

**OFFICE OF THE NASSAU
COUNTY COMPTROLLER
ELAINE PHILLIPS**

**Broken But Not Destroyed
Emergency Shelter**

December 2022



Report Highlights

BACKGROUND FACTS

Broken But Not Destroyed (BBND) is a non-profit that provides emergency shelter services to Nassau County residents.

BBND has two locations that provide emergency shelter services to adult males only and one location that provides services to women and children.

BBND receives over \$1 million annually from the County for providing these services.

100% of BBND's revenue comes from payments by Nassau County.

The source of the funds paid by the County to emergency shelters comes from the Federal Government 50%, New York State 25% and Nassau County 25%.

AUDIT SCOPE PERIOD

**January 1, 2020 –
December 31, 2021**

AUDIT OBJECTIVE

To determine whether Broken But Not Destroyed (BBND) was in compliance with the Nassau County Living Wage Law and other legal requirements.

KEY FINDINGS

There were several areas of concern with the operations of BBND. Auditors found BBND did not:

- maintain adequate payroll records as required by the U.S. Department of Labor;
- have verifiable payroll records;
- accurately report wages to taxing authorities; and
- have records to support that employees were paid the Living Wage rate and granted the appropriate amount of compensated leave.

Auditors found a lack of internal controls over cash disbursements and a lack of segregation of duties.

- The Code of Federal Regulations was violated. Personal expenses of the Owner and Executive Director were paid with shelter funds (credit cards, mortgage, meals). County Shelter funds were diverted to a foreign corporation;
- BBND failed to maintain supporting documentation for most of the disbursements reviewed; and
- Several of the County's payments could not be traced to the Shelter's check registers.

KEY RECOMMENDATIONS

- BBND should maintain complete and accurate time and payroll records, properly report wages to the IRS and make all records available for inspection by the County.
- BBND should implement cash controls and use government funding exclusively for the shelters following Federal Regulations.

The Auditee did not fully respond to the audit recommendations in the report. Overall, they failed to address their lack of compliance and only partially responded to the findings.

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Background

Broken But Not Destroyed Corp. (“BBND”) is a not-for-profit agency founded in 2013, which provides emergency housing to homeless adult males and families in Nassau County.

BBND provides these services under an agreement or contract with the County called a Memorandum of Understanding (“MOU”). Incorporated into this MOU is a requirement for BBND to follow the Nassau County Living Wage Law and other Federal and State Laws concerning non-profit corporations and shelter providers. The current MOU between BBND and the County is due to expire on December 31, 2022.

BBND currently has three locations that provide emergency housing. Two of the locations provide emergency shelter services to adult males only, while the third location is for women and children. BBND also runs a children’s ministry at the family shelter.

The Board of BBND is comprised of four members. The Board is responsible for overseeing the finances and operations of the agency.

Staffing at the emergency shelters consists of full-time, part-time and contract employees.

BBND obtains 100% of its funding from the Nassau County Department of Social Service. The source of the money paid to BBND is 50% Federal funds, 25% New York State funds and 25% County funds. The County reimburses BBND for the services it provides based on the number of Nassau County residents it shelters. BBND is reimbursed by the County upon submitting a claim for payment.

The County’s reimbursements to BBND totaled \$1,066,470 and \$1,535,704 in 2020 and 2021 respectively.

Auditors did not find material issues with the amount of money claimed for reimbursement by BBND, however, once they received payment, **BBND did not comply with Federal guidelines on how to manage and utilize these funds.**

BBND Operations Audit Findings and Recommendations

What is Required of a Nassau County Emergency Shelter Provider to be in Compliance with Their Contract?

Shelter providers are required to maintain and retain complete and accurate records, documents and accounts, in accordance with their MOU with the County and Generally Accepted Accounting Principles. These records must be made available for audit and inspection by the Comptroller's Office. According to the U.S. Department of Labor, basic records that employers must keep for every employee include full name, Social Security number, hours worked including time and day, when the workweek begins, total hours for each work week, and employee's rate of pay.

