



Former ComLinks CEO Lived a Lavish Lifestyle at Taxpayers' Expense

Report 2009-S-13



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

July 21, 2010

Mr. Tim Lashomb
Board President
ComLinks, Inc.
343 West Main Street
Malone, New York 12953

Dear President Lashomb:

Our audit concluded that ComLinks management exercised poor stewardship over State and federal grant funds. In particular, we found about \$100,000 of inappropriate or fraudulent ComLinks expenses charged to grant funds. The former ComLinks Chief Executive Officer, Ms. Nancy Reich, was primarily responsible for this misspending and many of the expenses were for her personal benefit. Accordingly, taxpayer interests and the needs of intended recipients in Franklin County were disregarded.

Moreover, we found that ComLinks Board of Directors failed in its fiduciary oversight responsibility for ComLinks operations. While employees signed a letter to Board members complaining about the improper activities of the Chief Executive Officer, the Board took no action until 18 months later when the employees took their concerns to the media and the media reported on the allegations.

We strongly urge the Board to make appropriate changes at ComLinks to prevent any future misspending of State and federal grant funds and to ensure that taxpayer dollars are used exclusively for the services to Franklin County residents.

We have provided our findings to the Franklin County District Attorney for possible criminal prosecution.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Summary

ComLinks is a not-for-profit, Community Action Agency in Franklin County that is primarily funded by New York State (State) and federal grants. According to its website, ComLinks exists to meet the needs of the people in Franklin County... "to give them a decent and affordable place to live, to put food on their tables, and to give them the confidence to know that tomorrow will be a better day...Safety, Warmth, Food, & Dreams..."

Unfortunately, the former ComLinks Chief Executive Officer, Ms. Nancy Reich, misused grant funds. For example, Ms. Reich devised a scheme to misappropriate cash that should have been reimbursed to ComLinks and she used funds to support a lavish lifestyle for herself. In total, we identified almost \$100,000 in inappropriate or fraudulent expenses. Ms. Reich was able to engage in inappropriate transactions because the ComLinks Board of Directors failed in its oversight responsibilities and because Chief Financial Officer (CFO), Ms. Brenda Mallette-Glennon, acquiesced to Ms. Reich's inappropriate management activities.

Furthermore, the ComLinks accounting system was in disarray and transactions were paid without appropriate documentation to substantiate a business purpose. In this regard, Ms. Mallette-Glennon failed in her professional responsibilities as a CFO and a Certified Public Accountant by not honoring her commitment to the public interest. When she encountered conflicting pressures, she served Ms. Reich's interests rather than ComLinks and taxpayer interests.

Ms. Reich passed on fraudulent documents via Mr. Brian Cassini, Program Director in an attempt to disguise the true nature of a transaction that was initially questioned by the State Comptroller's Office. Mr. Cassini circumvented policies and procedures for his benefit by using his position to hire his wife and his son's former football coach. In addition, he used ComLinks taxpayer dollars to pay for certain expenses for him and his wife to remain in Florida for a mini vacation after he attended a work-related conference in Florida.

As detailed in this report, there were many red flags to indicate misuse of funds. Most notably, 40 staff members signed a petition to the ComLinks Board of Directors raising allegations of wrong doing, including credit card transactions for the personal benefit of Ms. Reich. However, the Board took no action until employees went to the media about Ms. Reich's abusive behavior and inappropriate expenses, and the media reported the allegations. The abuses were flagrant and the Board should have identified and responded to them through its oversight role.

In response to our draft audit report, the Board President of ComLinks summarizes actions already taken and actions he plans to take to implement our audit recommendations.

We have provided our findings to the Franklin County District Attorney's Office for possible criminal prosecution.

This report, dated July 21, 2010, is available on our website at: <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or

Office of the State Comptroller

Division of State Government Accountability

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Background

ComLinks provides various assistance programs to residents of Franklin County. Most of ComLinks funding is derived from State and Federal grant money provided by various agencies. For example, in 2009 ComLinks obtained \$1.8 million in Federal Stimulus monies from the Division of Housing and Community Renewal for Energy Assistance and from the Department of State for program administration. Also, as shown below, ComLinks entered into State contracts (grants) totaling over \$5.8 million since April 2003.

<u>Agency</u>	<u>Contract Type</u>	<u>Contract Amount</u>
Division of Housing and Community Renewal	Weatherization	\$1,882,199
Department of State	CSBG Grant	\$1,097,125
Department of Health	Gleaning/Nutrition	\$975,653
Crime Victims Board	Domestic Violence	\$854,933
Office of Temporary Disability and Assistance	SHFYA-Housing	\$330,000
Office of Children and Family Services	Domestic Violence	\$401,949
Division of Criminal Justice Services	Domestic Violence	\$96,000
Division of Housing and Community Renewal	Special Weatherization	\$80,000
Department of State	CSBG/Grant Mgmt Sys	\$50,000
Office of Children and Family Services	Gleaning/Nutrition	\$35,000
Department of State	CSBG Grant/Gleaning	\$20,600
Department of Health	Gleaning/Nutrition	<u>\$3,000</u>
Total		\$5,826,459

In December 2007, forty of forty-nine ComLinks employees submitted a letter to the ComLinks Board of Directors stating they had no confidence in the Board or the Chief Executive Officer Ms. Nancy Reich. The letter alleged Ms. Reich misappropriated ComLinks funds for personal use. A copy of the letter was provided to the Office of the State Comptroller and this prompted our audit of ComLinks.

In our July 2008 initial review, Ms. Reich provided us (via Mr. Brian Cassini) with invoices that falsely indicated expenses for ComLinks because the expenses were really for appliances purchased for Ms. Reich’s personal home. In November 2008, we interviewed a former CPA hired by ComLinks to perform the ComLinks annual audit. The CPA told us he was fired when he informed ComLinks that he was going to issue a

qualified opinion on ComLinks financial statements and was going to prepare several reportable conditions.

Each State contract requires an entity receiving State funds to provide the State Comptroller with access to “accurate books, records, documents and other evidence” upon request and that such records be kept for seven years. Initially, in February 2009, Ms. Reich refused to meet with us to provide us with necessary records. When Ms. Reich later did agree to meet with us, she insisted that the ComLinks attorney be present. Ms. Reich then allowed us access to the ComLinks facility, but still limited our access to ComLinks records and staff. This obstruction prevented us from completing our audit in a timely manner and it diminished the reliability of the records when they were provided.

In March 2009, we met with grantor agencies to discuss our audit of ComLinks and to understand the terms and conditions of their contracts with ComLinks.

In June 2009, four employees informed the media that Ms. Reich screamed and threatened the Finance Director when she questioned one of Ms. Reich’s requests for travel reimbursement. It was only then that the ComLinks Board finally took action. Ms. Reich was placed on administrative leave with pay and was banned from the ComLinks main office. At that time, the Board of Directors decided Ms. Reich’s duties would be shared by the Chief Finance Officer, Ms. Brenda Mallette-Glennon, and a Program Director, Mr. Brian Cassini, who was promoted to Chief Operating Officer. Also in June 2009, three ComLinks Board members resigned.

Upon Ms. Reich’s suspension, ComLinks staff provided auditors with access to records. It was then that auditors found ComLinks records to be in disarray. All \$5.8 million in State funding from 15 State grants as well as any other monies (federal and private donations) were comingled into one account and many expenditures had conflicting notations as to what was charged to various grants. In addition, most expenditures lacked appropriate supporting documentation.

In July 2009, we sent a letter to Ms. Mallette-Glennon and copied the Board of Directors and the grantor agencies stating we still had not received all necessary documents to review the expenditures. The President of the Board responded by stating that all board members are volunteers and have limited time and varying degrees of knowledge and experience to serve on the board of an entity as complex as ComLinks. He admitted that, prior to October 2007, the accounting system did not

quickly and easily produce financial information in a suitable form and structure.

In September 2009 we sent a letter to the Board President, John Ray, giving him a status update of the audit. In the letter, we discussed inappropriate and questionable expenditures by Ms. Reich.

Also in September 2009, the Board and Ms. Reich agreed to enter into a separation agreement, ending Ms. Reich's employment with ComLinks.

In November 2009, we learned that Mr. Cassini hired his son's former coach for a Housing Director position in ComLinks. In addition, Mr. Cassini also was involved with hiring his wife as a consultant for the Gleaning program.

In December 2009 two more Board members resigned including the Board President, John Ray.

On January 20, 2010, the Board appointed Mr. Cassini to Executive Director. Ms. Brenda Mallette-Glennon remained CFO and also took on the role of Chief Compliance Officer.

Improper Use of Grant Funds

State and federal grants/contracts and State and federal procurement guidelines, rules and regulations provide criteria for determining appropriate use of grant funds. However, our audit identified numerous instances where ComLinks management did not comply with stated criteria. As a result, almost \$100,000 of grant funds was used in an inappropriate and/or fraudulent manner. The table below illustrates categories of expenditures where our audit identified fraud and improprieties.

Inappropriate/Fraudulent Expenditure Category	Dollar Amount
Unsupported Purchases	\$27,548
Consultant Services	\$26,994
Travel	\$13,956
Expensive Meals & Food Purchases	\$14,533
Gifts and Flowers	\$6,682
Golf Membership	\$2,477
Political Payments	\$1,839
Duplicate Charges	\$255
Other Unallowable Expenses	\$3,345
TOTAL	\$97,629

We conclude that Ms. Reich, the former Chief Executive Officer is primarily responsible for the misuse of funds. She frequently used grant

monies to inappropriately pay for items that benefitted her personally and were irrelevant to ComLinks mission. She set the wrong tone for the control environment at ComLinks and that tone permeated operations.

Ms. Reich used a haphazard management style designed to keep ComLinks employees off balance and the ComLinks Board of Directors at bay. She created an organizational structure which circumvented the Chief Financial Officer (CFO) and Program Directors from their responsibilities and did not allow employees to speak directly to the ComLinks Board of Directors. As the only person reporting to the ComLinks' Board, Ms. Reich presented favorable information while hiding the true condition of ComLinks and her personal actions.

Ms. Reich exempted herself from established ComLinks policies on travel, time and attendance and procurement. She threatened employees with loss of their jobs when they questioned her actions. As a result, Ms. Reich was in complete control of the agency and had full access to ComLinks grant monies to use without boundaries or proper monitoring.

We also conclude that lack of oversight by the Board and the ComLinks Chief Financial Officer were significant contributing factors to the problems that were experienced. In addition, inadequate internal controls for ComLinks financial practices contributed to the misuse of funds.

As a result of the failure of fiduciary responsibility for public funds, internal control weaknesses and ineffective management practices, public funds were misspent, taxpayers were cheated and the needy individuals of Franklin County were deprived of program resources.

Unsupported Purchases

State contracts require that expenses be supported with a voucher authorizing payment as well as an invoice or receipt from the vendor stating what was purchased and the cost. However, the ComLinks accounting system was in such disarray that it was difficult for the CFO and Finance staff to provide us with support for the expenses charged to the State. As a result, we identified \$27,548 in unsupported payments. For example:

- ComLinks could not provide vouchers, invoices or receipts for purchases totaling \$19,403.
- ComLinks credit card purchases totaling \$6,289 lacked any written support to identify what was purchased. For example, Ms. Reich

charged \$2,083 at LL Bean, but ComLinks could not identify what was bought.

