



OFFICE OF THE CITY AUDITOR AND CLERK
Internal Audit Division

Date: September 2, 2011

To: Mayor Suzanne Atwell, Vice Mayor Terry Turner, Commissioner Paul Caragiulo, Commissioner Willie Shaw, and Commissioner Shannon Snyder

From: Pamela M. Nadalini, City Auditor and Clerk 

Subject: **Revision to Audit #11-12: Summer Youth Programs**

My office issued the final audit report for Audit #11-12: Summer Youth Programs on August 31, 2011. As part of the audit process, management received a draft audit report and was given a 30-day timeframe to respond to audit recommendations and provide any additional information which may not have been available to the auditor during fieldwork.

On September 1, 2011, after release of the final audit report, management sent communication to my office to indicate that staff had discovered additional information not previously provided to the auditor which would remedy a concern specific to \$10,000 in unaccounted for funds from Yelda's 2009 summer youth program referenced in the audit report.

Upon receipt of the information, I directed Internal Audit to consider management's newly discovered information, which consisted of additional timecards that document \$10,010.21 in payroll expenses for non-CDBG eligible program participants.

As a result of the additional review, the auditor noted the documentation does provide evidence that an additional \$10,000 can be accounted for with regards to Yelda in 2009. However, it should be noted that \$1,309 of the new payroll costs provided were invoiced to the City as well as to the State as part of the matching funds grant Yelda received in 2009. Where the auditor previously identified that \$4,645.25 had been double-billed to both the State and City, the additional amount of \$1,309 brings the **new total of duplicate invoices to \$5,954.25**. Again, this was not caught by management as they did not monitor the use of the matching funds. A revised audit report is attached to this memo to reflect the new results of the new information where the old text has been stricken and the new text is highlighted in yellow to illustrate the changes.

Further additional information was provided by management on September 2, 2011 in an effort to substantiate an additional sum of funds expended by Man Up in 2009. While this information

was considered, we determined that it did not warrant changes to the audit report as language in the Sub-recipient Agreements indicate that advance funds were to be used for issuing weekly payroll checks to participants and not insurance costs, for which management asserts the funds were used.

The auditor met with various stakeholders both during audit fieldwork and after the release of the draft report and was not advised that staff had additional information regarding the sub-recipient's expenses. To prevent discrepancies in the future and in the spirit of cooperation, it is my hope that management will provide all necessary information during the time of audit fieldwork in the future.

If you have any questions, please do not hesitate to contact me at (941) 954-4169.

Attachment(s):

Revised Detailed Audit Report #11-12
Executive Summary Audit Report #11-12

c: Robert Bartolotta, City Manager
Robert Fournier, City Attorney
Heather Riti, MPA, CIA, CGAP, Manager, Internal Audit
Maryellen McGrath, CIA, CFE, Senior Internal Auditor
Newtown Front Porch Revitalization Council, Inc.
Man Up of Greater Sarasota, Inc.
File

Heather Riti

From: Marlon Brown
Sent: Thursday, September 01, 2011 5:46 PM
To: Heather Riti; Pamela Nadalini
Cc: Robert Bartolotta; 1 - City Commissioners; Timothy Litchet; Donald Hadsell
Subject: FW: Summer Youth Audit
Attachments: YELDA FY2009 Police Forfeiture Funds Usage.PDF

Heather:

FYI – please see Don’s e-mail below. It appears that this was missed as part of the audit review of the records and as well as by staff in providing responses to you on items identified in the draft. I hope this closes out the issue of the unaccounted for, \$10,000.

Marlon

From: Donald Hadsell
Sent: Thursday, September 01, 2011 5:20 PM
To: Marlon Brown
Cc: Timothy Litchet; Robert Bartolotta
Subject: Summer Youth Audit

This morning’s newspaper article stated that staff was unable to account for the \$10,000 advance from the Police Fine Forfeiture Funds that was sent to YELDA. We did not understand how that could have occurred and spent today reviewing e-mails and documents in the files.

Attached please find the e-mails from staff on September 11, 2009 to YELDA requesting an accounting of the \$10,000. Also attached is the report from YELDA documenting how the \$10,000 was used. The report is accompanied by time sheets detailing the students that were paid with these funds. The report is time stamped as being received on September 30, 2009.

The \$10,000 in police funds were all used to pay the salaries of additional young people. We reviewed each of the time sheets in this report at the time the report was submitted and again today to make sure that none of the young people were also paid with CDBG funds for the same pay period. I can report that these timesheets were not the same as the ones that were used to justify the CDBG expenditures.

The report was in the main file, but was covered with sticky notes related to conversations between staff and YELDA. That appears to be the reason that the report was not found by the auditor or staff until today.

Please consider the environment before printing this e-mail.

Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public-records request, do not send electronic mail to this entity. Instead, contact this office by phone or in writing. E-mail messages sent or received by City of Sarasota officials and employees in connection with official City business are public records subject to disclosure under the Florida Public Records Act.

REVISED AUDIT REPORT

Audit #11-12:

Summer Youth Programs

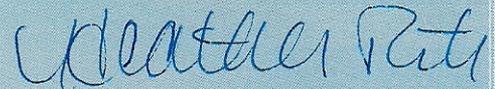
Detailed Audit Report

Re-Issued Audit Report September 2, 2011

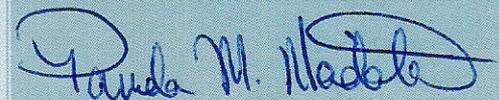
This report was re-issued with some changes (old text is stricken, new text is highlighted in yellow) due to additional information provided by management following the original release of the final audit report on August 31, 2011.

Office of the City Auditor and Clerk
Internal Audit

Prepared by:


Heather Riti, MPA, CIA, CGAP
Manager, Internal Audit

Reviewed and Approved by:


Pamela M. Nadalini
City Auditor and Clerk

You can obtain copies of this report by contacting us at:

Office of the City Auditor and Clerk

1565 1st Street
Sarasota, FL 34236
(941) 954-4135

Or download and view an electronic copy by visiting:

www.sarasotagov.com



OFFICE OF THE CITY AUDITOR AND CLERK
Internal Audit Division

Date: August 31, 2011
To: Mayor Suzanne Atwell, Vice Mayor Terry Turner, Commissioner Paul Caragiulo,
Commissioner Willie Shaw, and Commissioner Shannon Snyder
From: Pamela M. Nadalini, City Auditor and Clerk 
Subject: Audit #11-12: Summer Youth Programs

Attached for your information and review are copies of the above-mentioned detailed and executive summary audit reports.

Please note that this audit report is scheduled to be presented at the September 6, 2011 Regular Meeting of the City Commission.

If you have any questions, please do not hesitate to contact me at (941) 954-4169.

Attachment(s):

Detailed Audit Report #11-12
Executive Summary Audit Report #11-12

c: Robert Bartolotta, City Manager
Robert Fournier, City Attorney
Heather Riti, MPA, CIA, CGAP, Manager, Internal Audit
Maryellen McGrath, CIA, CFE, Senior Internal Auditor
Newtown Front Porch Revitalization Council, Inc.
Man Up of Greater Sarasota, Inc.
File



OFFICE OF THE CITY AUDITOR AND CLERK
Internal Audit Division

Date: August 31, 2011
To: Robert Bartolotta, City Manager
From: Pamela M. Nadalini, City Auditor and Clerk
Subject: Audit #11-12: Summer Youth Programs

Attached for your information and review are copies of the above-mentioned detailed and executive summary audit reports.

Please note that this audit report is scheduled to be presented at the September 6, 2011 Regular Meeting of the City Commission.

If you have any questions, please do not hesitate to contact me at (941) 954-4169.

Attachment(s):

Detailed Audit Report #11-12
Executive Summary Audit Report #11-12

c: Robert Fournier, City Attorney
Marlon Brown, Deputy City Manager
Christopher Lyons, CPA, CGFO, CPFO, Director, Financial Administration
Timothy Litchet, Director, Neighborhood and Development Services
Heather Riti, MPA, CIA, CGAP, Manager, Internal Audit
Maryellen McGrath, CIA, CFE, Senior Internal Auditor
File

TABLE OF CONTENTS

BACKGROUND AND INTRODUCTION	5
AUDIT PURPOSE	7
AUDIT SCOPE	7
AUDIT OBJECTIVES	8
AUDIT STANDARDS	8
TESTING METHODOLOGY	8
AUDIT CRITERIA	9
AUDIT CONCLUSIONS	9
Overall, Internal Controls, Specifically Monitoring Controls, were Not Operating Sufficiently To Ensure That All Program Expenses were Appropriate.	10
Internal Controls Related to Oversight of Insurance Requirements were Determined to be Inadequate.	16
The City's Enforcement of Compliance with Contract Terms was Found to be Ineffective. Where the Sub-Recipient Organizations were Not in Compliance, City Staff Did Not Hold the Sub-Recipients Accountable.	16
AUDIT OBSERVATIONS AND RECOMMENDATIONS	18
EXHIBIT A: INTERNAL AUDIT RECOMMENDATION PRIORITIES	24
EXHIBIT B: DETAILED OUTLINE OF RECOMMENDATION #1	25
EXHIBIT C: CONSIDERATIONS FOR MAN UP	27
EXHIBIT D: CONSIDERATIONS FOR YELDA	29

BACKGROUND AND INTRODUCTION

Disclaimer: Section 6, Article VI of Sarasota's City Charter authorizes the City Auditor and Clerk to perform audits of accounts and records of City of Sarasota departments. The City Auditor and Clerk does not have jurisdiction to perform audits, financial or otherwise, of entities outside the City and as such, this was not an audit of any of the organizations contracted by the City to administer summer youth programs.

