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September 14, 2006

James A. Edmondson, President &. CEO
Yours, Ours, Mine Community Center, Inc
152 Center Lane
Levittown, NY 11756

Dear Mr. Edmondson:

A limited review of the financial and personnel records of Yours, Ours, Mine Community Center, Inc. (YOM) was performed for the audit period January 2003 through June 2005 under the authority granted to the County Comptroller by Nassau County Charter ' 402.

The objective of the audit was to determine whether YOM was properly billing the county for contracted services. We reviewed applicable laws, YOM's policies and procedures, accounting records, personnel files and tested the processing of transactions, such as payments to vendors. We also interviewed YOM personnel to gain an understanding of the agency's operations and internal control structure.

Background

YOM provides a range of services to adults and children aged three years and up. Nassau County has funded the Senior Program and the Youth Program, and the Chemical Dependency Program in fiscal year 2003. The County also helps fund children in YOM's day care program who are subsidized through the Department of Social Services (DSS).

Summary of Findings

Employee Screening (1):

Audit Finding:

We were unable to confirm that YOM employees who work with children were approved by the Division of Criminal Justice Services and by the Office of Children and Family Services as required by the New York State Code of Rules and Regulations (NYCRR).

NYCRR Title 1, § 390(b), entitled *Care and Protection of Children* requires the Office of Children and Family Services (OCFS) to perform a criminal history record check and NYCRR Title 1 ' 4.18-1.10b (1) *Child Day Care Center Regulations* requires that day care centers obtain clearance from OCFS that the employee is not the subject of a report of child abuse or maltreatment on file with the Statewide Central Register of Child Abuse and Maltreatment. Employees may work with children pending the completion of the criminal history record check but must be supervised when with the children.

We reviewed eight Childcare Program employees' personnel folders for required documentation and found that the:

- Criminal History Record Check was missing from one employee's file; and
- Child Abuse Clearance Report was missing from three employees' files.

YOM stated that the employees had been approved but the documentation was with OCFS and that now YOM was unable to obtain evidence of clearance from the State because too much time had passed. The employment of individuals without proper clearance puts the children in their care at risk.

Audit Recommendations:

YOM should:

- a) ensure that its employee files are complete and contain copies of all required clearances; and
- b) re-apply for clearances for those employees where the state cannot provide documentation of previously issued clearances.

Agency Response:

Your audit recommendations have been addressed with the appropriate supervisors who are in charge of ensuring that employee files are complete and contain all required clearances and documentation.

I will reapply for clearances for those employees who the State could not provide documentation of previously issued clearances for those individuals who work within the Child Care Program during the audit period.

Auditor's Follow-Up Response:

We concur with the action being taken which are in accordance with our recommendations.

Day Care Overcharges (2)

Audit Finding:

DSS requires all day care agencies to sign an agreement to charge the market rate per child, and the lower rate if unsubsidized children are charged a lower than market rate. We found that the daily rates charged for children subsidized by DSS in YOM's day care program for 3-to 5-year-olds exceeded the rates charged for unsubsidized children.

For example, in May 2005, the rate YOM charged DSS was \$39.00 per day and the rate charged to the public for unsubsidized children was \$30.40. YOM had two DSS children in day care and therefore overcharged the County \$120 for this month. According to YOM's CFO, rate differences for subsidized and unsubsidized children exist in other months but YOM was unable to identify when the change in rate began.

Audit Recommendations:

YOM should:

- a) comply with the agreement and charge Nassau County the rate charged to unsubsidized children when it is lower than the market rate; and
- b) review its billings to determine if there were additional overcharges in the other months. If so, the overcharges should be remitted to the county.

Agency Response:

The fact that YOM charged Nassau County Department of Social Services \$39 per day and the rate charge to the public for unsubsidized children was \$30.40, the Nassau County Department of Social Services approved the rates that were charged to the public whose children were unsubsidized by the Department. However, the County was overcharged \$120 for that month and I have enclosed a check for the same.

