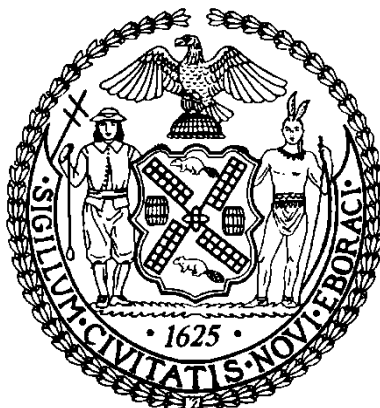


**CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

**FINANCIAL AUDIT**

**Tina Kim  
Deputy Comptroller for Audit**

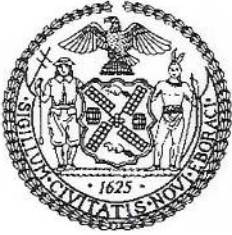


**Audit Report on the  
Department of Housing Preservation and  
Development's Administration of Its Relocation  
Shelter Account**

*FM11-081A*

**November 21, 2011**

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

John C. Liu  
COMPTROLLER

November 21, 2011

**To the Residents of the City of New York:**

My office has audited the Housing Preservation Development's (HPD) administration of its Relocation Shelter account to determine whether HPD administered the account in accordance with applicable rules and regulations. We audit entities such as HPD as a means of ensuring that they comply with established policies and procedures.

In 1987, HPD received permission from the New York City Department of Finance (DOF) to establish the Relocation Shelter account in order to pay capital expenditures associated with certain government-funded shelters. The audit found that HPD does not properly administer its Relocation Shelter account in accordance with City regulations. As of October 2010, HPD maintained over \$9.8 million in Relocation Shelter funds that have accumulated and have essentially remained unused since 2007. Approximately \$8.9 million of these funds originated from five contracts that have expired. At least \$3.1 million of the \$8.9 million from one of the contracts should not have been directed to this account. Furthermore, HPD accumulated nearly \$5.7 million of the \$8.9 million through a clause in four of the five contracts that allowed HPD to indefinitely retain reserve funds. This clause is particularly questionable because agencies are usually not permitted to keep funds leftover from expired contracts. The remaining \$933,654 has not been used since 2005.

Regardless of whether HPD should have retained the \$9.8 million in funds, the funds are unused, the amounts are excessive, and they should be promptly appropriated in the City's Fiscal Year 2012 budget. In addition, HPD is using this account for purposes other than those for which it received permission. HPD received permission to use the account to pay capital expenditures, but now uses the account to pay vacate order reimbursements and other shelter expenses.

The audit recommends that HPD transfer and appropriate the \$9.8 million, less any funds claimed by another funding source, from the Relocation Shelter account to the general fund and adjust the Relocation Shelter account ledgers to reflect the disbursement. In addition, HPD should decide if the Relocation Shelter account should remain open and, if so, submit a revised City bank account request form to DOF that establishes the new business purpose for the account.

The results of the audit have been discussed with HPD officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov) or call my office at 212-669-3747.

Sincerely,

A handwritten signature in black ink, appearing to read "JCL".

John C. Liu

# Table of Contents

<b>AUDIT REPORT IN BRIEF</b> .....	1
Audit Findings and Conclusions .....	1
Audit Recommendations .....	2
Agency Response .....	2
<b>INTRODUCTION</b> .....	3
Background .....	3
Objective .....	3
Scope and Methodology Statement .....	3
Discussion of Audit Results .....	4
<b>FINDINGS AND RECOMMENDATIONS</b> .....	5
\$9.8 Million in Unused Funds Questionably Retained .....	5
Change in Business Purpose for Relocation Shelter Account .....	7
Recommendations .....	8
<b>DETAILED SCOPE AND METHODOLOGY</b> .....	10
<b>ADDENDUM</b> HPD Response	

*The City of New York*  
*Office of the Comptroller*  
*Financial Audit*

**Audit Report on the Department of  
Housing Preservation and Development's  
Administration of Its Relocation Shelter Account**

