Audit Report

Clinical Associates of the Finger Lakes

for the Period

September 1, 2001 through June 30, 2002

SE-1104-1

August 23, 2007

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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August 23, 2007

Ms. Diane D. Leitgeb
Director
Clinical Associates of the Finger Lakes
590 Fishers Station Drive, Suite 130
Victor, NY 14564

Dear Ms. Leitgeb:

The following is our final audit report (SE-1104-1) on the Clinical Associates of the Finger Lakes for the period September 1, 2001 through June 30, 2002. The audit was conducted pursuant to 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."

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

James A. Conway

Enclosure
cc: T. Savo, R. Cort, T. Hamel, R. Johnson, M. Plotzker, B. Mason (OSC), D. Shephard **(**DOB**)**, T. Donegan, M. Dedee, M. O'Brien, C. Monsees

Executive Summary

Background and Scope of the Audit

Clinical Associates of the Finger Lakes (CAFL), located in Victor, NY, is a small proprietary agency that provides educational and clinical services such as speech-language therapy, special education, occupational therapy, physical therapy, evaluation and needs assessment, service coordination, developmental play groups, behavioral assessment, counseling, audiological evaluation, and parent and family support to preschool and school age children. CAFL serves students from the counties of Monroe, Ontario, Wayne, Livingston, Seneca, Genesee and Yates. During the 2001-02 school year, total assets were reported at $849,000, total revenue earned was $3.5 million, and total expense was $2.9 million.

The objectives of the audit include: to identify the use of federal Individuals with Disabilities Education Act (IDEA) funds by CAFL, document the relationship between CAFL and the school districts providing the IDEA funds, and prove the accuracy of the Consolidated Fiscal Report (CFR), and SEDCAR-1 reports submitted by CAFL.

Audit Results

The audit found that CAFL:

- Did not document the use of the IDEA funds allocated by the districts,
- Incorrectly reported IDEA revenue,
- Did not maintain documentation of some of the allocation methodologies used in preparing the CFR,
- Included some unallowable costs, and
- Incorrectly prepared the SEDCAR-1 forms.

A more detailed discussion of the results of the audit is presented in the report. Throughout the report, the auditors indicated where audit adjustments were made and the methodology used. After considering all the adjustments, the audit determined that the Special Education Itinerant Teacher (SEIT) program costs were overstated by $50,740 and decreased the total program costs by such amount as shown on Table 1. A portion of these expenses was reallocated to other programs. Although CAFL provides various programs and services, the audit adjustments on Table 1 are related to SEIT only since it is the only program where the tuition rate is set by the State Education Department (Department). It is anticipated that the Department's Rate Setting Unit will use this report to adjust the tuition rate.

Comments of Agency Officials

CAFL officials' accepted our findings. The full text of the response is included as Appendix B.

Table 1

SEIT PROGRAM
Clinical Associates of the Finger Lakes
Schedule of Audit Adjustments
2001-02

Expenditure Category	Reported	Adjusted	Allowed	Notes
Personal Service and Fringe Benefits	$ 424,201	$ 605	$ 424,806	1
Other Than Personal Service Costs	74,912	(38,676)	36,236	2
Equipment – Depreciation	1,360	968	2,328	2
Property Costs	8,516	(2,912)	5,604	2
Portion of Net Agency Administration	34,882	(10,725)	24,157	3
Total Program Costs	$ 543,871	$ (50,740)	$ 493,131	

1 Personal Service was reallocated using adjusted units of service by individual employee. Fringe benefits remain to be approximately 13.76 per cent of personal service cost.

2 OTPS, Equipment, and Property Costs were reallocated between programs using units of service, and between programs and agency administration using adjusted personal service costs.

3 Costs making up the agency administration cost such as OTPS, Equipment, and Property were reallocated using adjusted personal service costs. Non-reimbursable costs of $15,270 was adjusted out. Ratio value was recalculated using adjusted agency administration cost.

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Introduction

Background

Clinical Associates of the Finger Lakes (CAFL), located in Victor, NY, is a small proprietary agency that provides educational and clinical services such as speech-language therapy, special education, occupational therapy, physical therapy, evaluation and needs assessment, service coordination, developmental play groups, behavioral assessment, counseling, audiological evaluation, and parent and family support to preschool and school age children. CAFL serves students from the counties of Monroe, Ontario, Wayne, Livingston, Seneca, Genesee and Yates. During the 2001-02 school year, total assets were $849,000, revenue was $3.5 million, and total expense was $2.9 million.

