
Audit Report

Catskill Center For Independence, Inc.

For the Period

October 1, 1997 through September 30, 1998

RF-1299-2

September 6, 2000

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**

Daniel Tworek, Director
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September 6, 2000

Ms. Marge Aitken
Board President
Catskill Center for Independence, Inc.
PO Box 1247
Oneonta, New York 13820

Dear Ms. Aitken:

The following is our final audit report (RF-1299-2) on the Catskill Center for Independence, Inc. (CCI) for the period October 1, 1997 through September 30, 1998. The audit was conducted pursuant to Section 248.2(f) of the Regulations of the Commissioner of Education in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from the issuance of a final audit report. Appendix D describes the process to be followed in the event of such disagreement.

Ninety days from the issuance of this report, CCI officials will be asked to submit a report on actions taken as a result of this audit.

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

Sincerely,

Daniel Tworek

Enclosure

cc: P. Byron, R. Cate, R. Calhoun, W. Deschenes, M. DiVirgilio, L. Gloeckler, R. Gumson,
J. LaFrank, B. McLane, T. Sheldon, M. Tierney, C. Foster (DOB), B. Mason (OSC),
R. Zachmeyer, Executive Director

Executive Summary

Background and Scope of the Audit

Catskill Center for Independence, Inc. (CCI) is an independent living center that provides services to individuals with disabilities. CCI spent approximately \$303,000 during the 1997-98 fiscal year in carrying out its activities, which were funded in part by a \$173,520 contract administered by the Office of Vocational and Educational Services for Individuals with Disabilities (VESID). VESID officials requested that the Office of Audit Services review certain aspects of CCI's fiscal practices.

This was a limited scope audit and the objectives were to assess CCI's methods for allocating costs among different programs, control of equipment, purchasing practices, and the use of VESID funds for staff travel. To accomplish the objectives, we reviewed applicable laws, regulations, and contract provisions, interviewed VESID and CCI management and staff, examined records and supporting documentation, sampled transactions, and reviewed the audited financial statements.

Audit Results

The audit found that improvement opportunities exist in the following areas:

1. CCI's travel policy does not, in all cases, follow the terms established for Management/Confidential employees as required by the contract. CCI staff did not follow their own travel policies in one instance, resulting in an overpayment in travel expenses of approximately \$1,000.
2. CCI should improve documentation of the methodology used to allocate personal service costs among programs.
3. CCI's inventory system needs improvement. Fixed assets are not tagged and historical costs are not indicated on their inventory listing.

Agency Comments

CCI officials were generally in agreement with the findings. Their response is included as Appendix B to this report.

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Introduction

Catskill Center for Independence, Inc. (CCI) is an independent living center that provides services to individuals with disabilities. Its programs include advocacy, information and referral, transportation, family support services, peer counseling, equipment loan and repair, and recreation. CCI spent approximately \$303,000 during the 1997-98 fiscal year in carrying out its activities. These activities were funded in part by a \$173,520 contract with the New York State Education Department's (Department) Office of Vocational and Educational Services for Individuals with Disabilities (VESID).

This was a limited scope audit and the objectives were to assess CCI's methods for allocating costs among different programs, control of equipment, purchasing practices, and the use of VESID funds for staff travel. To accomplish the objectives, we reviewed applicable laws, regulations, and contract provisions, interviewed VESID and CCI management and staff, examined records and supporting documentation, sampled transactions, and reviewed the audited financial statements.

CCI officials' comments about the findings and conclusions were considered in preparing this report and are included in their entirety as Appendix B.

Travel Policies

The contract entered into by CCI with VESID stipulates that "Expenses for travel, lodging, and subsistence shall be reimbursed at the per diem rate in effect at the time for New York State Management/Confidential employees".

CCI's internal travel policy states "city-to-city transportation at the current IRS allowable rate or economy air fare (whichever is less) will be paid...."

The audit noted that CCI's internal policy does not precisely follow the rate established for Management/Confidential (M/C) employees and, in one instance, CCI staff travel was not funded in a cost-effective manner and violated their own policy.

Meal Reimbursement

CCI's policy establishes rates for reimbursing employees for meals while in travel status. The requirement is that receipts are submitted and the maximum reimbursement is \$30 per day. The rate is further defined to be a maximum of \$5 for breakfast, \$10 for lunch and \$15 for dinner. The \$30 maximum is used for all locations. Lunch reimbursements are allowed for non-overnight travel.

In contrast, State employees are not reimbursed for lunch and receipted meal reimbursement ranges from \$30 (\$6 for breakfast, \$24 for dinner) to \$46 (\$9 for breakfast, \$37 for dinner), depending on the location.