Rather, this was an audit of contract and management oversight of the sub-recipient agreements let by the City with the City's summer youth program providers. As part of the auditor's review and at the suggestion of the City Commission, the auditor has crafted some considerations for the outside organizations ([Exhibits C and D](#)), which are provided at the end of this report in an effort to assist them in enhanced compliance with contract terms and improved internal controls. Please note that these considerations are not offered as official audit recommendations and the auditor provides no assurance or opinion of the organizations' internal controls as the auditor's primary concern is in evaluating and reducing risk associated with the City only.

The City contracted with two organizations during the summer months of 2009 and 2010 to provide summer youth programs with the sole objective of providing employment to youth. While a portion of program funding came from Police Forfeiture Funds in 2009, the majority of program funding was Community Development Block Grant (CDBG) funds for both 2009 and 2010. Man Up of Greater Sarasota, Inc. (Man Up) and Newtown Front Porch Neighborhood Revitalization Council, Inc. (Yelda) were awarded sub-recipient agreements to administer the programs. The organizations were responsible for recruiting and hiring the program participants and placing the participants in a work environment. In order to qualify for CDBG funds, program participants had to meet certain eligibility requirements specific to income and residency, which the organizations were responsible for obtaining and City staff was responsible for confirming. The program participants were assigned to various employers in the community for a 32-hour workweek (30 hours in the case of Yelda) and also participated in mentoring/ "life skills" classes and/or volunteer activities at least one day per week.

In 2010, the City also supported a third summer youth program, Maintaining Excellence Responsibility Integrity and Teamwork (MERIT), through CDBG funds. MERIT was administered by City staff in the Neighborhood and Development Services Department (NDS) and was targeted at providing summer employment opportunities through painting residences and commercial buildings to assist in the City's rehabilitation efforts. Buildings selected for the program had to meet certain requirements including owner income eligibility and the presence of lead-based paint, as determined by an outside City contractor. Properties were selected on a first-come, first-served basis. A consultant was hired to provide paint schematics consistent with the neighborhood and community character and program participants for MERIT were given direction to paint the buildings based on the schematics. While the Man Up and Yelda programs served youth participants, MERIT served both youth workers and adult team leaders.

Financial data, including budgeted City and CDBG funds and actual expenditures, are reported in the tables on the following page for all summer youth programs based on the auditor's reconciliation. Funds and participants depicted in the tables are only those paid for with City and CDBG funds. Please note that insurance costs are not configured into the "project delivery"¹ cost averages and totals as several issues with differing levels of insurance made the inclusion of these figures not comparable.

¹ Project delivery costs are defined in the Sub-recipient Agreements as all eligible expenses necessary to implement the program outside of costs for compensation and insurance (ie, administrative expenses).

Comparison of Program Expenditures

2009 Summer Youth Programs (June- August)

Budget: City/ CDBG Funds Allocated to Program	Actual: Total Program Funds Paid by City	Actual # of Participants Paid with City or CDBG Funds	Program Dates	Actual Average Project Delivery Cost Per Participant* <small>(Total project delivery funds paid / # of participants)</small>	Actual Average Salary Per Participant <small>(Total payroll funds paid / # of participants)</small>	Actual Total Average Cost per Participant* <small>(Total payroll + project delivery funds paid / # of participants)</small>
Man Up	\$30,000 ²	<small>Payroll: \$16,113.38 (56%)</small>	7 ³	6/8/09- 8/14/09 + orientation week	\$1,088.62	\$2,301.91
		<small>Project Delivery: \$7,620.36 (27%)</small>				
		<small>Insurance: \$4,914.00 (17%)</small>				
	\$28,647.74		11 weeks		\$3,390.53 <small>(plus insurance)</small>	
MERIT	<i>No program in 2009.</i>					
Yelda	\$40,000 ⁴	<small>Payroll: \$33,917.13 (77%)</small>	22 31	6/8/09- 8/7/09	\$454.55 \$0	\$1,541.69 \$1,416.68
		Payroll: \$43,917.13 (100%)				
		<small>Project Delivery: \$10,000 (23%)</small> Project Delivery: \$0				
	\$43,917.13		9 weeks		\$1,996.24 \$1,416.68 <small>(plus insurance)</small>	
					\$221.80 \$157.41 per week	

2010 Summer Youth Programs (June- August)

Budget: City/ CDBG Funds Allocated to Program	Actual: Total Program Funds Paid by City	Actual # of Participants Paid with City or CDBG Funds	Program Dates	Actual Average Project Delivery Cost Per Participant* <small>(Total project delivery funds paid / # of participants)</small>	Actual Average Salary Per Participant <small>(Total payroll funds paid / # of participants)</small>	Actual Total Average Cost per Participant* <small>(Total payroll + project delivery funds paid / # of participants)</small>
Man Up	\$35,786.59 ⁵	<small>Payroll: \$29,465.42 (85%)</small>	17	6/14/10- 8/6/10	\$166.56	\$1,733.26
		<small>Project Delivery: 2,831.57 (8%)</small>				
		<small>Insurance: \$2,418.25 (7%)</small>				
	\$34,715.24		8 weeks		\$1,899.82 <small>(plus insurance)</small>	
MERIT	<i>No program in 2010.</i>					
Yelda	\$41,082.87 ⁷	<small>Payroll: \$61,723.88 (73%)</small>	30 <small>(25 teenagers, 5 adults)</small>	6/28/10- 8/13/10	\$510.81	\$2,057.46
		<small>Project Delivery: 15,324.28 (18%)</small>				
		<small>Insurance: \$7,655 (9%)</small>				
	\$84,703.16		7 weeks		\$2,568.27 <small>(plus insurance)</small>	
Yelda	\$41,082.87 ⁷	<small>Payroll: \$24,043.78 (89%)</small>	16	6/14/10- 8/6/10	\$150.27	\$1,502.74
		<small>Project Delivery: \$2,404.39 (9%)</small>				
		<small>Insurance: \$693.89 (3%)</small>				
	\$27,142.06		8 weeks		\$1,653.01 <small>(plus insurance)</small>	
					\$206.63 per week	

**Note: Insurance costs are not included in the figures for average project delivery cost per participant or in the total average cost per participant in the above tables. This cost has been excluded due to: a) Yelda was not required to purchase a separate insurance policy in 2009 as they were covered by the State and, b) Yelda did not appropriately obtain workers compensation insurance in 2010. Excluding the insurance costs in the calculations allows for a more useable comparison between the organizations' costs.*

² Man Up 2009: \$20,000 CDBG funds+ \$10,000 Police Fine Forfeiture funds; also received \$12,600 from Sarasota Housing Authority to fund an additional 5 participants, which is not included here as this table focuses on City funds only.

³ This reflects the 4 participants paid with CDBG funds and 3 participants paid with SPD Forfeiture funds.

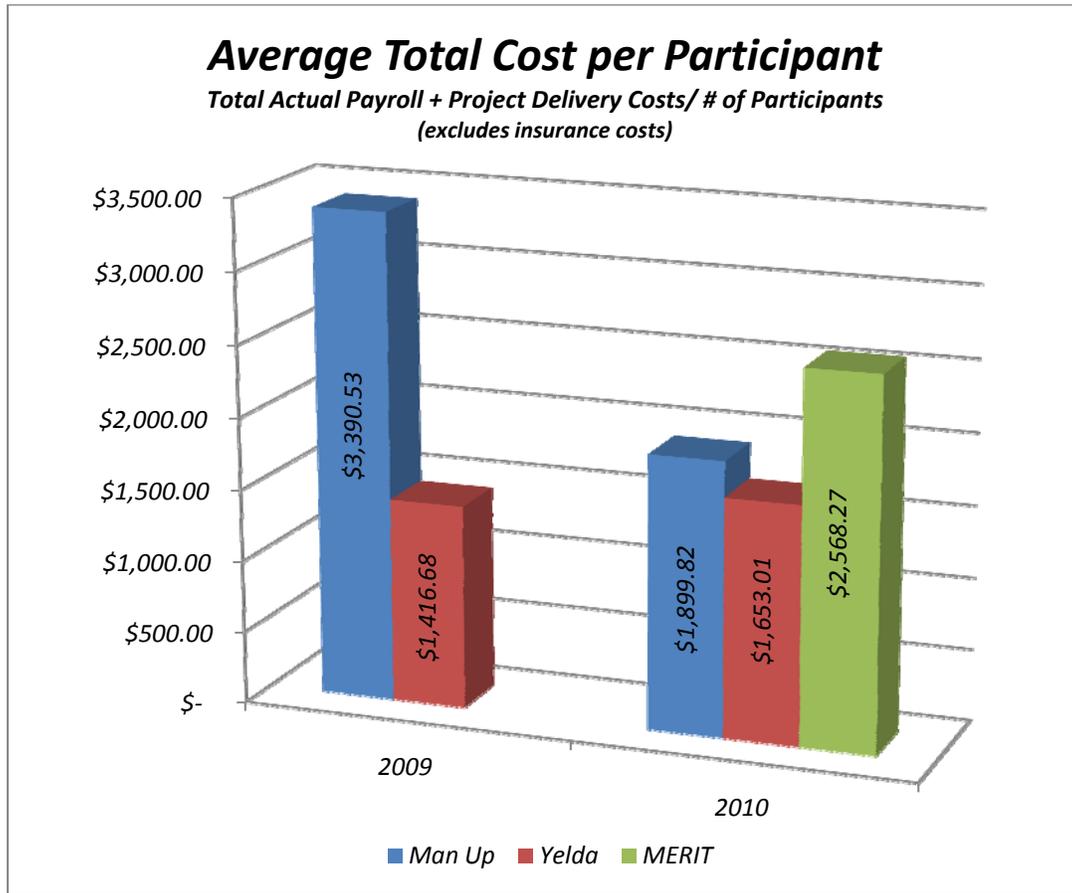
⁴ Yelda 2009: \$30,000 CDBG funds+ \$10,000 Police Fine Forfeiture funds due to matching funds obtained (from the State).

