
Audit Report

Northeast Bronx Redevelopment Corporation

For the Period

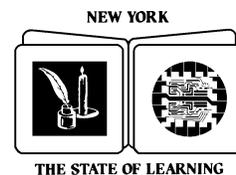
July 1, 1993 through June 30, 1998

EC-0398-9

October 1, 1999

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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October 1, 1999

Mr. Fred Lewis
Acting Executive Director
Northeast Bronx Redevelopment Corporation
PO Box 427
Bronx, New York 10470

Dear Mr. Lewis:

I enclose the final audit report (EC-0398-9) related to the audit of the Northeast Bronx Redevelopment Corporation (NEBRC) for the period July 1, 1993 through June 30, 1998. The audit report is being forwarded to the Office of Fiscal Services for processing. Appendix C defines the Department's policy on audit review proceedings should your organization desire further recourse.

The audit found that NEBRC was overpaid a total of \$46,231, primarily due to its inability to document expenditures. It is requested that a check payable to the Commissioner of Taxation and Finance in the amount of \$46,231 be forwarded to the following address:

New York State Education Department
Bureau of Fiscal Management
PO Box 7346
Albany, New York 12234
Attention: Audit Adjustments

Please be advised that Chapter 55 of the Laws of 1992 (see Appendix D) requires the collection of interest on past due debt of 30 days or more. To avoid interest penalties and/or offsets to future scheduled payments to your agency, please forward payment within 30 days of receipt of the final report.

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

Sincerely,

Daniel Tworek

Enclosure

cc: R. Cate, T. Sheldon, B. Mason (OSC), C. Foster (DOB)
bcc: D. Browne, M. Carey, S. Hansen, B. Porter, T. Savo

Executive Summary

The Northeast Bronx Redevelopment Corporation (NEBRC) is a not-for-profit organization formed in 1992 to provide educational, recreational and cultural programs for the people of the northeast Bronx. The New York State Legislature appropriated \$812,500 to NEBRC for the period, July 1, 1993 through June 30, 1998, in the form of nine grants. The New York State Education Department (Department) has since awarded NEBRC contracts for six of the nine grants totaling \$442,500. The primary purpose of the contracts (\$420,000 or 95 percent) was to organize, build, operate and maintain a youth center. To date, the Department has paid \$260,449 on these contracts.

Subsequent to a 1995 Department review of NEBRC, the Department suspended making any further payments and processing any contracts for the remaining grants until NEBRC is able to demonstrate its ability to operate a youth center.

Scope of the Audit

We reviewed selected management practices, records and documentation supporting interim and final expenditure reports for the period July 1, 1993 through June 30, 1998. We also reviewed actions taken by NEBRC since our last review in 1995 and NEBRC's current plan for its youth center. The purpose of our review was to verify the accuracy and reliability of the financial information reported to the Department; to determine if the activities and goals specified in the contracts were accomplished; to verify entitlement to the grant funds received by NEBRC; to review the status and operational plan for the youth center, and to determine the adequacy of the fiscal and administrative controls as they relate to the grants.

Audit Results

Our review found that NEBRC has not demonstrated that it has the necessary fiscal and administrative controls in place to operate a youth center. More specifically, we found:

- NEBRC was not able to adequately document \$49,195 or 18 percent of its reported grant expenses. According to NEBRC, much of the missing documentation was provided to the United States Attorney's Office as part of an on-going investigation of allegations of impropriety. Nevertheless, the onus is on NEBRC to provide the necessary documentation. Furthermore, Board minutes indicated copies of the documentation were provided to the United States Attorney's Office. Without adequate documentation, expenses are not eligible for reimbursement. NEBRC could not document \$49,195 and needs to make restitution to the Department for the overpayment. No further payments can be made by the Department until such time as NEBRC adequately addresses restitution of the overpayment.
- An additional \$140,623 or 54 percent of reported grant expenses are questionable. In particular, NEBRC has incurred rent expenses of \$93,000 over a five-year period for the rented facility in which no direct services were provided and is no longer available to NEBRC.

- Although NEBRC has prepared a manual to address fiscal and administrative controls, NEBRC has not followed its own manual requirements regarding the use of competitive bidding in its award of a \$48,500 renovation contract. In addition, NEBRC has not completed its annual financial statements in a timely manner, or filed its required reports with the IRS in a timely manner, and has not maintained an adequate inventory system.
- NEBRC has not accomplished the primary purpose of the legislative grants to organize, build, operate and maintain a youth center despite the \$420,000 in contracts awarded by the Department for this purpose.
- NEBRC's operational plan does not identify a facility where services will be offered.

NEBRC officials generally agreed with the recommendations.

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Introduction

Background

The Northeast Bronx Redevelopment Corporation (NEBRC) is a nonprofit, community-based organization whose mission is to enhance the quality of life in the northeast Bronx by providing educational, recreational, and cultural programs. NEBRC was formed in 1992 and received its funding primarily from government sources. For example, in 1994 NEBRC reported revenues totaling \$342,739 including \$143,381 from the NYS Department of State, \$122,301 from the NYS Education Department, \$54,786 from NYC Department of Youth Services, \$11,819 from other NYS and NYC agencies, and \$10,452 from contributions and other revenue. By 1997, funding had decreased significantly and NEBRC reported revenues totaling \$102,842.

