

Dutchess County Department of Planning and Community Development

US Department of Housing and Urban Development (HUD) grants

2019-2020
2020-2021
2021-2022
2022-2023

2023-2024
2024-2025

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Background/Organization

One of the Department of Planning and Development's responsibilities is the administration of funding from the US Department of Housing and Urban Development. Monies received are 100% Federal dollars. The County is in a consortium with the City of Poughkeepsie for the receipt of HOME Investment Partnership Program. The County as part of a consortium of villages, towns and the city of Beacon representatives, recommends funding for local infrastructure, housing, public service and economic development projects. Recommendations for funding are made by the County Community Development Advisory Committee (the Committee) and Planning with final approval granted by the County Executive. Recipients of the municipal funding are Consortium Members.

Audit Scope, Objective, Methodology

An audit was conducted of the US Department of Housing and Urban Development (HUD) grants administered by the Dutchess County Department of Planning and Community Development. Funding allocations occur each year and are accepted via resolution. We reviewed selected financial records for the 2011- 2013 time period in relation to the 2011 action plan and activities.

Our review included collecting information from program requirements, policies, guidelines and interviews. Specific areas reviewed:

- Oversight and Monitoring
- Expenditure processes: bids, awards, contracts, amendments
- Revenues:
 - Administration
 - Home and CD loan repayments

Program descriptions are attached for Community Block Grants, HOME Investment Partnership and Section 108 as Addendum I.

Summary of Audit Findings

Findings were noted in the following areas:

- Duty segregation
- County bidding guidelines for Home projects
- Inconsistent guidelines
- Lack of oversight and monitoring for specific funding activities which resulted in unexpended project funds accumulated

While conducting our review, Planning implemented changes to enhance oversight and monitoring over selected operating processes deficiencies including duty segregation, operating guidelines and bidding processes.

Activities Reviewed

Project Bids

A review of bids consisted of the guidelines, bid packets, results/awards, contracts and contract amendments. Bid processes were conducted by the Planning Department for CD and Senior

Rehab HOME projects including preparing, soliciting, awarding and monitoring bids. Municipalities (the towns, villages and city) conduct their own bid processes for CD projects and the developers do their own procurement. The Planning Department oversaw Municipality bids as described in their guidelines.

Bids performed at the Planning Department

Senior Owner-Occupied Rehabilitation Program approved 2011 funding of \$52,930. In addition to the approved funding, the Planning Department uses funds received from senior loan repayments to fund projects and prior year allocations (when available). An account of repayments is maintained at the Planning Department and is used first to fund the projects.

The program provided funding to upgrade existing owner-occupied housing to low and moderate-income senior citizen households to complete rehabilitation on properties with code violations. The Committee recommends the total funding annually but does not approve/recommend individual senior projects. Projects were determined and overseen by employees of the Planning Department. These projects are loans to the senior citizen and are guaranteed by property liens.

Below is a list of Senior Rehab projects performed in 2011(including a 2008 project which was amended).

| Contract # | Lowest Bid | Highest bid | Accepted bid | Actual cost with Change order | Reason for Change order, where applicable |
|------------|------------|--------------|--------------|-------------------------------|---|
| 08-0615-A1 | \$4,092.53 | No other bid | \$4,092.53 | \$5,400 | Additional brick work |
| 11-0222 | 8,547.00 | 23,775.00 | 9,800.00 | 12,195 | Additional roof repair |
| 11-0244 | 8,184.00 | 18,498.50 | 16,760.00 | 18,080 | Fix Sheathing on roof |
| 11-0283 | 9,500.00 | 17,480.00 | 12,034.00 | 13,384 | Upgrade gutters |
| 11-0312 | 16,900.00 | 21,076.00 | 15,214.00 | 16,491 | Sink, faucet, drain, flange |
| 11-0341 | 9,625.00 | 16,457.30 | 15,775.00 | 16,200 | Replace shut off valve |
| 11-0507 | 12,125.00 | 23,550.00 | 12,125.00 | 12,125 | No Change Order |
| 11-0534 | 16,792.00 | 25,206.00 | 16,792.00 | 17,342 | Roof Plywood |
| 11-0535 | 13,400.00 | 21,492.00 | 13,400.00 | 13,400 | No change order |
| 11-0536 | 9,770.00 | 17,900.00 | 9,770.00 | 9,770 | No Change Order |
| Totals | | | \$125,762.53 | \$134,387 | |

Observation:

The original contract #08-0615 was for \$16,475. It contained two change orders in 2008 for additional material costs of \$1,325 and gutters for \$2,850 which increased the cost of the contract to \$20,650. In 2011, the above amendment was bid for the chimney repair resulting in another \$5,400.