**FM11-081A**

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**AUDIT REPORT IN BRIEF**

HPD operates its own shelter system to assist people who are vacated from their homes as a result of emergencies such as fires. Families are placed in one of three government-funded shelters (Ruth Fernandez Family Residence, Convent House Shelter, and H.E.L.P. USA), while single adults are placed in government-funded hotels.<sup>1</sup> HPD also contracts with American Red Cross (ARC) for temporary relocation services. In 1987, HPD received permission from the New York City Department of Finance (DOF) to establish the Relocation Shelter account in order to pay capital expenditures associated with the shelters.

As of October 2010, HPD maintained \$9.8 million in the Relocation Shelter account. According to HPD records, the balance of the account is composed of seven subledgers. Five of the subledgers include funds derived from agreements with the contractors hired to provide shelter and hotel services. In addition, HPD has a "Hotels" subledger, which has not been used since 2005, and a "Vacate" subledger designated to provide moving expense reimbursements to individuals ordered to vacate their homes. During the period of July 2009 through October 2010, the only subledger with more than one recorded disbursement was Vacate.

**Audit Findings and Conclusions**

HPD does not properly administer its Relocation Shelter account in accordance with City regulations. As of October 2010, HPD maintained over \$9.8 million in Relocation Shelter funds that have accumulated and have essentially remained unused since 2007. Approximately \$8.9 million of these funds originated from five contracts that have expired. At least \$3.1 million of the \$8.9 million from one of the contracts should not have been directed to this account. Furthermore, HPD accumulated nearly \$5.7 million of the \$8.9 million through a clause in four of the five contracts that allowed HPD to indefinitely retain reserve funds. This clause is particularly questionable because agencies are usually not permitted to keep funds leftover from expired contracts. The remaining \$933,654 has not been used since 2005. Regardless of whether

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<sup>1</sup> HPD had an agreement with another shelter, Harriet Tubman Family Living, which expired in June 2009. This agreement was not renewed.

HPD should have retained the \$9.8 million in funds, the funds are unused, the amounts are excessive, and they should be promptly appropriated to the City's FY 2012 budget.

In addition, HPD is using this account for purposes other than those for which it received permission. HPD received permission to use the account to pay capital expenditures, but now uses the account to pay vacate order reimbursements and other shelter expenses.

### **Audit Recommendations**

HPD should:

- Transfer and appropriate the \$9.8 million, less any funds claimed by another funding source, from the Relocation Shelter account to the general fund and adjust the Relocation Shelter account ledgers to reflect the disbursement, and
- Decide if the Relocation Shelter account should remain open and, if so, submit a revised City bank account request form to DOF that establishes the new business purpose for the account.

### **Agency Response**

In its response, HPD disagreed with the audit's conclusion that the Relocation Account is essentially unused. HPD stated that it worked with the Office of Management and Budget to use the funds to support the original programmatic intent – emergency shelter for households vacated from their homes. HPD further stated that it agreed to work with DOF to modify the business purpose of the Relocation Shelter account.

We acknowledge the HPD officials' response but continue to affirm our recommendations. This account was established so HPD could pay for capital expenditures at the shelters and not as a private reserve to fund HPD's shelter operations at a later date. As of October 2010, the \$9.8 million sat largely unused since 2007 as well as after the contracts expired in 2009. HPD claims that the current use of these funds as Other Categorical grants was approved by the City Council. However, the extent of the Council's knowledge of the source, contents, and/or existence of the Shelter Relocation account is unclear. Accordingly, we reiterate that HPD should immediately return all funds to the City's general fund in one Fiscal Year, and seek program funding through conventional means.

## **INTRODUCTION**

### **Background**

The Department of Housing Preservation and Development (HPD) is the largest municipal developer of affordable housing in the nation. Since 1987, HPD has provided over \$8.7 billion to support the repair, rehabilitation, and new construction of housing units. HPD also protects the existing housing stock and expands housing options for New Yorkers, improving the availability, affordability, and quality of housing in New York City.

