

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of Builders for the Family and Youth Diocese of Brooklyn with its Department For the Aging Contract for the Operation Of The Bay Senior Center

MG03-058A

MAY 28, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the compliance of Builders for the Family and Youth Diocese of Brooklyn with its Department for the Aging (DFTA) contract for the operation of The Bay Senior Center.

The results of our audit, which are presented in this report, have been discussed with DFTA officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that contractors provide the services called for in their contracts with the City and are accountable for the City funds they receive.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on the Compliance of
Builders for the Family and Youth Diocese of Brooklyn
With Its Department for the Aging Contract
For the Operation of The Bay Senior Center**

MG03-058A

AUDIT REPORT IN BRIEF

The Bay Senior Center (The Bay) is operated by Builders for the Family and Youth (BFFY), an affiliate of Catholic Charities. BFFY was selected as the contractor to operate The Bay after responding to a Request for Proposal issued by the Department for the Aging (DFTA). The objectives of this audit were to determine whether BFFY maintains adequate and accurate records of expenses and revenues of The Bay, adequately and satisfactorily provides the services called for in its contract with DFTA, and complies with the key terms of its contract.

Audit Findings and Conclusions

BFFY generally maintains adequate and accurate records of the revenues and expenses of The Bay. BFFY accurately reported expenditures and requested reimbursement only for expenses that were actually incurred. Accurate records were maintained for the client contributions for lunch and daily transportation.

In addition, BFFY adequately and satisfactorily provides most of the services called for in its contract with DFTA. However, the performance levels for two of The Bay's core services were below the service target, and there were some discrepancies in some of the service numbers reported on the Contractor Invoice and Service Report.

Also, BFFY did not always comply with the requirements of its contract with DFTA or with the DFTA *Fiscal Management Manual*. Specifically, BFFY commingled the DFTA funds for The Bay with funds it receives to operate another center, employees do not complete and sign their own time sheets, Contractor Invoice and Service Reports are not submitted in a timely fashion, deposits are not made daily, and 13 percent of invoices did not contain initials to show that they had been verified by BFFY officials prior to payment.

Audit Recommendations

The report lists 17 recommendations, some of which are listed below. DFTA should:

- Ensure that BFFY's staff promotes The Bay's presence and services in the community to increase the average daily attendance. DFTA should then monitor ongoing attendance.
- Have BFFY's central administration and The Bay's staff talk with center attendees to determine why so few are taking advantage of the transportation services, and redesign the program to increase attendance or more widely publicize in Sheepshead-Nostrand Houses and the surrounding neighborhood the availability of The Bay's transportation service.
- Ensure that the service delivery numbers on the Contractor Invoice and Service Report are accurate and can be supported by the proper back-up documentation.
- Revise the contract language if it no longer requires that separate accounts be maintained for each contract.
- Ensure that the contractor can generate separate reports for the transactions of each center.
- Require employees at The Bay to fill out and sign their own timesheets, which should also be signed by the employee's supervisor.
- Ensure that invoices for reimbursement are submitted by BFFY by the 20th day of the following month, as required by the DFTA.
- Ensure that BFFY verifies that goods and services have been received by initialing all invoices.

DFTA Response

The matters covered in this report were discussed with officials from DFTA and BFFY during and at the conclusion of this audit. A preliminary draft report was sent to DFTA officials on April 11, 2003, and was discussed at an exit conference on April 25, 2003. We submitted a draft report to DFTA officials on April 30, 2003, with a request for comments. We received a written response from DFTA officials on May 16, 2003.

DFTA generally agreed with all but one recommendation. It disagreed with the recommendation that DFTA require contractors to tag all equipment that is susceptible to theft, not just items that cost more than \$1,000.

INTRODUCTION

Background

The Department for the Aging (DFTA) plans, administers, and coordinates services to help the 1.3 million senior citizens in the City to participate in their communities and maintain their independence. DFTA supports a broad range of services for the elderly, both directly and indirectly, through contracts with community-based organizations. These services include senior citizen centers, congregate and home delivered meals, transportation, case management, social services, legal assistance, and home care. DFTA receives federal, state and City funds, as well as private grants and contributions. DFTA has contracts with non-profit organizations for the operation of 340 senior citizen centers. Each contract sets out the level and type of service to be provided.