County Shelter providers are also required to be in compliance with all Federal, State and Local Laws. Federal Law requires entities to report all taxable wages to the IRS using the proper form. For non-profit entities, Federal Law requires an annual filing of an IRS Form 990. IRS Form 990 is the annual tax filing of a non-profit entity which is designed to provide the public with financial information about a non-profit organization.

Finding 1

BBND Did Not Maintain Written Verifiable Employee Payroll Records

BBND Did Not Maintain Adequate Records of Time Worked for All Employees

BBND uses a payroll processing service. However, they are not reporting hours worked to the payroll processing service for most of the employees. Instead, the Executive Director uses her mobile phone application, "WhatsApp" to prepare and maintain the shifts employees are scheduled to work. Auditors found no assurance that the employees worked the scheduled shifts, as no timekeeping records were provided.

Time Records Do Not Match ADP Payroll Records

The Executive Director transferred the shift schedules from the mobile application to an Excel worksheet for our review. The shift schedules did not contain all pertinent data such as employee full name, number of hours worked per day or hourly rate for each employee. The shift schedules did not include the number of hours worked per shift. Auditors were informed a normal shift is 12 hours per day.

The Executive Director provided the Auditors with the employees' daily pay rates. Auditors calculated the amount that should have been paid to each employee assuming the scheduled shifts were worked and multiplying the number of shifts by the daily pay rate provided; and the result did not agree with the amounts paid per the ADP payroll records. For example, an employee was scheduled to work ten shifts at a daily rate of \$200 per shift, which would total \$2,000 for the pay period. The ADP payroll records indicated that the employee was paid \$1,400 for the pay period.

Individuals with Scheduled Shifts Did Not Appear on ADP Payroll Records

The shift schedules provided included four individuals who collectively were scheduled to work over two hundred shifts, but the individuals never appeared on the ADP payroll or check registers, giving the appearance they may have been paid in cash.

BBND Operations Audit Findings and Recommendations

Finding 2

BBND Did Not Properly Complete and Disclose Pertinent Information on their Tax Filing

According to the IRS website, 2018 was the last year that a Form 990 was filed. BBND provided the Auditors with electronic copies of their 2019 and 2020 Form 990, however, we have no assurance they were actually filed. Auditors reviewed the electronic copies of the 2019 and 2020 Form 990 and noted the following:

- Revenue received from the County representing 100% of the organization’s funding was not correctly reported. County funding was listed as contributions, gifts, and grants, instead of Program Revenue.
- Compensation of Officers and Key Employees, which was over \$423,000 for the periods 2020 and 2021 as shown on the ADP prepared W-2 forms, was not reported on Form 990. Additionally, BBND checked the box indicating the organization did not compensate any Officers or Key Employees.
- BBND answered a question on whether they supported an organization not organized in the US as “No”, however auditors were given a document from BBND noting their foreign corporation.
- BBND failed to report loans to the company from key employees, and failed to attach a schedule L. The Board minutes provided to the Auditors contained a schedule of compensation due to the owner and Executive Director for forgoing their salary in multiple years. This is classified as a loan to the organization and should be reflected on the Form 990.
- BBND misrepresented that they had Audited Financial Statements compiled and reviewed by an independent accountant. Auditors requested BBND’s audited financial statements on several occasions, but they were never provided.

The IRS can impose financial penalties for failing to file Form 990 in a timely manner. Automatic revocation of non-profit status occurs when an organization that is required to file an annual return does not do so for three consecutive years.

Audit Recommendations:

We recommend that BBND:

- a) Maintain accurate and complete time records;
- b) Ensure that all payments to employees are documented on the Shelter’s payroll records and are reported in compliance with all Federal, State, and local laws; and
- c) Accurately prepare, and file required tax filings.

BBND Operations Audit Findings and Recommendations

What are the IRS Tax Reporting Requirements for Employers?

The Internal Revenue Service requires that employers report all wages, tips and other compensation, including those paid in cash to an employee, by filing the required forms. Employment taxes such as Federal income tax, Social Security and Medicare taxes are required to be withheld. If workers are paid in cash, employers are still required to report wages to the IRS and to pay payroll taxes.