⁵ Man Up 2010: Total budget was CDBG funds.

⁶ MERIT 2010: Total budget was CDBG funds; \$2,000 additional donation from Sheriff's Office, which is not included here as this table focuses on City funds only.

⁷ Yelda 2010: Total budget was CDBG funds.

Figures reflected graphically below and in the “Actual Total Average Cost per Participant” column on the previous page allow management to compare costs on a per participant basis between the programs where lower total average costs may suggest a more efficient use of resources.



AUDIT PURPOSE

This audit was performed to assess the effectiveness and adequacy of internal controls associated with the oversight of contracts for summer youth programs. This audit was originally included as part of the 2011 Audit Schedule; Internal Audit modified the scheduled timeline for audit work to accommodate this audit earlier than anticipated based on direction given by the City Commission at its April 18, 2011 Regular Meeting.

AUDIT SCOPE

The scope of this audit included a review of the City’s agreements with external organizations that provide services related to administering summer youth programs. The audit focused on revenues and expenditures associated with the programs, compliance with contract terms, and internal controls associated with the contract oversight process. While the external organizations actively solicit other sources and organizations for additional funding, the audit was only concerned with City-awarded funds. The audit period covered the 2009 and 2010 summer programs.

AUDIT OBJECTIVES

The audit focused on the following objectives:

- 1) Determine whether controls were adequate to ensure that program revenues were reported and expenditures made according to the terms of the sub-recipient agreements for summer youth services;
- 2) Determine whether controls were in place to ensure that appropriate insurance was obtained by the sub-recipients for the terms of the agreements; and
- 3) Determine whether the sub-recipients demonstrated compliance with applicable laws, regulations, reporting requirements, and agreement terms.

AUDIT STANDARDS

The auditor conducted this audit in accordance with generally accepted government auditing standards. Those standards require that the auditor plan and perform the audit to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

The Internal Audit Division strives to follow the guidance included in the International Professional Practices Framework set forth by the Institute of Internal Auditors.

TESTING METHODOLOGY

In order to fulfill the audit objectives, Internal Audit:

- Interviewed appropriate personnel;
- Reviewed weekly timecards for accuracy and reasonableness of calculation of work hours and recalculated to confirm accuracy;
- Reviewed weekly timecards for proper levels of approval and evidence of City staff review;
- Reviewed sub-recipient invoices and accompanying supporting documentation for accuracy and reasonableness in accordance with the terms of the sub-recipient agreements and recalculated invoices to confirm accuracy;
- Reviewed account statements, organization-generated financial reports, and cancelled checks of the sub-recipient organizations, where possible. Compared payments to program participants against expected rates of pay and work hour calculations;
- Reconciled all program expenses paid by the City to payment requests and supporting documentation;
- Reviewed evidence of insurance coverage and compared to requirements in the sub-recipient agreements;

- Reviewed income eligibility documentation for all summer youth program participants for evidence of eligibility, timeliness of document submittal, and evidence of City staff review and approval;
- Reviewed program reports submitted by the sub-recipients for adequacy, completeness and timeliness; and
- Conferred with the State of Florida’s Department of Agriculture and Consumer Services as to whether the sub-recipients were appropriately registered to solicit donations or contributions.

AUDIT CRITERIA

Conditions noted by Internal Audit during testing and fieldwork were compared to audit criteria, including:

- Provisions of the 2009 and 2010 Sub-recipient Agreements (program eligibility requirements, timeliness of document submittal, reporting requirements, program funding, etc);
- City rules and regulations, specifically:
 - Administrative Regulation No. 037.A009.0709, Conflict of Interest Policy, and
 - Human Resources Rule 2.8(E), regarding off-duty employment;
- State laws:
 - Section 450.081, Florida Statutes, regarding Child Labor, and
 - Section 496.405, Florida Statutes, regarding Solicitation of Contributions.

AUDIT CONCLUSIONS

Observations and recommendations in this report are offered as independent guidance to management for their consideration in strengthening controls.

Overall, the auditor determined that the City could greatly reduce the risk associated with potential misuse of City and CDBG funds by modifying future summer youth program agreements to allow the City to assume payroll administration responsibilities, which account for a large majority of program expenses.

Internal controls over the payment review and approval processes for both payroll and project delivery/ program expenses were ineffective as contract language was not consistently enforced, specifically relating to supporting documentation. In the majority of instances, supporting documentation necessary to substantiate purchases was either not requested by City staff at the time of reimbursement or not provided by sub-recipient organizations. Further, the current process of review and approval of timesheets is inefficient and time-consuming for all parties including work supervisors, the sub-recipient organizations, and especially City staff who must constantly review timecards, recalculate hours, communicate discrepancies, re-approve timecards, and prepare payments for each pay period.

A complete list of Internal Audit’s observations and recommendations is located on page 18 of this report. For information on priority levels assigned to audit recommendations, please see [Exhibit A](#).

OVERALL, INTERNAL CONTROLS, SPECIFICALLY MONITORING CONTROLS, WERE NOT OPERATING SUFFICIENTLY TO ENSURE THAT ALL PROGRAM EXPENSES WERE APPROPRIATE.

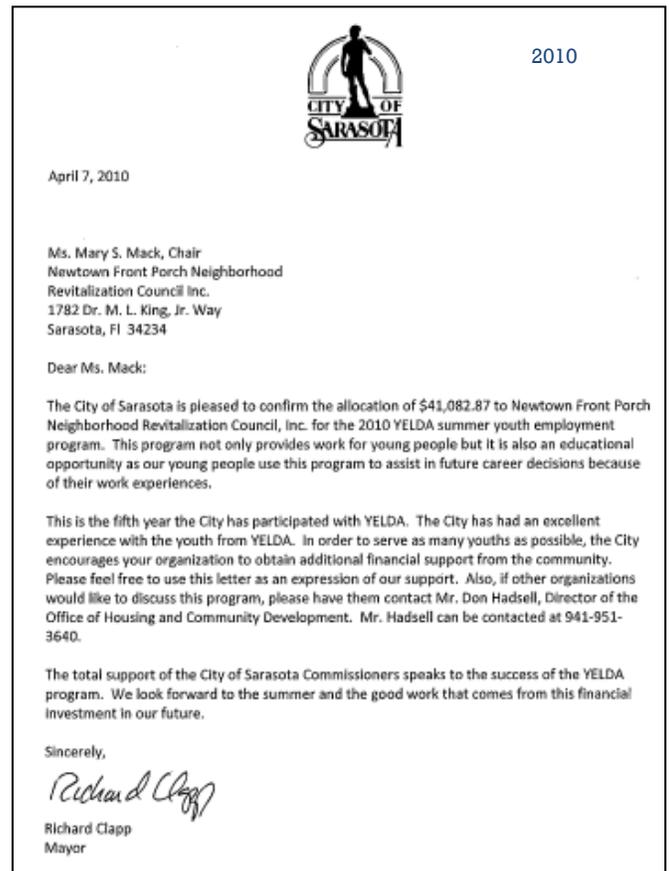
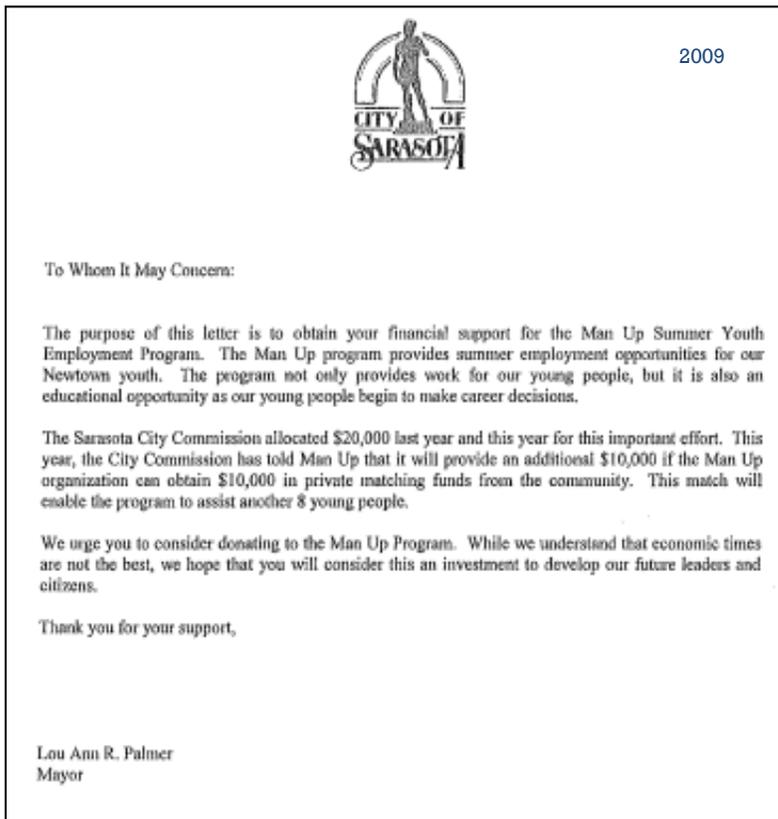
Revenues

While no program income was noted for any of the summer youth programs, the auditor did note that both Man Up and Yelda received donations from entities other than the City. However, it should be noted that several of the donations were lump-sum amounts to the organizations (not necessarily to cover specific costs/program participants) and may not have all been limited specifically to the summer youth programs.