Approved special education program (ASEP) providers are approved by the State Education Department (SED) to operate a special class, special class in an integrated setting, or special education itinerant teacher program (SEIT). There are two general types: preschool and school-age program providers. CAFL is an ASEP provider for preschool students. CAFL offers SEIT and related services, making it eligible for to receive sub-allocations of Individuals with Disabilities Education Act (IDEA) flow-through-funds under section 611 and 619 from school districts for which it provides services. CAFL received approximately $230,000 in IDEA funds in 2001-02 and over $470,000 in 2002-03.

Objectives, Scope, and Methodology

The Office of Audit Services (OAS) reviewed selected management practices, records and documentation particularly as they relate to the billing for services, receipt of revenue including IDEA funds, reporting of expenses, and the completion of the Consolidated Fiscal Report (CFR). An internal control questionnaire was also used to identify control weaknesses.

The objectives of the audit were to determine:

- if income, including IDEA, was reported on the CFR and appropriately offset against allowable expenditures,
- if costs were properly reported and allowable in accordance with guidelines. For costs allocated among multiple programs documentation must exist to substantiate the basis,
- CAFL's use of the funds provided through the IDEA allocation, and whether it complies with requirement of the law,
- the accuracy of reports submitted to the Department and the school districts (CFR and SEDCAR-1 forms),
- the adequacy of CAFL’s internal controls, which are designed to help ensure that laws, regulations, and good business practices are complied with; and accurate and reliable data are maintained,
- if the financial records maintained by CAFL comply with the requirements of Section 200.9 of the Commissioner Regulations (Regulations) and the Reimbursable Cost Manual (RCM), and
- the nature of the agreements between school districts and CAFL regarding the use of IDEA funds and whether CAFL complied with these agreements.

To accomplish these objectives, we reviewed applicable laws, regulations, policies, and procedures; interviewed CAFL officials; examined records and supporting documentation; sampled a limited number of transactions on a non-statistical basis; reviewed CAFL’s audited financial statements and CFR; and surveyed some school districts. Although the audit considered all the programs reported by CAFL on the CFR, special attention was given to the SEIT program, since this is the only program where a tuition rate is set by SED.

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 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, adjustments, and recommendations.

Audit Results

The audit found that CAFL did not appropriately report its IDEA revenue on the CFR and does not document the use of the funds. The CFR was not completed correctly, allocations of expenses were not reasonable and not documented, and a small amount of unallowable costs were claimed for reimbursement. The audit recalculated the program cost of the SEIT program and determined that program costs were overstated by $50,740.

Comments of Agency Officials

CAFL officials' accepted our findings. The full text of the response is included as Appendix B.

Use of IDEA Funds

IDEA is the federal law that ensures services to children with disabilities. Part B of IDEA governs children and youth, ages 3-21, receiving special education and related services. Part B is further divided into Section 611 which pertains to students 3-21 years of age and Section 619 which pertains to students 3-5 years of age. CAFL is entitled under Chapter 6 (as amended by Chapter 254) of the New York State Laws of 2000 to receive a per child allocation of IDEA revenue based on the number and age of eligible students served. The funds are sub-allocated by the various school districts of residence of children served by CAFL. The audit reviewed the agreements made by CAFL with the various school districts to determine compliance. The audit also examined CAFL's use of IDEA funds to determine whether funds were used in accordance with IDEA Part B and only for allowable costs.

Agreements With School Districts Governing the Flow of Funds

The guidance issued by the Office of Vocational and Educational Services for Individuals with Disabilities (VESID) for the audit period advised districts to establish a legal agreement with each ASEP that files an appropriate SEDCAR-1 form. One of the audit objectives was to determine the nature of and compliance with the agreements between the school districts and CAFL.

The audit found written agreements with 19 of the 22 districts that provided an IDEA allocation in the 2001-02 school year. The written agreements were very similar and were signed by a school district official and the Director of CAFL. The agreements contained a section on services to be rendered which requires CAFL to "provide for students enrolled in its special education program services that are in agreement with the IDEA funding provision." The audit surveyed three of the school districts that provided sub-allocation to CAFL. The districts indicated that they provide no further direction to the ASEP's regarding the expected use of the funds. There is no requirement for the submission of a budget which defines the expected use of the funds.