According to IRS rules, employers are permitted to offer up to \$5,250 annually of tax-free education assistance to an employee. Any amount over \$5,250 is taxable compensation and should be included in wages reported on the W-2 form.

Additionally, any Agency is required by the IRS to collect information about their vendor. As such, independent contractors must complete a Form W-9, a Request for Taxpayer Identification Number and Certification, before beginning any work.

IRS regulations state that for most payments made to a vendor for services that exceed \$600 in a calendar year, the Agency is required to issue a form detailing their compensation. This form is called 1099-NEC (non-employee compensation). All attorneys and CPAs, whether they are incorporated or not, must receive a Form 1099-NEC for services rendered. Additionally, individuals who are not employees but perform work and earn over \$600 per year, must receive a Form 1099-NEC.

Finding 3

BBND Did Not Accurately Report Employee Wages to Taxing Authorities

Discrepancies were found with the wages that were reported on the W-2 forms and 1099-NEC forms. In many instances the compensation paid to employees as noted on the ADP payroll records did not agree with the wages reported on the tax documents. The following discrepancies were noted during audit testing:

- While reviewing check registers, Auditors observed that five employees received checks totaling \$10,627 in addition to their payroll wages. These additional payments were not processed through the payroll system or reported on their W-2 form or Form 1099-NEC.
- An employee received over \$39,000 over a two-year period for tuition that was categorized as a donation and was not included on their W-2 form as compensation. The amount was in excess of the allowed \$5,250 annually of tax-free education.
- Another five employees had wages reported on the ADP payroll records that did not agree with their tax reporting documents. One employee received a W-2 with taxable wages of \$577, but the ADP payroll reported wages of \$8,627.

BBND Operations Audit Findings and Recommendations

Finding 4

BBND Did Not Report Vendor and Professional Service Payments to Taxing Authorities

Auditors found that 1099-NEC forms were not issued to numerous vendors and professional service providers in 2020 and 2021. BBND issued these forms to some contractors who assisted in providing shelter services (contracted employees), but they did not issue any of these forms to outside contractors who provided other professional services, such as attorneys and accountants. BBND failed to issue form 1099-NEC for payments to vendors totaling \$76,450 during the audit period.

In addition, there is no evidence that independent contractors hired by BBND to perform services were required to complete IRS Form W-9, Request for Taxpayer ID and Certification.

Vendors that Should Have Been Issued IRS Form 1099-NEC		
January 1, 2020 Through December 31, 2021		
Number of Form 1099-NEC That Should Have Been Issued	Total Amount Paid by BBND	Type of Entity
5	\$23,730	Attorney/Law Firm
2	\$13,800	Accountant/CPA Firm
16	\$38,920	All Other Entities
23	\$76,450	Grand Total

Audit Recommendations:

We recommend BBND:

- a) Issue corrected tax reporting documents to accurately reflect employee wages for 2020 and 2021; and
- b) Require all independent contractors complete a W-9 Form and issue all required 1099-NEC Forms.

BBND Operations Audit Findings and Recommendations

What is Required of a Non-Profit Organization to Comply with Federal Spending Guidelines?

Federal regulations require that the non-profit revenue must be used exclusively to support the mission of the shelter. The Code of Federal Regulations 2 CFR Part 230 (which codified OMB Circular A-122) establishes cost principles for non-profit organizations. The MOU between Nassau County and BBND states that BBND must comply with these Federal guidelines.

Federal regulations specifically prohibit the use of charitable funds to purchase alcoholic beverages, make donations, incur costs of entertainment such as tickets, meals, lodging, transportation and gratuities and incur costs of fines and penalties resulting from violations.

Finding 5

Over \$680,000 in County Payments Were Not Deposited into BBND's Bank Accounts

All of BBND's deposits, including payments from the County, should appear on their check register. A check register is a record of all transactions in a checking account, including deposits.