YOM has since and continues to comply with the Agreement between the Nassau County Department of Social Services (DSS) and YOM to provide child care services and charge Nassau County the rate charge to unsubsidized children when it is lower than the market rate.

Auditor's Follow-Up Response:

We acknowledge receipt of the \$120 which represented overpayment for the one month tested during our audit. Our comments noted that YOM's CFO had indicated rate differences existed in other months and we requested an investigation into other months to uncover additional

overcharging, and a refund of said fees. YOM should comply with our recommendation to review its billing of other months and remit any overcharges to DSS.

Review of Internal Controls (3):

Audit Finding:

An effective internal control system requires the separation of duties so that no single individual controls most or all phases of a transaction. Concentrating key duties, such as authorization, recordkeeping and custody, with one individual weakens internal controls and significantly increases the risk that errors and/or irregularities might occur and go undetected and uncorrected in a timely manner. We found the following internal controls weaknesses at YOM:

Bank Reconciliations:

- The bank reconciliations are not signed and dated by the preparer to evidence responsibility or timely preparation.
- The bank reconciliations were not signed by the supervisor to indicate that the reconciliations had been reviewed and approved.
- YOM stated that the employee who reconciles the bank statements:
 - does not receive the bank statement unopened; and
 - has access to blank checks and to the accounting records.

Audit Recommendations:

YOM should:

- a) require the preparer of bank reconciliations to sign and date each reconciliation;
- b) require a second employee to review and approve the bank reconciliations; and
- c) ensure that the bank statement is delivered unopened to the employee preparing the reconciliation.

Agency Response:

Since the audit, the preparer of bank reconciliations has started signing and dating each reconciliation.

The Chief Financial Officer who reviews the bank reconciliations now signs and dates each reconciliation.

The Bank Statements are now being delivered to the Accountant unopened who then prepares the reconciliations.

Auditor's Follow-Up Response:

We concur with the actions being taken which are in accordance with our recommendations.

Check Signing:

- YOM permits the use of signature stamps to sign checks; however proper precautions have not been taken to ensure that the stamps are used only when authorized.
 - YOM procedures require two authorized Board members to sign each check; however, the procedures do not include any reference to the use of the signature stamp. Our test of cash disbursements found three checks signed with signature stamps totaling \$14,739.25. We could not determine whether or not these disbursements were properly approved by two Board members.
 - The individual who has access to the signature stamps also has the ability to write checks. Proper segregation of duties requires that the signature stamp be in the custody of an employee without check writing authority.

Audit Recommendation:

YOM should promulgate procedures to provide adequate segregation of duties and control over the custody and use of signature stamps. The procedures should identify who has access to the signature stamps, under what circumstances the stamps can be used and require written Board approval for all disbursements as evidence that the required board approval was obtained.

Agency Response:

The Chief Financial Officer was given the authority to use a signature stamp on a check in case of an emergency i.e. if the Treasurer or any other Officer of the Board was unavailable to come and sign checks. In the event the Chief Financial Officer is absent, the checks can be only stamped by the President & CEO. The signature stamps are kept under lock and key.

Checks are written by the Accountant on a weekly basis and in the absence of the Accountant, the Chief Financial Officer will assume this responsibility. Checks can only be generated after the President & CEO indicates his initials on the bill, invoice or purchase requisition.

The Accountant does not have access to the signature stamps. In case of the CFO's absence, the President & CEO will stamp the checks only in case of emergency.

Auditor's Follow-Up Response:

We concur with the steps taken by YOM. However, the use of the signature stamp in an "emergency" is vague, and the response does not state what would constitute an emergency. There is a weakness in the new procedure, in that in an "emergency" the CFO would both write and sign the checks. We recommend that YOM clearly define what would constitute an emergency.