Since 1993, the New York Legislature has authorized legislative grants for NEBRC and assigned the responsibility for administering nine of the grants totaling \$812,500 (see Exhibit A) to the NYS Education Department (Department). Of the total amount, \$22,500 was authorized to provide tutoring, and college referral and financial aid information. The remaining \$790,000 was authorized to organize, build, operate and maintain a youth center.

Funds are provided to NEBRC through the Department's contract process that establishes the purpose and guidelines for the grants. The contract specifies goals and objectives, payment methods, the contract periods, and activities and services to be rendered. The Department has awarded contracts for six of the grants totaling \$442,500. For these contracts, NEBRC initially claimed \$289,000 in expenses and revised this amount to \$260,913. The Department paid NEBRC \$260,449, or \$464 less than claimed.

As a result of a concern raised about the way NEBRC was administering the grants, Department staff visited NEBRC on October 11, 1995 to review records pertaining to one of the grants. The review determined NEBRC did not establish the necessary controls over grant expenses, did not maintain the necessary documentation to support the appropriateness of reported expenses, and did not accomplish the stated purpose of the grant (organize, build, operate and maintain a youth center). The Department suspended making any payments

and processing the contracts for the remaining three grants totaling \$370,000 until such time as NEBRC can demonstrate it has the necessary fiscal and administrative controls in place and the capacity to operate a youth center.

Since that time, NEBRC has made some improvements in controls over grant expenses and documentation of the expenses. However, NEBRC still has not completed the necessary renovations and has not been able to open its youth center despite spending almost \$240,000 in trying to do so. Most of the funds were spent for administrative expenses such as rent; services of a CPA; and salaries for the project director, assistant project director and bookkeeper.

At our request, NEBRC developed and provided to us on April 8, 1998 a plan to complete the renovations to the youth center and open its doors to provide services to children. Based upon our concerns, NEBRC revised its plan on October 28, 1998. Additional revisions were made on June 21, 1999 and again on August 11, 1999. The revised plan now outlines the activities to be provided, the days and hours of operation, and the individuals to be served, but does not identify a facility where the services will be offered.

Objectives, Scope and Methodology

Pursuant to section 305 of the Education Law and the terms of the contracts, we reviewed selected management practices, records and documentation supporting interim and final expenditure reports for the period July 1, 1993 through June 30, 1998. We also reviewed actions taken by NEBRC since our last review in 1995 and NEBRC's operational plan for its youth center. The objectives of our review were:

- To verify the accuracy and reliability of the financial information reported to the Department.
- To determine if the activities and goals specified in the contracts were accomplished.
- To verify entitlement to the grant funds received.
- To review the status and operational plan for the youth center.

- To determine the adequacy of fiscal and administrative controls as they relate to the grants.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed Department and NEBRC management and staff; examined records and supporting documentation; and sampled transactions on a non-statistical basis.

We conducted the audit 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 audit procedures considered necessary in the circumstances. 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 NEBRC Officials

NEBRC officials' generally agreed with the findings and conclusions in the report. Their comments to the findings and recommendations are included as Appendix B.

Report on Expenses

NEBRC reported \$260,913 in expenses for the six contracts and the Department paid NEBRC \$260,449. The reported expenses included \$111,194 in salary and fringe benefits and \$149,719 in non-salary expenses, some of which dated back to 1993. The review requested documentation such as canceled checks, invoices, and time sheets to verify the expenses were necessary, reasonable, and related to the purpose of the grants. However, NEBRC was not able to provide adequate documentation to support \$49,195 in expenses including \$43,138 in salary and fringe benefits and \$6,057 in non-salary items. NEBRC advised that the records were not available because they had been turned over to the United States Attorney's Office as part of an investigation of allegations of impropriety. Nevertheless, the onus is on NEBRC to provide the necessary documentation. Furthermore, Board minutes indicated copies of the original documentation were provided to the United States Attorney's Office. Without adequate documentation, expenses are not eligible for reimbursement. NEBRC could not document \$49,195 and needs to make restitution to the Department for the overpayment. No further payments can be made by the Department until such time as NEBRC adequately addresses restitution. The audit also questioned the appropriateness of another \$140,623 in expenses.

Salaries and Fringe Benefits

Salary and fringe benefit expenses claimed for reimbursement should be supported by payroll and accounting records including a payroll register, canceled checks, and time sheets showings hours worked and time spent on grant activities. NEBRC reported \$111,194 in salaries and fringe benefits for the grants. However, NEBRC did not provide adequate documentation to support \$43,138 in salary and fringe benefit expenses. As a result, the review disallowed \$43,138 and questioned the appropriateness of another \$35,984 in salaries and fringe benefits. Specific examples of the exceptions follow.

- The review disallowed \$41,123 in expenses for two assistant directors, an administrative assistant, and a comptroller for the 1993 grant because documentation provided by NEBRC showed these expenses may have

already been reimbursed by another grant. NEBRC provided us with a schedule listing the date, check number, pay period, gross pay and a statement indicating funds from the NYC Division for Youth Services grant were used to pay these individuals. However, adequate documentation was not available to show the activities the employees completed or if the NYC grant was actually used to pay for these employees.