HPD operates its own shelter system to assist people who are vacated from their homes as a result of emergencies such as fires. Families are placed in one of three government-funded shelters (Ruth Fernandez Family Residence, Convent House Shelter, and H.E.L.P. USA), while single adults are placed in government-funded hotels. HPD also contracts with American Red Cross (ARC) for temporary relocation services. In 1987, HPD received permission from the New York City Department of Finance (DOF) to establish an account in order to “pay capital expenditures for which shelter has vouchered to cover deficits in Shelter Projects operation.” Funds were placed in what is referred to as a Pool and Satellite or zero balance account. Essentially, the bank account operates with a zero dollar balance, while the funds remain in the City’s treasury, restricted for the purpose HPD stated when it requested permission to open the bank account. When funds are needed, checks are processed and automatic dollar transfers are made to cover the expense. Separate ledgers are maintained detailing balances allocated for the account.

As of October 2010, HPD maintained \$9.8 million in the Relocation Shelter account. According to HPD records, the balance of the account is composed of seven subledgers. Five of the subledgers include funds derived from agreements with the contractors hired to provide shelter and hotel services (including Harriet Tubman Family Living). In addition, HPD has a “Hotels” subledger, which has not been used since 2005 and a “Vacate” subledger designated to provide moving expense reimbursements to individuals ordered to vacate their homes. During the period of July 2009 through October 2010, the only subledger with more than one recorded disbursement was Vacate.

### **Objective**

To determine whether HPD administered its Relocation Shelter account in accordance with applicable rules and regulations.

### **Scope and Methodology Statement**

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was

conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope of this audit was July 1, 2009, through October 31, 2010. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

### **Discussion of Audit Results**

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD officials and discussed at an exit conference on October 14, 2011. On October 20, 2011, we submitted a draft report to HPD officials with a request for comments. We received a written response from HPD officials on November 3, 2011.

HPD officials disagreed with the first finding and recommendation. HPD stated that “The conclusion that the Relocation Account is ‘essentially unused’ is incorrect.” Furthermore, HPD officials stated, “the contract language that the auditors deem ‘questionable’ was approved by the Comptroller’s office at the time.”

HPD officials did not address the second finding, but did agree with the recommendation. Specifically, HPD stated, “HPD will work with Department of Finance (DOF) Treasury Division to modify the business purpose of this account to include language such as ‘to be used for Relocation Expenses as HPD deems necessary with respect to the temporary housing for relocates.’”

We acknowledge the HPD officials’ response but continue to affirm our recommendations. As previously explained, this account was established so HPD could pay for capital expenditures at the shelters and not as a private reserve to fund HPD’s shelter operations at a later date. As of October 2010, the \$9.8 million sat largely unused since 2007 as well as after the contracts expired in 2009. HPD claims that the current use of these funds as Other Categorical grants was approved by the City Council. However, the extent of the Council’s knowledge of the source, contents, and/or existence of the Shelter Relocation account is unclear. Further, as HPD is aware, the fact that a contract is registered by the Comptroller does not imply agreement with each and every contract term nor does it provide an agency with authority that may be contrary to law, regulation or policy. Accordingly, we reiterate that HPD should immediately return all funds to the City’s general fund in one Fiscal Year, and seek program funding through conventional means. Regarding the second finding, if HPD’s sole purpose of modifying the account is to comply with procedures while it uses the aforementioned funds, then the account should be closed immediately.

HPD’s full response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

HPD does not properly administer its Relocation Shelter account in accordance with City regulations. As of October 2010, HPD maintained over \$9.8 million in Relocation Shelter funds that have accumulated and have remained essentially unused since 2007.<sup>2</sup> Approximately \$8.9 million of these funds originated from five contracts that have expired. At least \$3.1 million of the \$8.9 million from one of the contracts should not have been directed to this account. Furthermore, HPD accumulated nearly \$5.7 million of the \$8.9 million through a clause in four of the five contracts that allowed HPD to indefinitely retain reserve funds. This clause is particularly questionable because agencies are usually not permitted to keep funds leftover from expired contracts. The remaining \$933,654 has not been used since 2005. Regardless of whether HPD should have retained the \$9.8 million in funds, the funds are unused, the amounts are excessive, and they should be promptly appropriated to the City's FY 2012 budget.