- ComLinks could provide a voucher but no receipt or invoice to support expenses totaling \$1,856.

During our audit we noted that some of the unsupported ComLinks expenses were to reimburse employees. For example, Finance staff reimbursed Ms. Reich when she purportedly used her own personal funds for ComLinks business. However, in the absence of supporting documentation, we could not in many instances confirm that Ms. Reich spent her own funds on ComLinks business. For two such payments, vouchers were authorized by Ms. Mallette-Glennon payable to Ms. Reich under the description “Agency Marketing.” Attached to the vouchers were copies of personal checks submitted by Ms. Reich payable to “Cash.” No other supporting documentation such as an invoice or receipt was provided to substantiate that the purchases made by Ms. Reich were for ComLinks business. Also, Ms. Reich’s cancelled checks do not indicate to whom the cash was given or who endorsed the checks.

We question whether the lack of documentation to support these expenses is just poor record keeping or whether it indicates that reimbursed expenses were used for Ms. Reich’s personal purposes rather than to serve the needy of Franklin County.

Consultant Services

Professional and consultant services such as advertising and public relations designed solely to promote ComLinks are not allowable. Other professional and consultant services and costs are allowable with certain limitations. For example:

- Costs must be supported by evidence of bona fide services available or rendered.
- Services should be considered a necessity and applicable to the programs supported by the State grant.
- Services must be more economical than using staff.

Ms. Reich authorized the use of grant monies to hire numerous consultants. Many of these consultants were paid significant amounts of money to perform allowable functions such as training or technical services. However, our audit identified a total of \$26,994 in consultant services that were not allowable given stated limitations. For example:

- ComLinks hired three consultants at a cost of \$14,249 to create a new image for ComLinks. These consultants provided services such as research, development, design, photography and marketing. Since these services were designed solely for the purpose of promoting ComLinks, these expenditures should not be charged to State grants.
- Ms. Reich hired three other consultants at a cost of \$10,292. None of the three consultants provided evidence that a bona fide service was available or rendered. One consultant was to provide individual job coaching and team building to ComLinks' staff. However, the consultant did not provide ComLinks with any evidence of the delivered services such as a final product or report. Another consultant was paid to review and rewrite ComLinks policies, but this consultant delivered no written product to ComLinks. A third consultant was hired to provide personal mentoring sessions to a ComLinks employee, but no documentation was provided to support delivery or results of the sessions.
- A consultant was hired at a cost of \$2,050 as a "coach" to provide holistic care to several ComLinks staff including Ms. Reich. While job coaching is an allowable expenditure, holistic care is questionable at best and arguably not necessary or applicable to the programs supported by grants.
- Ms. Reich hired a consultant to perform an in-depth background check on a former Director after his termination from ComLinks. The consultant was paid \$403. No documentation was provided to establish that this expense was necessary for ComLinks programs. In fact, it appears Ms. Reich hired the consultant to retaliate against the former Director because he had written to the ComLinks Board to protest Ms. Reich's misuse of grant funds and to call for her termination.

Travel

ComLinks travel policy was established in accordance with State and federal regulations and reimburses travel expenses when employees travel for ComLinks business. These expenses include: meals, lodging, parking, mileage, and supplies. ComLinks' employees receive a per diem for meals prior to travel: breakfast \$6, lunch \$8, dinner \$20 or \$50 for a metropolitan area. They also receive advance monies for transportation costs such as airport shuttles. In addition, Finance Office staff gives the traveler a check made out to the hotel where they will stay for the amount that will be incurred and the employee personally gives the check to the hotel for payment. Upon return from travel, ComLinks' employees

are required to submit an Actual Expense Form along with all original receipts to the Finance Office within three days.

Ms. Reich was provided advance monies prior to most of her travel, as well as checks for her hotel stays. She was also given a credit card for business use. Our review of Ms. Reich’s travel identified \$13,956 of expenses that were inappropriate or fraudulent.

For example, we found Ms. Reich used \$5,675 in grant monies in connection with personal travel expenses as shown in the following table:

Total Expended	Purpose
\$567	In connection with classes at a holistic educational center for wellness.
\$427	For room rental, manicure and spa fees when Ms. Reich and a friend stayed at the Mirror Lake Inn, Lake Placid.
\$163	For room charges to attend a wedding. (In addition to charging the room to her ComLinks’ credit card, Ms. Reich also used a federal tax exempt form to eliminate tax expense for the room.)
\$552	For airline tickets to travel to NYC and Seattle.
\$259	For airline expenses to Louisville, KY.
\$1,909	For a business conference in Washington, DC that was unattended and spa treatment and room service during the stay in Washington, DC.
\$262	For renting a car, staying at a rejuvenating resort and having a Swedish massage after attending a business conference.
\$278	For expenses on a trip to Hawaii.
\$42	To stay at a campground.
\$1,216	In unexplained and unsupported hotel charges.
\$5,675	Total Personal Travel

For many of the conferences she attended, Ms. Reich arrived early and stayed additional days after the conference ended, incurring personal expenses covered by ComLinks for sightseeing and leisure purposes. She ordered in-room movies and spa treatments which are considered personal expenses and are not allowable. For most trips, Ms. Reich did not submit original hotel or restaurant receipts.

Ms. Reich also accepted advance monies for travel, kept the money and charged these same expenses to her ComLinks credit card. We found for 13 trips that Ms. Reich received cash advances for meals and transportation costs, kept the money for herself and charged these expenses to her ComLinks credit card. As an example, Ms. Reich kept \$62 provided to her for an airport shuttle van and charged \$140 to the credit card for a more expensive town car service.

Ms. Reich also routinely charged excessive food and beverages over and above the allowable per diem rates. For example, Ms. Reich spent an additional \$137 in meals and beverages after receiving a \$95 advance for a trip. During another trip, she spent an additional \$58 in meals after receiving an advance of \$220. Also, even when Ms. Reich did not receive an advance, she exceeded per diem rates.

We also found certain trips involved grossly excessive and unallowable travel expenses. One example is a conference held in San Francisco. The conference provided legal, financial and management training for the community action network and for the non-profit sector. In addition to Ms. Reich, other attendees included Ms. Simone McConville, Ms. Reich's Executive Secretary at ComLinks, CFO Ms. Mallette-Glennon and an outside attorney from a private law firm. The attorney attended because Ms. Reich was considering hiring him and offered to pay for him to attend this legal conference because he didn't have any training in non-profit law. ComLinks should not have used grant monies to pay for a private attorney to attend the training. Travel costs are allowable for employees only. In addition to the private attorney, ComLinks should not have paid for Ms. McConville to attend the legal conference. Ms. McConville's attendance is not an allowable expense because her tasks as Executive Secretary did not require her to attend a legal conference. ComLinks used \$8,045 of grant funds for these four individuals to attend this two-day conference. Moreover, this included certain expenses for the attendees to travel two days prior to the conference and one and one-half days after the conference. In response to our draft report, the CFO provided documentation showing that Ms. McConville and the outside attorney reimbursed ComLinks for a portion of the personal travel costs incurred before and after the conference. However, Ms. Mallette-Glennon and Ms. Reich did not reimburse ComLinks for any of their personal travel costs.

In another instance, Ms. Reich, along with other ComLinks' employees attended a conference in Syracuse. Ms. Reich arrived the night prior to the conference, while the employees arrived the next day. During the evening, prior to the conference, Ms. Reich ordered 6 glasses of wine from room service. When the employees arrived at the conference the next day, Ms. Reich reportedly told them she had the "flu" and could not attend any conference classes. While sick with the "flu," Ms. Reich ordered eggs benedict from room service. Upon her return, Ms. Reich requested additional meal money from Mr. John Ray, Board President, stating she was too ill to eat the conference meals. (Ms. Reich was later directed to reimburse ComLinks for the wine.)

Expensive Meals and Food Purchases

Providing food or light refreshments for training sessions, working lunches and Board of Directors meetings within reason is allowable; food for social events or alcoholic beverages are not. Our review of expenses identified \$14,533 in inappropriate food, meal and alcoholic beverage purchases.

Ms. McConville said that it was normal for Ms. Reich to take people out to lunch or dinner if they were in town visiting. In fact, Ms. Reich would often charge grant funds to take people out to dine, including State employees responsible for monitoring state grants, outside consultants, ComLinks employees and ComLinks Board of Directors. In addition, she would purchase staff lunches when she was at the ComLinks Saranac Lake Office. She would also stop to eat after Board meetings, paying for these meals with grant funds.

For example, one consultant who performed inspections to the Weatherization program was treated to lunch which was charged to the grants for the Weatherization program. No justification was provided for the lunch and the expenditure gives the appearance of attempting to influence the consultant's findings.

In most cases, Ms. Reich would describe lunches or dinners as a "business meeting" when it was simply a meal to enjoy with others with no business purpose or discussion. At other times, Ms. Reich would host a meeting at a restaurant, without providing any justification why the meeting had to be held off-site of the ComLinks business office and why it had to be centered around a meal at ComLinks expense. In some cases, Ms. Reich used grant money to serve alcoholic beverages at these meals.

Ms. Reich also held business dinners and collected the cash that other diners gave her to pay for their portion of the meal instead of returning it to ComLinks. She would then keep the cash and charged the entire amount of the dinner to the ComLinks' credit card which was then eventually charged to a specific grant.

A Department of Health employee responsible for providing oversight of the Hunger Prevention Nutrition and Assistance Program (Nutrition) grant attended two such dinners with Ms. Reich. At the first meal, the State employee was in travel status to Malone and his agency provided him with per diem meal money for dinner. The State employee said he paid Ms. Reich cash for his dinner. He said Ms. Reich handled the bill and he was unaware that she charged the entire amount to the ComLinks credit card and then to the Nutrition grant. The same thing happened

at another dinner the State employee attended. Ms. Reich asked him to dinner in Saratoga along with Mr. Rick Ellis, a ComLinks Board member. Again he said Ms. Reich accepted cash from him. He said he was unaware Ms. Reich charged the entire dinner to the ComLinks' credit card and again, both dinners were held at expensive restaurants and included alcoholic beverages. The total cost for these two dinners came to \$302 (This total excludes Mr. Ellis' meals because he subsequently provided documentation to support the he paid for his meals.) In Ms. Reich's documentation of her expenses, she provided no explanation for why these "business meetings" needed to center around a meal (expensive food and alcoholic beverages) and could not have taken place during regular business hours at the appropriate place of business.

There were also seven local restaurant charges on dates that Nancy Reich's calendar indicates that a State employee from the Department of State was in town. ComLinks cannot provide us with certainty as to who ate at the meals that were charged on these dates; however, they indicated that it was Ms. Reich's practice to take people out to a meal when they were in town. We interviewed the State employee regarding these restaurant charges and he admitted to going to lunch a few times. However, he said he always paid for his own lunch. Again, Ms. Reich apparently kept the cash provided by the State employee because the entire bill was charged to ComLinks.

