
Hudson River Housing, Inc.
January 1, 2012 to December 31, 2013

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Comptroller's Summary

Background

Hudson River Housing, Inc. is a non-profit organization which operates emergency shelters and transitional housing projects in Dutchess County. More information can be found on their website: www.hudsonriverhousing.org

Audit Scope, Objective and Methodology

The audit was performed for the period January 1, 2012 to December 31, 2013. Dutchess County provided funding in the amount of \$3,109,950.88 in 2012 and \$3,400,976.59 in 2013 through various county contracts, grants and direct payments.

County Department	2012	2013
Planning	\$579,413.00	\$1,072,504.00
DCFS (Community and Family Services)	2,169,645.88	1,953,261.59
Mental Hygiene	<u>360,892.00</u>	<u>375,211.00</u>
Total	\$3,109,950.88	\$3,400,976.59

*amounts include contract amounts; which may not have been paid in full during time period

The audit included a review of:

- Internal controls, Funding, Financial reports including program summaries, Cash Handling and Banking
- Employee W-2s, 1099s and income tax reports
- Program compliance related to Community Development funding provided by Planning

A tour by key HRH staff allowed for the review of the various properties and programs provided to the county.

Summary of Findings

Financial records reviewed were generally found to be in good order. Program monitoring for the Homeownership Program which is historically funded through Planning should be improved.

Control Activities

Funding

The majority of funding to HRH was provided through DCFS. Funding from DCFS is paid through **contracts** and **direct payments**. A listing of payments made to Hudson River Housing by County Department and contract purpose follows:

Contracts	2012	2013
Planning -First Time Homebuyers Program	\$249,056	\$249,056
Planning -Continuum of Care- Chemical Addiction	132,828	140,021
Planning -Continuum of Care – Mental Illness	156,744	165,422
Planning -Construct 4 Housing Units- 81 Garden Street		290,079
Planning -Construct 2 Rental Units- 128 No. Clinton Street		92,926
Planning -Financial Coach/Housing Navigator		95,000
Planning -Emergency Services to Families / Youth - River Haven	40,785	40,000
DCFS -Temporary Shelter/Case Mgt	240,000	240,000
DCFS -Crisis Intervention / Respite Care to Youth	255,500	266,175
DCFS -River Haven Runaway Homeless Youth	100,096	101,314
DCFS -River Haven Youth Enrichment Program	5,375	5,375
Mental Hygiene – Shelter Plus Care	<u>360,892</u>	<u>375,211</u>
Totals	\$1,541,276	\$2,060,579

Direct payments were made by DCFS for services provided to individuals who are DCFS eligible. Payment information provided by DCFS for 2012-2013 follows:

DCFS Vendors	2012	2013
Hudson River Housing - Noxon Street	\$12,528.33	\$3,562.50
Hudson River Housing - Home Base Shelter	12,231.59	21,779.67
Hudson River Housing, Inc.	5,201.10	5,783.30
Hudson River Housing - Plan G (Gannett House)	1,187,650.07	1,015,605.96
LaGrange House	190,724.58	158,175.60
After Hours Emergency Placement	6,153.00	456.00
Riverhaven/Hudson River Housing-Transitional Living	0.00	469.00
Hillcrest House Emergency Bed Program	650.00	0.00
Shelter Plus Care	13,292.00	11,659.07
Hillcrest House	112,114.61	99,625.13
Maximize- HRH – Bement Ave	5,882.00	8,700.36
Hudson River Housing - Coach (Innis Ave)	5,117.60	2,592.00
Hudson River Lodging - Plan D	16,920.00	10,781.00
Hudson River Housing, Inc.	<u>210.00</u>	<u>1,208.00</u>
Totals	\$1,568,674.88	\$1,340,397.59

Financial Report Filings

At the time of our review, HRH was in the process of completing their 2013 independent audit. A copy of HRH's 2012 independent audit was obtained. The agency had all federal and state tax reports on file.

Cash Handling and Banking

The general operating account is used for the deposit of funds and routinely funds are wire transferred to the respective program bank accounts. Samples of County payments were traced to the bank account, respective program accounts and ledgers with no discrepancies noted.

Observations: The bank accounts were reconciled and outstanding checks were current. Bank transfer procedures were enhanced since our last audit.

Employee W-2s and tax filings

HRH's reported salary paid in 2012 of \$3,353,350 and \$3,420,346 in 2013. Employee W-2s were reviewed for salaries claimed to Dutchess County contracts. Employee W2's, and the agency's Federal and State tax reports were also reviewed and no discrepancies were noted.