However, the agreements required quarterly and annual reports on expenditures associated with the services. Further, they require detailed expenditure reports as well as program summary detail. CAFL did not provide quarterly reports and only provided annual reports when requested by a district. For the 2001-02 school year, CAFL provided annual reports to four districts. The annual reports provided did not identify the specific use of the funds; they simply reported a percent of CAFL's total program expenditures. For example, all four school districts received a final expenditure report indicating that $1,456,385 was spent on professional salaries. However, this amount simply represents 66 percent of total professional salaries for CAFL**.** The basis of the 66 percent could not be determined.

Recommendations

1. Establish a legal agreement with all school districts of residence of children being served.
2. Comply with the agreements with school districts by providing expenditure reports that detail the use of IDEA funds.
3. Seek guidance from school districts regarding new requirements for documenting the relationships between districts and ASEP's.

Use of IDEA Section 611/619 Funds

CAFL received $230,756 in IDEA funds from 22 school districts during the 2001-2002 school year. These funds represent sub-allocations to 196 students. One of the objectives of the audit was to determine the use of the funds in agencies such as CAFL, which offer no center-based programs.

CAFL’s accounting system was not designed to separately track expenditures by funding source. Therefore, the audit could not separately identify how IDEA funds were used. Personal service costs are tracked based on a method of calculating the number of hours worked by staff in the various programs offered. Non-personal services costs are allocated at year-end to the various programs based on some internal allocation method. Subsequent to the field work, CAFL provided an estimate of how they believe IDEA funds were used. However, its accounting system could not provide support for this estimate.

Recommendation

4. CAFL should consult with school districts providing the IDEA sub-allocation and develop a methodology for separately tracking the use of IDEA funds.

CFR REPORTING

Section 200.9(d) of the Regulations require entities operating approved programs to retain all pertinent accounting, allocation and enrollment/attendance records supporting reported data directly or indirectly to the establishment of tuition rates for seven years following the end of each reporting period. The CFR is a standardized reporting form that allows service providers to report all expenses, revenues, units of service provided and other information to multiple New York State agencies. The CFR comprises a number of schedules (1 - 6), with each schedule having specific information reported on it. The CFR is used as a year-end cost report and as a year-end claiming document. CAFL inaccurately reported its IDEA revenue; could not document the allocation of personal, other-than-personal service, and other costs; and included an unallowable costs on the CFR submitted to SED.

Inaccurate Reporting of Revenue

According to the CFR Claiming Manual, expenses should be direct charged or allocated to the programs it benefited. Revenues must be reported in the same manner as the related expenses. IDEA revenue should be reported on line 94 of CFR-1 as “Other Revenue.” A separate sheet should be attached to identify as IDEA 611 or 619 revenue. IDEA revenue reported under line 94 will offset the expenses allocated to different programs. CAFL did not report the IDEA total revenue of $230,755 for 2001-02 on CFR-1. It was reported on the CFR-2; however, by not reporting it on the proper line, it was not offset against program expenses. The audit determined that approximately $59,879 of the revenue should be offset against the SEIT program expenses.

CAFL also incorrectly reported the revenue from preschool evaluations. The amount was reported on line 93 as Net Deficit Funding.

Recommendation

5. Report all appropriate revenue on the CFR.

Inaccurate Reporting of Units of Service

Units of service is an estimate of time spent in a program. It is the workload measure by which programs are evaluated and is a factor in setting the tuition rates. Units of service vary with each type of program provided.

The audit found that CAFL did not accurately report the units of service on the CFR due to three reasons:

1. Programs for preschool included units of service for school age students.
2. Limitation in the billing system.
3. Use of inappropriate program codes.

Approved preschool programs such as SEIT, Related Services, and Preschool Evaluation (reported on the CFR under program codes 9135, 9200, 9190, respectively) are geared specifically for preschool students; therefore, units of service reported in the CFR under these programs should include only those provided to preschool students. Any units of service provided to school age students are to be reported under different program with its corresponding program codes.

CAFL does not appropriately track units of service separately by approved program. Total units of service reported on the CFR for SEIT and Related Services not only reflected services provided to preschool, but also school-age students. CAFL is not an approved school-age special education program provider. Any allocation of revenue or expenses by CAFL using units of service (because it includes preschool and school-age) as the basis will result in inaccurate allocation. As this issue was discussed with CAFL officials during the audit, adjustments were made and a revised unit of service report was provided; however, this is now different from the amount originally reported on the CFR.

