

# AUDIT REPORT

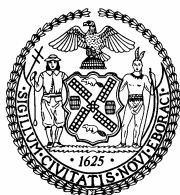


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Financial Practices and Procedures of the Pomonok Neighborhood Center July 1, 2003–June 30, 2004**

*FL05-129A*

**January 25, 2007**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

Pursuant to Chapter 5, Section 93 of the New York City Charter, my office has examined the financial practices and procedures of the Pomonok Neighborhood Center (Pomonok) for the period July 1, 2003, to June 30, 2004. Pomonok is a not-for-profit organization whose services include after-school programs, senior activities, summer camp, crime victim assistance, domestic violence counseling, and housing assistance.

During the audit period, Pomonok received funds through New York State contracts, including one with the New York State Office of Children and Family Services (NYSOCFS), a grant from the New York City Housing Authority (NYCHA), and five contracts totaling \$597,165 awarded by the City of New York through the Department of Youth and Community Development (DYCD), the Department for the Aging (DFTA), and the Department of Housing Preservation and Development (HPD).

The results of our audit, which are presented in this report, have been discussed with officials from Pomonok, DYCD, DFTA, and HPD, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that not-for-profit organizations are expending the funds it receives through its City contracts in accordance with the terms of those contracts.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov).

Very truly yours,

A handwritten signature in black ink that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.  
WCT/fh

**Report:** FL05-129A  
**Filed:** January 25, 2007

*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

**Audit Report on the  
Financial Practices and Procedures of the  
Pomonok Neighborhood Center  
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**AUDIT REPORT IN BRIEF**

We performed this audit to determine whether Pomonok Neighborhood Center, Inc., (Pomonok) expended the funds it received through its City contracts in accordance with the terms of those contracts. Pomonok is a not-for-profit organization whose services include after-school programs, senior activities, summer camp, crime victim assistance, domestic violence counseling, and housing assistance.

During the audit period, Pomonok received funds through New York State contracts, including one with the New York State Office of Children and Family Services (NYSOCFS), a grant from the New York City Housing Authority (NYCHA), and five contracts totaling \$597,165 awarded by the City of New York through the Department of Youth and Community Development (DYCD), the Department for the Aging (DFTA), and the Department of Housing Preservation and Development (HPD).

**Audit Findings and Conclusions**

Pomonok did not expend the funds it received through its City contracts in accordance with the contract terms. Pomonok may have made improper payments, totaling \$83,037, to four employees—the Youth Program Director, his daughter, his live-in girlfriend, and his girlfriend’s son—during Fiscal Year 2004. It appears that the youth program director attempted to systematically exhaust the personal service funds allocated for the youth programs by manipulating his own timesheets as well as timesheets for his daughter, his live-in girlfriend, and his girlfriend’s son. It should be noted that the youth program director hired these individuals in direct violation of Pomonok’s agreement with DYCD; they reported directly to him, and he approved their timesheets. Pomonok also made questionable salary payments totaling \$95,493 to other employees; questionable payments totaling \$24,469 to its vendors; received \$2,250 in questionable payments from DYCD; did not properly authorize checks for City-funded programs; and may not have

conducted the required number of Board of Directors meetings. In addition Pomonok misrepresented its financial status by overstating its liabilities by more than \$700,000 on its Statement of Financial Position.

### **Audit Recommendations**

We recommend that Pomonok reissue financial statements for the year ended June 30, 2004 that include the necessary adjustments to the liability accounts, which were overstated by more than \$700,000. These financial statements should be certified by a new CPA that was not previously involved.

To address the issues found during the audit, we make the following recommendations to the Forest Hills Community House (Forest Hills) since they are currently operating the facility at Pomonok Houses.

Forest Hills should:

- Ensure that employees are paid only for hours that are legitimate and payments are supported by timesheets that are approved by authorized personnel.
- Ensure that it hires only qualified personnel and prevent nepotism.
- Ensure that it is paying for only those items or services that it receives, and payments to vendors are supported by bills and invoices.
- Maintain bills and invoices that support payments to vendors.
- Ensure that only authorized personnel are signing program checks.
- Maintain minutes of all Board of Director's meetings and ensure it holds the minimum number of meetings per year as required by its bylaws.

Finally, we recommend that DYCD, DFTA, HPD, NYSOCFS, and NYCHA:

- Immediately investigate the reimbursements made to Pomonok under their respective contracts and grant to determine whether they should pursue legal action against the youth program director, his live-in girlfriend, his daughter and her son to recoup the possible improper payments made to them.
- Should coordinate their monitoring efforts to prevent the recurrence of the issues that were cited in this report.

## **INTRODUCTION**

### **Background**

Pomonok Neighborhood Center, Inc., at 67-09 Kissena Boulevard, Flushing, New York, is a not-for-profit organization established in 1976 to promote, encourage, and direct, educational, cultural, recreational, and social services for the community. Pomonok's services include after-school programs, senior activities, summer camp, crime victim assistance, domestic violence counseling, and housing assistance.

This audit was initiated in response to concerns from New York Assemblywoman Nettie Mayersohn regarding fiscal stability at Pomonok.