IRS Form 1099-Miscellaneous Income

Selected expenditures were reviewed for 1099 issuance.

Observation: In the sample, one vendor did not receive a 1099 for 2013. HRH identified the error and stated they would issue the 1099 to the vendor.

Rent Security Deposits

The DCFS and the DC Planning Department provide security deposits for eligible individuals. For the period 2012-2013 DCFS reported a total of \$8,010 paid for security of which \$1,032 was returned. The Planning Department reported a total of \$10,225 paid during the audited time period.

Observations and Findings: In regards to DCFS security deposits, we noted each agency (DCFS and HRH) did not properly identify all security deposits when they were coded for entry in their respective accounting systems. As a result we were provided with a list totaling \$5,075 by HRH and a list totaling \$8,010.28 from DCFS for the audited time period. Reconciliation by case should be conducted between the agencies to rectify discrepancies. A procedure should be established to review and reconcile security deposits periodically (we recommend quarterly).

The 2012 to 2013 security deposits paid by the Planning Department amounted to \$10,225.

Observations: As noted in the last audit security deposits paid by the Planning Department are not returned based on the following guideline from HUD which grants discretion to the county:

'HUD is giving grantees the discretion to determine how to handle security deposits. Assuming the landlord is not retaining the security deposit to pay for costs incurred by the tenant (e.g., damages); the grantee may recover the security deposit, in which case it must be treated as program income. Alternately, the grantee may allow the household to keep the deposit and use it towards their next unit'.

Since the last audit HUD has revised the program guidelines but not provided any new guidance on security deposits to grantees. The Planning Department submitted a question to HUD about security deposits on May 21, 2014. Planning is awaiting a response from HUD and the question remains open on HUD's electronic question system.

According to HRH, the 'Permanent Housing' program' runs at a deficit and all 'returned' security deposits have been placed in program income when the tenant moves. This is in compliance with HUD guidelines.

Dutchess County Homeownership Production Program

"HOME" Funds were provided by the Federal Government. Dutchess County Department of Planning over the past 15 years has entered into agreements with HRH's Neighborhood Housing Development Fund Company, Inc. Agreements provided funding to HRH to acquire, rehabilitate or construct single and two-family buildings and reduce the sale price of the property to income eligible households. The subsidies provided through the county may have been over a period of several years depending on the project's schedule of completion. Provisions included in the agreements included the following:

- Construct owner-occupied homes for sale as HOME assisted units to first time homebuyers. Household must be in compliance with HOME regulations.
- The units are subject to 15 year deed restriction if the property was rehabilitated and a 20 year deed restriction if the property was new construction.
- The County provided loans with HOME Investment Partnership Program (HOME) funds provided by the US Department of Housing and Urban Development (HUD).
- The units should be occupied by persons or families of low or very-low income.

The agreement and the restrictions are incorporated into a Note and Mortgage. As part of the Mortgage two family homes have "Rent Restrictions" which state "The Mortgagor warrants that the HOME Rental Unit will be occupied by families whose annual incomes do not exceed 60 percent of the median family income.....The mortgagor will make continuing good faith efforts to lease/rent the HOME Rental Unit. The county may... deem a failure to lease/rent the HOME Rental Unit for a period of 6 months or more as noncompliance constituting a default under the note and mortgage.

A review of the properties funded in the past 12 years with the findings regarding HRH's review follow the chart. The subsidy shown is the part of funding provided by the County HOME funds received from HUD.

Property-Poughkeepsie	Date of Acquisition	Subsidy Amount	Units	Tenants/last update	Compliance period years
59 Garden Street	2003	\$24,400.00	1	No/2008	15
61 Garden Street	2003	\$131,000.00	2	No/2012	15
63 Garden Street	2003	\$131,000.00	2	No/2012	15
65 Garden Street	2003	\$131,000.00	2	Tenant	15
67 Garden Street	2003	\$131,000.00	2	No/2009	15
69 Garden Street	2003	\$131,000.00	2	No/2003	15
16 Conklin Street	2007	\$35,693.75	1	N/A	20