Cash Disbursements

During the period of January 2003 through June 2005, YOM disbursed 1,824 checks totaling approximately \$1.9 million. We examined the supporting documentation for 121 of these checks totaling \$196,299 and found the following:

- Eight invoices, totaling \$9,800, were paid even though there were no receiving slips to evidence that the goods had been received.
- YOM made three disbursements totaling \$1,025 without invoices. Two were paid on a purchase order only and one was paid to the CEO for conferences expenses based on a note from the CFO.
- The cost of the premiums for the agency's liability umbrella policy was not allocated to all of the agency's programs; the summer program did not bear any of this expense. We noted that other insurance cost allocations included a 5% allocation to the summer program. As a result, approximately \$1,300 of the \$25,794 premiums for the period of May 2003 through May 2004 was misallocated.

Audit Recommendations:

YOM should:

- a) ensure that goods and services have been received and properly billed and submit evidence with the invoices to the President and CEO for approval;
- b) require vendors to submit invoices for goods and services rendered. Payments should not be made based on purchase orders; and
- c) properly allocate insurance costs to all programs that benefit from the coverage.

Agency Response:

Procedures have been initiated whereas all delivered packages must be brought to the administrative offices and either the Administrative Assistant or a member of the support staff is authorized to verify and sign for the package and the packing slip.

All the invoices are presented to the President & CEO for his approval, and only then can a check be cut for an invoice, bill or purchase requisition.

If a check has been cut based on purchase requisition then immediately upon receipt of the merchandise, the invoice is presented to the President & CEO for his approval. All of the vendors are required to submit invoices.

Insurance costs for the year 2006 are being apportioned to the appropriate programs including the summer program.

Auditor's Follow-Up Response:

The steps taken by YOM are in keeping with our recommendation, except for issuing of checks on purchase requisitions. No checks should be issued based on a purchase requisition that is not accompanied by an invoice.

Cash Receipts

- Internal controls over checks received by mail are not established because the receipts are not listed by the individual opening the mail before they are given to the President for review.
- The Program Director for the Senior Program stated that the daily cash receipts collected for the Senior Nutrition Program and the Senior Transportation Program are counted by both the Program Director and Program Aide, but the count is not certified by both employees. Proper internal controls would require a second person to sign the sheet as a witness to the initial count.

Audit Recommendations:

YOM should:

- a) require that the individual opening the mail make a list of checks received, provide a copy to the CFO, and forward the checks to the employee making the deposit. The President and CEO should be supplied with copies of the list, rather than the actual checks; and
- b) require both employees who count the cash to sign the daily meal money count sheet.

Agency Response:

The President & CEO never gets the actual checks, only a copy of the list of the checks received in the mail.

From now on, we have implemented a policy whereas the individual opening the mail would be recording the checks in the Mail Receipts folder. The folder is then given to the President & CEO for review and then to the Chief Financial Officer. The checks are then forwarded to the employee making the deposit.

Since the date the auditors brought the Senior Program daily cash receipt count query to our attention, both employees who count the monies have since been signing the sheets.

Auditor's Follow-Up Response:

We concur with the actions being taken which are in accordance with our recommendations.

Purchasing

YOM did not solicit formal written bids or maintain any records to document the selection of a food vendor for the meals served by both the seniors and adult day care programs. YOM spends approximately \$45,000 per year on these meals.

Audit Recommendation:

YOM should adopt procedures requiring written bids for purchases above a specified amount.

Agency Response:

YOM solicits bids on any contract for purchases over \$5,000. In the case of the food vendor, the County Department of Senior Citizen Affairs approved the vendor, as this vendor was providing the meals cheaper than any other previous vendor. However, an effort will be made in the future to obtain bids in order to remain in compliance.

Auditor's Follow-Up Response:

YOM should adopt procedures requiring written bids for purchases above a specified amount.

Fixed Assets

YOM has not established proper internal controls over its fixed assets.

