



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

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**WILLIAM C. THOMPSON, JR.**  
*Comptroller*

**Audit Report on the  
Compliance of Amboy Neighborhood Center, Inc.,  
With Its Contract with the Department of  
Housing Preservation and Development**

**FP01-184A**

***June 27, 2002***

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**EXECUTIVE SUMMARY**

**Background**

The Department of Housing Preservation and Development (HPD) entered into a three-year contract (January 1, 1992–December 31, 1994) with the Amboy Neighborhood Center, Inc., (Amboy) to manage, maintain, and operate the Amboy Family Center (Family Center). Under the terms of the contract, Amboy was to provide temporary emergency housing for families displaced by fires or ordered to vacate their apartments because of unsafe conditions.<sup>1</sup> During our audit period—July 1, 2000, to June 30, 2001—HPD renewed Amboy’s contract, which totaled \$4,148,491.

**Objectives, Scope, and Methodology**

Our audit objective was to determine whether Amboy complied with its contract with HPD. Specifically, we determined whether Amboy kept the Family Center in a safe and sanitary condition; maintained complete and accurate records to support amounts billed to HPD; and maintained complete and accurate records to support its expenses, and whether those expenses were reasonable and necessary for the operation and maintenance of the Family Center. Our audit covered the period from July 1, 2000 through June 30, 2001.

Prior to beginning the audit, on May 2, 2001, and May 4, 2001, we conducted unannounced visits to the premises to determine whether the Family Center was maintained in a safe and sanitary condition. We made a follow-up

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<sup>1</sup> The Family Center also houses families referred by the Department of Homeless Services (DHS) when there are vacant apartments (not filled by HPD).

visit on January 29, 2002, to determine whether conditions found during our initial visits were corrected. In addition, we reviewed reports filed by Amboy's social workers and inspectors, which detailed problems they found in the apartments, and service call slips, which indicated that repairs had been completed. We also compared the conditions noted on the inspection reports to the conditions found during our visits.

We determined whether Amboy maintained complete and accurate records to support amounts billed to HPD by reconciling Amboy's tenant occupancy records to HPD's on-site occupancy records. In addition, we determined whether Amboy was billing HPD and DHS for the same tenants by comparing the residents' names and apartments listed on occupancy verification records maintained by HPD and DHS for the months January 2001 through March 2001. We obtained and reviewed all canceled checks and corresponding invoices for the audit period, and we reviewed the payroll and employee time records for three pay periods in March 2001. We determined whether Amboy complied with other provisions of its contract by verifying whether: appropriate insurance coverage was maintained; teenage, infant care, and after school programs were provided; a security surveillance system was installed; orientation and a copy of the "House Rules" were provided to new tenants; not-for-profit organizations and government agencies were provided non-residential space; and, its water and sewer bills were paid.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

## **Results in Brief**

Amboy maintained complete and accurate records to support expenses and the amounts billed to HPD, and generally spent program funds on expenses that were reasonable and necessary for the operation of the Family Center. In addition, in accordance with its contract, Amboy properly billed HPD and DHS for only those tenants for whom each agency was responsible; maintained the required insurance coverage; provided teenage, infant care, and after school programs; installed a security surveillance system; conducted orientation for new tenants and provided them with a copy of the "House Rules"; and provided non-residential space for not-for-profit organizations and government agencies providing social services, support, and relocation services.

However, Amboy did not comply with certain terms of its contract and had weaknesses in its operating practices. Specifically, Amboy did not maintain the facilities in a safe and sanitary condition. We found roach and fly infestation; clogged and leaking sinks and bathtubs; water damage on ceilings and walls;

broken and inoperable windows; broken beds and dilapidated mattresses; and falling plaster and holes in ceilings. In addition, many of the residents complained that their apartments were infested with mice or rats. Based on our two sets of inspections, we conclude that Amboy is not performing satisfactorily in terms of providing a safe and sanitary environment for all of its tenants. We also conclude that HPD's monitoring of Amboy is inadequate.

Amboy's contract contains no provision requiring that it inspect apartments for items in need of repair. Rather, the contract requires only that it respond expeditiously to resolve tenant complaints. However, as previously noted, many of the Family Center's apartments contain unsafe and unsanitary conditions. This means either that either tenants are not complaining, or that Amboy is not responding to complaints. Either way, it is obvious that Amboy is not ensuring that safe and sanitary conditions exist in the Family Center. Amboy must therefore develop and implement formal procedures for inspecting tenants' apartments.