Throughout the audit period, BBND received 31 payments from the County. Five payments from the County, totaling \$686,098, did not appear on BBND's check registers. As such, Auditors could not determine whether these five payments were deposited into any of BBND's business bank accounts.

Auditors requested all bank statements to validate the information on BBND's check registers. BBND did not provide the bank statements. After the Audit was concluded, BBND told Auditors that these five payments that do not appear on BBND's check register, were deposited into a bank account that was not disclosed by BBND during the audit.

County Payments Not Deposited Into a Disclosed Broken But Not Destroyed Business Bank Account			
Check Check Date	Deposit Date	Check Number	Check Amount
04/06/21	N/A	5630310	\$166,753
05/03/21	N/A	5162207	\$163,033
05/29/21	N/A	5163211	\$81,720
07/08/21	N/A	5164615	\$29,296
12/19/21	N/A	5170747	\$245,296
Total			<u>\$686,098</u>

In addition, BBND's check registers were not reliable. The description of expenses on the registers often did not agree with other information obtained. For example, BBND made a payment to a college for tuition and described it as a loan to the Executive Director, but supporting documentation showed that this was a donation to an employee for tuition.

BBND Operations Audit Findings and Recommendations

Finding 6

BBND Made Purchases Not Allowed Under Federal Regulations

Auditor's review of cash disbursements revealed multiple instances where BBND made purchases not allowed. The following inappropriate cash disbursements were noted during the audit period:

- Almost \$82,000 was spent on personal expenses for the Owner and Executive Director. This included mortgage payments for their personal residence, tuition for a family member, and payments to personal credit cards.
- BBND made donations of over \$78,000 to individuals.
- Over \$8,900 was spent for personal meals and entertainment.
- Life insurance premiums of over \$8,400 was paid and was not considered additional compensation.
- Over \$7,500 was spent on tolls and ride sharing expenses.
- Fines and penalties of \$362 were incurred.

Additionally, Auditors were informed that the Executive Director is utilizing a BBND purchased vehicle. Auditors note that any personal benefit from use of this vehicle must be reflected on the Executive Director's W-2 as imputed income.

Finding 7

BBND Diverted Funds to Another Corporation in a Foreign Country

BBND formed a separate corporation whose sole purpose is to perform missionary work on the island of Jamaica. BBND is misappropriating County revenue to support this Corporation in a foreign country. The organization spent over \$37,000 for outreach activities, which included expenses to support the corporation in Jamaica and the child ministry that was run out of one of their emergency shelters. The outreach programs financially supported by BBND are outside of the scope of the MOU with the County and therefore unallowable.

Audit Recommendation:

BBND should use funds received from the County in accordance with the Code of Federal Regulations as required by the MOU.

BBND Operations Audit Findings and Recommendations

What is Effective Management Oversight Regarding Operations of a Non-Profit Organization?

Management is responsible for overseeing daily activities and safeguarding assets to help reduce the risk of fraud, waste, and abuse. To fulfill this duty, management should establish adequate internal controls. Proper internal controls include adequate supporting documentation and approval for all expenditures and a correlation of the invoice number on the check to avoid duplicate payments. Management must also have proper segregation of duties so that one person acting alone cannot compromise the Agency's financial security.

The Board of Directors is responsible for ensuring that a fiscally sound budget is prepared that meets the non-profit's tax-exempt purpose.

The NYS Attorney General Charities Bureau guidance for non-profits recommends that annual budgets be prepared and monitored. The Board should formally review and approve the annual budget. To monitor a budget, non-profits should prepare quarterly reports that compare the budget to actual expenditures and receipts. Any variances from the budget should be explained in a timely manner and may necessitate amending the budget during the year.

Finding 8

Cash Disbursements Were Made Without Proper Segregation of Duties or Approvals

Auditors found that at BBND the owner has sole responsibility for making purchases, approving the purchases, preparing and signing checks, and transferring funds between bank accounts. Auditor review of 80 cash disbursements revealed the following irregularities which deviate from Generally Accepted Accounting Principles:

- All cash disbursements reviewed did not have proper approval for the expenditure.
- BBND could not provide supporting documentation for 52 of 80 cash disbursements reviewed. In many instances management did not maintain the supporting documentation or did not even recognize the expenditure.
- BBND failed to provide cancelled checks for 84% of the disbursements reviewed. Since copies of the cancelled checks were not provided, Auditors could not verify that the checks were written to the intended payee or if there were any duplicate payments made.
- During the review of the check registers, Auditors noted numerous occasions where the category of the expense and/or the payee was recorded incorrectly.