Findings:

- The Planning Department's *Contractors' bidding package* contained a statement 'rejection of bids' which stated: "Bids that are more than 10% above and 20% below the county's estimate will be rejected". In 2011, 49 bids were received and 7 bids were quoted lower than the 20% of the county's estimate. These seven bids were not considered. According to the County's Procurement Policy "Quotations shall be awarded to the Lowest Responsible and Responsive Vendor whenever possible". The rejection of bid policy was in violation of the County's Procurement Policy. **As a result**

of the audit and discussions with Planning, the policy of rejection of bid has been deleted from the bid package.

- Change orders were prevalent on projects. Seven out of ten projects (shown above) had change orders.
- The person who prepared the estimate for each bid also was part of the bid award, project oversight and payment approval. Duties were not segregated.
- One job commenced prior to the contract being signed between the County and the Homeowner. The contract between the Homeowner and the Contractor was signed April 22, 2011; the Proceed Order was signed April 22, 2011 and the County/Owner Agreement was signed May 10, 2011.
- One individual was responsible for receiving, recording and monitoring loan payments resulting in a lack of checks and balances due to a lack of duty segregation.

Recommendations:

- Procurement procedures are followed for compliance.
- Change orders should be limited and possibly a more thorough estimate established.
- Job segregation and oversight should be reviewed and changes made to strengthen internal control.
- All contracts should be in place prior to the start of each project to protect the homeowner, the contractor and the county.
- Duty segregation should be instituted for the handling of funds.

Bids performed by Municipalities

According to the CDBG program 2011 Program Year Municipal Guidelines – *“Final funding determinations are recommended by the Community Development Advisory Committee to the Dutchess County Executive, the final authority for the allocation of program year funds.”*

Municipalities handle their own bids and forward bid results for engineering and construction projects, where applicable, to the Planning Department for compliance review. In addition, contracts between the municipalities and the contractor/engineer are also provided to Planning.

Nine municipalities were awarded funding according to the 2011 plan as follows:

| Municipality | Project | Original Allocation | Final Allocation | Contract payments as of 5/13 |
|-------------------------|--|---------------------|------------------|------------------------------|
| Town of Amenia | Willow Lane Storm Water & Road Improvement | \$150,000 | \$134,300 | \$12,602.41 |
| Town of Dover | Cart Road Improvements/Phase 2 | 94,800 | 94,800 | 82,286.63 |
| Town of Hyde Park | Pinewoods Park Water Line | 98,200 | 98,200 | 68,792.19 |
| Town of Pleasant Valley | Town Hall Handicapped Accessibility Improvements * Amended to Bower Park Handicapped playground | 100,000 | 100,000 | -0- |
| Town of Union Vale | Tymor Park Handicapped Improvements | 95,500 | 95,500 | 92,511.00 |
| Village of Fishkill | Village Hall Handicapped Accessibility Improvements | 100,000 | 0 | -0- |
| Village of Red Hook | Village Sidewalk Improvements | 142,500 | 126,799 | 120,904.00 |
| Village of Tivoli | Memorial Park Improvements | 100,000 | 100,000 | 64,313.21 |
| City of Beacon | Dutchess Terrace Drainage *Amended to Tioronda Bridge | 192,000 | 159,566 | -0- |

Observations related to funding:

- The June 24, 2011 Advisory Committee minutes indicated a 16% allocation cut for both CD and HOME programs.
- Municipalities accepted the lowest bidder.

Guideline: A written contract must be executed between the municipality and the contractor.

Finding:

- The Planning Department indicated they accept municipal resolutions in lieu of contracts. Two resolutions for the notice of award were received.

Recommendation:

- Contracts should be received for all projects awarded or the guideline should be amended to state that a resolution is acceptable.

Guideline: Submit the list of bids received for review and approval prior to the actual award. The CD division will verify contractor eligibility.

This was found in all project files reviewed. No discrepancies were noted.

Guideline: It is not permissible to amend the scope of an approved project.