The Bay Senior Center (The Bay), the center selected for this audit, opened approximately 30 years ago and is located in Brooklyn at 3643 Nostrand Avenue in the New York City Housing Authority (NYCHA) development known as Sheepshead-Nostrand Houses. The Bay is operated by Builders for the Family and Youth Diocese of Brooklyn (BFFY), an affiliate of Catholic Charities. BFFY is a multi-service organization with more than 180 programs and services in Brooklyn and Queens. As of Fiscal Year 2001, its services for senior citizens included four case management programs, 16 senior centers, three adult day care programs, one senior assistance and mental health program, two crime prevention programs, and one Title V senior aides program. These programs are primarily funded by DFTA.

BFFY was selected as the contractor for The Bay after responding in January 2001 to a Request for Proposal issued by DFTA.¹ The three-year contract, which commenced on July 1, 2001, requires BFFY to provide the following services: Case Assistance, Congregate Lunch, Home Delivered Meals, Nutrition Education, and Transportation. The contract also states that BFFY can provide Health Promotion and Education Recreation. The contract has been amended a few times. One amendment added 25 units of Education Recreation and City Council discretionary funds for the purchase of a new refrigerator. Another amendment added discretionary funds provided by the Brooklyn Borough President for the purchase of a new van.

The contract requirements are stated in the form of required service units, whose definitions vary with the service. A Case Assistance unit is an hour of service. For Congregate and Home Delivered Meals, a unit is one meal served to one person. A Transportation unit is one ride provided to one person; and a Nutrition Education, Education Recreation, and Health Promotion unit is one activity session for as many people as choose to attend. In the initial contract, the grant funds provided by DFTA to BFFY for the operation of The Bay were \$674,000 for each year. The contract was amended in September 2002 to funding of \$597,822 for the first year and \$513,000 for the second and third years. DFTA reimburses BFFY for all expenses incurred in providing services. The Bay offers all services free of charge to the senior citizens. However, The Bay asks its participating clients to contribute 50 cents for lunches and

¹ Millennium was the previous DFTA contractor that operated The Bay.

transportation. In Fiscal Year 2002, BFFY received \$40,379 in client contributions from The Bay. This amount is applied to the total contract budget.

Objectives

The objectives of this audit were:

- To determine whether BFFY maintains adequate and accurate records of the expenses and revenues of The Bay Senior Center;
- To determine whether BFFY adequately and satisfactorily provides the services called for in its contract with DFTA for the operation of The Bay Senior Center; and
- To assess BFFY's compliance with the key terms of its contract with DFTA for the operation of The Bay Senior Center.

Scope and Methodology

The scope of the audit was Fiscal Year 2002 and July through January of Fiscal Year 2003.

We interviewed DFTA officials responsible for program and fiscal monitoring of its contracted senior centers and reviewed DFTA's *Contract Agency Program Management Manual* and *Fiscal Management Manual* to determine the performance and reporting requirements applicable to its senior citizen centers. We then interviewed the program and fiscal directors at BFFY and the director of The Bay. We reviewed the contract between BFFY and DFTA for the operation of The Bay, including the various amendments added since the original contract was executed, and the contract budget and personnel report. We then reviewed the DFTA Field Audit Monitoring Guide and its Annual Assessment of The Bay, completed in January 2002.

We reviewed the client contribution cash receipts received by The Bay during the months of January through April 2002, as well as the funds received by BFFY from DFTA to operate The Bay.

We obtained and reviewed the monthly Contractor Invoice and Service Reports submitted by BFFY to DFTA for The Bay. In addition to the month's expenditures, the invoice form includes space to report on the program activities as set out in the contract. We therefore used these reports as the basis for our review of program compliance as well as financial matters.

To review the program operations of The Bay we requested and were provided with: the Daily Attendance and Income Record sheets; Client Fee Deposit Log; Education Recreation Schedule and Activity sign-in sheets; Nutrition Education schedule and sign-in sheets; Case Assistance logs; Daily Transportation Route sheets; Homebound Meal logs; and lunch menus for March, April, and May 2002.

To review BFFY's personnel management, we obtained The Bay's time and leave records and BFFY's payroll registers for March, April, and May 2002.