Some of the goals of Internal Audit testing were to ensure that funds provided by the City could be accounted for, that there were no conflicts of interest between City personnel and the sub-recipient organization, and that organizations were soliciting donations in accordance with State law. Internal Audit is concerned only with the City's risk and potential liabilities and, therefore, offers no assurance or opinion over the appropriateness of expenditures associated with other donations or program revenues received by the organizations or the adequacy of their financial reporting, financial management, or other internal controls.

- **Solicitation of Other Donations/ Contributions- Neither of the sub-recipient organizations were registered with the State of Florida as charitable organizations as of the time of issuance of the final audit report, per Section 496.405, Florida Statutes.** In order to solicit donations or contributions of any kind, the State requires that organizations file the necessary financial reporting documentation on an annual basis. The auditor was unable to obtain evidence that the City verified compliance with this requirement. On the contrary, it has been a past practice of the City to issue letters of support to the organizations as a tool to use in their efforts to solicit donations.

Letters of endorsement from the City should cease until the organizations can provide evidence that they have, in fact, registered with the State and are permitted to solicit contributions under State law.



- Duplicate Billing for Some Program Participants-** In 2009, the City offered additional program dollars as a financial incentive to the sub-recipient organizations on the condition that at least \$10,000 in matching funds be obtained from another funding source. Yelda secured a \$25,000 grant from the State Department of Community Affairs (DCA), which the organization used to offset some of the costs of the summer youth program. However, City staff did not require or request information on how the matching funds were utilized and was therefore unaware that Yelda invoiced both the City and the State for some of the same charges.

Two of Yelda's payment requests to the State, which the State Contract Administrator confirmed to be reimbursed, included duplicate payroll charges totaling ~~\$4,645.25~~ **\$5,954.25** for ~~19~~ **25** program participants that were also billed to the City for the same time period. The date on the payment request documentation to the State is June 17, 2009; Yelda invoiced the City for the same charges on July 13, 2009.

The individual responsible for the duplicate billing was a City employee who was also employed by Yelda at the time to provide daily administrative oversight over Yelda's summer youth program. The individual was responsible for approving all participants' timecards as well as reviewing reimbursement requests submitted to the State for same (see also "Conflicts of Interest" on pages 14-15 of this report).

Attachment C
Request for Payment Form

Date: 6-17-09 Contract #: 09-FP-4K-09-68-20-006
 Payment Request #: 6 Project Area: YELDA

To: Jean Amison, Contract Administrator
Office of Urban Opportunity

From: Sarasota Newtown Front Porch Neighborhood Revitalization Council, Inc.
(Front Porch Florida Community Name)
1782 Dr. Martin Luther King Jr. Way, Sarasota, FL 34234
(Office Address)

Subject: Please process the following Payment Request for Contract Expenditure(s):

Item #	Budget ID	Date of Transaction	Expense Item	Amount
1		6-14-09	Student Stipends (for 10 students) timesheets attached	\$3,692.15 3672.00
Total Submitted:				\$3,692.15
Total Requested:				\$3,692.15 3672.00

Contract Balance	
Contract Beginning Balance:	25,000.00
Less Previous Payments Requested:	18,066.43
Less Current Amount Requested:	3,692.15 3,672.00
Projected Contract Balance:	3,241.42 3,261.57

Approved by Council Chair: Mary Wood Date: 6-17-09
 Approved by Treasurer/Secretary: Vergil Coleman Date: 6-17-09
 Reviewed by Coordinator/Assistant: A. H. Date: 6-17-09

For DCA Use Only:
Approved by FP/OUO Contract Administrator: J.M.A. Date: 6/22/09
JUN 22 2009

Attachment C
Request for Payment Form

Date: 6-17-09 Contract #: 09-FP-4K-09-68-20-006
 Payment Request #: 6 Project Area: YELDA

To: Jean Amison, Contract Administrator
Office of Urban Opportunity

From: Sarasota Newtown Front Porch Neighborhood Revitalization Council, Inc.
(Front Porch Florida Community Name)
1782 Dr. Martin Luther King Jr. Way, Sarasota, FL 34234
(Office Address)

Subject: Please process the following Payment Request for Contract Expenditure(s):

Item #	Budget ID	Date of Transaction	Expense Item	Amount
1		6-1-09	Bella Marketing – Coordinator Salary (June)	\$3,085.72
2		6-14-09	Student Stipends (for 10 students) timesheets attached	\$2,282.25
3		6-15-09	Bella Marketing – Coordinator Salary (July)	\$3,085.72
Total Submitted:				\$8,453.69
Total Requested:				\$8,453.69

Contract Balance	
Contract Beginning Balance:	25,000.00
Less Previous Payments Requested:	9,612.74
Less Current Amount Requested:	8,453.69
Projected Contract Balance:	6,933.57

Approved by Council Chair: Mary Wood Date: 6-17-09
 Approved by Treasurer/Secretary: Vergil Coleman Date: 6-17-09
 Reviewed by Coordinator/Assistant: A. H. Date: 6-17-09

For DCA Use Only:
Approved by FP/OUO Contract Administrator: J.M.A. Date: 6/19/09
JUN 22 2009

Attach to this document all required backup documentation to verify the above expenses. See Contract for details.

Expenditures

- **Timecards submitted by the sub-recipients** on behalf of their youth employees often contained mathematical errors, the majority of which were appropriately identified and corrected by City staff for all organizations in both 2009 and 2010. City staff communicated errors to sub-recipient representatives and obtained their approval to make adjustments to the payable amount; however, despite the approval, the sub-recipient organizations were not always diligent in recording the corrections in their files which resulted in incorrect payment to several program participants. According to financial records, the sub-recipient organizations often over- or under-paid program participants even though the City paid the organization the correct, adjusted amount based on supporting documentation.
- **Project Delivery Expenses-** The majority of **A portion of** project delivery expenses for the summer youth programs in both 2009 and 2010 were **not supported by adequate back-up documentation and receipts, which included \$10,000 that was provided to the organizations as “advances” in 2009.**

Internal Audit noted that contract language appropriately included some controls to prevent City payment for unapproved expenses. For instance, Article Six: Payments of the Sub-recipient Agreements states that payment will only be approved if certain conditions are met, including that the sub-recipient’s payment request must, “be accompanied by evidence supporting the request”. Internal Audit review of all payments found that City staff often processed payment without such supporting documentation for project delivery expenses.

The auditor did observe an improvement in contract language from 2009 to 2010 where allowable project delivery expenses were restricted to 10% of the program costs; the prior year’s sub-recipient agreement for both organizations did not include such a restriction. Monitoring of the project delivery expenses also somewhat improved in 2010 as City staff requested supporting documentation for purchases upon conclusion of the program as part of management’s “Monitoring” process (Monitoring did not occur in 2009). Opportunities exist for City staff to fully implement the controls expressed in Article Six of the Sub-recipient Agreements where supporting documentation should be presented, as the Agreement implies, at the time of each payment request. Withholding payment until adequate evidence is presented and approved avoids situations such as Yelda’s in 2010 where, upon conclusion of the program, the organization was still unable to produce supporting documentation for purchases.

A break-down of project delivery expenses is provided below to highlight those that were substantiated by supporting documentation and those that were not.

Summer Youth Program Project Delivery Expenses/ Program Costs

	2009		2010	
	Substantiated Project Delivery Expenses	Unsubstantiated Project Delivery Expenses	Substantiated Project Delivery Expenses	Unsubstantiated Project Delivery Expenses
Man Up	Total Project Delivery Expenses: \$7,620.36		Total Project Delivery Expenses: \$2,831.57	
	\$5,353.48	\$2,266.88	\$2,831.57	\$0
Auditor Notes	Substantiated expenses included: Mileage for the Executive Director and uniforms and books for participants.	Article Six of the Sub-recipient Agreement states that \$10,000 was an advance to be used for weekly payroll checks. Due to lack of documentation provided to the City, it is assumed that the majority of the advance amount was used to support the three participants funded with SPD Forfeiture funds (payroll and associated portion of workers compensation). Auditor was unable to confirm that the remaining funds from the advance (\$2,266.88) were appropriately used or that City staff requested back-up documentation for these expenses. Other reimbursement, requested by Man Up but not paid by the City, included a request for a luncheon deposit and laptop computers for participants.	Substantiated amount included: Uniforms for participants (portion of the bill), a consultant to prepare weekly invoices, and miscellaneous office supplies.	Some items purchased by the organization were deemed to be non-reimbursable by the City and appropriately not paid. The organization was able to produce receipts for acceptable reimbursable items during staff's monitoring period.
Yelda	Total Project Delivery Expenses: \$10,000 Total Project Delivery Expenses: \$0		Total Project Delivery Expenses: \$2,404.39	
	\$0	\$10,000 \$0	\$1,300.00	\$1,104.39
Auditor Notes	The auditor was unable to find evidence that supporting documentation had been submitted to the City to substantiate any project delivery costs.	Article Six of the Sub-recipient Agreement states that \$10,000 was an advance to the program to be used for weekly payroll checks, however, all payroll requests were submitted to the City in additional requests for payment. Auditor was unable to confirm that these funds were appropriately used or that City staff requested back-up documentation for these expenses.	Substantiated amount included: Consultant salary to assist with program.	City staff asked for supporting documentation for project delivery expenses at the end of the program, rather than as payment requests were received. Per City staff, Yelda was unable to produce any receipts for the unsubstantiated amount.
	After the 8/31/11 release of the final audit report, management produced additional documentation on 9/1/11 to evidence that the \$10,000 advance provided to Yelda was used exclusively for wages of non CDBG-eligible participants. There is no evidence to suggest that City funds were used for project delivery expenses.			