Beginning in February 2009 until her suspension in June 2009, Ms. Reich was required to prepare and sign a report justifying her expenses. She was to submit the report to Board President John Ray for approval. We reviewed nine expense reports and found Ms. Reich provided false justifications for four of them.

On one expense report, Ms. Reich indicated that the purpose of a \$109 dinner charged to the ComLinks credit card was "Stimulus Discussion & Weatherization." In addition, Ms. Reich indicated on the expense report that there was "No per diem" to cover the cost of the meal. However, according to one ComLinks employee who attended the dinner with Ms. Reich, there was no business discussion that took place at this meal and the two were just having dinner while in travel status in Albany. Moreover, Ms Reich's indication of "No per diem" on her expense report is false. In fact, both Ms. Mallette-Glennon and Ms. Reich each accepted per diem money for the trip and this allowed Ms. Reich and Ms Mallette-Glennon to each be reimbursed \$20 for the meal. Moreover, on back of the receipts supporting the dinner cost, Ms Reich wrote "Brenda's dinner" creating the appearance that the entire \$109 charged on the ComLinks credit card was attributable to Ms. Mallette-Glennon when, in fact, Ms. Mallette-Glennon's dinner cost about \$32 while Ms. Reich's

dinner cost a much higher \$77 because it covered alcoholic beverages. Ms. Mallet-Glennon actually returned \$30 to ComLinks in recognition that ComLinks was overpaying for her meal. We found no indication that Ms. Reich returned even the \$20 per diem that she received for the same meal that was improperly covered on the ComLinks credit card as a separate business expense.

In another example, Ms. Reich justified the cost of a dinner by falsely stating its purpose as a “Gleaning Meeting.” Once again, Ms. Reich stated “No per diem.” This dinner included four ComLinks employees in travel status to Albany and covered by a per diem to attend a meeting the following day. Ms. Reich wanted to have dinner with the employees and told them “It’s on me.” The employees had received per diem meal money and had no knowledge that Ms. Reich charged the entire dinner to the ComLinks credit card. The cost of this dinner for four was \$203 and included appetizer and \$30-35 entrees and desserts; well over the allowable \$20 dinner rate. We have no evidence the employees returned their per diem.

In a final example, Ms. Reich falsified another expense report by stating a \$129 dinner was for “statewide gleaning.” Dinner included alcoholic beverages and was charged to the ComLinks credit card. Five individuals attended this dinner, including four ComLinks employees (Ms. Reich included) and one State employee. Two of the ComLinks employees confirmed they did not meet on statewide gleaning and this was simply dinner while in travel status. The employees had received per diem meal money for this travel. Ms. Reich, in this case, had not. ComLinks’ employees could not tell us who paid for the State employee’s dinner. We have no evidence the employees returned their per diems.

In addition to these dinner charges, Ms. Reich used grant monies for the purchase of food for staff, luncheons, holiday parties and birthday parties. In one case, she purchased alcohol beverages for an employee’s going-away party. State and federal regulations do not allow food for social events.

In some cases, meal expenses were falsely reported to State entities to appear as though they were legitimate grant purchases. Under the category “Employee Development” we found five such incidents of false reporting. Employee Development is a grant category which allows for such items as training to increase the vocational effectiveness of employees. One expense charged to Employee Development was actually cheesecakes for the staff holiday party. Ms. Reich also used grant funds for a birthday cake for a former ComLinks employee. This same employee

was reimbursed for food she furnished for Ms. Reich's birthday party, and which was reported as "Program Supplies" in grant documentation.

Ms. Reich also authorized reimbursements to Ms. Mallette-Glennon for items purchased for a going-away party for a ComLinks employee. The purchase included a cake, greeting card, and pizza. While it is a normal business practice to celebrate employee birthdays and retirements, such expenses are generally paid for by the employees themselves. Social expenses are not allowable under State and federal regulations.

Reasonable costs are allowable for food or light refreshments served at Board of Director's meetings. In this regard, the ComLinks board meets monthly, often in the ComLinks conference room, where light refreshments are served. However, ComLinks also spent \$6,473 in grant monies for expensive board dinners, some of which included alcoholic beverages and were held at outside venues, such as Whiteface Lodge or the Malone Golf Course. We also found grant monies were spent on staff holiday parties and staff luncheons, held both at ComLinks and outside venues. As an example, a staff luncheon was held at the Malone Golf Course for Administrative Day.

Gifts and Flowers

State grants do not allow for the purchases of gifts and flowers. Our review of ComLinks expenses identified \$6,682 in gift and flower purchases.

Ms. Reich used grant monies to treat ComLinks' employees, Board members, outside consultants and volunteers to clothing, gifts and flowers. For example, ComLinks grant funds were used to provide employees with vests and attaché cases from Lands End. Ms. Reich also purchased gifts for staff members who were leaving employment and Board members who were leaving the Board. For example, one ComLinks employee received a name brand hand bag from Ms. Reich which was purchased using State grant funds.

Ms. Reich also used grant monies to purchase gift certificates. For example, Ms. Reich spent \$400 for a gift package to the Fairmont Chateau Montebello hotel. The Fairmont is a luxury hotel located in Quebec, Canada. The package included a one-night stay for two people including dinner and breakfast. Ms. Reich gave this gift to a volunteer stating that this gift was for "volunteer appreciation." Ms. Reich also charged \$225 for gift certificates to the Serendipity Salon and Day Spa. Finance staff cannot identify who the gift certificates were for.

Ms. Reich used grant monies to purchase flowers for staff, board members and outside consultants for all occasions. For example, Ms. Reich used grant money to purchase “thinking of you” flowers for one ComLinks’ employee. Ms. Reich also purchased flowers for her Executive Secretary, Ms. McConville with no reason noted. Ms. Reich purchased flowers for the President of the Board of Directors of a local Housing Development Fund Corporation. The President’s brother, a retired ComLinks board member, received a fruit basket. No reasons were noted for these purchases.

Ms. Reich purchased flowers to wish happy birthday to an outside consultant hired by ComLinks. She also purchased flowers for another consultant stating “just because you’re special.” Another consultant received a potted yellow rose bush.

Golf Membership

According to State and federal regulations, golf membership dues are not allowable. Our audit identified golf membership and fees totaling \$2,477. Ms. Reich was provided with a golf membership at a local golf club. Ms. Reich was a member from 2005 through 2007 and her membership fees were paid for using grant monies.

As a member, Ms. Reich hosted golf outings at the Club. At one event, she used grant monies to pay for golf fees and golf cart rentals for herself and nine players. According to ComLinks Finance staff, the players were personal friends of Ms. Reich and were not associated with ComLinks.

Political Payments

Not-for-profit organizations are prohibited from participating in, or intervening in any political campaign on behalf of any candidate for public office. The Internal Revenue Service did an audit of ComLinks which identified several improper political contributions. In addition to these contributions, we found additional improper political payments. Improper political payments paid by ComLinks totaled \$1,839.

Ms. Reich and Mr. Brian Cassini attended a political event to meet then Governor Elliot Spitzer. The event was held at the private home of an attorney. Their travel expenses were paid for by grant monies.

We also identified a political payment payable to the Plattsburgh North Country Chamber of Commerce for Ms. Reich and three other individuals (not ComLinks employees) to attend an Elliot Spitzer breakfast.

ComLinks used grant monies for three payments to a lawyer for professional legal services. A portion of each of the payments was to provide Ms. Reich with legal advice regarding her use of grant monies for political contributions. Since it is not allowable for ComLinks to make political contributions in the first place, it is inappropriate for ComLinks to use grant monies to pay for personal legal advice for Ms. Reich related to political contributions.

Duplicate Charges

When ComLinks submits a voucher for payment to a granting State agency they must certify that, “the above bill is just, true and correct; that no part thereof has been paid except as stated and that the balance is actually due and owing...” Our audit identified three payments totaling \$255 that were charged twice to the State Weatherization grant with the Division of Housing and Community Renewal. In all three cases Ms. Reich inappropriately signed the voucher certifying that she did not already charge the State or any other grantee for these same expenses.

Other Unallowable Expenses

Federal and State regulations provide detailed guidance as to the type of expenses which are allowable for reimbursement against grants. In addition to those previously mentioned, we also found the following unallowable expenses totaling \$3,345:

Category	Amount	Reason for Unallowable Expense
Social Events	\$1,300	Entertainment costs including social activities are unallowable.
Open House	\$1,181	Displays, demonstrations and exhibits as well as promotion items and memorabilia to promote the agency are unallowable.
Donations	\$100	Donations regardless of the recipient are unallowable.
Membership Dues	\$764	Membership dues to civic organizations are allowable but require prior approval from the granting agency. No prior approval was requested or granted.

Poor Internal Controls

The Board, as well as ComLinks management, has a responsibility to put in place internal controls that protect assets from theft and misuse. Controls over ComLinks funds were poor. As a result, use of State funds for personal and unauthorized purposes was not prevented and went undetected.

An organization's control environment includes the attitude toward internal control and control consciousness established and maintained by management and employees. It is a product of management's philosophy, style and attitude, as well as the competence, ethical values, integrity and morale of the organization's people. It is the foundation for all other internal control standards. The control environment at ComLinks was poor primarily because the CEO, by her actions, did not demonstrate commitment to ethical values and integrity, respect for the organization, leadership by example, and recognition of an adherence to laws and policies. The example she set would not convey to employees that accountability for public funds and regard for taxpayers' interests were important objectives of ComLinks for which each employee had a responsibility.

Ms. Reich created an environment that enabled her to use taxpayer dollars for her own personal benefit. These monies should have been spent to serve the needy of Franklin County. The fraudulent and inappropriate spending was allowed to occur, in part, because Ms. Reich managed through fear. Employees were afraid to question Ms. Reich even when they thought what she was doing may be wrong. For example, Ms. Reich directed a consultant hired to manage ComLinks information technology (i.e. email system) to secretly supply Ms. Reich with certain employees' emails. An employee discovered this when she checked the box for a return receipt when sending an email. She got a confirmation receipt from Ms. Reich indicating she had received the email even though the employee had not sent it to Ms. Reich. Secretly monitoring and reading employee emails is one way to manage using fear and intimidation.

Another example of the poor control environment at ComLinks involved Ms. Reich's firing of an independent CPA. Federal Circular OMB-A-133 requires not for profit entities who expend more than \$300,000 annually to have a single audit done of their financial statements. To be compliant with this regulation, ComLinks initially hired Mr. Doug Wood, CPA to perform their single audit. For the year ending September 30, 2006, Mr. Wood was going to issue a report with a qualified opinion about ComLinks financial statements because he questioned numerous adjustments and reallocations of costs among grants; identified late payment charges, and delay of revenue causing serious cash flow issues; and noted missing supporting invoices. According to Mr. Wood, Ms. Reich asked Mr. Wood to change his opinion from qualified to unqualified. In return, Ms. Reich made an inappropriate offer to Mr. Wood. Mr. Wood declined the offer and Ms. Reich fired him.

