

EXECUTIVE SUMMARY

In this review, we examined contract compliance and the propriety of reported expenses for the Rochester After School Academy (RASA) operated by North East Area Development, Inc. (NEAD). We noted the following findings during this review:

- ◆ The City properly monitored the contract and most reimbursements to the contract appear valid and are supported by proper documentation.
- ◆ Public Integrity noted that on March 1, 2007, NEAD changed their program from a RASA model to a Freedom School model. They made this change without prior approval from the City, therefore violating the contract.
- ◆ Public Integrity noted three expenses that the City reimbursed NEAD for that NEAD has not paid to the corresponding vendors. These expenses and corresponding vendors are \$72.00 (Freshwise Catering), \$83.17 (Victoria Simmons) and \$4,400.00 (Freedom School).

NEAD paid \$4,400.00 to Freedom School on November 7, 2007, subsequent to the conclusion of OPI field work.

- ◆ Public Integrity noted that consultants did not sign 19 of the 150 time cards that the City reimbursed NEAD for during the contract period. This represents an error rate of 12.6% and consultant payments of \$3,560.00.
- ◆ NEAD could not locate some equipment items that they purchased under the RASA contract. These include a laptop computer (\$3370.00), a Palm M130 (\$239.00) and 14 pair of binoculars (\$686.00). Additionally, one of the other equipment items, a refrigerator (\$2,100.00), is located and being used at a site not utilized by the program.
- ◆ Public Integrity noted a questioned cost for cell phone expense, because the City over-reimbursed NEAD \$269.00 more than allowed by the contract.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity (OPI) routinely reviews contract compliance of contractors who conduct business with the City of Rochester. The Mayor's Office requested this review.

B. Background

The City originally entered into a contract with NEAD in May 2003. The purpose of that agreement was for NEAD to be the lead agency in conducting a Rochester After School Academy (RASA) program. The RASA program is a comprehensive approach to enhance and extend learning beyond the traditional school day. NEAD agreed to provide the program development, personnel, and supplies and equipment for program activities and clubs. These programs included tutoring and academic enrichment activities provided by certified teachers, a Kid's Café, parent computer training, GED classes, musical and visual arts field trips, woodworking, neighborhood history, reading buddies and art therapy for students and their families. This was a five-year program and the funding and expenditures for this program were as follows:

NEAD, Inc. Rochester After School Academy Program
Contract Funding and Expenditures

<u>Program Year</u>	<u>Period</u>	<u>Contract Number</u>	<u>Contract Amount</u>	<u>Amount Expended</u>
1, 2	05/27/03-06/30/04	027266	\$201,544	\$ 191,052
3	07/01/04-06/30/05	028159	132,049	88,789
4	07/01/05-06/30/06	029103	132,049	130,248
5	07/01/06-06/30/07	030161	132,049	110,638

RASA is funded by grant monies from the New York State Department of Education. The City serves as a pass-through agency for these funds. The Department of Recreation and Youth Services (DRYS), Bureau of Youth Services, oversees the RASA program including monitoring contractors and approving related payments to them.

C. Objective And Scope

The objectives of this review were to evaluate contract compliance and the propriety of reported expenses. The scope included corresponding records applicable to all RASA expenses that NEAD submitted to the City for reimbursement for Year 5 (Contract #030161) of the program that ran from July 1, 2006 to June 30, 2007.

The City reimbursed NEAD a total of \$110,638.00 of this \$132,049.00 contract. The attached table presents a comparison between the budgeted expenses approved in the contract and the actual expenses reimbursed by the City.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

III. RESULTS OF REVIEW

A. RASA Program Terminated

The City's contractual agreement with NEAD requires NEAD to serve as a lead agency in conducting a RASA program in the Northeast quadrant of the City. The RASA program was to run from the original contract inception date of May 27, 2003 through June 30, 2007. NEAD conducted this RASA program from the original contract date through February 28, 2007. On March 1, 2007, NEAD changed the program from a RASA program model to a Children's Defense Fund Freedom School model. NEAD made this change without notifying the City in advance or obtaining the City's permission. As a result, NEAD violated the contract to conduct a RASA program.