According to Amboy's Assistant Director, Amboy inspectors and social workers visit every occupied apartment in the Family Center once a week. If that were true, then based on the number of occupied apartments at the Family Center, Amboy employees would have been required to make more than 18,000 inspections during the year. Amboy, however, provided us only 435 inspection reports. These reports indicated that only 153 of the Family Center's 224 apartments were inspected during the year—71 apartments were not inspected at all. The 153 apartments were inspected an average of 2.25 times during the year. Of the 71 apartments that were not inspected, 27 had an inspection report indicating that the tenant was not at home and therefore the employee did not gain access; and one report contained only the tenant's name and apartment number—not the conditions found. We were not given inspection reports for the remaining 43 apartments. Amboy officials stated that the 435 inspection reports it provided were the only inspection reports it had for the period under review.

Failure to correct the unsafe and unsanitary conditions was not due to a lack of funding. During the audit period, the auditors noted that Amboy had funds totaling \$484,968, in a Certificate of Deposit (\$299,369) and an investment account (\$185,599), that it could have used to correct the deplorable conditions we found at the family center. Furthermore, as of July 3, 2001, there was an additional \$1.3 million available in the reserve account maintained by HPD that could have been requested. Rather than a lack of funding, it was a lack of formal inspection procedures on Amboy's part, combined with bureaucratic inertia on both Amboy's and HPD's parts with regard to making use of available funds, that led to the deplorable living conditions at Amboy.

Furthermore, Amboy's contract with HPD includes \$153,072 for "management fees" for our audit period. The contract, however, does not indicate who the manager is or what services are to be provided. According to Amboy's

latest certified financial statements, the Family Center's operations are managed by Colony South Brooklyn Houses, Inc. (CSBH). Amboy paid CSBH \$135,433 during our audit period. We question the payments made to CSBH because there is no contract between Amboy and CSBH indicating what services were to be rendered by CSBH in return for the fee, and because CSBH did not bill Amboy for services rendered.

Finally, according to the City Department of Environmental Protection's (DEP) Customer Information System, we determined that as of April 26, 2002, Amboy owed the City \$417,571 for water and sewer charges at the Family Center's 13 buildings.

The report made six recommendations, including that HPD should:

- Ensure that Amboy inspects all apartments and ensure that all unsafe and unsanitary conditions are corrected.
- Ensure that Amboy develops and implements formal procedures for inspecting tenants' apartments.
- Ensure that Amboy pays DEP \$417,571 in outstanding water and sewer charges.
- Routinely inspect the Family Center's occupied apartments to ensure that they are safe, sanitary, and properly maintained, as required by HPD's contract with Amboy.

## **Discussion of Audit Results**

The matters covered in this report were discussed with Amboy and HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to Amboy and HPD officials and discussed at an exit conference on May 30, 2002, with HPD officials. Amboy declined to attend the exit conference. On May 31, 2002, we submitted a draft report to Amboy and HPD officials with a request for comments. We received written responses from Amboy on June 19, 2002, and from HPD on June 24, 2002.

In its response, Amboy did not dispute the existence of the conditions that were observed by the auditors. However, Amboy indicated that the report fails to note that the majority of the problems found were caused by a lack of sufficient funding and the "dysfunctional behavior of a significant number of families in the shelter system." In addition, Amboy claims that the \$135,433 in expenses questioned by the auditors (consisting of \$127,650 in management fees, \$7,500 paid for a dinner dance, and \$283 paid for a conference call) were appropriate expenses. Amboy agreed that overpayments were made to certain of its employees, that the hours worked by the Executive Director lacked

documentation, and that Amboy owes the City \$417,571 in water and sewer charges. In addition, although we were informed by HPD that Amboy declined to attend the exit conference, Amboy stated that this was not the case.

HPD agreed to implement all of the report's recommendations.

The full texts of the responses from Amboy and HPD are included as addenda to this report. Amboy's response included attachments that were too voluminous to include in this report; these documents are available upon request from the Comptroller's Office.

## *Table of Contents*

INTRODUCTION	
Background	1
Objective	1
Scope and Methodology	2
Discussion of Audit Results	3
FINDINGS AND RECOMMENDATIONS	4
Unsafe and Unsanitary Conditions	4
Inspections	
No Contract Provision for Apartment Inspections	6
Inadequate Apartment Inspections	6
Failure to Correct the Unsafe and Unsanitary Conditions Was not due to a Lack of Funding	9
Questionable Payments	10
Payroll and Timekeeping Issues	
Amboy Incorrectly Calculated Holiday Pay for Union Employees	12
Executive Director's Timekeeping	12
Amboy Owes the City \$417,571 for its Water and Sewer Use	13
RECOMMENDATIONS	13
APPENDIX I	
APPENDIX II	
APPENDIX III	
APPENDIX IV	
APPENDIX V	
ADDENDUM I – Amboy Response	
ADDENDUM II – Agency Response	

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**INTRODUCTION**

**Background**

The Department of Housing Preservation and Development (HPD) entered into a three-year contract (January 1, 1992–December 31, 1994) with the Amboy Neighborhood Center, Inc., (Amboy) to manage, maintain, and operate the Amboy Family Center (Family Center). Under the terms of the contract, Amboy was to provide temporary emergency housing for families displaced by fires or ordered to vacate their apartments because of unsafe conditions. The contract was renewed by HPD for the period January 1, 1995, through June 30, 1998. Since the end of the initial renewal period, HPD has renewed Amboy's contract on a year-to-year basis. For our audit period—July 1, 2000, to June 30, 2001, Amboy's contract totaled \$4,148,491.