Additionally, Auditors noted over \$333,000 in withdrawals which could not be explained by management and over \$5,600 in overdraft and other bank fees due to improper financial oversight.

BBND Operations Audit Findings and Recommendations

Finding 9

BBND Did Not Prepare an Annual Budget for Review and Approval by Their Board

It does not appear that BBND prepares an annual budget. Auditors reviewed the Board minutes from 2018 through 2021 and found that a budget was never presented to the Board for review and approval.

Audit Recommendations:

We recommend BBND:

- a) Implement internal controls over the cash disbursement process and maintain adequate supporting documentation for all expenditures;
- b) Adhere to best practices and prepare an annual budget to be reviewed and approved by the Board of Directors; and
- c) Monitor the budget throughout the year for variances, on at least a quarterly basis.

What is Required of an Emergency Shelter to Comply with NYS Office of Temporary and Disability Assistance (OTDA)?

The NYS OTDA is responsible for supervising programs that provide assistance and support to eligible families and individuals. The office's Division of Shelter Oversight and Compliance (DSOC) is responsible for the oversight of publicly funded shelters for families and adults experiencing homelessness across the state. The overall mission of the Division is to ensure that individuals and families experiencing homelessness are provided with safe and secure temporary accommodations, and when needed, receive access to supportive services to help with locating stable housing.

A key OTDA requirement is that every provider of services to a publicly funded emergency shelter for families with children, conduct a criminal history background check through the NYS Division of Criminal Justice Services Sex Offender Registry **before hiring** an employee or accepting a volunteer who will have the potential for regular and substantial contact with children served by the shelter.

Additionally, the MOU with the County states "they must screen all employees of a family shelter through the NYS Division of Criminal Justice Services Sex Offender Registry and agree **not to hire** any person listed on the sex offender registry".

Another OTDA requirements is that one employee per shift at each shelter location be first aid certified.

BBND Operations Audit Findings and Recommendations

Finding 10

BBND Did Not Provide Evidence that Employees at the Family Shelter Were Screened for Sex Offender Status Before Hiring; Nor Did Employees Receive First Aid Certification

Auditors were not provided with evidence that employees were screened through the sex offender registry **before** being hired. Auditors were told by the Executive Director that employees are background checked after their 90-day probation period through the Nassau County Police Department. This post employment background check did not include screening through the NYS Sex Offender Registry.

Additionally, no documentation was provided to ensure BBND was in compliance with the OTDA mandate for first aid training. The time records provided by BBND indicate that each shelter location may have only one employee present at the shelter at any time, and as such, all employees should be first aid certified since they may be the only one on duty to assist in an emergency.

Audit Recommendation:

We recommend that BBND ensure all employees and volunteers of a family shelter are screened for Sex Offender status **before** they are employed and employees have their first aid certifications.

BBND Living Wage Audit Findings and Recommendations

What are the Requirements of Nassau County’s Living Wage Law?

The Nassau County Living Wage Law ensures employees of companies that have a contract with the County earn a living wage and receive health benefits or a health benefits supplement.

Additionally, the law provides that full-time employees, including subcontractors, receive 12 paid days off a year and part-time employees, working at least 20 hours per week, receive proportionate compensated days off. The Living Wage Law specifically states, “County subcontractor means any entity or person that is engaged by a County contractor to assist in performing any of the services to be rendered pursuant to a County service Contract.” These individuals should be considered employees and are subject to the Living Wage Law and therefore entitled to compensated leave time. BBND’s MOU with the County requires them to be in compliance with the Nassau County Living Wage Law.