From July 1, 2003, through June 30, 2004, Pomonok received funds through New York State contracts, including one with the New York State Office of Children and Family Services (NYSOCFS), a grant from the New York City Housing Authority (NYCHA), and five contracts totaling \$597,165 awarded by the City of New York through the Department of Youth and Community Development, the Department for the Aging, and the Department of Housing Preservation and Development.

It should be noted that the management structure at Pomonok significantly changed during the period when we conducted audit fieldwork. Pomonok's Executive Director, Youth Program Director, and Senior Center Program Director were fired during the summer of 2005. In addition, Pomonok's Board of Directors hired an outside agency, Forest Hills Community House, to operate the facility.

### **Objective**

Our audit objective was to determine whether Pomonok expended the funds it received through its City contracts in accordance with the terms of those contracts. However, during our review of salaries under our original audit objective, we discovered a number of payments that appear to be improper. As a result, the audit objective was expanded to also identify possible improper salary payments from funds received through its New York State contract and its NYCHA grant, and to document to whom and to what extent these payments were made.

### **Scope and Methodology**

The audit covered the period July 1, 2003, through June 30, 2004 (Fiscal Year 2004). To achieve the audit objectives, we:

- reviewed the five contracts that Pomonok had with New York City, the NYCHA grant agreement and part of the contract with New York State; the NYSOCFS could not supply us with a complete copy of the contract; therefore, we were unable to determine what program services NYSOCFS contracted for;

- interviewed officials from DYCD, DFTA, HPD, and Pomonok to gain an understanding of the reimbursement provisions of the City contracts and each agency's system for processing payments;
- prepared flowcharts and memoranda outlining the payment-process procedures and the internal controls in place; and
- attended a Board of Directors meeting to gain an understanding of its role in overseeing Pomonok.

To identify the total amount of City reimbursements (totaling approximately \$597,165) for all five City contracts), we:

- analyzed the payment history recorded on the City's Financial Management System for Fiscal Year 2004;
- obtained and reviewed Pomonok's monthly expense summary reports that were submitted to DYCD, DFTA, and HPD for reimbursement; and
- determined whether City reimbursements to Pomonok were supported by the amounts reported on the monthly expense reports.

To determine whether all of the City's reimbursements were deposited in the appropriate bank accounts, we reviewed Pomonok's bank statements, and then determined whether the amounts received from the City were accurately posted to Pomonok's accounting records.

To determine the accuracy of Pomonok's reported personal service costs (PS), which totaled approximately \$359,833 for all five City contracts, we:

- compared the total amount reported for payroll expenses in Pomonok's general ledgers and cash disbursement journals to the corresponding amounts reported on employee time sheets for Fiscal Year 2004;
- checked all payroll expenses against the hours worked according to the timesheets for all 36 Pomonok employees assigned to provide services under the five City contracts, the State contract, and the NYCHA grant;
- conducted a floor check of employees present at Pomonok;
- reviewed the documentation in the personnel files to verify that all Pomonok employees were bona fide; and
- checked the salaries paid to Pomonok employees to ascertain whether they were within the limits stipulated in the City contracts.

For Pomonok's other than personal service (OTPS) expenditures, totaling approximately \$184,670 for all five City contracts, we:

- traced the disbursements reported on Pomonok's general ledgers and cash receipts journals to the corresponding canceled checks, invoices and receipts;
- reviewed the invoices to determine whether the items purchased were reasonable in relation to the services being provided under the contracts;
- examined the checks for the signatures to confirm that the expenditures were appropriately authorized;

- determined whether the checks were endorsed by the vendors listed on the invoices and all supporting documentation was marked paid to avoid duplicate payment;
- checked all leased equipment charged to the City contracts to see whether it was present at Pomonok’s office;
- examined all of the OTPS expenditures for compliance with the limits stipulated in the City contracts; and
- determined whether the expenses were allocated appropriately to the five City contracts.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. The audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

**Discussion of Audit Results**

Generally accepted government auditing standards require that we obtain and report the views of the officials responsible for the area being audited. This is intended to ensure that the final report is fair, complete, and objective. Our normal audit process includes discussions of audit issues with officials from the audited agency and the submission of draft audit reports for formal, written comment. Received comments are attached to the final audit report for public review. An initial preliminary draft report was sent to Pomonok officials on June 9, 2006, that did not include findings concerning the payment of possibly improper salaries. We issued a separate report (Audit # FL06-124A) to the Queens District Attorney’s Office on June 16, 2006 for appropriate action concerning the possible improper salaries paid by Pomonok Neighborhood Center between July 1, 2003 and June 30, 2004. After discussing the possibly improper salaries with officials of the Queens District Attorney’s Office, we decided to issue a revised preliminary draft report to include these issues and discussed them at an exit conference on October 24, 2006. On November 16, 2006, we submitted a draft report to officials of Pomonok and Forest Hills with a request for comments. We received responses from the attorney of the Pomonok Neighborhood Center, DYCD, DFTA and HPD which are summarized as follows:

**Pomonok Response:** On December 19, 2006 we received a response from Pomonok’s attorney which stated, in part:

“Unfortunately, the report confirms much of what both . . . , the new Chairman of the Board, and the local Assemblywoman, Nettie Mayersohn, suspected were improper management and financial practices taking place at the center. As you know, those suspicions led both . . . and the Assemblywoman to request that your office conduct the audit in question.

