

March 23, 1992

Mr. Brett Mair, Coordinator
Tompkins Cortland Labor Coalition
109 West State Street
Ithaca, New York 14850

Dear Mr. Mair:

Enclosed is a draft copy of our financial and compliance audit report for the Tompkins Cortland Labor Coalition, Occupational Safety and Health Training and Education Program (OSH), Contracts No. 004972 and No. 005402, for the period July 1, 1988 through June 30, 1990.

We will contact you after you have had an opportunity to review the draft report to see if you want a formal exit conference. If you decide that you would like an exit conference, we will schedule one at that time. If you do not want an exit conference, but would like to submit comments to be included in the final report, please submit them within 30 days of receipt of this letter. If no comments are received within 30 days we will issue a final report.

Thank you for your cooperation in this matter.

Sincerely,

Charles G. Kilb

Charles G. Kilb
Director
Division of Audit and Compliance

PW:fc
Enclosure

cc: E. Gynn
L. Job
M. Colavito

(OSH
launched
6/87)

The total questionnaire cost is \$5,000.

It was determined that the findings outlined above did not substantially affect the financial reports submitted to NYSDOL.

DRAFT

DEPARTMENT OF LABOR
INDEPENDENT AUDIT BUREAU

TOMPKINS CORTLAND LABOR COALITION
FINANCIAL AND COMPLIANCE AUDIT

Managerial Summary

Scope of Examination

We have examined the financial records and reports of the Tompkins Cortland Labor Coalition for the period July 1, 1988 through June 30, 1990. The general objectives of our examination were to determine whether the financial statements of the auditee fairly present the cash position and results of financial operations and whether the entity has complied with laws and regulations that may have a material affect upon the financial statements.

Background

This audit covers the contract agreements between NYSDOL and the Tompkins Cortland Labor Coalition. NYSDOL reimbursed the auditee \$69,487 to administer this Occupational Safety and Health Training and Education Program, Contracts No. 004972 and No. 005402 funded by the General Fund of New York State. Reported expenditures for the audit period were \$69,487.

Major Observations and Conclusions

Our audit disclosed that the auditee was in general compliance with applicable State laws, regulations, and procedures. The financial reports of the Tompkins Cortland Labor Coalition present fairly the results of financial operations and cash position for the period examined except for the following departures from prescribed State fiscal policy:

1. The auditee did not maintain a documented cost allocation plan to support the distribution of certain joint expenses between programs. This resulted in \$3,747.75 of questioned costs.
2. The auditee incorrectly reported certain fringe benefit costs. This resulted in questioned costs of \$668.02.
3. The auditee incorrectly allocated rent. This resulted in \$90.00 of questioned costs.
4. The auditee did not provide a clear audit trail for reported program costs. No questioned costs resulted from this finding.

The total questioned cost is \$4,505.77.

It was determined that the findings outlined above did not materially affect the financial reports submitted to NYSDOL.

Tompkins Cortland Labor Coalition
109 West State Street
Ithaca, N.Y. 14850

Occupational Safety and Health Training and Education Program

Contracts No. 004972 and No. 005402

FINANCIAL AND COMPLIANCE AUDIT

FOR THE PERIOD July 1, 1988 THROUGH June 30, 1990

SUBMITTED TO:

Mr. Charles G. Kilb
Director
Division of Audit and Compliance
New York State Department of Labor
Building 12, Room 261
State Office Building Campus
Albany, New York 12240

DATE:

NEW YORK STATE DEPARTMENT OF LABOR
INDEPENDENT AUDIT BUREAU

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SUMMARY

We have examined Schedules A and B which summarize reported cash position and financial results of the Occupational Safety and Health Training and Education Program (OSH), Contracts No. 004972 and No. 005402 for the period July 1, 1988 through June 30, 1990. These contracts were awarded by the New York State Department of Labor to the Tompkins Cortland Labor Coalition.

SCOPE OF AUDIT

This report covers our examination of financial transactions, accounts and reports for the period July 1, 1988 to June 30, 1990.

Our examination was made in accordance with the provisions of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination included such tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances. The aforementioned Schedules A and B are not intended to present either the financial results of operations or financial position in conformity with generally accepted accounting principles.

This audit covered all activities, functions, etc., which may have had a material effect on the financial statements of the audited entity. The audit of compliance management practices included the following areas:

- Financial Control and Accounting Systems
- Allowability of Costs
- Limitations on Costs

We have used judgmental sampling to test the audit universe as universe sizes were too small to employ statistical sampling techniques. The total expenditures for the period were \$69,487. Our audit sample totalled \$21,174 or 31% of the total expenditures.

