



**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER  
AUDIT DIVISION**

**John M. Kennedy, Jr.  
Comptroller**

An Audit of the  
Smith Haven Ministries, Inc.  
Youth & Family and Seabury Barn Programs  
For the Period  
January 1, 2012 through December 31, 2013

**Report No.: 2015-02  
Date Issued: March 24, 2015**

**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER**

**John M. Kennedy, Jr.**  
Comptroller

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## LETTER OF TRANSMITTAL

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January 15, 2015

Mr. John T. Morris, President, Board of Governors  
Smith Haven Ministries, Inc.  
P.O. Box 963  
Coram, NY 11727-0963

Dear Mr. Morris:

In accordance with the authority vested in the County Comptroller by Article V of the Suffolk County Charter, a performance audit was conducted of the 2012 and 2013 Youth & Family and Seabury Barn Programs provided by Smith Haven Ministries, Inc. (Agency), located at 3680 Route 112, Coram, New York. The Agency's contracts were administered by the Suffolk County Youth Bureau (Department).

The audit objectives were as follows:

- To determine if all expenditures charged to the County-funded programs were proper program costs in accordance with contract provisions.
- To ensure that payments made to the Agency did not exceed contract budget amounts.
- To determine if the Agency complied with contract provisions and any applicable laws and regulations.

We conducted our audit in accordance with generally accepted government auditing standards, except for the external peer review requirement. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Further, these standards require that we understand the internal control structure of the Agency and the compliance requirements stated in laws and regulations that are significant to our audit objective.

An audit includes examining, on a test basis, evidence supporting the transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings and recommendations.

Respectfully submitted,

Office of the County Comptroller  
Division of Auditing Services

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## SUMMARY OF SIGNIFICANT FINDINGS

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**Compliance** – As a result of our audit, we determined that the Agency over reported expenditures by \$77,341 for the period January 1, 2012 through December 31, 2013 (Schedule 1, p. 17). The overpayment resulted primarily from the Agency improperly allocating shared costs to the County-funded programs. The following is a list of the significant audit findings:

- The Agency was unable to support the allocation methods used to distribute the salary of the Executive Director and Bookkeeper to the County-funded programs, resulting in a total disallowance of \$38,845 (p. 6).
- The Agency incorrectly charged \$1,155 in salary expenses to the County-funded program for two paychecks that were ultimately voided (p. 6).
- The Agency did not properly charge fringe benefit costs to the County-funded programs, resulting in a total disallowance of \$16,098 (p. 7).
- The Agency did not properly charge Contracted Services costs to the County-funded programs, resulting in a total disallowance of \$2,975 (p. 8).
- The Agency did not properly charge Maintenance & Operations expenses to the County-funded programs, resulting in a total disallowance of \$17,397 (p. 8).

In addition to the significant findings identified above, there were additional findings which were not deemed significant (p. 10).

**Internal Controls** – Our audit disclosed the following significant deficiencies (p. 11).

- The lack of segregation of duties related to the Agency's approval, processing, payment and recording of Agency expenditures presents increased risk that defalcation could occur without detection (p. 11).
- The Agency's Board of Directors did not provide effective oversight of Agency operations (p. 12).

In addition to the internal control weaknesses identified above, there were additional internal control weaknesses which were not deemed significant (p. 12).

**Operating Efficiency** – Our analysis of the Seabury Barn program disclosed an astronomical cost per day and cost per month to Suffolk County for the program (p. 14).

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## **BACKGROUND**

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Smith Haven Ministries, Inc. (Agency) is a non-profit organization founded in 1967 and is located at 3680 Route 112, Coram, NY 11727. The Agency administers various community service programs, which include: family counseling, emergency food and assistance and a shelter for runaway and homeless youth. The Agency's mission is to facilitate these programs in response to the needs of the Suffolk County community.

The Agency's Seabury Barn residence is located at 227 North Country Road, Mt. Sinai, NY 11766. The 10 bed residential facility is a county-wide, temporary (30 days) emergency shelter that serves adolescents between the ages of 12 and 17 who have left home or cannot remain at home. Residents are provided with shelter, case management services, meals, clothing, medical care, tutoring, family and individual counseling, recreational activities, and genuine care and support in a non-judgmental home-like environment. The shelter provides adolescents with a safe haven while alternative living arrangements are identified and implemented or until intra-family conflicts are resolved through counseling so that the adolescents can be reunited with their families.

The Agency had two contracts in 2012 and two contracts in 2013, all of which were administered by the Suffolk County Youth Bureau. The Agency received \$118,016 in 2012 and \$107,857 in 2013 for the Youth & Family program contract; and \$381,174 in 2012 and \$354,983 in 2013 for the Seabury Barn program contract.

The Agency's Executive Director notified the Comptroller's Office via email on January 5, 2015 that the Agency ceased operating all County-funded programs effective December 31, 2014.

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## SCOPE AND METHODOLOGY

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We audited expenses claimed by the Agency for the period January 1, 2012 through December 31, 2013. In order to accomplish the objectives as stated in the Letter of Transmittal (p. 1), we performed the following procedures:

- Reviewed the County contracts to determine the rules, regulations and other compliance requirements related to the audit objectives.
- Interviewed personnel from the Department to obtain an understanding of the County-funded programs and to determine the Department's procedures for processing claims submitted by the Agency.
- Interviewed members of the Agency's Board of Directors to determine their level of involvement in the Agency's financial matters.
- Interviewed the Agency's Accountant to obtain the Agency's journals, ledgers and associated financial reports for the audit period and to ascertain whether any reliance could be placed on the work performed by the Accountant.
- Interviewed Agency personnel responsible for the authorization, processing, payment and recording of expenses claimed to the County-funded programs.
- Obtained and reviewed the Agency's current Policy and Procedures Manual.
- Reviewed Board Minutes for January 2012 through December 2013 for information relevant to the audit.
- Performed testing procedures as deemed necessary for 100% of the Other than Personal Services expenditures charged to the County-funded programs.
- Randomly selected eight pay periods and performed testing procedures as deemed necessary for all employees whose salaries were charged to the County-funded programs during these pay periods.
- Verified that fringe benefit costs charged to the County-funded programs were based on actual costs and that all allocations were properly calculated in accordance with the program budgets.
- Reviewed documentation related to the Agency's compliance with specific contract provisions.