The Family Center consists of 13 buildings, with 224 apartments, at 172, 185, 186, 191, 196, 199, 202, 207, and 217 Amboy Street and 155-1, 155-2, 164-1, and 164-2 Sutter Avenue in the Brownsville section of Brooklyn. If the Family Center has vacant apartments (not filled by HPD) it also houses families referred by the Department of Homeless Services (DHS). Although Amboy does not have a contract with DHS, it bills DHS based on the rates allowed in the HPD contract.

**Objective**

Our audit objective was to determine whether Amboy complied with its contract with HPD. Specifically, we determined whether Amboy:

- kept the Family Center in a safe and sanitary condition;
- maintained complete and accurate records to support amounts billed to HPD; and

- maintained complete and accurate records to support its expenses; and whether those expenses were reasonable and necessary for the operation and maintenance of the Family Center.

## **Scope and Methodology**

The audit covered the period from July 1, 2000, through June 30, 2001.

To determine whether the Family Center was maintained in a safe, and sanitary condition, on May 2, 2001, and May 4, 2001, prior to beginning the audit, we conducted unannounced visits to the premises. We inspected the hallways, courtyards, and a total of 51 apartments in the 13 buildings, as well as the Family Center's playground. We interviewed the apartments' residents and videotaped the conditions found. We notified HPD and the Department of Health (DOH) about the unsafe and unsanitary conditions found. (See the Findings section of this report for further details.) A follow-up visit was made on January 29, 2002, to determine whether conditions found during our initial visits were corrected. In addition, we reviewed reports filed by Amboy's social workers and inspectors, which detailed problems they found in the apartments, and service call slips, which indicated that repairs had been completed. We also compared the conditions noted on the inspection reports to the conditions found during our visits.

To determine whether Amboy maintained complete and accurate records to support amounts billed to HPD, we reconciled Amboy's tenant occupancy records to HPD's on-site occupancy records. These records support the amount claimed from HPD. In addition, we determined whether Amboy was billing HPD and DHS for the same tenants by comparing the residents' names and apartments listed on occupancy verification records maintained by HPD and DHS for the months January 2001 through March 2001.

To determine whether Amboy maintained complete and accurate records to support its expenses and whether these expenses were reasonable and necessary for the operation and maintenance of the Family Center, we obtained and reviewed all canceled checks and corresponding invoices for the audit period.

To determine whether salaries paid to Amboy's employees were appropriate, we reviewed the payroll and employee time records for three pay periods in March 2001. Specifically, we determined whether the hours paid for were documented on the time records.

To determine whether Amboy complied with other provisions of its contract, we verified whether: appropriate insurance coverage was maintained; teenage, infant care, and after school programs were provided; a security surveillance system was installed; orientation and a copy of the "House Rules" were provided to new tenants; not-for-profit organizations and government agencies were provided non-residential space; and, its water and sewer bills were paid.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

## **Discussion of Audit Results**

The matters covered in this report were discussed with Amboy and HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to Amboy and HPD officials and discussed at an exit conference on May 30, 2002, with HPD officials. Amboy declined to attend the exit conference. On May 31, 2002, we submitted a draft report to Amboy and HPD officials with a request for comments. We received written responses from Amboy on June 19, 2002, and from HPD on June 24, 2002.

In its response, Amboy did not dispute the existence of the conditions that were observed by the auditors. However, Amboy indicated that the report fails to note that the majority of the problems found were caused by a lack of sufficient funding and the "dysfunctional behavior of a significant number of families in the shelter system." In addition, Amboy claims that the \$135,433 in expenses questioned by the auditors (consisting of \$127,650 in management fees, \$7,500 paid for a dinner dance, and \$283 paid for a conference call) were appropriate expenses. Amboy agreed that overpayments were made to certain of its employees, that the hours worked by the Executive Director lacked documentation, and that Amboy owes the City \$417,571 in water and sewer charges. In addition, although we were informed by HPD that Amboy declined to attend the exit conference, Amboy stated that this was not the case.