“Please be aware that the corporation is no longer seeking funds to operate programs at the Center. Instead, the Board is concentrating on winding down the affairs of the corporation, namely paying any outstanding debts and transferring operational control of programs and staff to the Forest Hills Community House. Upon completion of these activities, the Board plans to disband the corporate entity.”

**DYCD Response:** On December 28, 2006, we received a response from DYCD's Director of Internal Review that stated: "DYCD immediately took action to recover a payment for which it had inadvertently twice reimbursed the Pomonok Neighborhood Center."

**DFTA Response:** On December 15, 2006, we received a response from DFTA's General Counsel which stated: "In an effort to address the findings outlined in the audit report, DFTA is coordinating with HPD and DYCD and will be meeting with the Law Department during the week of December 18, 2006, to determine the next steps."

**HPD Response:** On December 7, 2006, we received a response from the Commissioner of HPD stating that HPD will be reaching out to the Law Department to explore potential legal action and work to coordinate its monitoring efforts with the other four City and State agencies to prevent any future reoccurrence of the issues cited.

The full texts of these written responses are included as addenda to this report.

As previously stated Pomonok officials who are the subject of this report were replaced during audit fieldwork. Forest Hills officials who are currently operating the facility and received this report, are not the subject of this audit. However, since Forest Hills officials are currently operating the facility, some recommendations were directed at Forest Hills. It should be noted that we did not receive a written response from Forest Hills officials.



## **FINDINGS AND RECOMMENDATIONS**

Pommonok did not expend the funds it received through its City contracts in accordance with the contract terms. Pommonok may have made improper payments, totaling \$83,037, to four employees—the Youth Program Director, his daughter, his live-in girlfriend, and his girlfriend’s son—during Fiscal Year 2004. It appears that the youth program director attempted to systematically exhaust the personal service funds allocated for the youth programs by manipulating his own timesheets as well as timesheets for his daughter, his live-in girlfriend, and his girlfriend’s son. It should be noted that the youth program director hired these individuals in direct violation of Pommonok’s agreement with DYCD; they reported directly to him, and he approved their timesheets. Pommonok also made questionable salary payments totaling \$95,493 to other employees; questionable payments totaling \$24,469 to its vendors; received \$2,250 in questionable payments from DYCD; did not properly authorize checks for City-funded programs; and may not have conducted the required number of Board of Directors meetings. In addition Pommonok misrepresented its financial status by overstating its liabilities by more than \$700,000 on its Statement of Financial Position. These issues are discussed in detail in the following sections of this report.

### **Payment of Possibly Improper Salaries**

#### **Youth Program Director**

Pommonok may have made improper payments to the youth program director totaling \$63,644. Specifically, the youth program director received \$113,689 in salary and consulting fees from six different funding sources during Fiscal Year 2004 while the reported annual salary for a youth program director was \$54,600.<sup>1</sup> The six different funding sources included three City contracts with DYCD, one contract with the NYSOCFS, a grant from NYCHA, and a consulting contract with Pommonok.

To justify his salaries from the various funding sources, the youth program director submitted timesheets to Pommonok to account for the time he spent on each contract. The youth program director reported on these various timesheets that he worked 12 to 14 hour days, seven days a week. However, our review found that he reported and was paid for time outside the programs’ hours of operation, for time prior to or after the contracts’ start or end dates, and for duplicate or overlapping hours. In addition, the director submitted timesheets and was paid as an activity specialist on the same contract under which he was required to spend 100 percent of his time as the director. It appears that the youth program director systematically exhausted the funding allocated for a youth program director in all funding sources whether the corresponding program was in operation or not, as described below.

- Under Pommonok’s largest contract with DYCD (contract # 20030011811), totaling \$149,994, a youth program director was required to operate an after-school program Monday through Friday, from 3:00 p.m. to 6:00 p.m. for the entire fiscal year. The

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<sup>1</sup> According to the DYCD contract #20030011811 and the NYSOCFS contract, the annual salary for a youth program director was \$54,600.

contract specified that the director spend 100 percent of his/her time on this contract—Monday through Friday from 9:00 a.m. to 5:00 p.m.—for which the director was to be paid \$30 per hour, or \$54,600 annually. In addition to submitting timesheets reflecting work hours from 9:00 a.m. to 5:00 p.m., Pomonok’s youth program director also submitted separate timesheets and was paid for hours before 9:00 a.m. or after 5:00 p.m. and for hours purportedly worked on Saturday and Sunday when the program was not in operation. The director also submitted two time sheets for the same time period and was paid for both. Also, the director supplemented his salary from this contract by submitting separate timesheets as the program’s activity specialist and was paid \$2,941. This occurred despite the fact that, according to the contract, activity specialists work Monday through Friday only from 3:00 p.m. to 6:00 p.m., while the director’s timesheets as an activity specialist indicated that he worked either from 7:00 a.m. to 9:00 a.m. or 5:00 p.m. to 9:00 p.m. on weekdays, as well as 13-hour days on Saturdays and Sundays. It should be noted that Pomonok did not have timesheets supporting the payment of a total of \$3,804 to this employee (\$2,530 as program director and \$1,274 as an activity specialist). Therefore, we were unable to determine whether the hours reported on these timesheets duplicated or overlapped hours charged on other contracts.