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## AUDIT FINDINGS

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**Compliance** – As a result of our audit, we determined that the Agency over reported expenditures by \$77,341 for the period January 1, 2012 through December 31, 2013 (Schedule 1, p. 17). The overpayment resulted from the following:

*The Agency was unable to support the allocation methods used to distribute the salary of the Executive Director and Bookkeeper to the County-funded programs, resulting in a total disallowance of \$38,845.* We computed a reasonable basis for allocating salaries of shared staff to the County-funded programs based on our interviews and observations. The audited allocation rates resulted in a total disallowance of \$31,840 for the Executive Director's salary and \$7,005 for the Bookkeeper's salary, as follows:

- 2012 Seabury Barn Program Contract - The Agency incorrectly allocated Salaries & Wages for the Executive Director to the County-funded program resulting in a disallowance of \$16,667 for the Executive Director's salary.
- 2013 Seabury Barn Program Contract - The Agency incorrectly allocated Salaries & Wages for the Executive Director and Bookkeeper to the County-funded program resulting in a disallowance of \$15,629 for the Executive Director's salary and an allowance of \$173 for the Bookkeeper's salary.
- 2012 Youth & Family Program Contract - The Agency incorrectly allocated Salaries & Wages for the Bookkeeper to the County-funded program resulting in a disallowance of \$3,824 for the Bookkeeper's salary.
- 2013 Youth & Family Program Contract - The Agency incorrectly allocated Salaries & Wages for the Executive Director and Bookkeeper to the County-funded program resulting in an allowance of \$456 for the Executive Director's salary and a disallowance of \$3,354 for the Bookkeeper's salary.

*The Agency incorrectly charged \$1,155 in salary expenses to the County-funded program for two paychecks that were ultimately voided.* Our audit discovered that an employee was issued three ADP paychecks after her date of resignation. However, our examination of the ADP payroll records and the Agency's bank statements disclosed that the paychecks were voided and never cleared the bank. Further investigation revealed that the Agency incorrectly reported these costs on their payment vouchers to the County and ultimately was reimbursed for two of the three paychecks totaling \$1,155 (\$915 + \$240).

*The Agency did not properly charge fringe benefit costs to the County-funded programs, resulting in a total disallowance of \$16,098.* Our audit testing revealed the following:

- 2012 Seabury Barn Program Contract - The Agency incorrectly charged \$9,689 in fringe benefit costs to the County-funded program, as follows:
  - The Agency could not provide adequate documentation supporting the methodology used to allocate Health Insurance costs for its shared employees to the County-funded program. Therefore, audited allocation rates were determined and used to allocate Health Insurance costs associated with the shared personnel, resulting in a disallowance of \$5,486.
  - The Agency overstated its Health Insurance costs by \$2,194 when submitting claim vouchers to the County because the Agency failed to offset Health Insurance costs by employee contributions.
  - There was \$2,009 of fringe benefit costs associated with disallowed Salaries & Wages expenses that were incorrectly charged to the County-funded program; specifically FICA, Worker's Compensation and Disability expenses associated with the disallowed salaries of the Executive Director and Bookkeeper, and payroll reimbursed by the County for one employee who was terminated.
- 2013 Seabury Barn Program Contract - The Agency incorrectly charged \$6,409 in fringe benefit costs to the County-funded program, as follows:
  - The Agency could not provide adequate documentation supporting the methodology used to allocate Health Insurance costs for its shared employees to the County-funded program. Therefore, audited allocation rates were determined and used to allocate Health Insurance costs associated with the shared personnel, resulting in a disallowance of \$4,934.
  - The Agency overstated its Health Insurance costs by \$1,386 when submitting claim vouchers to the County because the Agency failed to offset Health Insurance costs by employee contributions.
  - There was \$1,682 of fringe benefit costs associated with disallowed Salaries & Wages expenses that were incorrectly charged to the County-funded program; specifically FICA, Worker's Compensation and Disability expenses associated with the disallowed salary of the Agency's Executive Director.

Note: Total disallowances of \$8,002 (\$4,934 + \$1,386 + \$1,682) were reduced by \$1,593 to \$6,409 for allowable Fringe Benefit costs that were not charged to the County-funded program.

- 2012 & 2013 Youth & Family Program Contracts - The Agency did not properly charge fringe benefit costs to the County-funded programs; however, an audit adjustment will not be made for Fringe Benefit costs as the total disallowances were offset by an allowance for the Executive Director's Health Insurance costs.

***The Agency did not properly charge Contracted Services expenses to the County-funded programs, resulting in a total disallowance of \$2,975.*** Our audit testing revealed the following:

- 2012 Seabury Barn Program Contract - The Agency over reported \$1,801 in Contracted Services expenses to the County-funded program. Our audit testing of 100% of the Contracted Services expenses charged to the County-funded Seabury Barn program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit adjustment of \$1,801 was necessary to properly allocate these expenses based on an audited allocation rate of 20%.
- 2013 Seabury Barn Program Contract - The Agency over reported \$1,189 in Contracted Services expenses to the County-funded program. Our audit testing of 100% of the Contracted Services expenses charged to the County-funded Seabury Barn program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit adjustment of \$1,189 was necessary to properly allocate these expenses based on an audited allocation rate of 20%.
- 2012 Youth & Family Program Contract - The Agency under reported \$15 in Contracted Services expenses to the County-funded program. Our audit testing of 100% of the Contracted Services expenses charged to the County-funded Youth & Family program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit allowance of \$15 was necessary to properly allocate these expenses based on an audited allocation rate of 40%.

***The Agency did not properly charge Maintenance & Operations expenses to the County-funded programs, resulting in a total disallowance of \$17,397.*** Our audit testing revealed the following:

- 2012 Seabury Barn Program Contract - The Agency incorrectly charged \$7,778 in Maintenance & Operations expenses to the County-funded program, as follows:

- The Agency over reported \$9,463 in Maintenance & Operations expenses to the County-funded program. Our audit testing of 100% of the Maintenance & Operations expenses charged to the County-funded Seabury Barn program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit adjustment of \$9,463 was necessary to properly allocate these expenses based on an audited allocation rate of 20%.
- The Agency incorrectly charged the same \$557 heating oil expense to the County on two occasions and was incorrectly reimbursed \$52 for late payment fees.
- The Agency had \$2,294 in allowable costs pertaining to a rent invoice (\$2,227) and food expenses (\$67) that were previously disallowed by the Department.
- 2013 Seabury Barn Program Contract - The Agency incorrectly charged \$8,526 in Maintenance & Operations expenses to the County-funded program, as follows:
  - The Agency over reported \$8,134 in Maintenance & Operations expenses to the County-funded program. Our audit testing of 100% of the Maintenance & Operations expenses charged to the County-funded Seabury Barn program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit adjustment of \$8,134 was necessary to properly allocate these expenses based on an audited allocation rate of 20%.
  - The Agency incorrectly charged the same \$492 heating oil expense to the County on two occasions, was improperly reimbursed \$80 for a landscaping expense that was never paid, was incorrectly reimbursed \$65 for food expenses that were not supported by adequate documentation and was incorrectly reimbursed \$62 for late payment fees.
  - The Agency had \$307 in allowable costs pertaining to heating oil expenses that were previously disallowed by the Department.
- 2013 Youth & Family Program Contract - The Agency incorrectly charged \$1,093 in Maintenance & Operations expenses to the County-funded program, as follows:
  - The Agency over reported \$1,093 in Maintenance & Operations expenses to the County-funded program. Our audit testing of 100% of the Maintenance & Operations expenses charged to the County-funded Youth

& Family program revealed that the Agency applied improper allocation rates that distributed various percentages of the shared costs to the County-funded program; therefore, an audit adjustment of \$1,093 was necessary to properly allocate these expenses based on an audited allocation rate of 40%.

