Leader  
Honorable Liz Krueger, NYS Senate Chair, Finance Committee  
Honorable Thomas O'Mara, NYS Senate Ranking Minority Member, Finance Committee  
Honorable Carl E. Heastie, NYS Assembly Speaker  
Honorable Crystal D. Peoples-Stokes, NYS Assembly Majority Leader  
Honorable William A. Barclay, NYS Assembly Minority Leader  
Honorable Helene E. Weinstein, NYS Assembly Chair, Ways and Means Committee  
Honorable Edward P. Ra, NYS Assembly Ranking Minority Member, Ways and Means Committee

**Recommendation 1: “Work with LPAs to ensure timely obligation of CDBG-CV and HOME-ARP funded projects. This may include but not be limited to:**

- **Improving communication with LPAs regarding, and/or adjusting flexibility of, performance completion requirements.”**

HTFC acknowledges the importance of timely obligation of CDBG-CV and HOME-ARP funds. Since concluding this audit, the HOME-ARP Allocation Plan was submitted to HUD for review and approval and HUD has approved the plan. HTFC is currently conducting additional interagency consultation and preparing materials to launch the program. HCR will expeditiously distribute funds and meet the expenditure requirement and period of performance ending in 2030.

At the time of this response, HTFC has committed over \$126 million in CDBG-CV funds, leaving only \$851,679 uncommitted. HTFC has also expended over \$24 million. With funds nearly fully committed, the rate of spending will continue to increase as HTFC continues to process CDBG-CV payment requests daily. Program staff will continue to work with grantees to expend the remaining CDBG-CV funds and meet HUD expenditure deadlines.

- **“Identifying and reducing delays in releasing funds to LPAs for work completed.”**

During OSC’s audit, HTFC incorporated additional language in grant agreements to help further promote recipient’s timely completion of projects and expenditure of funds. This added language outlines critical milestones and corresponding submission schedules for key documents required for timely contract execution, project start-up and implementation. HTFC’s CDBG Grant Administration Manual also provides specific guidance to grantees on monitoring their project schedules and requesting additional time to complete proposed activities if extenuating circumstances might compromise timely project completion and expenditure of funds. Staff will continue to conduct regular outreach to existing grantees to identify barriers to spending and completion of all activities and provide technical assistance as appropriate. These outreach efforts to recipients include exploring extensions for grant agreements as determined appropriate. Staff will also continue working with recipients to expedite release of funds, including prompt follow up for required documentation needed to approve their payment requests.

**Recommendation 2: “Improve internal controls over the administration of the CDBG, including:**

- **“Developing methods to better monitor Subrecipients and Contractors used by LPAs to administer CDBG grants.”**

HTFC maintains a robust monitoring process that is ongoing throughout the term of each CDBG project. Monitoring activities include:

- Collaborative review with recipients of their required administrative plans outlining roles and responsibilities to be utilized throughout each project, including a description of third-party oversight procedures;
- Review of supporting documentation with each payment request to confirm eligibility of costs, regulatory compliance and consistency with program policy;
- Routine contact with recipients and the provision of technical assistance to encourage project timeliness and address barriers to completion; and

- End of project monitoring conducted for detailed review of financial management and regulatory compliance.

HTFC reviews with recipients all third-party responsibilities to ensure that their subrecipients or contractors are completing the project according to the grant agreement, executed contract, and project design. Regulations require that the recipient perform consistent, routine local monitoring regardless of recipients' prior relationships or familiarity with the subrecipient or contractor.

To improve compliance and HTFC monitoring of subrecipients and contractors, HTFC has made the following adjustments:

- NYS CDBG Grant Administration Manual, "Chapter 10 – Monitoring," has been updated to outline requirements for improved oversight of subrecipients and third-party contractors;
- HTFC has prepared a subrecipient and contractor monitoring plan template for use by recipients. The template includes procedures for reviewing program and financial management, timeliness of reimbursements, and other relevant program areas. Recipients are required to formally document dates of monitoring subrecipients and/or contractors and to prepare monitoring reports using the available template or a similar format and provide these reports for program staff review;
- HTFC monitoring materials and procedures have been modified to prompt program staff to more closely examine the monitoring of subrecipients and contractors by recipients. These modifications include additional reviewer guidance related to the examination of the record of communication between the recipient and its subrecipient or contractor; and
- HTFC annual reporting forms have been modified to prompt the user to name any subrecipients or contractors helping to administer the project and to identify specific dates that monitoring of those entities have been/will be monitored.

- **“Helping LPAs to reduce the use of local funds to cover project costs before reimbursement from the State, where practicable.”**

HTFC provides recipients with the flexibility to make their own decisions over how vendors are paid. Some recipients choose to pay expenses upfront and then request reimbursement from HTFC while others submit costs incurred directly to HTFC for payment. The method chosen is a local decision based on the availability of resources and what is considered appropriate at that time. This flexibility is also made available to participating subrecipients. This flexibility allows HTFC to exercise the oversight required by federal regulation, while providing options and support to recipients.

- **“Correcting weaknesses in controls over confidential information.”**

HTFC has implemented Procorem, a third-party file transfer and protocol site for the submission and handling of sensitive data. HCR staff create a project-specific workspace for grantees to securely upload files.