ARTHUR LEVITT STATE OFFICE BUILDING
270 BROADWAY
NEW YORK CITY
10007

A. E. SMITH STATE OFFICE BUILDING
ALBANY
NEW YORK
12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL MCCALL
STATE COMPTROLLER

June 30, 1995

Ms. Jean Somers Miller
Acting Commissioner
Office of Alcoholism &
Substance Abuse Services
1450 Western Avenue
Albany, NY 12203

Mr. Alexander Treadwell
Secretary of State
Department of State
162 Washington Avenue
Albany, NY 12231

Re: Hellenic American Neighborhood
Action Committee, Inc.
Report 94-R-7

Dear Ms. Miller and Mr. Treadwell:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we audited the books and records of the Hellenic American Neighborhood Action Committee, Inc. (HANAC), for the period May 1, 1991 through June 30, 1993. Our audit related to reimbursements claimed by HANAC under the following seven contracts awarded by the Office of Alcoholism and Substance Abuse Services (OASAS) and the Department of State (DOS):

Contract	Agency	Period	Budget Amount
C-003359	OASAS	7/1/91 - 6/30/92	$ 94,038
C-003363	OASAS	7/1/91 - 6/30/92	286,881
C-003870	OASAS	7/1/92 - 6/30/93	94,038
C-007864	DOS	7/1/91 - 3/31/92	128,000
C-007964	DOS	5/1/91 - 4/30/92	78,000
C-008059	DOS	4/1/92 - 4/30/93	104,310
C-008159	DOS	7/1/92 - 3/31/93	78,690

The objectives of our financial-related audit were to determine whether costs claimed by HANAC were allowable, documented adequately, and incurred for services funded under the contractual agreements being audited. To accomplish these objectives, we reviewed the contractual agreements, HANAC's books and records of expenditures, internal controls over charges to the contracts, and the level of compliance with contractual terms.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of HANAC that are included within our audit scope. Further, these standards require that we review and report on HANAC's internal control structure and its compliance with those laws, rules and regulations that are relevant to HANAC's operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit procedures, we considered HANAC's internal control structure. Our consideration was limited to a preliminary review of this structure that would enable us to understand the control environment and the manner in which transactions flowed through the accounting system and other systems supporting the claims for reimbursement. Because we did not intend to rely on the internal control structure in performing our work, our assessment did not extend beyond the preliminary review phase. Instead, we appropriately extended our substantive audit tests.

In conducting our audit, we performed tests of HANAC's compliance with certain terms of the contracts. Our objective in performing these tests was not to provide an opinion on HANAC's overall compliance with such provisions, but to obtain reasonable assurance about the allowability of amounts HANAC received from OASAS and DOS.

The results of our tests indicate that, with respect to the items tested, HANAC complied in all material respects with provisions referred to in the preceding paragraph, except as noted in Section B of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that HANAC had not complied, in all material respects, with those provisions.

A. Background and Contract Terms

HANAC is a not-for-profit organization established in 1972. While its original objective was to serve the needs of the New York City Greek-American community, HANAC has since developed into a multi-service agency providing a wide range of programs to the general community. HANAC receives most of its funds from government sources. New York City and other sources provided more than $5.1 million of HANAC's 1992-1993 fiscal year revenues, while about $800,000 was received from contracts awarded by New York State agencies.

New York City funds programs for job development, referral and placement, as well as vocational counseling and rehabilitation for ex-substance abusers, prison inmates, and persons with limited skills in spoken English. The State-funded programs we audited were OASAS drug-treatment programs designed to educate families about drugs and other substance abuse problems, and DOS home energy assistance and weatherization programs designed to help low-income home owners and tenants weatherize their homes and rental units. HANAC operates its programs from several sites throughout New York City.

B. Results of Audit

As discussed below and detailed in the attached exhibits, we determined that a $20,934 refund is due the State: $7,926 to OASAS and $13,008 to DOS.