To review expenditures, we examined the invoices, requests for payment, and checks for all expenditures made by The Bay during the first eleven months of Fiscal Year 2002. We compared monthly expenditure totals with those reported on the Contractor Invoice and Service Reports submitted to DFTA. For fiscal matters, we made copies of all checks issued for expenses incurred for The Bay and the accompanying purchase orders, payment requests, and invoices. We reviewed the invoices for purchases made during March 2002 to determine whether prices and computations on the invoice were correct, sales tax was charged, the invoice was appropriately initialed, and the invoice was stamped "paid." With the exception of June 2002, we examined the bids, where required, for all items purchased by The Bay during Fiscal Year 2002. We also checked the petty cash reconciliations and records for February and May 2002 kept at The Bay.

We visited The Bay on November 19th, and December 18th of 2002, and January 2nd and January 7th of 2003, to observe the programs in operation. We observed numerous activities at The Bay including chorus, card games, bingo, friendship club, and an entertainer who played the accordion while some of the seniors listened and others danced. We observed the seniors signing in and making contributions for lunch, the caterer delivering lunch, and the serving and eating of the lunches. We also observed staff packing lunches for home delivery. We saw the van bringing seniors to The Bay and taking them home or on trips, including a trip into Manhattan to see a Broadway show.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials from DFTA and BFFY during and at the conclusion of this audit. A preliminary draft report was sent to DFTA officials on April 11, 2003, and was discussed at an exit conference on April 25, 2003. We submitted a draft report to DFTA officials on April 30, 2003, with a request for comments. We received a written response from DFTA officials on May 16, 2003.

DFTA generally agreed with all but one recommendation. It disagreed with the recommendation that DFTA require contractors to tag all equipment that is susceptible to theft, not just items that cost more than \$1,000.

FINDINGS AND RECOMMENDATIONS

BFFY generally maintains adequate and accurate records of the revenues and expenses of The Bay. BFFY accurately reported expenditures and requested reimbursement only for expenses that were actually incurred. Accurate records were maintained for the client contributions for lunch and daily transportation.

In addition, BFFY adequately and satisfactorily provides most of the services called for in its contract with DFTA. However, the performance levels for two of The Bay's core services were below the service target and there were discrepancies with some of the service numbers reported on the Contractor Invoice and Service Report. Also, BFFY did not always comply with the requirements of its contract with DFTA or with the DFTA *Fiscal Management Manual*.

BFFY Generally Maintains Adequate and Accurate Records Of the Expenses and Revenues of The Bay

BFFY generally maintains adequate and accurate records of the revenues and expenses of The Bay. The DFTA *Fiscal Management Manual* requires that as part of its accounting system, BFFY maintain records of bank reconciliations, petty cash reconciliations, monthly trial balances, a General Ledger, payroll registers, an equipment inventory, and bids received for the procurement of goods. BFFY maintains and was able to supply us with copies of all of these required documents.

We determined that The Bay's actual expenditures matched the totals reported to DFTA for Fiscal Year 2002. Therefore, BFFY accurately reported expenditures and requested reimbursement only for expenses that were actually incurred. In addition, the expenditures were accurately reported in the General Ledger Trial Balance. Most of the expenditures were supported by receipts or invoices and had a Request for Payment attached. We reviewed 807 expenditures, totaling \$198,014, excluding payroll, for the months of July 2001 through May 2002. Of the 807 expenditures 60 (7.4%) did not have a Request for Payment attached and 63 (7.8%) percent did not have a receipt or invoice attached.

Accurate records were maintained for the client contributions for lunch and daily transportation. Daily Attendance and Income Records were prepared and maintained daily for all lunch contributions received. Daily Transportation Route sheets and Contribution Records were maintained for every day of the week and included each passenger's name, pick-up time, place of pick-up, destination, and total amount of contributions. In addition, all client contributions were deposited in the bank and accurately recorded in the General Ledger.

All of DFTA monthly reimbursement amounts were accurately recorded in the accounts receivables in the General Ledger.

Petty Cash Vouchers Not Filled Out in a Timely Fashion

A supporting invoice or receipt was present for each petty cash voucher. The petty cash vouchers were sequentially numbered, and all vouchers were accounted for and signed in ink by the petty cash custodian, as required by the DFTA manual. However, frequently staff at The Bay fill out and record the petty cash vouchers late, generally at the end of the month after the purchase had been authorized and the money spent. For example, in one instance the date on the receipt was December 4, 2001, but the petty cash voucher for this purchase was dated February 1, 2002, over 58 days after the purchase had been made. If a receipt from a petty cash purchase is lost or misplaced before a voucher is filled out, the petty cash account will not reconcile.

