
Audit Report

Henry Street Settlement

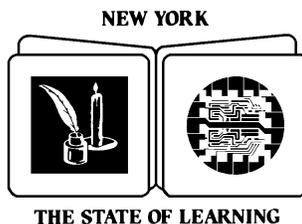
For the Period

July 1, 1996 through June 30, 1997

EC-0398-7

July 27, 1998

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



July 27, 1998

Mr. Daniel Kronenfeld
Executive Director
Henry Street Settlement
265 Henry Street
New York, New York 10002

Report Number EC-0398-7

Dear Mr. Kronenfeld:

We have performed a review of the legislative grant expenses and accomplishments reported by Henry Street Settlement (Henry Street) to the State Education Department (Department). This letter represents a report on the results of the review.

Henry Street provides community services to the people who reside on the Lower East Side of Manhattan and to other communities in New York City. Its programs include day care for pre-school children, hot meals for the elderly, housekeeping services for certain individuals, and job and educational training for youth. Henry Street expended \$20.8 million during the 1997 fiscal year in carrying out its activities. The New York State Legislature appropriated \$170,000 in grants for the 1996 and 1997 fiscal years to provide tutoring, academic counseling and recreational sports to disadvantaged youth. Henry Street entered into a contract with the Department specifying the funds would be used to support **Expanded Horizons**, its academic counseling and educational support services program, and **Operation Athlete**, its recreational sports program.

The purpose of the review was: to verify entitlement to the grant funds received by Henry Street; to verify the accuracy and propriety of the financial information reported to the Department; and to determine if the activities and goals specified in the contract were accomplished. We reviewed practices, records and documentation supporting the Final Expenditure Reports that Henry Street submitted covering the period July 1, 1995 through June 30, 1997. The review concentrated on the \$170,000 in reported grant expenses and the accomplishments of the grants, and did not assess Henry Street's overall operations or the adequacy of internal controls.

The review determined that Henry Street is entitled to the full \$170,000 it received (see Exhibit A). However, we found that the salary and fringe benefit expenses were not adequately supported by Henry Street records. Records showing the time spent on grant activities should be maintained to support salaries and fringe benefits charged to the grant. However, the review

determined that Henry Street charged portions of certain staff salaries to the grants based on estimates of time spent on grant activities rather than actual time. As of July 1, 1997 Henry Street instituted time and effort reporting procedures to ensure reported salary expenses are based on records supporting actual time spent on grant activities.

Fringe benefit expenses claimed for the grant should not exceed the agency's overall fringe benefit rate. However, the review determined Henry Street reported fringe benefit expenses on grant-related salaries at a rate exceeding its overall fringe benefit rate. Henry Street claimed fringe benefits of 31 percent for 1996-1997, while its overall rate was 26.92 percent. For 1995-1996, it claimed a benefit rate of 27.92 percent, while its overall rate was 26.99 percent. Fringe benefits should have been reported at the agency's overall fringe benefit rate. Since Henry Street incurred grant-related expenses in excess of \$170,000, no grant funds were questioned or disallowed.

The review determined that Henry Street accomplished the activities and services specified in the contract. For example, Henry Street provided tutoring services to 89 students in its after-school program at P.S. 134.

RECOMMENDATION

- 1. Adhere to the procedures implemented in July 1997 to ensure reported salary expenses are based on records supporting actual time spent on grant activities.*
- 2. Implement procedures to ensure that expenses for fringe benefits claimed on the contract do not exceed fringe benefit expenses based on the agency's overall fringe benefit rate.*

Henry Street officials agreed with the findings and recommendations in this report. The report will be used by the Department's Bureau of Fiscal Management and the Office of Elementary, Middle, Secondary and Continuing Education in reviewing and approving contracts and payments for any subsequent legislative grants.

I appreciate the cooperation and courtesies extended to our staff during this review.

Sincerely,

Daniel Tworek
Director

cc: Richard Cate
Michael Carey
James Kadamus
Thomas Sheldon
Charles Foster (DOB)
Robert Lindholm (OSC)

bcc: Delbert Browne

Michael DiVirgilio

Henry Street Settlement
Legislative Grant Expenses
July 1, 1995 through June 30, 1997

Contract	Category	Claimed	Questioned	Approved
C-940253 7/1/95-6/30/96	Salaries	\$64,400		\$64,400
	Supplies and Materials	1,620		1,620
	Travel Expenses	1,000		1,000
	Fringe Benefits	17,980		17,980
C-960498 7/1/96-6/30/97	Salaries	62,265		62,265
	Supplies and Materials	1,625		1,625
	Travel Expenses	1,810		1,810
	Fringe Benefits	19,300		19,300
Total		\$170,000	\$0	\$170,000

*The reported financial information was not adequately supported by time records and reported fringe benefit expenses exceeded the agency's overall fringe benefit rate. The review, however, made no adjustments because total grant-related expenses exceed the amount of the grants.