- Pomonok’s contract # 20040014759 with DYCD required that a youth program director spend 15.49 percent of his/her time working on Intergenerational and After School programs that were to operate Monday through Friday between 2:00 p.m. to 7:00 p.m. from October 1, 2003, to April 19, 2004. Under this contract the program director was to be paid a maximum of \$10,010. Pomonok’s youth program director was paid \$10,005 from this contract. To justify the payments, the director submitted timesheets for this contract showing he worked on weekdays from 7:00 a.m. to 9:00 a.m. and from 5:00 p.m. to 9:00 p.m., and on Saturdays and Sundays, 13-hour days. Although the payments for the program director’s time from 5:00 p.m. to 7:00 p.m. may be justified, he should not have been paid for the hours outside the time the program was in operation. In addition, the director charged time and was paid for hours purportedly worked during September 2003—a month before the contract began. Finally, the money allocated for the director’s salary was exhausted by October 2003, the month the program was to begin operation, despite the fact that the program was to operate until April 19, 2004.
- Another DYCD contract # 20040009723 with Pomonok required that a youth program director work on the contract 10.82 percent of his/her time. The Outreach program funded by this contract was to operate Monday through Friday from 9:00 a.m. to 5:00 p.m. for the entire fiscal year. Although Pomonok’s youth program director was required to spend 100 percent of his time on another DYCD contract, he submitted timesheets for this contract and was paid the maximum of \$5,910 allocated for a program director. To justify the payments the director submitted timesheets showing he worked on weekdays from 7:00 a.m. to 9:00 a.m. and from 5:00 p.m. to 9:00 p.m., and on Saturdays and Sundays, 13 hour-days. Again, this program did not operate during the hours recorded on the timesheets. It should also be noted that the youth program director submitted timesheets on this contract only during July,

August, and October. At that point, the money allocated for a youth program director under this contract was exhausted, even though the program was to operate for the entire fiscal year.

- Under Pomonok’s contract with NYSOCFS, contract # 3-8373, a youth program director was required to work 24 percent of his/her time on this contract, which was to operate the entire fiscal year. Pomonok’s youth program director was paid \$14,565—\$1,461 more than was allocated for a program director under this contract. He submitted timesheets for hours purportedly worked from January 31 through March 20, 2004, and from June 21 through June 25, 2004<sup>2</sup>—only 14 weeks out of the entire fiscal year. The timesheets he submitted reflect work hours on weekdays of 7:00 a.m. to 9:00 a.m. and 5:00 p.m. to 9:00 p.m. and on Saturdays and Sundays, 13-hour days. Moreover, the director received the entire payment in seven consecutive checks dated April 16, 2004, six consecutive checks dated April 30, 2004, and one check in June 2004. It should be noted that Pomonok did not have timesheets to support payments of \$4,200 made to the youth program director; therefore, we were unable to determine whether the hours reported on these timesheets overlapped or duplicated hours charged to other contracts. In addition, NYSOCFS could not supply us with a copy of the contract; therefore, we were unable to determine what program services NYSOCFS contracted for.
- Pomonok received a NYCHA grant totaling \$86,554 in Fiscal Year 2004 that requires that “grant proceeds . . . be utilized to cover the cost of salaries and fringe benefits of staff employed by the Grantee in connection with the operation of the Center [Pomonok Neighborhood Center] at the Development [Pomonok Houses].” The purpose of the grant was to help pay for the salaries of Pomonok’s professional and janitorial staff and to pay for certain expendable program supplies for the entire year. However, Pomonok primarily used the funds to augment the youth program director’s salary by paying him an additional \$20,363. To justify the payments, the director submitted time sheets and was paid for working on weekdays from 7:00 a.m. to 9:00 a.m. and from 5:00 p.m. to 9:00 p.m., and on Saturdays and Sundays, 13-hour days. Although Pomonok received grant money every quarter, the director submitted timesheets for only January 2004—when he received five consecutive checks dated February 27, 2004—and for April and May 2004—for which he received six consecutive checks dated June 25, 2004. It should be noted that the hours paid for on the last check dated June 30, 2004, as well as 25 hours from two checks dated June 25, 2004, were for hours that were already paid for from funding provided by another DYCD contract (# 20030011811). In addition, Pomonok did not have timesheets to support payments of \$9,308 made to the youth program director; therefore, we were unable to determine whether the hours reported on these timesheets overlapped or duplicated hours charged to other contracts.
- Finally, the Pomonok youth program director was paid \$2,500 as a consultant. When questioned, Pomonok’s interim director stated that the youth program director

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<sup>2</sup> It should be noted that the hours paid for the week of June 21 to June 25, 2004, were for hours that were already paid for by the DYCD contract # 20030011811.

provided “extermination services” for the Pomonok facility. We could not determine what qualifications or licenses the director possesses that would certify him as an exterminator. In addition, as with the contracts and grant described previously, the director charged for hours during the week and 12.5 hours on two Saturdays and two Sundays to justify the payment of this money. In total, the director charged 83 hours in July 2003 for extermination services. We could not determine why these services were provided for one month only and not throughout the year. We could also not determine why the youth program director was paid at the same hourly rate for extermination services as he was receiving as a program director.