HPD agreed to implement all of the report's recommendations.

The full texts of the responses from Amboy and HPD are included as addenda to this report. Amboy's response included attachments that were too voluminous to include in this report; these documents are available upon request from the Comptroller's Office.

## **FINDINGS AND RECOMMENDATIONS**

Our review indicated that Amboy maintained complete and accurate records to support expenses and the amounts billed to HPD, and generally spent program funds on expenses that were reasonable and necessary for the operation of the Family Center. In addition, in accordance with its contract, Amboy:

- properly billed HPD and DHS for only those tenants for whom each agency was responsible;
- maintained the required insurance coverage;
- provided teenage, infant care, and after school programs;
- installed a security surveillance system;
- conducted orientation for new tenants and provided them with a copy of the “House Rules”; and
- provided non-residential space for not-for-profit organizations and government agencies providing social services, support, and relocation services.

However, Amboy did not comply with certain terms of its contract and had weaknesses in its operating practices. Specifically, Amboy:

- did not maintain the facilities in a safe and sanitary condition;
- had no formal procedures to ensure that tenants’ apartments were inspected and that problems were corrected;
- made payments to Colony South Brooklyn Houses, Inc., (CSBH) without the benefit of a contract or other documentation detailing the services provided;
- incorrectly calculated and paid holiday pay to its union employees;
- did not ensure that the Executive Director documented his work hours; and
- owes the City \$417,571 for its water and sewer use.

### **Unsafe and Unsanitary Conditions**

At our visits to the Family Center on May 2, 2001, and May 4, 2001, we found that 39 of the 51 apartments we inspected and many of the common areas had unsafe and unsanitary conditions. These conditions included roach and fly infestation; clogged and leaking sinks and bathtubs; water damage on ceilings and walls; broken and inoperable windows; broken beds and

dilapidated mattresses; and, falling plaster and holes in ceilings. In addition, many of the residents complained that their apartments were infested with mice or rats. (See Appendix I, pages 8-10, for conditions found). According to the contract, Amboy is “responsible for keeping the common areas of the family center in a clean and sanitary condition and maintain residential units by means of regular maintenance, extermination services and repairs.”

We informed HPD and DOH about the conditions found in a letter dated May 7, 2001. (See Appendix I.) In its response, HPD stated that it was aware of the poor conditions at Amboy and that all repairs were completed between May 8, 2001, and May 16, 2001. (See Appendix II.) DOH did not respond to the letter.

Our follow-up visit on January 29, 2002, revealed that similar unsafe and unsanitary conditions existed in 33 of the 41 apartments we visited that had tenants. The conditions found included broken tiles, leaking faucets, roach infestation, and broken and inoperable windows. On March 6, 2002, we again informed HPD about the conditions at Amboy and requested that HPD take immediate action to rectify the situation. (See Appendix III.) In response, HPD stated that extermination services were increased to twice a month and that the other conditions were addressed. (See Appendix IV.) (HPD also stated that funds are being made available to perform repairs. This matter is discussed later in this report.)

Based on our two sets of inspections, we conclude that Amboy is not performing satisfactorily in terms of providing a safe and sanitary environment for all of its tenants. We also conclude that HPD’s monitoring of Amboy is inadequate.

**Amboy Response:** Amboy did not dispute the existence of the conditions cited in the report. However, Amboy indicated that the report fails to note that the majority of the problems found were caused by a lack of sufficient funding and the “dysfunctional behavior of a significant number of families in the shelter system.” Specifically, Amboy stated:

“It is abundantly clear after reading the report that the observations made and the conclusions arrived at reflected that the observers: (1) were not familiar with the operating history of the Amboy Shelter since 1995 and before; (2) they were not aware of some of the core issues related to working with homeless families, and of the circumstances that precipitated the homelessness of many of the families living in the Amboy Shelter; (3) that the observers failed to make the connection of the direct relationship between adequate staff power, and availability of supplies, and the cash flow necessary to operate a homeless shelter that is the size of Amboy (13 buildings and 224 apartments); (4) the observers focused on two of the worst operational years (2000 and 2001) of the Amboy Shelter’s twenty-eight years of operating experience when it was suffering the effects of several years of insufficient HPD funding; (5) the observers were not aware that a decision was apparently made after the Amboy-HPD contract was signed in

1992 by HPD to cripple and euthanize the Amboy Shelter operation financially by: (a) substantially reducing the number of families referred to the Shelter to adversely impact on Amboy's ability to generate operating revenues, and (b) withholding payments in a timely manner to Amboy for services provided, thereby rendering the Shelter operation unable to provide services, pay for operating expenses, and maintain the necessary staffing levels to address issues such as those highlighted in the . . . report.”