- We attempted a physical inspection of selected assets; however most assets were not tagged or identified. We found that there is a significant amount of equipment in the area where the Youth Board program is run. It is possible that this equipment was purchased with Youth Board funding, and therefore belongs to the county. However, we were unable to verify this without asset identification or tagging. We note that in many cases, the equipment register did not list tag numbers, serial numbers and model numbers.
- According to YOM's audited financial statements, as of December 31, 2004 there is \$167,362 in Transportation Equipment and \$34,297 in Furniture and Equipment. YOM was unable to provide the supporting documentation for the fixed asset values reported.

Audit Recommendations:

YOM should:

- a) tag all its fixed assets;
- b) prepare an equipment register that includes whether the equipment is owned by YOM or a contract agency. The records should show a tag number and a description of the equipment that includes its serial number and model numbers; and

- c) properly present the value of equipment in the 2004 financial statements, and maintain supporting documentation for that value in future financial statements.

Agency Response:

Fixed Assets

In the past years, YOM was given ID tags from the various Departments from which the equipment was purchased. Now only a representative from the County Department of Senior Citizen Affairs comes and affixes the ID tags on their equipment. The equipment that was cited in the Youth Board area without ID tags was donated equipment and not bought with Youth Board funding.

We have tried to maintain the tagging of the equipment, and we have an equipment log where all the equipment purchased from various programs is listed. Due to funding cuts and attrition we have been unable to keep current on affixing ID tags and updating the equipment inventory listing with the ID numbers, serial numbers and model numbers.

The President and CEO has taken it upon himself with the assistance of the community service aides to tag the equipment and update all program inventory rosters.

We are reconstructing the current inventory list of the fixed assets which have been fully depreciated but still in use. Fixed Assets which are not in use will be removed from the inventory list. We will maintain an up to date Fixed Assets inventory list. The Board of Trustees will approve the disposal of assets no longer in use.

Auditor's Follow-Up Response:

We concur with the actions being taken which are in accordance with our recommendations.

Fiscal Viability (4)

Audit Finding:

- According to YOM's audited financial statements, as of December 31, 2004, YOM had net assets of \$23,067. During a review of YOM's 2005 board meeting minutes we noted that the external auditor expressed concern about the viability of YOM as a going concern. The CFO also reported that a bank with a \$90,000 outstanding loan to YOM had given YOM a 90-day grace period to repay its loan on the condition that the agency prepare a financial plan, demonstrate that it is able to pay the rent on a timely basis, and explain how the agency will continue to provide programs and services successfully.

YOM's financial problems were exacerbated due to the loss of State Office of Alcoholism and Substance Abuse Services and County Department of Drug and Alcohol Addiction (DR) funding. YOM had failed to perform as required under the contract with the county and the funding of the program ended as of December 31, 2003. (However, according to YOM's CFO, the program continued to run at YOM's own cost.) In addition:

- § In order to ease the deterioration in YOM's financial condition, YOM's landlord (an affiliated holding company) stopped cashing YOM's rent checks and held them until

there were available funds. Our review of two selected bank reconciliations, dated June 2004 and July 2005 found that as of June 2004, the landlord deferred cashing rent checks from YOM totaling \$45,929 covering the period March 2004 through May 2004. As of July 2005, it was holding checks totaling \$37,646, covering May and June 2005. In this way, YOM was able to make timely payments to other vendors.

The President and CFO indicated that they have improved operation of the chemical dependency program and were permitted by the DR to submit a grant application for funding in 2006.

According to the DR Fiscal Manager, the State Office of Alcoholism and Substance Abuse Services has authorized \$75,000 in DR funding for the first half of 2006. According to YOM, without this DR funding for the chemical dependency program, the program would be at serious risk of being eliminated.

In addition, the CFO of YOM has told us that YOM has received a \$350,000 line of credit and repaid the \$90,000 loan.