Finding:

The above guideline was not adhered to as cited below:

- The Town of Pleasant Valley was awarded \$100,000 for the Town Hall Handicapped Accessibility Improvements. A letter was received to amend the scope due to flooding problems to the Town Hall which halted the project. According to a letter dated July 16, 2012 from the Planning Department, the CD committee members agreed to extend and amend the project to 2012 Bower Park Handicapped Access Improvement Project.
- In 2011, the Committee approved a Dutchess Terrace Drainage Project in the amount of \$159,566. However, funds were designated to the Tioronda Bridge Infrastructure Project towards the end of 2012 without evidence of a written request. In addition, approval by the Committee and Planning was not found in the Department's minutes.

Recommendation:

- The guideline should be re-written to reflect the practices of the Department.

Guideline: Funds allocated for municipal and sponsored projects must be expended within eighteen months from the contractual project completion date. Should a municipality wish to request an extension, this extension request must be submitted in writing upon receiving the notification of the project completion deadline. The staff, in cooperation with the Community Development Advisory Committee, will review the extension request and will make the final determination as to whether the extension is to be granted.

Findings:

Although this guideline applies to funds expended timely after contractual completion dates, it was noted approved funding was not expended timely but accumulated for projects extending 2-3 years later. Although HUD funds are still available, Committee awareness to the intentions of the towns/municipalities to accumulate these funds was not evidenced. Extension requests in writing were not imposed and Committee final determination to extend the grant was not evidenced.

- In 2005, CDBG funds were allocated to Millerton for the South Center Street Parking Lot Project. The project was completed in 2012. The property was County owned and was to be transferred to the Village of Millerton. The project began in 2009, was completed in 2012 and the conveyance of the property to the Village did not take place. The property is still owned by the County.

- The Town of Amenia was awarded \$134,300 for Willow Lane Storm water & Road Improvements. Issues arose between the homeowner and the contractor and the project was on hold. As of May 2013, the problem has not been resolved. The project was not completed in a timely manner.
- Section 108
 - Funds drawn down from a HUD Economic Development Initiative grant/Section 108 in 2007 was placed into a holding account for Beacon's Longdock Project in the amount of \$600,000. The Longdock Project did not proceed and the \$600,000 was returned September 2012.
- County project within the City of Beacon
 - Approved in 2010 in the amount of \$191,109 for the Tioronda Bridge Project and in 2011, funds in the amount of \$159,566 for Dutchess Terrace/Tioronda Bridge Project have been not been expended as of 5/13. The city did not submit an extension request to the Committee.
 - In 2012, \$172,722 was expended from the approved 2009 Paving Project allocation

HOME guidelines refer to a project commitment within 24 months

- City of Poughkeepsie
 - Federal Audit disallowances per a letter dated November 15, 2012 from the Office of Community Planning and Development, US Department of Housing and Urban Development, New York State Office stated *the Consortium failed to meet its 2009 HOME program commitment requirement due to untimely HOME funded projects in the City of Poughkeepsie. As a result \$518,917 in HOME funds was de-obligated and the 2011 approved allocation was revised for the repayment of the disallowance.* This affected the First Time Homebuyer and other non-city funding. The reconciliation to these accounts was completed in 2013. *There was no indication the Committee made any decisions regarding the amendment to the 2011 approved budget.*
 - January 31, 2013 A Termination Agreement was signed in the amount of \$1,504,279.42 as a result of HOME Projects/HOME Program Agreements that have not been undertaken and project funds that have not been expended as of January 1, 2011. The follow projects were terminated.

| Program Year | Agreements | Original Amounts | Unexpended amount |
|--------------|-------------------------------|------------------|-------------------|
| 2001-2010 | Administrative (All Projects) | \$198,386 | \$92,557.42 |
| 2001 | Artspace Rehabilitation | 250,000 | 250,000 |
| 2006 | Main Street Rehab | 219,435 | 219,435 |
| 2007 | City Owned Prop Rehab | 134,435 | 134,435 |
| 2008 | Main Street Rehab | 115,431 | 115,431 |
| 2008 | City Owned Prop Rehab | 100,000 | 100,000 |
| 2009 | Home Development Loan | 201,630 | 201,630 |
| 2010 | Home Development Loan | 290,791 | 290,791 |
| 2010 | First Time Homebuyer Program | 100,000 | 100,000 |
| Total | | \$1,610,108 | \$1,504,279.42 |

- Terminated funding was not approved by the committee and was used for the:
 - Federal disallowance of \$518,917
 - Home Investment program-Poughkeepsie Commons- \$450,000

| Rental Housing | Original Allocation 2011 | Approved Allocation | Final | Paid as of 5/2013 |
|--|--------------------------|---------------------|-----------|-------------------|
| Poughkeepsie Commons, City of Poughkeepsie | \$295,000 | | \$745,000 | \$670,560.00 |

- Other various city projects.