Ms. Reich also created an organizational structure that isolated the Chief Financial Officer from Finance staff. She separated certain finance

functions that prevented staff from being able to effectively and timely detect her improper activities.

Communication of useful information is an important internal control to ensure the correct functioning of an organization. However, at ComLinks, staff were not allowed access to program budgets and they were not permitted to ask questions about financial matters. Instead, the Chief Executive Officer and the Chief Financial Officer expended grant monies as they determined appropriate without conferring with others. This weakness in internal control discouraged the type of open communication that might have created awareness and reporting of the misuse of funds.

There were several other internal control weaknesses at ComLinks that made funds susceptible to loss without timely detection. All \$5.8 million in State funding from 15 State grants as well as any other monies (federal and private donations) were put into one account. Placing the monies into one account is acceptable; however, ComLinks did not have adequate accounting methods to distinguish how monies were charged to each grant.

The accounting system was in such disarray that it was difficult to capture the magnitude of fraudulent and inappropriate expenses. Generally accepted accounting principles (GAAP) requires a consistent method of accounting to ensure comparability from period to period.¹ Ms. Mallette-Glennon failed to implement consistent methods of accounting making it difficult to track how funds were spent. We attempted to determine which grants each employee's salaries were paid from. However, the way ComLinks charged employee salaries to accounts was not consistent from period-to-period, making it difficult to determine if the agency was charging employees to the proper State grants. We found many "adjustments" to the general ledger transferring portions of salaries from one account into another, again making it difficult to determine which grants were used to pay employee salaries. In addition, there was no documentation to support these adjustments as required by GAAP.

The CFO Failed in Her Professional Responsibilities as a CPA

Ms. Brenda Mallette-Glennon, a CPA, served as the Chief Financial Officer of ComLinks while Ms. Reich was CEO and continues to serve in this capacity. Ms. Mallette-Glennon has been and continues to be ineffective in her capacity as CFO.

As CFO, Ms. Mallette-Glennon is responsible for overseeing ComLinks' finances and acting in the best interest of the agency and public. New York

¹ AU Section 420 Consistency of Application of Generally Accepted Accounting Principles*Source: SAS No. 1, section 420; SAS No. 43; SAS No. 88.

State Not-For Profit Corporation Law Section 717, Duty of Directors and Officers, states that, “Directors and officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions.” While Ms. Reich was CEO, Ms. Mallette-Glennon did not act in good faith with diligence, care and skill. Ms. Mallette-Glennon did not assert her authority as CFO, compromising her professional roles and responsibilities. Instead Ms. Mallette-Glennon did what Ms. Reich told her to do, regardless of whether it was ethical or appropriate.

Ms. Mallette-Glennon also failed in her professional responsibilities as a CPA. A distinguishing mark of a CPA professional is acceptance of responsibility to the public. The public must rely on the objectivity and integrity of certified public accountants.² Ms. Mallette-Glennon was not objective and did not act with integrity. In fact, she supported Ms. Reich in her imprudent management activities by failing to hold Ms. Reich accountable to established rules.

For example, Ms. Mallette-Glennon:

- Allowed Ms. Reich to have final approval over who was paid and when. In at least one instance, Ms. Reich did not allow Ms. Mallette-Glennon to authorize payment to a vendor because Ms. Reich was ‘angry’ with the vendor for personal reasons.
- Did not require Ms. Reich to submit supporting documentation for reimbursements even though ComLinks policy requires it. As a result there were several instances where ComLinks paid Ms. Reich twice for the same expenses. For example, Ms. Reich would receive advance monies for meals during travel and then she would also charge the meals to the agency credit card and not reimburse ComLinks.
- Failed to monitor Ms. Reich’s use of the credit card for personal expenditures.

Ms. Mallette-Glennon told auditors she knew her actions were inappropriate but she continually succumbed to the pressures of Ms. Reich because she feared the repercussions of challenging her boss. That same fear prevented Ms. Mallette-Glennon from reporting any concerns to the Board of Directors. It wasn’t until a distressed employee pled with Ms. Mallette-Glennon to stop Ms. Reich’s abusive behavior that Ms. Mallette-Glennon reported Ms. Reich to the Board. It is Ms. Mallette-Glennon’s role as CFO to resolve conflicts of interest with integrity, guided

² AICPA Code of Professional Conduct · Section 50 - Principles of Professional Conduct · ET Section 53 .01

by the precept that the public's and the agency's interests are best served. Instead, the only interests served were Ms. Reich's personal interests.³

We question the capabilities of Ms. Mallette-Glennon. Even after the departure of Ms. Reich as CEO, we continue to find that Ms. Mallette-Glennon cannot adequately fulfill her responsibilities. As CFO, Ms. Mallette-Glennon is responsible for monitoring staff to ensure they follow appropriate procurement practices. Ms. Mallette-Glennon did not do this. For example, on December 3, 2009 ComLinks paid a food vendor \$8,000 for goods they did not receive. When we questioned Ms. Mallette-Glennon about the purchase she could not explain why they paid this vendor and what product they received. This payment raised suspicion because the owner of the company who received the \$8,000 is a relative of a ComLinks employee involved in the transaction. We subsequently spoke to the new Board President who told us that ComLinks was making year end purchases in order to keep funding. This practice is not allowed. In addition, in January 2010 Ms. Mallette-Glennon allowed Mr. Cassini to extend his work-related trip to Florida so he and his wife could spend two days in Florida on a mini vacation. Citing a cost savings, Mr. Cassini had ComLinks pay for his hotel for the extra nights. Mr. Cassini provided little documentation to support his statement that no flight was available to return home the day after the conference. Paying for personal travel with grant monies is unacceptable under any circumstance. Ms. Mallette-Glennon's failure to question Mr. Cassini's request further shows her inability to adequately fulfill her responsibilities as CFO.

As discussed in a subsequent section of this report, once again, Ms. Mallette-Glennon did not question the potential conflict of interest when Mr. Cassini played a major role in hiring his wife as a consultant to ComLinks and hiring his son's former football coach as Director of Housing.

The Board of Directors Failed in its Oversight Responsibilities

The ComLinks By-laws state the Board of Directors (Board) has a fiduciary responsibility for the operations of the agency. They are responsible to determine overall program plans and priorities for the agency and have final approval of all programs, proposals and budgets. A key responsibility of the Board is the appointment of the Chief Executive Officer and oversight of the CEO's activities. In addition, Board members must act in the best interests of the organization at all times and avoid real or apparent conflicts of interest. During the majority of our audit, the Board was led by Mr. John Ray, President.

Comments from Former Board Members

³AICPA Code of Professional Conduct · Section 50 - Principles of Professional Conduct · ET Section 53 .02

The Board failed in their fiduciary responsibility to properly manage ComLinks. For example, the Board received a letter signed by 40 employees stating they had no confidence in the Board or Ms. Reich's abilities in managing ComLinks. The Board did not properly address this situation. In fact, three Program Directors who signed the letter were later terminated with support from the Board. We interviewed Mr. Fred Mueller, former ComLinks Board member who resigned in May 2009. Mr. Mueller defended the actions of the Board during this situation stating the Board should not micromanage and staff should not come directly to the Board to report issues or concerns.

However, Mr. Mueller became aware of the issues surrounding Ms. Reich when the employees formed a union. The Board decided to implement a policy to do a yearly evaluation for Ms. Reich. As Vice President of the Personnel Committee, Mr. Mueller was responsible for Ms. Reich's performance evaluation. In fact, Mr. Mueller rated Ms. Reich's performance as poor. After Mr. Mueller gave Ms. Reich this evaluation, Mr. Mueller said Ms. Reich stopped talking to him and cut him off from all communications. Mr. Mueller felt he could not continue on the Board and did not see any benefit to staying without communication with Ms. Reich. Mr. Mueller said he did not want to be part of a "train wreck." Mr. Mueller stated members of the Personnel Committee shared his belief that Ms. Reich had to leave. However, some Board members defended Ms. Reich because they believed she had done a good job as CEO of ComLinks.

We also interviewed Ms. Patricia Manchester, a former ComLinks Board member, who resigned at the same time as Mr. Mueller. Ms. Manchester concurred with Mr. Mueller on issues regarding Ms. Reich's performance evaluation. After the evaluation, Ms. Reich also refused to speak to Ms. Manchester. Ms. Manchester also confirmed that the Board was not privy to all information and instead, they heard what Ms. Reich wanted to tell them. She said the Board only learned of the expenditures after the fact. She resigned because she didn't want to be connected with issues at ComLinks. Ms. Manchester said Boards depend on the CEO to do their job. However, she said Ms. Reich controlled the Board.

Conflict of Interest: Board Member Sells Cars to ComLinks

Once again, the Board failed in providing oversight when it allowed Mr. Richard Ellis, a ComLinks Board member who owns car dealerships in the Malone area, to sell vehicles to ComLinks without following the equipment procedures policy. For equipment purchases over \$5,000, ComLinks procedures require bidding if the equipment can be obtained from more than one source. ComLinks did not follow this procedure

when they purchased vehicles from Mr. Ellis. We reviewed the procurement records for nine vehicles purchased from Mr. Ellis. One of the vehicles was purchased following proper bidding procedures. Eight were not. No bids were secured and vehicles were purchased outright from Mr. Ellis' dealership. We reviewed resolutions from the ComLinks Board and found they falsely stated the vehicles were purchased from the lowest bidder. It is important to note that Mr. Ellis was President of the Board during at least one of these purchases. These purchases appear to indicate favoritism towards Mr. Ellis, who continues to sit on the Board. In addition, without proper bidding and awarding purchases to the lowest bidder, we cannot be certain that ComLinks received a reasonable price for the vehicles. Also, Mr. Ellis violated ComLinks Code of Ethics which states Board members should serve in such a way that they do not realize undue personal gain from the performance of their professional duties.

Competency of the ComLinks Board of Directors

During our audit and in response to our status updates, Mr. Ray stated "This is a kiss of death to ComLinks. So what do we do?" He goes on to say that all board members are volunteers and have limited time and varying degrees of knowledge and experience to serve on a board of an entity as complex as ComLinks. He admits the accounting system prior to October 2007 did not quickly and easily produce financial information in a form and structure that we require. These statements show the lack of oversight and competence by the Board when Mr. Ray readily admits the Board is not capable of overseeing ComLinks.