1. OASAS Contracts

We verified and allowed the $285,422 paid to HANAC under OASAS contract C-003363 (see Exhibit G). Concerning the other two OASAS contracts, we disallowed a total of $7,926:

	Expenditures		
Contract	Claimed	Disallowed	Allowed
C-003359 (Exhibit A)	$ 91,357	$4,010	$ 87,347
C-003870 (Exhibit B)	87,597	3,916	83,681
Total	$178,954	$7,926	171,028
State Payments			178,954
Refund Due the State			$ 7,926

a. Executive Director Salary and Fringe Benefits

As detailed in Exhibits A and B, we disallowed HANAC's claims for reimbursement of a portion of its Executive Director's salary for contracts C-003359 and C-003870, because there were no records to support the claim of time worked on the contract programs. Reimbursement claimed for these two contracts totaled $6,250. We also disallowed the related fringe benefits totaling $1,308.

HANAC officials stated that their Executive Director is not required to maintain time records. However, the OASAS contracts contain a provision requiring the service provider to maintain proper accounting records that support all claimed expenditures. In addition, the OASAS Policy and Procedures Manual for Service Providers (Item 3201.2) requires the maintenance of employee time records.

b. Other Matters

As detailed in Exhibit A, we also disallowed $295 in health insurance premiums and $73 in equipment costs. These claims were in excess of the OASAS-approved budgeted amounts for those expense categories in contract C-003359.

2. DOS Contracts

We disallowed a total of $13,037 from the four DOS contracts:

	Expenditures		
Contract	Claimed	Disallowed	Allowed
C-007864 (Exhibit C)	$126,313	$ 6,580	$119,733
C-007964 (Exhibit D)	77,464	2,469	74,995
C-008159 (Exhibit E)	78,305	1,100	77,205
C-008059 (Exhibit F)	103,039	2,888	100,151
Total	$385,121	$13,037	372,084
State Payments			385,092
Refund Due the State			$ 13,008

a. Salaries and Fringe Benefits

As detailed in Exhibits C, D, E and F, we disallowed claims for reimbursement of $3,705 in salary costs that were not supported by time records. Most of this disallowance ($2,830) resulted because HANAC did not adequately monitor the time of its weatherization program employees. Our audit disclosed that employees were clocking in, but not always clocking out at the end of a work day, as required. As a result, 312 work hours had not been accounted for. The remaining $875 resulted from claimed salaries that could not be verified. As detailed in Exhibits D and F, we also disallowed $1,840 for salaries that were claimed in excess of what was actually paid. In addition, we disallowed a total of $1,962 of fringe benefits related to the disallowed salaries.

HANAC officials stated that staff members occasionally neglected to clock out properly, but stated the errors were duly noted on the employees' time sheets. Our review, however, revealed that employee time cards and time sheets did not reflect the same information; therefore, corrective action had not been taken.

b. Oversight of Weatherization Work

As detailed in Exhibit C, we disallowed $4,474 in claimed material and labor expenditures to weatherize a five-unit building, because the eligibility criteria had not been met, and $1,056 that was expended to repair a HANAC facility, rather than to weatherize residential units.

The DOS Weatherization program requires that 66 percent of the units in multiple dwellings that are to be weatherized must be occupied by residents who meet certain income requirements. Vacant units must be rented to or occupied by qualified residents within 180 days of the completion of the weatherization work. Our audit disclosed that HANAC had weatherized a three-story, five-unit building that did not meet the program criteria. While it was necessary for three of the five units to meet the criteria, our audit disclosed that only one, a basement apartment, met the criteria.

The building was reported as having five units - two in the basement and one on each of three floors. Both apartments in the basement, as well as the second floor unit, were occupied, but the other two apartments were vacant. The income of the second floor tenant exceeded the program income limitation. We found that an original application had been altered to show one basement tenant as self-employed, with an income that exceeded the limit established by the State for such projects. DOS income-eligibility guidelines required this self-employed applicant to submit business records for the three-month period before the application for weatherization work was filed, as well as IRS forms indicating income from prior years. HANAC's files did not contain sufficient documentation to establish the eligibility of this applicant.

DOS guidelines also require that vacant units be rented or occupied within 180 days of the date that work is completed. Failure to comply with this requirement is considered a breach of contract. There was no documentation on file that would enable us to determine whether HANAC officials had complied.