- **Overall Program Expenses-** Of the summer programs reviewed, the 2009 Yelda program exceeded its program budget. The budget was exceeded by \$3,917.13, which was the same amount deducted from 2010 funding as Yelda was unable to pay the City back in 2009. It was the City's responsibility to ensure that payments to the organization did not exceed the funding amount approved by the City Commission; the over-payment suggests that budget-monitoring controls were not effective in 2009.

- Conflicts of Interest-** The auditor noted that City employees had relatives/ spouses that benefitted from the sub-recipient organizations, which constitutes a possible violation of Administrative Regulation No. 037.A009.0709, Conflict of Interest Policy. This raises questions of whether the relationships were established separately and prior to the City’s relationship or whether the relatives benefitted as a result of the City’s contractual relationship with the sub-recipient organizations. Relationships between City employees and/or relatives with the City’s contracted parties create opportunities for potential conflict and should be avoided where possible.

Potential Conflicts of Interest		
Payment Amount	Family Members Potentially Benefitting from Relationship	Concern
<p style="text-align: center;">\$4,125</p> <p>Paid to family members from June 7- August 31, 2010.</p> <p>Due to documentation provided only for this time period, auditor was unable to identify additional amounts outside of this period.</p>	<p>Included a wife and a son of past and current city employees/ officials</p>	<p>Administrative Regulation No. 037.A009.0709, Conflict of Interest Policy, prohibits employees or their family members from benefitting directly or indirectly, financial or otherwise, from organizations with which the City conducts business.</p> <p><i>Excerpt:</i></p> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Administrative Regulation No. 037.A009.0709</p> <p style="text-align: center;"><u>Conflict of Interest Policy</u></p> <p>I. Purpose</p> <p style="padding-left: 20px;">The purpose of this Administrative Regulation is to set forth the City of Sarasota’s Conflict of Interest Policy.</p> <p>II. Definition</p> <p style="padding-left: 20px;">A conflict of interest occurs when an elected official; employee; or designated agent of the City of Sarasota, Florida; any member of his or her immediate family; his or her partner; or an organization which employs or is about to employ any of the parties indicated herein, has any interest, financial or otherwise, direct or indirect; engages in any business transaction or professional activity; or incurs any obligation of any nature which is in substantial conflict with the proper discharge of his/her duties in the public interest.</p> </div>
<p>Direct payment for wages and indirect payment for uniform costs</p>	<p>Sons and daughters of City employees and representatives of sub-recipient organizations</p>	<p><i>Reference for City Employees:</i> Administrative Regulation No. 037.A009.0709, Conflict of Interest Policy, prohibits employees or their family members from benefitting directly or indirectly, financial or otherwise, from organizations with which the City conducts business.</p> <p><i>Reference for Sub-recipient Organizations:</i> Article Fifteen of both the 2009 and 2010 sub-recipient agreements forbids a sub-recipient organization member or related family member from directly or indirectly benefitting purchases made with CDBG funds.</p> <p><i>Excerpt from 2010 Sub-recipient Agreement:</i></p> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">ARTICLE FIFTEEN: CONFLICT OF INTEREST</p> <p>No employee, agent, consultant, officer or elected official or appointed official of the SUBRECIPIENT who exercises or have exercised any function or responsibility with respect to CDBG activities assisted under or who are in the position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to a CDBG assisted activity or with respect to the proceed of the CDBG assisted activity, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.</p> </div>

Another conflict of interest was identified where a City employee was hired by one of the sub-recipient organizations to act as the summer youth program “Coordinator”. The auditor observed that this employment relationship was not disclosed to the City; no off-duty employment permit was filed with Human Resources for the time period in question per Human Resources Rule 2.8(E). The auditor determined that the employee was aware of the requirement to request approval for this employment as the employee’s personnel file contained an expired off-duty employment permit which was valid 8/6/07-8/6/08. See the table below for additional concerns.

Additional Conflict of Interest Concern Regarding a City Employee	
Specific Concerns	Applicable City Regulations
<ul style="list-style-type: none"> • City employee did not disclose employment relationship with Yelda in 2009. • Yelda received matching funds from the State Department of Community Affairs (DCA) in 2009 which it was using, in part, to compensate the Coordinator. <p>Of an awarded \$25,000 grant amount, \$16,200 was paid to the Coordinator from March to August 2009; the individual was also collecting a paycheck from the City as a full-time employee during that time period (approximately net \$16,700 in paychecks from the City).</p> <ul style="list-style-type: none"> • Compensation from Yelda to the employee was not addressed in the name of the Coordinator, but rather the name of a company, Bella Marketing Productions and Promotions. <p>Auditor was unable to find evidence, either independently or with the assistance of the Local Business Tax Receipt Specialist, that the company was registered with the State or that it had appropriately obtained County or City local business tax receipts.</p> <ul style="list-style-type: none"> • According to the Sarasota Property Appraiser’s website, the business address on Bella Marketing invoices is a residence owned by the employee’s mother, who is also a City employee who works in another department. 	<p>Human Resources Rule 2.8(E) prohibits employees from engaging in other employment unless a Department Head has approved such employment.</p> <p><i>Excerpt:</i></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>E. Restrictions on Outside Employment: No full-time employee of the City of Sarasota shall engage in any other employment, unless and until, such employee has been issued a written permit by the Department Head, recommended by the Director of Human Resources and approved by the City Manager or City Auditor and Clerk, for their respective employees, stating and describing the particular employment in which such employee may engage. Such permit shall be of no longer than one (1) year in duration. Annual renewal is required, if applicable. Before any such permit shall be issued or renewed by the Department Head, the employee desiring the permit shall make written application stating and describing the particular employment in which the employee desire to engage and shall deliver the same to the Department Head.</p> <p>The Department Head shall, within seven (7) calendar days thereafter, discuss same with the employee and shall notify the employee within ten (10) calendar days of the date of the request, in writing, of the action taken.</p> <p>Any employee who shall willfully disregard or violate these Rules and Regulations shall be subject to reprimand, suspension or dismissal, as the circumstances shall require. Any such permit as may be issued shall name the individual and shall state and describe the employment which has been approved for such employee, and shall be placed in that employee’s permanent personnel file.</p> </div> <p>Administrative Regulation No. 037.A009.0709, Conflict of Interest Policy, prohibits employees from benefitting directly or indirectly, financial or otherwise, from organizations with which the City conducts business.</p> <p><i>Excerpt:</i></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">Administrative Regulation No. 037.A009.0709</p> <p><u>Conflict of Interest Policy</u></p> <p>I. Purpose</p> <p>The purpose of this Administrative Regulation is to set forth the City of Sarasota’s Conflict of Interest Policy.</p> <p>II. Definition</p> <p>A conflict of interest occurs when an elected official; employee; or designated agent of the City of Sarasota, Florida; any member of his or her immediate family; his or her partner; or an organization which employs or is about to employ any of the parties indicated herein, has any interest, financial or otherwise, direct or indirect; engages in any business transaction or professional activity; or incurs any obligation of any nature which is in substantial conflict with the proper discharge of his/her duties in the public interest.</p> </div>

INTERNAL CONTROLS RELATED TO OVERSIGHT OF INSURANCE REQUIREMENTS WERE DETERMINED TO BE INADEQUATE.

Both general liability and workers compensation insurance were required with specific limits in 2009 and 2010. Because the sub-recipient organizations had made the assertion that this expense was a financial burden, the City opted to pay directly for the insurance costs in 2010.

Despite the City's efforts to help assure insurance coverage was in place by paying directly for the premium, the Yelda program failed to obtain workers compensation insurance in 2010. The organization obtained a quote for the insurance and the City issued payment for the policy; however, the organization failed to submit necessary additional information to the provider regarding participants and, therefore, the policy was never bound. Because the City did not require the official Certificate of Insurance, City staff did not become aware that the policy was not in place until the end of the summer when the premium check was returned to the City.

While Yelda's lack of workers compensation insurance in 2010 put the City at potential liability for the uninsured youth, it was the City's responsibility to ensure the coverage was actually in place by reviewing the final issued Certificate of Insurance. The absence of insurance coverage suggests that the City lacks an effective review process for monitoring insurance required of the sub-recipient organizations.

THE CITY'S ENFORCEMENT OF COMPLIANCE WITH CONTRACT TERMS WAS FOUND TO BE INEFFECTIVE. WHERE THE SUB-RECIPIENT ORGANIZATIONS WERE NOT IN COMPLIANCE, CITY STAFF DID NOT HOLD THE SUB-RECIPIENTS ACCOUNTABLE.

- **Reporting-** The Sub-recipient Agreements laid out reporting requirements and expectations for the sub-recipient organizations in both 2009 and 2010 (with the exception of MERIT). The auditor was unable to obtain evidence that either Man Up or Yelda submitted monthly reports, as required by the 2009 Sub-recipient Agreements. While there is evidence to suggest that City staff reminded at least one of the organizations about the requirement, there does not appear to have been any follow-up or enforcement of the requirement.