In addition to the significant findings identified above, our audit revealed the following:

***The Agency improperly received reimbursement for three days of salary expenses for the prior Executive Director totaling \$471.*** The prior Executive Director resigned on Tuesday, December 10, 2013 in the pay period ending Saturday, December 14, 2013. The Agency incorrectly claimed 10 days of salary expense to the County for the pay period and improperly received reimbursement for 3 days of salary expense when the employee had resigned.

***The Agency did not properly charge Facility Repairs expenses to the County-funded programs, resulting in a total disallowance of \$400.*** Our audit testing revealed the following:

- ***2012 Youth & Family Program Contract*** - The Agency incorrectly charged \$100 in Facility Repairs expenses to the County-funded program. Our audit testing of 100% of the Facility Repairs expenses charged to the County-funded Youth & Family program revealed that the Agency incorrectly allocated 50% of a shared cost for Facility Repairs to the Youth & Family program; therefore, an audit adjustment of \$100 was necessary to properly allocate this expense based on an audited allocation rate of 40%.
- ***2013 Youth & Family Program Contract*** - The Agency incorrectly charged \$300 in Facility Repairs expenses to the County-funded program. Our audit testing of 100% of the Facility Repairs expenses charged to the County-funded Youth & Family program revealed that the Agency incorrectly allocated 50% of a shared cost for Facility Repairs to the Youth & Family program; therefore, an audit adjustment of \$300 was necessary to properly allocate this expense based on an audited allocation rate of 40%.

***The Executive Director's time and attendance records were not certified by a member of the Board of Directors.*** The County contracts specifically state, "time and attendance records of a project director shall be certified by the Chairperson, President or other designated member of the Board of Directors". Our audit testing revealed that none of the Executive Director's timesheets were properly approved by a member of the Board of Directors.

***The Agency did not obtain the services of an independent licensed public accountant or certified public accountant (“Auditor”) to audit its financial statements for the 2012 and 2013 calendar years.*** The County contracts specifically state, “the Contractor shall obtain the services of an independent licensed public accountant or certified public accountant (the “Auditor”) to audit its financial statements for each Contractor’s “fiscal year” in which the Contractor has received, or will receive, three hundred thousand (\$300,000.00) dollars or more from the County, whether under the Contract or other agreements with the County, and shall submit a report to the County on the overall financial condition and operations of the Contractor, including a balance sheet and statement of income and expenses, attested by the Auditor as fairly and accurately reflecting the accounting records of the Contractor in accordance with generally accepted accounting principles.” In addition, the County contracts further state, “The Auditor should be required to meet the following minimum requirements: i) a current license issued by the New York State Education Department; ii) sufficient auditing experience in the not-for-profit, governmental or profit-making areas, as applicable; and iii) a satisfactory peer review issued within not more than three (3) years prior to the date when the Auditor was selected to conduct the audit.”

Our examination revealed that the Agency hired an accountant to audit its 2012 and 2013 financial statements; however, based on our verification search and conversation with the New York State Education Department, the accountant has a status of "Not Registered" and is prohibited from conducting an audit and certifying the Agency’s financial statements. In addition, since the accountant was not current with her registration, the required satisfactory peer review could not be conducted. Therefore, the Agency was unable to provide a balance sheet and statement of income and expenses, attested to by the Auditor as fairly and accurately reflecting the accounting records of the Agency in accordance with generally accepted accounting principles.

***The Agency did not maintain on file, in one location in Suffolk County, all records that demonstrate that it has complied with Article III, paragraph (1), subparagraphs (b) “Qualifications, Licenses, and Professional Standards” and (c) “Notifications”.*** The Agency’s former Bookkeeper maintained a portion of the Agency’s personnel records at her personal residence in New Jersey and not at the Agency’s premises in Suffolk County as required by the County contracts.

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**Internal Controls** – Our review of internal controls disclosed the following significant deficiencies:

***The severe lack of segregation of duties related to the Agency’s approval, processing, payment and recording of Agency expenditures increased the risk that defalcation could occur without detection.*** The Agency’s former Bookkeeper maintained all of the Agency’s financial records, as well as the Agency’s computer, at her personnel residence in New Jersey and was the only employee with access to the records. During the audit

period, all invoices were mailed from the Agency's administrative office in Coram to the former Bookkeeper's personal residence in New Jersey. The former Bookkeeper paid the invoices monthly, called employee hours into the ADP payroll service biweekly and also performed the monthly bank reconciliations. It should be noted that the former Bookkeeper performed these functions with no documented second-party verification by an independent Agency employee. This increased the risk of misappropriation that could occur without detection.

When one employee is responsible for the approval, processing, payment and recording of Agency expenditures, there is an increased risk that defalcation could occur without detection. Individuals responsible for the recording of Agency transactions in the accounting records must not have access to Agency funds.

***The Agency's Board of Directors did not provide effective oversight of Agency operations.*** Board members were not properly informed by Agency's management of pertinent information; therefore, the Board overlooked many financial aspects of the Agency. Board members were unaware of the following: the Agency had six bank accounts; all of the Agency's financial records and data were kept at the former Bookkeeper's home in New Jersey; and all of the Agency's financial data was lost when the Agency's computer crashed because the data was never backed up. In addition, the Board member responsible for signing disbursement checks did not review invoices and supporting documents prior to signing the checks.

When an Agency's Board of Directors is not properly informed of pertinent information pertaining to the Agency, Board members cannot make educated decisions pertaining to financial aspects of the Agency.

In addition to the internal control weaknesses identified above, our audit revealed the following:

***Employee time sheets were not always complete, accurate, signed by the employee and properly approved by the designated supervisor.*** Our audit testing revealed the following:

#### **2012 Seabury Barn Contract**

- All eight timesheets tested for the Program Director and five of eight time sheets (63%) tested for the Bookkeeper were not signed by the Executive Director.
- Four of eight (50%) timesheets tested for the Bookkeeper were not signed by the employee.

#### **2013 Seabury Barn Contract**

- All eight timesheets tested for the Program Director and an additional 8 timesheets tested for two other employees were not signed by the Executive Director.

- The Agency was unable to provide three time sheets pertaining to two of the thirteen employees tested. Therefore, we were unable to verify that the employees signed their timesheets and that the time sheets were properly approved by a supervisor. In addition, we were unable to confirm that the employees were properly paid because we could not agree the total hours paid from the employee time sheets to the ADP payroll records.

#### **2012 Youth & Family Contract**

- Five time sheets pertaining to three of the eight employees tested were not signed by the Executive Director.
- The Agency was unable to provide two of eight (25%) timesheets for the Bookkeeper and three of the remaining six (50%) timesheets tested for the Bookkeeper were not signed by the employee. Therefore, we were unable to verify that the employee signed their timesheets and that the time sheets were properly approved by a supervisor. In addition, we were unable to confirm that the employee was properly paid because we could not agree the total hours paid from the employee time sheets to the ADP payroll records

#### **2013 Youth & Family Contract**

- Six time sheets pertaining to two of the eight employees tested were not signed by the Executive Director.
- The Agency was unable to provide two time sheets pertaining to two of the eight employees tested. Therefore, we were unable to verify that the employees signed their timesheets and that the time sheets were properly approved by a supervisor. In addition, we were unable to confirm that the employees were properly paid because we could not agree the total hours paid from the employee time sheets to the ADP payroll records.