Audit Adjustment: The auditors used the revised units of service report provided by CAFL as the basis for any audit adjustment.

According to a CAFL official, the billing system is unable to store all the names of employees (teachers, therapists, clinicians, etc.) both past and present. Due to this space limitation, the fields in the system containing names of former employees are overridden by the names of new employees. Consequently, any record of units of service provided by the former employee is eventually reported under the new employee's name. There is no system or record to track the new names replacing the old names. In addition, one employee's units of service record may have come from two former employees. In reviewing the documents provided by CAFL, it showed that 16 employees showed no units of service provided even though they were included in the payroll record. These employees have since left CAFL and as new employees were hired and added to the system, the units of service for these 16 were reported under the names of new employees. Since each employee could work in one or more programs, the resulting inaccurate units of service and hours worked reported will affect the allocation of personal service cost.

Audit Adjustment: The units of service were adjusted and redistributed to the appropriate employee based on the best information available to the CAFL official.

Programs reported on the CFR are those that the agency was approved to provide. CAFL accumulates data and reports on programs that it was not approved for. For example, CAFL accumulated data and reported on the 1:1 aide program. Since CAFL is not approved to provide the 1:1 aide program and is not a center-based provider, the cost and units of service reported under 1:1 aide can be reported under the Related Services program.

Audit Adjustment: Taking the revised units of service report provided by CAFL, the auditors made further adjustments by removing the 1:1 aide program column and distributed the units of service erroneously reported under this program to the proper program, i.e. units of service provided to preschoolers were moved to Related Services, units of service provided to children in the Early Intervention program was moved to Early Intervention and school age was moved to Others/School Age (not reported on the CFR). CAFL is not approved to provide the Special Education 1:1 aide program and does not run any center-based program so it is not necessary to cost this out separately.

Recommendations

6. Only report on the CFR units of service and costs for programs CAFL is approved to provide.
7. Track the units of service provided by each employee.

Undocumented Allocations

The RCM states that any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure. It further states that "Entities operating programs must use allocation methods that are fair and reasonable. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit. Allocation percentages should be reviewed on an annual basis and adjusted as necessary."

Personal Service Costs

Salaries of employees who perform tasks for more than one program must be allocated among all programs for which they work. The actual hours of service is the preferred statistical basis in allocating salaries and fringe benefits for staff who jointly work at multiple programs/sites. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized. Providers must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. Documentation for all allocation methods (bases and percentages) must be retained for a minimum of seven years.

CAFL could not provide documentation to support the allocation of personal service costs to various programs on the CFR. Some documents were provided to the auditors; however, none of these reconcile to the reported amount on the CFR.

Audit Adjustment: Taking the adjusted units of service of individual employees, the auditors allocated the salary of each employee based on the percentage of units of service spent on each program. The adjusted personal service cost for the SEIT program is shown on Table 1 at the beginning of this report.

Other-than-Personal Service Costs (OTPS)

General operating expenses such as food, transportation, supplies and material, staff travel and training, etc., which cannot be directly charged to a specific program or State agency, must be allocated across all such entities deriving benefits.

CAFL could not document the basis for the allocation of OTPS costs. According to a CAFL official, hours worked based on units of service were used as the basis for allocation. However, this did not reconcile to the reported allocation because errors were made in the conversion of units of service to hours and not all units of service were converted. As a result, the audit reallocated those costs based on the best available information.

Equipment and Property Costs

As mentioned earlier in the report, the fundamental guideline in reporting expenditure is that any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure using the method referred in the CFR manual or if not feasible, a reasonable method of allocation. Depreciation on assets which are shared among programs/sites or among programs/sites and administration should be allocated. Similarly, costs associated with leases, insurance, and taxes on real property, should also be allocated. Documentation for the allocation basis must be available upon request.

CAFL could not provide any supporting documentation of the allocation of equipment and property costs.

Audit Adjustment: Using the adjusted personal service costs as the basis, the audit reallocated the equipment and property costs among programs and agency administration. The adjusted equipment and property cost for the SEIT program is shown on Table 1.