- An additional \$2,015 was disallowed for the salary of an educational coordinator. The Board minutes indicated that the educational coordinator was also the Program Director for NEBRC's Information and Referral Program, which was funded by a grant from NYS Department of State (DOS). We are concerned that this individual's salary may have been claimed on both the Department's and DOS' grants.
- Even if adequate documentation was available to support reported expenses for the 1993 grant, the review would have questioned the \$72,778 in salary and fringe benefit expenses claimed for the 1993 grant. NEBRC charged seven employees to this grant including a project director, two assistant directors, an administrative assistant, a comptroller, and two educational coordinators. These employees were responsible for designing, implementing and expediting programmatic activities; providing administrative support; fiscal reporting; devising the program, and coordinating the renovation. However, NEBRC did not provide adequate documentation to show that these individuals were in fact working on activities related to the grant. While a site for the youth center had been rented and some renovations had been completed, the youth center never opened. Given the accomplishments to date, it does not appear that the staffing level during this period was commensurate with the activities completed. NEBRC needs to ensure it adequately documents employee activities and the basis for charging expenses to the grant. NEBRC also needs to ensure that documentation such as time studies or logs of activities are maintained to show the amount of time each employee is working on grant activities.
- During 1994, NEBRC operated programs funded by the New York City Department of Youth Services and the NYS Department of State as well as the Department. It

appears that staff members claimed on the Department contract devoted time to programs funded by these other agencies. For employees who worked on grant and other activities, documentation such as time studies or logs of activities should have been maintained to show the amount of time each employee worked on grant activities. NEBRC did not allocate a portion of the salaries to the other programs, but charged 100 percent to the Department grant. Time sheets and time cards were maintained, but they did not record the actual time devoted to a particular program.

- The review also questioned \$35,984 in salary and fringe benefit expenses claimed for the 1994 and 1995 grants. These expenses were for the part-time executive director. NEBRC reported that the executive director worked 20 hours per week and provided time sheets and canceled checks to support the expense. However, NEBRC could not provide documentation to show what activities the executive director completed. Given NEBRC was not operating a youth center, we question the necessity and appropriateness of the expense. NEBRC needs to ensure it adequately documents the activities of the executive director.

Non-Salary Expenses

Non-salary expenses claimed for reimbursement should be supported by the accounting records including purchase orders or requisitions, invoices and contracts, canceled checks, and bids and quotes, where appropriate. NEBRC reported \$149,719 in non-salary expenses for the grants. However, NEBRC did not provide adequate documentation to support \$6,057 in expenses. As a result, the review disallowed \$6,057. In addition, the review questioned the appropriateness of another \$93,000. Specific examples of the exceptions follow.

- Canceled checks and invoices were not provided for \$5,280 in expenses for three computers and other expenses. We noted the three computers were being stored at NEBRC's CPA's office. These computers, which were purchased in 1994, may now have become obsolete before they were ever used by the youth center.

- NEBRC originally claimed \$30,779 in expenses for gym equipment and was paid this amount by the Department. Subsequent to our last review, NEBRC returned \$21,290 to the Department for equipment it never received or had returned to the vendor. NEBRC has been able to account for all but \$777 of the equipment expenses. As a result, the disallowance stands at \$777.
- The prior review determined NEBRC leased property starting in 1993 to operate a youth center, but could not provide a signed copy of the lease. Without a signed lease, we were not able to determine the actual rent charges or the amount of rent waived by the landlord. NEBRC has now provided a copy of the signed lease. Our review showed that NEBRC paid its landlord \$75,000 since 1993. While the expenses are adequately documented with canceled checks and a lease agreement, we question the reasonableness of the \$93,000 (\$75,000 paid and \$18,000 unpaid) in rent expense for the period October 1993 through November 1998 since the youth center never opened and children did not receive services at the rented site. As of June 1999, the owner of the building is no longer interested in renting it to NEBRC.

Recommendations

1. NEBRC needs to make restitution to the Department for the \$46,231 overpayment for disallowed expenses not eligible for reimbursement.
2. Maintain adequate documentation to support reported expenses and allocations. The documentation should include invoices, contracts, canceled checks, time sheets, payroll registers, time studies or logs of activities, and contracts.
3. Ensure adequate documentation is maintained to show activities completed by employees and the source of funds used to pay the employees' salaries.
4. Allocate salary and other expenses to all cost centers that benefit from the expenses.
5. Ensure all equipment purchases are adequately accounted for.

Comments of NEBRC Officials

NEBRC officials generally agreed with the recommendations, although they did not specifically address recommendation number 1 regarding restitution for the disallowed costs.

Report on Grant's Goals and Objectives

Grant funds should be used to accomplish the agreed upon goals and objectives. If the goals and objectives cannot be accomplished, the grantee should notify the Department in a timely manner and request approval to modify the goals and objectives. Any modification to the goals and objectives must be consistent with the overall purpose of the grant. Also, a realistic plan to meet the goals and objectives should be developed and monitored on an on-going basis. The review determined NEBRC did not accomplish the goals and objectives specified in its contracts and also has not identified a facility in which to operate the youth center.

Goals and Objectives

The review determined that NEBRC only accomplished the goals and objectives for two (\$12,500) of the six grants (\$442,500). A summary of the status of the grants goals and objectives follows.