HANAC also claimed expenditures totaling $1,056 for materials that were used to repair a HANAC facility, not to weatherize residential units. This was not an appropriate contract-related expense, and was disallowed.

3. <u>Bidding Requirements</u>

The DOS contract requires HANAC to solicit bids for labor and materials for its weatherization work. While all boiler work must be bid on separately, other work can be bid just once, enabling the lowest bidder to be used on that type of work throughout the contract year. Regarding contract C-007864, we noted one instance in which HANAC did not award a contract to the lowest bidder, whose bid was $22,810 lower than that of the winning bidder. This reportedly occurred because the contractor did not sign a non-collusive bidding form.

HANAC officials stated that DOS requires that a signed copy of this form be submitted by the bidder. While this is true, DOS does not mandate the rejection of a bid if the form is unsigned, especially since DOS has no stipulation regarding the time between the bid opening and the actual awarding of the contract. HANAC could have simply asked the contractor to sign the form and then accept the bid.

Recommendations

To OASAS:

1. *Obtain a $7,926 refund from HANAC.*

To DOS:

2. *Obtain a $13,008 refund from HANAC.*

3. *Encourage HANAC officials to provide bidders with an opportunity to complete any administrative documents before rejecting their bids.*

We would appreciate receiving your response to these recommendations within 30 days, indicating any actions planned or taken to implement them.

We wish to thank the management and staff of HANAC, OASAS and DOS for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Robert H. Attmore
Deputy Comptroller

cc: Patricia A. Woodworth
John Kaiteris

EXHIBIT A

HANAC
OASAS CONTRACT C-003359
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
JULY 1, 1991 THROUGH JUNE 30, 1992

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$65,569	$63,533	$3,000 (a)	$60,533
Fringe Benefits	16,228	15,991	937 (b)	15, 054
Space	2,400	2,400		2,400
Supplies and Materials	2,828	2,801		2,801
Equipment	100	173	73 (c)	100
Transportation	820	475		475
Utilities	1,200	1,123		1,123
Miscellaneous	4,893	4,861	___	4,861
Total	$94,038	$91,357	$4,010	87,347
State Payments				91,357
Refund Due the State				$ 4,010

Notes:

(a) Represents claimed salaries not supported with time sheets.

(b) Represents $642 in claimed fringe benefits related to disallowed salaries. Also included is $295 of health insurance premiums claimed in excess of the approved budget.

(c) Represents amount claimed in excess of the approved budget.

EXHIBIT B

HANAC
OASAS CONTRACT C-003870
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
JULY 1, 1992 THROUGH JUNE 30, 1993

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$66,551	$63,797	$3,250 (a)	$60,547
Fringe Benefits	15,743	13,776	666 (b)	13,110
Space	2,400	2,400		2,400
Supplies and Materials	1,944	1,871		1,871
Transportation	1,000	121		121
Utilities	1,200	432		432
Miscellaneous	5,200	5,200		5,200
Total	$94,038	$87,597	$3,916	83,681
State Payments				87,597
Refund Due the State				$ 3,916

Notes:

(a) Represents claimed salaries not supported with time sheets.

(b) Represents claimed fringe benefits related to disallowed salaries.

EXHIBIT C

HANAC
DOS CONTRACT C-007864
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
JULY 1, 1991 THROUGH MARCH 31, 1992

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$17,338	$ 17,305	$ 875 (a)	$ 16,430
Fringe Benefits	4,161	3,295	175 (b)	3,120
Insurance	1,280	1,280		1,280
Subcontracted Labor	44,300	27,868 (e)	1,062 (c)	26,806
Subcontracted Material	39,872	56,042 (e)	4,468 (c,d)	51,574
Program Support	8,249	7,741		7,741
Administrative Miscellaneous	1,925	1,907		1,907
Administrative Overhead	10,875	10,875	____	10,875
Total	$128,000	$126,313	$6,580	119,733
State Payments				126,284
Refund Due the State				$ 6,551

Notes:

(a) Represents claimed salaries for time worked that was not documented.

(b) Represents claimed fringe benefits on disallowed salaries.

(c) Represents claimed expenditures of $1,062 for labor and $3,412 for material for five units located at 31-26 81st Street that did not meet the eligibility criteria.