Recommendations

We recommend that DFTA:

1. Instruct BFFY to maintain invoices and other documentation for all disbursements.
2. Require BFFY to fill out and record petty cash vouchers as soon as purchases are made and monitor its compliance.

DFTA Response: With regards to recommendations #1 and #2, DFTA responded: “DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements.”

BFFY Adequately and Satisfactorily Provides Most of the Services Called For in Its DFTA Contract for The Bay

BFFY adequately and satisfactorily provides most of the services called for in its contract with DFTA for the operation of The Bay Senior Center. Table I, following, shows the required units for each service and The Bay’s performance during Fiscal Year 2002.

TABLE I
Required Units of Service and The Bay's Performance

Core Services	Annual Target	12 Month Actual	Variance
Case Assistance	250	257	3%
Congregate Lunch	29,750	26,494	(11%)
Home Delivered Meals	54,400	53,187	(2%)
Nutrition Education	6	6	0
Transportation	2,500	1,541*	(38%)
Additional Services			
Education, Recreation	525	777	48%
Health Promotion	250	251	0

* This number only represents ten and a half months of service.

DFTA told us the provider is responsible for doing whatever outreach is necessary to promote its services to keep the levels at or near those required by the contract. DFTA allows a five percent variance from contract requirements. By this standard The Bay is at or above the compliance level in five categories: Case Assistance; Home Delivered Meals; Education, Recreation; Health Promotion; and Nutrition Education.

That leaves two core services with performance levels below the service targets and also below the allowable five percent variance: Congregate Lunch, with a deficiency of 11 percent, and Transportation, with a deficiency of 38 percent. We asked the Director why The Bay was not reaching its target levels for these services and were given various explanations. For the decline in congregate lunch, we were told that: (1) the first generation of senior citizens to embrace the senior centers had died and had not been replaced with the same numbers; (2) people in their 60s are leading far more active lives than they did a generation ago and require fewer services and activities; and (3) some senior citizens do not consider themselves as such and therefore do not seek out the kinds of services a senior center provides.

With regards to Transportation services, the Director responded that Fiscal Year 2002 was the first year that The Bay began providing transportation services. For the first month and a half of that fiscal year, The Bay did not have a driver or a van and could therefore not provide transportation service until the middle of August 2001. The Director pointed out that the transportation numbers have steadily increased since the inception of the service. In addition, as discussed further in the following section, there were discrepancies with the service units reported to DFTA by The Bay. The 38 percent deficiency may not be accurate because of these discrepancies.

Upon visiting The Bay, we noted that the day's schedule was always on the bulletin board near the entrance, and the activities were generally well attended. We also observed lunch being served on several of our visits. At the beginning of the audit, The Bay's staff was forced to move temporarily to space in the building next door while long-awaited renovations were

performed at their normal space. The only resulting change in service was that, unlike the Bay's regular space, the temporary space does not have a functioning kitchen so lunch was provided by a caterer instead of being cooked on site. DFTA's annual assessment of The Bay, completed on January 18, 2002, gave The Bay an overall rating of Excellent. The assessment measures the quality and variety of services rather than the quantity and, based on our observations, the assessment rating is accurate.

DFTA also performs Field Audits of the senior centers. DFTA officials explained that their goal is to monitor each contracted senior center once a year, but given staff limitations, they monitor approximately once every two years. On August 30, 2002, we met with DFTA officials who said that no Field Audit of The Bay was performed during Fiscal Year 2002. We checked again on March 5, 2003, and an audit had not been done as yet. Since the contract with BFFY for The Bay is a new one, it is important that DFTA perform a Field Audit to ensure that there are no weaknesses in operations or recordkeeping. If any are found, they can be brought to the attention of The Bay's Director so that appropriate changes can be made as soon as possible.

Discrepancies between Actual and Reported Units of Service

There were discrepancies with some of the service numbers reported on the Contractor Invoice and Service Report, when compared with the backup documentation. We reviewed the documentation for the services reported to DFTA for the months of March, April, and May 2002, and found some discrepancies in each month. Table II, following, lists the month, the service, the actual number of service units, and the number of units reported to DFTA.

