



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 10, 2013

Ms. Gladys Carrión, Esq.
Commissioner
NYS Office of Children and Family Services
52 Washington Street
Rensselaer, New York 12144

Dear Commissioner Carrión:

Our Office examined¹ the expenditure of \$20,000 paid to Homeowners Association, Inc. (Homeowners) on October 17, 2011 under contract TM09M10 with the New York State Office of Children and Family Services (OCFS). This payment represented the full amount of the contract, which began on April 1, 2010 and expired on December 31, 2011. The objective of our examination was to determine whether Homeowners expended these funds in accordance with the terms and conditions of the contract.

A. Results of Examination

We found Homeowners did not provide sufficient, appropriate evidence to demonstrate it used the items purchased with State monies for purposes consistent with the contract. In addition, Homeowners used funds intended for a mass mailing to make unauthorized purchases of additional equipment – some of which was used for personal purposes.

Subsequent to our fieldwork, the New York State Office of the Attorney General (OAG) notified Homeowners of its intent to recover the entire \$20,000 contract amount because Homeowners did not submit a final reconciliation of grant funds to OCFS. As of January 2013, the OAG collected \$800 of the \$20,000 owed. Subsequently, Homeowners submitted a reconciliation to OCFS to support \$18,966 in expenses of which OCFS determined \$15,113 was allowable. While Homeowners was able to support the purchase of equipment and other items, we found these items were not used in accordance with the contract. As a result, we notified the OAG Civil Recoveries Bureau of our findings and we recommend OCFS work with them to recover the remaining \$19,200 disbursed on the contract.

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

We shared the draft report with OCFS officials and considered their comments (See Attachment A) in preparing the final report. OCFS officials indicated they contacted the OAG and are exploring how best to proceed in this matter, but have not yet determined what action will be taken. We encourage OCFS to continue discussions with the OAG make available any information needed in the pursuit of recovery.

B. Background and Methodology

Under the contract, Homeowners agreed to provide educational and informational workshops, seminars, monthly meetings newsletters and other educational literature to assist residents in participating in the economic renaissance taking place in urban communities. Homeowners agreed to provide information on home ownership, credit worthiness, foreclosure prevention, combating community deterioration and housing discrimination, and increasing property values and revitalization in the community.

The majority of the contract funds were budgeted for the purchase of equipment; however, the budget also included \$4,700 for bulk mailing postage. According to the contract, the purpose of these items was to enable Homeowners to i) operate an office; ii) provide educational and informational workshops, literature, seminars and newsletters; and iii) hold monthly public meetings.

To accomplish our objective, we analyzed the contract terms, reviewed invoices and other supporting documentation, interviewed the Homeowners President and Homeowners' volunteers, and on two occasions, visited Homeowners to inspect the office space and equipment purchased with contract funds.

C. Details of Findings

We found a lack of sufficient, appropriate evidence to demonstrate that Homeowners used the grant funds for purposes consistent with the contract. Specifically:

- The Homeowners President stated Homeowners uses the iPad purchased with grant funds to video record monthly meetings. However, she did not know the password and could not access this device to show us the recorded meetings. During our second visit, the Homeowners President's grade-school aged granddaughter was able to provide the password for the iPad. When we accessed the iPad, we found it contained only one video of a March 9, 2013 Homeowners monthly meeting, which occurred more than one year after Homeowners purchased this equipment. We also found the iPad contained emails unrelated to Homeowners' operation and family pictures from a trip not related to the contract. The Homeowners President ultimately admitted her family uses the iPad for personal purposes.