The Board continued its failure to oversee Ms. Reich's actions when the Board implemented the practice in February 2009 for Mr. Ray to review Ms. Reich's travel expenditures. The Finance Office was directed by Ms. Reich to just pay the expenditures. Mr. Ray failed to do due diligence when approving Ms. Reich's expenditures. He did not question the business necessity or the costs of her trips. The travel vouchers did not have original documentation and Mr. Ray did not request any additional information from the Finance Office. We were able to determine that Ms. Reich submitted at least four fraudulent expense reports to Mr. Ray because Ms. Reich misrepresented the business need for the expense. In another example, Ms. Reich submitted a voucher for mileage reimbursement. When we reviewed the voucher, we found discrepancies in the mileage and the accuracy of the travel dates. Ms. Reich had put higher odometer readings on earlier dates, lower odometer readings on later dates and requested mileage for dates she had not traveled. As a result, we informed ComLinks Finance staff that this voucher could not be paid using State grant funds. Mr. Ray did not verify any of the information on either of the vouchers and paid Ms. Reich mileage monies

she was not entitled to receive with ComLinks unrestricted money. The practice of approving vouchers without any due diligence continued. Mr. Ray approved Mr. Cassini's travel for his trip to a conference in Florida and did not ask questions as to why he was staying extra days with his wife and why ComLinks was paying the bill.

The ComLinks Board's lack of oversight and monitoring permitted an environment where Ms. Reich was allowed to misuse grant funds and cause fear and intimidation within the agency. The Board failed to hold Ms. Reich accountable for her actions and as a result, she was given free rein to do as she wished. The Board accepted Ms. Reich's explanations and information without asking questions or ensuring what she was saying was actually true. The Board's actions continued until Ms. Reich was no longer at ComLinks. Even with the numerous red flags, the Board gave Ms. Reich a separation agreement which included a severance package.

Unfortunately, despite attempts by ComLinks staff to alert the Board of Directors to Ms. Reich's autocratic style and to her potential improper activities, the Board did not act. This failure on the Board's part is difficult to understand. Did the Board not act because they were not competent to understand organizational dynamics? Were they complicit with Ms. Reich? Would an effective Board have tolerated Ms. Reich's activities and interaction with staff for as long as they took place at ComLinks?

The Improprieties Continue Even After the CEO Is Gone

The culture created by Ms. Reich continues at ComLinks. Under the leadership of Mr. Cassini and Ms. Brenda Mallette-Glennon, there has not been enough change to the culture at ComLinks. This is evident by Mr. Cassini's and Ms. Mallette-Glennon's actions.

Nepotism

During their dual management, Mr. Cassini and Ms. Mallette-Glennon were responsible for hiring new staff. ComLinks uses a human resource firm to advertise and manage open positions. Mr. Cassini and Ms. Cana Tighe of Total HR told us that all resumes are sent directly to Total HR and the firm sends only qualified applicants' resumes to ComLinks. Mr. Cassini and Ms. Mallette-Glennon told us that they interview the qualified applicants and make a joint final decision. This process is to ensure that only qualified individuals make it to the interview stage and are hired.

However, Mr. Cassini circumvented the process in place and hired an unqualified candidate, Mr. Fred Gagnier, as Director of Housing. Mr. Gagnier did not meet the minimum requirements of education and experience listed in the advertisement. In fact, Mr. Gagnier had his

resume on file from previous applications and did not even apply for the Director of Housing position but Mr. Cassini requested his resume from Total HR. Mr. Gagnier admitted that Mr. Cassini had told him about the job. It appears that Mr. Gagnier was hired for his personal relationship with Mr. Cassini, rather than based on his qualifications. Mr. Gagnier was Mr. Cassini's son's former football coach. Apparently, Ms. Mallette-Glennon did not see a problem with Mr. Cassini hiring an unqualified friend as Director of Housing.

In another instance of impropriety, Mr. Cassini violated ComLinks' policy on nepotism, which specifically states that, "...no applicant shall be considered for employment if a member of that applicant's immediate family or household is in a member of the ComLinks Board of Directors or is employed in an administrative capacity for ComLinks, or serves on a committee which nominates, recommends or screens candidates for employment." Also, Mr. Cassini has the responsibility to avoid situations which are, or have the appearance of, a conflict of interest.

This was not the case when Mr. Cassini helped write the job specifications for and participated in the hiring of a Registered Dietician consultant. It appears that the qualification were in excess of what was needed for the job and were written to solicit one candidate, Mr. Cassini's wife, Ms. Elizabeth Cassini. In addition to the excess qualifications, the \$55/hour rate that ComLinks agreed to pay Ms. Cassini was excessive compared to the \$20/hour rate for the nutrition resource management position.

The State contract required a Nutrition Resource Manager position for the Gleaning program. The contract is administered by the Department of Health's Hunger Prevention and Nutrition Assistance Program. Mr. Cassini stated an "exhaustive" search was done to find a Nutrition Resource Manager and was not successful. However, our review showed the advertisement for the Nutrition Resource Manger listed little to no qualifications and applicants did not know what duties they would perform to apply for the position. Mr. Cassini sought approval from the Department of Health to change the position to a consultant.

It is also important to point out that the final decision on whether to change the position from a Nutrition Resource Manager employee to a Nutrition Resource Manager Consultant (or as Mr. Cassini defines it, a Registered Dietician Consultant) was not until Mr. Cassini told ComLinks staff that his wife would be interested in the position if it were for a Registered Dietician Consultant.

As a result, the applicant pool was limited to only three dieticians in the area which included Ms. Cassini and a Board member's daughter.

Several days after Ms. Cassini applied for the position, Mr. Cassini excused himself, via e-mail, from the hiring process. However, Mr. Cassini continued to participate in crafting and revising the consultant contract. Mr. Cassini did not receive prior Board approval. Instead, the Board of Directors approved Ms. Cassini's hire an entire month after Ms. Cassini signed the contract with ComLinks.

Unlike the Nutrition Resource Manager employee position where several people responded to the job notice, Mrs. Cassini was the only one to apply for the Registered Dietician Consultant position. The requirements for the Nutrition Resource Manager employee position were 64 hours per month (16 hours per week) at about \$20 an hour. The contract Mrs. Cassini signed with ComLinks for the Nutrition Resource Consultant position agreed to a salary of \$55 an hour and a required 28 to 30 hours per month. This is a big difference in both pay and necessary hours.

Also, the documentation we reviewed showed that the pay and hours agreed to for Mrs. Cassini are in conflict with the reasons why applicants were not hired for the Nutrition Resource Manager employee position. For example, one applicant for the Nutrition Resource Manager employee position was not hired because she asked for \$40 an hour because she was a Registered Dietician (\$15 less an hour than the contract signed with Mrs. Cassini) and because she could only work 12 hours per week (48 hours per month) instead of the required 64 hours (5 hours more per week - or 18 to 20 hours more per month - than Mrs. Cassini's contract).

Mr. Cassini's actions give the appearance of impropriety. Mr. Cassini agreed that a reasonable person would question the legitimacy of his actions. Once again, Ms. Mallette-Glennon did not protest the potential conflict of interest by Mr. Cassini being involved with the hiring of his wife as a consultant. As a result of our audit, the contract with Ms. Cassini and ComLinks was terminated.

Entitlement and Abuse

Ms. Reich repeatedly abused the State's resources while in travel status when she arrived several days early or stayed a few days beyond her work obligation. It appears Mr. Cassini has adopted the same practice.

Mr. Cassini attended a work-related conference in Florida and was accompanied by his wife, Ms. Cassini. Mr. and Ms. Cassini stayed in a ComLinks paid hotel for a two-day personal vacation. Prior to his departure Mr. Cassini requested and received approval from Mr. John Ray which included staying two days beyond the end of the conference. Mr. Cassini explained that it would have been more expensive for him

to fly home on the day the conference ended from a different airline. He told us that to stay the two additional days did not cost ComLinks more money.

However, Mr. Cassini could not provide adequate documentation confirming his assertion that a flight was not available the day after the conference.

Also, our review of Mr. Cassini's cost-benefit analysis showed that it actually cost ComLinks over \$150 more for Brian and his wife to stay in Florida the two additional days without a business purpose because Mr. Cassini's analysis understated the cost of his flight to Florida and it did not include the cost of the hotel room for the two additional nights.

This infraction taken in combination with other inappropriate actions by Mr. Cassini shows a sense of entitlement and a pattern of breaking the rules. In addition, when we spoke to Ms. Mallette-Glennon about Mr. Cassini's travel, she told us that he did not do anything wrong by using ComLinks monies to stay two extra nights for a personal vacation. This is yet another instance where Ms. Mallette-Glennon and Mr. Ray lacked an understanding of the bigger picture. It is unacceptable to use grant monies to support personal expenses and or give the impression of impropriety. It is important for Mr. Cassini to avoid even the perception of personally benefiting from grant monies. A trip to a conference should not become a vacation for him and his wife.

- Recommendations**
1. Take legal action against the former Chief Executive Officer to recover grant monies used for inappropriate and fraudulent expenses.
 2. Change the control environment at ComLinks to one that enhances internal controls and respects compliance with the policy and procedures of ComLinks and federal and State regulations.
 3. The Board of Directors, Executive Director and Chief Financial Officer should properly monitor and assure adequate controls are in place to prevent fraud, waste and abuse of grant resources.
 4. Ensure all Board members are aware of their responsibilities under the ComLinks By-laws including but not limited to conflict of interest, code of ethics and fiduciary responsibility for operations.
 5. The Board of Directors should hire a competent Executive Director and Chief Finance Officer and hold them accountable to high ethical standards.
 6. The recommendation has been removed due to additional information provided in ComLinks response to the draft audit report.

7. Review Mr. Cassini and Mr. Ellis' conflicts of interests and take appropriate action, including possible termination, to prevent similar acts in the future.

**Audit Objective,
Scope and
Methodology**

The objective of our audit was to investigate an allegation that State grant monies were being used to personally benefit ComLinks Chief Executive Officer (CEO), Ms. Nancy Reich, instead of being used to meet the needs of the residents of Franklin County.

To accomplish our objective, we interviewed officials at State agencies administering the grant contracts for ComLinks including: Department of State, Office of Children and Family Services, Division of Criminal Justice Services, Office for Temporary Disability Assistance, Crime Victims Board, Division of Housing and Community Renewal, and the Department of Health. We also interviewed ComLinks staff, management, former Board of Directors and current Human Resource consultant.

We reviewed 14 State contracts totaling over \$4 million. The audit scope which was within the period of April 1, 2005 – September 30, 2009 varied depending on the contract. The following is the list of contracts, their scope period and the audited amount.

Contract Type	Scope Period	Audited Amount
Weatherization	4/1/2005 - 3/31/2009	\$1,603,500
CSBG Grant	10/1/2005-9/30/2008	\$666,681
Gleaning/Nutrition	7/1/2006- 6/30/2008	\$622,649
Domestic Violence	10/1/2006 - 12/30/2008	\$615,669
SHFYA - Homeless Housing	09/01/2005-8/31/2008	\$198,000
Domestic Violence	4/1/2005-3/31/2008	\$116,474
Special Weatherization	10/1/2007-9/30/2008	\$80,000
CSBG/Grant Mgmt Sys	10/1/2007-9/30/2008	\$50,000
Domestic Violence	12/1/2007 - 11/30/2008	\$48,000
Domestic Violence	12/1/2006 - 11/30/2007	\$48,000
Domestic Violence	4/1/2008-3/31/2009	\$36,956
Gleaning/Nutrition	10/1/2007-9/30/2008	\$35,000
CSBG Grant/Gleaning	10/1/2008 -9/30/2009	\$20,600
Gleaning/Nutrition	7/1/2006 - 3/31/2008	<u>\$3,000</u>
		\$4,144,529

For each contract, we reviewed all expenditures within its audit scope above to ensure that we had all documentation, there were no duplicate payments, and the payment vouchers totaled the expenditures submitted on the reports to the agencies. We examined one program and one year at a time. We examined the batch reports line-by-line to match each item to the voucher. Once we found a voucher number on the batch report and ensured that the amounts matched, we circled the program name on the voucher. This allowed us to see if we encountered this voucher again when we reviewed another program in that year. We reviewed cancelled checks for payments made to vendors and verified the payment vouchers were listed on the reports to the agencies. We also reviewed credit card transactions for the scope period of June 2005 to June 2009. We did a three-way match of the credit card transactions to the travel vouchers and the payment vouchers. In addition, we contacted hotels, vendors, and restaurants to obtain original receipts since receipts were not always attached to the travel or payment vouchers.