**Auditor Comment:** Amboy’s assertion that the problems we found were caused by a lack of funding and the behavior of its tenants is not credible. HPD pays Amboy between \$1,100 (for a family of three) to \$3,100 (for a family of nine) per month per apartment, which should provide Amboy with ample funds to properly maintain the apartments and provide the necessary support for its tenants. As noted in Amboy’s contract, a portion of these funds are to be spent on a Home Management Program to teach tenants basic living skills and educate them in the upkeep of their living space.

## **Inspections**

### **No Contract Provision for Apartment Inspections**

Amboy’s contract contains no provision requiring that it inspect apartments for items in need of repair. Rather, the contract requires only that it respond expeditiously to resolve tenant complaints.<sup>1</sup> However, as previously noted, many of the Family Center’s apartments contain unsafe and unsanitary conditions. This means either that tenants are not complaining, or that Amboy is not responding to complaints. Either way, it is obvious that Amboy is not ensuring that safe and sanitary conditions exist in the Family Center. Amboy must therefore develop and implement formal procedures for inspecting tenants’ apartments.

According to Amboy’s Assistant Director, Amboy inspectors and social workers visit every occupied apartment in the Family Center once a week. If that were true, then based on the number of occupied apartments at the Family Center, Amboy employees would have been required to make more than 18,000 inspections during the year. Amboy, however, provided us only 435 inspection reports. These reports indicated that only 153 of the Family Center’s 224 apartments were inspected during the year—71 apartments were not inspected at all. The 153 apartments were inspected an average of 2.25 times during the year. Of the 71 apartments that were not inspected, 27 had an inspection report indicating that the tenant was not at home, and therefore the employee did not gain access; and one report contained just the tenant’s name and apartment number—not the conditions found. We were not given inspection reports for the remaining 43 apartments. Amboy officials stated that the 435 inspection reports it provided were the only inspection reports it had for the period under review.

## **Inadequate Apartment Inspections**

As previously stated, on May 2, 2001, and May 4, 2001, our own inspections revealed that 39 of the 51 apartments we visited had unsafe or unsanitary conditions. Our review of inspection reports revealed that seven of the 39 problem apartments had been inspected by an Amboy employee within a two-week period prior to our visits. However, the conditions noted on the inspection reports revealed a significant disparity between the conditions noted by Amboy employees and those we found in these apartments. The Amboy employees who inspected the seven apartments found no problems in five apartments and a few problems in the other two. In contrast, our inspections revealed major problems in all these apartments. It is difficult to understand why Amboy employees did not note many of the conditions that we found that required correction. Table I, following, compares the conditions found by Amboy and by the Comptroller's auditors. (See Appendix V for photographs of the conditions found in these seven apartments by the Comptroller's auditors.)

**Table I**

Comparison of Conditions Found  
By Comptroller’s Auditors and by Amboy Employees

		Auditors’ Inspection		Amboy’s Inspection	
Building	Apt. #	Date	Observations and Complaints	Date	Observations
164-2 Amboy	3A	5/2/01	Broken floor tiles in hall and bathroom.	4/16/01	No problems noted.
164-2 Amboy	3C	5/2/01	Broken floor tiles in bathroom. Hole behind toilet that tenant claims rats crawl through. Damage to bathroom ceiling.	4/19/01	Apartment noted as “clean.”
186 Amboy	4B	5/4/01	Holes in bedroom walls. Damaged tiles in bathroom. Holes in floor. Bed collapsing. Broken window – window pane detaches from window frame	4/26/01	“Bedroom Walls Big holes”
191 Amboy	1E	5/4/01	No bathroom sink. Tenant claims it has been broken for 4 months. Rat holes in various places throughout the apartment. Bathtub faucet does not shut off. Torn and dilapidated mattress. Smoke alarm not attached— hanging from ceiling. One roach on floor.	4/11/01  4/26/01	“Toilet [away] from wall. Bathroom sink off the wall. Bathroom tiles needed”  “Need (2) Bunkbed Mattresses, Bed Frame (1), Boxspring (1), Full mattress. Bathroom sink is broken.”
191 Amboy	3A	5/2/01	Many roaches on living room and bathroom walls. Hole in bathroom ceiling that tenant claims rats crawl through. Clogged bathroom sink. Hole in hallway wall. Leaking drain pipe in kitchen sink. Circuit breaker box catches fire according to tenant; black soot around box. Metal brackets on door jam. Tenant claims that her small child fell and hit his head on bracket. She said she told management and they told her that it was not a problem.	4/11/01  4/26/01	“Apt. Clean – No repairs at this time.”  No problems noted. Apartment rated as clean
191 Amboy	3E	5/2/01	Kitchen faucet leaks. Damaged floor tiles.	4/26/01	No problems noted. “ Floor needs mopping.”
202 Amboy	2D	5/2/01	Bathroom sink leaks. Tiles missing in bathroom. Tenant claims light switch in bathroom catches fire. Unsecured light fixture in living room. Tenant claims he caught 26 mice in the past three weeks. Radiator cover away from wall. Tenant claims he has no hot water during the day.	4/25/01	No problems noted.