In addition, HPD is using this account for purposes other than those for which it received permission. HPD received permission to use the account to pay capital expenditures, but now uses the account to pay vacate order reimbursements and other shelter expenses.

### **\$9.8 Million in Unused Funds** **Questionably Retained**

HPD has accumulated more than \$9.8 million in Relocation Shelter funds that have been scarcely used since 2007. Excess funds that are not used affect the City's cash flow. HPD has allowed unexpended funds to accumulate without returning the funds to their original funding source. Consequently, HPD has built up a huge reserve of funds, which, as things stand, may not be subjected to the City's budget process—which includes the review, consideration, and approval of the City Council. Furthermore, the method HPD used to retain most of this cash is questionable. HPD obtained the majority of these funds through contracts with five non-profits, which were paid by HPD to provide shelter and disaster relief services. These contracts all expired in 2009. For one of the contracts, there was no explanation as to why HPD would transfer \$3.1 million from this contract into the Relocation Shelter account. The remaining four contracts included terms that allowed the establishment of a reserve. However, this appears questionable, particularly after the contracts expired. See Table I for a breakdown of the balance and the contracts.

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<sup>2</sup> One transaction was made from the contract funds in 2009. This transaction is discussed later in the report.



**Table I**  
**Balance of Unused Funds**  
**by Contract**

Contracts	Contract Authorization Amount (including renewals)	Contract End Date (including Renewal periods)	Balance as of October 31, 2010
American Red Cross	\$15,600,000	11/30/2009	\$3,156,829
Ruth Fernandez	13,759,008	06/30/2009	2,229,939
Harriet Tubman	17,860,189	06/30/2009	1,653,900
Convent	16,002,296	06/30/2009	1,233,401
HELP USA	<u>29,153,864</u>	06/30/2009	<u>639,371</u>
<b>TOTAL</b>	<b>\$92,375,357</b>		<b>\$8,913,440*</b>

\* According to HPD officials, the remaining balance of \$933,654 was allocated to the “Hotels” subledger—bringing the total to \$9,847,094. The \$933,654 was the carry-over balance in the sub-ledger.

The aforementioned \$3.1 million came from the City’s contract with American Red Cross (ARC). ARC was contracted to provide disaster relief services and temporary housing in hotels. As with most other contractors, the City processed payments to ARC through its Financial Management System (FMS). However, HPD also processed several payments against this contract from FMS and transferred the funds into its Relocation Shelter account. One payment made in July 2005 was in excess of \$2.3 million. The total \$3.1 million in funds attributed to ARC has remained in the Relocation Shelter account since the contract terminated in 2009. Based on HPD’s contract with ARC, we could not determine what would necessitate such a practice other than transferring funds from a budget line to establish a reserve for itself outside of the normal budget process.

The remaining \$5.7 (of the \$8.9) million balance in the account was derived from HPD’s contracts with the four shelters. Each contract contained a reserve clause stating that HPD could retain a portion of the total contract. According to the contracts, these funds were to be used for capital expenses at the shelters and emergency expenses, whether or not they related to the shelter. Upon the expiration of the contracts between HPD and the shelters, the contracts state that HPD may apply any remaining reserve funds for the payment of debt service on the premises, retain the funds for capital expenses, or treat the funds as City funds. It is questionable whether an agency should arbitrarily establish a line of funding in this manner, be allowed to indefinitely retain funds after the expiration of a contract, and also be permitted to exercise this degree of latitude and discretion over funds. These contracts expired in 2009, and the new placement contracts do not contain a reserve clause.