The Planning Department noted prior to 2012 the city designated their own projects. As of 2012, the Planning Department is requiring the city to apply using the application process designating funds to specific projects. The redistribution of funds was not approved by the Committee, but the Planning Department.

2011 proposed/approved Community Development Block Grant
Contract term March 1, 2011 – February 29, 2012

| Public Service Agency | Project | Original Allocation | Approved Final Allocation | Contract payments as of 5/2013 |
|---|--|---------------------|---------------------------|--------------------------------|
| Catholic Charities Community Services | Strengthening Families & Resolving Crises | \$14,000 | \$13,322 | \$13,322.00 |
| Child Abuse Prevention Center | Child Advocacy Center | 22,000 | 21,000 | 21,000.00 |
| Family Services, Inc | Teen Parent Program | 22,000 | 21,000 | 21,000.00 |
| Friends of Seniors of Dutchess County | Friends of Seniors of Dutchess County | 22,000 | 21,000 | 21,000.00 |
| Hudson River Housing Inc. Supportive Services | Supportive Services | 22,000 | 21,000 | 21,000.00 |
| Hudson River Housing, Inc. River Haven | River Haven | 22,000 | 21,000 | 20,922.41 |
| Literacy Connections of DC | Adult & Family Literacy | 22,000 | 21,000 | 21,000.00 |
| Martin Luther King Cultural Center | Comm. Partnership with School & Business | 20,000 | 21,000 | -0- |
| Mid-Hudson Addiction Recovery Centers | Residential Recovery & Intensive Case Management | 22,000 | 21,000 | 21,000.00 |
| North East Community Council | Youth Enrichment Program | 22,000 | 21,000 | 21,000.00 |

| Owner Occupied Housing | Original Allocation | Approved Final Allocation | Contract payments as of 5/2013 |
|------------------------------------|---------------------|---------------------------|--------------------------------|
| Neighborworks Homeownership Center | \$15,000 | \$15,000 | -0- |
| CDBG Administration | 320,000 | 224,257 | \$345,159* |

*Administrative costs exceeded the '2011' allocation. According to Planning, remaining funds from prior year allocations were used to make up the shortfall. Per Planning -Original allocation estimates are based on prior year expenditures prior to HUD's final allocations.

Observations:

- Neighborworks Homeownership Center - Funds were not expended in 2011. In 2012, these funds were awarded to Hudson River Housing. Participants receive a \$10,000 one time down payment and HRH receives a \$500 admin reimbursement for each.
- Martin Luther King Cultural Center - Funds were not expended due to the closure of the center.

2011 proposed/approved Home Investment Partnership Program

| | Term | Original allocation | Approved Final Allocation | Payments |
|---|----------------|---------------------|---------------------------|-------------|
| Owner Occupied Housing | | | | |
| Rebuilding Together | 3/1/11-Open | \$52,000 | \$52,000 | \$51,584.00 |
| Dutchess County First Time Homebuyer Program, Hudson River Housing ¹ | 7/1/11-6/30/22 | 143,560 | 143,560 | 206,489.99 |
| Development Set-Asides ² | | | | |
| DC Community Development Housing Authority (CHDO) | | 93,540 | 93,540 | See Finding |
| DC Development set-aside | | 83,063 | 83,063 | See Finding |
| City of Poughkeepsie CHDO set-aside | | 51,709 | 51,709 | See Finding |
| City of Poughkeepsie Development set-aside | | 293,016 | 293,016 | See Finding |
| Administration/CHDO Operating | | | | |
| Administration | | 111,925 | 111,925 | 117,992.34* |
| CHDO Operating Expense | | 39,000 | 39,000 | See Finding |

¹ Funded by \$100,000 in 2011 HOME, 2011 projected HOME program income: payments include 2009 & 2010 HUD funding

² Spring 2011 applications

*Administrative costs exceeded the '2011' allocation: However, according to Planning, remaining funds from prior year allocations were used to make up the shortfall.