TABLE IIDiscrepancies between Actual and Reported Service Unit Numbers

(A) Month	(B) Service	(C) Actual Number Of Units	(D) Number of Units Reported to DFTA	(E) Discrepancy (C-D)	(F) Percentage (E/C)
March 2002	Case Assistance	19	20	(1)	(5%)
March 2002	Home Delivered Meals	4,158	4,806	(648)	(16%)
March 2002	Nutrition Education	0	1	(1)	(100%)
March 2002	Transportation	172	146	26	15%
March 2002	Health Promotion	19	20	(1)	(5%)
April 2002	Case Assistance	21	22	(1)	(5%)
April 2002	Congregate Lunch	2,405	2,410	(5)	(0.2%)
April 2002	Home Delivered Meals	4,377	3,882	495	11%
April 2002	Transportation	230	210	20	9%
April 2002	Education, Recreation	65	68	(3)	(5%)
April 2002	Health Promotion	23	26	(3)	(13%)
May 2002	Home Delivered Meals	4,219	4,408	(189)	(4%)
May 2002	Nutrition Education	2	1	1	50%
May 2002	Transportation	192	170	22	11%
May 2002	Health Promotion	24	21	3	13%

The DFTA *Fiscal Management Manual* states that if a contractor discovers a reporting error, either overreporting or underreporting units of service, or a combination of both, a correction may be made on the following month's invoice so that the year-to-date totals are correct. Some of the discrepancies we noted might be corrections that were made from previous months. Nevertheless, The Bay is not accurately reporting to DFTA the number of service units it delivers. For April 2002, the service delivery numbers were inaccurately reported for six of the seven services offered by The Bay. As mentioned previously, the Transportation service units were underreported for all three months we reviewed. In addition, there are large discrepancies in the number of home delivered meals reported. It appears that The Bay does not carefully review the documentation supporting service delivery numbers before reporting the numbers to DFTA.

The DFTA *Fiscal Management Manual* states that accurate reporting of service data is essential. BFFY should ensure that accurate units of service are reported, since these numbers are used by DFTA to measure contract compliance.

Recommendations

We recommend that DFTA should:

3. Ensure that BFFY's staff promotes The Bay's presence and services in the community to increase the average daily attendance. DFTA should then monitor ongoing attendance.

DFTA Response: "DFTA utilizes program utilization patterns on a regular basis to assess program service utilization and spending. DFTA staff provides feedback to programs and provide technical assistance in areas of concern and non-compliance. For the first 8 months of FY'03 the program is at 92% utilization for congregate meals vs. 89% in FY'02."

4. Have BFFY's central administration and The Bay's staff talk with center attendees to determine why so few are taking advantage of the transportation services, and re-design the program to increase attendance or more widely publicize in Sheepshead-Nostrand Houses and the surrounding neighborhood the availability of The Bay's transportation service.

DFTA Response: "DFTA staff work closely with program staff to identify obstacles to full utilization and provide technical assistance to overcome problems. For the first 8 months of FY'03 the program is at 102% utilization for Transportation vs. 62% in FY'02, which resulted from start-up delays experienced in FY'02."

5. Perform a Field Audit of The Bay.

DFTA Response: "A field audit will be done in June 2003."

6. Ensure that the service delivery numbers reported on the Contractor Invoice Service Report are accurate and can be supported by the proper back-up documentation.

DFTA Response: "DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements."

BFFY Does Not Always Comply with Requirements of Its Contract with DFTA Or with the DFTA Fiscal Management Manual

BFFY complies with some requirements of its contract with DFTA and the DFTA *Fiscal Management Manual*. The Bay complied with section 4.03 of its contract by soliciting and maintaining bids when necessary. The Bay made six purchases of equipment where bids were required. The Bay received bids for five of the purchases. For the remaining purchase, a refrigerator, The Bay received an emergency waiver of the bidding requirements.

In addition, BFFY prepares monthly bank reconciliations and trial balances in accordance with Section 3.2.1 of the DFTA *Fiscal Management Manual*. We reviewed the invoices for 111 disbursements that were made during March 2002 and found that prices and computations on invoices were checked for accuracy, sales tax was not charged, and the faces of invoices were stamped “paid,” as required by section 3.5.3.1 of the DFTA *Fiscal Management Manual*.

