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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 21, 1999

Mr. Dennis Whalen
Executive Deputy Commissioner
New York State Department of Health
Empire State Plaza
Corning Tower - 14th Floor
Albany, New York 12237

Re: Cicitelli Associates, Inc.
Report 98-R-4

Dear Mr. Whalen:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the books and records of Cicitelli Associates, Inc. (CAI) for the period of July 1, 1997 through June 30, 1998. Our audit related to reimbursements claimed by CAI under contracts awarded by the New York State Department of Health (DOH).

The objectives of our financial-related audit were to determine whether costs claimed by CAI were allowable, adequately documented, and incurred for services funded under the contractual agreements we were auditing. To accomplish these objectives, we reviewed the contractual agreements, CAI's books and records of revenues and expenditures, internal controls over charges to the contract, and the level of CAI's 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 CAI that are included in our audit scope. Further, these standards require that we review and report on CAI's internal control structure and its compliance with those laws, rules and regulations that are relevant to CAI's operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying 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 CAI'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 way in which transactions flowed through the systems supporting CAI's claims. 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 CAI's compliance with certain terms of the contract. Our objective in performing these tests was to obtain reasonable assurance about the allowability of amounts CAI had received from DOH, not to provide an opinion on CAI's overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, CAI complied in all material respects with the 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 CAI had not complied, in all material respects, with those provisions.

A. Background and Contract Terms

CAI was founded in 1977 and incorporated as a not-for-profit organization in 1979. CAI develops and conducts education programs for health care and social services providers dealing with the disadvantaged population. CAI is located in midtown Manhattan with a staff of approximately 29 employees and is organized into 5 training centers that offer specialized workshops and training as follows:

- The Workforce Development Center, through private and public partnerships, offers workforce preparation for the unemployed and underemployed, including "Welfare to Work" and Employability Skills programs. In addition, the Center provides "train the trainer" programs to organizations offering similar services.
- The Health Professionals Center offers organizational development and training to service providers working in such fields as adolescent health, family planning, prenatal care, HIV/AIDS, rape crisis, domestic violence, and early detection of breast and cervical cancer.
- The Diversity and Quality Management Center offers needs assessment, curriculum design, customized training, and technical assistance in the areas of workplace diversity, literacy, and quality management. Workshops include "train the trainer" programs available to both public and private sector organizations.
- The Early Childhood and Family Development Center, which trains professionals who work with young children and families, specializes in topics related to management, early childhood education, social service delivery, parental involvement, physical and mental health, nutrition, and home-based service.

- The Substance Abuse and Alcoholism Training Institute provides continuing education for staff in agencies that offer services to current or recovering substance abusers.

CAI received a total of \$417,248 in State grant monies in the 1997/98 fiscal year. This accounted for 12 percent of CAI's total revenues of \$3.6 million. The majority of the State grant monies came from the AIDS Institute (AI) - a division of the Department of Health.

We examined the following DOH contracts in effect during the 1997/98 fiscal year, which ended on June 30, 1998; Contract C-012977, originally awarded for \$151,360 but later amended for an additional \$160,000 bringing its total value to \$311,360; and Contract C-013043, valued at \$100,000.

Contract Number	Contract Period	Agency	Amount	Program
C-012977	07/01/97- 06/30/98	DOH/AI	\$151,360	General AIDS Training
C-012977	01/01/98- 03/31/98	DOH/AI	\$160,000	Managed Care
C-013043	07/1/97 - 06/30/98	DOH/AI	\$100,000	Training in Advanced Case Management

Budgets for the contracts were structured according to line-item categories of expenditures, including salaries and fringe benefits, and expenses for other-than-personal services such as rent and consultants. DOH's approval is needed to amend a contract budget.

For each contract, we examined the largest expense categories: salaries and fringe benefits, rent, and consultants.