- NEBRC provided sufficient documentation to show it accomplished the goals and objectives for the \$2,500 grant (Contract T-930659). Grant funds totaling \$2,500 were used to prepare 60 students to take specialized high school entrance exams and the Department reimbursed NEBRC \$2,500 for the expenses.
- NEBRC provided sufficient documentation to show it accomplished part of the goals and objectives for the \$10,000 grant (Contract T-930660). The goals of the contract were to provide two computer-training courses to 30 students. NEBRC provided class rosters and registration forms to show it provided one computer course or accomplished one-half of the specified goals and spent \$2,500 or one-fourth of the \$10,000 grant to do so. The Department reimbursed NEBRC \$2,500 for the expenses.
- NEBRC did not provide adequate documentation to show it accomplished the goals and objectives for the \$10,000 grant (Contract T-930148). NEBRC could not show that the goals to provide a SAT preparation course to 100 students, a college scholarship information program to 250 students and their parents, and a series of cultural

awareness seminars were accomplished even though NEBRC was paid \$7,690 by the Department to do so.

- NEBRC did not provide adequate documentation to show it accomplished the goals and objectives for the remaining three grants totaling \$420,000 (Contracts C-930890, C-940990, C-950802). The goals of these three grants to organize, build, operate and maintain a youth center were not met even though NEBRC was paid \$238,413 to do so. These funds were used to pay staff, fringe benefits, rent, renovation contractors, equipment suppliers, insurance, and legal fees. NEBRC initially reported that the renovations to the youth center would be completed by March 1996 and the program would be operational shortly after that. However, while some renovations were made, they are not complete and the program is still not operational as of August 1999. NEBRC did not notify the Department in a timely manner that it was having difficulty in meeting the stated goals of the grants.

Operational Plan

At the Department's request, NEBRC developed and provided on April 8, 1998 an operational plan to complete the renovations and begin operating the youth center. The plan showed that NEBRC would provide educational, recreational, and cultural activities as part of the youth center. The plan showed that NEBRC had unpaid bills totaling \$66,389 and the renovations could be completed for \$16,139 in about 10 weeks from the date funding became available. The plan also projected annual operating expenses of \$186,720 and anticipated revenue of \$377,716. All of the revenue was from Department grants.

A review of the operational plan initially provided found that it was not complete or feasible. The plan's list of unpaid bills was not complete in that it did not include unpaid employment taxes. The plan's projected operating expenses did not include any expenses for fringe benefits, supplies, equipment, office furniture, tables and chairs, desks, repairs, or garbage removal. Also, based on the projected sources of revenue, NEBRC would only be in a position to operate one or two years without additional funding.

Based upon our concerns, NEBRC revised its operational plan on October 28, 1998 and more than doubled its projected

operating expenses to \$377,716. This amount included higher salaries for the executive director and the assistant director (about 41 percent more than the initial budget). It also included a 31 percent fringe benefit rate, which seems high for this type of agency. While the budget was doubled, it still does not include all unpaid bills. We also noted that a recently completed financial statement for the period ended June 30, 1997 shows that NEBRC's liabilities exceed assets by over \$24,000.

The revised plan included some changes to the program activities that would be offered. The plan included items such as after-school homework assistance, literacy, computer instruction, recreation, arts and crafts, and others. However, the operational plan does not provide any specifics for the activities such as the location, times and frequency of the activities; the curriculum or information to be covered; class size and level of supervision; or the instructors. We noted that prior grant funds were used to pay staff to develop NEBRC's program. However, this information is either not available or is not being used.

The operational plan was revised again by NEBRC on June 21, 1999 and again on August 11, 1999. The revised plan now outlines the activities to be provided, the days and hours of operation, and the individuals to be served, but does not indicate where much of the activities will take place. In fact, NEBRC no longer has a facility in which to offer its services.

Recommendations

6. Maintain adequate documentation to support the accomplishment of goals and objectives.
7. Notify the Department in a timely manner when incurring difficulties in meeting the contracts' required goals and objectives.
8. Accurately report the status of the activities specified in the contract.
9. Develop a realistic plan to operate the youth center.
10. Identify adequate sources of funding to sustain the program beyond the first year.

11. Consider all unpaid bills in revising plan.

Comments of NEBRC Officials

NEBRC generally agreed with the recommendations. In regard to recommendation number 10, NEBRC stated they have identified \$375,000 in additional funding, but could only provide a written statement from one of the entities accounting for \$125,000 of the funding.

Report on Internal Controls and Compliance with Laws, Regulations, Policies and Contract Provisions

NEBRC management is responsible for establishing and maintaining effective fiscal and administrative controls. The objectives of the controls are to help ensure that goals are met; assets are safeguarded against loss from theft or unauthorized use; laws, regulations and policies are complied with; reports and data are accurate and reliable, and operations are economical, efficient, and effective.

Our prior review in 1995 disclosed significant weaknesses in NEBRC's controls including:

- Adequate documentation was not available to support reported expenses.
- Methods to allocate expenses were not reasonable or documented.
- Claims for reimbursement were not based on actual costs.
- Competitive bids and quotes were not used.
- An inventory system was not maintained.
- Personnel files were incomplete and did not include job descriptions, titles, salary, or employee-employer agreements.
- Accounting information and reports were not prepared in a timely manner.