Agency Administration

Agency administration costs include all the administrative costs that are not directly related to specific programs/sites, but are attributable to the overall operation of the agency. It may include personal service costs of agency administrative staff and the corresponding leave accruals and fringe benefits; OTPS costs associated with agency administration activities, depreciation and/or lease costs associated with vehicles, equipment, and space used or occupied by agency administration staff and administrative offices. The CFR manual states that all attempts should be made to directly charge an expense to the appropriate cost center (agency administration or program/site and program administration). However, if expenses could not be directly charged to agency administration or program/site(s) and program administration, the manual has recommended allocation methods for various types of expenses.

CAFL has no documentation to support the method used in allocating a percentage of various expenses to agency administration. Depending on the type of expense, agency administration was charged the entire cost or allocated 50, 30 or 10 percent of the expense without any supporting documentation or justification (on CFR-3).

Audit Adjustment: The audit reallocated expenses charged to agency administration. Since there was no supporting documentation for charging a percentage of the expense to agency administration, the auditors used the percentage of adjusted personal service cost as the basis for allocation and adjustment. Similarly, the audit adjusted the allocation between the programs using the audited units of service as the basis for allocation. The adjusted OTPS cost and the agency administration cost for the SEIT program is shown on Table 1.

Recommendations

8. Charge expenditures directly to programs/sites/cost center that benefited from it. If multiple programs/sites/cost center benefited, allocate expenditures using a fair and equitable method.
9. Document and retain the basis for allocation.
10. Consult the CFR manual for recommended methods of allocation.

Non-Reimbursable Expenses Reported

According to the RCM, costs incurred for entertainment of officers or employees, or for activities not related to the program, or any related items such as meals, lodging, rentals, transportation, and gratuities, are not reimbursable. In addition, political and charitable contributions and donations made by the program are also not reimbursable.

CAFL reported non-reimbursable cost of meals and entertainment, donations and employee gifts amounting to $15,270 on the CFR-3 as part of agency administration cost.

Audit Adjustment: The audit adjusted the agency administration cost by the total amount of the non-reimbursable expenses.

Recommendation

11. Only report allowable and reimbursable costs on the CFR.

Misreported Hours Worked by Employees

The number of hours reported on CFR-4 should be the actual number of hours paid to each employee within the position title. CAFL reported hours worked based on units of service converted by the formula: units of service/2 x 1.5. CAFL is using the basis of one hour worked is equal to two units of service (two half-hour). The half-hour being added is for indirect time spent with each student (lesson planning and preparation, report writing, etc.)

Recommendation

12. Report actual hours paid for reported employees on CFR-4.

SEDCAR-1 REPORTING

CAFL Inaccurately Reported Child Count to Districts

In order to receive IDEA, Section 611 and Section 619 sub-allocations, the ASEP providers must submit a SEDCAR-1 form (Approved Special Education Program Request for IDEA Sub-Allocation) to each school district which placed one or more students with disabilities in the ASEP program on December 1 of the prior school year. The count of students is reported on SEDCAR-1 separately by Section 611 or 619, based on the age of the students.

CAFL erroneously reported school-age student count on SEDCAR-1 for five districts (Webster, Pittsford, Fairport, Rush-Henrietta, and Clyde-Savannah). School-age students were reported three times. School-age students should only be reported once on the appropriate line and column of SEDCAR-1. This may have resulted in over reporting the school-age student count by 18 and overpayment of approximately $13,700 in IDEA sub-allocation.

In addition, other discrepancies were found

- Two students listed on CAFL's class roster as preschool students were not reported on the SEDCAR-1 count to the district.
- One student who was seven years old at the time, was reported in Section 619 (preschool, age 3-5).

Recommendation

13. Review accuracy of numbers claimed on the SEDCAR-1 report before submission.

Report on Internal Controls and Business Practices

Internal control is a process accomplished by management and other personnel designed to provide reasonable assurance that objectives in effectiveness and efficiency of operations are achieved; financial reporting is reliable; and applicable laws and regulations are complied with. Internal control can also help to promote orderly, economical operations; to produce quality products and services consistent with the organization's mission; safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud; ensure adherence to contracts and management directives'; develop and maintain reliable financial and management data; and accurately present that data in timely reports. CAFL has opportunities to improve its internal control in the area of segregation of duties, accounting and billing, written contracts, payment documentation, and credit card purchase.

Segregation of Duties

Segregation of duties is the separation of key duties and responsibilities among different individuals to help reduce the risk of loss or misuse of funds. 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. Where duties cannot be segregated as with smaller organizations, management can substitute increased supervision as an alternative control activity that can help prevent or reduce these risks.