However, the following sections detail the areas in which The Bay was not in compliance with the requirements of its contract or with the DFTA *Fiscal Management Manual*.

Funds Commingled

BFFY commingled the DFTA funds for The Bay with funds it receives to operate another center, also located in Brooklyn. Section 4.01 of the contract between DFTA and BFFY states, “the contractor shall establish and maintain a separate depository for the funds provided under this agreement and income generated by the Program. Funds shall not be commingled with funds received under any other agreement.” The contract also states that the contractor shall maintain separate books, records, and documents.

We spoke with DFTA’s Director of the Office of Contract Accounting and were told that DFTA no longer requires that separate bank accounts be maintained for each contract, as long as separate records are maintained. Since DFTA no longer requires that separate accounts be maintained for each contract, it should revise the contract language.

BFFY stated that they have a coding system to distinguish entries made for The Bay from entries made for the other center. However, BFFY was unable to supply us with a printout that listed only the checks that were issued for The Bay or a printout that listed all checks with their corresponding codes. We were therefore unable to determine whether we received copies of all checks written for expenses incurred by The Bay. DFTA should ensure that contractors can generate separate reports for the transactions of each center.

Recommendations

7. Since DFTA no longer requires that separate accounts be maintained for each contract, it should revise the contract language.

DFTA Response: “Contract language was revised as of CFY [City Fiscal Year] 2003.”

8. DFTA should ensure that the contractor can generate separate reports for the transactions of each center.

DFTA Response: “DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements.”

Timekeeping Weaknesses

We reviewed The Bay's weekly time sheets and determined that the employees do not complete and sign their own time sheets. Instead, there was one time sheet for each week that was completed by the Office Manager. The time sheet lists all employees who worked at The Bay that week and showed for each day the hours each employee was present, on vacation, on personal leave, or sick. The leave slips were also completed by the Office Manager rather than by the employees and were filled out approximately once or twice a month, listing any days each employee was absent from work and why. In addition, slips were not always submitted by an employee to document use of a floating holiday or personal day.

The DFTA manual states that time and attendance reports must be obtained for all employees and that they should include the employee's signature and the supervisor's signature.

When we compared the time sheets to the payroll register provided to us by BFFY central staff, we found some discrepancies. Several employees were paid two hours of overtime during one week, although the time sheet did not reflect that overtime was worked. We questioned the Office Manager about this, and she explained that an error was made on the time sheet, which should have reflected two hours of overtime. On another occasion, an employee was paid one hour of overtime on a day that was used as a floating holiday. Since the Office Manager and not the individual employees fills in the time sheets, it is more likely that errors can be made, especially when some employees' work hours vary from week to week.

Recommendations

9. DFTA should require employees at The Bay to fill out and sign their own time sheets, which should also be signed by the employee's supervisor.
10. DFTA should require that employees submit written and signed forms for the use of floating holidays, personal days, and annual leave.

DFTA Response: With regards to recommendations #9 and #10, DFTA responded: "DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements."

Inadequate Accounting of Assets

The DFTA *Fiscal Management Manual* requires that equipment, that has a useful life of more than one year and costs \$1,000 or more, be tagged and listed in the Equipment Register.

The Equipment Register contains columns to record the description, tag number, quantity, cost, and funding or revenue source for each item. The Equipment Register listed items that cost more and less than \$1,000. However, the Equipment Register did not show the cost or tag number of all equipment and did not indicate the funding or revenue source for any of the items.

We were able to look at only three items that were listed with a cost of more than \$1,000. Only one of these three items was tagged. However, The Bay's "tags" consisted of pieces of masking tape that can easily roll up and fall off, which may have occurred with some items lacking tags. The DFTA *Fiscal Management Manual* requires the funding or revenue source be included on the tag. We did not see any tags on equipment that included this information.

Even though DFTA requires that only equipment costing more than \$1,000 be tagged, we believe that all equipment should be accounted for. For example, The Bay has equipment such as computers, printers, monitors, televisions, and video cassette recorders, which may have cost less than \$1,000, but are susceptible to theft. When equipment is not accounted for, thefts may occur and go undetected, equipment may be disposed of improperly, and duplicate equipment may be purchased unnecessarily. Internal control standards require that inventory should be protected from unauthorized use or removal, and that property should be properly accounted for. Accurate and complete inventory records should be maintained for all equipment, and physical inventories should be conducted periodically.

