

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
OF NASSAU COUNTY**

TO: Mrs. Susan Bergtraum, Board President
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Mr. James R. Widmer, Associate Superintendent for Business Services
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Ms. Pamela Christensen, Associate Director
Mr. Christopher Reinertsen, Associate Director

FROM: Ms. Barbara Golemme, Internal Auditor

RE: Audit of "Special Assessment" and Calendar Year 2019 Common Area Maintenance Charges

DATE: June 9, 2020

FINAL AUDIT REPORT

Please see corrective comments from Mr. James R. Widmer, Associate Superintendent for Business Services at the end of this report.

According to the original purchase agreement for 71 Clinton Road, Nassau BOCES is required to pay 30.18% of the common area maintenance (CAM) charges associated with the condominium on an annual basis, based on a calendar year.

The condominium charges are currently managed by ACC Real Estate Services Inc. (ACC) whose responsibility is to manage the common area property, coordinate all services, pay monthly invoices and bill the tenants for the annual CAM charges. The management companies have changed a few times since Nassau BOCES purchased this property.

After three months of the subsequent calendar year, Nassau BOCES receives an invoice for the total CAM charges from the current management company for the prior calendar year, broken down into various categories, which are usually relatively consistent year to year. The invoices should cover expenses from January through December. Those expenses are reviewed annually by the Internal Audit Department and copies of the invoices are used to schedule out a worksheet

that includes all expenses by category. This provides a running history over the years of the CAM expenses.

On June 27, 2019 we received an invoice from ACC which stated that due to the significant costs involved in an unexpected water main repair, we will need to pass through a special assessment. The total expense was listed as \$194,342.96 and the proportionate fee applicable based on 30.18% amounted to \$58,652.71. See **Audit Finding #1**.

Audit Scope: All invoices received for the “special assessment” as well as all invoices received for the 2019 CAM were examined for the purpose of validating the expenses for payment.

Audit Objectives: 1. To ensure that all invoicing associated with the “special assessment” represents valid invoices.

2. To ensure that all invoicing associated with the 2019 CAM represent valid invoices.

Audit Procedures: 1. We contacted ACC regarding the “special assessment” and requested that along with the invoice documentation they sent to support the total charge of \$194,342.96, we would also need the following in order to verify the expenses:

1. Copy of signed contract between ACC Real Estate Services Inc and Maccarone Plumbing.
2. Certified payroll records for all labor costs.
3. Copies of Permits along with proof of payment, cancelled checks and remittance advices.
4. Copies of all shipping fees receipts.
5. Copies of invoices associated with equipment.

2. Interviews were conducted with the Facilities Department to ascertain what information they had related to the work performed that was listed in the “special assessment”. We reviewed the information regarding additional security required at the time of the work which began in March 2019 to verify that the Facilities Department has been aware of the project.

3. The 2019 CAM reconciliation was received from ACC on March 31, 2020 via email and we requested that all applicable invoices be submitted at that point for review. As each of the invoices were received, the information was scheduled onto an Excel spreadsheet for analysis, as noted above. See **Audit Finding #2**.

4. Attachment A was prepared to summarize the initial findings that identified invoices which were questionable based on their review.

5. We contacted the Facilities Department to assist in the verification of one specific invoice included with the 2019 CAM charges in the amount of \$9,759.16 from the Village of Garden City.

6. Continuous communication via email and eventually phone calls accomplished the removal of certain expenses for both the “special assessment” charge and the 2019 CAM charges.

Audit Finding #1: The review process for the “special assessment” took many months of asking for documentation to verify that the expenses incurred were valid expenses. The request for payment of this type of costs, out of the normal cycle noted above, was unusual in nature and subsequently came under a greater scrutiny. All the invoices, certified payrolls and cancelled checks were reviewed in detail for verification purposes.

In addition, we worked with the Facilities Department on verifying that the water main was an issue and that they had secured additional security coverage during the time of the work completed by Maccarone Plumbing.

Based on the extensive review required for verification purposes, the five separate charges in the original expense of \$194,342.96 were lowered and the amounts are as follows:

Original “special assessment”	\$ 194,342.96
Reduction for missing invoice	\$ (2,564.86)
Reduction for fees and taxes on missing invoice	\$ (759.85)
Reduction for missing invoice	\$ (467.27)
Total reductions	\$ (3,791.98)
Adjusted “special assessment	\$ 190,550.98
Net portion of 30.18% due	\$ 57,508.29

Since Nassau BOCES is responsible to pay 30.18% of the total expenses, the work performed yielded a savings of \$1,144.42.

Audit Recommendation #1: We recommend that the current management company be notified that any substantial work that needs to be performed on the common area should be discussed with Nassau BOCES in advance of any work performed. We have a knowledgeable Facilities Department that could provide guidance on potential work that is required to be completed, before any work is started.

In this instance, minimal adjustments were made to the total invoices submitted; however, because of the lack of a formal process between all parties involved in paying for maintenance charges, extensive verification was required.

Audit Finding #2: All invoices are scheduled out and totaled by category for the purpose of identifying that the total amounts listed on the annual CAM are supported by the appropriate invoices. For the 2019 CAM, we identified nine invoices that were questionable. Each of the nine invoices were discussed with ACC, and eight of the nine charges listed by category were removed as follows:

Parking Lot Lighting Electric:

Delta electrical invoice # 14290	\$ 591.80
Delta electrical invoice #14298	\$ 662.87

Water and Sewer:

Village of GC – Late fees	\$ 416.78
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Maintenance and Repair:

PCI invoice #17-1964	\$1,587.00
Victoria invoice # 3885	\$ 246.60
ACC invoice #2606	\$ 86.90
ACC invoice #3024	\$ 173.80
Victoria invoice #4233	\$ 315.01

The ninth invoice was identified as a valid expense after researching with the building custodian at the George Farber Administrative Center.

Audit Recommendation #2: We recommend that each invoice be reviewed carefully since it is evident that many times expenses that are not CAM expenses, are put into the annual billing. Those bills are usually related to the other tenants on the property and, as such, require scrutiny.

Audit Finding #3: In conversations with ACC while reviewing various invoices, I was told that many times if they are not sure about an invoice, they will just code it to 71 Clinton Road and just add it into the CAM expenses, when in fact it is not a CAM expense. That statement clearly indicates a lack of precision with respect to the process of recording CAM expenses and basically puts the onus on Nassau BOCES to identify any questionable invoices.

Audit Recommendation #3: As mentioned above, there needs to be more communication between the parties responsible for CAM expenses and a more comprehensive approach by the management company in coding the invoices.

Audit Objectives: Both audit objectives have been met.