Audit Recommendation:

The President and CEO should prepare a five-year financial plan for restoring YOM to a viable financial position.

Agency Response:

The Board of Trustees' Finance Committee met several times last year in addition to the regular Board meetings to work on how to help the agency remain fiscally solvent. Some Board members attended workshops and training sessions on Board Responsibilities in running a not-for-profit organization. New individuals were voted onto the Board of Trustees to include a CPA, Mortgage Broker and an influential community leader with years of experience in managing fundraising special events to help with the finances and an Adhoc Finance Committee was formed to look into how to secure loans and/or funding.

As President & CEO of the organization I submitted a 3-year business plan to the Board of Trustees in March 2006 (see enclosed copy) for the purpose of helping to restore YOM to a viable fiscal position. However, YOM will apply to continue to receive funding from New York State, Nassau County Youth Board, Department of Senior Citizen Affairs, Town of Hempstead, Long Island United Way, corporations, foundations and private donors, as well as the Board of Trustees increasing their fundraising special events, I am confident that the organization will remain fiscally solvent. See enclosed letter that was submitted by me to the Officers of the Board on June 26, 1991 (Appendix 1). After having negotiated with New York State Office of Alcoholism and Substance Abuse Services and the Nassau County Department of Drug and Alcohol Addiction, we expect to receive new funding commencing July 1, 2006 through December 31, 2006 and hopefully New York State Office of Alcoholism and Substance Abuse Services and Nassau County Department of Drug and Alcohol Addiction will continue funding the Chemical Dependency Program based upon the units of service that the program is providing to clients living in Levittown and surrounding communities.

With reference to the landlord, easing the deterioration of YOM's financial condition, it should be noted that YOM's landlord is not an affiliated holding corporation of this organization, but a separate not-for-profit 501(C)3 tax exempt, community based corporation. Due to severe loss of State, County and other funding streams, YOM's landlord has assisted the organization by not increasing the rent, lowered the rent and worked with YOM in order that the fiscal viability continues.

Auditor's Follow-Up Response:

We remain concerned regarding the long term fiscal viability of the agency. The State Office of Alcoholism and Substance Abuse Services has authorized \$75,000 in funding due the second half of 2006. The agency should continue to pursue all opportunities for grants and funding for its programs.

The response from the agency includes a letter from the Chief Executive Officer to the Officers of the Board dated June 26, 1991. This letter should be updated since the current board members have more than likely changed since 1991 and should be made aware of the current financial status of the agency.

We would like to express our appreciation to you and the members of your staff who cooperated fully with this office throughout the entire audit process.

Sincerely,

Aline Khatchadourian
Deputy Comptroller for Audit and Special Projects

cc: Howard S. Weitzman, Nassau County Comptroller
Hon. Thomas R. Suozzi, County Executive
Hon. Judith Jacobs, County Legislature Presiding Officer
Hon. Peter Schmitt, County Legislature Minority Officer
Kathleen Rice, District Attorney
Lorna B. Goodman, County Attorney
Christopher Hahn, Chief Deputy County Executive
Mary Curtis, Deputy County Executive
Thomas Stokes, Deputy County Executive
William J. Cunningham, III, Counsel to the County Executive
Robert E. Pipia, Esq., Chair Person, YOM

COMMUNITY CENTER, INC.
 CENTER LANE VILLAGE GREEN, LEVITTOWN, NEW YORK 11756
 (516) 796-6633



June 26, 1991

Dear Officers and Members of the Board:

Six months have passed since you have given me the responsibility of Chief Executive Officer. Upon accepting this new role and the obligations the title carries with it, I've had some time to reflect and think on just what direction the organization should take. Because I do not take my duties and responsibilities lightly, it is my professional opinion, that I must be honest with each of you, as to my intentions and hopefully you will agree, as to what the major objectives of YOM are.