Although NEAD violated the RASA contract, subsequent to March 1, 2007 NEAD continued to submit vouchers to the City for reimbursement of expenses incurred after they changed to the Freedom School program. The City reimbursed several of these expenses including \$3,676.00 for consultants, \$2,825.00 for programs, and \$4,400.00 for books.

Additionally, the City paid \$15,100.00 directly to the Children's Defense Fund Freedom School in Washington, D.C. for expenses that NEAD incurred for supplies for that program. However, the City has not reimbursed NEAD for several Freedom School expenses that NEAD incurred and paid including \$13,944.00 for consultant salaries, \$8,640.00 for salary and \$1,008.43 for benefits for the Freedom School Program Coordinator.

NEAD contends that the City should reimburse them for these expenses; however, it appears that the City is not obligated to pay them since NEAD violated the contract and the contract includes a "Termination for Default" clause.

New York State Department of Education defers to the City's judgment whether the change to the Freedom School program is necessary and allowable in consideration of what the City is trying to accomplish.

B. NEAD Did Not Pay RASA Vendors For Expenses Reimbursed By The City

To get reimbursed by the City for expenses incurred while conducting the RASA program, the contract requires NEAD to submit duly executed claim vouchers to the City. The contract allows NEAD to bill the City for services already performed but not yet paid. Personnel from DRYS, Bureau of Youth Services, review the claim vouchers for propriety prior to payment approval.

Public Integrity noted three RASA expenses that the City reimbursed NEAD for that NEAD has not paid the corresponding vendors. These expenses are listed below.

NEAD, Inc. RASA Program
Expenses Reimbursed by City to NEAD but NEAD Has Not Paid Vendors

<u>Voucher</u>	<u>Vendor</u>	<u>Amount</u>	<u>Date Reimbursed by City</u>
469199	Freshwise Catering	\$ 72.00	February 2007
469186	Victoria Simmons*	83.17*	March 2007
469187	Freedom School	4,400.00	May 2007

* Consists of purchases made by Victoria Simmons, Program Coordinator, including Staples for \$5.32 and \$38.96, and TOPS for \$38.89.

NEAD paid \$4,400.00 to Freedom School on November 7, 2007, subsequent to, and as a result of OPI audit field work.

C. Time Cards Not Signed By Consultants

NEAD requires consultants, hired to help conduct the RASA program, to complete time cards to document the hours that they work. The time cards document the hours that consultants work each pay period and also include a place for the consultants to sign their names. These signatures demonstrate that the consultants agree with the hours listed on their time cards and provide assurance to the City that the associated payroll expenses are valid.

Public Integrity noted that consultants did not sign 19 of the 150 time cards that the City reimbursed NEAD for during the contract period. This represents an error rate of 12.7% and consultant payments of \$3,560.00.

D. Unaccountable Equipment

The City reimbursed NEAD for equipment that NEAD purchased for the RASA program. As part of our review, OPI comprised a list of equipment items purchased since the inception of the RASA program and attempted to physically verify them. We noted the following findings during the inventory of these items:

1. NEAD could not locate some of the equipment that they purchased

with RASA funds. These include a laptop computer purchased in 2003 for \$3,370.00, a Palm M130 purchased in 2003 for \$239.00 and 14 pair of binoculars purchased in 2004 for \$686.00. NEAD personnel indicated that they gave the binoculars to students of a RASA bird watching class.

2. A refrigerator costing \$2,100.00, purchased with RASA funds, is located and being used at a site that does not appear to be utilized by the RASA program.

E. Questioned Cost: Over-reimbursed Cell Phone Expense Of \$268.84

The RASA contract with NEAD includes a budget narrative that details the amount chargeable to the program for each spending category. For cell phone expense, the budgeted allowance is \$50.00 per month for a maximum contract total of \$600.00. The following table summarizes cell phone reimbursements from the City:

NEAD, Inc. RASA Program
Reimbursements for Cell Phone Expense

<u>Month</u>	<u>Amount Reimbursed</u>
July 2006	\$ 58.80
August	58.80
September	61.38
October	164.39
November	61.22
December	0.00
January 2007	236.08
February	178.17
March	50.00
Total	<u>\$868.84</u>

The table demonstrates that the City reimbursed NEAD more than \$50.00 per month in several instances. Additionally, for the entire contract period examined, the City over-reimbursed NEAD \$268.84 more than allowed by the contract.