According to HPD officials, HPD plans on assuming these funds as “Other Categorical” grants in the City budget and Financial Plan at a rate of \$1 million a year over eight years. We do not question the importance of the program, but we do question the method in which HPD accumulated and plans on spending the \$9.8 million. Excess or reserve funds from contracts that

have expired should not be collected and retained in accounts to be used by an agency at a later date. Once contracts expire, funds should be returned to their originating source and re-appropriated in order to reflect the policy decisions and priorities of all parties involved in the City budgetary process.

### **Change in Business Purpose for Relocation Shelter Account**

HPD has been using the Relocation Shelter account for purposes other than those for which it had indicated when it received DOF's approval for opening the account. According to the "New Bank Account Worksheet," HPD's intent for opening the account was "to pay capital expenditures for which the shelter has vouchered to cover deficits in the Shelter Project operations."<sup>3</sup> However, HPD has been using the account to pay reimbursement allowances (moving expenses) of individuals who were subject to vacate orders. In addition, HPD used \$500,000 from the relocation account to fund the day-to-day operating expenses for the shelters. HPD's contracts with the shelters define capital expenditures as "expenses for the replacement of furniture, household equipment, heating plants, refrigerators, ranges and other capital equipment and/or major repair or renovation or for extraordinary operational or personnel expenses." Expenses paid with the \$500,000 include utilities, property taxes, insurance, bedding supplies, and phone services. None of these expenditures appears to be for a capital purpose.

According to DOF's Bank Account Policy and Procedures, some of the reasons to close a bank account include a change in business purpose or inactivity. Since 2007, the only disbursements made from this account are the vacate payments and the one-time transfer of \$500,000 to fund the shelter expenses, both of which clearly constitute a change in business purpose. Without those transactions, there was no activity in the account. There is now a lack of transparency because the account is being used for purposes other than those authorized by DOF. It may have been easier to use an existing account, but HPD should have modified the account's purpose or submitted to DOF a new City Bank Account Request Form for approval by Treasury and registration by the Comptroller's office.

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<sup>3</sup> The "New Bank Account Worksheet" renamed "City Bank Account Request Form" is a form required by DOF prior to opening a new bank account. The form requires that agencies provide the purpose of the account, contact names, bank information, signatories, etc.

## Recommendations

HPD should:

1. Transfer and appropriate the \$9.8 million, less any funds claimed by another funding source, from the Relocation Shelter account to the general fund in FY 2012 and adjust the Relocation Shelter account ledgers to reflect the disbursement.

**HPD Response:** “The conclusion that the Relocation Account is ‘essentially unused’ is incorrect. Furthermore, the contract language that the auditors deem ‘questionable’ was approved by the Comptroller’s office at the time.

“In strict accordance with the language in the shelter contracts, surplus funds were deposited in the Relocation Account. While those contracts were in place, HPD had to maintain the reserve account. As soon as the contracts expired, HPD worked with the Office of Management and Budget to use the funds to support the original programmatic intent – emergency shelter for households vacated from their homes. Since contract expiration, HPD has withdrawn \$1.5M from the account for this purpose, and will continue to do so over time.

“The auditors state that ‘once contracts expire, funds should be returned to their originating source and re-appropriated in order to reflect the policy decisions and priorities of all parties involved in the City budgetary process.’ This in fact is an accurate description of how the Relocation Account has been handled. The baselined ‘other categorical’ budget authority in HPD’s budget is the Relocation Account funding – it has been fully programmed in HPD’s budget. This was done in consultation with OMB, through a budget document that was approved by the City Council.”

**Auditor Comment:** As previously explained, this account was established so HPD could pay for capital expenditures at the shelters and not as a private reserve to fund HPD’s shelter operations at a later date. As of October 2010, the \$9.8 million sat largely unused since 2007 as well as after the contracts expired in 2009. HPD claims that the current use of these funds as Other Categorical grants has been annually approved by the City Council for one million dollars. However, the extent of the Council’s knowledge of the source, contents, and/or existence of the Shelter Relocation account is unclear.