The auditor noted that annual reports were submitted by both of the organizations in 2009 and 2010.

- **Program Eligibility-** It was necessary for program participants to meet certain eligibility requirements specific to income and residency in order to qualify for CDBG funding. The sub-recipient organizations were responsible for obtaining this documentation and City staff was responsible for confirming the information and officially approving the participants for the programs. Neither of the organizations was timely with submittal of program eligibility information and, in fact, several of the participants were not officially confirmed to be eligible for the programs until mid-summer or the end of the program each year.

Correspondence between City staff and the organizations evidences that numerous unsuccessful requests were made to the organizations to obtain the information. Rather than withholding payment until the receipt of all necessary documentation, the City paid for the participants regardless of the language in Exhibit A of the Sub-recipient Agreement that states, "No beneficiary may participate in the program and begin work until the City notifies the Subrecipient that the beneficiary meets the eligibility requirements of the program".

- **Child Labor Laws-** Per Section 450.081, Florida Statutes, employers in the State of Florida are required to provide concessions for youth employees, including ensuring that the youths do not work more than four hours without a 30-minute break and that, for certain ages, all work must occur within certain

hours of the day. Overall, the auditor noted that employers (including City departments) that host summer youth workers must be more diligent about ensuring breaks are taken within the required timeframe as there were numerous occasions for both programs where breaks were either not recorded at all or recorded as occurring in excess of four hours.

AUDIT OBSERVATIONS AND RECOMMENDATIONS

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
1	Revamp the Administration of the Summer Youth Program(s)	<p>Work hours on timecards often contained errors and were not always submitted on-time by the sub-recipient organizations. City staff spent considerable time identifying errors and confirming agreement with the organization that changes to payment amounts were needed each pay period.</p> <p>Participant eligibility documentation was not received in a timely manner and all participants must meet certain requirements in order to be paid with CDBG funds. City staff struggled to obtain this information from sub-recipient organizations (see observation #3).</p> <p>There were also multiple observed instances in which paychecks written by the sub-recipient organizations to the program participants were not valid due to insufficient funds even though the City paid the organization a sufficient amount to cover payroll costs.</p>	<p>Modify the Sub-recipient Agreements so that the City is responsible for payroll administration and recruitment and the sub-recipient provides day-to-day operational services only.</p> <p>See Exhibit B for a detailed proposal. This recommendation does not preclude the organization from involvement with other funding entities, but rather prescribes a more amenable contract structure related to City funds.</p> <p>Changes would include:</p> <p style="text-align: center;"><u>Sub-recipient</u></p> <p>Handle administration of the program only- ie, mentorship/ leadership skills training, day-to-day administration of program, performance reporting, etc.</p> <ul style="list-style-type: none"> • <i>Program Funds:</i> Compensation/ stipend for "services" only (10% or less of program funds). • <i>Benefit:</i> Eliminates the need for the sub-recipient to expend funds on hiring administrative consultants relative to City-funded program participants and allows the organization to focus on its mission to assist youth through mentorship. <p style="text-align: center;"><u>City</u></p> <p>Handle all payroll functions for the participants by hiring participants as part-time, temporary employees.</p> <p>Recruit for the summer youth jobs through the City's website and hire participants who meet eligibility requirements on a first-come, first-served basis. Eligibility documentation must be submitted with the application so that the City can review and certify eligibility.</p> <ul style="list-style-type: none"> • <i>Program Funds:</i> City pays payroll costs directly (90% or more of program funds). • <i>Benefit:</i> Increased accuracy of timekeeping through timekeeping system, ensures that participants have workers compensation insurance, relieves the burdensome payroll review and approval process, and opens program up to <u>all</u> eligible youth in the City of Sarasota. <p>Priority: High</p>	X		<p>Staff accepts the recommendation of the auditor with some modifications. Staff recommends that the City take full responsibility for managing the entire program. Staff will take to the City Commission for their review and approval a proposal to administer the payroll, recruitment and administration of the program. Selection of the young people who meet eligibility requirements would be made by the city, but would be based on some combination of first come - first served or, possibly, a subjective process to reward high performing youth.</p> <p>Committed Action Item Due Date: 12/31/11</p>

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
2	Payments	<p>City staff did not always request, and the sub-recipient organizations did not also provide, supporting documentation necessary to substantiate purchases made with project delivery or program funds.</p> <p>Article Six of the Sub-recipient Agreements in both 2009 and 2010 require the sub-recipient to provide evidence to support the payment requests submitted to the City before the payment process will be initiated. However, the City did not require such documents at the time of each payment and made payments to the organizations without expense justification.</p>	<p>Remit payment to sub-recipient organizations only after all appropriate supporting documentation has been provided to substantiate purchases.</p> <p>In the event appropriate documentation is not received, payment should be withheld until such documentation is obtained.</p> <p>Priority: High</p>	X		<p>By accepting recommendation #1 as modified above, there will be no future payments to the subrecipients. However, if recommendation #1 is not pursued, staff concurs with the audit recommendation.</p> <p>Committed Action Item Due Date: 12/31/11</p>
3	Participant Eligibility and Consistency in Enforcement of Contract Terms	<p>Eligibility documentation was not received in a timely manner in accordance with terms in the Sub-recipient Agreements.</p> <p>After the sub-recipient organizations missed the deadlines for submitting eligibility information, the auditor noted correspondence in which City staff repeatedly requested the information to ensure the participants were eligible to be paid with CDBG funds. There were instances from both years where sub-recipient organizations did not provide documentation for some participants until the middle or end of the summer. Even though the City had not received this documentation, they continued to remit payment to the organization for the unverified participants.</p>	<p>Enforce the terms of the sub-recipient agreements consistently with all organizations. Discontinue management override and waiving of contractual language/ deadlines based on organizations' failure to comply.</p> <p>If sub-recipient organizations do not submit the proper and necessary paperwork for participant eligibility by the contractual deadline, the City should not fund those participants.</p> <p>If an organization is bound by contract to perform a certain task, the City should consider any deviation a breach of contract and address it as such.</p> <p>Priority: High</p>	X		<p>By accepting recommendation #1 as modified above, there will be no future relationships with subrecipients. However, if recommendation #1 is not pursued, staff concurs with the audit recommendation.</p> <p>Committed Action Item Due Date: 12/31/11</p>

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
4	Fiscal Accountability	The sub-recipient organizations receive donations from other entities and it is not clear whether or how the organizations utilize the donations to supplement the summer youth programs.	<p><i>If the City chooses not to implement recommendation #1:</i></p> <p>Require the sub-recipients to provide a list of other funding sources when the City requires matching funds. The City should follow-up with outside funding sources to ensure the City is not being billed for participants that are funded from another organization. (Example: City did not request detail on how Yelda’s matching funds would be spent in 2009 and were, therefore, unaware that Yelda had invoiced both the City and the State for the same expenses.)</p> <p>Require that program funds paid by City cannot be co-mingled with any other funds managed by the organization.</p> <p>Sub-recipient organizations should be required to open a separate bank account for City funds and, upon conclusion of the program, submit bank statements for this account.</p> <p>Priority: Medium</p>	X		<p>By accepting recommendation #1 as modified above, there will be no future payments to subrecipients. However, if recommendation #1 is not pursued, the most recent Subrecipient Agreement with Man Up states that the City "shall have full and unrestricted access to all documents of the SUBRECIPIENT related to the Summer Youth Program, regardless of the funding source." This language should be included in any future subrecipient agreement for a Summer Youth Program. In the future, the City would monitor the subrecipient's compliance to ensure that subrecipients are not invoicing the City and another organization for the same expenses.</p> <p>In regards to the recommendations about co-mingling of funds and separate bank accounts, staff believes that a separate ledger account should be created and maintained by a subrecipient in order to track funds provided by the City. This bookkeeping function should also be applicable for all organizations that provide funding to a Summer Youth Program subrecipient agency. As noted above, all ledger accounts should be available for City inspection to monitor the disposition of funds. Staff believes that the costs and management associated with maintaining separate bank accounts for these non-profit organizations may burden an organization.</p> <p>Committed Action Item Due Date: 12/31/11</p>
5	Solicitation of Contributions	<p>The sub-recipient organizations solicit donations from various community entities, which the City has supported by providing the organizations with letters that endorse the organizations and which are signed by the mayor to aid them in donation solicitation.</p> <p>As of the time of audit fieldwork, neither of the organizations was registered with the State Department of Agriculture and Consumer Services to solicit contributions per Section 496.405, Florida Statutes.</p>	<p>Discontinue the issuance of “endorsement letters” which promote the giving of donations to organizations until such time that organizations are registered to solicit under the State of Florida’s Solicitation of Contributions Act.</p> <p>Priority: High</p>	X		<p>On April 5, 2010, the City Commission directed staff to draft a letter to be signed by the Mayor that could be used by the Yelda and Man Up organizations to solicit donations. If asked for a similar request in the future, the staff will determine if the organization is registered to solicit under the State of Florida’s Solicitation of Contributions Act and, if not, report back to the City Commission for direction.</p> <p>Committed Action Item Due Date: 9/1/11</p>

