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**DEPARTMENT OF
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TO: Chuck Lesnick, City Council President
All City Council Members

CC: Philip A. Amicone, Mayor
Louis Kirven, Commissioner, Department of Planning and Development
Robert Miller, President and CEO, Westhab, Inc.

FROM: Dan Schorr, Inspector General DS

SUBJECT: Grant Inspection and Review Report for Westhab, Inc.
CDBG YR 36: $65,000 – Public Facilities
$20,000 – Youth Program
$10,000 – Emergency Shelter Grant (ESG)

DATE: June 28, 2011

This report is issued in response to City Council Resolution No. 52-2008, which directed the Inspector General to "develop an ongoing oversight program to monitor CBOs [Community Based Organizations] and other entities that receive grant funding from the City of Yonkers," and Resolution No. 94-2008, which directed the Inspector General to "move forward" with the plan that was submitted.

Summary of Findings and Recommendations

Westhab, Inc. (Westhab) is the largest nonprofit provider of housing and supportive services to homeless and low-income people in Westchester County. In addition, it provides additional important community services, such as a youth center and a community resource center, both located in Yonkers. It has adequate financial controls in place to ensure that grant funds are utilized appropriately and consistent with the approved grant.

In our review, we found instances of insufficient documentation to support Westhab's claims submitted for reimbursement to the Department of Planning and Development (the Department). Nevertheless, the Department proceeded to process and reimburse such claims. Westhab should only

submit claims for expenditures that have already been paid, and should document such claims with cancelled checks. The Department should not process and reimburse claims that do not comply with its policies and procedures for reimbursing CBO eligible grant expenditures.

Organizational Overview

Westhab, a not-for-profit organization, has provided affordable housing in Yonkers and elsewhere in Westchester County since 1981, through the construction of new housing, the purchase and rehabilitation of existing properties, and the leasing of apartments from private landlords. In addition, it operates the Elm Street Youth Center (ESYC) and the Elm Street Community Resource Center (ESCRC), which provide valuable community services in the Nodine Hill neighborhood of Yonkers.

Grant Summary

In year 36 of the CDBG program (February 1, 2010 – January 31, 2011), Westhab received three grants totaling $95,000. A grant of $65,000 helped fund facility expenses of the ESYC, located at 217 Elm Street, and the ESCRC, located at 103 Elm Street. A second grant of $20,000 helped pay the salaries of four counselors at the ESYC. In addition, a $10,000 ESG award supported expenses for the homeless facility located at 99 Park Hill Avenue. The total annual budget for Westhab is approximately $20 million, with approximately 200 staff members.

The ESYC was created in the Nodine Hill neighborhood in September 2006. It serves 40-50 young people daily, ages 5 to 21, and is designated a "safe haven" for the U.S. Department of Justice's "Weed & Seed" initiative. It provides academic support and enrichment, teen employment, life-skills and leadership training, arts, civic engagement, and recreation. Westhab leases the ESYC facility. There is no charge for the youths who utilize the ESYC and it is open year-round.

The ESCRC, also in Nodine Hill, opened in June 2008 and provides free employment, housing, and family counseling services; an emergency food pantry, walk-in computer use for job and housing searches; adult and family community-based programming; and referrals to other needed services available in Westchester. Westhab owns the ESCRC facility. It is open Monday through Friday from 9am until 5pm, and for special programs on weeknights and weekends.

The 99 Park Hill Avenue location provides shelter to homeless family members who are victims of domestic violence.

The $20,000 grant to the ESYC is budgeted to help pay salaries and benefits for four youth counselors. The ESG of $10,000 is budgeted for custodial salary and benefits, utilities, and real estate taxes for the 99 Park Hill Avenue building.

The City's $65,000 Public Facilities grant was budgeted as follows:

ESYC			ESCRC		
	$25,000	Rent		$10,000	Utilities
	$ 5,000	Fuel		$10,000	Real Estate Taxes
	$ 3,000	Repairs		$ 4,000	Liability Insurance
	$ 1,500	Utilities		$ 4,000	Repairs
	$ 1,000	Liability Insurance		$ 1,000	Refuse
				$ 500	Exterminator
Total:	$35,500		Total:	$29,500	

Site Visit

On April 26, 2011, Inspector General Dan Schorr, Deputy Inspector General Ed Benes, and Senior Investigator Stuart Levine met with Richard Nightingale, Vice President of Youth and Community Programs; Raymond Reid, ESYC Site Director; Mayra Gonzalez, ESCRC Community Services Advocate; and Stephanie Viola, Accounting Manager, at the ESCRC located at 103 Elm Street in Yonkers.