We did our audit according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller of New York State performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

We did this audit according to the State Comptroller's authority in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft of this report was provided to the Board President of ComLinks for review and comment. In response to our draft audit report, the Board President of ComLinks summarizes actions already taken and actions he plans to take to implement our audit recommendations.

The Board President provided his response along with responses from several individuals mentioned in the audit report resulting in a response that was over 350 pages long. Those comments are available for review in our office. We only included the Board President’s response in this final report. We did, however, consider all the comments provided in the preparation of this final report. State Comptroller’s Comments are included at the end of the report to address matters in the ComLinks response.

Our findings were also shared with all of the agencies that provided grants to ComLinks during the scope period of our audit. Those agencies are the Department of State, Office of Children and Family Services, Division of Criminal Justice Services, Office for Temporary Disability Assistance, Crime Victims Board, Division of Housing and Community Renewal, and the Department of Health.

Within 90 days after the final release of this report, the President of the ComLinks Board of Directors will report to the State Comptroller advising what steps were taken to implement our recommendations, and if recommendations were not implemented, the reasons why.

Contributors to the Report

Major contributors to this report include David R. Hancox, Walter Irving, Melissa Little, Thalia Melendez, Eileen Chambers, Salvatore D’Amato, Marc Geller, Adrian Wiseman, Dino Jean-Pierre, Meredith Holmquist, Devisha Baldeo and James Morrissey.

Agency Comments



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June 2, 2010

David R Hancox, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany NY 12236

Re: Draft Audit- "CEO Lives a Lavish Lifestyle at Taxpayers Expense"

Dear Mr. Hancox:

We are in receipt of your letter dated May 5, 2010, which included the Draft Audit mentioned above.

The ComLinks Board of Directors, with their assistance, has authorized me to respond to this draft audit report per your instructions.

Our response has been formatted in the following order:

- I: Introduction
- II: Disclosure by Board President
- III: Improper use of funds by former Executive Director
- IV: Audit Findings and Concerns
 - A. ComLinks Board
 - B. Brian Cassini-Executive Director
 - C. Brenda Mallette Glennon-Chief Financial Officer
 - D. Richard Ellis
- V: Recommendations
- VI: Conclusion

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Comment
1

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Comment
2

Domestic Violence Intervention - Neighborhood Revitalization - Housing & Services - Housing Development
Cooperative Gleaning - Microenterprise Assistance - Women's Entrepreneurial Business Center

www.comlinkscAA.org

* See State Comptroller's Comments, page 51.

In preparing our response, we have asked all those persons or businesses that are specifically referenced in this report (other than former CEO) to give a detailed response to the allegations referenced to them. Our response will refer to these references in our effort to be factual and accurately respond to your request. All future reference to the Office of State Comptroller will be referred to by O.S.C.

I: Introduction

In April of 1965 the Franklin County Economic Opportunity Council, Inc. was formed. In December of 1985 the name was changed to Community Action Agency of Franklin County, Inc. Then again in September of 2005 the name was changed to ComLinks, Inc. The total budget for ComLinks in 2010 is \$7,847,298, which includes in kind services. (\$3,617, 298 is projected).

The Agency employs 50 people. ComLinks is the umbrella for five district programs, which include, Weatherization, Domestic Violence Intervention Program, Gleaning, SBA/Microenterprise/Veterpreneur Programs, and Low Income Housing.

A brief operating performance of each program is as follows:

Weatherization: From April 1, 2009 to this present date, this program has weatherized 134 homes.

Domestic Violence Intervention Program: From January 1, 2009 until March 31, 2010, 614 clients (men & women) were assisted with nonresidential DVIP Services, 75 clients (women & children) were housed in safe dwelling shelters.

Gleaning: From April 1, 2009 until December 30, 2009, 1,169,020 pounds of food was delivered to 67 food pantries in 7 Northern New York Counties. During the period of January 1, 2010 thru April 30, 2010, 382,492 pounds of food has been delivered. During the 2009-2010 school year the popular "Back Pack" program supplied 364 children with backpacks of supplemental food for every weekend.

SBA/Microenterprise/Vetrepeneur Programs: 57 micro loans have been underwritten to support small businesses in this area. Since January 1, 2010 business counseling has been provided to 16 veterans. During the last years' reporting period (10/10/08-9/30/09), the center counseled 76 clients and provided 231 counseling sessions.

Low Income Housing: There are 114 units of supportive and affordable rental housing in three counties. (Franklin, Essex, Warren). The units are located in Malone, Saranac Lake, Tupper Lake, Lake Placid, and North Creek. These units provide safe, clean and affordable living for many families and individuals who could not afford this type of housing without this program.

ComLinks provides a vital service to those less fortunate and also to businesses, which struggle in their formation to get started. This organization is a major employer in Franklin County and provides services that are often not provided by private and government facilities. Attached is an updated re-organizational chart of the ComLinks organization for reference. (I-1)

II: Disclosure by Board President.

During the OSC audit it was apparent that the auditors placed emphasis on staff and board relationships as it affected the ComLinks organization.

In the spirit of openness and transparency, I as Board President and principal respondent to this OSC audit, make the following declaration.

I, Marc T. Lashomb am a self-employed Insurance Broker for the past 35 years. I became involved with the ComLinks Organization in December 1998 as a member of the L'Esperance Corp. Housing Board, which is a corporation that is used as a vehicle to work with funding sources to provide the construction of low-income housing units.

I was elected to the ComLinks Board at the annual meeting in December 2009. I was also elected as Board President during that same meeting.

I have known all the parties mentioned in this audit. A few are close personal friends and some former and present clients.

I take this opportunity to declare that none of the parties mentioned in this report nor any other ComLinks staff or individual Board member has in any way tried to influence my response to the OSC audit, and at no time during my tenure as Board President has my responsibility and decision making process been compromised by my relationship with them. In any instances where there appears to be a conflict of interest in the operating of the ComLinks organization, I have and will continue to abstain in any such Board transactions.

III: Improper Use of Funds by Former Executive Director.

The former Executive Director, Ms. Nancy Reich was employed by the Agency as C.E.O. from October of 1989 until June of 2009. Ms. Reich vision contributed much to the growth and development of the Agency. The OSC audit report is troubling in its analysis of the actions of the former C.E.O. over the past few years. It is unfortunate that for any good that Ms. Reich might have accomplished during the past 20 years, will now be discounted by her questionable style of management, which has been brought to light in the OSC Audit Report.

That being said, I have been advised by Franklin County District Attorney Derek Champagne to refrain from making any comments about the OSC audit in regards to Ms. Reich. He instructed me to do this so that any investigation he might undertake will not be compromised by any statements made by me as Board President. I respect and adhere to that request because I have total confidence that District Attorney Champagne will conduct a fair, thorough, and balanced investigation into the information supplied in the OSC audit report.

IV: Audit Findings and Concerns.

A. ComLinks Board

Numerous references are made in the OSC audit that the ComLinks Board failed in their responsibilities as a Board. (“The Board failed in their fiduciary responsibility to properly manage ComLinks”), (Page 26, Paragraph IV). As Board President it is not within my capacity to find fault with past actions of the Board that might reflect unfairly on them. The period of the audit from late 2008 until the end of 2009 was very stressful, to say the least, on the Board as well as staff and management. After reviewing the previous minutes of Board meetings during the time in question, there appears to develop a common theme in those minutes.

If one is to offer any constructive criticism of the Board, an observation could be made that the Board was not aware that there was a definite flaw in the original design and implementation of the organizational structure of the agency as it was set up. In time this became apparent to the Board with the ultimate agreement that the C.E.O would take an administrative leave. The Board realized that their full trust and confidence in the former C.E.O. caused an oversight in their monitoring and regulating in how the ComLinks organization was managed.

The ComLinks Board over the years had full trust and confidence in C.E.O. Reich. She was the main source of information to the Board on the operations of ComLinks. The Board began to have concerns about the effectiveness of the C.E.O. before the letter of 12/1/07 that was presented to them by the ComLinks staff. It became apparent to the Board that there was not the transparency, that is fundamental to any organization, that flowed from staff to management to the C.E.O. and to the Board, and also from the Board back through the organizational structure. The OSC Audit states --“the Board took no action until the employees went to the media...” (Page 7, par 5) and the next paragraph states “the abuse was flagrant and the Board should have identified and responded to them through its oversight rule” (page 8, par 7).

The letter that was presented to the Board by the staff was dated 12/1/07. The Board minutes of 12/7/07 (public record) are very clear that the Board took the letter very seriously and took steps to address the issues.

In the minutes of 12/01/07 under “Executive Session- Personnel Matters” the following motions were asked to be recorded in the minutes.

1. Motion to invite the Department of State of New York to conduct a State Audit of the Agency
2. Motion to write a letter to Agency employees that addresses the anonymous letter received by the Board of Directors outlining corrective actions.
3. Motion to establish an Ombudsman Office, consisting of three Board members to establish a confidential committee to act as liaison between employees and Board of Directors.

In reviewing these minutes it is apparent that the Board was making a concentrated effort to take charge of the pending crisis.

B. Brian Cassini-Executive Director

Mr. Cassini has been employed by ComLinks in various capacities since January of 1995. In June of 2009 Mr. Cassini, who was at that time Housing Development Director and Weatherization Director, was appointed Chief Operating Officer (C.O.O.). Mr. Cassini's responsibilities were to co-manage the Agency along with Mrs. Brenda Mallette-Glennon who was the C.F.O. Mr. Cassini was appointed for one year as Executive Director in January of 2010. The OSC audit makes numerous references to Mr. Cassini acting as C.O.O. Specifically mentioned are:

1. Passing of possible fraudulent documents to the state.
2. Conflict of interest- hiring son's football coach
3. Nepotism- hiring wife
4. Mini Vacation at taxpayers expense

Mr. Cassini has attached a notarized detailed response to the references made to him in this audit report.

I feel that Mr. Cassini's response to the OSC allegations provided sufficient documentation, which he attempts to relate to the facts as known by him.

I suggest that the OSC audit references to Mr. Cassini and the response by Mr. Cassini contains all the information that is necessary for one to arrive at a fair, factual and objective conclusion.