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
6	Background Checks for Program Participants	The auditor obtained evidence that a criminal background check was performed on program participants prior to the beginning of Yelda's summer program in 2010. Based on the results of the background check, two individuals were determined to be ineligible and were not invited to participate in the program. However, those individuals were later admitted to MERIT that summer.	<p>Require Criminal History Checks (available from the Florida Department of Law Enforcement) for each of the program participants prior to their employment start date and utilize the results to determine program eligibility.</p> <p>Information regarding felonies (not misdemeanors) may be discoverable regardless of a child's age per Florida Statutes, Section 985.04(2).</p> <p>Priority: High</p>	X		<p>Human Resources is currently drafting policy on background screening. Different positions will have different requirements for screening to ensure the process is both comprehensive and legally defensible. Anticipated date of implementation is October 31, 2011.</p> <p>Committed Action Item Due Date: 10/31/11</p>
7	Conflicts of Interest	Relationships were identified between relatives of City employees and the sub-recipient organizations, which create opportunities for potential conflict.	<p>Investigate all potential conflicts of interest considered in the audit report against the City's Conflict of Interest Policy.</p> <p>Investigate the situation regarding the City employee who was receiving paychecks from both Yelda and the City without an off-duty employment permit in accordance with Human Resources Rule 2.8(E).</p> <p>Determine whether it will be allowable for children of City employees to participate in the City-funded summer youth programs. Modify the language in the City's Conflict of Interest Policy to allow for this if management/ the City Attorney decide it is acceptable.</p> <p>Priority: High</p>	X		<p>There are four (4) potential conflicts discussed in the audit report.</p> <p>The first dealt with whether the children of city employees may participate in the summer youth program. Staff previously researched the issue of whether City Employees and their dependents may participate in CDBG funded activities with the City Attorney's office and HUD.</p> <p>24 CFR 570.611(b) states that "the general rule is that no persons... who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or to gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG assisted activity...."</p> <p>The city employees who had children employed by the subrecipients receiving CDBG funds did not exercise any function or responsibility related to the program and did not receive any inside information on the program. Therefore, there was no conflict of interest according to HUD rules or the City Attorney's Office.</p> <p>The second dealt with the spouse of a City employee who works in a department that provided funding to the summer youth programs. At the time, the employee had no decision-making authority over funding provided to the summer youth programs. The employee's spouse is an accountant that was contracted to perform bookkeeping for the Man Up program. There was no business transaction or obligation of any nature that conflicted with the proper discharge of the City employee's duties in the public interest, nor did the employee or the spouse benefit as a result of the employee's position in the City.</p> <p>The third dealt with the child of an employee of one of the subrecipient agencies. In 2009, staff was not aware that the child was related to the employee and the subrecipient did not request for the child to be paid with CDBG funds. During the audit, it was discovered that a uniform shirt(s) that was purchased in 2009 by the subrecipient agency may have been issued to the child. The CDBG funds only paid for a portion of the shirts that were purchased by the subrecipient agency, so it</p>

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
						<p>cannot be determined if CDBG funds were, in fact, used to purchase a shirt for that specific child. In 2010, when the staff became aware that the child was related to the employee, staff reiterated that CDBG funds could not be used to pay for that child to eliminate any potential conflict of interest issue. Therefore, no CDBG funds were used to pay for any expenses for that child during 2010 or 2011.</p> <p>Auditor Comment: Expenditure Voucher #CE12878068 includes payment for 9 participants' uniforms. The same voucher identifies those 9 participants by name for payroll purposes. It appears without question that the named relative received a uniform paid by the City. (This reference was previously provided to management.)</p> <p>The fourth dealt with an employee who did not disclose employment with Yelda in 2009. The referenced employee has been counseled regarding the requirement for an Off-Duty Employment Permit each year in order to be employed by another employer other than the City of Sarasota. The employee stated that the employee did not intentionally hold outside employment without first receiving an Off-Duty Employment Permit approval, but rather forgot about the requirement to annually submit the permit application form.</p> <p>The Human Resources Department is revising the Off-Duty Employment Permit process to align approvals with the fiscal year. Department directors will receive an annual listing of those approved Off-Duty Employment Permits expiring on September 30. Those employees with expiring permits will be directly contacted by their department director to determine if the individual is requesting approval for the following fiscal year.</p> <p>Permits may be granted mid-year but will expire on September 30 and require renewal to be in compliance with City policy.</p> <p>Regarding Conflict of Interest, the summer youth programs should mirror our nepotism rules. Any City staff with direct accountability for summer youth programs or providing program funding should be precluded from having relatives participate in the summer youth programs.</p> <p>The Human Resources Department will send out a reminder that employees and elected officials should disclose potential conflicts of interest to ensure an actual conflict of interest does not occur.</p> <p>Committed Action Item Due Date: 9/30/11</p>

Issue #	Subject	Observation	Recommendation	Concur	Do not concur	Management Response (black text) Internal Audit Comment (red text)
8	Child Labor Laws	In both 2009 and 2010 there were numerous instances in which breaks were either not recorded at all or recorded as occurring in excess of four hours for program participants which is not in accordance with rules outlined in section 450.081, Florida Statutes.	Require all City departments to adhere to child labor law requirements outlined in Section 450.081, Florida Statutes. Encourage the sub-recipient organizations to educate all outside employers of the requirements, as well. Priority: Medium	X		<p>The City will provide direction to all departments who employ summer youth program participants summarizing child labor law requirements and the necessity for accurate time reporting. Further, staff will require a mandatory orientation for summer youth supervisors and fully explain child labor law requirements</p> <p>By accepting audit recommendation #1 as modified above, there will be no need to interface with subrecipient organizations on this issue.</p> <p>Committed Action Item Due Date: 12/31/11</p>

EXHIBIT A: INTERNAL AUDIT RECOMMENDATION PRIORITIES

Internal Audit utilizes the following classification scheme applicable to internal audit recommendations and the appropriate corrective actions:

Priority Level ¹	Description	Implementation Action ³
High	Fraud or serious violations are being committed or have the potential to occur, security issues, significant financial or non-financial losses are occurring or have the potential to occur. ²	Immediate
Medium	A potential for incurring moderate financial or equivalent non-financial losses exists. ²	Within 60 days
Routine	Operation or administrative process will be improved.	60 days to 6 months

- 1 The City Auditor and Clerk is responsible for assigning internal audit recommendation priority level categories. A recommendation that clearly fits the description for more than one priority level will be assigned the higher level.
- 2 For an audit recommendation to be considered related to a significant financial loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved, or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-financial losses would include, but not be limited to, omission or commission of acts on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.
- 3 The implementation time frame indicated for each priority level is intended as a guideline for establishing target dates. Determining proposed action dates is the responsibility of the Charter Official(s) over the area(s) or function(s) audited.

NOTE: Please note that this exhibit is a standard form which appears in every audit and is meant to be utilized to aid management in understanding the seriousness or potential seriousness of an audit observation. A "High" or "Medium" priority rating assigned to an audit observation should not be construed to mean that fraud or wrongdoing is, in fact, occurring but rather fraud or wrongdoing has the potential to occur in the absence of adequate internal controls.

EXHIBIT B: DETAILED OUTLINE OF RECOMMENDATION #1

The City should strongly consider implementing the following changes to the responsibilities outlined in the Sub-recipient Agreements for Summer Youth Programs:

	Current Practice	Issues with Current Practice	Proposed Change	Benefit
Payroll Administration and Fund Allocation				
Sub-recipient Organization Responsibility	<p>Currently handles:</p> <ol style="list-style-type: none"> 1) Collection of timecards, approval of timecards, distributing City payroll payment to participants, 2) Administrative/ program expenses, and 3) Delivery of leadership/ mentorship guidance to participants for "life skills" one day per week. 	<p>Work hours on timesheets are often miscalculated and submitted by the sub-recipient organization with errors.</p> <p>City staff spends considerable time identifying errors and then confirming agreement with the organization that there are errors and that changes to timecards/ payment amounts are needed.</p> <p>The number of errors and burdensome review time may be reduced and the payroll administration process made more efficient by having the City take on all payroll administration duties for program participants. This would remove all payroll responsibilities from the sub-recipient organizations.</p>	<p>Sub-recipient organizations should:</p> <p>Handle administration of the program only.</p> <p>Administration may include: mentorship/ leadership skills training, day-to-day administration of program, performance reporting, etc.</p> <p>This would mean that the sub-recipient organization receives compensation for "services" only.</p> <p>(10% or less of program cost, whatever the City finds appropriate for services.)</p>	<p>Enables the sub-recipient to focus on mentorship/ life skills aspect of the program and on the organization's mission statement, which is the main benefit the sub-recipient has to offer.</p>
City Responsibility	<p>Currently performs:</p> <ol style="list-style-type: none"> 1) Review of worked hours, re-calculation, adjustment of hours, communication of discrepancies in timecards, approval of final timecards, and processing payment for payroll. 2) Review and approval of administrative/ program expenses. 	<p>The number of errors and burdensome review time may be reduced and the payroll administration process made more efficient by having the City take on all payroll administration duties for program participants. This would remove all payroll responsibilities from the sub-recipient organizations.</p>	<p>City should:</p> <p>Handle all payroll functions for the participants by hiring participants as part-time, temporary employees.</p> <p>Participants would utilize the City timekeeping system which would increase accuracy and eliminate the need for the burdensome paper review and approval process.</p> <p>This would mean that the City holds onto and pays payroll costs directly.</p> <p>(90% or more of program funds.)</p>	<p>Eliminates:</p> <ol style="list-style-type: none"> 1) Tedious paper timekeeping and constant review/approval process each pay period. 2) Need for sub-recipient to incur costs for an accountant specifically related to this program. <p>Ensures that all program participants are:</p> <ol style="list-style-type: none"> 1) Accurately and timely paid; and 2) Covered under workers compensation insurance.

