Audit Report

ASPIRA of New York

For the Period

July 1, 2012 through June 30, 2013

EC-0514-01

November 20, 2014

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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November 20, 2014

Mr. Magda N. Yrizarry
Board Chair
ASPIRA of New York
630 9th Avenue, Suite 302
New York, NY 10036

Dear Mr. Yrizarry:

I have enclosed the final report (EC-0514-01) for the audit of ASPIRA of New York for the period July 1, 2012 through June 30, 2013.

Ninety days from the issuance of this report, ASPIRA officials will be asked to submit a report on actions taken as a result of this audit. This report will be in the format of a recommendation-implementation plan and it must specifically address what action has been taken on each audit recommendation.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

Maria C. Guzman

Enclosure

c: Commissioner King, S. Cates-Williams, B. Kenney, J. Delaney, A. Timoney (DOB), J. Doughtery (OSC), S. Anand, M. Gonzalez

Executive Summary

Background and Scope of the Audit

ASPIRA of New York (ASPIRA) is a not-for-profit Community Based Organization (CBO), that operates an after school 21st Century Community Learning Center (21st CCLC) program. The program is federally funded and authorized under Title IV, Part B, of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. The purpose of this program is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools, to meet State and local student standards in core academic subjects, to offer students a broad array of enrichment activities that can complement their regular academic programs, and to offer literacy and other educational services to the families of participating children.

CBOs enter into a contract with the State Education Department (Department) as well as submit a budget that is approved annually by the Department. Participating CBOs can receive reimbursement for incurred expenditures that have been approved in the budget and contract and for an estimate of funds needed for the next month. Claims may be submitted monthly, but a Final Expenditure Report (FS-10-F) must be filed to receive the last 10 percent of the grant.

The Office of Audit Services conducted an audit to verify that ASPIRA appropriately expended 21st CCLC grant funds. We examined financial records and documentation to substantiate $857,350 claimed in expenditures for the period July 1, 2012 through June 30, 2013. Our objectives were to verify the allowability and accuracy of the amounts expended and claimed by ASPIRA under the terms and conditions of contract number C400858, and to assess compliance with pertinent federal requirements for the use of these funds.

Audit Results

We found that most of the expenditures claimed by ASPIRA's 21st CCLC program were supported and documented. However, the following exceptions are noted below.

- Funds amounting to $8,634 in non-salary and $287 in salary related expenditures should not have been reimbursed through the grant because they were unapproved, outside the grant period, inadequately documented, or based on incorrect allocations. Correspondingly, an additional amount of $713 of indirect cost is disallowed.
- An administrator whose position was funded from multiple funding streams did not have an associated personnel activity report, as required by OMB Circular A-122.
- There is a lack of separation of duties with ASPIRA's Chief Financial Officer, who also acts as the Chief Operating Officer, approves all transactions, has the ability to make accounting entries, and also has unlimited administrative access to the accounting system.

Comments of ASPIRA Officials

ASPIRA officials' comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B to this report. Auditor's Notes are included in Appendix C.

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Introduction

Background

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Audit Scope, Objectives, and Methodology

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- verify the allowability and accuracy of the amounts expended and claimed by ASPIRA under the terms and conditions of contract number C400858, and to
- assess compliance with pertinent federal requirements for the use of these funds.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed ASPIRA and Department management and staff; and examined records and supporting documentation.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other procedures considered necessary. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions, and recommendations.

Comments of ASPIRA Officials

ASPIRA officials' comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B to this report. Auditor's Notes are included in Appendix C.

Non-Salary Expenditures

Grant recipients must have adequate accounting and reporting systems in place to ensure that accurate, timely, and complete grant financial records are maintained and disclosed in required reports to the board and the Department. Expenditure documentation must be adequate to support charges to the grant and to demonstrate adherence to its terms and conditions. ASPIRA's expenditure documentation did not always support the applicability and/or eligibility of costs under the provisions of the grant.

