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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

April 11, 2024

RuthAnne Visnauskas  
Commissioner/CEO  
Homes and Community Renewal  
Hampton Plaza  
38-40 State Street  
Albany, NY 12207

Re: Housing Trust Fund Corporation:  
Internal Controls Over and  
Maximization of Federal Funding for  
Community Development Block  
Grant & HOME Investment  
Partnerships Programs  
Report 2023-F-42

Dear Ms. Visnauskas:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of Homes and Community Renewal to implement the recommendations contained in our audit report, *Housing Trust Fund Corporation: Internal Controls Over and Maximization of Federal Funding for Community Development Block Grant & HOME Investment Partnerships Programs* (Report [2021-S-10](#)).

**Background, Scope, and Objective**

Homes and Community Renewal (HCR) is the State's affordable housing agency, with a mission to build, preserve, and protect affordable housing and increase homeownership throughout the State. HCR comprises several different offices and agencies, including the Housing Trust Fund Corporation (HTFC). HTFC's Office of Community Renewal receives federal funding from the U.S. Department of Housing and Urban Development (HUD) to administer the Community Development Block Grant (CDBG) program and HOME Investment Partnerships Program (HOME) across the State. While HCR administered a variety of programs prior to the COVID-19 pandemic, the unprecedented housing crisis caused by the pandemic escalated the need for programs that provide housing stability. As such, the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) provided funding for emergency economic relief for individuals, families, and businesses affected by COVID-19, and the American Rescue Plan Act of 2021 enhanced this assistance.

Between April 1, 2017 and January 18, 2024, HUD allocated about \$340 million in CDBG funds to HCR for grant years 2017 through 2023, and about \$127 million in CDBG COVID-19 relief aid (CDBG-CV) through the CARES Act. During the same period, HUD allocated about \$177 million in HOME funds to HCR, as well as approximately \$93 million more in HOME

COVID-19 relief aid through the HOME American Rescue Plan Program (HOME-ARP). CDBG and HOME both provide funding to expand the supply of decent, safe, and affordable housing, principally for low- and moderate-income households across the State. While CDBG and HOME share the same goals, the programs have different approaches to meeting the needs of low- and moderate-income families and have different rules regarding eligible activities. HCR functions as a pass-through entity, awarding CDBG and HOME grants to Local Program Administrators (LPAs), which may be entities such as units of local government and non-profit corporations. LPAs are subrecipients of pass-through funds from HCR; however, they may elect to further subgrant all or portions of their CDBG funds to another subrecipient (Subrecipient) or contract with another entity (Contractor). LPAs are responsible for monitoring all grant-supported activities provided by the Subrecipient or Contractor to ensure their compliance with applicable State and federal requirements as well as their achievement of performance goals. HCR is responsible for overseeing the activities of LPAs to ensure their compliance with federal requirements and that performance expectations are achieved.

The objective of our initial audit, issued September 16, 2022 and covering the period April 2017 through June 2022, was to determine whether HCR had established and maintained adequate internal controls to oversee and monitor the federally funded CDBG and HOME programs to ensure they met requirements, and whether HCR obtained federal reimbursements on time and in a manner that recovered all eligible costs. We found that HCR could improve the timely release of federal funds, especially with the CDBG-CV funded grants. As of June 2022—more than two years after the start of the pandemic—HCR had only obligated about \$98 million of the \$127 million and expended less than \$5 million. In addition, HCR was still developing the HOME-ARP allocation plan required to be submitted and approved by HUD before it could begin spending HOME-ARP funds. We further found that HCR could improve its internal controls over the administration of the CDBG program. This finding was attributable, in part, to HCR's procedures for monitoring LPAs' use of Contractors and Subrecipients. We also identified potential vulnerabilities in the handling of confidential information.

The objective of our follow-up was to assess the extent of implementation, as of January 2024, of the two recommendations included in our initial audit report.

### **Summary Conclusions and Status of Audit Recommendations**

HCR officials have made progress in addressing the issues identified during the initial audit. Of the initial report's two audit recommendations, both were implemented.

### **Follow-Up Observations**

#### **Recommendation 1**

*Work with LPAs to ensure the timely obligation and spending 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.*
- *Identifying and reducing delays in releasing funds to LPAs for work completed.*

Status – Implemented

Agency Action – HCR has made substantial progress obligating and spending CDBG-CV funds. As of January 2024, HCR had obligated over \$126 million (99%) and spent over

\$85 million (67%) of its nearly \$127 million CDBG-CV award. At the time of our initial audit, HCR needed to expend over \$96 million more CDBG-CV funds, for a total of 80% of its entire award, by November 22, 2023, to avoid potentially losing the funding. However, since the initial audit, HUD has removed that requirement. HCR officials expect to obligate the remaining funds in early 2024 and expend the total award by HUD's deadline of November 22, 2026. To promote the timely expenditure of funds, HCR incorporated new language into its CDBG-CV grant agreements with LPAs. This new language outlines project completion milestones and submission schedules for key documents required for contract execution. Further, officials completed HCR's HOME-ARP allocation plan, and HUD approved it in November 2022. HCR has begun accepting applications for HOME-ARP funding and plans to expend its total award by the September 2030 deadline.

## **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.*
- *Helping LPAs to reduce the use of local funds to cover project costs before reimbursement from the State, where practicable.*
- *Correcting weaknesses in controls over confidential information.*

Status – Implemented

Agency Action – Since our initial audit, HCR has implemented additional controls to improve its monitoring of Subrecipients and Contractors used by LPAs to administer CDBG grants. HCR developed a new template monitoring plan that LPAs are required to use during Subrecipient and Consultant monitoring events. The new template includes procedures for reviewing program and financial management, timeliness of reimbursements, and other relevant program areas. LPAs must use the template to document the scope of their monitoring work, and officials from both the LPA and the entity being monitored must sign off on it. HCR also updated its monitoring procedures to have HCR officials verify that LPAs are using the new monitoring template before grants can be closed out. On at least one occasion since our initial audit, HCR found that an LPA was not using the template and made a recommendation to the LPA to begin to do so. In addition, LPAs are now required to report the dates of their monitoring events to HCR annually.

HCR officials have explored additional ways they could help LPAs reduce the use of local funds to cover project costs before reimbursement from the State. Since our initial audit, the HCR has hosted a CDBG webinar series for grant awardees that includes a section on financial management. The financial management presentation includes an overview of reimbursement requirements and explains that recipients can submit disbursement requests for expenses on a cost incurred basis. In addition, HCR officials said that they regularly communicate with each recipient providing technical assistance and help with any fiscal issues that LPAs are experiencing. HCR has also corrected the weaknesses in controls over confidential information that we identified in our initial audit.

Major contributors to this report were Melissa Davie, Ryan Gregory, and Julio Castillo.

We thank the management and staff of HCR for the courtesy and cooperation extended to our auditors during this follow-up.

Very truly yours,

Andrea LaBarge, CFE  
Audit Manager

cc: Sean Fitzgerald, Homes and Community Renewal