### **Related Individuals**

As previously stated, the youth program director hired his daughter, his live-in girlfriend, and her son to work on contracts he supervised. These individuals reported directly to him, and he signed their timesheets. This is in direct violation of Pomonok’s agreement with DYCD. Each DYCD agreement states that “no person may hold a job or position over which a member of his immediate family exercises any supervisory, managerial or other authority whatsoever whether such authority is reflected in a job title or otherwise.” We believe that in Fiscal Year 2004, Pomonok paid the youth program director’s girlfriend more than \$14,800, his daughter \$3,025, and the girlfriend’s son \$1,518, based on questionable timesheets that were approved by the director. As previously stated in regard to the youth program director, these individuals were paid for hours when their assigned programs were not in operation. Details follow.

#### ***Program Director’s Girlfriend***

- From January through March 2004, the director’s girlfriend submitted timesheets and was paid as an activity specialist assigned to DYCD contract # 20030011811. Under this contract Pomonok was required to operate an after-school program Monday through Friday from 3:00 p.m. to 6:00 p.m. According to the contract, activity specialists work from 3:00 p.m. to 6:00 p.m. However, the timesheets for which she was paid indicated that she worked weekdays from 6:30 p.m. to 9:30 p.m. and on Saturdays and Sundays, when this program was not in operation, 12½ hours a day.
- From July through October 2003 the director’s girlfriend was paid as a facilitator on another DYCD contract (# 20040009723). This contract required that Pomonok operate an outreach program from Monday through Friday between 3:00 p.m. to 6:00 p.m. Again, the submitted timesheets indicated that the girlfriend worked 6:00 p.m. to 9:30 p.m. and on Saturdays and Sundays, when the program was not operation, 12½ hours a day.
- From September through November 2003 the director’s girlfriend submitted timesheets and was paid as a youth worker on DYCD contract #20040014759. Under this contract, Pomonok was required to operate intergenerational and after-school programs. These programs operated October 1, 2003, to April 19, 2004, from 2:00 p.m. to 7:00 p.m. As in the prior two examples, the girlfriend’s timesheets indicated that she worked weekdays from 7:00 p.m. to 9:30 p.m. and on Saturdays and

Sundays, 12½ hours a day, including the month of September 2003, when the program had not started.

- Finally, the director's girlfriend was paid in February 2004 for work purportedly performed in January 2004 for the NYCHA grant. Again, the girlfriend's timesheets indicated that she worked on this program weekdays from 7:00 p.m. to 9:30 p.m. and on Saturdays and Sundays, 12½ hours a day. We were unable to determine in what capacity she was working and what she was working on.

In addition, it appears that the director's girlfriend was never seen at the Pomonok facilities. Several staff members not related to the youth program director informed us that they had never seen this individual at the Center. It appears that she did not work at the facility.

#### ***Program Director's Daughter***

From January 2004 through May 2004, the director's daughter received more than \$3,000 in possible improper payments. The daughter submitted timesheets and was paid for hours when the programs were not in operation. For DYCD contract #20030011811, she submitted time sheets and was paid as an activity specialist. The timesheets showed that she worked hours between 8:00 a.m. to 3:00 p.m. and on Saturdays. However, according to the contract, activity specialists for the after-school program work Monday through Friday from 3:00 p.m. to 6:00 p.m. For DYCD contract #20040014759, the director's daughter submitted timesheets for May and June 2004. However the contract ran only through April 19, 2004. Finally, she submitted timesheets for the NYCHA grant for March 2004 for which she received \$360. As with the director's girlfriend, we could not determine what services she performed to receive the payment.

#### ***Son of Program Director's Girlfriend***

The son of the program director's girlfriend received more than \$1,500 in possible improper payments. He submitted timesheets showing that he worked as a youth worker on DYCD contract #20040014759. The timesheets indicated that he worked in April, May, and June 2004 on this program. However, this contract ended April 19, 2004. In addition, the hours purportedly worked did not coincide with hours that youth workers were working on this contract.

#### ***Executive Director's Salary***

Pomonok's Executive Director was paid at least \$27,000 more than his reported salary. During Fiscal Year 2004, the reported salary of Pomonok's Executive Director was \$72,800, but he received more than \$100,000 in payments during the fiscal year. This is of particular concern since the time he worked nor to what contract he charged his time cannot be determined since the Executive Director did not maintain timesheets or any other documentation verifying his time; therefore, we could not determine the propriety of the payments.