18 Conklin Street	2006	\$6,319.00	1	N/A	20
20 Conklin Street	2007	\$54,864.75	1	N/A	20
22 Conklin Street	2006	\$18,923.00	1	N/A	20
24 Conklin Street	2007	\$38,266.75	1	N/A	20
26 Conklin Street	2007	\$53,473.75	1	N/A	20
49 N. Clinton Street	2012	\$150,247.00	2	Tenant	20
25 Dubois Street	Sale Pending	\$75,123.50	1	N/A	20
27 Dubois Street	Sale Pending	\$75,123.50	1	N/A	20
29 Dubois Street	2014	\$75,123.50	1	N/A	20
31 Dubois Street	2014	\$75,123.50	1	N/A	20
33 Dubois Street	Sale Pending	\$75,123.50	1	N/A	20

HRH coordinates the 'Homeowner Annual Certification' process for two-family homeownership units it has developed and sold:

Each homeowner that owns a **2-family** residence receives the following annually:

- 1) Grant Compliance Cover Letter
- 2) A Certification of Truth Form to be completed by homeowner and returned to HRH verifying owner occupancy and understanding of compliance requirements.
- 3) Rental Unit Status Form to be completed by homeowner and returned to HRH verifying current rental unit status, tenant information or vacancy date, whichever is appropriate.

Finding:

- Of the seven properties which had 5 units requiring low income tenants, 4 properties had vacant rental units and as such were not occupied by low income tenants.

Interim Response from the Agency:

The above findings were reviewed with HRH staff. Correspondence was received from HRH's Director of Real Estate Development which indicated that HRH was 'reevaluating our policies, procedures and practices and amending them to increase our response and occupancy rates with a goal to correct the situation by December 31, 2014. In addition, HRH stated escalation letters were sent June 26, 2014 to the five property owners who were not in compliance.'

Dutchess County Home Rental Housing Production Program

Dutchess County Department of Planning and Hudson River Housing, Inc. have entered into agreements over the past 14 years for the repair and rehabilitation of rental housing to be occupied by low or very-low income individuals. Once the compliance period is completed satisfactorily the deed restriction is lifted.

HOME funds were provided by Dutchess County from the Federal Government.

The subsidies provided through the county may have been over a period of several years depending on the project's schedule of completion.

Property	Date of completion	Subsidy Amount	Units	Compliance period (years)
River Haven Transitional	5/2003	\$400,000.00	5	15
Harlow Row	5/2003	\$360,000.00	8	15
291 Mill Street	2/2008	\$71,000.00	2	15
60 Catherine Street	10/2008	\$245,000.00	5	15
132-126 Cannon Street	2/2009	\$80,000.00	10	20
55 Garden Street	11/2012	\$361,206.00	5	15
9 & 13 N. White Street	4/2013	\$160,444.00	4	15

Observation: Rental compliance was sampled and reviewed and found to be in good order for the above.

Other Contract and Direct Payment Review

2013 payments were reviewed in respect to the following programs and funding from Dutchess County.

River Haven Program

\$266,175 DCFS Contract # 10-0100 1/1/13-12/31/13

This contract provided for crisis intervention and residential respite care to runaway and homeless youth. The County was responsible for the minimum cost of 4 guaranteed beds (vacant or filled) at \$175 per day to guarantee County youth have priority use of beds. This equates to a guarantee of \$700 per day. Starting November and December 2013 the county added a detention bed for a total of 5 reserved beds per day at \$875/day.

In 2013 a total of \$266,175 was claimed and paid: 1,735 bed days were claimed out of the 1,521 bed days guaranteed.

\$101,314 DCFS Contract 13-0282 1/1/13-12/31/13

River Haven Part I - \$48,407 state funding plus \$21,844 county match addresses immediate needs of DC runaway, homeless & at-risk youth.

River Haven Independent Living - \$31,063 is a program for runaway, homeless at-risk youth. Salary in addition to a rental charge was claimed and the contract was paid in full.

\$20,000 PL Contract 13-0407 - 3/1/13 – 2/28/14

This portion of the above contract reimbursed program costs for the River Haven Program. In addition to salary, occupancy costs were reimbursed. The total amount of the contract was paid.

\$5,375 DCFS- Youth Contract 13-0277 1/1/13-12/31/13

This contract provided funds for a youth enrichment program during the summer and some weekends. Programming is provided for youth residing at the 24-hour River Haven Shelter. The full amount of the contract was paid.

Supported Housing/Case Management

\$95,000 PL Contract 13-0236 4/1/13 – 3/31/14

This contract provided for two programs: families rapidly transitioning from emergency shelter to more stable housing; and affordable housing to at-risk homeless who need support through services and resources. From April 2013 to December 2013, HRH reported housing 125 families for a total claimed of \$68,619.47. The last quarter of the contract had not been claimed as of the writing of this report.