- The Homeowners President stated she uses the desktop computer purchased with grant funds to produce professional quality flyers and newsletters for public distribution and to create letters related to Homeowners. However, she was unfamiliar with the computer and could not access files contained on the hard drive. Although the President ultimately provided us with ten paper documents (e.g., newsletters and flyers) alleged to have been produced with this equipment, we found all but three of the documents were produced prior to the purchase of the equipment, were produced by another organization, or were not related to the purpose of the contract. In addition, we found no documents related to Homeowners on the desktop computer and it was not set up to print on the printer. However, we did find wedding invitations and other personal files on the computer's hard drive.
- Homeowners purchased a copier with grant funds that had the capability to both copy and fax documentation. The President was not aware of the copier's facsimile capabilities and could not operate the copier. All supporting documentation Homeowners provided us via facsimile came from either the fax machine of the Homeowners President's private business or Assemblywoman Inez Barron's office, where the Homeowners President's husband is employed to assist residents facing foreclosure.
- The Homeowners President initially told us the volunteers use two laptops purchased with grant funds to record meeting minutes. One volunteer we contacted told us she used her home computer to document the meeting minutes, but she did not have them available for us to review. When we accessed the laptops during our second visit, we did not find notes or meeting minutes related to Homeowners. However, we found homework assignments, iTunes and the personal resume of the Homeowners President's husband. When the Homeowners President provided us with meeting minutes she informed us these minutes were not produced using the laptops purchased with the contract funds and stated the volunteers take the minutes by hand. The Homeowners President ultimately admitted her family uses the two laptops for personal purposes.
- We question whether Homeowners used the grant funds to operate a functioning office on an enclosed front porch. Homeowners contracted to provide two full-time and two part-time volunteers between the hours of 10:00 a.m. and 4:00 p.m. on Mondays and Thursdays. The area was not adequately sized for four volunteers to work simultaneously. Our two auditors had difficulty maneuvering in the office with the Homeowners President and her husband present because the space was crowded with a copier, a printer, a computer, a desk, four office chairs, a portable fireplace heater, a shredder and a filing cabinet. Additionally, the office had only one electrical outlet. We visited the office on two occasions during hours the contract stated Homeowners would operate. Volunteers were not present in the office on either occasion. Further, on an unannounced visit on March 21, 2013, we found the equipment was covered by sheets and blankets and the area contained non-office items, such as a bed frame and bicycles.

- Homeowners used about \$4,500 of the \$4,700 in budgeted funds intended for a 12,000 piece mass mailing to make unauthorized purchases of equipment. The Homeowners President claimed that volunteers hand-delivered the mailing because she did not receive the funds until December 2011. However, records show Homeowners endorsed the State check on October 25, 2011, allowing ample time to complete the mailing. On December 29 and December 31, 2011, the last few days of the contract, Homeowners purchased equipment and supplies not in the budget, including the desktop computer, an additional laptop and the iPad discussed above. Homeowners did not obtain prior approval from OCFS to reallocate these funds from postage to equipment, as required by the contract. In fact, Homeowners did not seek OCFS' approval until August 2013.

Our examination also showed Homeowners did not expend \$639 in available contract funds. On May 31, 2012, we advised the Homeowners President to refund all unexpended monies to the State of New York. In January 2013, Homeowners refunded \$800 to the State of New York.

Recommendation

- 1) Work with the New York State Office of the Attorney General to recover the remaining \$19,200 from Homeowners.*

We thank the management and staff of the Office of Children and Family Services for the courtesies and cooperation extended to our auditors. Since your response is in agreement with this report, there is no need for a further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by January 9, 2014.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A

cc: NYS Office of the Attorney General, Civil Recoveries Bureau
R. Timber, OCFS Audit Liaison
J. Conway, OCFS Director of Audit and Quality Assurance



November 15, 2013

**New York State
Office of
Children & Family
Services**

www.ocfs.state.ny.us

Andrew M. Cuomo
Governor

Gladys Carrión, Esq.
Commissioner

Capital View Office Park
52 Washington Street
Rensselaer, NY 12144

Mr. Bernard J. McHugh
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

The Office of Children and Family Services (OCFS) has received the October 18, 2013 draft report from the Office of the State Comptroller (OSC) regarding the expenditures made by Homeowners Association, Inc. under contract TM09M10.

OSC recommends "Support the New York State Office of the Attorney General's efforts to recover the remaining \$19,200 from Homeowners." OCFS has started discussions with the Office of the Attorney General and is exploring on how best to proceed in this matter. At present, it has not yet been determined exactly what additional action will be taken.

OCFS appreciates the opportunity to respond to the recommendation contained in the draft report. Please contact OCFS Audit Liaison, Ralph Timber, at (518) 473-0796 or via e-mail with any questions you may have.

Sincerely,

James A. Conway
Director
Office of Audit and Quality Control



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