## **Conclusion**

Pomonok's youth program director has systematically exhausted funds allocated for personal service costs from the six funding sources that support the youth programs. It appears that he manipulated the time he reported on his timesheets in order to ensure that he received the maximum amount available for a program director. Moreover, the youth director manipulated the timesheets to allow related individuals to receive payments from these funding sources for which they may not have been entitled. This appears to have had a negative effect on Pomonok's ability to properly provide the services for which it was contracted. Specifically, we believe that these programs did not operate at the staffing levels required by the contracts because most of the funds earmarked for personal-service costs were improperly paid to a few individuals. For example, Pomonok's contract with DYCD # 20040009723 requires two facilitators for the outreach program. Our review of the timesheets for the facilitators found that for 87 percent of the fiscal year, no facilitator was available during program hours.

The above incidents occurred under the guidance of Pomonok's Executive Director who may have allowed these possibly improper activities to occur. The Executive Director should have been aware of the manipulations of the youth program director's timesheets since he approved and signed all those timesheets. Moreover, he approved the hiring of the youth program director's live-in girlfriend and daughter when he should have been aware that this was in violation of provisions contained in City contracts. As mentioned above, the Executive Director may also have received funds to which he was not entitled.

Since Pomonok's had two or more youth contracts in effect since 1996, we are concerned that these possibly improper activities may have been occurring until Forest Hills started operating the facility in the summer of 2005.

## **Questionable Salary Payments**

Pomonok made questionable payments totaling \$95,493 to 27 staff members that were paid from City contracts. Specifically, Pomonok paid:

- \$77,669 to 18 staff members whose timesheets were not approved by a supervisor;
- \$9,521 to 12 staff members for time outside of the operating hours of a program;
- \$7,757 to 10 staff members for whom Pomonok could not provide us time sheets supporting these payments; and
- \$546 to two staff members who were paid twice for the same hours.

## **Recommendations**

These recommendations are directed to officials of the Forest Hills Community House since they are currently operating the facility at Pomonok.

Forest Hills should ensure that:

1. Employees are paid only for hours that are legitimate and payments are supported by timesheets that are approved by authorized personnel.
2. It hires only qualified personnel and prevent nepotism.

**Auditor Comment** : We did not receive a written response from Forest Hills.

We also recommend that DYCD, DFTA, HPD, NYSOCFS, and NYCHA:

3. Immediately investigate the reimbursements made to Pomonok under their respective contracts and grant and determine whether to pursue legal action against the youth program director, his live-in girlfriend, his daughter and her son to recoup the possible improper payments made to them.

**DYCD Response**: “DYCD immediately took action to recover a payment for which it had inadvertently twice reimbursed the Pomonok Neighborhood Center.”

**DFTA Response**: “In an effort to address the findings outlined in the audit report, DFTA is coordinating with HPD and DYCD and will be meeting with the Law Department during the week of December 18, 2006, to determine the next steps.”

**HPD Response**: “HPD will be reaching out to the Law Department to explore potential legal action.”

4. Should coordinate their monitoring efforts to prevent recurrence of the issues that were cited in this report.

**HPD Response**: “HPD will work to coordinate its monitoring efforts with the other four City and State agencies to prevent any future reoccurrence of the issues cited.”

**DYCD Response**: DYCD’s response did not address this recommendation.

**DFTA Response**: DFTA’s response did not address this recommendation.

## **Questionable Payments**

Pomonok made questionable payments totaling \$24,469 to vendors. Specifically, Pomonok paid:

- \$18,469 for insurance, printing services, travel expenses for the youth program director, telephone bills, computer training, workshops, office supplies, a loan, and a non-salary payment to the bookkeeper, and did not have receipts and/or invoices to substantiate these purchases.
- \$6,000 to its Certified Public Accountant (CPA) without any supporting documentation such as a contract detailing the services contracted for or invoices describing services provided.

In addition, DYCD paid Pomonok \$2,250 for the same expenses twice. Specifically, Pomonok submitted the same expenses it incurred during its Young Israel of Hillcrest Purim Carnival on two separate occasions.

## **Recommendations**

Forest Hills should:

5. Ensure that it is paying for only those items or services that it receives, and payments to vendors are supported by bills and invoices.
6. Maintain bills and invoices that support payments to vendors.

*Auditor Comment* : We did not receive a written response from Forest Hills.

## **Unsubstantiated Liabilities**

Pomonok Neighborhood Center materially misstated its financial statements by overstating its liabilities by more than \$700,000. "Liabilities are economic obligations of the organization to outsiders, or claims against its assets by outsiders."<sup>3</sup> By overstating its liabilities, Pomonok has understated its fund balance thereby misrepresenting its true financial status. In fact, Pomonok has erroneously reported a negative fund balance on its financial statements since 1995.

Pomonok reported \$731,877 in liabilities on its Statement of Financial Position for Fiscal Year 2004. These liabilities were charged to the following accounts: \$337,048, "Due to Funding Agencies at Net"; \$316,263, "Expenses Paid but Waiting Final Budget Approval"; \$66,017, "Loan Payable to New York City"; and \$12,549, "Payroll Taxes Payable." Except for the liability of \$12,549 for payroll taxes, there is no documentation or detailed accounting for the remaining

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<sup>3</sup> Horngren, Sundem, Elliot. *Introduction to Financial Accounting*, 5<sup>th</sup> Edition: Prentice Hall. Englewood Cliffs, NJ. 1993.



liability accounts. Although these liabilities have been on the books since 1995, no payments or journal entries have been made to reduce them.