In response to the prior findings, NEBRC officials issued a Financial and Accounting Manual to address fiscal and administrative controls. The Manual specifies certain financial and accounting procedures and addresses the deficiencies previously identified. While we were able to review the Manual, we were not able to adequately test the control procedures due to the limited number of employees and financial transactions processed by NEBRC after the Manual was issued. In 1997, NEBRC only had one part-time employee and 55 financial transactions that accounted for the \$108,000 expended during the year. The expenses included \$41,000 for rent, \$32,000 for a renovation contractor and \$21,000 for the part-time executive director.

The review tested the completed financial transactions to verify the adequacy of controls and compliance with the Manual. For those items tested, documentation such as

invoices and canceled checks was available to support these costs. However, it appears NEBRC did not use competitive bidding in awarding a \$48,500 contract to renovate the facility in February 1997. Without competitive bidding, NEBRC has little assurance that these services were purchased at the best possible price. Also, NEBRC provided us with an inventory list of its equipment, but the list was not complete and did not include required information such as the cost, date of purchase, or location. Without an adequate inventory system, assets are at a greater risk for loss or misuse.

As part of our review, we requested financial statements and the required annual information return (IRS 990). However, the financial statements and the IRS 990s were not completed for the years 1995, 1996, and 1997. NEBRC did not address this control weakness we previously identified. Also, NEBRC may be subject to fines and penalties for failing to file the required forms in a timely manner with the Internal Revenue Service. As of June 1999, NEBRC has completed its financial statements and tax reports for these years.

Not-for-profit corporations are required to keep complete and accurate records including Board minutes. The minutes document a Board's activities in managing the affairs of the entity. The minutes also document whether Board members have adequately met their duties and responsibilities. However, NEBRC has not been able to provide a complete copy of its Board minutes. Without all Board minutes, we were not able to ascertain whether the Board took an active role in managing the affairs of NEBRC. NEBRC officials indicated they are not able to find the Board minutes from the last three years.

NEBRC needs to ensure that adequate controls are instituted and adhered to, especially if the program becomes operational and the number of employees and financial transactions increases.

Recommendations

12. Obtain competitive bids or quotes for certain purchases as required by NEBRC's Manual.
13. Implement an adequate inventory system and ensure all the necessary information is included on the inventory records.

14. Institute procedures to ensure the financial statements and required government forms are prepared and filed in a timely manner.
15. Ensure all Board meetings are adequately documented and the minutes are available for review.
16. Ensure adequate controls are instituted and adhered to for all employees and financial transactions.

Comments of NEBRC Officials

NEBRC generally agreed with the recommendations.

Northeast Bronx Redevelopment Corporation
Contributors to the Report

- Michael Abbott, Audit Manager
- Neil Smith, Senior Auditor

**NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF AUDIT SERVICES
AUDIT REVIEW PROCEEDINGS**

Requests for Audit Review

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from a final audit report issued by the Office of Audit Services.

An organization requesting an audit review must make a written application to the Associate Commissioner for Planning and Policy Development within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

- Recovery of funds would cause immediate and severe financial hardship to the organization, thereby affecting the well-being of program participants;
- The organization's violation was caused by erroneous written guidance from the State Education Department;
- The State Education Department failed to provide timely guidance on the matter or condition when the organization had previously requested such guidance in writing; and/or
- The report contains errors of fact or misinterpretation of laws, statutes, policies or guidelines.

Organizations requesting an audit review must submit a written application describing how one or more of the above conditions have been met. This application must include all evidence and information the organization believes are pertinent to support its position.

An audit report which recommends improvements in internal controls of administrative or financial systems, but has no material financial impact on the organization, will not be considered for an audit review proceeding.

18 February 1999

Mr. Daniel Tworek, Director
Office of Audit Services
The State Education Department
The University of the State of New York
Albany, N.Y. 12234

MAR 01 1999

Dear Mr. Tworek:

This is in response to the draft audit report (EC-0398-9) related to the audit of the Northeast Bronx Redevelopment Corporation (NEBRC) for the period July 1, 1993 through June 30, 1998.

The audit report resulted in a disallowance of \$79,481 for grant expenses not adequately documented. Please find attached documentation substantiating the expenditures and the following explanation for each:

Salaries and Fringe Benefits

1. The review disallowed \$21,265 in expenses for the project director and two assistant directors for the 1993 contract. As per my conversation with Neil Smith, Auditor, this disallowance pertained to salaries for Len Jones (\$17,898.44), Desiree Pagan (\$3,070.48) and Herman Punch (\$295.86). Please see Exhibit 4 which consists of Payroll Records, Canceled Checks, Time Sheets, Check Registers and Cash Disbursement Forms to substantiate these expenditures.
2. The review disallowed an additional \$41,123 in expenses for two assistant directors, an administrative assistant and a comptroller for the 1993 grant because documentation provided by NEBRC showed these expenses may have already been reimbursed by another grant. Please be advised that a loan was taken from another program grant since the agency had not received any money from the State Education Department to pay for the staff salaries to be charged to this grant. Please see Exhibit 5 which consists of salaries, their allocations and the DYS Claim Forms for this period. As you can clearly see, the staff salaries were never charged to the DYS contract.
3. An additional \$2,015 was disallowed for the salary of an educational coordinator. As per my conversation with Neil Smith, Auditor, he was unsure who this disallowance was related to but felt it may have been the salary of Merrick Demarr. Please see Exhibit 4 which shows all funds paid to Merrick Demarr. It is clear that no funds for the specified grant were paid to Merrick Demarr.