We reviewed supporting documentation for a sample amounting to $51,392 of other than personal service expenditures from a total of $96,515 (or 53 percent) to ensure that they were accurate, allowable, and were approved as part of the budget. Based on our review, $8,634 in expenditures is disallowed because they were either not included in the approved budget, outside the grant period, inadequately documented, or incorrect allocation rates were used. See Table 1 for the detail of disallowed expenditures.

Unapproved or Outside Grant Period

ASPIRA claimed $6,968 in expenditures that were unapproved or outside the grant period. ASPIRA claimed a total of $4,296 for expenses that were incurred prior to the 2012-13 grant period and, therefore, should not have been claimed during this period. ASPIRA also claimed an additional $2,672 that was not approved as part of the contract or amended budget. This includes supplies shipped to two schools that were not part of the 21st CCLC program, late fees, fines, and purchase of program supplies at the end of June 2013. Due to the large number of supplies that was purchased and that ASPIRA does not operate any summer programs, these supplies did not benefit the 2012-13 grant period. Lastly, some purchases are personal in nature and it is questionable as to how they relate to the 21st CCLC program. For instance, purchases were made for eggs, chicken thighs, movie tickets, diapers, baby wipes, coffee creamers, multi vitamins, lint rollers, and a staff farewell meal.

Lastly, we noted 19 instances where minor amounts of New York State sales taxes were paid on various purchases. As a not-for-profit, ASPIRA is tax exempt.

Inadequately Documented and Incorrect Allocation

ASPIRA claimed a total of $1,105 that was not adequately supported. They claimed certain amounts for reimbursement but the invoices or documentation provided were for less than the amount claimed. Other documentation included receipts that were not legible, or itemized with a list of what was purchased.

Lastly, ASPIRA allocated the cost of a copy machine rental fee and a storage unit rental fee using incorrect allocation rates. When we asked ASPIRA officials about the rates, they indicated that the wrong rates were used. We were provided with the correct rate and determined that $561 was over-claimed.

Recommendations

1. Only claim expenditures on the FS-10-F that are approved in the contract or budget, and those within the grant period.

2. Do not claim New York State sales tax payments.

3. Ensure that adequate supporting documentation is maintained for all claimed expenditures.

Table 1
ASPIRA of NY
Non-Salary Expenditures Disallowed

Amount Disallowed	Explanation
$3,000	Copier lease lawsuit settlement for non-payment.
313	Internet business service incurred prior to 2012-13.
563	Phone bill incurred prior to 2012-13.
420	Program supplies where all receipts are dated prior to 2012-13.
568	Supplies ordered and shipped to schools that were not part of the 21st CCLC.
40	Late fees for storage.
110	Auction fee for delinquent storage payment.
400	Fine from Office of Family and Children Services for not having the proper student-to-staff ratio.
1,273	Program supplies purchased for 2013-14.
131	Eggs, chicken thighs, and an unknown item purchased for $30; movie tickets for $42; diapers for $39; and baby wipes for $20 – personal items.
73	Coffee creamers, multi vitamins, and lint roller – personal items.
77	Staff farewell event – personal cost.
160	Office supplies $820 claimed – invoices support $660.
9	Christmas party supplies claimed $100 – receipts support $91.
42	Moving costs for employee claimed $120 – receipts support $78.
46	Supplies claimed for $791 – legible receipts support $745.
743	Supplies claimed for $1,445 for Christmas, Easter, and year-end closing event. Legible and itemized support $702.
105	Reimbursement to petty cash fund $105 claimed with no supporting receipts.
561	A copy machine rental fee ($1,767) and a storage unit fee ($461) were allocated using incorrect rates. Had the correct rate been used, a total of $1,667 would have been claimed.
$8,634	**Total OTPS disallowance.**

Source: OAS Analysis of OTPS Costs

Salary Related Expenditures

Grant funds may be used to pay for all or part of the salaries and allowable fringe benefits of personnel who are directly working on the grant project. Records must be maintained to support the salaries and describe the duties of each grant-funded position. In addition, federal requirements call for specific documentation to support the salaries charged to the grant.