CAFL's Business Manager is responsible for accounting, billing, cash receipts and disbursements, and human resources functions. Furthermore, although an outside company processes payroll, the Business Manager is also responsible for providing all information. In their 2001-02 management letter, CAFL's independent auditors commented on the need to hire additional staff to delegate some of the administrative responsibilities.

Recommendation

14. Assign some of the responsibilities of the Business Manager to other staff in the Business Office, ensuring segregation of duties.

Accounting and Billing System

In order to ensure the reliability and accuracy of financial reports, it is important that the accounting system is integrated with all its components whether electronically or reconcilable manually. The billing system is not integrated to the accounting system and one does not readily reconcile to the other. A sample of cash receipts totaling $630,923 was examined to ensure the accuracy of the billing and recording. The audit verified that all of the funds are appropriately recorded as received. However, we could not trace $84,321 of the sample to an invoice or a record of service.

Although CAFL reconciles cash receipts to a record of services on the billing system, there is no formal reconciliation report generated to document this process. This is exacerbated by not using numbered invoices. In addition, control is weak in establishing a clear relationship between invoices and payments. This is especially important since partial payments are common, moreover, a payment could be for two different invoices. There are also instances of invoices related to cash receipts that are missing or unavailable. Other observations that contributed to the weakness of the system are:

- In some cases, accounting and billing systems cannot produce contemporaneous report.
- Supporting documents for cash receipts (i.e. any available invoices, deposit tickets, etc.) are filed separately.

It is an important internal control to have receipts reconcile to the invoices and to the record of service to assure that all services are properly billed and recorded and payments are received in full.

Recommendations

15. Assign number to invoices for tracking and reconciliation.
16. Reconcile cash receipts/payments received to invoices and to record of service.

Lack of Written Contracts

It is good business practice to have a signed contract with consultant or contractors to establish the deliverables and the terms of the services and payments. This also legally protects the organizations should any disputes arise. Out of the five contractors that CAFL has hired, only one has a written contract.

Recommendation

17. Have a written and signed contract with all consultants or contractors, establishing the terms of services and payments.

Payment Documentation

Opportunities exist to improve control over payments and the recording of transactions. Maintaining proper and adequate documentation to support payments helps ensure they are for valid, business-related purposes, mathematically correct, and have proper authorization. These contribute to protecting the resources of the organization. Some payments are made using check by phone. This does not require any physical check to be issued, which results in the lack of an audit trail. This system might prove to be more economical to use provided proper authorization and documentation is employed to compensate for the absence of a traditional audit trail. Furthermore, credit card charges are paid on the basis of the statement only. Receipts are not routinely required. It is good internal control to require the submission of actual receipts to ensure that charges are accurate and purchases were made with proper authorization, are necessary and appropriate.

Recommendations

18. Require receipts for all requests for reimbursements.
19. Incorporate in the payment system some means to document who made the purchase, purpose (if for a specific program), and proper authorization, if deemed necessary.

Credit Card Purchases

The business entity should be separate and distinct from the person or persons who own it. The resources and activities of the business should be kept separate from those of its owner. This separation prevents the personal property, affairs, and transactions of the owner to be intermingled with the business thereby ensuring that the records and statements of the business are accurate, showing the financial position and operating results of the business.

CAFL's credit card is used for both business and personal purchases. Reconciliation is done when the Director reviews the credit card statement and checks off the charges that are business related. The remaining charges are considered personal and the amount is charged to the owner's capital account. A separate credit card should be used for business related purchases to strengthen the accountability and to ensure accurate reporting of business expenses.

Recommendation

20. Have separate credit cards for personal use and for business use.

Appendix A

Contributors to the Report
Clinical Associates of the Finger Lakes

- Maria Castro, Principal Auditor
- Susan DuFour, Senior Auditor
- Janet Matuszek, Senior Auditor

CAFL
CLINICAL ASSOCIATES OF THE FINGER LAKES

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RECEIVED
AUG 14 2007
OFFICE OF
AUDIT SERVICES

August 10, 2007

Mr. Jim Conway
The University of the State of New York
The State Education Department
Office of Audit Services
Albany, NY 12234

Dear Jim,

Please accept this as our notification that we accept your audit report. We appreciate the comments you made, although we may not completely agree with all of them. We thank you for all of your help in getting this resolved.

Sincerely,

Diane D. Leitgeb

Diane D. Leitgeb
Director