IV. MANAGEMENT RESPONSE

Attached are the responses of the Department of Recreation and Youth Services, and the North East Area Development, Inc.

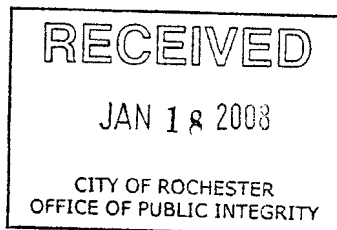
NEAD, Inc. RASA Program
Budgeted Vs. Actual Reimbursed Expenses
July 1, 2006 - June 30, 2007

<u>Description</u>	<u>Budgeted Program Expenses</u>	<u>Reimbursed Program Expenses</u>	<u>Difference: Budget Vs. Reimbursed</u>
<u>Professional Staff</u>			
Program Coordinator	\$ 38,500.00	\$ 29,386.14	\$ (9,113.86)
Total Salary	\$ 38,500.00	\$ 29,386.14	\$ (9,113.86)
<u>Purchased Services</u>			
Dance	5,000.00	3,700.00	(1,300.00)
Art/Music/Cultural Program	25,000.00	27,452.00	2,452.00
Mad Science	8,000.00	1,565.00	(6,435.00)
Consultants/After School Assistants/Tutors	24,500.00	16,640.25	(7,859.75)
Art Therapy (7 month program Jan. - July)	5,800.00	-	(5,800.00)
Total Purchased Services	\$ 68,300.00	\$ 49,357.25	\$ (18,942.75)
<u>Supplies and Materials</u>			
Art/Music/Cultural Program Supplies	7,488.00	3,035.18	(4,452.82)
Field Trip Admissions	1,500.00	-	(1,500.00)
Cell Phone	600.00	868.84	268.84
Postage/Mailings	300.00	-	(300.00)
Consumable Office Supplies	1,500.00	950.23	(549.77)
Total Supplies and Materials	\$ 11,388.00	\$ 4,854.25	\$ (6,533.75)
<u>Travel Expenses</u>			
Field Trips and Admissions	4,565.00	-	(4,565.00)
Mileage Including Parking Fees	300.00	-	(300.00)
Total Travel Expenses	\$ 4,865.00	\$ -	\$ (4,865.00)
<u>Employee Benefits</u>			
15% of Program Coordinator's Salary	5,775.00	5,240.43	(534.57)
Total Employee Benefits	\$ 5,775.00	\$ 5,240.43	\$ (534.57)
SUBTOTAL	128,828.00	88,838.07	(39,989.93)
Indirect Cost (2.5%)	3,221.00	2,299.67	(921.33)
Payment to NEAD for Freedom School Books	-	4,400.00	4,400.00
Payment directly to CDF Freedom School	-	15,100.00	15,100.00
TOTAL PROGRAM CHARGED TO GRANT	\$132,049.00	\$ 110,637.74	\$ (21,411.26)



Inter-Departmental Correspondence

To: Dan Markese
From: Charles Reaves 
Date: 1/18/2008
Subject: NEAD AUDIT
Cc: Richard Vega



Dan,

Based on the results of the audit that was conducted by the Office of Public Integrity, the Mayor has decided to appropriate \$10,000 to the **North East Area Development Inc.** Deputy Mayor Patricia Malgeri will contact the Executive Director of NEAD to inform him of the Mayor's decision.

If you need any further information or if I can be of any assistance please feel free to call me.

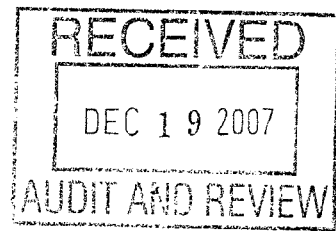
Thank you

Charles Reaves
Commissioner
Department of Recreation and Youth Services





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December 19, 2007

Richard Vega
Director, Office of Integrity

Daniel J. Markese
Internal Audit Manager

City of Rochester
30 Church Street
Rochester, New York 14614

Dear Sirs:

The following is in response to your questions arising from the audit you conducted of North East Area Development's RASA Program, as outlined earlier today.

1) Violation of Contract resulting from program change on March 1, 2007.

