

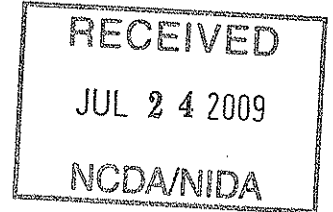


City of Newburgh
City Comptroller's Office

City Hall – 83 Broadway
Newburgh, New York 12550

Tel. (845) 569-7322
Fax (845) 569-7490

Charles E. Emberger
City Comptroller
Email: cemberger@cityofnewburgh-ny.gov



FINAL NOTICE
via Certified Mail

July 22, 2009

City of Newburgh Industrial Development Agency
83 Broadway
Newburgh, NY 12550

Dear Sir or Madam:

This letter shall serve as a final attempt to collect the present debt due to the City of Newburgh Community Development Agency.

Previously, the IDA had a balance of \$558,344 due back to the Community Development Agency. A payment was received for \$388,826 and credited to the account leaving a present balance of \$169,518. Information and back-up documentation was provided to Mr. Robert McKenna, Director of Business and Industrial Development, in November 2008.

I have enclosed a copy of the findings from both HUD and the Inspector General's Office which state these monies must be paid back to the Community Development Agency. Also, to affirm such debt, enclosed is note #10 from IDA's 2006 audited financial statements indicating IDA owes the City \$1,855,242. Included in this \$1.8M is the \$558,344 owed to Community Development.

You are hereby given final notice to submit payment in full immediately. Payment may be drawn payable to the City of Newburgh and mailed to my attention at the address above. This is federal money your agency is withholding without cause. If payment is not received within 15 days of receipt of this letter, this matter will be forwarded to our legal department to commence collection proceedings.

Respectfully submitted,


Charles E. Emberger
City Comptroller

CEE/edg

Enclosures

cc: Geoffrey Chanin, Corporation Counsel
Michael Curry, Board Member



U.S. Department of Housing and Urban Development
New York State Office
Jacob K. Javits Federal Building
26 Federal Plaza, Room 3513
New York, New York 10278-0068
<http://www.hud.gov/local/nyn/>

June 15, 2009

Dwight H. Douglas
Acting City Manager
City of Newburgh
City Hall
83 Broadway
Newburgh, NY 12550

Dear Mr. Douglas:

SUBJECT: Internal Audit – City of Newburgh
Community Development Block Grant Program
Audit Case Number 2009-NY-1008
Issue Date: February 24, 2009

This is to notify you that we have completed our review of Audit Report Number 2009-NY-1008 dated February 24, 2009. The following management decisions have been made by this Office based on the City's response to the audit report following the January 2009 exit conference with HUD's Office of Inspector General and other available information.

Finding Number 1: Questionable Administrative Costs Were Charged to the CDBG Program.

Finding – The auditor claims that the City charged staff costs of the City's Industrial Development Agency to the CDBG Program without sufficient documentation identifying the amount of time dedicated to eligible CDBG activities. An amount of \$558,344 was found to be unsupported. It had been the City's prior practice to initially pay such IDA costs with CDBG funds, and then reimburse an appropriate amount at a later date. However, after a reduction in City revenues over an extended period of time, unpaid reimbursements to the CDBG grew to the level identified through the audit.

Recommendation 1A – The City was to provide documentation to justify the \$558,344 in unsupported administrative costs incurred.

City's Response – The City claims that the majority of unsupported expenditures for administrative costs have already been reimbursed. The IDA reimbursed the CDBG Program the amount \$388,825.97 on December 17, 2008 following completion of an internal review of applicable/reimbursable costs. This documentation was provided to Ms. Campbell and Ms. Aylwin during the exit conference on January 14, 2009.