For instance, a full disclosure of the source of the funds would have revealed that HPD had no rightful claim or could not provide an adequate explanation to at least \$3.1 million of the \$9.8 million balance. Specifically, HPD used the Relocation Account to siphon money from its American Red Cross contract for no apparent reason other than to stockpile funds. We do not believe the Council would approve the subsequent use of funds derived through such actions.

Furthermore, as it pertains to the other four contracts with the shelters, HPD states that the contract language regarding the reserve clauses was approved by the Comptroller’s

Office. As HPD is well aware, the fact that a contract is registered by the Comptroller does not imply agreement with each and every contract term nor does it provide an agency with authority that may be contrary to law, regulation or policy. Accordingly, we reiterate that HPD should immediately return all funds to the City's general fund in one Fiscal Year, and seek program funding through conventional means.

2. Decide if the Relocation Shelter account should remain open and, if so, submit a revised City bank account request form to DOF that establishes the new business purpose for the account.

***HPD Response:*** “The Relocation Shelter Pool and Satellite account will remain open to support Relocation Expenses. HPD will work with Department of Finance (DOF) Treasury Division to modify the business purpose of this account to include language such as ‘to be used for Relocation Expenses as HPD deems necessary with respect to the temporary housing for relocates’.”

***Auditor Comment:*** The recommendation applies to the future use of the account and does not sanction the use of the funds currently composing the balance. HPD is attempting to correct its error by modifying the purpose of the account so that no one will question the use or accumulation of these funds. If HPD's sole purpose of modifying the account is to comply with procedures while it uses the aforementioned funds, then the account should be closed immediately.

## **DETAILED SCOPE AND METHODOLOGY**

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope period of this audit was July 1, 2009, through October 31, 2010. To achieve our objectives, we reviewed Comptroller's Directive #1, "Principles of Internal Control," Comptroller's Directive #11, "Cash Accountability and Controls," Comptroller's Directive #27, "Fiduciary Accounts: Procedures for Requesting, Controlling and Monitoring," and Comptroller's Office Memorandum 92-12: "Use of Personal Bank Accounts for City Business."

To gain an understanding of HPD's Relocation Shelter account, we reviewed HPD's operating bank account procedures, Description of Operating Bank Accounts, and Relocation Shelter New Bank Account Worksheet application. To gain an understanding of the controls that are in place, we conducted a walk-through of the Accounts Payable Department. We interviewed HPD directors and officials from the Fiscal and Budget Department. We documented the interviews through written narrative. We also created a spreadsheet that identifies each employee and his/her responsibility over the account. This spreadsheet was analyzed to determine whether HPD properly segregated duties that mutually pose potential risk of error or fraud.

To conduct our testing, we judgmentally sampled the month with the largest total disbursement (\$502,340-September 2009). To identify the month with the largest total disbursement, we used HPD's monthly bank reconciliations and compiled a spreadsheet indicating all disbursements. To determine whether the information about the bank reconciliations was accurate and reliable, we randomly selected one month (May 2010) and obtained the bank statement. We compared the disbursements and deposits presented on the randomly sampled bank statement to HPD's bank reconciliation. Due to the nature of a Pool and Satellite account, the bank statements reported a zero balance. Therefore, we also utilized the DOF's Pool and Satellite Cash Management report to verify the balances reported on the reconciliation report. Based on our data reliability testing, we believe we have obtained reasonable assurance that the data provided by HPD is complete and accurate.

To determine whether HPD's controls over the Relocation Shelter account were operating effectively, we initially reviewed HPD's list of authorized signatories and compared the signatures to those on the checks for the month of September 2009. We also determined whether the bank reconciliation was signed and dated by a preparer and supervisor. To determine whether disbursements were made in accordance with the original purpose of the account, we reviewed each transaction (seven) supporting the \$502,340 (89 percent of all disbursements

during the audit period) disbursed during the sample period. We also reviewed the supporting documentation to determine whether the disbursements were adequately supported.

