

CITY OF ROCHESTER
NEIGHBORHOOD & BUSINESS DEVELOPMENT
SMALL BUSINESS MATCHING GRANT PROGRAM

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Office of Public Integrity
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I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) reviewed the U.S. Department of Housing and Urban Development's (HUD) Small Business Matching Grant program that is coordinated through the City's Department of Neighborhood and Business Development (NBD). This grant provides funding for new retail and select consumer services with annual gross revenues of \$5,000,000 or less, serving low/moderate income areas of the City of Rochester and located within commercially zoned areas. In general, the results of the review indicate that NBD is operating the program in accordance with the terms of the agreement between HUD and NBD. We noted that NBD utilized grant funding in full compliance with the terms of the agreement and City policy without exception.

II. BACKGROUND, OBJECTIVES, AND SCOPE

A. Assignment

The Office of Public Integrity routinely conducts reviews of grants that the City receives. As part of our annual work program, we selected HUD's Small Business Matching grant program that is administered in NBD.

B. Background

The mission of the Department of Housing and Urban Development (HUD) is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD works to strengthen the housing market, to bolster the economy and protect consumers, to meet the need for quality affordable rental homes, to utilize housing as a platform for improving quality of life, to build inclusive and sustainable communities free from discrimination, and to transform the way HUD does business.

The Small Business Grant program provides matching Federal funds for eligible retail and neighborhood service businesses which need capital for items such as furniture/fixtures/equipment, exterior signage, advertising, computers, architectural services, and security equipment (alarm systems, exterior lighting, security cameras). New businesses (in business for up to 12 months) are eligible for up to \$5,000. Existing businesses (in business for more than 12 months) are eligible for up to \$8,000. All grants are reimbursement grants, which requires reimbursement after the business expenditure has been made. Appropriate cost documentation is required.

C. Objectives and Scope

The purpose of the review was to determine if NBD utilized the grant funding in compliance with the terms of the agreement, to determine that all expenses submitted for reimbursement are valid and substantiated by supporting documentation, and to determine that properties and owner/occupants were eligible for the grant funding.

We selected a sample of 12 properties out of a possible 22 that had an active agreement during the period of July 1, 2016 through June 30, 2017. Business owners may reapply for the grant 24 months following their last reimbursement from a prior grant.

We noted one reimbursement request submitted to HUD for \$2,674.44 was outstanding at the time of the review. We noted eight business owners had yet to submit any reimbursement requests to HUD through NBD. However, five of these eight business owners had at least 6 months remaining on their agreements to submit qualifying expenses to HUD for reimbursement. During the period of July 1, 2016 through June 30, 2017, we noted 13 requests for reimbursement totaling \$7,131.06 were received by NBD from HUD.

A list of the selected properties and the corresponding amounts reimbursed to the business owners follows:

Neighborhood Business Development
Small Business Matching Grant
Sample Selection of Businesses

<u>Contract #</u>	<u>Business Owner</u>	<u>Business Address</u>	<u>Amount</u>
129378	Grisby's Auto Sales	360 Curlew St.	\$ 0.00
129379	Culver Rd. Pizza	2055 E. Ridge Rd.	855.00
129454	Manel Sealers	65 Weicher St.	*
130216	Nicole Hoffman	6 Gladys St	0.00
129735	Loi Nguyen	277 Saxton St.	0.00
129711	Exercise Express	232 S. Plymouth Ave.	4,883.02
129632	Woody's on Monroe Ave.	250 Monroe Ave.	0.00
129626	S&T Lounge	328 North St.	0.00
130019	Effortlessly Healthy	1921 South Ave.	0.00
129877	Spin Sisters	543 Atlantic Ave.	1,393.04
130332	Liberty Family Restaurant	160 Winton Rd. N.	0.00
130113	Yazan Services	136 Lyell Ave.	<u>0.00</u>
			<u>\$7,131.06</u>

* Pending HUD reimbursement for \$2,674.44 not received at time of review.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. In addition, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal Auditing. 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.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

In general, the results of the review indicate that NBD is administering the Small Business Matching Grant program in accordance with the agreement between the City and HUD. We noted that NBD properly maintained all necessary and supporting documentation for each business in the sample selection without exception. We noted that NBD verified that applicants met the necessary requirements and were eligible to participate in the program. We also verified that expenses submitted for reimbursement were accurate and in accordance with the terms of the agreement.

IV. DEPARTMENTAL RESPONSE

The Department of Neighborhood Business and Development reviewed this report and will continue to administer the Small Business Matching Grant program in accordance with the agreement between the City and HUD.