In every corporate structure, there must be a working partnership between the CEO, the president of the board, board officers and board members, in order that the corporation function as the business it is. True, we are a 501C-3 corporation, which has been designed to give us an edge within the corporate world, in short a tax loophole, with this tool it is the responsibility of the CEO to bring together a body of professionals who are willing to take the responsibility of providing financial and technical assistance which will help the CEO insure that the corporation is fiscally solvent.

All of us are aware that YOM has grown to become a six figure corporation, totalling \$1.6 million dollars, it is my intention to do the following with your assistance at this critical fiscal period, to keep the corporation moving forward:

1. To launch a public relation program and communicating more efficiently with the public.
2. Increase board membership and board involvement, by asking that each of you bring at least one business or professional person to the September board meeting. A person who may be genuinely interested in helping your organization, fund raise, set policies and work on a long range 3-5 year plan for the benefit of our growth and development. It is important to remember that the board be comprised of members whose interest is in the whole, the overall agency, not single aspects, or self interest programs and services.

BOARD MEMBERS: Aaron Diamond, Henry Doran, Dolores Gerold, Barbara Marcusson, James Slattery, Dr. Gary B. Stein, Eileen Walker, Elizabeth Williams

HON. ADVISORS: Hon. Joseph Mondello, Leonard Vichnis, Rev. R. Walters, Rev. R. Williams

Tax Exempt Not-For-Profit Community Based Organization

Supported By: N.C. Youth Board, N.Y.S. D.F.Y., N.Y.S. D.S.A.S., N.C. Department of Drug & Alcohol Addiction, N.C. Dept. of Senior Citizen Affairs, N.Y.S. Div. of Alcoholism Services, Town of Hempstead, United Way of Long Island, N.Y.S. Dept. of Social Services, N.C. Dept. of Social Services, N.Y.S. Dept. of Transportation



3. Schedule a date on a weekend when administrative staff and board members can meet in an informal atmosphere (away from the agency), to discuss, and plan. The meeting will deal with issues such as strategies for attracting additional board members, program direction, present tax situation, possibly merging with another not-for-profit organization, obtaining Federal funding for AIDS counseling, buying a house for Senior Citizen Respite, creating new entrepreneurship to generate funds and finally a plan, or at least a view of where we will possibly be in five years from now, as well as what will have happened to us by the year 2,000, will we grow and provide more and better services, or will we be in danger of no longer existing.

4. It is time that we prioritize our commitment and involvement. If the corporation is to survive the present economic downturn and questionable future, the present, as well as any new board members must make a definite commitment to this agency, we must assist the corporation, not only by our presence at meetings, but by financial commitments as well. At the present time there are 28,000 persons on Long Island who earn one million or more, and we as a partnership must find a way to tap those resources. To do this, would assist the present and future board members to fulfill their obligation, but in no way absolve them from their obligation.

At the present time, all board members across the state, county, town, etc. are expected to personally assist financially in addition to volunteering their time, if they wish their agency to survive.

5. Establish and provide board training and a board handbook, for present, as well as new board members. We must realize that the responsibilities for board members have changed over the years, that the obligations and expectations of board members is not what it used to be 15, 10, or even 5 years ago. If we are to survive and grow, we must continually learn and alter our commitment to what is NOW, not what once was.

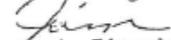
I have taken the opportunity of making a "mission statement" which I hope will stimulate our thinking in connection with some of these concerns and issues.

It is important to note that with the current reduction in state, county and town funding, the CEO in partnership with you, requires all collective thoughts in an attempt to stopping what is sure to happen should things not take a turn for the better, and that is, discontinuation of direct and support services to Levittown residents. I am asking that you consider carefully the future of our organization and what it means to so many in the community.

Should you have any questions or comments in connection with this letter, I ask that you meet with me individually or collectively to share your thoughts about YOM's future as a not-for-profit corporation.

I look forward to hearing from you regarding this critical matter.

With kind regards,


James A. Edmondson
Chief Executive Officer