We found that most of the salaries were appropriately charged to the grant except for some inaccurate data entry that resulted in salary payments being more than the amount supported by time sheets. We also found one administrator did not have the required federal supporting documentation (PARs, see below).

Inaccurate Payroll Data Entry

We reviewed a sample of salary related expenditures amounting to $363,337. We found sufficient documentation to support all but $287 of the sample. Time sheet hours were not always entered correctly on the payroll register as noted below.

- The payroll register shows that $1,394 was paid to a teacher for the pay period ending October 19, 2012. However, the time sheet supports $1,312, a difference of $82.
- The payroll register shows that $3,321 was paid to a Program Coordinator for the periods ended July 27, 2012, May 31, 2013, and June 14, 2013. However, the time sheets support $3,116, a difference of $205.

Compliance with Federal Requirement

The federal Office of Management and Budget's Circular A-122 requires that the distribution of salaries and wages to awards must be supported by personnel activity reports (PARs). Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. PARs must reflect an after-the fact determination of the actual activity of each employee, must account for the total activity for which employees are compensated, must be signed by the employee or supervisor, and must be prepared at least monthly and coincide with one or more pay periods.

ASPIRA did not maintain PARs for one administrator whose position was funded from multiple cost objectives. We did find that this individual's timesheet was consistent with the payroll register.

Recommendations

4. Ensure PARs are maintained for all employees who are compensated through a federal grant.
5. Ensure that what employees are paid and the payroll register are supported by time sheets.

Indirect Costs Adjustment

The Department has issued guidance to grant recipients as to how to administer grants and claim indirect costs. Indirect costs are broadly defined as central administration costs and certain other organization-wide costs that are incurred in connection with a project, but that cannot be readily identified with the project. The total indirect costs generated for a project are calculated by applying an approved indirect cost rate to an allowable direct cost base. The direct cost base is calculated by taking all allowable costs and by deducting any costs that are not part of the base as well as any disallowed costs.

We made adjustments to the indirect costs claimed based on unallowable costs as shown in Table 2 below, by recalculating the direct cost base to determine the correct indirect costs that should have been claimed. Consequently, of the $63,507 claimed for indirect costs for the 2012-13 audit period, $713 is disallowed.

Table 2
Indirect Costs for 2012-13

Total Claim	857,350
Less: Indirect Claim	(63,507)
Less: OTPS Disallowance	(8,634)
Less: Personal Services Disallowance	(287)
Adjusted Allowed Direct Cost Base	784,922
Indirect Rate	.08
Indirect Cost Allowed	62,794
Less: Indirect Cost Claimed	(63,507)
Indirect Cost Disallowed	(713)

Source: OAS Analysis of Indirect Costs

Recommendations

6. Submit a revised FS-10-F long form reflecting a reduction of $9,634 for disallowed costs of which $8,634 is for other than personal service costs, $287 is for personal service costs, and $713 is for indirect costs. The revised FS-10-F long form accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revision, should be submitted within 30 days to:

The State Education Department
Grants Finance, Room 510W EB
Albany, NY 12234

Grants Finance will review the revised FS-10-F long form and send Form FS-80, Notice of Overpayment to you, confirming the amount overpaid, and provide remittance instructions.

Internal Controls

The State Comptroller's *Standards for Internal Control In New York State Government* states separation of duties is the division of key tasks and responsibilities among the various employees and sub-units of an organization. No one individual should control all the key aspects of a transaction or event. By separating key tasks and responsibilities - such as receiving, recording, depositing, securing and reconciling assets - management can reduce the risk of error, waste, or wrongful acts occurring or going undetected. The purchasing cycle is a key area where the separation of duties can minimize the risk of inappropriate, unauthorized or fraudulent activities. Specifically, purchasing activities (initiation, authorization, approval, ordering, receipt, payment and record keeping) should be done by different employees or in sub-units of an organization.