In addition, according to Amboy’s Assistant Director, each inspector or social worker is to complete a service call slip for all conditions that require correction. Our review of the 435 inspection reports revealed 248 conditions that required correction for which a service call slip should have been prepared. However, we found only 44 corresponding service call slips.

**Amboy Response:** Amboy stated that because of staff reductions it had to reduce the number of apartments inspections performed. Specifically, Amboy stated that: “Most recently, due to reduced staffing, the social workers are conducting monthly home visits and scheduling families to meet in the worker’s office due to the current ratio of workers to clients (1:46).

“The number of apartment inspections calculated by the auditor are very ambitious, even under ideal circumstances with the necessary staff. . . . The bottom line is—insufficient staff results in insufficient work output, once again.

“The fact that the Comptroller’s staff visited seven of thirty-nine problem apartments that had been visited by an Amboy employee within a two-week period prior to that visit, and found substantially different conditions in those seven apartments than when Amboy staff visited, indicates that the Comptroller’s staff didn’t find out about the family’s history.”

**Auditor Comment:** We do not understand why a “family’s history” would result in the auditors’ finding “substantially different conditions” from those that were found by Amboy’s employees. However, we know that performing 435 inspections a year is insufficient for a Family Center with 224 apartments. Therefore, we maintain that Amboy needs to develop and implement formal procedures for inspecting tenants’ apartments and that such procedures must specify the frequency of required visits, steps to be taken when a tenant is not at home, conditions to be reported and how they are to be reported, and when to follow up to ensure that conditions are corrected.

### **Failure to Correct the Unsafe and Unsanitary Conditions Was Not Due To a Lack of Funding**

During the audit period the auditors noted that Amboy had funds totaling \$484,968, in a Certificate of Deposit (\$299,369) and an investment account (\$185,599), that it could have used to correct the deplorable conditions we found at the family center. In addition, Amboy made only one request for funds from its “reserve account” maintained by HPD—Amboy requested and HPD approved \$383,000 to re-pipe the heating systems of five of Amboy’s buildings. However, as of July 3, 2001, there was an additional \$1.3 million available in the reserve account, which could have been requested. Lastly, HPD should have monitored the conditions at Amboy and then made funds available to correct them. Such funds, including or beyond the reserve account appear to have been available, since in the HPD response of April 19, 2002 to our letter of March 6, 2002, HPD stated that \$3.55 million would be given to Amboy shortly, which “will be spent to make general construction repairs in all twelve buildings and a full renovation of the 47 apartments which are currently uninhabitable. Replacements of kitchen cabinets and sinks, re-piping and replacement of bathroom fixtures will also be done.” Given all of the above, we conclude that a lack of funding was not the cause of the squalid living

conditions at Amboy. Rather, it was a lack of formal inspection procedures on Amboy's part, combined with bureaucratic inertia on both Amboy's and HPD's parts with regard to making use of available funds, that led to the deplorable living conditions.

**Amboy Response:** Amboy disagreed with our conclusion that a lack of sufficient funding was not the cause of the conditions found. Specifically, Amboy stated:

“Amboy respectfully disagrees with this conclusion in the strongest possible terms. Over the past several years, payments from HPD—in any kind of a timely fashion—have become increasingly problematic. Further, during the last several years, the budget has been cut. These cuts have led to staff layoffs, which eventually translate to reduced services.

“Again, we respectfully disagree in the strongest possible terms that ‘bureaucratic inertia’ prevented Amboy from asking for money from the reserve account. Repeatedly, over the years, both Amboy and its various independent auditors asked for an accounting of the so called ‘reserve account.’ Neither we nor they ever received one. Amboy was given to understand that it had no right to know what was in the reserve account. As late as the summer of 2001, Amboy was told in meetings that the reserve account had in it what HPD decided to put in it. We find it appalling that HPD was not authorizing expenditures from the reserve account, nor were we ever informed that Amboy should be asking for reserve account funds in a special way.”

**Auditor Comment:** As stated in the report, Amboy had nearly \$500,000 in various bank accounts that it could have used to correct the conditions we observed. In addition, according to HPD, there was \$1.3 million more available in the reserve account that could have been used to replace damaged furniture and fixtures, to purchase new appliances for tenants, and to make substantial repairs or renovations to the apartments. However, according to HPD officials these funds were not requested by Amboy. Therefore, we maintain that the conditions were not due to a lack of funding, as claimed by Amboy.