(d) Represents $1,056 claimed for non-contract-related expenditures.

(e) Shifting of budgeted funds between subcontracted labor and material categories is allowed by contract terms.

EXHIBIT D

HANAC
DOS CONTRACT C-007964
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
MAY 1, 1991 THROUGH APRIL 30, 1992

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$15,889	$15,872	$2,176 (a)	$13,696
Fringe Benefits	3,813	5,886 (c)	293 (b)	5,593
Insurance	780	780		780
Subcontracted Labor	26,011	25,972		25,972
Subcontracted Material	24,711	24,750		24,750
Program Support	4,456	1,864		1,864
Administrative Miscellaneous	531	531		531
Administrative Overhead	1,809	1,809		1,809
Total	$78,000	$77,464	$ 2,469	74,995
State Payments				77,464
Refund Due the State				$ 2,469

Notes:

(a) Represents $482 of claimed salaries paid for time worked that was not documented and $1,694 claimed in excess of actual expenditures.

(b) Represents claimed fringe benefits on disallowed salaries.

(c) Contract terms allow claims in excess of budget without a budget modification if within total contract amount.

EXHIBIT E

HANAC
DOS CONTRACT C-008159
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
JULY 1, 1992 THROUGH MARCH 31, 1993

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$14,193	$12,652	$ 854 (a)	$11,798
Fringe Benefits	3,548	5,037	246 (b)	4,791
Insurance	787	787		787
Subcontracted Labor	28,102	16,957		16,957
Subcontracted Material	24,929	36,063 (c)		36,063
Program Support	4,770	4,449		4,449
Administrative Miscellaneous	523	522		522
Administrative Overhead	1,838	1,838		1,838
Total	$78,690	$78,305	$ 1,100	77,205
State Payments				78,305
Refund Due the State				$ 1,100

Notes:

(a) Represents claimed salaries paid for time worked that was not documented.

(b) Represents claimed fringe benefits of $205 on disallowed salaries and $41 claimed in excess of actual expenditures.

(c) Contract terms allow claims in excess of budget without a budget modification if within total contract amount.

EXHIBIT F

HANAC
DOS CONTRACT C-008059
SUMMARY OF EXPENDITURES BUDGETED, CLAIMED,
DISALLOWED AND ALLOWED
APRIL 1, 1992 THROUGH APRIL 30, 1993

Expenditures	Budgeted	Claimed	Disallowed	Allowed
Salaries	$ 17,207	$ 16,964	$1,640 (a)	$ 15,324
Fringe Benefits	4,130	3,190	1,248 (b)	1,942
Insurance	1,043	1,043		1,043
Subcontracted Labor	33,862	17,311		17,311
Subcontracted Material	32,493	49,194 (c)		49,194
Program Support	5,144	4,714		4,714
Administrative Miscellaneous	2,610	2,802 (c)		2,802
Administrative Overhead	7,821	7,821		7,821
Total	$104,310	$103,039	$2,888	100,151
State Payments				103,039
Refund Due the State				$ 2,888

Notes:

(a) Represents $1,494 of claimed salaries paid for time worked that was not documented and $146 claimed in excess of actual expenditures.

(b) Represents claimed fringe benefits of $394 on disallowed salaries and $854 claimed in excess of actual expenditures.

(c) Contract terms permit the shifting of funds among budget categories without a contract amendment.

EXHIBIT G

HANAC
OASAS CONTRACT C-003363
SUMMARY OF EXPENDITURES BUDGETED,
CLAIMED AND ALLOWED
JULY 1, 1991 THROUGH JUNE 30, 1992

Expenditures	Budgeted	Claimed	Allowed
Salaries	$193,515	$193,449	$193,449
Fringe Benefits	46,993	46,763	46,763
Contractual Services	1,435	1,435	1,435
Space	24,966	24,966	24,966
Supplies & Materials	4,833	4,272	4,272
Equipment	7,400	7,400	7,400
Transportation	608	517	517
Utilities	3,909	3,429	3,429
Miscellaneous	3,222	3,191	3,191
Total	$286,881	$285,422	285,422
State Payments			285,422
Refund Due the State			$ 0