

Quotes from the **Report to Those Charged with Governance December 31, 2016 (July 27, 2020)**

<https://cmvny.com/wp-content/uploads/2020/10/Final-2016-CMV-URA-Report-to-TCWG.pdf>

Addendum A “Material Weaknesses”

- The Agency was not “audit ready” ...resulting in significant delays in the issuance of the audit financial statements.

McDonough Question: *What does this mean? Does it mean that documentation required in CFR §570.506(a) was not kept? The agency was not ready to be audited because it did not document expenditures as they occurred? Did “getting ready” mean creating a paper trail for spending after the fact, possibly years after the fact?*

- Maintenance of Financial Records

Title 24 of the United States Department of Housing Urban Development (“HUD”) of the Code of Federal Regulations (“CFR”) §570.506(a) specifies that the grantee must keep records...During our audit inquiries were made with several Agency employee (both current and prior) and corroborated that the approvals over invoices and other supporting documentation was taking place.....However, due to the significant amount of turnover, change in leadership and delay in the audit spanning over several years, we noted that the documentation supporting the drawdown amounts for certain expenditures were misplaced.

McDonough Question: *During audit testing (i.e., when the auditors tie expenses to revenues via documentation, aka a “paper trail”) what percentage of documentation was “misplaced” and how much money did it represent?*

- Earmarking for Administrative Costs- CDBG

During our audit, we noted that there was no documentation that identified what percentage of funds were spent on administration costs. As such, we could not confirm that the Agency did not exceed the 20% maximum threshold.

McDonough Question: *If there was no way to determine what percentage of funds were spend on administrative costs, how can you determine what percentage of funds were spend on non-administrative costs?*

- Earmarking for Providing Public Services- CDBG

During our audit, we noted that there was no documentation that identified what percentage of funds were spent on providing public services. As such, we could not confirm that the Agency did not exceed the 26.6% maximum threshold.

- Interfund Advances Between the City and the Agency

At December 31, 2016, the Agency reported \$1,400,811 as advances from the City... if repayment is not expected within a reasonable time, the interfund advances should be

reduced and the amount that is not expected to be repaid should be reported as a transfer from the General Fund that made the advance to the Agency.

It would appear based on the above that the Agency does not have the resources to repay the City. Therefore, based on the above guidelines we recommend that the City leadership, inclusive of the City Council, begin the discussions to determine the outcome and resolution of these advances.

McDonough Question: Does this mean that the URA overspent (and we don't know how the money was spent) and the City bailed them out?

- Fund Deficit (Prior Year Comment- Originated in 2012)

The financial statements of the Agency reflect an unassigned deficit at December 31, 2016 of \$880,587 as compared to an unassigned deficit of \$1,822,947 at December 31, 2015. Accordingly, the financial position improved by approximately \$940,000 in the current year. This was primarily attributable to the write-off of certain accounts payable balances that dated back several years.

McDonough Question: I would like to know a) what entity(s) or individual(s) were owed \$940,000 from the URA, and b) if they were indeed owed this money, why they would simply let the URA write it off?

McDonough Question: As of 12/31/2016 the URA had a deficit of \$880k. Has the deficit grown since then?

- Board Minutes:
Based on the Agency's bylaws, the Agency shall hold regular meetings on the first Tuesday after the second Wednesday of the month. Out of the total possible 53 meetings within the timeframe reviewed, 25 meetings, or 47%, were cancelled.

McDonough Note:

Below is a list of individuals who regularly attended URA Board Meetings in 2016. The agency was aware they had compliance issues at the time. In fact, in the September 20, 2016 meeting minutes it states that Richard Thomas and Shawyn Patterson Howard attended to meet with HUD officials in Washington, and that "Executive Director Patterson-Howard was praised for the enthusiasm and energy her staff have brought to the Agency to get the Agency's compliance issues addressed."

Richard Thomas (Chairman)
Lawrence Porcari (Vice Chairman)
Darren Morton (Treasurer)
Maureen Walker (Member)
Marcus Griffith (Member)
Brian Johnson (Secretary)

Shawyn Patterson-Howard (Executive Director) beginning in June 2016

The URA hired TDA Consulting to assess the agency's administration of the CDBG and HOME grants. The 10 page report is signed but not dated, however the assessment appears to take into account information through 2018. Like the audit, it was only recently released to the public.

Here are quotes from that report:

- **Management & Staffing:**
There has been a significant amount of turn over including at least 6 different Commissioners and/or Deputies since 2011. This constant turnover, in an organization with minimal staffing on the HUD program side, led to serious compliance issues, including in 2018 not having had a complete and acceptable annual report submitted to HUD since 2011.

McDonough Note: In 2016, if not before, City leaders were aware that there were serious issues with the operation of the URA. Yet, in 2018, it appears the same issues persisted.

- **Program Administration**
The program is currently administered by the Deputy Director, with the assistance...from the part-time employee and two finance-related team members. This level of staffing is not in line with a strong oversight and program support model, and the limitations have had negative results for the URA in the recent past. The timeliness issues around commitments and expenditures, late and missing reports, lack of financial reconciliation and lack of monitoring are reflective of both knowledge gaps in prior staffing but also the realities of limited staffing.
- **Financial and Grants Management**
Given the lack of consistent leadership, it is not surprising that many basic requirements of financial and grants management were not carried out....HUD recently notified the City that it is not in compliance with timely expenditure requirements of the CDBG program. The City has drawn down CDBG grant resources so slowly it has accumulated a balance of unspent grant funding in excess of the 1.5 times its current grant amount.

McDonough Question: How do we reconcile this "slow draw down" issue with a) the \$880k deficit as of 12/31/2016, b) the \$1.4m in advances made from the City general fund to the URA, and c) the \$940k in payables that appear to be forgiven by some vendor(s)?

- **Ongoing Loan Portfolio Management**
During the assessment, TDA reviewed with staff and counsel a list of "uncollectable" loans amounting to more than \$5.5M. In meeting with the staff responsible for managing the portfolio, it was learned that nearly all borrowers stopped making payments in 2013, and that as of the assessment only one borrower was currently making payments. The Executive Director and Deputy Director were having difficulty establishing the status of the loans, as many files were missing, had little paperwork or did not show any record of payments. This

presents a very serious deficiency that raises the specter of not only non-compliance and repayment of mis-appropriated grant funds, but also significant financial liabilities for the City (potential payback with City funds.)

Further complicating the collection is that the written agreements and loan documents, when available, were not written in a way to make recourse easily available to the City, even if they wanted to take the politically difficult path of pursuing individual homeowners.

The City had made the decision to pursue the two largest borrowers, which on their own accounted for a little more than \$4M of the \$5.5 outstanding.

McDonough Question Who are these large borrowers?

McDonough Note:

Recall that the report from TDA Consulting came in 2018, 2 years after Richard Thomas and Shawyn Patterson-Howard went to Washington to meet with HUD. Below is a list of individuals who regularly attended URA Board Meetings in 2017. The minutes from the August 16, 2017 meeting are particularly relevant.

Richard Thomas (Chairman)
Lawrence Porcari (Vice Chairman)
Darren Morton (Treasurer)
Maureen Walker (Member)
Roberta Apuzzo (Member)
Brian Johnson (Secretary)

McDonough Note:

There are no URA Board Meeting Minutes posted for 2018. From 2019 forward detailed information about who is in attendance at meetings is no longer written into the record.