This report will state the ComLink Board position in regards to Mr. Cassini in the "Recommendations" section of this report.

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Comments
1 & 3

C: Brenda Mallette Glennon, C.P.A.

Mrs. Mallette-Glennon was hired by ComLinks in January 1996. She has worked in the Finance Department since she was hired as Finance Director and later given the title of Chief Financial Officer (C.F.O). Mrs. Mallette-Glennon is also involved in the Micro Loan Program and the Women's Business Program.

The OSC audit is critical of Mrs. Mallette-Glennons role as C.F.O. Mrs. Mallette-Glennon has given a notarized detailed response to the references to her in the OSC audit report. Mrs. Mallette-Glennon has responded to the references in the OSC audit report by addressing the following 14 subjects.

1. OSC not receiving necessary documents.
2. Lack of oversight by C.F.O.
3. ComLinks accounting system in disarray. Unsupportive purchases.
4. "Agency Marketing" authorization.
5. Reimbursement to ComLinks by staff for personal travel costs.
6. Dinner without discussing business.
7. Purchases of food and alcoholic beverages for ComLinks employee.
8. C.F.O. isolated from finance staff by C.E.O.

* See State Comptroller's Comments, page 51.

5

9. C. F.O. failed in her professional responsibilities as a C.P.A.
10. C.F.O. allowed C.E.O. to have authority over distribution payments. C.E.O. not required to submit supporting documentation for reimbursement.
11. OSC states Mrs. Mallette-Glennon knew her actions were inappropriate because she feared repercussions if she challenged C.E.O.
12. OSC questions capabilities of C.F.O.
13. OSC questions C.F.O. allowing Mr. Cassini to extend a conference meeting for a mini vacation for him and his wife.
14. C.F.O. fails to question the conflict of interest with the hiring of Mr. Cassini's son's football coach as Director of Housing.

The OSC audit references regarding the C.F.O., and Mrs. Mallette-Glennon's response to their references are both included in this report. The facts and details thus submitted will allow one to draw their own fair and balanced conclusion. The response of the ComLinks Board of Directors will be reflected in the "Recommendations" section of this report.

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Comments
1 & 4

D: Richard Ellis-Conflict of interest-selling vehicle to the Comlinks Organization**

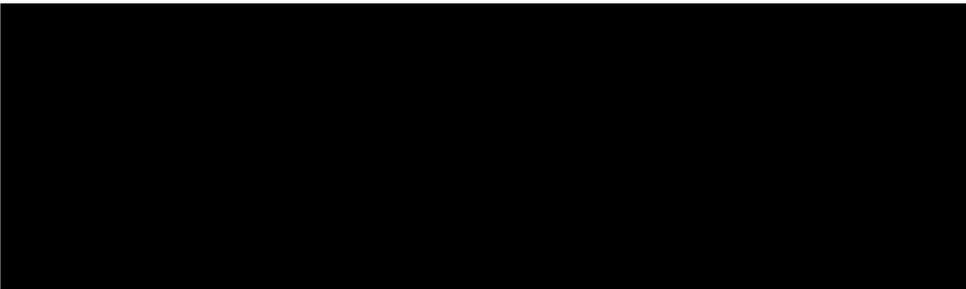
Mr. Richard Ellis has been a member of the ComLinks Board since October of 1997. He has served as Vice-President and President of the ComLinks Board. He owns a local automobile dealership in the area with his son and son-in-law. The OSC audit report mentions that ComLinks over the period of this audit purchased nine vehicles from Mr. Ellis' Dealership and only one of the nine purchases followed the proper bidding procedures.

Mr. Ellis has provided a notarized detailed response to these allegations. The information provided by Mr. Ellis and the allegations made by OSC have been presented with full disclosure. With this information one should be able to arrive at a fair and balanced conclusion.

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Comments
1 & 5

The ComLinks Board of Directors response to this section will be contained in the "Recommendations" section of this report.

** In the spirit of transparency and openness. I would mention that Richard Ellis has been a close personal friend for over 35 years. He has also been a client of mine during that period of time. Our families still maintain very close ties to one another.



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Comments
1 & 2

* See State Comptroller's Comments, page 51.



V: Recommendations:

1. **Take legal action against former Chief Executive Officer to recover grant monies used for inappropriate and fraudulent expenses.** This recommendation is now in the hands of the Franklin County District Attorney Derek Champagne and needs no further comment.
2. **Change the control environment at ComLinks to one that enhances internal controls and respect compliance with the policy and procedures of ComLinks and Federal and State regulations.** The control environment at ComLinks has been significantly changed. The organizational structure reflects a change in management style and function. The Executive Director and C.F.O now report directly to the Board. The Board has now developed committees that work directly with each of the six Directors. The change in the organizational structure insures a policy of openness and transparency that was non-existent under the previous structure. The communication level from the Board to the Executive Director, CFO to Directors to management and staff has been working effectively for the last six months. The channel of communication is flowing in both directions from top to bottom and bottom to top. Numerous policy and procedural changes have been implemented. They are now in place. Policies and procedures that deal with political action, whistle blower procedures, which protect staff, hiring policies that now have more Board involvement and management input. A complete overhaul of the financial procedures and policies has been implemented that also now includes more Board involvement in the flow of financial reports to management, and where necessary, staff.

There has been established a complete set of policy and procedure manuals for every program under the ComLinks umbrella. This manual is located in one location, and is a ready reference to all aspects of the programs in the Agency. (This manual will not be fully completed until the middle of June. The housing component has presented some challenges). Much has been accomplished in the last six months. Our challenge now is to continue to foster a management style that promotes the policy and procedure of the Agency as a “Living” and “Breathing” document that is applied to every function of the Agency on a daily basis. The Board, Executive Director, C.F.O, Directors, and Management are committed to this process by encouraging “Management By Inclusion” that ultimately promotes openness and transparency.

3. **The Board of Directors, Executive Director and Chief Financial Officer should properly monitor and assure adequate controls are in place to prevent fraud, waste and abuse of grant resources.** The OSC audit has had a significant impact on the Board and the Executive Director and C.F.O. It is apparent that C.F.O. Mallette-Glennon under the former administration was given too many responsibilities. “The Chief Financial Officer (C.F.O.) was overburdened in the day to day accounting processes and did not leave sufficient time for the monitoring and reporting function

that are indispensable to an organization of ComLinks size". (Dragon, Benware, Crowley & Co, page 4 para.1)

We will learn from the errors of the past and we will continue to operate ComLinks by the guiding policies and procedures, which have been referenced in the preceding "Recommendations". "Management By Inclusion" has become our mantra. The implementation and development of a much-improved accounting system (G.M.S) has given us the tools to efficiently manage and control the efficient and responsible use of grant funds and other income sources.

4. **Ensure all Board members are aware of their responsibilities under the ComLinks By-Laws including but not limited to conflict of interest, code of ethics and fiduciary responsibility for operations.** The ComLinks By-Laws have been reviewed and up-dated to conform to the Agency needs of today. We continue to review aspects of the By-Laws for greater clarity and effectiveness. The code of ethics document, which, all Board members now sign on an annual basis, is currently under review for revision that will ultimately give each Board Member a clearer understanding of their ethical and fiduciary responsibilities. The establishment of the committees that work directly with the Director of each ComLinks program, has given the Board a much broader vision on the operation of ComLinks. The reports of committees at each meeting has helped the Board have a better understanding of the challenges and goals of the programs under the ComLinks umbrella.

The current Board of 14 members, 9 of which have been appointed since November of 2008 are committed to an openness and transparency which encourages the flow of information at all levels of management and staff. This allows us to better understand our fiduciary responsibilities.

5. **The Board of Directors should hire a competent Executive Director and Chief Financial Officer and hold them accountable to high ethical standards.** The OSC audit has raised some serious concerns about the executive management operation of ComLinks. The Board and the current Executive Director and C.F.O have worked diligently and tirelessly over the last 6 months to change how ComLinks is managed.

One of the difficulties in crisis is that the affected parties, though agreeing on principle, are often conflicted on methods of correction and implementation.

We have come to a point of impasse between the auditors of OSC and the Board of ComLinks. It is obvious from the OSC audit that their Auditors do not have confidence in the ability of the current Executive Director and CFO to perform their jobs in leading ComLinks into the future.

The ComLinks Board on the other hand sees the positive attributes and assets that the current Executive Director Cassini and CFO Mallette-Glennon offer to the Agency. They have a combined experience of over 20 years in understanding this Umbrella Agency, which oversees 5 invaluable programs.

It appears from the contacts that ComLinks has with the different funding agencies, that both executive managers are respected for their knowledge and ability to perform the service required by these granting agencies.

Mistakes were made by Mr. Cassini and Mrs. Mallette-Glennon. We readily acknowledge that. However, we are convinced that their mistakes were an error in judgment and never made to profit for themselves.

In the past six months Mr. Cassini and Mrs. Mallette-Glennon have worked under extreme pressure from the current Board, and the OSC auditors, and yet continually handled the day to day operations demanded by the Agency in these extremely difficult economic times.

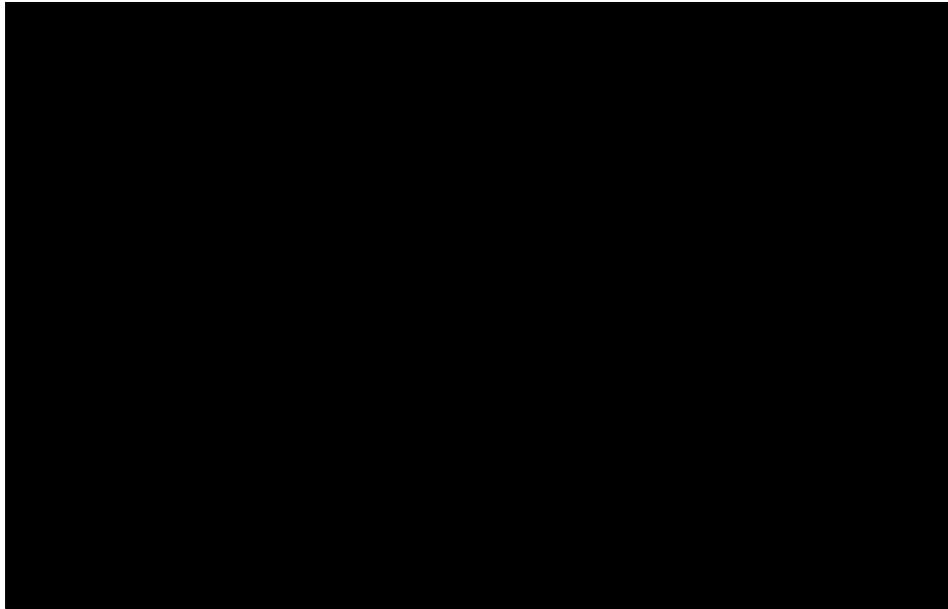
I can personally attest that 50-60 hours per week was the common practice for both of them. I was even concerned that the hectic schedule was affecting the health of CFO Mallette-Glennon. There is no question in our minds, that Mr. Cassini and Mrs. Mallette-Glennon have put heart and soul in seeing ComLinks change and grow.