Out-of-State Travel

Two employees rented a car and drove to a conference in New Orleans, Louisiana. CCI's policy would limit reimbursement to the lesser of the current Internal Revenue Service rate or the cost of economy airfare. Instead, the employees were reimbursed for the cost of renting a vehicle which necessitated additional meal and lodging costs. The audit obtained airline quotes in order to estimate the expense. As shown below, the employees were reimbursed approximately \$1,000 more than they should have been.

Travel Period: 4/30 to 5/2 and 5/9 to 5/11	Additional Lodging Costs	Commutation Costs	Total
Actual Expense	\$840.63	804.66	\$1,645.29
Estimated Airfare		635.56	635.66
Potential Savings			\$1,009.73

In this case, following CCI's internal policy would have resulted in a savings of \$1,000.

Recommendations

1. Discontinue reimbursing staff for lunch while in travel status.
2. CCI should adhere to its own policies when traveling on official business.

Comments of CCI Officials

CCI officials agree with these recommendations and indicate that they have implemented them.

Allocation of Indirect Costs

The Office of the State Comptroller's Procurement and Disbursement Guidelines (Bulletin No. G-117), states "Indirect costs are costs for activities that benefit more than one program or objective and, therefore, cannot be identified to only a specific contract. Such costs are generally classified under functional categories, such as general maintenance and operation expenses, general office and administrative expenses, general overhead, etc. Unless it is otherwise prohibited by statute, regulation, agency policy or contract, the State will reimburse grant contractors for the State's share of properly allocated indirect costs. Some common methods of allocating indirect costs are based upon time, space, units of service, or percentage of funding. To avoid any potential misunderstanding, each grant contract should specifically state whether or not indirect costs will be reimbursed and the method or basis for allocation should be identified."

CCI did not maintain the basis for the allocation of some indirect costs, including personal service costs. Although the basis for the allocation was not documented, the amount allocated to the different programs was not unreasonable. The salaries of the executive director and bookkeeper were allocated between the VESID-funded contract and a federal grant. The executive director's salary was allocated 55 percent to the VESID contract and 45 percent to the federal grant. The bookkeeper salary was allocated 40 percent to VESID and 60 percent to the federal grant. There was no documentation to support these percentages. The VESID contract provided 60 percent of the CCI funding.

Recommendation

3. CCI should document the methodology used for allocating indirect costs.

Comments of CCI Officials

CCI officials agree with this recommendation.

Fixed Assets

VESID's contract requires that CCI maintain complete and accurate books, records, documents, and accounts. It also requires CCI to submit budgets, a final expenditure report, and certified financial statements. The contract includes sections on the budget, payment and reporting schedule, program workplan and others, but it does not include a section that defines the accounting requirements for the grants.

The Office of the State Comptroller's Financial Management Guide (Guide), Volume 1, Subsection 3.2010, states that it is important to maintain adequate fixed asset records to meet the requirements of Generally Accepted Accounting Principles, and as a tool for controlling fixed assets and planning replacements. The Guide, Volume 2, Subsection 2, 11.1010, also states that effective internal control systems are designed to ensure management that all resources entrusted to their care are used in accordance with all laws, policies, regulations, and sound business practices, where applicable. In addition, all resources should be safeguarded against waste, loss, and misuse.

Adequate internal controls include maintaining accurate accounting and inventory records, and performing periodic comprehensive inventories of assets. CCI did not maintain a complete fixed asset system. Historical costs were not listed for all assets and some acquisitions were not tagged. CCI did tag assets purchased with State grant funds and submitted the required forms with the VESID Central Administration, but did not tag assets purchased with federal or local revenues. CCI did not list any historical costs on their asset listing.

Recommendation

4. CCI should improve its inventory system. All fixed assets should be tagged and the historical cost should be included on the inventory list.

Comments of CCI Officials

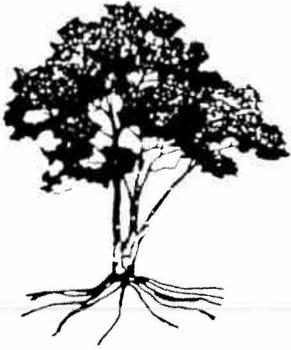
CCI officials provided additional documentation, which shows the historical cost, and indicated that they have been advised by their accountant not to tag equipment purchased with federal funds.

Auditor's Note

Control over all assets is a responsibility of management and, therefore, all items should be tagged.

Contributors to the Report
Catskill Independent Living Center, Inc.