The Westhab representatives explained that the ESYC is open during the school year from 2:30pm to 9pm, Monday through Friday, and 10am to 9pm on Saturday. In the summer, it is open 9am to 9pm, Monday through Friday. The ESYC has the capacity for about eighty youths at a time. The ESCRC was previously a homeless shelter and was refurbished into a resource center in 2008. Many times, youths go to the ESYC while their parents utilize the ESCRC. Ms. Gonzalez performs the initial ESCRC intakes and guides clients to needed services through in-house and community referrals.

Payments

One claim was submitted for the $20,000 Youth Program grant, which was supported by payroll records for four youth counselors and associated fringe benefits that satisfied the policies and procedures of the Department for approval of CDBG claims for reimbursement.

Regarding the $65,000 Public Facilities grant, we reviewed three claims and found that no cancelled checks were submitted to the Department and approximately $2,700 of submitted expenses had not been paid by Westhab prior to the submission of the claims. However, all expenses were subsequently paid, and all expenses submitted for reimbursement were consistent with the approved grant contract between the City and Westhab. Nevertheless, the Department policy is to reimburse CBOs for actual expenses that have occurred, have been paid, and are supported by cancelled checks. We met with the Department leadership to discuss this issue and were told that certain payments had incorrectly been made prematurely and that in the future the Department policy will be strictly enforced.

Similarly, one claim was submitted for the $10,000 ESG grant, of which only $2,200 was fully supported by payroll records and other documentation. The remaining $7,800 was not paid by Westhab prior to submission of this claim and should not have been reimbursed based on the

Department's policies and procedures. The $7,800 included an estimated City water bill of $1,891.20, and the City paid Westhab this amount. We contacted Westhab and requested the cancelled checks in order to verify that payments were made after Westhab received the City funds. We learned that Westhab subsequently received a corrected actual water bill in the amount of $173.36, and thus the City overpaid Westhab by $1,717.84. We made the Department aware of this problem and informed Westhab of the Department's request for a refund and a letter explaining why this error occurred. In the future, Westhab should not submit claims without proper documentation showing that the eligible expenses have been paid and the Department should not pay any CBO claims without proper documentation.

Program Participants

Grant recipients are required to submit "Quarterly Progress Reports" to the City that provide statistical information regarding the ethnicity and income levels of people who participated in grant funded programs. Under applicable HUD regulations, programs that receive funding must document that at least 51% of the program participants are from families with low to moderate incomes. At the time of our audit, for the grant year of February 1, 2010 through January 31, 2011, Westhab had submitted three progress reports for the ESYC and the ESCRC.

The reports for the ESYC showed that for the relevant grant period it enrolled a total of 265 youths. 140 were classified as extremely low income, 80 were classified as low income, and 45 were classified as moderate income. The ESCRC reports showed that it served 224 adult clients during the grant period. We were informed that these income figures are estimates, based on the site manager's familiarity with the families.

Internal Controls

As explained by Ms. Viola, Westhab's payment process provides the necessary safeguards to ensure that funds are not misappropriated:

- Westhab has a large administrative operation which allows a separation of duties and there are multiple levels of approvals before payments are made.
- With respect to payments, various Westhab departments initially create check requests with appropriate supporting documentation.
- The payment request is sent to the finance office and entered into the accounting system.
- The accounts payable supervisor reviews the charges and account codes, and the responsible manager then approves the payment before a check is prepared.
- The Vice President of Finance and the President must both review and sign off on all checks.

Conclusions

Westhab provides valuable programs and services for the benefit of Yonkers residents and it utilizes grant money appropriately and consistent with their approved grants. Specifically, we note:

- Westhab spent Year 36 CDBG funds in accordance with the three approved grant budgets.
- Westhab's Quarterly Progress Reports were detailed and provided statistics to show how the programs were serving the community and meeting the specific objectives of their programs.
- Westhab should only submit claims for expenditures that have already been paid, and should document such claims with cancelled checks. The Department should not reimburse claims that do not comply with its policies and procedures.