

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



AUDIT REPORT
Issue Date: August 3, 2004
Report Number: 4-35

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
Bronx Museum of the Arts, December 29, 2003

We received a copy of the single audit report for the Bronx Museum of the Arts for year 2003. Based on our initial review, we believe the audit performed by Fried and Kowgios Partners 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 findings 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)

Summary of Findings and Recommendations

Finding O3-1: Quarterly reporting sent by the organization during fiscal 2003 did not reflect total expenditures allocated towards the federal program within the books and records, therefore, the auditors questioned costs in the amount of \$111,712.

Auditor's recommendation: We recommend that the Organization implement procedures to ensure that grant reporting agrees with the program reporting reflected within the books and records of the organization.

Auditee's response: Using Black and Veatch Financial Edge Accounting software separate project accounts for SBA were setup July 1, 2003. All SBA expenses and income can be traced to a particular expenses account within the project.

OIG's response: The auditee's fiscal year for 2003 ending June 30, 2003 and the new accounting system separating project accounts were not setup until July 1, 2003. Auditee's corrected action needs to reflect that its books and records are traceable to the reports that were filed to SBA.

Moreover, our review of the grant file and discussions with the Grant Specialist indicated that the Technical Representative retired at least one year before the period audited; there was no record that any SBA personnel was reassigned these duties.

We recommend that the Associate Administrator for the Office of Administration (AA for OA) to obtain adequate reassurance that grantee's documentation is supported of its FY 2003 reports filed with SBA. In addition, the AA for OA should also ensure that a technical representative is appointed for grant, SBAHQ-00-01-0021, to monitor grantee future performance of grant.

Finding O3-2: Salaries and wages charged to the award were not supported by personnel activity reports. The Organization charged salaries and wages to the program based on budget estimates provided by employees and management. Therefore, the auditors questioned costs in the amount of \$144,695.

Auditee's response: Beginning July 1, 2004 there will be a separate section on each employee's timesheet to be filled out by the employee to report percentage of time spent on SBA projects and non SBA projects.

OIG's response: The corrected action stated in the auditee's response does not remedy the finding for the period audited. The auditee must provide adequate documentation in accordance with OMB Circular A-122, "Cost Principles for Non-Profit Organizations", that the distribution of salaries and wages for FY 2003 award are supported.

We recommend that the Associate Administrator ensure that SBA received adequate confirmation that the allocations auditee used to charge salaries and wages is adequately documented.

**THE BRONX MUSEUM OF THE ARTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

(3) Findings and Questioned Costs Relating to Federal Award:

03-01 Reporting

U.S. Small Business Administration (CFDA number 59.000)

Criteria:

The Organization is required to maintain books and records that are traceable to reports filed with federal agencies.

Condition:

Quarterly reporting sent by the Organization during fiscal 2003 did not reflect total expenditures allocated towards the federal program within the books and records.

Cause:

The Organization had changes in personnel who were required to file the reports with the federal agency and maintain the books and records.

Recommendation:

We recommend that the Organization implement procedures to ensure that grant reporting agrees with the program reporting reflected within the books and records of the Organization.

Questioned Costs:

\$111,712.

THE BRONX MUSEUM OF THE ARTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

(3) Findings and Questioned Costs Relating to Federal Award:

03-02 Supporting Documentation

U.S. Small Business Administration (CFDA number 59.000)

Criteria:

Under OMB Circular A-122, Attachment B, section 7m, the distribution of salaries and wages to awards must be supported by personnel activity reports.

Condition:

Salaries and wages charged to the award were not supported by personnel activity reports. The Organization charged salaries and wages to the program based on budget estimates provided by employees and management.

Cause:

The Organization was unaware of the requirement. The Organization obtained after the fact certifications from all employees who currently work at the Organization, and if no longer with the Organization, certifications were received from their immediate supervisor. These certifications confirm the allocations used to charge salaries and wages to the program.

Recommendation:

We recommend that the Organization implement procedures to ensure that all employees who work on the program complete personnel activity reports in order to support the time charged to the federal program.

Questioned Costs:

\$144,695.

THE BRONX MUSEUM OF THE ARTS

ACTION PLAN

RESPONSE TO YEAR ENDED JUNE 30, 2003 FINDINGS

Using Blackbaud Financial Edge Accounting software separate project accounts for SBA were setup July 1, 2003. All SBA expenses and income can be traced to a particular expenses account within the project.

Beginning July 1, 2004 there will be a separate section on each employee's timesheet to be filled out by the employee to report percentage of time spent on SBA projects and non SBA projects.

Submitted by:

[FOIA Ex. 6]

George S. Cochran
Finance Director

6/14/04

Date