Observations:

- Rebuilding Together- 15 projects were completed for 2011.
- First Time Homebuyers Program- payments consist of prior year funding in addition to program repayments.
- The City of Poughkeepsie has their own Community Development employee and only receives funding through the Planning Department. Bids, contracts, awards are not implemented by the Planning Department but staff periodically conduct a compliance audit of their projects. *Starting in 2012 all HOME projects are selected through Planning's application process.*

Finding:

- Set aside funding approved for 2011 was used for the City of Poughkeepsie's disallowance. The plan was amended without Committee approval.

Recommendation:

- Guidelines should be amended or followed.

Section 108

The Department of Planning has one loan under Section 108 through Contract #05-0430 with the Hose Company, LLC AKA Hudson Beach Glass. This contract funded a loan of \$300,000 for a 20 year period with monthly payments received by the County and forwarded annually to the Bank of New York (a collection center designated by HUD) for the repayment of the loan. A review of the 2011 and 2012 receipts from The Hose Company and the payments to the Bank of New York was performed. All receipts and payments are current.

Finding:

- Cash receipts collected were higher than the annual payment to the Bank of New York: However, the Planning Department only sent the scheduled payment to the BNY.

Recommendation:

- The Planning Department should forward total receipts collected for the Section 108 loan to the Bank of New York. *During the audit an additional payment of \$133.76 was included to the BNY for the credit to principal.*

Program Income / Repayments of loans

The Planning Department receives program income from the loans issued to senior citizens and business(es). There are two kinds of payments: a deferred loan and a term loan payment. A deferred loan results in the loan paid when the home is conveyed to another person through sale or death. Term loans require monthly repayments which result in program income to the County. Program income is re-used to fund new approved projects prior to drawing down current HOME and CDBG funding from federal grants. A review of the collection process, the cash handling of the funds and the account maintenance was performed.

| | Original Amount | Outstanding as of 12/31/12 |
|------------------------|-----------------|----------------------------|
| Senior Home Repayments | \$281,930.00 | \$196,075.06 |
| HOME Program Projects | 714,300.00 | 530,504.33 |
| Section 108 Loans | 300,000.00 | 204,000.00 |

Observations:

- A review of liens filed with the County Clerk's Office was performed and no discrepancies were noted.

- Payoffs for the period 2010 – 2012, 13 payoffs were completed. Three of these payoffs were City of Poughkeepsie loans
- Bad Debt - Two community development senior citizen accounts are no longer secured. One was a Mobile home with an uncollectable balance of \$2,741 and the other was a foreclosure with an uncollectable amount of \$19,950.
- Six senior citizens stopped paying on their loans for a total of \$50,582.41. These loans are secured with liens and will be recovered upon conveyance.

Findings:

- Section 108- This account had an accumulated balance of \$13,400 in the ledger account. Planning found this balance dated back to 2005 – 2008 where funds were collected and not properly transferred to appropriations for the use to other projects. As a result of the audit, these funds were going to be allocated to September 2013 projects. There was no oversight exercised in prior years to reconcile this finding.
- Monthly loan repayment checks are received at the Planning Department, recorded in individual excel accounts and then turned over to the Finance Department for deposit and credit to the Planning Department's revenue accounts. These repayment checks were not safeguarded/locked up within the Planning Department.
- Cash receipts and the maintenance of account ledgers were maintained by one individual resulting in a lack of oversight and duty segregation.

Recommendations:

- Balances should be reviewed annually and discrepancies resolved. Oversight should be exercised.
- All funds should be safeguarded.
- Duties should be properly segregated and oversight provided.

Addendum I - Funding Sources

Community Development Block Grant (CDBG) Program

This funding can be used by participating municipalities to address infrastructure, housing and handicapped accessibility improvements throughout Dutchess County. Approximately 15% is designated for Human Service Programs and approximately 3% is used for the Senior Citizen Owner-Occupied Property Rehabilitation Program. Municipalities must be a member of the consortium in order to receive funding. Every three years the consortium is reorganized and municipalities can join or continue to be a member.

HOME Investment Partnership Program

This funding is available for the creation and preservation of affordable housing to low and moderate income residents throughout Dutchess County. The HOME Program is a consortium between the County and City of Poughkeepsie. HOME funds are distributed by the County and City to private developers and housing programs through an application process.

Section 108

This funding is a loan guarantee provision of the CDBG program. Funding is for economic development activities including commercial rehabilitation, small business loans and infrastructure development. The loan benefits include lower interest rates, fixed interest rates, and longer terms.