When there is no supervisory review of the time sheets, there is an increased opportunity for errors or fraud to occur possibly resulting in employees being paid more than they are entitled.

**The Agency did not properly maintain a record of employee accruals.** Therefore, we were unable to determine if any of the employees tested properly recorded their time off (personal, sick or vacation) on their Time & Attendance Records, and if the employees were properly compensated.

When the Agency does not properly maintain a record of employee accruals, there is an increased opportunity that employees will be paid for time off that they have not earned.

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**Operating Efficiency** – Our analysis of the Seabury Barn program disclosed an astronomical cost per day and cost per month to Suffolk County for the program (see chart below).

	2011	2012	2013
Suffolk County Funding	\$ 420,202	\$ 381,174	\$ 354,983
Number of Youths Serviced During Year	30	40	27
Number of Days with Youths on Site	218	194	133
Number of Days with <u>No</u> Youths on Site	147	172	232
Total Cost to County per Month	\$ 35,017	\$ 31,765	\$ 29,582
Total Cost to County per Day	\$ 1,151	\$ 1,044	\$ 973
Total Cost to County for Days with <u>No</u> Youths Participating	\$ 169,232	\$ 179,622	\$ 225,633

Our analysis of the Seabury Barn program for the period January 1, 2011 through December 31, 2013 revealed a steady decline in the number of days that youths were participating in the program, with the most significant drop occurring in 2013 with participation at only 37% of the year. In addition, since the program remains open 24 hours a day for 365 days a year, we performed an analysis of the total amount of County-funding that relates to the days when no youths were participating in the program. Our examination found that the cost steadily increased and in 2013 the cost to the County during the portion(s) of the year that no services were provided was \$225,663 or 63%.

Based on the analysis above, it is essential that the Agency find cost saving measures for this program. It is concerning that a large percentage (63%) of County funds are not associated with services provided to a youth. The Agency has only one program that requires a residence for those in need, and has been providing 24 hour coverage whether or not a youth is on site. It is debatable whether this program should continue as a stand-alone program or should be absorbed by another County funded program that would be able to provide significant cost savings by utilizing their existing staff that can be rotated within all of the Agency programs on an as needed basis when a youth enters the program. We have suggested to the Agency’s Executive Director that it would be sensible to formulate a plan and submit it to New York State to reduce costs that relate to the salaries of the overnight staff that are not needed when a youth is not on the premises.

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## RECOMMENDATIONS

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- The Agency should furnish the County with detailed documentation in support of the payment for expenditures under the contract in accordance with the provisions contained in the contract. The detailed documentation should always include copies of paid checks and properly completed and certified time records for all claims for salary reimbursement. In addition, the Agency should ensure that it is able to support its allocation methods used to distribute any shared expenses between the Agency's programs.
- A quality assurance review of claims should be performed by Agency personnel before the claims are submitted to the Department to ensure the accuracy and completeness of the claims. The review should include steps to ensure that claims for salary reimbursement have been properly calculated, all expenses were incurred during the grant period and supporting documentation is complete and contains sufficient information to confirm it is a proper program cost.
- The Agency should ensure that all of the Executive Director's time and attendance records are approved by a member of the Board of Directors.
- The Agency should ensure that it hires an independent licensed public accountant or certified public accountant to audit its financial statements for each fiscal year in which the Agency has received, or will receive, three hundred thousand (\$300,000.00) dollars or more from the County.
- The Agency should maintain all records related to the performance of the County contracts in its administrative office in Coram, New York.
- The Agency should ensure that duties related to the Agency's approval, processing, payment and recording of Agency expenditures are properly segregated to minimize the risk that defalcation could occur without detection.
- The Agency's Board of Directors should ensure that they are properly informed of the financial aspects of the Agency.
- The Agency should ensure that employee time sheets are accurate, signed by the employee and properly approved by the designated supervisor. In addition, the Agency should ensure that a record of employee accruals is properly maintained.
- The Agency should explore cost saving measures pertaining to the Seabury Barn program. In addition, the Agency should formulate a plan and submit it to New York State to reduce costs that relate to the salaries of the overnight staff that are not needed when an individual is not on site.

## **SCHEDULES**

Note: The accompanying schedules are an integral part of this report and should be read in conjunction with the Letter of Transmittal (p.1)

Schedule 1

Smith Haven Ministries, Inc.  
Summary of Expenditures Over (Under) Reported  
For the Period January 1, 2012 through December 31, 2013

<u>Contract</u>	<u>Amount Over (Under) Reported</u>
Seabury Barn Program - 2012 (Schedule 2)	37,090
Seabury Barn Program - 2013 (Schedule 3)	32,051
Youth and Family Program - 2012 (Schedule 4)	3,909
Youth and Family Program - 2013 (Schedule 5)	<u>4,291</u>
Total Amount Over Reported	<u><u>\$ 77,341</u></u>

See Notes to Schedules (p. 22)

Schedule 2

Smith Haven Ministries, Inc.  
Schedule of Budgeted, Reported and Audited Expenditures  
Seabury Barn Program (2012 Contract)  
For the Period January 1, 2012 through December 31, 2012

<u>Notes</u>	<u>Budget Category</u>	<u>Amount Budgeted</u>	<u>Amount Reported</u>	<u>Audit Allowance</u>	<u>Amount Over (Under) Reported</u>
(1)	Salaries & Wages	\$ 260,747	\$ 254,163	\$ 236,341	\$ 17,822
(2)	Fringe Benefits	<u>62,483</u>	<u>62,483</u>	<u>52,794</u>	<u>9,689</u>
	Total Personnel Services	323,230	316,646	289,135	27,511
(3)	Contracted Services	5,124	4,947	3,146	1,801
(4)	Maintenance & Operations	58,794	58,794	51,016	7,778
	Facility Repairs	1,000	787	787	-
	Total Expenditures	<u>\$ 388,148</u>	<u>\$ 381,174</u>	<u>\$ 344,084</u>	<u>\$ 37,090</u>

See Notes to Schedules (p. 22)

Schedule 3

Smith Haven Ministries, Inc.  
Schedule of Budgeted, Reported and Audited Expenditures  
Seabury Barn Program (2013 Contract)  
For the Period January 1, 2013 through December 31, 2013

<u>Notes</u>	<u>Budget Category</u>	<u>Amount Budgeted</u>	<u>Amount Reported</u>	<u>Audit Allowance</u>	<u>Amount Over (Under) Reported</u>
(5)	Salaries & Wages	\$ 239,247	\$ 232,790	\$ 216,863	\$ 15,927
(6)	Fringe Benefits	<u>52,483</u>	<u>50,889</u>	<u>44,480</u>	<u>6,409</u>
	Total Personnel Services	291,730	283,679	261,343	22,336
(7)	Contracted Services	4,894	3,879	2,690	1,189
(8)	Maintenance & Operations	102,261	66,425	57,899	8,526
	Facility Repairs	1,000	1,000	1,000	-
	Total Expenditures	<u>\$ 399,885</u>	<u>\$ 354,983</u>	<u>\$ 322,932</u>	<u>\$ 32,051</u>