BACKGROUND

This audit was made in accordance with the general provisions of the New York State OSH Legislation and the auditee's contract agreements with NYSDOL. It covered the period July 1, 1988 through June 30, 1990.

The audit covers the contract agreements between NYSDOL and the Tompkins Cortland Labor Coalition to operate an Occupational Safety and Health Training and Education Program. The goal of the program is to promote safe and healthy conditions in the workplace. This is to be achieved through training, education, and other proven preventive programs designed to:

- a. abate occupational safety and health hazards in the workplace;
- b. encourage voluntary compliance with occupational safety and health regulations; and
- c. foster activities on the part of employers and employees intended to prevent workplace injuries and illnesses.

The goals and objectives of these contract agreements were to:

- assist and educate workers in identifying the hazards associated with their occupations and
- increase labor and management efforts to reduce health and safety risks at the worksite.

This was accomplished through surveys, group interviews, training workshops, and establishing a Health and Safety Committee. The specific areas of concern were:

- hazardous substances related to custodial occupations in both contracts
- asbestos in Contract No. 004972 and
- video display terminals in Contract No. 005402.

The general objectives of this financial and compliance audit are to determine whether:

1. financial operations are properly conducted;
2. financial reports of an audited entity are fairly presented; and
3. the entity has complied with applicable laws and regulations.

OPINION

Auditor's Exhibit I lists \$4,505.77 of questioned costs disclosed by our audit sampling for the period July 1, 1988 to June 30, 1990. The determination as to whether the costs will be allowable or unallowable will be made by the New York State Department of Labor.

In our opinion, subject to any effects of the ultimate resolution of questioned costs, Schedules A and B present fairly the auditee's cash position and financial results of operations for Contracts No. 004972 and No. 005402.

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REPORT OF INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

As part of our examinations, we made a study of the system of internal accounting and administrative control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions. The purposes of our evaluation are to establish a basis for reliance on the system of internal accounting and administrative control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist us in planning and performing our examination of the financial statements.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the costs of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal and administrative accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purposes set forth in the first paragraph of this report would not necessarily disclose all material weaknesses in the system nor all deviations from prescribed compliance requirements because it was based on selective tests of accounting records and related data. Accordingly, we do not express an opinion on the system of internal accounting control. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

FINDINGS AND RECOMMENDATIONS

1. Our audit disclosed that the Tompkins Cortland Labor Coalition did not maintain a documented cost allocation plan to support the distribution of telephone, office supplies, postage and the bookkeeper's wage and fringe between programs. Without a documented allocation system, the

fairness of the distribution of the expenses between these contracts and the other funding sources could not be readily verified. However, based on our analysis of total staffing and funding, we determined that except for the bookkeeper's wage and fringe in Contract No. 005402, the amounts reported were fair and reasonable. The bookkeeper's wages of \$3,211.52 and associated fringe benefit costs of \$536.23 are questioned. The total questioned costs is \$3,747.75. See Auditor's Exhibit I-A for details.

We recommend that the Tompkins Cortland Labor Coalition develop and implement controls and procedures to support and document the allocation of expenditures among various funding sources. The controls and procedures should clearly define the basis for allocation. The application of this basis should be uniform and consistent.

2. Our audit disclosed that the Tompkins Cortland Labor Coalition incorrectly reported certain fringe benefit costs in Contract No. 005402. Based on our analysis of the actual fringe benefit billings, we determined that FUTA and disability insurance were underreported and health insurance was overreported. This resulted in questioned costs of \$668.02. See Auditor's Exhibit I-B for details.

We recommend that the Tompkins Cortland Labor Coalition report fringe benefit costs based on actual expenditures per current policies and billings. In addition, the fringe benefit costs reported should be restricted to the wage allocation percentages of the staff.

3. Our audit disclosed that the Tompkins Cortland Labor Coalition incorrectly allocated rent. The rent expense for three months was misallocated to the contract. This misallocation totalled \$90.00 and is questioned. See Auditor's Exhibit I-C for details.

We recommend that the Tompkins Cortland Labor Coalition implement procedures to ensure all costs are properly allocated and reported.

4. Our audit disclosed that the Tompkins Cortland Labor Coalition did not provide a clear audit trail for reported program expenditures. The official books of entry were monthly financial reports which summarized the entire agency's checkbook activity. There were no worksheets provided to reconcile the contract's expenses recorded on the official books with the expenditures reported on the reimbursement vouchers submitted to NYSDOL. Due to the lack of reconciliation procedures, it is possible that not all program costs were reported.