Recommendations

DFTA should:

11. Ensure that The Bay maintains a complete Equipment Register that includes all equipment, along with the tag number, cost, and funding source.

DFTA Response: "DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements."

12. Require contractors to tag all equipment that is susceptible to theft, not just the items that cost more than \$1,000.

DFTA Response: "We disagree with this recommendation since it would put a burden on our community partners which is not cost effective."

Auditor Comment: We think this is a valid recommendation since we are referring to a relatively small number of items of equipment (in the case of BFFY, only eight items) such as fax machines, videocassette recorders, computers, etc. In addition, our review showed that the contractor had already indicated in the equipment register that five of the eight items that were under \$1,000 had been assigned tag numbers.

13. Ensure that The Bay institutes a better tagging system.

DFTA Response: "BFFY has already been informed that masking tape tags are unacceptable. They will replace these tags with more permanent, durable tags that include all the required information."

14. Ensure that The Bay's tags include the funding source and, when items are purchased with DFTA funds, also the revenue source.

DFTA Response: "DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements."

Contractor Invoice and Service Reports Not Submitted in a Timely Fashion

We reviewed the Contractor Invoice and Service Reports to determine when they were submitted to DFTA, and found that they are not submitted in a timely fashion. Section 5.1.1 of the DFTA *Fiscal Management Manual* requires that invoices for reimbursement of expenses be submitted on a monthly basis and are due no later than the 10th day of the following month. However, at the exit conference, DFTA officials informed us that BFFY's date of submission was changed from the 10th day of the following month to the 20th day. We used the 20th day in our calculations and found that BFFY is still submitting the invoices late. The Reports for July 2001 through May 2002 were submitted by BFFY to DFTA an average of 14 days late. For example, the October 2001 Contractor Invoice and Service Report was submitted 49 days later than required by DFTA. If invoices for reimbursement of expenses are not submitted to DFTA when required, DFTA will not be able to issue the reimbursement as quickly as may be needed by The Bay.

Recommendation

15. DFTA should ensure that invoices for reimbursement are submitted by BFFY by the 20th day of the following month, as required by DFTA.

DFTA Response: "DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements."

Deposits Not Made Daily

Section 3.4.3.2 of the DFTA *Fiscal Management Manual* requires that participant contributions be deposited in the same bank account as the DFTA funds, since these funds are considered part of the budget funds. The Bay correctly deposited participant contributions into the same account as the DFTA funds, but the deposits were made weekly rather than on the day the funds were received, as required in Section 3.4.2 of the DFTA *Fiscal Management Manual*. The daily amount of congregate lunch money collected by The Bay is small, an average of \$46 per day during March 2002, which may not warrant a daily trip to the bank. If DFTA believes this requirement is necessary, it should ensure that BFFY makes deposits daily; if not, DFTA should consider changing the requirement.

Recommendation

16. DFTA should ensure that BFFY makes deposits daily, or consider changing this requirement.

DFTA Response: “DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements.”

Invoices Not Initialed

We reviewed the 111 invoices for disbursements that were made in March 2002 and found that not all invoices were initialed. Fourteen (13%) of the invoices did not contain initials to show that they had been verified by BFFY officials prior to payment. Section 3.5.3.1 of the *DFTA Fiscal Management Manual* states that invoices should be initialed to indicate they were verified. Initialing an invoice serves as verification to the bookkeeper that goods were received and that payment may be made. If verification is not present on the invoice, the bookkeeper could make payments for goods or services that have not actually been received.

Recommendation

17. DFTA should ensure that BFFY verifies that goods and services have been received by initialing all invoices.

DFTA Response: “DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements.”



DEPARTMENT FOR THE AGING

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New York, New York 10007-1392
(212) 442-1100

Edwin Méndez-Santiago, MSW, CSW
Commissioner

Addendum
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May 14, 2003

Mr. Greg Brooks
Deputy Comptroller, Policy,
Audits, Accountancy & Contracts
Office of the Comptroller
1 Centre Street, Room 1100 North
New York, NY 10007-2341

Re: Audit Report on the
Compliance of Builders for
the Family and Youth
Diocese of Brooklyn with its
Department for the Aging
Contract for the Operation of
the Bay Senior Center
Audit Number: MG03-058A

Dear Mr. Brooks:

This is in response to your letter dated April 30, 2003. We are pleased that the auditor found that "BFFY generally maintains adequate and accurate records of the revenues and expenses of The Bay".