See Notes to Schedules (p. 22)

Schedule 4

Smith Haven Ministries, Inc.  
Schedule of Budgeted, Reported and Audited Expenditures  
Youth & Family Program (2012 Contract)  
For the Period January 1, 2012 through December 31, 2012

<u>Notes</u>	<u>Budget Category</u>	<u>Amount Budgeted</u>	<u>Amount Reported</u>	<u>Audit Allowance</u>	<u>Amount Over (Under) Reported</u>
(9)	Salaries & Wages	\$ 87,968	\$ 87,968	\$ 84,144	\$ 3,824
	Fringe Benefits	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
	Total Personnel Services	103,968	103,968	100,144	3,824
(10)	Contracted Services	1,620	1,605	1,620	(15)
	Maintenance & Operations	11,943	11,943	11,943	-
(11)	Facility Repairs	500	500	400	100
	Total Expenditures	<u>\$ 118,031</u>	<u>\$ 118,016</u>	<u>\$ 114,107</u>	<u>\$ 3,909</u>

See Notes to Schedules (p. 22)

Schedule 5

Smith Haven Ministries, Inc.  
Schedule of Budgeted, Reported and Audited Expenditures  
Youth & Family Program (2013 Contract)  
For the Period January 1, 2013 through December 31, 2013

<u>Notes</u>	<u>Budget Category</u>	<u>Amount Budgeted</u>	<u>Amount Reported</u>	<u>Audit Allowance</u>	<u>Amount Over (Under) Reported</u>
(12)	Salaries & Wages	\$ 80,968	\$ 77,263	\$ 74,365	\$ 2,898
	Fringe Benefits	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
	Total Personnel Services	94,968	91,263	88,365	2,898
	Contracted Services	1,400	1,400	1,400	-
(13)	Maintenance & Operations	23,495	14,694	13,601	1,093
(14)	Facility Repairs	500	500	200	300
	Total Expenditures	<u>\$ 120,363</u>	<u>\$ 107,857</u>	<u>\$ 103,566</u>	<u>\$ 4,291</u>

See Notes to Schedules (p. 22)

Notes to Schedules

- (1) The Agency over reported Salaries & Wages expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Executive Director's salary to County funded program	16,667
Salaries & Wages expense never incurred	<u>1,155</u>
Amount Over Reported (p. 18)	<u>\$ 17,822</u>

- (2) The Agency over reported Fringe Benefit costs as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of health insurance costs for shared personnel	5,486
Health insurance costs not offset by employee contributions	2,194
Fringe Benefit costs associated with disallowed salaries	<u>2,009</u>
Amount Over Reported (p. 18)	<u>\$ 9,689</u>

- (3) The Agency over reported Contracted Services expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Contracted Services expenses to the County-funded program	<u>1,801</u>
Amount Over Reported (p. 18)	<u>\$ 1,801</u>

- (4) The Agency over reported Maintenance & Operations expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Maintenance & Operations expenses to the County-funded program	9,463
Duplicate payment of heating oil invoice	557
Improper reimbursement of late fees	52
Allowable rent expense previously disallowed by Department	(2,227)
Allowable food expense previously disallowed by Department	<u>(67)</u>
Amount Over Reported (p. 18)	<u>\$ 7,778</u>

Notes to Schedules (con't)

- (5) The Agency over reported Salaries & Wages expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Executive Director's salary to County-funded program	15,629
Inequitable allocation of Bookkeeper's salary to County-funded program	(173)
Salaries & Wages expense incorrectly reimbursed for a terminated employee	<u>471</u>
Amount Over Reported (p. 19)	<u>\$ 15,927</u>

- (6) The Agency over reported Fringe Benefit costs as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of health insurance costs for shared personnel	4,934
Health insurance costs not offset by employee contributions	1,386
Fringe Benefit costs associated with disallowed salaries	1,682
Allowable Fringe Benefit costs not charged to program	<u>(1,593)</u>
Amount Over Reported (p. 19)	<u>\$ 6,409</u>

- (7) The Agency over reported Contracted Services expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Contracted Services expenses to the County-funded program	<u>1,189</u>
Amount Over Reported (p. 19)	<u>\$ 1,189</u>

- (8) The Agency over reported Maintenance & Operations expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Maintenance & Operations expenses to the County-funded program	8,134

Notes to Schedules (con't)

Duplicate payment of heating oil invoice	492
Landscaping expense reimbursed, but never paid by Agency	80
Food expense not supported by adequate documentation	65
Improper reimbursement of late fees	62
Allowable heating oil expense previously disallowed by Department	<u>(307)</u>

Amount Over Reported (p. 19) \$ 8,526

- (9) The Agency over reported Salaries & Wages expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Bookkeeper's salary to County funded program	<u>3,824</u>

Amount Over Reported (p. 20) \$ 3,824

- (10) The Agency under reported Contracted Services expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Contracted Services expenses to the County-funded program	<u>(15)</u>

Amount Under Reported (p. 20) \$ (15)

- (11) The Agency over reported Facility Repairs expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Facility Repairs expenses to the County-funded program	<u>100</u>

Amount Over Reported (p. 20) \$ 100

- (12) The Agency over reported Salaries & Wages expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Executive Director's salary to County-funded program	(456)

Inequitable allocation of Bookkeeper's salary to County-funded program	<u>3,354</u>
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Amount Over Reported (p. 21) \$ 2,898

Notes to Schedules (con't)

(13) The Agency over reported Maintenance & Operations expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Maintenance & Operations expenses to the County-funded program	<u>1,093</u>
Amount Over Reported (p. 21)	<u>\$ 1,093</u>

(14) The Agency over reported Facility Repairs expenses as follows:

<u>Description</u>	<u>Amount</u>
Inequitable allocation of Facility Repairs expenses to the County-funded program	<u>300</u>
Amount Over Reported (p. 21)	<u>\$ 300</u>

## **APPENDICES**

## APPENDIX A



### Smith Haven Ministries, Inc.

PO Box 963, Coram, NY 11727-0963

Tel: 631-736-4800 Fax: 631-736-3208

Email: [office@theministries.org](mailto:office@theministries.org)

Cynthia Kay Parry, Executive Director

Suffolk County Department of Audit and Control  
H. Lee Dennison Executive Office Building  
100 Veterans Memorial Highway  
P.O. Box 6100  
Hauppauge, New York 11788

February 19, 2015

To: Audit Division of Suffolk County  
Department of Audit and Control

We are providing this letter in connection with your audit of the Smith Haven Ministries, Inc. Youth & Family and Seabury Barn Programs for the period January 1, 2012 through December 31, 2013. As noted in the audit report, The Ministries ceased operation of County funded programs at the end of 2014. Financial pressure in fact forced us to close down our entire agency. We sincerely hope that another agency will be able to continue providing the services previously provided by The Ministries – services that are sorely needed by the community.