\$20,000 PL Contract 13-0407 3/1/13 – 2/28/14

This portion of the above contract provided for salary for the Gannett House/After Hours Emergency Placement Program Manager. The program provided emergency housing to clients and families that have become homeless outside DCFS operating hours. \$20,000 was claimed and paid for salary/fringe.

\$165,422 PL Contract #13-0495 4/1/13-3/31/14

The purpose of this contract was to provide 12 units of supported housing for homeless individuals and families diagnosed with Chemical Addiction. \$86,466 in subsidized rent was paid for 2013.

\$140,021 PL Contract #13-0496 4/1/13 – 3/31/14

The purpose of this contract was to provide 10 units of supported housing for homeless individuals and families diagnosed with severe and persistent mental illness. \$64,380 in subsidized rent was paid for 2013.

\$360,892 MH Contract #11-0156 1/1/12-12/31/12

A review of the Consolidated Fiscal Report (CFR), the required claiming document for NYS and Dutchess County, was conducted for 2012. Revenue and expenses for the funded programs were reviewed to the agency's fiscal documents presented. A total of \$360,892 was funded through the Department of Mental Hygiene's funding from New York State Office of Mental Health.

2012	Transportation	Supported Housing Combined	Transient Housing	Shelter Plus Care	Total
Revenue	\$-0-	\$89,077	\$121,500	\$121,706	\$332,283
Expense	\$28,153	\$421,816	\$121,500	\$121,706	\$693,175
Net Deficit	\$(28,153)	\$(332,739)	-0-	-0-	\$(360,892)

This program is reported under the umbrella of Hillcrest House which reported a profit of \$5,978 in 2012. At the time of our audit review, the agency's 2013 CFR was not finalized and submitted to DMH.

\$240,000 DCFS Contract 10-0154 1/1/13 – 12/31/13.

The purpose of this contract is to provide case management services to homeless individuals who are moving off of Family Assistance to retain housing. In addition, this contract funds temporary shelter to homeless individuals during inclement weather or during the hours the DCFS is closed. HRH was paid the emergency housing rates as shown in Addendum I with an additional \$60 administrative fee. Clients claimed under this contract were compared to the direct payments and no discrepancies were found. In 2013, \$200,000 was paid.

First Time Homebuyers

\$249,056 PL Contract 11-0300 7/1/11- 6/30/22

This contract funds eligible first time homebuyers with a deferred payment loan for the purpose of reducing the cost of acquisition of a home in Dutchess County. Funds were provided through HUD. The maximum assistance per household/purchaser is \$10,000. In 2013 a total of \$21,000 was claimed and paid: \$20,000 for two homeowner purchases and \$1,000 for HRH salary.

Construction

\$290,079 PL 13-0306 Date of Completion + 15 years

This contract provided funds for the construction of 4 studio apartments for homeless eligible women veterans at 81 Garden Street Poughkeepsie. The contractor obligation is to provide owner equity in the amount of \$32,000. A total of \$272,921 was paid on this contract. To date HRH reported 2 women veterans occupy the residence.

\$92,926 PL 13-0307 Date of Completion + 15 years

This contract provides funds towards the rehabilitation of a two unit building to be occupied by low income households located at 128 North Clinton Street, Poughkeepsie. As of the audit review, no claims had been submitted.

Agency Statistics

Hudson River Housing provided the follow unduplicated statistics of individuals served in 2012 and in 2013.

Program	Served in 2012	# Served in 2013
Gannett House	301	278
Hillcrest House	124	139
Webster House	646	697
LaGrange House	150	129
Shelter Plus Care (10 Beds)	16	19
Home Base I (14 Beds)	24	21
COACH (8 Beds)	9	13
Special use Beds (8 Beds)	8	6
River Haven	<u>114</u>	<u>89</u>
Totals	1,392	1,391

Addendum I

Rate Schedule for Gannett House

Emergency Housing

Gannett House	2012- 2013 Rates
\$143.00	One Person/One Room
\$160.00	Two People/One Room
\$176.00	Three People/One Room
\$193.00	Four People/One Room
\$210.00	Five People/One Room
\$351.00	Five People/Two Rooms
\$368.00	Six People/Two Rooms
\$385.00	Seven People/Two Rooms
\$402.00	Eight People/Two Rooms
\$420.00	Nine People/Two Rooms
\$436.00	Ten People/Two Rooms

Gannett House Program addresses the basic needs of homeless individuals and families. Meals, transportation, 24-hour security and other immediate assistance are provided to a family or individual.