NON-SALARY EXPENSES

1. The audit disallowed the \$9,489 in equipment expenses because NEBRC did not provide adequate accounting records to support the expense. Please see Exhibit 1 which details and itemizes all equipment shipped by Flaghouse with dates and costs. The total for items shipped and received was \$6,636.98. In addition, a "restocking" fee of \$2,851.82 was charged to the program. Total equipment cost - \$9,488.80. It must be noted that the equipment is presently stored at Tuck-A-Way Storage in the Bronx.
2. Canceled checks and invoices were not provided for \$5,590 in expenses for three

computers, computer supplies, bank charges and other expenses. Please be advised that, as per information received from Neil Smith, Auditor.:

a. \$2,695 refers to the cost for three computers. Please see Exhibit 2 which is a copy of a Reimbursement check issued to a NEBRC account in this amount for the purchase of the computers.

b. \$2,585 refers to General Operating Expenses. Please see Exhibit A which consists of Payroll Schedule and Check Register for salaries under agency category of General Operating Expenses for Teaching staff in the amount of \$2,432.60.

c. \$309.61 refers to bank charges. Please see Exhibit 3 which consists of Bank Statements for the period in question that will substantiate this expense.

Other Audit Concerns:

1. Operational Plans & Budget

Please find attached for your perusal the Proposed Agency Budget and Operational Plans. The budget includes all outstanding debts (i.e. taxes, renovations, etc.).

The Operational Plan which includes Agency Activities and the Schedule of Activities reflect the times, frequency of activities and the total of youth to be served - 120. Participants will be instructed and supervised by program staff (4 Group Workers) and Consultant Staff who will serve as instructors for Jr. Tennis, Aerobics, Air Brush Painting and Golf. Activities will be housed at 4036 White Plains Road, Bronx, New York 10466.

2. Tax Reports

All tax reports and annual financial statements are up to date, completed and filed with the Internal Revenue Service and the State Attorney General's Office.

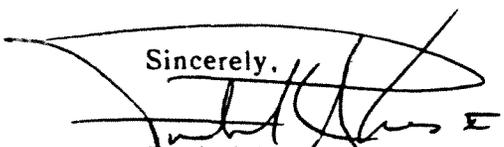
3. Renovation Bids

Please find attached Exhibit R which includes copies of bids from three (3) contractors for renovation services.

I hope the exhibits and explanations will resolve the disallowance's and your questions regarding the program operation. I wish to arrange a face to face meeting with you, our Accountant and Board Chairperson to further discuss our program plans.

Thank you in advance for your cooperation.

Sincerely,



Frederick A. Lewis II
Acting Director

NORTHEAST BRONX REDEVELOPMENT CORPORATION, INC.
PROPOSED PROGRAM BUDGET

PERSONNEL

EXECUTIVE DIRECTOR	40,000
ASSISTANT DIRECTOR/PROGRAM DIRECTOR	38,000
P/T ADMINISTRATIVE ASSISTANT	10,000
4 GROUP WORKERS @ 15,000	60,000
CONSULTANTS:	
LEGAL	1,500
NEW YORK JUNIOR TENNIS LEAGUE	20,000
JUNIOR GOLF INSTRUCTION	25,000
ACCOUNTANT/BOOKKEEPER	6,000
WORKSHOP INSTRUCTORS	10,800
FRINGE (24%)	33,120
CONSUMABLE SUPPLIES	1,500
SPACE RENTAL	36,000
EQUIPMENT PURCHASE	9,096
TRAVEL & TRANSPORTATION	2,000
LIABILITY INSURANCE	4,200
TELEPHONE	5,000
UTILITIES	10,000
POSTAGE	500
BANK CHARGES	500
PRINTING	500
RENOVATIONS	32,000
BALANCES OWED FROM '95,96,97 *	32,000
TOTAL	\$ 377,716

*- Includes all taxes owed

**- Accountant/Bookkeeper responsible for all fiscal records - Books, Ledgers, Payroll Register, All Taxes, Quarterly Fiscal Reports, Tax Reports (990's)

NORTHEAST BRONX REDEVELOPMENT CORPORATION

AGENCY ACTIVITIES

DAYS OF OPERATION - MONDAY - FRIDAY

HOURS OF OPERATION - 2p.m. to 10p.m.

YOUTH TO BE SERVED - 120

PROGRAM COMPONENTS:

AFTERSCHOOL - AGES 6-12, 3p.m. to 6p.m.

1. Homework Assistance
2. Tutoring
3. Arts and Crafts
4. Recreation
5. Educational and Cultural Trips
6. Computer Literacy
7. Dance
8. Drama
9. Air Brush Painting

EVENING - AGES 13-21, 7p.m. to 10p.m.

1. Tutoring
2. Recreation
3. Computer Literacy
4. Dance
5. Drama
6. Jr. Tennis
7. Jr. Golf
8. Air Brush Painting
9. Educational and Vocational Workshops

SUMMER PROGRAM

A. Day Camp - Summer fun in the sun for ages 6-12, 8a.m. to 4p.m.. All day recreational, cultural, educational and social activities, trips, arts and crafts, camping, etc.