To determine the compositions of the \$9.8 million balance in the account, we interviewed HPD's directors and officials from the Fiscal and Budget Department. We obtained and reviewed seven Relocation Shelter subledger accounts and their balances as of October 31, 2010. In addition, we reviewed five contract agreements associated with the five subledgers dating back to 2005.

The results of the above tests, while not statistically projected to their respective populations, provide a reasonable basis for us to assess HPD's administration of the Relocation Shelter account in accordance with applicable rules and regulations.



Department of  
Housing Preservation  
& Development  
nyc.gov/hpd

MATHEW M. WAMBUA  
Commissioner

Office of the Commissioner  
100 Gold Street  
New York, N.Y. 10038

November 3, 2011

Tina Kim  
Deputy Comptroller for Audits  
Office of the New York City Comptroller  
1 Centre Street- Room 1100N  
New York, New York 10007-2341

**Re: Audit on HPD's Administration of its Relocation Bank Account**  
**Audit Number: FM11-081A**

Dear Ms. Kim:

The following represents the Department of Housing Preservation and Development's response to the findings and recommendations made in your audit on the Housing Preservation and Development's Administration of its Relocation Bank Account. Thank you for your consideration during the fieldwork and at the Exit Conference.

If you have any additional questions, please call Assistant Commissioner Josh Cucchiaro at (212) 863-6610.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "MW".

Mathew M. Wambua

c: Elizabeth Weinstein, Director, Mayors Office of Operations  
Douglas Apple  
Joshua Cucchiaro



AUDIT RESPONSE  
NEW YORK CITY COMPTROLLERS AUDIT  
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT  
ADMINISTRATION OF RELOCATION SHELTER ACCOUNT  
REPORT FM11-081A

**Finding**

\$9.8 Million  
in Unused  
Funds  
Questionably  
Retained

**Recommendation 1.**

HPD should transfer and appropriate the \$9.8 million, less any funds claimed by another funding source, from the Relocation Shelter account to the general fund in FY 2012 and adjust the Relocation Shelter account ledgers to reflect the disbursement.

**Response 1.**

The conclusion that the Relocation Account is "essentially unused" is incorrect. Furthermore, the contract language that the auditors deem "questionable" was approved by the Comptroller's office at the time.

In strict accordance with the language in the shelter contracts, surplus funds were deposited in the Relocation Account. While those contracts were in place, HPD had to maintain the reserve account. As soon as the contracts expired, HPD worked with the Office of Management and Budget to use the funds to support the original programmatic intent – emergency shelter for households vacated from their homes. Since contract expiration, HPD has withdrawn \$1.5M from the account for this purpose, and will continue to do so over time.

The auditors state that "once contracts expire, funds should be returned to their originating source and re-appropriated in order to reflect the policy decisions and priorities of all parties involved in the City budgetary process." This in fact is an accurate description of how the Relocation Account has been handled. The baselined "other categorical" budget authority in HPD's budget is the Relocation Account funding – it has been fully programmed in HPD's budget. This was done in consultation with OMB, through a budget document that was approved by the City Council.



[nyc.gov/hpd](http://nyc.gov/hpd)

FAX (212) 267-2565

(212) 863-6100

TTY (212) 863-7934



AUDIT RESPONSE  
NEW YORK CITY COMPTROLLERS AUDIT  
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT  
ADMINISTRATION OF RELOCATION SHELTER ACCOUNT  
REPORT FM11-081A

**Finding**

Change in  
Business  
Purpose for  
Relocation  
Shelter  
Account

**Recommendation 2.**

HPD should decide if the Relocation Shelter account should remain open and, if so, submit a revised City bank account request form to DOF that establishes the new business purpose for the account.

**Response 2.**

The Relocation Shelter Pool and Satellite account will remain open to support Relocation Expenses.

HPD will work with Department of Finance (DOF) Treasury Division to modify the business purpose of this account to include language such as "to be used for Relocation Expenses as HPD deems necessary with respect to the temporary housing for relocates".



nyc.gov/hpd  
FAX (212) 267-2365

(212) 863-6100

TTY (212) 863-7934