Though our agency is no longer operating, I want to provide some response to criticisms raised in the audit. I served on the Board during the audit period and became Board President late in 2013. I agree with some of the observations about weaknesses in past agency practices. The Board and our new Executive Director in fact welcomed the scrutiny of past practices as we attempted to rebuild and reinvigorate our programs in 2014. I disagree, however, with some significant conclusions and characterizations of the audit. I outline two areas of disagreement below.

A significant portion of expenses disallowed by the Audit Team resulted from the Audit Team's change to percentages utilized for allocation rates to distribute the salaries and associated fringe benefits of the former Executive Director and former Bookkeeper and to distribute Contracted Services and Maintenance & Operations expenses to the two programs. There are numerous appropriate Allocation Methodologies that a not-for-profit corporation may utilize to allocate expenses to programs. Both the former Executive Director and Bookkeeper terminated their employment after the audit was initiated and were not available to provide documentation regarding their choice of Allocation Methodologies. So while it is true that the Board was, by the standards of the auditors, "unable to support the allocation methods used to distribute the salary

#### Service Locations:

Youth & Family Counseling Services and Food Pantry  
3680 Route 112, Coram, NY 11727  
Seabury Barn Teen Shelter, Mt. Sinai, NY 11766



**Smith Haven Ministries, Inc.**

PO Box 963, Coram, NY 11727-0963

Tel: 631-736-4800 Fax: 631-736-3208

Email: [office@theministries.org](mailto:office@theministries.org)

Cynthia Kay Parry, Executive Director

of the Executive Director and Bookkeeper to the County-funded programs”, I do not conclude that the allocation methods used during the audit period were not valid. Furthermore, I do not conclude that the percentages that the Audit Team chose for 2012 and 2013 are the proper percentages. The allocation methods used by The Ministries during 2012 and 2013 were reviewed and accepted by the county at the time. I disagree with the audit conclusion that a new allocation methodology should be retroactively applied.

The audit report characterizes Seabury operating expenses as “astronomical”. Most of the cost of Seabury operation consisted of the salaries of its 24-hour staff. The Ministries was charged with provision of round the clock availability of services for county youth in need. It is difficult to see how The Ministries could have reduced operating costs while maintaining 24-hour availability of services. Salaries paid to Seabury staff were in fact very modest. Within the parameters of our contract, I believe that Seabury operating expenses were very reasonable. The audit report also refers to declining youth participation in the Seabury program. I want to note that the Ministries Board and management were aware of and concerned about level of program participation. We were concerned that we were not reaching all the youth who needed our services. We actually showed a significant increase in enrollment numbers in early 2014.

The Ministries made a positive impact in the lives of thousands of Suffolk County residents during its 47 years of operation. We are grateful for the county funding that made that possible. I personally have no doubt that during this audit period, and throughout my association with the agency, The Ministries Board and staff have operated in good faith to serve the needs of our clients and to use Suffolk County contract funding and other revenue sources wisely.

Respectfully,

A handwritten signature in blue ink, appearing to read "John T. Morris". The signature is fluid and cursive, written in a professional style.

John T. Morris  
President, Board of Governors

cc: Board Members, Smith Haven Ministries, Inc.

Service Locations:

Youth & Family Counseling Services and Food Pantry

3680 Route 112, Coram, NY 11727

Seabury Barn Teen Shelter, Mt. Sinai, NY 11766

## APPENDIX B

### Exit Conference Report

#### **Auditee: Smith Haven Ministries, Inc.**

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The Agency did not request an exit conference, but did submit a written response to the audit report (Appendix A, p. 27). In its response the Agency disagreed with the audited allocation rates and with the audit assessment that operating expenses related to Seabury Barn were astronomical. Our assessment of the Agency's contentions is as follows:

The Agency is incorrect in its contention that the "former Executive Director and Bookkeeper terminated their employment after the audit was initiated and were not available to provide documentation regarding their choice of Allocation Methodologies." The former Executive Director resigned on December 10, 2013, six days after the audit commenced, and the former Bookkeeper resigned on December 14, 2013; however, the former Bookkeeper agreed to provide documentation and to answer any questions after her resignation as evidenced by various emails (see examples at Exhibit A through Exhibit D), meetings and conference calls, the last of which was on February 18, 2014 with the Agency's Executive Director and the Audit Division. In fact, the former Bookkeeper stated in her email (Exhibit C) that the Accountant had provided the allocations. We contacted the Agency's new Executive Director and Accountant (who we found to be "Not Registered" on the NYSED website) on numerous occasions in an attempt to obtain the Agency's methodologies for allocating expenses to the County (see examples at Exhibit E through Exhibit H). After waiting approximately three months for the Agency or its Accountant to provide adequate written documentation to support the allocation methodologies used by the Agency throughout the audit period, a conservative approach was taken in determining audited allocation rates based on interviews of Agency employees, audit observations and our professional judgment.

The audited allocation rates for the former Executive Director's salary and fringe benefits were based on the fact that the former Executive Director spent the majority of her time providing counseling for the Youth and Family program. Additionally, the Seabury Barn program required less oversight from the former Executive Director since: 1) Seabury Barn had a full-time Program Director and Assistant Program Director to oversee the program; 2) a reduced amount of guidance was needed since there was a lack of individuals residing at the Barn year round; and 3) our interviews revealed that the former Executive Director rarely visited Seabury Barn.

The audited allocation rates for the former Bookkeeper's salary and fringe benefits were based on the following:

- The former Bookkeeper worked from her home in New Jersey without any oversight from the Agency's former Executive Director or Board of Directors.

- Numerous time sheets for the former Bookkeeper were not approved by the former Executive Director.
- The former Bookkeeper prepared approximately 20 checks per week for the entire agency and used computerized accounting software (Quickbooks) which required a minimal amount of time for record keeping.
- A payroll service was used to process biweekly payroll claims.
- The former Bookkeeper did not post any transactions into Quickbooks from July 1, 2013 through December 31, 2013 (Exhibit I).

Based on the audit evidence obtained during the audit, we conclude that the audited allocation rates were a fair and just way of properly allocating costs to the County-funded programs.

The Agency also states in their response that the allocation methods used were reviewed and accepted by the County at the time. The County oversight Department accepted claims submitted by the Agency, but these claims were never audited by the Comptroller's Office. The Agency's contracts with the County specifically state, "All payments made under the Contract are subject to audit by the Comptroller pursuant to Article V of the Suffolk County Charter." Therefore, any claims submitted by the Agency which were previously approved by the Department can be disallowed by the Comptroller's Office if sufficient, competent evidence is not provided by the Agency to support the expenses.

The Agency took exception to our analysis of operating expenses of the Seabury Barn program. The analysis of the program for the period January 1, 2011 through December 31, 2013 pertained to its operating effectiveness and efficiency. Several meetings were conducted with Agency employees, Board members and Departmental personnel during the audit in an attempt to recommend cost saving measures for the program. It was extremely concerning that a large percentage (63%) of County-funding was not associated with actual services provided to an individual and that the County was funding two overnight employees to provide 24 hour coverage whether or not an individual is on site. Our office had suggested on several occasions that the Agency should formulate a plan, and submit it to New York State to reduce costs related to the salaries of the overnight staff who are not needed when an individual is not on the premises.

