

EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined contract compliance and the propriety of reported expenses for ABC Communications. We noted the following findings during this review:

- ◆ Public Integrity noted an unallowable requested reimbursement of \$2,063 for computer consulting services that ABC Communications submitted for reimbursement but the Economic Development Department has not paid. Additionally, ABC Communications has not provided the records and information requested to support these costs for which they seek reimbursement.
- ◆ The City reimbursed ABC Communications \$2,000 for advertising that did not include wording recognizing the City for the financial assistance provided or the ShopInRtown.com logo as required per the contract.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews contract compliance of contractors who conduct business with the City of Rochester. The Economic Development Department (EDD) requested this review.

B. Background

The City originally entered into contracts with Deepak Marwaha, owner of ABC Communications, in January 2007. The purpose of the After Care Matching Grant Program is to assist area businesses by providing reimbursement of advertising expenses, computer hardware and software, exterior lighting and signage, and security camera systems. The following contracts were executed between the City and ABC Communications each for one year.

ABC Communications
Contract Funding and Expenditures

<u>Period</u>	<u>Contract Number</u>	<u>Contract Description</u>	<u>Contract Amount</u>	<u>Amount Expended</u>
1/12/07-1/11/08	030424	Advertising	\$ 2,000.00	\$2,000.00
1/12/07-1/11/08	030410	Architecture Assistance	10,000.00	680.39

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 expenses that ABC Communications submitted to the City for reimbursement for each of these contracts. As of the date of this audit, the City has reimbursed ABC Communications a total of \$2,680.39 for advertising, a computer laptop, and a computer software program.

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.

RESULTS OF REVIEW

A. Unallowable Requested Reimbursement

ABC Communications has requested reimbursement of \$2,063 for computer consulting services. The contract does not state this type of expenditure as allowable. Contract 30410 states that funds are available for the purchase of computer hardware and software, exterior lighting and signage, and a security camera system. The City should not reimburse for any costs other than those stated in the contract.

Additionally, Section 2.502 of the contract between the City and ABC Communications stipulates that the City is to have access to all records, papers, books, and documents related to the agreement. The grantee has not complied with this contract requirement because they have not provided requested documentation to support all expenditures for which they seek reimbursement.

◆ Recommendation

EDD should not reimburse ABC Communications for the computer consulting expense. We also recommend that EDD personnel continue to utilize care and diligence in reviewing any subsequent submissions for reimbursement.

B. Non-Compliance With Contract Requirement

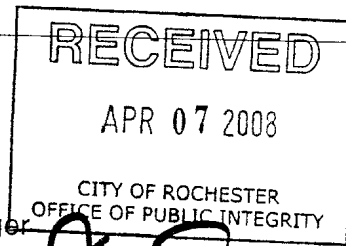
Public Integrity noted that the wording included in advertising, for which EDD reimbursed ABC Communications \$2,000, was not in full compliance with wording specifically required by the contract. The contract states, "All advertising must be approved by EDD and include the required tag line: 'Paid in part by the City of Rochester Economic Development Department' and ShopInRtown.com logo." This required wording was not included in the Yellowbook advertising purchased by ABC Communications.

◆ Recommendation

EDD should only reimburse advertising that complies with contract requirements.

IV. DEPARTMENTAL RESPONSE

The response of the Economic Development Department follows.



To: Daniel J. Markese, Internal Audit Manager
From: R. Carlos Carballada, Commissioner EDD
Date: April 3, 2008
Subject: ABC Communications Review of Contract 30410 & 30424

Thank you for the tentative audit report on ABC Communications. We appreciate the time and attention you have taken with the request to review the documentation provided by our customer.

The report has been reviewed by EDD and I am providing a response to the two points identified in your report:

1. As noted EDD will not reimburse ABC Communications for the requested reimbursement for computer consulting services.
2. Regarding the tag line and logo requirement I have been advised that the grant agreement has been revised and approved by the law department: this includes the elimination of the logo requirement, and a clause stating that the tag line is required when applicable. Our primary intent of the advertising grant is to assist our customers with their expenses as it relates to advertising. The tag line is a secondary requirement so that the City gets some positive recognition with the assistance we provide, however it is not enforced at the expense of our customer losing grant funds. There are times when an ad is so small that enforcing the tag line requirement is not practical. The discretion as to when the requirement is applicable is with the EDD project person responsible for the review of the business application.

A letter will be sent to ABC Communication advising them of your findings. Their grant was on hold during your audit review period and has subsequently expired however it was not closed. The customers grant will be reopen for the period it was on hold with instructions informing them that they must comply with the terms of their agreement or will be subject to another audit.

Thanks again.

xc: Richard Vega, Office of Pub. Int.