In fact, regarding the accounts for \$337,048, "Due to Funding Agencies at Net," and \$316,263, "Expenses Paid but Waiting Final Budget Approval," Pomonok's CPA stated in his letter dated August 11, 2005, to Pomonok's acting controller, "We were advised that these liabilities should be written off of the books and records of the corporation as they are not actual liabilities. As a result, the negative Fund Balance would also be restated to properly reflect a more accurate result of operations." Regarding the \$66,017, "Loan Payable to New York City," the CPA indicated that the loan payable "has either been forgiven or written off by New York City." Again, although these liabilities have been on the books since 1995, increasing over time, Pomonok could not provide documentation supporting the loan amount, its terms, and the parties involved. It appears that the CPA has acknowledged that there is no basis for these liabilities and that they will be written off. However, we are concerned that Pomonok has reported a negative fund balance, which indicates that it is operating at a deficit, since 1995 and neither the Board of Directors nor the CPA took action to rectify the problem.

### **Recommendations**

7. Pomonok should reissue financial statements for the year ended June 30, 2004 that include the necessary adjustments to the liability accounts, which were overstated by more than \$700,000. These financial statements should be certified by a new CPA that was not previously involved.

*Pomonok Response:* Pomonok's response did not address this recommendation.

### **Improper Check Authorization**

Pomonok did not properly authorize checks issued for City-funded programs for Fiscal Year 2004. Pomonok's bylaws require checks to be signed and authorized by two of the following individuals: the President; First Vice President; or the Treasurer. However, all the checks issued for the DFTA-funded program, totaling \$359,579, were signed by the Senior Center Program Director. Even more disturbing, the Senior Center Program Director signed her own payroll checks, totaling \$41,258.

In addition, all of the checks issued from funds provided by DYCD and HPD contracts, totaling \$349,488, were authorized by using a signature stamp of a crime prevention specialist who had retired from Pomonok in 1991, as well as a signature stamp of the President of the Board of Directors.

### **Recommendation**

8. Forest Hills should ensure that only authorized personnel are signing program checks.

*Auditor Comment :* We did not receive a written response from Forest Hills.

### **Lack of Minutes**

Pommonok's agreement with DYCD requires it to make available "all minutes and dated signed attendance sheets for meetings of the board of directors." According to the Pommonok bylaws, the Board of Directors is required to hold a minimum of 10 meetings a year. However, for Fiscal Year 2004, Pommonok could provide us with minutes from only two meetings. We could not determine whether the Board of Directors actually held more than the two meetings.

#### **Recommendation**

9. Forest Hills should maintain minutes of all Board of Directors meetings and ensure it holds the minimum number of meetings per year as required by its bylaws.

*Auditor Comment* : We did not receive a written response from Forest Hills.

**WILLIAM A. VISCOVICH**  
ATTORNEY at LAW  
65-11 174<sup>th</sup> STREET  
FRESH MEADOWS, NEW YORK 11365  
TELEPHONE: (718) 359-4018  
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*WILLIAM A. VISCOVICH*

*OF COUNSEL  
JOANN S. VOICH*

December 19<sup>th</sup>, 2006

Mr. John Graham  
Deputy Comptroller  
Office of the New York City Comptroller  
1 Centre Street  
New York, NY 10007

By Fax: (212) 689-8109

RE: Pomonok Neighborhood Center Audit Report  
# FL05-129 A

Dear Mr. Graham:

As the attorney for the Pomonok Neighborhood Center, Inc., I would like to thank Comptroller Thompson and you for the opportunity to respond to the above mentioned audit report.

Unfortunately, the report confirms much of what both Mr. Barry Grodenchik, the new Chairman of the Board, and the local Assemblywoman, Nettie Mayersohn, suspected were improper management and financial practices taking place at the center. As you know, those suspicions led both Mr. Grodenchik and the Assemblywoman to request that your office conduct the audit in question.

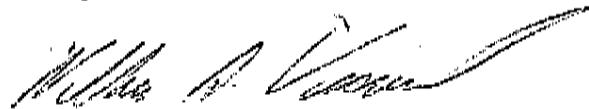
Before even knowing the full extent of the problems at Pomonok, as revealed by the audit, Mr. Grodenchik and the board had made a decision to transfer the programs operated at the center, as well as the lease thereto, to the Forest Hills Community House, Inc., another local social services agency. Mr. Grodenchik and the other board members came to the conclusion that Forest Hills could run the programs at the Pomonok Center in a more professional and productive manner, thus still serving the needs of the community

while at the same time providing the professional management and oversight that were obviously lacking under Pomonok's previous administration.