We found ASPIRA's Chief Financial Officer, who also acts as the Chief Operating Officer, approves all transactions and also has the ability to make accounting entries. This same individual also has the administrative rights to the accounting software and has the ability to give or take away read-only or transaction writing access to the accounting software for all individuals. Although we observed no impropriety, lack of separation of duties increases the risk that an employee can carry out and conceal errors or misappropriations without being detected.

Recommendation

7. Ensure that there is adequate separation of duties by dividing the key tasks of approving transactions, making accounting entries, and having administrative rights to access the accounting software.

Appendix A

Contributors to the Report
ASPIRA of New York
21st CCLC Grant

- T. Stewart Hubbard III, Audit Manager
- Patrick Orton, Auditor in Charge
- Daniel Flynn, Auditor

ASPIRA of New York, Inc.

Sunil Anand, CFO/COO
ASPIRA of New York
630 9TH Ave. Suite 302
New York, NY 10036

November 6, 2014

Mr. Stewart Hubbard III
Principal Auditor
Office of Audit Services
Ref: July 1, 2012 through June 30, 2013
EC-0514-01

Dear Mr. Hubbard

I have enclosed a response to the Draft Audit Report for ASPIRA of New York for the period July 1, 2012 through June 30. 2013. We have requested your reconsideration and the allowance of $4693.00. Based on our explanations attached, we do hope that your will consider our request favorably. We are however willing to accept the responsibility for the balance. Thank You.

Sincerely,

Sunil Anand, CFO/COO

Auditors response for preliminary findings

OTPS Related Disallowances:

Toshiba copier lawsuit settlement for non-payment This copier was of use for the 12-13 and represented lease payments for the current fiscal year despite the lawsuit. The settlement benefited the agency and saved money in the long term. Please reconsider this charge.	$ 3,000.00	See Auditor's Note 1
Robert Rodriguez is vision imparied and forgot to give us receipts until the beginning of 12-13 fiscal year. Considering his impairment we had no choice but to pay him Therefore we request you to allow this expenditure	$ 420.00	See Auditor's Note 2
S&S Worldwide Since the merchandise was purchased and received in FY 12-13, this should be considered as an allowable expense, especially when you disallowed June 2012 expenses claimed in the current year. on the ground of being a prior period expense, although it benefited the current fiscal year.	$ 1,273.00	See Auditor's Note 3
TOTAL REQUESTED ALLOWANCES	$ 4,693.00	

Reference : CFO:

It is to state that due to limited staff ASPIRA can afford at this time, we have developed the following internal control mechanisms to avoid any unauthorized transactions:

- Every voucher is counter signed and approved by the board treasurer, before a check is issued. This happens after every transaction involving purchase of goods and services goes through a rigourous accouts payable control mechanism including a requisition duly approved by the program manager, chief program officer, and the executive director, a purchase order, an invoice and receiving report duly cross checked by the fiscal department.

- Every check is counter signed by the board treasurer, consequently, the board approves and authorizes every transaction before a check goes out.

  Our CFO is also a CPA who has his own professional responsibilities,

- We have Director's and Officer's Insurance policy which also covers our CFO, to cover any possible loss.

- Further more, the Board treasurer monitors all day to day transactions.

In conclusion, based on the aforementioned, we can state that the chances or errors, ommisions, and/or fraud are practically eliminated. Should we grow and have additional staff member in the fiscal department, we will consider your advice.

Appendix C

Auditor's Notes

1. In regard to the Toshiba lawsuit settlement, copier lease payments were approved in the budget, but settlement fees were not. Also, this expense is a result of a civil proceeding that ended in a penalty which is not allowable.

2. We fail to see how being vision impaired has to do with the lapse of providing receipts for reimbursement of costs for six months. All of the receipts are dated during the previous fiscal year of 2011-12, but reimbursement was not made until halfway into the audit period, January 2013.

3. We reiterate that these supplies were purchased at the end of June 2013 (audit period) and that ASPIRA does not run any summer programs. These supplies clearly do not benefit the year in which they were purchased, but the following year.