B. Results of Audit

As discussed below and detailed in Exhibits A, B, and C, we determined that there is a total disallowance of \$15,293 from the contracts we reviewed in fiscal year 1997/98. The disallowance is primarily the result of consultant overbillings and CAI's claim of \$3,118 more in fringe benefit expenses than were actually incurred. However, because CAI claimed \$2,489 (\$1,499 for C-012977, and \$990 for C-013043), but as of February 9, 1999 had not received payment, we are recommending a refund from CAI for the net amount of \$12,804 (\$13,889 disallowed from Exhibit B, less the Net Outstanding Claims of \$1,085 from Exhibits A and C).

We also note that the training provided under C-013043 did not achieve the anticipated level of registrants and attendance of participants as specified in the contract.

1. Disallowed Claimed Costs

a. Consultants

Contract C-012977 - (Managed Care)

We disallowed \$12,175 of the \$58,950 in consultant expenses CAI claimed for this contract. This was the result of five consultants overbilling their daily rate and not providing services for the number of days specified in the contract, and one consultant billing more time than permitted in the contract.

b. Fringe Benefits

To account for their costs, CAI allocates fringe benefit expenses among their various funding entities. In accordance with the terms of the contracts, payment is to be made based on actual expenses. The contracts state that "... vouchers must reflect the actual expenses for the period, and be based on the actual payments made for the various components of fringe benefits during the period covered by the voucher." We found CAI claimed more than the allocated expenses for several components of fringe benefit costs.

Contract C-012977 (General AIDS Training)

We disallowed \$958 in fringe benefits. CAI claimed more in Unemployment Insurance (\$172), Pension/Retirement (\$178), and Other: Long-Term Disability (\$608), than was supported by documentation as actually expended in those categories.

Contract C-012977 (Managed Care)

We disallowed \$1,714 in fringe benefits. CAI claimed more in Unemployment Insurance (\$46), Life Insurance (\$937), and Long-Term Disability (\$731), than was supported by documentation as actually expended in those categories.

Contract C-013043 (Advanced Case Management)

We disallowed \$446 in fringe benefits. CAI claimed more in Long-Term Disability (\$446) than was supported by documentation as actually expended.

2. Training Registrants and Attendees

For C-013043, CAI was to provide 36 days of training, consisting of 3 different courses during 27 sessions throughout the year. In accordance with the contract terms, CAI was to register up to 35 participants to ensure a class size of 25. If the sessions did not have 75 percent registration (26 registrants), DOH was to be notified four weeks before the training was scheduled to begin.

We found that 24 of the 27 sessions did not meet the 75-percent registration requirement. In addition, the actual number of attendees was lower than envisioned. The average class attendance was only 15; only 2 of the 27 sessions achieved 25 or more attendees.

CAI officials explained that DOH had been informed of the registration and attendance problems. DOH officials confirmed that CAI had notified them in advance about the low registration rate, and that they had allowed CAI to continue to hold the training courses.

Recommendations

1. *Obtain a \$12,804 refund from CAI.*
2. *For sessions that consistently do not achieve intended participation levels, consider structuring future contracts to provide reimbursement based on the number of attendees.*

DOH officials agreed with our recommendations and indicated that they have taken steps to implement them.

Major contributors to this report include Charles Hammarberg, Cindi Frieder, Keith Murphy, Sheila Jones, Christina Mo, and Victoria Saks.

We would appreciate receiving your response to the report findings and recommendations within 30 days, indicating any actions planned or taken to implement them. We wish to thank the management and staff of the New York State Department of Health and Cicitelli Associates, Inc. for the courtesies and cooperation extended to our auditors during the audit.

Very truly yours,

William P. Challice
Audit Director

cc: Barbara Cicitelli
Charles Conaway
Thomas Howe

EXHIBIT A

**CICATELLI ASSOCIATES, INC.
 CONTRACT C-012977 (General AIDS Training)
 SUMMARY OF EXPENSES BUDGETED, CLAIMED, DISALLOWED & ALLOWED
 JULY 1, 1997 THROUGH JUNE 30, 1998**