Management Decision – The Office of Inspector General stated in the report that documentation provided by the City during the January 2009 exit conference to demonstrate that the \$388,825.97 was reimbursed to the CDBG Program was found to be acceptable. After review of the documentation, we agree in that assessment. In order to resolve this recommendation, the City must submit evidence that overall receivables from the IDA to the CDBG Program including the \$388,826 have been reduced in the City's records and supply documentation for the remaining balance of \$169,518 which clearly indicates that these costs were for eligible CDBG administrative expenses; or repay ineligible or inadequately documented costs from non-federal funds. The City shall arrange to submit additional documentation or have materials available for examination within 45 days of the date of this letter.

Recommendation 1B – Implement procedures and effective disbursement controls to ensure that all transactions charged to the CDBG program are properly incurred, supported and in compliance with applicable regulations.

City's Response – The practice of using CDBG funds to fund non-eligible administrative activities was discontinued as of December 31, 2007. Controls have been established to ensure that this practice can not reoccur and only staff who work on CDBG activities and/or administration have been funded from the CDBG program throughout 2008 and to date.

Management Decision – The Office of Inspector General stated in the report that actions taken by the City to address Recommendation 1B were responsive to the recommendation. We agree that procedural changes implemented to strengthen controls over CDBG funds will be effective if followed by the City. Accordingly, we have determined that the City has adequately resolved this recommendation with no further action required. Compliance will be evaluated on an ongoing basis by CPD during regularly scheduled monitoring visits, oversight of CPD management systems information, and assessment of periodic performance reports prepared by the City.

Finding Number 2: The City's Administration of Program Activities Had Weaknesses

Recommendation 2A– Provide documentation to justify the \$230,240 (\$60,000 for the City park improvements, \$64,494 for the property acquisition, \$50,000 for the Ritz theatre repairs, \$28,586 for the Newburgh Community and Neighborhoods activity, and \$27,160 for the improvements to City-owned property) in unsupported costs incurred so that HUD can make an eligibility determination. Any unsupported costs determined to be ineligible should be reimbursed from nonfederal funds.

City's Response – The documentation required to meet this recommendation was either provided during the audit or during the exit conference. Additional copies are provided at this time.

Management Decision – The auditors identified a series of defects associated with the 5 activities cited in the recommendation that have not been sufficiently justified in the City's prior responses. In order to address this recommendation, the City must provide additional evidence that demonstrates costs cited clearly were eligible, met a national objective, were paid as the result of an appropriately executed contract if undertaken with

CITY OF NEWBURGH INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Newburgh)

Notes to Financial Statements - Continued
For the year ended December 31, 2006

Note 9 Long-Term Debt Payable

The following is a summary of general obligation debt, transactions and balances outstanding as of December 31, 2006.

Mortgage Payable

Payable at January 1, 2006	\$ 124,757
Obligation Payments	<u>(124,757)</u>
Payable at December 31, 2006	<u><u>\$ 0</u></u>

There was no general obligation debt payable at December 31, 2006.

Note 10 Balance Due to City of Newburgh

As of December 31, 2006, the Agency owes the City of Newburgh \$1,855,242, which is included in current liabilities. This liability was made up of the following components.

	Project Expenditures paid on behalf of the Agency	Payroll & Miscellaneous	Total
Payable at January 1, 2006	\$ 1,534,477	\$ 160,702	\$ 1,695,179
Charges for Project Expenditures	1,758	0	1,758
Charges for Payroll & Miscellaneous Items	0	264,944	264,944
Obligation Payments	<u>0</u>	<u>(106,639)</u>	<u>(106,639)</u>
Payable at December 31, 2006	<u><u>\$ 1,536,235</u></u>	<u><u>\$ 319,007</u></u>	<u><u>\$ 1,855,242</u></u>

83 Broadway

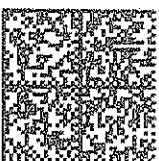
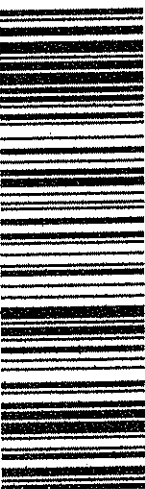


N.Y.

City of Newburgh

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City of Newburgh Industrial Development
Agency
83 Broadway
Newburgh, NY 12550

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