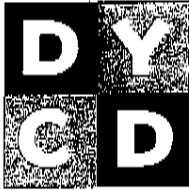
Please be aware that the corporation is no longer seeking funds to operate programs at the Center. Instead, the Board is concentrating on winding down the affairs of the corporation, namely paying any outstanding debts and transferring operational control of programs and staff to the Forest Hills Community House. Upon completion of these activities, the Board plans to disband the corporate entity. If there is any input your office might wish to make into this process, please feel free to contact me.

Once again, on behalf of Assemblywoman Mayersohn, Mr. Grodenchik and the current board of directors, I must thank you for your prompt, efficient and professional approach to the situation at Pomonok.

Sincerely,



William A. Viscovich, Esq.



**NEW YORK CITY  
DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT**  
*SERVING NEW YORK CITY YOUTH, FAMILIES, AND COMMUNITIES*

156 William Street  
New York, New York 10038  
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**JEANNE B. MULLGRAV**  
Commissioner

December 28, 2006

John Graham  
Deputy Comptroller  
Audits, Accountancy, and Contracts  
Office of the Comptroller  
1 Centre Street  
New York, New York 10007-2341

**Re:** November 16, 2006 Audit Report on the Financial Practices and  
Procedures of the Pomonok Neighborhood Center July 1, 2003- June 30,  
2004 FL05-129A (Report)

Dear Mr. Graham:

The Department of Youth and Community Development ("DYCD") requests that the final Report note that upon receipt of the June 9, 2006 draft Report, DYCD immediately took action to recover a payment for which it had inadvertently twice reimbursed the Pomonok Neighborhood Center (Report at pages 1, 6, 12). This expenditure, in the amount of \$2,250, was for the Young Israel of Hillcrest Purim Carnival.

In a letter of September 26, 2006, DYCD provided both a copy of Pomonok Neighborhood Center check number 3011, dated June 27, 2006, in the amount of \$2,250, made payable to DYCD, and DYCD's receipt for deposit of said check. Inclusion of this information in the final Report, by attachment of this letter or otherwise, would be greatly appreciated.

Sincerely,

Karen Fleshman  
Director of Internal Review



**DEPARTMENT FOR THE AGING**

2 LAFAYETTE STREET  
New York, New York 10007-1392  
(212) 442-1061

Edwin Méndez-Santiago, I.MSW  
Commissioner

Maureen A. Murphy, General Counsel

December 15, 2006

John Graham, Deputy Comptroller  
Audit, Accountancy and Contracts  
Office of the Comptroller  
One Centre Street  
New York, N.Y. 10007-2341

Re: Audit Report on Financial Practices and Procedures of Pomonok  
Neighborhood Center (FL05-129A)

Dear Mr. Graham:

The Department for the Aging (DFTA) has received the draft audit report dated November 16, 2006 for the audit of the Financial Practices and Procedures of the Pomonok Neighborhood Center.

In an effort to address the findings outlined in the audit report, DFTA is coordinating with HPD and DYCD and will be meeting with the Law Department during the week of December 18, 2006, to determine the next steps.

Sincerely,

Maureen Murphy  
General Counsel

C: E. Mendez-Santiago, Commissioner  
S. Renfro, Deputy Commissioner  
J. Friesen, Assistant Commissioner  
J. Wang, Deputy Assistant Commissioner  
J. Jones, Controller



City of New York  
DEPARTMENT OF  
HOUSING PRESERVATION AND DEVELOPMENT  
100 GOLD STREET, NEW YORK, N.Y. 10038

SHAUN DONOVAN  
Commissioner

December 7, 2006

Mr. John Graham  
Deputy Comptroller for Policy, Audits, Accountancy & Contracts  
Office of the New York City Comptroller  
One Centre Street- Room 530 South  
New York, New York 10007-2341

**Re: Audit on the Financial Practices of the Pomonok Neighborhood Center  
July 1, 2003-June 30, 2004  
Audit Number: FL05-129A**

Dear Mr. Graham:

The following represents the Department of Housing Preservation and Development's response to the recommendations made in your audit on the Financial Practices of the Pomonok Neighborhood Center.

If you have any additional questions, please call Deputy Commissioner Bernard Schwarz at (212) 863-6610.

Thank you..

Sincerely,

A handwritten signature in black ink, appearing to read "Shaun Donovan".

Shaun Donovan



AUDIT RESPONSE  
NEW YORK CITY COMPTROLLERS AUDIT  
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT  
FINANCIAL PRACTICES AND PROCEDURES OF THE POMONOK NEIGHBORHOOD CENTER  
JULY 1, 2003 - JUNE 30, 2004  
REPORT FL05-129A

**Finding**

Questionable  
Salary  
Payments

**Recommendation 1.**

HPD should immediately investigate the reimbursements made to Pomonok under their contract and grant and determine whether to pursue legal action against the youth program director, his live-in girlfriend, his daughter and her son to recoup possible improper payments made to them.

**Response 1.**

HPD will be reaching out to the Law Department to explore potential legal action.

**Recommendation 2.**

HPD should coordinate their monitoring efforts with DYCD, DFTA, NYSOCFS, NYCHA to prevent recurrence of the issues that were cited in this report.

**Response 2.**

HPD will work to coordinate its monitoring efforts with the other four City and State agencies to prevent any future reoccurrence of the issues cited.

