
Audit Report

People and Places, Inc.

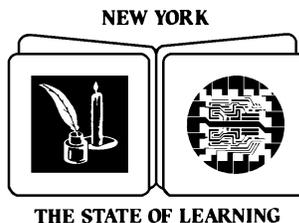
For the Period

July 1, 1996 through June 30, 1997

RF-0897-1

February 16, 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
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February 16, 1999

Dr. James Boles
Executive Director
People and Places, Inc.
1219 North Forest Road
PO Box 9033
Williamsville, New York 14231-9033

Dear Dr. Boles:

The following is our final audit report (RF-0897-1) on People and Places, Inc. for the period July 1, 1996 through June 30, 1997. The audit examined the administration of contract number C-005468 between the Office of Vocational and Educational Services for Individuals with Disabilities (VESID) and your agency. The purpose of the contract was to provide supported employment services to VESID consumers.

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

Ninety days from the issuance of this report, People and Places 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: Commissioner Mills
R. Cate
L. Gloeckler
T. Sheldon
C. Foster (DOB)
R. Lindholm (OSC)
bcc: R. Calhoun
G. Cortright

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Introduction

The State Education Department's (Department), Office of Vocational and Educational Services for Individuals with Disabilities (VESID) entered into a contract (Number C-005468) with People and Places, Inc. (People), located in Williamsville, New York. The purpose of the contract was to provide project-unique supported employment services during the period from July 1, 1996 through June 30, 1997. The consolidated contract was based on individual placement type models which include intensive aging out, intensive neurologically/traumatic brain injured, and extensive services for non-developmentally disabled consumers. Services to be provided under the contract include screening/assessment, job services and advocacy, ongoing assessment and support services, along with follow along services, which are funded through the Office of Mental Retardation and Developmental Disabilities (OMRDD).

Objectives, Scope and Methodology

We audited the management practices, records and documentation related to the performance under the contract for supported employment services. The audit period examined was July 1, 1996 through June 30, 1997. The objective of our audit was to determine if People complied with the terms and conditions of the contract.

To accomplish the objectives, we reviewed the terms of the contract, interviewed staff and management of People as well as Department staff, and reviewed records that document the provision of services.

We conducted our 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 we 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 People and Places, Inc. Officials

People officials agreed with the findings and recommendations in this report. Their response is included as Appendix B.

Audit Results

Cost Allocation Methodology Not Documented

One of the provisions of the contract to provide supported employment services between New York State and People requires that services are provided in accordance with administrative and fiscal guidelines.

The Department's *Fiscal Guidelines for Federal and State Aided Grants* requires time and effort records to substantiate personal service costs. These records should include the name of the individual, title of position, period of employment, and total amounts paid, as well as the basis for allocating costs to federal or State projects.

People does not maintain documentation to support the basis for allocating personal service costs to the supported employment contract. The audit examined personal service costs charged to the contract and determined that some of the staff allocations do not seem reasonable. For example, People charged approximately 44 percent of the program director's salary and fringe benefits to the contract. People officials were unable to describe the basis for determining the appropriateness of that amount. The audit examined the amount of revenue the program director is responsible for administering and determined that VESID supported employment funds account for only 25 percent of total revenue. While it may be appropriate for People to allocate 44 percent of the program director's personal service costs to a contract that provides 25 percent of the total funds he administers, the reason should be documented.

Similarly, the basis for the allocation of the personal service costs of the staff that provide the direct services under the contract was also unavailable. The audit reviewed the allocations and questioned that percent used. The employment specialists serve both OMRDD and VESID consumers. A review of the contact hours indicated that, if the allocation was based on contact hours, the personal service costs allocated to the contract would have been less. Based on our review of these records, we determined that People allocated \$35,338 in excess expenses to the VESID supported employment contract.

It is important to document the basis for costs funded by the VESID supported employment contract. People needs to develop a process to identify VESID's true cost and document the basis.

Accounting for Direct Service Hours Needs Improvement

Providers of supported employment services are required to report all direct hours of service for individuals served during the quarter on the Quarterly Narrative Report and Individual Quarterly Progress Reports. VESID hours are usually for intensive services, while OMRDD hours are for extended services. Both intensive and extended hours are summarized on the Quarterly Narrative Report. This information is also recorded on Individual Quarterly Progress Reports.

People employs Employment Specialists (ES) to provide job-coaching services to consumers. These services are reported as intensive services on the Quarterly Narrative Report and Individual Quarterly Progress Reports. A comparison of People's detail records to the Quarterly Narrative Report and the Individual Quarterly Progress Reports revealed the following:

People Detail Records	17,883
Quarterly Narrative Report	4,656
Individual Quarterly Progress Reports	3,697

People reported 13,227 fewer direct hours on the Quarterly Narrative Report and 14,186 fewer hours on the Individual Quarterly Progress Reports. People could not provide an explanation for the difference between its records and the hours reported to the Department.

Recommendations

1. Develop a process for allocating personal service costs to the appropriate funding source and maintain documentation.
2. Improve the accounting for direct contact hours and appropriately report them to VESID.

Comments of People and Places, Inc. Officials

People officials agreed with these recommendations and indicated they have taken actions to implement them.

Contributors to the Report
People and Places, Inc.

- James Conway, Audit Manager
- William Artini, Associate Auditor

Patrick F. Reilly
President, Board of Directors

James M. Boles, Ed.D.
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January 22, 1999

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

Dear Mr. Tworek:

This letter is in response to your draft audit report of People & Places, Inc. for the period July 1, 1996 through June 30, 1997.

You have recommended in your report that you would like us to develop a more sophisticated process for allocating personal service costs to the appropriate funding source and maintain documentation for the like as well as improve the accounting for direct contact hours and appropriately report them to VESID. People & Places, Inc. has already taken steps toward meeting these goals. They include the following:

- A) Implementation of a very sophisticated Agency payroll system which allows for a more detailed and accurate accounting of the allocation of Agency staff as well as the ability to track hours.
- B) Implementation of a quarterly time analysis to be completed by each employment specialist each quarter for review by the Program Director in order to better monitor the split responsibilities of staff. This will enable us to make sure that our allocations are correct and make adjustments as necessary resulting in more accurate and efficient documentation and reporting of expenses.
- C) Implementation of quarterly budget meetings between the Program Director and Accounting Staff to ensure the budget/actual expenses are being regularly monitored by all and that budgets are adjusted as necessary. This will enable us to keep and maintain a better audit trail of changes/adjustments made during the year.

We feel that these changes, when fully implemented, will exceed your expectations. People & Places, Inc. has always met and worked toward exceeding our performance targeted goals. We are committed to providing quality services and look forward to working with you in the future to continue to do so.

Please feel free to contact us should you have any questions or require any further clarification. Thank you once again.

Sincerely,

Dr. James Boles
Executive Director
People & Places, Inc.

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**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.