B. Evening Teen and Young Adults - ages 13-21, 4p.m. to 10p.m.. Athletic tournaments, concerts, recreation, trips

NORTHEAST BRONX REDEVELOPMENT CORPORATION

SCHEDULE OF ACTIVITIES

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
PM 2-3	CLASSROOM PREP EACH DAY				
3-4:40	HOMework ASSISTANCE EACH DAY				
4:30-6	RECREATION ARTS & CRAFTS	COMPUTER DANCE READING	DRAMA PAINTING MATH	COMPUTER DANCE READING	DRAMA PAINTING MATH
6-7	EVENING PREP/ DINNER HOUR EACH DAY				
7-8:30	TUTORING DRAMA LOUNGE GAMEROOM	GOLF DANCE LOUNGE GAMEROOM	TUTORING TENNIS LOUNGE GAMEROOM	GOLF DANCE LOUNGE GAMEROOM	TENNIS DRAMA LOUNGE GAMEROO
8:30-10	WORKSHOPS PAINTING	COMPUTER AEROBICS	WORKSHOPS PAINTING	COMPUTER AEROBICS	RECREATI MOVIES

L & T Contractors of New York, Inc.

Exhibit R

3938 Baychester Ave.
Bronx, New York 10466
(212) 994-7673

NORTH EAST REDEVELOPMENT CORP.
3323 WHITE PLAINS RD.
BRONX, N.Y.,

REF: #036 WHITE PLAINS RD.
BRONX 2nd. floor

- 1- Build walls according w/ the sketch 1,236 sf.
- 2- 5 new doors
- 3- Shelves & pole for closets
- 4- New carpet in offices only 58 sy.,.
- 5- Fix all walls
- 6- Paint
- 7- Ceramic tiles on new bathrooms
- 8- Ceramic tiles exist bathrooms
- 9- 2 Marple saddles
- 10- 2 New bathrooms doors w/ hardware
- 11- Bathrooms appliances
- 12- Fix existing office

ELECTRICITY

- a)-8 new fluorescent fixtures
- b)-3 dedicated outlets for computers
- c)-12 regular outlets
- d)-6 swiches
- e)-2 lights for bathrooms
- f)-electric base board heaters

PLUMBING

- a)- Connection for 2 bathrooms, drain
- b)- Hot & Cold water

Relocate the gas heater, gas line, electric line
and exhaust chimney

TOTAL \$ 41,714.00

Proposal

Page No. _____ of _____ Pages

PERFECT PLUMBING AND HEATING INC.
332 DOUGLASS STREET
BROOKLYN, NEW YORK 11217
(718) 654-4771

PROPOSAL SUBMITTED TO Altec Construction		PHONE (914) 665-9244	DATE 6/3/98
CITY, STATE AND ZIP CODE 245 Langdon Ave. Mt. Vernon, NY		JOB LOCATION 4036 White Plains Rd. - 2nd Floor	
ARCHITECT	DATE OF PLANS	JOB PHONE	

We hereby submit specifications and estimate for **additional work for center as outlined below:**

- 1) Supply and install all necessary pipe, valves and fittings for new hot water heater, including supplying hot water heater.
- 2) Relocate gas line at men's bathroom area to supply gas for hot water heater and unit heaters
- 3) relocate existing unit heater so as to heat large area or room since rooms were built and are blocking the heating. Supply all necessary pipe valves and fittings and also venting through roof.

Total for above outlined work will be \$3500.00

- 4) Supply and install a 24 x 24 slop sink with all necessary plumbing material - waste line, venting, hot and cold water lines.
- 5) Supply and install new Unit heater, 125,000 BTU gas fired, with necessary gas piping, valves, venting - to heat up smaller area as outlined by Altec construction and Mr. Punch.

All work to comply with NYC Plumbing code, and all necessary additional permits, inspections and sign-offs to be done by this contractor.

Total for items 4 & 5 will be 900.00 for slop sink and \$2575 for heater. or total of \$3475.00 for items 4 & 5

Total for items 1-5 will be \$6975.00 Payments to be agreed upon before work begins.

Mr. Propose hereby to furnish material and labor - complete in accordance with above specifications, for the sum of:

Six Thousand Nine Hundred Seventy Five ----- dollars (\$ **6,975.00**)

Payment to be made as follows:

Deposit of 2500.00 to commence work with payments as requested as work progresses.

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, theft and other necessary insurance. Our workers are fully covered by Workmen's Compensation Insurance.

Authorized Signature

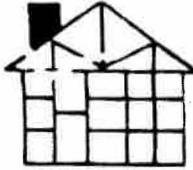
Note: This proposal may be withdrawn by us if not accepted within **10** days.

Acceptance of Proposal - The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Signature

Signature

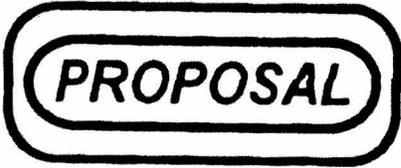
Date of Acceptance: _____



ALTEC CONSTRUCTION

245 LANGDON AVE
MOUNT VERNON, NY 10553

(914) 665-9244 FAX (914) 668-3983



Proposal No.: 000-4036

Date: October 03, 1997

C l i e n t	NORTHEAST BRONX REDEVELOPEMENT CORP. P.O BOX 690221 HILLSIDE STATION BRONX, NY 10469	Job Name: PHEICAL & EDUCATIONAL CENTER
		Start Date:
		Job Location: 4036 WHITE PLAINS ROAD BRONX, NY
		Job Phone: (718) 515-0920

WE PROPOSE THE

EXTRA WORK PROPOSAL

WE HEARBY PROPOSE TO SUPPLY ALL LABOR AND MATERIAL NEEDED.