## **Questionable Payments**

Amboy's contract with HPD includes \$153,072 for “management fees” for our audit period. The contract, however, does not indicate who the manager is or what services are to be provided. According to Amboy's latest certified financial statements, the Family Center's operations are managed by Colony South Brooklyn Houses, Inc. (CSBH). Amboy paid CSBH \$135,433 during our audit period, which included \$127,650 for management services, \$7,500 for tables at a dinner dance and an advertisement for that event's journal, and \$283 for a conference call.

We question the payments made to CSBH because there is no contract between Amboy and CSBH indicating what services were to be rendered by CSBH in return for the fee, and because CSBH did not bill Amboy for services rendered. Appropriate bills would describe the services provided. In addition, although CSBH billed Amboy for the above mentioned \$7,500, we do not believe that this is a proper expenditure for Amboy to make. Furthermore, CSBH's bill for the conference call did not indicate why Amboy should be responsible for the payment.

HPD officials informed us that Amboy's contract included a budget for management fees since the inception of the contract in 1992. However, an HPD official stated that Amboy's budget in its fiscal year 2003 contract would not include a provision for such fees.

**Amboy Response:** "The Amboy Neighborhood Center, Inc. was founded and sponsored by Colony South Brooklyn Houses in 1975. Indeed, all the shelters had sponsors. The sponsor's purpose was as a well-established and respected agency to provide protection and oversight for the Housing Program, provide technical and support services and be the liaison with the City for contract negotiations and other issues. The sponsor's management fee was a percentage of Amboy's revenue, originally set at 7%. The management fee was always well known to HPD and indeed was a component of every contract that HPD prepared. We believe it is an appropriate expense.

"Similarly, we believe it is not inappropriate for one organization to contribute to the fund raising endeavors of another when a stronger sponsoring agency contributes to a stronger Amboy.

"With regard to \$283 for a conference call, while every effort is made not to incur such expenses, from time to time it is necessary for the Amboy Board to meet by conference call. The majority of the calls are never charged to Amboy, but occasionally they are. In today's technological environment, we believe a conference call is a justifiable expense."

**Auditor Comment:** Although Amboy claims that the \$127,650 in management fees paid to CSBH were appropriate, Amboy has not provided any documentation to indicate what services were provided by CSBH in return for the fee. Moreover, we maintain that \$7,500 for a dinner dance and \$283 for a conference call are not appropriate expenses to charge to the HPD contract. Clearly, given the condition of the apartments we visited, these funds would have been better spent on apartment repairs

## **Payroll and Timekeeping Issues**

### **Amboy Incorrectly Calculated Holiday Pay for Union Employees**

We found 112 instances in which Amboy paid its employees a total of \$6,389 more than they were entitled to. These employees worked on one or more of the holidays enumerated in their union's contract with Amboy. According to the union agreement with Amboy, for holiday pay, the employees were to be paid their regular salary for an eight hour day plus one and one-half times their hourly rate for the hours actually worked. Therefore, if an employee worked 14 hours on a holiday, the employee should have been paid for 29 hours of work (eight hours at regular salary for the day, plus 21 hours—one and one-half times the 14 hours actually worked). However, 35 employees were paid more than the required amount. For example, a maintenance supervisor worked 14½ hours on July 4, 2000. Amboy paid the employee for 36¾ hours ( $14\frac{1}{2} \times 1\frac{1}{2} = 21\frac{3}{4} + 14\frac{1}{2} = 36\frac{3}{4}$ ) instead of the 29¼ ( $14\frac{1}{2} \times 1\frac{1}{2} = 21\frac{3}{4} + 8 = 29\frac{3}{4}$ ). Thus, in total he was paid 6½ hours more than he was entitled to.

**Amboy Response:** “There were two payroll periods where holiday pay was incorrectly calculated. This error occurred because of a misinterpretation of the rate of pay. Once the error was discovered, the Board discussed possible remedies. It was decided not to attempt to recoup the money from the staff members. The employees were working under an expired union contract, which Amboy had no realistic expectation of being able to renegotiate in the near future. Since the error was not discovered for a period of time, the Board believed that any attempt to recoup the paid wages would be deemed as punitive, and further weaken morale of an already demoralized staff. To ensure that this—first such error in 28 years—was not repeated, new procedures have been instituted. A holiday schedule with rate of pay has been prepared and inserted in the payroll ledger. As a further check, a second review of payroll is done by another staff member before it is submitted to ADP.”