EXHIBIT B: DETAILED OUTLINE OF RECOMMENDATION #1 (CONTINUED)

	Current Practice	Issues with Current Practice	Proposed Change	Benefit
Hiring Summer Youth Participants/ Income and Other Eligibility				
Sub-recipient Organization Responsibility	<p>Currently handles:</p> <ol style="list-style-type: none"> 1) Recruitment and hiring of all participants, 2) Collection of relevant documentation from participants to certify income and other eligibility for the program. 	<p>Necessary documentation to certify a participant's eligibility is not always received in a timely fashion. There were instances from both years where sub-recipient organizations did not provide documentation for some participants until the middle or end of the summer.</p> <p>There is evidence that City staff requested eligibility documentation on numerous occasions and were unable to obtain it from the sub-recipient organizations. Eligibility must be verified by City staff in order for participants to qualify for CDBG funding.</p>	<p>Sub-recipient organizations should:</p> <p>Relinquish responsibility for recruiting, hiring, and proving eligibility of program participants.</p>	<p>Allows all eligible youth in the City of Sarasota to be considered for employment rather than just those that are involved with the sub-recipient organizations.</p> <p>Removes all responsibility associated with program eligibility (the City must review this regardless).</p>
City Responsibility	<p>Currently performs:</p> <ol style="list-style-type: none"> 1) Requests for information regarding participant eligibility, and 2) Review/certification of participants hired by the sub-recipient organizations to verify they can be paid with CDBG funds. 		<p>City should:</p> <p>Recruit for the summer youth jobs through the City's website and hire participants who meet eligibility requirements on a first-come, first-served basis.</p> <p>Eligibility documentation should be submitted at the time of application so that the City can review and certify eligibility (as is the normal practice).</p>	<p>Allows all eligible youth in the City of Sarasota to be considered for employment.</p> <p>Ensures that only participants who submit timely and proper eligibility documentation will be selected for the program.</p>

EXHIBIT C: CONSIDERATIONS FOR MAN UP

The below considerations are a result of the City of Sarasota's audit of summer youth programs and the City's oversight related to the sub-recipient agreements. During audit fieldwork and testing, the auditor made some observations which the organization may choose to further consider internally and with other outside guidance; Internal Audit of the City of Sarasota offers no opinion or assurance over the internal controls of the Man Up organization.

The organization may want to further consider:

- **All current contracts for services.**
Do all service providers/ instructors have contracts that lay out terms, length, scope, payment dates and payment amounts? (See table on following page which highlights some inconsistencies in payroll frequencies and amounts.)
- **Roles and responsibilities of the Executive Director and conditions/ policies associated with his/her authority.**
Is the Executive Director able to write checks to him/herself or is there a requirement to have the Treasurer sign all checks? Who is monitoring expenses? How is authority delegated- what tasks are those of the Executive Director versus those assigned to other members of the organization?
- **Members of the organization that receive the organization's bank statements.**
Who is monitoring the organization's expenses? How many people in the organization receive bank statements directly from the banking institution (Treasurer and Executive Director)? Is the individual incurring expenses also the one reconciling to the bank statement?
- **ATM transactions- frequencies, dollar amount, date/time of transactions, and use of funds.**
When are ATM transactions permitted and how is the use of those funds substantiated? Are withdrawals being made at odd times of the day that are inconsistent with business operations? How many individuals can make such transactions?
- **Reasonableness of travel expenses.**
Are the charges associated with travel reasonable and in-line with business needs?
- **All bank accounts for appropriateness of uses.**
How many separate accounts are there? Are the accounts being utilized appropriately? Are expenses and revenues posted to the correct accounts?
- **General financial oversight and management controls.**
What controls are in place to ensure over-drafting does not occur? How are the organization's accounts monitored on a day-to-day basis? How often do checks bounce and what is the underlying cause?
- **Timeliness of document submittal.**
Who is responsible for ensuring program documents are submitted in a timely fashion- timecards, reports, program eligibility documentation? What is causing the organization to submit this information late?
- **Conflicts of interest (in appearance or actual).**
Are there any known conflicts of interest in which an organization member or family member is inappropriately benefitting?
- **Expenses and supporting documentation.**
Who is responsible for maintaining appropriate records so that expenses can be substantiated? Is payment to program participants being configured correctly and adjusted for errors? (Auditor noted that the organization overpaid the 4 CDBG-funded program participants a net \$208.77 in 2009 and underpaid a net \$353.00 to program participants in 2010 based on uncorrected timecard errors and misapplication of rates of pay). Are funds being utilized appropriately and are they in-line with organization by-laws and contractual guidelines?

EXHIBIT C: CONSIDERATIONS FOR MAN UP (CONTINUED)

Examples of Transactions that Raise Questions				
<i>Vendor</i>	<i>Date</i>	<i>Amount</i>	<i>Account</i>	<i>Auditor Comment</i>
Sun Check Cashers	6/17/2010	\$ 170.00	7564	If the business has a bank account, why is there a need to go to a check-cashing establishment?
FPL	6/28/2010	\$ 115.00	5015	If this was an operating expense, would expect to see recurring monthly charges (ex: also on 7/28, 8/28)- however, for the period in which statements were provided, this is the only transaction.
Avis Rent-a-Car	8/23/2010	\$ 2,807.61	7564	This is a large dollar amount for car rental. How long was the car rented and for what purposes?
RJM Acquisitions	6/14/2010	\$ 250.00	7564	According to its website, this is a debt collection agency. A google search further describes potential scams associated with the company. This should be further researched.

June 7, 2010- August 31, 2010

Examples of Inconsistency of Payments to "Program Instructors"- Inconsistent Amounts, Days of the Week, and Intervals between Payments

Program Instructor #1

Payment Date	Amount	Payment Day of the Week	# of days since prior payment
6/14/2010	\$ 1,000.00	Monday	
6/22/2010	\$ 500.00	Tuesday	8
6/29/2010	\$ 500.00	Tuesday	7
7/2/2010	\$ 500.00	Friday	3
7/8/2010	\$ 500.00	Thursday	6
7/20/2010	\$ 500.00	Tuesday	12
\$ 3,500.00			

Program Instructor #2

Payment Date	Amount	Payment Day of the Week	# of days since prior payment
6/11/2010	\$ 2,000.00	Friday	
6/28/2010	\$ 1,000.00	Monday	17
6/30/2010	\$ 100.00	Wednesday	2
7/2/2010	\$ 800.00	Friday	2
7/12/2010	\$ 250.00	Monday	10
7/16/2010	\$ 200.00	Friday	4
7/19/2010	\$ 100.00	Monday	3
8/11/2010	\$ 500.00	Wednesday	23
8/17/2010	\$ 300.00	Tuesday	6
\$ 5,250.00			

Program Instructor #3

Payment Date	Amount	Payment Day of the Week	# of days since prior payment
6/30/2010	\$ 500.00	Wednesday	
7/6/2010	\$ 500.00	Tuesday	6
7/9/2010	\$ 500.00	Friday	3
7/30/2010	\$ 500.00	Friday	21
8/2/2010	\$ 500.00	Monday	3
\$ 2,500.00			

EXHIBIT D: CONSIDERATIONS FOR YELDA

The below considerations are a result of the City of Sarasota's audit of summer youth programs and the City's oversight related to the sub-recipient agreements. During audit fieldwork and testing, the auditor made some observations which the organization may choose to further consider internally and with other outside guidance; Internal Audit of the City of Sarasota offers no opinion or assurance over the internal controls of the Newtown Front Porch organization or its Yelda program.

The organization may want to further consider:

- **All current contracts for services.**
Do all service providers/ instructors have contracts that lay out terms, length, scope, payment dates and payment amounts? Are service providers legit businesses that are registered with the State?
- **Roles and responsibilities of the Executive Director and conditions/ policies associated with his/her authority.**
Is the Executive Director able to write checks to him/herself or is there a requirement to have the Treasurer sign all checks? Who is monitoring expenses? How is authority delegated- what tasks are those of the Executive Director versus those assigned to other members of the organization?
- **Members of the organization that receive the organization's bank statements.**
Who is monitoring the organization's expenses? How many people in the organization receive bank statements directly from the banking institution (Treasurer and Executive Director)? Is the individual incurring expenses also reconciling to the bank statement?
- **All bank accounts for appropriateness of uses.**
How many separate accounts are there? Are the accounts being utilized appropriately? Are expenses and revenues posted to the correct accounts?
- **General financial oversight and management controls.**
What controls are in place to ensure over-drafting does not occur? How are the organization's accounts monitored on a day-to-day basis? How often do checks bounce and what is the underlying cause? Who monitors program budgets to ensure that expenses do not exceed the budgeted amount?
- **Timeliness of document submittal.**
Who is responsible for ensuring program documents are submitted in a timely fashion- timecards, reports, program eligibility documentation? What is causing the organization to submit this information late? Who is responsible for ensuring appropriate insurance is obtained?
- **Duplicate billing for program participants.**
What controls are in place to ensure that the organization does not bill twice for the same good/service either to the same entity or different entities?
- **Conflicts of interest (in appearance or actual).**
Are there any known conflicts of interest in which an organization member is inappropriately benefitting?
- **Taxes.**
Who is responsible for ensuring appropriate tax amounts are withheld from employee paychecks?
- **Expenses and supporting documentation.**
Who is responsible for maintaining appropriate records so that expenses can be substantiated? Is payment to program participants being configured correctly and adjusted for errors? (Auditor noted that the organization underpaid a net \$289.00 to program participants in 2009 as compared to hours reflected on timecards and the amount paid by the City). Are funds being utilized appropriately and are they in-line with organization by-laws and contractual guidelines?