Category	Budgeted	Claimed	Disallowed	Allowed
Personal Services	\$79,901	\$79,901	\$0	\$79,901
Fringe Benefits:				
F.I.C.A.	5,877	5,877	0	5,877
Health Insurance	5,782	5,782	0	5,782
Unemployment Ins.	598	598	(a)172	426
Disability Ins.	204	204	0	204
Life Insurance	0	0	0	0
Worker's Comp.	396	396	0	396
Pension/Retirement	3,728	3,728	(a)178	3,550
Other: LT Disability	999	999	(a)608	391
Supplies & Materials	2,132	2,132	0	2,132
Travel	623	623	0	623
Space	38,807	38,807	0	38,807
Telephone	1,987	1,987	0	1,987
Audit	1,499	1,499	0	1,499
Other	7,290	7,290	0	7,290
Consultants	<u>1,537</u>	<u>1,537</u>	<u>0</u>	<u>1,537</u>
Total Expenses	<u>\$151,360</u>	<u>\$151,360</u>	<u>\$958</u>	\$150,402
State Payments				<u>149,861</u>
Net Outstanding Claim (b)				<u>\$541</u>

Note:

- (a) Amounts disallowed because fringe benefit expenses were less than claimed.
- (b) Outstanding claim of \$1,499, less \$958 (disallowed amount) = \$541.

EXHIBIT B

CICATELLI ASSOCIATES, INC.
CONTRACT C-012977 (Managed Care)
SUMMARY OF EXPENSES BUDGETED, CLAIMED, DISALLOWED & ALLOWED
JULY 1, 1997 THROUGH JUNE 30, 1998

Category	Budgeted	Claimed	Disallowed	Allowed
Personal Services	\$49,673	\$49,673	\$0	\$49,673
Fringe Benefits:				
F.I.C.A.	3,799	3,799	0	3,799
Health Insurance	2,371	2,371	0	2,371
Unemployment Ins.	805	805	(a)46	759
Disability Ins.	67	67	0	67
Life Insurance	937	937	(a)937	0
Worker's Comp.	202	202	0	202
Pension/Retirement	1,367	1,367	0	1,367
Other: LT Disability	896	896	(a)731	165
Supplies & Materials	5,904	5,904	0	5,904
Travel	5,471	5,471	0	5,471
Telephone	1,200	1,200	0	1,200
Other	13,793	13,793	0	13,793
Consultants	58,950	58,950	(b)12,175	46,775
Administrative Costs	<u>14,565</u>	<u>14,565</u>	<u>0</u>	<u>14,565</u>
Total Expenses	<u>\$160,000</u>	<u>\$160,000</u>	<u>\$13,889</u>	\$146,111
State Payments				<u>160,000</u>
Refund Due State				<u>\$13,889</u>

Notes:

- (a) Amounts disallowed because fringe benefit expenses were less than claimed.
(b) Consultants overbilled the daily rate specified in the contract; one consultant billed more time than permitted.

EXHIBIT C

**CICATELLI ASSOCIATES, INC.
 CONTRACT C-013043 (Advanced Case Management)
 SUMMARY OF EXPENSES BUDGETED, CLAIMED, DISALLOWED & ALLOWED
 JULY 1, 1997 THROUGH JUNE 30, 1998**

Category	Budgeted	Claimed	Disallowed	Allowed
Personal Services	\$43,854	\$43,854	\$0	\$43,854
Fringe Benefits:				
F.I.C.A.	3,355	3,355	0	3,355
Health Insurance	2,871	2,871	0	2,871
Unemployment Ins.	270	270	0	270
Disability Ins.	119	119	0	119
Life Insurance	0	0	0	0
Worker's Comp.	262	262	0	262
Pension/Retirement	2,121	2,121	0	2,121
Other: LT Disability	665	665	(a)446	219
Supplies & Materials	8,440	8,440	0	8,440
Travel	6,072	6,072	0	6,072
Space	20,590	20,590	0	20,590
Telephone	987	987	0	987
Audit	990	990	0	990
Other	6,901	6,901	0	6,901
Consultants	<u>2,503</u>	<u>2,503</u>	<u>0</u>	<u>2,503</u>
Total Expenses	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$446</u>	\$99,554
State Payments				<u>99,010</u>
Net Outstanding Claim (b)				<u>\$544</u>

Note:

- (a) Amounts disallowed because fringe benefit expenses were less than claimed.
- (b) Outstanding claim of \$990, less \$446 (disallowed amount) = \$544.