Based on our analysis of the contract budget, payroll register and invoices, we determined the costs reported on the reimbursement vouchers to be reliable. As a result, the vouchers were used as the basis for our audit. From our analysis of vouchered amounts, no material discrepancies were disclosed.

We recommend that the Tompkins Cortland Labor Coalition develop and implement controls and procedures that would provide a clear audit trail from the official books of entry to the reimbursement vouchers submitted to NYSDOL. This system should provide a reconciliation of

the official books of entry with the reimbursement vouchers to ensure all allowable program costs are reported.

Schedule A

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Contract No. 004972
Status of Program Cash
For the Period July 1, 1988 through June 30, 1989

<u>Cash on Hand - Beginning of Contract</u>		\$ -0-
<u>Sources of Funds</u>		
Program Cash Received	\$ 26,570	
Interest Income	<u>-0-</u>	
Total Increases		<u>26,570</u>
Total Funds Available		26,570
<u>Application of Funds</u>		
Expenditures	\$ 26,570	
Adjustments	<u>-0-</u>	
Total Decreases		<u>26,570</u>
<u>Cash on Hand - End of Contract</u>		<u>\$ -0-</u>

Schedule B

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Contract No. 004972

Statement of Reported Expenditures
For the Period July 1, 1988 through June 30, 1989

<u>COST OBJECTIVE</u>	<u>TOTAL GRANT BUDGET</u>	<u>TOTAL REPORTED EXPENDITURES</u>
Staff Salaries	\$ 18,000	\$ 17,999
Fringe Benefits Costs	1,918	1,918
Contracted Services	1,800	1,287
Other Costs	<u>6,282</u>	<u>5,366</u>
Totals	<u>\$ 28,000</u>	<u>\$ 26,570</u>

Schedule A

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Contract No. 005402
Status of Program Cash
For the Period July 1, 1989 through June 30, 1990

<u>Cash on Hand - Beginning of Contract</u>		\$ -0-
<u>Sources of Funds</u>		
Program Cash Received	\$ 42,917	
Interest Income	<u>-0-</u>	
Total Increases		<u>42,917</u>
Total Funds Available		42,917
<u>Application of Funds</u>		
Expenditures	\$ 42,917	
Adjustments	<u>-0-</u>	
Total Decreases		<u>42,917</u>
<u>Cash on Hand - End of Contract</u>		<u>\$ -0-</u>

Schedule B

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Contract No. 005402
Statement of Reported Expenditures
For the Period July 1, 1989 through June 30, 1990

<u>COST OBJECTIVE</u>	<u>TOTAL GRANT BUDGET</u>	<u>TOTAL REPORTED EXPENDITURES</u>
Staff Salaries	\$ 28,315	\$ 28,315
Fringe Benefit Costs	4,370	4,365
Contracted Services	2,000	2,000
Other Costs	<u>8,340</u>	<u>8,237</u>
Totals	<u>\$ 43,025</u>	<u>\$ 42,917</u>

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Summary Schedule of Questioned Costs
For the Period July 1, 1988 through June 30, 1990

<u>Cost Objective</u>	<u>Contract</u>	<u>No.</u>	<u>Total Amount</u>
	<u>004972</u>	<u>005402</u>	<u>Questioned</u>
Staff Salaries	\$ -0-	\$ 3,211.52	\$ 3,211.52
Fringe Benefit Costs	-0-	1,204.25	1,204.25
Contracted Services	-0-	-0-	-0-
Other Costs	<u>-0-</u>	<u>90.00</u>	<u>90.00</u>
Totals	<u>\$ -0-</u>	<u>\$ 4,505.77</u>	<u>\$ 4,505.77</u>

Auditor's Exhibit I-C

Tompkins Cortland Labor Coalition
Occupational Safety and Health Training and Education Program
Contract No. 005402
Detailed Schedule of Questioned Costs
For the Period July 1, 1989 through June 30, 1990

Amount
Questioned

The Tompkins Cortland Labor Coalition sublets space from the UAW. The lease stated that the rent for the Coalition was \$105.00 per month. The lease also stated that the OSH program's space allocation based on square footage was \$75.00 of the \$105.00. For April, May and June 1990, the OSH program was charged the entire monthly rent amount of \$105.00. The \$90.00 difference that results is questioned.

	<u>Month</u>	x	<u>Rate</u>	<u>Total</u>
Reported rent	3	x	\$ 105.00	\$ 315.00
Allowable rent	3	x	\$ 75.00	<u>225.00</u>
Total Questioned				

\$ 90.00