### **Executive Director's Timekeeping**

All Amboy employees are supposed to record their arrival and departure times through a swipe card system. The Executive Director, however, does not swipe a card or use any other means to document the time that he works. Amboy's contract requires that it:

“maintain separate and adequate records of the services performed by Contractor, its employee or agents under this Contract including, but not limited to, time cards and records reflecting the nature of the work performed and time consumed.”

Therefore, the Executive Director should record his arrival and departure times to ensure that work hours are tracked and that he is paid only for hours actually worked.

**Amboy Response:** “In answer to the question raised by the audit, the Executive Director will complete a Certification of Services Form which will be signed for each pay period. Amboy would like to note that the Executive Director is the head of an agency that operates twenty-four hours a day. As such, he is always on call and always puts in more than eighty hours a pay period. He is not compensated on an hourly basis.”

## **Amboy Owes the City \$417,571 For Its Water and Sewer Use**

We reviewed the City Department of Environmental Protection’s (DEP) Customer Information System, and determined that as of April 26, 2002, Amboy owed the City \$417,571 for water and sewer charges. DEP’s system indicates that these charges are owed at the Family Center’s 13 buildings. Amboy’s contract states: “In addition to the invoice or voucher, Amboy shall submit to HPD on or before the tenth (10<sup>th</sup>) day of each month in such form and detail as HPD may reasonably require proof of payment by Amboy of all water and sewer charges.”

**Amboy Response:** “While it is accurate that the water and sewer taxes are owed, Amboy felt that HPD had left it no alternative but not to pay them. When the taxes were first required, HPD was informed that there was not enough money in the budget to cover them. HPD was repeatedly told this in meetings and refused to address the issue, other than to say they would check to see if the taxes could be waived or reduced. Amboy’s choices were stark: pay salaries, payroll taxes, vendors for necessary supplies OR water and sewer taxes. Amboy does not want to not pay bills, but they must be properly funded. We would strongly suggest that HPD revise its budget figures to provide for payment.”

## **Recommendations**

HPD should:

1. Ensure that Amboy immediately inspects all apartments and ensure that all unsafe and unsanitary conditions (including those cited in this report) are corrected.

**HPD Response:** “In response to the former New York City Comptroller Alan Hevesi letter, HPD conducted a joint inspection with the Family Center Provider of all units. Most recently, HPD performed a second joint inspection with the Provider of those units cited in the letter from the New York City Comptroller William Thompson, Jr. of current conditions observed by the auditors. Although it is the contractual obligation of Amboy to maintain and operate the Family Center in a proper, safe and sanitary manner, HPD is drafting procedures to be implemented that will require Amboy to conduct and document physical inspections of all occupied units on a regular basis. HPD will routinely review

this documentation and conduct audits of inspections performed by Amboy to ensure compliance with contract provisions in maintaining a safe, clean and sanitary facility.”

2. Ensure that Amboy develops and implements formal procedures for inspecting tenants’ apartments. These procedures should include the frequency of required visits, steps to be taken when a tenant is not at home, conditions to be reported and how they are to be reported, and when to follow up to ensure that conditions are corrected. Amboy should then ensure that employees perform inspections in accordance with its procedures.

**HPD Response:** “See Response 1 [to Recommendation #1]. It should also be noted that in the Family Center RFP for fiscal year 2004, as a ‘Performance Outcome Measure and Related Financial Incentives and/or Disincentives,’ HPD has required a monthly report describing all maintenance actions carried out by the Provider, including all accounting of expended funds on maintenance and repairs as one of 4 requirements to receive 10% of each month’s billing.”

3. Ensure that Amboy calculates holiday pay for its employees in accordance with their union agreement.

**HPD Response:** “HPD will obtain a copy of all current union agreements from Amboy as a reference to calculate holiday and overtime pay. HPD will ensure that as part of the Agency’s review of payrolls that all calculations of pay are in conformance with these union agreements.”

4. Ensure that Amboy documents the Executive Director’s work hours.

**HPD Response:** “HPD will issue a directive to Amboy that all personnel including salaried staff submit bi-weekly verified timesheets with their monthly vouchers submitted for payment.”

5. Ensure that Amboy pays DEP \$417,571 in outstanding water and sewer charges.

**HPD Response:** “HPD is actively working with the Deputy Commissioner of Customer Service of the NYC Dept. of Environmental Protection to address the outstanding bills owed by Amboy. A review of the invoices is being conducted by DEP and an inspection of the buildings will be set with DEP and HPD if warranted. When a review of outstanding charges is complete, HPD will ensure that a payment or payment schedule is arranged to eliminate this debt.”

6. Routinely inspect the Family Center’s occupied apartments to ensure that they are safe, sanitary, and properly maintained, as required by HPD’s contract with Amboy.

**HPD Response:** “ See Response 1 [to Recommendation #1].”