- James Conway, Audit Manager
- Charles Archibald, Senior Auditor



Catskill Center for Independence

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June 28, 2000

Daniel Tworek
 Director
 Office of Audit Services
 Room 524 EB
 The State Education Department
 The University of the State of New York
 Albany, NY 12234

RECEIVED
 JUL 05 2000
 OFFICE OF
 AUDIT SERVICES

Dear Mr. Tworek:

We have received the draft audit report from your office on Catskill Center for Independence, Inc. for the period October 1, 1997 through September 30, 1998. We would like the following comments on the results and recommendations to be considered as you proceed to prepare the final report. We would also appreciate your inclusion of our comments as an appendix to the final report.

Thank you and your audit team for your consideration, guidance and assistance during the audit. Please do not hesitate to contact me should you require any further clarification of the comments contained in our response.

Sincerely,

Richard Zachmeyer
 Executive Director

Enclosure

cc: M. Aitken, Board President
 CCFI Board Members
 P. Byron
 R. Gumson
 J. LaFrank
 M. Tierney

Section I: Travel Policies

Comments:

Out of State Travel

At the time the trip to the conference in New Orleans, LA was planned, the Center had determined that three (3) staff would attend this conference. This was decided after an agreement had been reached with the director from another center who was going to accompany us to the conference. The cost of one hotel room and the cost of the rental vehicle and associated travel expenses were to have been split between the Catskill Center and the other center director. When the decision was made to drive rather than fly, calculations were based upon three staff members from the Catskill Center attending the conference as well as the costs that would be reduced by splitting a hotel room and rental vehicle costs.

0 If our original plans had been carried out, the following costs would have decreased:

Car rental cost would have been \$402.33 Savings of \$402.33

0 Our computation of "Additional Lodging Costs" differs from the amount of \$840.63 shown on the table located on page 3 of the report in the following ways:

Additional lodging expenses incurred:

April 30	Wytheville, VA	Motel 6	\$34.39
May 1	Cullman, AL	Hampton Inn	\$67.10
May 2	Gulfport, MS	Best Western	\$87.95
May 9	Bristol, TN	Hampton Inn	\$78.14
May 10	Hazelton, PA	Hampton Inn	\$87.69
Total additional lodging			\$355.27

Additional meal expenses incurred:

April 30	\$50.00
May 1	\$58.00
May 2	\$60.00
May 9	\$60.00
May 10	\$60.00
May 11	\$44.00

Total additional meal and lodging expenses \$687.27

Difference between audit team's compilation and above compilation: \$153.36

In addition, if Center staff had flown to the conference site, the following costs would have been incurred that we do not believe were included in the table on page 3 of the audit report:

Round trip transportation to and from Albany Airport	\$65.00
Round trip transportation to and from New Orleans Airport	\$42.00
Parking for vehicle at Albany airport 5/5 to 5/9	\$32.00
Total additional costs incurred:	\$139.00

Based upon the above information, we believe the difference in cost would have been:

A. Cost to fly:

<u>Airfare (2)</u>	<u>Addnl. meals/hotel</u>	<u>Parking/ground transportation</u>	<u>Total</u>
\$635.56	\$0.00	\$139.00	\$774.56

B. Cost to drive (splitting rental)

<u>Car rental</u>	<u>Addnl. meals/hotel</u>	<u>Parking/ground transportation</u>	<u>Total</u>
\$402.33	\$332.00	\$0.00	\$734.33

C. Cost to drive (not splitting rental)

<u>Car rental</u>	<u>Addnl. meals/hotel</u>	<u>Parking/ground transportation</u>	<u>Total</u>
\$804.66	\$332.00	\$000	\$1,136.66

Difference in cost between flying and driving if splitting car rental cost: \$-40.23

Difference in cost between flying and driving without splitting rental cost: \$+362.10

Audit team's recommendations and Center's actions:

Recommendation:

1. Discontinue reimbursing staff for lunch while in travel status.

Center's Action:

1. Done
2. New policy has been implemented by the executive director on a temporary basis until formal adoption by the Board of Directors at its next meeting.

Recommendation:

2. CCI should adhere to its own policies when traveling on official business.

Center's Actions:

1. We will review travel expenses more carefully and provide a written explanation when it appears the travel policy was not followed.

Section 2: Allocation of Indirect Costs

Comments:

Time sheets do exist that show time allocation for the executive director's time on a daily basis. During fiscal year 1997-1998 the executive director spent approximately 50% of his time attending to VESID programs and approximately 50% of his time attending to the federal project the Center administered at that time. The salary the executive director receives for attending to VESID programs is higher (slightly) than his salary from the federal project, thus accounting for the difference in per cent of allocated salary (55% vs. 45%). Should you wish, a sampling of time sheets for this period can be submitted, or, if you prefer we will be happy to submit a copy of each time sheet for the time period.