Attached you will find comments regarding your findings and our responses to your recommendations. If you have any questions, please contact Ed Grant, Assistant Commissioner, Bureau of Administration and Budget at (212) 442-1061.

Sincerely,

Edwin Méndez-Santiago

A handwritten signature in black ink, appearing to read "Edwin Méndez-Santiago", positioned above the printed name.

**New York City Department for the Aging
Audit Response
May 14, 2003**

Audit Number: MG03-058A

Recommendation #1: Instruct BFFY to maintain invoices and other documentation for all disbursements.

Recommendation #2: Require BFFY to fill out and record petty cash vouchers as soon as purchases are made and monitor its compliance.

Recommendation #6: Ensure that the service delivery numbers reported on the Contractor Invoice Service Report are accurate and can be supported by the proper back-up documentation.

Recommendation #8: DFTA should ensure that the contractor can generate separate reports for the transactions of each center.

Recommendation #9: DFTA should require employees at The Bay to fill out and sign their own time sheets, which should also be signed by the employee's supervisor.

Recommendation #10: DFTA should require that employees submit written and signed forms for the use of floating holidays, personal days and annual leave..

Recommendation #11: Ensure that The Bay maintains a complete Equipment Register that includes all equipment, along with the tag number, cost, and funding source.

Recommendation #14: Ensure that The Bay's tags include the funding source and, when items are purchased with DFTA funds, also the revenue source.

Recommendation #15: DFTA should ensure that invoices for reimbursement are submitted by BFFY by the 20th day of the following month, as required by DFTA.

Recommendation #16: DFTA should ensure that BFFY makes deposits daily, or consider changing this requirement.

Recommendation #17: DFTA should ensure that BFFY verifies that goods and services have been received by initialing all invoices.

**New York City Department for the Aging
Audit Response
May 14, 2003**

Response:

All of the above recommendations stressed the need for DFTA to follow the written standards set forth in the Fiscal Management Manual. DFTA will continue to make formal field visits during the fiscal year, supplemented by year end financial and programmatic audits by Certified Public Accountants.

DFTA will share this audit report with the program and will continue to monitor, require and emphasize to the program the importance of complying with established fiscal requirements.

Recommendation #3: Ensure that BFFY's staff promotes The Bay's presence and services in the community to increase the average daily attendance. DFTA should then monitor ongoing attendance.

Response:

DFTA monitors program utilization patterns on a regular basis to assess program service utilization and spending. DFTA staff provides feedback to programs and provide technical assistance in areas of concern and non-compliance. For the first 8 months of FY'03 the program is at 92% utilization for congregate meals vs. 89% in FY'02.

Recommendation #4: Have BFFY's central administration and The Bay's staff talk with center attendees to determine why so few are taking advantage of the transportation services, and redesign the program to increase attendance or more widely publicize in Sheepshead-Nostrand Houses and the surrounding neighborhood the availability of The Bay's transportation service.

Response:

DFTA staff work closely with program staff to identify obstacles to full utilization and provide technical assistance to overcome problems. For the first 8 months of FY'03 the program is at 102% utilization for Transportation vs. 62% in FY'02, which resulted from start-up delays experienced in FY'02.

Recommendation #5: Perform a Field Audit of the Bay

Response:

A CPA audit of BFFY-The Bay for CFY 2002 was completed March 17, 2003. A field audit will be done in June 2003.

**New York City Department for the Aging
Audit Response
May 14, 2003**

Recommendation #7: Since DFTA no longer requires that separate accounts be maintained for each contract, it should revise the contract language.

Response:

Contract language was revised as of CFY 2003.

Recommendation #12: Require contractors to tag all equipment that is susceptible to theft, not just items that cost more than \$1,000.

Response:

We disagree with this recommendation since it would put a burden on our community partners which is not cost effective.

Recommendation #13: Ensure that The Bay institutes a better tagging system.

Response:

BFFY has already been informed that masking tape tags are unacceptable. They will replace these tags with more permanent, durable tags that include all the required information.