The Board understands that under the former CEO, the culture of management by fear severely affected the ability of Mr. Cassini and Mrs. Mallette-Glennon, as well as many other employees, to perform their jobs effectively. "Management By Inclusion", which has been fostered and communicated by the Board, and by the Executive Director and CFO through their actions and example has created a positive environment that values the effort of all employees. (i.e., "Breakfast with Brian").

On June 2, 2010, a Special ComLinks Board Meeting was called. There were 12 members present and two excused. At this meeting the Board concluded the numerous OSC Audit discussions that were held via e-mail, special Board meeting of 5/13/10 and regular meeting of the Board on 5/19/10. The conclusions of these discussions resulted in the following motions being adopted.

Executive Director: M/S/P by Richard Edwards that the Board will honor the appointment of Brian Cassini as Executive Director for his term ending on December 31, 2010, unless further extended by subsequent Board action. It is further agreed that a search process will be initiated no later than August 1, 2010 to (permanently) fill the position of Executive Director, and Brian Cassini may apply for that position if he so desires. Seconded by Ray Susice. Vote: Unanimous

Chief Financial Officer: M/S/P by Joseph Brusio that the Board will honor the present agreement of Brenda Mallette-Glennon's appointment as Chief Financial Officer for a term extending to December 31, 2010. After which time, if the Board feels necessary, either extend the agreement or advertise the CFO position, and that Brenda Mallette-Glennon may apply for that position if she so desires. Seconded by Carol Vossler. Vote: Unanimous



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Comment
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7. Review Mr.Cassini and Mr. Ellis’ conflicts of interests and take appropriate action, including possible terminations, to prevent similar acts in the future.

Mr. Cassini: The OSC question of Mr. Cassini’s conflict of interest has been fully disclosed in his detailed statement. We feel that Mr. Cassini now fully understands that if something appears to be questionable in ethics or procedures then in the spirit of openness and transparency, we must assume that it is, even though it may not be, thus eliminating the possibility of conflict or concern.

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Comments
1 & 3

Mr. Ellis: The Board has discussed the issue of Mr. Ellis and his potential conflict of interest as a Board member selling vehicles to the Agency. From Mr. Ellis’ statements and review of recorded minutes, the previous Board with full knowledge, felt that the sale of vehicles to the agency was in the best interest of ComLinks.

Again the appearance of improprieties allows for speculation that Mr. Ellis improperly gained profit from the sale of vehicles to ComLinks. Under the present code of ethics agreement (which is still being updated) Mr. Ellis would not be able to competitively bid on any vehicle purchased for the ComLinks Agency.

At a Special ComLinks Board meeting on June 2, 2010. After an Executive Session in which Richard Ellis was excused and did not take part in the discussion regarding his actions as Board Member, the board came back in regular session and Richard Edwards made a motion that: The Board is not aware of any improprieties of Board Member Richard Ellis. He has submitted documentation sufficient to explain the

* See State Comptroller’s Comments, page 51.

draft OSC audit issues and the Board feels Ellis has served as an active and concerned Board Member during his entire tenure. Seconded by Raymond Susice. Vote: Unanimous with three (3) members abstaining: (Richard Ellis, Tim Lashomb and Joseph Brusio).

IV: CONCLUSION:

How does one summarize the content of a struggle that has caused such pain and grief to Board Members, all levels of management and ultimately staff itself. The pain of re-birth and re-organization has been at times overwhelming.

Through all this chaos, it still appears evident that Board Members, former, and present, along with all levels of current management and staff are still committed to the ComLinks motto of "Helping People-Changing Lives".

The OSC audit report could be the most damaging criticism of this Agency during its 45 years of existence. I have been consistent in my message to Board, Management and Staff that one day we may look back at this audit and see it as the defining force that changed the future structure and operation of ComLinks.

The OSC report as a whole is troublesome. We may disagree with some of the OSC specifics, however, this report reflects that if changes were not made then this was an Agency on the road to self-destruction.

It has been suggested that if an audit of this magnitude was not undertaken, then the fundamental core problem of the Agency would not have been addressed. Band-aid approaches would have continued without ultimately treating the cause of the wound.

The Board feels that the core criticism of the OSC audit report in regards to the ComLinks Agency was the fundamental weakness and design of the organizational structure. The openness and transparency flow of information, checks and balances was sadly lacking within the Agency.

The Board and all levels of management have tirelessly worked to restructure how ComLinks operates on a daily basis. For the last 6 months and longer, the Board, Executive Director and C.F.O. have worked as a unified team for the sole purpose of re-defining how ComLinks can effectively and efficiently promote service to the Community.

There has been a commitment to "change"; not a change for the sake of the status-quo, but a change based on the respect for one another whether you be the Board President or the part time staff person that does the excellent job of keeping the main office clean. "Management By Inclusion" is the focus for all daily operations within the Agency.

Let us be clear by stating that we continue to have our struggles. We recognize that during these troubling times we lost the services of valuable and dedicated employees and Board Members, who offered much to the operation of ComLinks. Their skills and talents are missed.

The Board, Executive Director and C.F.O. continue to work to regain the confidence and trust of staff that is so necessary for the effective operation of any business.

The OSC audit speaks to the lack of performance by the Board and Executive management. What the audit does not reflect is the commitment and dependability of the ComLinks directors, supervisors and staff. During these difficult times, and in the face of adversity, this group of employees continued to promote the business of ComLinks through their dedication to do their individual jobs well. This Agency and the community as a whole owe a debt of gratitude to this group, which continued to deliver services in a timely and caring manner.

Our fiscal funding sources present a challenge. With the financial struggle of state and federal government, we realize that some of our funding sources for the next fiscal year may be reduced, if not eliminated.

We continue to struggle with cash flow problems that have caused great concern to C.F.O. Mallette-Glennon. We have not been able to pay some of our vendors and service providers in a timely manner. This is unacceptable. We apologize to those vendors and service providers that have not been paid in a timely manner. One of our major goals and efforts for this fiscal year has been the refinancing of our assets to secure significant cash flow to meet the timely requirements of our accounts payable. We are hopeful that we can complete this refinancing with local lending agencies within the next 60 days.

The Board and Executive Management understands the need to project future trends in our community, and ComLinks ability to adapt to those needs. The Board by pending resolution, will begin a "Community Needs Assessment" which will ultimately develop a strategic plan for understanding the future needs of our community and tailoring the Agency services to meet those needs. This is a continuation of our commitment to "Helping People-Changing Lives".

The OSC Audit Report has requested that the Board respond within 90 days of the Final draft to present a Corrective Action Plan (CAP) that will address the concerns of the audit.

It is this Board's belief that this "CAP" plan was begun over six months ago, and is continuing on a daily basis. We have improved the fiscal and operational structure of this Agency. The implementation of a revised organizational structure, policies, procedures, checks, and balances, referenced throughout this report testifies to our committed effort to rebuild ComLinks to a sound fiscal, productive and responsible Agency. Openness, transparency and "Management By Inclusion" will be the tools that we will use to further the efforts of the Agency. With this understanding, we will in the next 90 days (fiscal year end 9/30/10) complete a SWOT analysis report (Strengths, Weaknesses, Opportunities, Threats) for this past fiscal year. We will provide this report to O.S.C. and share it with the Community.

Mistakes have been made within the ComLinks Agency. Fiduciary responsibility was at times compromised. The Board recognizes and accepts this responsibility. We have taken significant action to correct these internal flaws.

We seek to re-instill the trust and confidence of the ComLinks Agency in our Community. We ask for your patience, support, and understanding as we continue to meet the challenges of restructuring this Agency. We will continue to improve our services of "Helping People- Changing Lives". Please feel free to contact any Board member with any comments, concerns, or constructive criticism, which will enable us to further promote the service of ComLinks in our Community.

*Respectfully submitted,



Marc "Tim" Lashomb
ComLinks Board President

* Special Board meeting of June 2, 2010. Final and last motion of the meeting, M/S/P by Richard Edwards to allow President Lashomb to submit the response to the draft OSC audit on behalf of the ComLinks Board and that the response has been submitted well ahead of time for the Board to review and concur content and further to authorize the Board President to meet and have any necessary discussion with OSC. Seconded by William Kinsley. Vote: Unanimous

- Attachments: 1. (I-1) Organizational Chart
2. Executive Director Brian Cassini detailed statement.
 3. Chief Financial Officer Brenda Mallette-Glennon detailed report.
 4. Richard J. Ellis detailed statement.

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Comment
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Comment
2

* See State Comptroller's Comments, page 51.

**ComLinks Board Members
Special Board Meeting, June 2, 2010**

<u>NAME</u>	<u>START OF TERM</u>
WILLIAM KINSLEY "P"	SEPTEMBER 1985
RAYMOND SUSICE "P"	DECEMBER 1994
RICK ELLIS "P"	OCTOBER 1997
JOSEPH BRUSO "P"	DECEMBER 1997
CAROL LEARY "P"	DECEMBER 2003
CAROL VOSSLER "P"	NOVEMBER 2008
BILL BROWN "P"	DECEMBER 2008
DANA DRAKE "P"	DECEMBER 2008
CARL SEYFARTH "Excused"	DECEMBER 2008
DICK EDWARDS "P"	DECEMBER 2008
JOE SELENSKI "P"	DECEMBER 2009
TIM LASHOMB "P"	DECEMBER 2009
STEVE COOK "Excused"	JANUARY 2010
TIM BURPOE "P"	APRIL 2010

State Comptroller's Comments

1. We did not include the attachments provided in ComLinks response to the draft audit report because they totaled over 350 pages. However, we did make changes to the audit report, when appropriate, as a result of the information provided in the attachments. The other attachments are available for review in our office.
2. As a result of the information provided in response to the draft audit report, we have deleted this section of the report, the corresponding recommendation and any other references to the finding.
3. We did make changes to the report as a result of Mr. Cassini's response. Most significantly, Mr. Cassini told us in this response that he did not know the documents Ms. Reich asked him to provide to the auditors were fraudulent. We edited the report to address this. Our findings related to conflicts of interest - hiring of son's football coach; nepotism-hiring wife; and mini vacation at taxpayers' expense still remain in the report.
4. As a result of Ms. Mallette-Glennon's response we made a few minor edits to the final audit report. However, the genesis of our findings related to all fourteen of these areas remain in the final audit report.
5. Mr. Ellis' response provided documentation for purchases ComLinks made from his car business. The documentation provided supports our findings that only one of the nine purchases addressed in our audit report was advertised and was the result of open competition. For the remaining eight vehicle purchases, Mr. Ellis provided reasons why he was told open competition was not necessary (i.e. purchases of a used car, purchases that were not made with State or federal funds). We disagree with these explanations as the ethics requirements for Board members are in place for all purchases, without a differentiation between new or used cars and not just for those purchases that are paid for with State or federal funds. In addition, Mr. Ellis' states in his response that he did not make any money on some of the sales. However, he provided the auditors with no support for these statements.