The question was raised regarding the contractual arrangement that existed with the bookkeeper at the time of the VESID program review draft report which was received on November 23, 1998. As stated in the Center's response to the draft report which was submitted to VESID on January 19, 1999 the contractual relationship between the bookkeeper and VESID was terminated effective January 1, 1999. We have not yet received the final report review from our June, 1998 visit to know if this course of action was acceptable to VESID.

Recommendation:

3. CCI should document the methodology used for allocating indirect costs.

Center's Actions:

1. We will do this in the future

Section 3 Fixed Assets

Center's Comments:

We do maintain a list of assets that include historical costs. Please find an example of this inventory form on the next page.

Items purchased with federal revenue have indeed not been tagged. This practice has been ongoing at the Center for several (8) years and has been done with our auditor's knowledge. They have never instructed us to tag items purchased with federal funds.

Recommendation:

- 4. CCI should improve its inventory system. All fixed assets should be tagged and the historical cost should be included on the inventory list.**

Center's Actions:

1. We have included an example of inventory forms maintained by the Center which include historical costs on fixed assets.
2. We will develop a system that will ensure all assets are tagged in the future, even those purchased with funds other than state funds.

Center
 CATMILL CTR FOR INDEPENDENCE
 Contract No. and Year

NEW YORK STATE EDUCATION DEPARTMENT
 OFFICE OF VOCATIONAL REHABILITATION
 INDEPENDENT LIVING UNIT

EQUIPMENT INVENTORY

(Use as many lines and pages as necessary to describe each item accurately and fully)

IL-09
 (Rev. 3/83)

DATE RECEIVED	SERIAL NUMBER	ITEM DESCRIPTION	COST	VENDOR	NYS STICKER NO.	DATE APPLIED and INITIALS
4-22-96	2012664 NA211L	SPELLHATE 700 TYPEWRITER	126.50	ST. ONGE ONGUNTA, N.Y.	32340	4/22/96 ml
5-5-96	B14 603-350	ULTRA KEYBOARD	INCLUDED	DEA DATA SERVICE	32341	5-7-96 ml
	617SA 0035584	ULTRA CRT	IN	"	32342	" "
	0269 7388	MICROSOFT MOUSE	PRICE	"	32343	" "
	N23 7007	ALTEC/LANSING SPEAKER	OF	"	32344	" "
	N23 7007	" " "	COMPUTER	"	32345	" "
		DISK CASE		"	32346	" "
	EBL 06397	PRINTER CANON BJC 4100	336.72	"	32347	" "
	581 10280					
5-1-96	609 2022	COMPUTER WITH MODEM	2446.71		32348	5-7-96 ml
9-2-96	186RJS	SURGE PROTECTOR	15.07		32349	10-21-96 ml

TOTAL COST →

Inspected and Validated by OVR (IL Unit) NAME:

Date

Center
CANTONVILLE CTR. FOR INDEPENDENCE
Contract No. and Year

NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF VOCATIONAL REHABILITATION
INDEPENDENT LIVING UNIT

EQUIPMENT INVENTORY

(Use as many lines and pages as necessary to describe each item accurately and fully)

IL-09
(Rev. 3/84)

DATE RECEIVED	SERIAL NUMBER	ITEM DESCRIPTION	COST	VENDOR	NYS STICKER NO.	DATE APPLIED and INITIALS
10/11/95		72" WALNUT BOOKCASE	113.95	BANTA'S PAPERCHASE	30261	10/12/95 MHT
		72" WALNUT BOOKCASE	113.95	"	30260	10/12/95 MHT
		72" WALNUT BOOKCASE	113.95	"	30259	10/12/95 MHT
		52" LEGAL FILE CABINET	241.95	"	30258	10/11/95
		52" LEGAL FILE CABINET	241.95	"	30257	10/12/95 MHT
		52" LEGAL FILE CABINET	241.95	"	30256	10/12/95 MHT
		52" LEGAL FILE CABINET	241.95	"	30255	10/12/95 MHT
	12361968	VICTOR CALCULATOR	84.95	"	30254	10/11/95 MHT
		WALL CLOCK	25.99	"	30253	10/11/95 MHT
		WALL CLOCK	25.99	"	30252	10/11/95 MHT
		SENTRY FIRE SAFE	212.00	"	30251	10/12/95 MHT
	E39701	SPARCO DESK LAMP	19.95	"	30250	10/11/95 MHT
		SPARCO DESK LAMP	19.95	"	30249	10/11/95 MHT
		SPARCO DESK LAMP	19.95	"	30248	10/11/95 MHT
TOTAL COST →			1718.43			

Inspected and Validated by OVR (IL Unit) NAME:

Date

**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, New York State Education Department, Room 128 EB, Albany, New York 12234 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.