(1) INSTALL 1/4" UNDERLAY PLY OVER EXESTING FLOOR AND INSTALL COMMERCIAL VYNAL TILE, APPROXIMATELY SIX THOUSAND (6000) SQ. FT. COLOR TO BE CHOSEN BY BOARD

TOTAL FOR FLOOR \$6850.00

(2) INSTALL (1) NEW CLOSET FOR SLOP SINK AS PROPCSED, NEXT TO FEMAIL BATHROOM WITH LIGHT

TOTAL FOR CLOSET \$700.00

(3) BUILD AND INSTALL WINDOW GARDS ON ALL REAR WINDOW, TOTAL OF 12 WINDOW'S PAINTED IN BLACK,

TOTAL FOR WINDOW GARD'S \$3750.00

(4) SUPPLY AND INSTALL A TOTAL OF (22) 2'X 4' FLURICENT LIGHT OVER CEILING IN RECREATION AREA,

INSTALL HANGING 4' LIGHT OVER OFFICE'S AND COMPUTER ROOM AS NEEDED
INCLUDED SWITCHES ALREADY INSTALL. **TOTAL ELECTRICAL** \$5600.00

EXTRA FOR DRAIN IN BATHROOM FLOOR, (2) COST \$450.00

Additional information pertaining to this Proposal

**Total Job Cost
for Proposal** \$17,350.00

Job Cost does not include tax, or applicable surcharges

Authorized
Signature

ACCEPTANCE OF PROPOSAL

CONDITIONS OF PROPOSAL

Signature _____

Signature

Date

CLIENT COPY - FOR CLIENTS RECORDS

**NOTIFICATION OF NEW YORK STATE DEBT COLLECTION LEGISLATION
AFFECTING ALL PAST DUE DEBT OWED TO NEW YORK STATE**

Recent legislation (Chapter 55 of the Laws of 1992) has granted additional enforcement powers to New York State agencies for collection of non-tax debts owed to the State. The Law requires all debtors to be notified prior to the implementation of certain provisions of the statute. This notice describes the major provisions of the legislation. If you have a current or outstanding debt with the State, you are strongly urged to settle this matter **NOW** to avoid interest and penalties which may apply to your debt as a result of this new law.

IMPORTANT PROVISIONS OF CHAPTER 55 OF THE LAWS OF 1992

Interest of Penalty on Overdue Non-Tax Debt - *section 67I*

Effective January 1, 1993 - State agencies are authorized to assess interest or late payment penalty charges on overdue debt.

Collection Fee - *section 67 (5)*

Effective January 1, 1993- State agencies may charge collection fees to cover the costs of processing, handling, and collecting delinquent debts. The amount charged can be as much as 22% of the outstanding debt.

Referral of Debt to the Tax Department - *section 81*

Effective immediately - State agencies are authorized to certify to the New York State Department of Taxation and Finance that a past-due legally enforceable debt should be offset against any tax refunds, contracts or other State payments.

Authority Not to Renew - *section 70*

Effective January 1, 1993 - State agencies are authorized not to renew licenses, permits, etc. if an individual or a business owes an overdue debt to those agencies.

Returned Check Charge - *section 68*

Effective January 1, 1993 - State agencies are authorized to charge a returned check fee when a check is dishonored.

Exhibit A

Northeast Bronx Redevelopment Corporation
 Special Legislative Grants
 Audited Expenses
 July 1, 1993-June 30, 1998

Contract #	T-930148	T-930660	T-930659	C-930890	C-940990	C-950802	C-960802	C-970682	No Number	TOTALS
Period	9/94-7/95	11/94-6/96	11/94-6/96	9/93-10/94	7/95-6/98	7/95-6/98	7/96-6/97	7/97-6/98	7/98-6/99	
Amount	\$10,000	\$10,000	\$2,500	\$150,000	\$150,000	\$120,000	\$120,000	\$120,000	\$130,000	\$812,500
Claimed	\$5,190	\$2,585	\$2,500	\$119,723	\$77,458	\$53,457	\$0	\$0	\$0	\$260,913
Disallowed	\$2,695	\$2,585	\$0	\$43,915	\$0	\$0	\$0	\$0	\$0	\$49,195
Verified*	\$2,495	\$0	\$2,500	\$75,808	\$77,458	\$53,457	\$0	\$0	\$0	\$211,718
Paid by SED	\$7,690	\$2,500	\$2,500	\$119,718	\$70,308	\$57,733	\$0	\$0	\$0	\$260,449
Uncashed check**	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Overpayment	\$5,195	\$0	\$0	\$43,910	(\$7,150)	\$4,276	\$0	\$0	\$0	\$46,231

* Includes Questioned Costs of \$140,623

** The check for \$2,500 was not cashed by NEBRC and was returned to the Department in August 1999