



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
Washington, DC 20416**

AUDIT REPORT
Issue Date: June 15, 2004
Report Number: 04-24

TO: Darryl Hairston
Assistant Administrator for Administration

FROM: Robert Seabrooks [FOIA Ex. 6]
Assistant Inspector General for Auditing

SUBJECT: Single Audit of Federal Financial Assistance Programs
Greenpoint Manufacturing and Design Center, March 10, 2003

We received a copy of the single audit report for Greenpoint Manufacturing and Design Center for year 2002. The oversight Federal agency will determine if the report, prepared by Ernst & Young, Certified Public Accountant(s), meets OMB Circular A-133 reporting requirements.

We are attaching excerpts from the subject audit report pertaining to findings and recommendations for your action in accordance with SOP 20 35, "Audit Follow up System". The auditee included a corrective action plan in response to the findings. A determination should be made that all deficiencies have been corrected. This determination should be in writing, and along with other appropriate documentation, should be available for review by appropriate officials.

Under SOP 20-35, you have a maximum of 80 calendar days from the date of this memorandum to decide on the actions that the agency proposes to take on each audit finding and recommendation and complete the Recommendation Action Sheet (SBA Form 1824) with your management decision. The Office of Inspector General must concur with your management decision before it may be issued as a final determination and is implemented. The SOP prescribes procedures for handling any disagreements this office may have with the proposed management decision. Also please copy us when the audit determination letter is sent to the auditee and include the above audit report number for all correspondence relating to this audit.

If a complete copy of the audit report is needed, or if you have any questions, please contact James E. Foreman at (202) 205- [FOIA Ex. 2]

Attachments

cc: Jeff Brown, OCFO (w/attachments)

**GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2002

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Program Audit

	<u>Questioned Costs</u>
U.S. Small Business Administration	
Finding No. 02-1	
Acquire certain properties to develop a small business incubator facility	
CFDA No. 59.000	
Grant No. SBAHQ-01-1-0027	
Grant Period: Year ended August 31, 2002	
<u>Condition:</u>	
The Organization did not comply with the requirement of documenting salaries attributable to the above program by maintaining personnel activity reports and approved employee salary authorizations. In addition, monthly cash requisitions utilized budgeted, not actual, salaries.	\$331,489
<u>Recommendation:</u>	
The Organization should implement the use of personnel activity reports and maintain authorization for initial base salaries and subsequent increases for all employees.	

GMDC Local Development Corp.

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Brooklyn, New York 11222

Corrective Action Plan

Greenpoint Manufacturing and Design Center FY 2002 "A-133 Audit"

Finding # 02-1: Maintenance of Personnel Expense Records

In the "A-133" audit of GMDC's Fiscal Year 2002 compliance with federal grant requirements found three conditions. Our response appears along side each condition.

<u>Condition</u>	<u>Response</u>
GMDC did not maintain personnel activity reports	GMDC is in the process of designing a system to track grant-related activity by each of its employees.
GMDC's CEO did not formally approved staff salaries	All staff salaries will be authorized by the GMDC CEO within 30 days. Because the majority of staff are long tenured and the CEO signs paychecks, GMDC did not realize that a separate salary authorization was required.
Grant reimbursements used budgeted instead of actual salaries	Beginning in September 2002, all reimbursements used actual rather than budgeted salaries.

Submitted,

[FOIA Ex. 6]

Matthew Berlin, CFO