**EXHIBIT A**

**Pecorella, Joseph**

---

**From:** Fran Robertson <franrobertson@yahoo.com>  
**Sent:** Friday, December 20, 2013 3:03 PM  
**To:** Lebowitz, Audra  
**Cc:** Pecorella, Joseph  
**Subject:** Re: Audit of The Ministries

IS IT EASIER FOR YOU IF I FAX OR SCAN AND EMAIL.  
FRAN

On Thursday, December 19, 2013 10:32 AM, "Lebowitz, Audra" <Audra.Lebowitz@suffolkcountyny.gov> wrote:

  
Fran,

Thank you for providing us with some of the documents required. I just wanted to re-iterate the items you are still obtaining for us.

- Signed Initial Representation Letter
- Organizational Chart for the Audit period. You can include notes explaining any staff that has changed from 1/1/12 to presently.
- List of Board Members and their addresses [including past members within our audit period]. Again you can include notes explaining changes that have occurred.
- Minutes for 2013
- Most recent Compliance Audit by NYS

Accountant

- General Ledger for both periods in electronic format, Trial Balance 2012, Chart of Accounts for both periods if not the same, Schedule of Revenues and Expenses for both periods.

Can you please contact Helen and let her know we would like to pick up the information from her on Monday when we head out to Seabury Barn. You may give her our direct e-mail and phone numbers to let us know what is the best time to pick up the information from her.,

We will be in touch regarding the week of the 30<sup>th</sup>.

Thanks for your assistance.

Audra Lebowitz  
Auditor  
Office of the Suffolk County Comptroller  
631 – 853 - 5712

**EXHIBIT B**

**Lebowitz, Audra**

---

**From:** Fran Robertson <franrobertson@yahoo.com>  
**Sent:** Monday, December 23, 2013 4:06 PM  
**To:** Pecorella, Joseph  
**Cc:** Lebowitz, Audra  
**Subject:** Re: Audit of The Ministries  
**Attachments:** Ministries compliance.pdf; Ministries SB comply 2013.pdf

Seabury Compliance.  
The Youth Bureau already has copies.  
Hope you are feeling better.  
I am at Coram Dec 30. opens at 1 PM  
Fran

On Monday, December 23, 2013 3:41 PM, Fran Robertson <franrobertson@yahoo.com> wrote:  
There was no Feb mtg as noted in the March minutes.  
July to Aug I believe there was no mtg but I will check on that.  
Sept & Oct are probably in Ann's office files.  
Ann Moran-Smith always took the minutes, the new board is that is why Nov looks different. The Board will vote on approving them when they meet again Jan 9.

I will be sending you the full compliance for Seabury 2012 & 2013 and Ann's 2013 response.

## EXHIBIT C

**Lebowitz, Audra**

---

**Subject:** FW: audit

**From:** Fran Robertson [mailto:franrobertson@yahoo.com]

**Sent:** Tuesday, January 07, 2014 4:17 PM

**To:** Lebowitz, Audra

**Subject:** Re: audit

They are voting to accept current minutes at the 9th mtg.  
They are all checking their emails for the 2012. missing. no luck yet.

Yes insurances are a big reason for me going out.

Allocations had come from accountant.

Generally speaking: % of programs needs across the expenses.  
things like health Insurance and Disability per payroll.

All Seabury paid by seabury.

Coram expenses to all programs.

On Tuesday, January 7, 2014 3:58 PM, "Lebowitz, Audra" <Audra.Lebowitz@suffolkcountyny.gov> wrote:  
I think we are stilling missing a few Minutes. And the requested Insurances from my last e-mail.

Also, a cursory review of the expenses revealed allocations of expenses to the various programs. It appears there are several methods, could you provide us with your methodologies?

Thank you.

**EXHIBIT D**

**Lebowitz, Audra**

---

**From:** Fran Robertson <franrobertson@yahoo.com>  
**Sent:** Tuesday, February 18, 2014 10:25 AM  
**To:** Lebowitz, Audra  
**Subject:** Fw: General Journal Entries  
**Attachments:** Payroll procedures.docx.docx  
  
**Categories:** Orange Category

On Sunday, February 16, 2014 11:55 AM, Fran Robertson <franrobertson@yahoo.com> wrote:  
10 AM Tuesday. I will call the Ministries to be sure the little guy is quiet.

As for the General Ledger entries, they were made by Helen and they have a mtg with her Wed. I can give them my understanding of the entries. For you, they were the results of the checks coming from the Central account paying SB part of combined bills. Her journal entries turned around the double expense.

Attached is the payroll procedures. I believe this is what the Auditors wanted to talk with me about. After you see them I will forward to Audra so if they have questions, I can answer on Tuesday

On Friday, February 14, 2014 8:52 PM, [REDACTED]  
Fran,

Joe Pecorella requested today that I set up a telephone conference for Audra and Kathy with you for one day next week, preferably either Tuesday or Wednesday morning. They would like to discuss payroll procedures and the attached file with a list of General Journal entries.

Thanks [REDACTED]

**EXHIBIT E**

**Lebowitz, Audra**

---

**From:** Lebowitz, Audra  
**Sent:** Tuesday, January 14, 2014 11:35 AM  
**To:** Helenrosecpa@verizon.net  
**Cc:** joesph.pecorella@suffolkcountyny.gov  
**Subject:** The Ministries - Financials

Hi Helen,

I'm just following up with our conversation from this morning. As discussed, you will be able to provide the following data to us for the Ministries tomorrow:

- July 2012 through June 2013 Quickbooks as an export into excel on a flash.
- If unable to convert Peachtree and save onto a flash you will printout the General Ledger and a Chart of Accounts. Could you please print out the GL for 2011 - 2012 and another for Jan 2012 through June 2012.

In addition, you explained that you will be able to provide us with the agency's allocation methodology if not by tomorrow, it will be available by Friday.

Thank you for your cooperation and assistance.  
We look forward to meeting with you tomorrow.

Sincerely,

Audra Lebowitz - Suffolk County Audit & Control  
You may contact me via e-mail or 853-5712

**EXHIBIT F**

**Pecorella, Joseph**

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**From:** Pecorella, Joseph  
**Sent:** Tuesday, January 21, 2014 9:20 AM  
**To:** [REDACTED] 'Fran Robertson'  
**Cc:** Lebowitz, Audra; Johnsonbaugh, Kathleen; Alban, Manuel  
**Subject:** Allocation Methodology

<b>Tracking:</b>	<b>Recipient</b>	<b>Delivery</b>	<b>Read</b>
	[REDACTED]		
	'Fran Robertson'		
	Lebowitz, Audra	Delivered: 1/21/2014 9:20 AM	
	Johnsonbaugh, Kathleen	Delivered: 1/21/2014 9:20 AM	
	Alban, Manuel	Delivered: 1/21/2014 9:20 AM	Read: 1/21/2014 9:26 AM

Cindy / Fran,

Please provide us with written documentation detailing the allocation methodology used to charge expenses to Suffolk County for 2012 and 2013. We have requested this on numerous occasions, but still do not have it. Without your allocation methodology we cannot proceed with our audit testing and will be forced to formulate our own reasonable methodology for allocating expenses to Suffolk County. As always, thank you for your anticipated cooperation regarding this matter.