Please note that in a letter to Jackie Campbell dated February 20, 2007, we reference a conversation which took place on February 14 detailing our plans for the RASA program moving forward and that we planned to continue operation with Victoria Simmons, who was director of the program at that time. (See Exhibit 1). In response to that correspondence, Jackie Campbell's letter of March 30, 2007 expresses her clearer understanding of the program, and in fact agreed that the early City-initiated program shutdown was unnecessary. (See Exhibit 2). Please note e-mail message from Jackie Campbell to Marge Lancer and Victoria Simmons, dated February 23, 2007, indicating her support of lead agencies' efforts to sustain their after school programs. (See Exhibit 3). Also, please note the e-mail dated February 26 from John Page to Larry Ellison, then principal of School #33 regarding operation of the program. (See Exhibit 4).

2) Non-payment of Vendors

After further review of our files, we have discovered a check request from Victoria Simmons. The check request was not approved by John Page, as required before checks may be generated by our Bookkeeper. The confusion with these smaller amounts came into play when the City of Rochester created their own voucher (No. 488807) in the amount of \$338.25. (See Exhibit 5). Please refer to the memo from Jeanetta Davis to Victoria Simmons dated March 13 indicating that these expenses were deducted from the original voucher.

With regard to the \$4,400 that was re-imbursed from the City to go toward NEAD's Freedom School expenses, those funds were utilized at the time for salaries for the program providers because we had an agreement from Children's Defense Fund (CDF) to wait for their payment until we were fully re-imbursed from the City. However, at the City's request, NEAD did advance the funds, and CDF was paid on October 25. See Exhibit 6, copy of cancelled check number 920 payable to Children's Defense Fund Freedom Schools.

3) Consultants did not sign timecards.

Please note that 17 of those timecards were for time periods during the time of Victoria Simmons' directorship. It was therefore her responsibility to obtain the necessary signatures. It should also be noted that Yolanda Sanchez is an employee of the Rochester City School District, working at School No. 33. The other two missing signatures were merely oversights. To avoid this error in the future, safeguards have been implemented in the form of timesheets and contracts for services.

4) Failure to locate equipment items purchased under the RASA contract.

Lap Top: On March 1, I instructed George Moses to retrieve any valuable RASA assets from the School 33 office. Without my knowledge, Victoria Simmons came into the NEAD office and removed the lap top from my desk on March 2, as highlighted in my March 18 letter to Tom Banister. (See Exhibit 7). Please note that this is an INTERNAL DOCUMENT. Also, see Exhibit 7-A which is an inventory of RASA equipment.

Palm Pilot: A letter was written to the previous RASA Administrator, Linda Hagarty, and a copy given to Yvette Burri, noting that the palm pilot was not turned in when Linda resigned.

14 pairs of binoculars: I cannot explain the whereabouts of the binoculars. I can only assume that they followed the students who participated in the Bird Watching Program at the time (under the directorship of Victoria Simmons).

Refrigerator: The refrigerator remains where it has been since 2003. The original program called for cooking classes, with RASA students and the Museum of Kids Art. These classes were in fact held as late as summer, 2007. Once the Freedom Center is renovated, the refrigerator will be moved to the North Goodman Street location, for continued use by the Freedom School program.

5) Questioned cost for cell phone expense.

Please be aware that this was a City error. The re-imburement should only have been \$50.00. Since the cell phone bills were spiraling out of control, it was necessary to make some reductions. The City agreed to share in the expense of deleting one of the RASA lines. Please refer to correspondence dated December 8, 2006 from Joyce A. Young to Jeanetta Davis regarding these charges. (See Exhibit 8).

In conclusion, I must re-iterate that this has been a long and drawn-out process. The fact that certain City departments have vacillated for several months now, has caused setbacks in our ability to effectively focus on our mission, particularly as it relates to education enhancement. Freedom School is a direct response to the Mayor's call for literacy, as well as the Summer of Opportunity through which NEAD would be able to employ youth in a very meaningful way during the summer months. (Refer again to Exhibit 2 and see Exhibit 9). It is my hope that this final step will bring this ordeal to an end, and at the conclusion of this audit, the City will release the \$22,700.36 owed to the agency. (See Exhibit 10). This will allow both of our entities to move forward and once again permit us to enjoy a working relationship that serves some of the neediest and most deserving citizens of our great city.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Page". The signature is fluid and cursive, with a large loop at the end.

John Page
Executive Director

c: Thomas Banister
President
Board of Directors