*Joseph S. Pecorella Jr., CPA*  
Investigative Auditor  
Office of the Comptroller  
Phone: 631-853-6029  
Fax: 631-853-5964

## EXHIBIT G

### Lebowitz, Audra

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**From:** Lebowitz, Audra  
**Sent:** Tuesday, January 28, 2014 12:11 PM  
**To:** Helen Rose  
**Cc:** Pecorella, Joseph; ckparry@gmail.com  
**Subject:** RE: Allocations

**Importance:** High

**Categories:** Green Category

Hi Helen,

I understand that the allocation method was based on the tallied hours of the employees for each program of the Ministries to the total man-hours of the agency. However, you neglected to provide the tallied hours for the employees and the corresponding programs.

Please provide these tallies, as soon as possible, so that we may move forward on our audit.

Thank you for your continued assistance.

*Audra Lebowitz, Auditor  
Suffolk County Audit & Control  
631-853-5712*

---

**From:** Helen Rose [helenrosecpa@verizon.net]  
**Sent:** Tuesday, January 21, 2014 2:08 PM  
**To:** Lebowitz, Audra  
**Cc:** Fran Robertson; Cynthia Kay Parry  
**Subject:** Allocation

Based on our conversation I just want to reiterate our mutual understanding.

Based on what I could ascertain all man hours for the Ministries were tallied and then a percentage was determined based on the man hours spent on each faction of the Ministries. Which in turn became the allocation percentages.

Sincerely,  
Helen Rose

## EXHIBIT H

**Pecorella, Joseph**

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**From:** [REDACTED]  
**Sent:** Wednesday, January 29, 2014 12:22 PM  
**To:** Pecorella, Joseph  
**Cc:** John T. Morris; Alban, Manuel; Bayer, Frank; Lebowitz, Audra; Pearson, Roderick; Policastro, Pat  
**Subject:** Re: Missing Items

Joe,

We have received your itemized request and will provide the documents we have by Friday. For those we do not have, we will provide you with information as to actions taken (or to be taken) to acquire them.

For example, yesterday (1/28/14) I discussed with Audra that I would ask one of the Ministries bank signatories to request duplicate copies of the missing bank statements. Simultaneously, we will arrange for online banking, which will allow us to print statements, as you recommended to me on Friday (1/24/14).

Thank you for working with us to accomplish our mutual goals.

[REDACTED]  
[REDACTED]  
Interim Executive Director  
Office 631736 4800  
Cell 631 806 4763

On Jan 29, 2014, at 11:45 AM, "Pecorella, Joseph" <[Joseph.Pecorella@suffolkcountyny.gov](mailto:Joseph.Pecorella@suffolkcountyny.gov)> wrote:

[REDACTED]

Thank you for accommodating us during the audit. I know that you are trying hard to provide us with all requested documents; however, we are still missing the following items, most of which we have asked Fran for on numerous occasions and which are vital to the performance of our audit:

- 1) The agency's methodology for allocating expenses. The agency's accountant, Helen Rose stated, "Based on what I could ascertain all man hours for the Ministies were tallied and then a percentage was determined based on the man hours spent on each faction of the Ministries. Which in turn became the allocation percentages." **This explanation is not enough.** We need actual numbers supporting this assumption. We have asked Fran for this on numerous occasions and it should be readily available so that we can determine if expenses were properly charged to the County funded programs.
- 2) A Chart of Accounts, with account numbers, for the period 7/1/12 – 6/30/13 and from 7/1/13 – 12/31/13.
- 3) An electronic version of the Agency's General Ledger for the period 7/1/11 – 6/30/12. Helen had given us a hard copy of the General Ledger from Peachtree, but said that she never had Peachtree on her computer. Fran said that her computer had crashed and no longer has Peachtree either. There should be a way to obtain an electronic copy if a hard copy was able to be printed.

- 4) Board of Director's Minutes for June, July and September 2012, and October, November 20<sup>th</sup> and December 2013.
- 5) Bank Statements for August, September, and October 2012 for the Savings and Human Resources accounts.
- 6) All Payment Vouchers and Deposit Slips for Seabury Barn for 2013. All deposit slips should be onsite and readily available.
- 7) Fran's official resignation date in writing.
- 8) NYS acknowledgement of Ann's response to the 2012 NYS Compliance Audit.
- 9) Declaration pages for Worker's Comp. Insurance.
- 10) Signed Initial Representation Letter.
- 11) 2013 Final Financial Statements accepted by the Board.

It is extremely hard to perform an audit when given documentation piecemeal. The first 8 items on the list have been requested several times and are impeding the progression of the audit. I would like to have these documents available by Friday, February 7<sup>th</sup> if at all possible. Please let me know if this goal is attainable. Again, thanks again for your cooperation and accommodations during the audit.

*Joseph S. Pecorella Jr., CPA*  
Investigative Auditor  
Office of the Comptroller  
Phone: 631-853-6029  
Fax: 631-853-5964

## EXHIBIT I

**Pecorella, Joseph**

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**From:** [REDACTED]  
**Sent:** Wednesday, March 12, 2014 11:45 AM  
**To:** Pecorella, Joseph  
**Cc:** Lebowitz, Audra; Alban, Manuel  
**Subject:** Re: quickbooks and postings

Joe,

Yes.

Cindy

On Mar 12, 2014, at 11:41 AM, "Pecorella, Joseph" <[Joseph.Pecorella@suffolkcountyny.gov](mailto:Joseph.Pecorella@suffolkcountyny.gov)> wrote:

[REDACTED]

Could you please confirm our understanding that during the period July 1, 2013 through December 31, 2013, the agency's prior Bookkeeper, Fran Waller, did not post any transactions into Quickbooks? Thank you.

*Joseph S. Pecorella Jr., CPA*  
Investigative Auditor  
Office of the Comptroller  
Phone: 631-853-6029  
Fax: 631-853-5964

---

**From:** [REDACTED]  
**Sent:** Wednesday, March 12, 2014 11:31 AM  
**To:** Lebowitz, Audra  
**Cc:** Pecorella, Joseph; Policastro, Pat  
**Subject:** Re: quickbooks and postings

Audra,

Yes. I sent letter requesting approval for a new bookkeeper to Pat Policastro yesterday.

[REDACTED]

On Mar 12, 2014, at 10:43 AM, "Lebowitz, Audra" <[Audra.Lebowitz@suffolkcountyny.gov](mailto:Audra.Lebowitz@suffolkcountyny.gov)> wrote:

[REDACTED]

Based on multiple conversations with you and Fran, it is our understanding that during the period between 7/1/13 and 12/31/13 Fran did not post any transactions into Quickbooks. Presently, the agency is seeking to hire a new bookkeeper

and begin to enter all transactions that have occurred from 7/1/13 until present. Please inform us of the status of the approval for the new bookkeeper and if our understanding is correct.

Again, thank you for your cooperation.

*Audra Lebowitz, Auditor  
Suffolk County Audit & Control  
631-853-5712*