The Living Wage Law also states that compensated days off may not be forfeited upon separation from service and should be paid out to employees at the Living Wage rate at the time of separation.

Finding 11

BBND Paid Several Employees Below the Applicable Living Wage Rate

The payroll records provided were insufficient since they did not provide hourly rates or number of hours worked for a majority of the employees on the payroll. Of the five employees that had an hourly rate listed on the payroll records, three were underpaid a total of \$311.39 for the audit period. See the first exhibit in Appendix A for a schedule of the amounts due to each hourly rate employee paid below the Living Wage rate in 2020 and 2021.

Additionally, several employees were paid a daily rate based on a 12-hour shift. Auditors attempted to equate the daily pay rate to an hourly rate by dividing the daily rate amount by 12 hours. Using this methodology, it appears that these employees were paid significantly below the Living Wage rate. Auditors estimate that these employees were underpaid a total of \$76,500 for hours worked in 2020 and 2021. Since time records provided were unreliable, Auditors cannot ascertain the exact amount due to each employee with a daily rate. See Appendix A for a detailed listing of daily rate employees, the amount per hour and number of pay periods each employee was underpaid.

BBND failed to provide daily or hourly rates for six additional employees who did not have hours on the payroll and were not included on the schedule. Auditors were told these employees were supposed to be paid a set semi-monthly rate. Since BBND failed to provide the number of days or hours worked for these employees, Auditors were unable to determine if they were paid the Living Wage rate.

BBND Living Wage Audit Findings and Recommendations

Finding 12

BBND Did Not Provide All Eligible Employees with Compensated Leave Time

There were several employees that were entitled to compensated leave time, including full-time, part-time working over 20 hours per week and subcontractors.

According to the ADP payroll records, only three full-time employees were granted accrued compensated leave time. Auditors cannot determine if these three employees were granted the correct amount of compensated leave time due to inadequate records.

None of the part-time employees received any compensated leave time. Due to inadequate records, Auditors were unable to identify which part-time employees worked over 20 hours per week. The payroll was done semi-monthly and the number of hours worked was not often indicated on the payroll, therefore the amount owed to each employee for compensated leave could not be determined.

BBND employs several contract employees. Auditors could not quantify the amount of compensated time employees were entitled to since daily rates and hours were not provided for these employees.

A review of BBND's Corporate Training Manual and ADP Employee Paid Time Off records indicated that any unused leave time does not carry over into the next calendar year. Additionally, the employee training manual states that unused leave time will not be paid out if an employee is no longer employed at the organization for any reason.

Audit Recommendations:

We recommend that BBND:

- a) Pay the three employees the \$311.39 owed to them for being underpaid and ensure all employees are receiving the applicable Living Wage rates; and
- b) Identify those employees that did not receive compensated leave time and pay them the amount due to them and ensure all eligible employees are receiving the appropriate amount of compensated leave time.

APPENDIX A – Living Wage Exhibits

The exhibit below details the amounts due to hourly rate employees that were paid below the Living Wage rates.

Amounts Due to Employees Paid Less Than the Living Wage Rate January 1, 2020 through December 31, 2021							
Employee Number	Period		Hourly Rate	Living Wage Rate	Difference	Hours Worked	Amounts Due To Employee
	From	To					
2020 Schedule of Underpaid Employees							
2	01/01/20	07/31/20	\$16.50	\$16.76	\$0.26	258	\$67.08
2	08/01/20	12/31/20	\$16.50	\$17.06	\$0.56	73	\$40.88
8	01/01/20	07/31/20	\$16.50	\$16.76	\$0.26	199	\$51.74
Total Amount Owed To All Employees for 2020							\$159.70
2021 Schedule of Underpaid Employees							
2	01/01/21	07/31/21	\$16.50	\$17.06	\$0.56	35	\$19.60
2	08/01/21	12/31/21	\$17.50	\$17.57	\$0.07	175	\$12.25
19	08/01/21	12/31/21	\$16.50	\$17.57	\$1.07	112	\$119.84
Total Amount Owed To All Employees for 2021							\$151.69
Total Amount Owed To All Employees for 2020 & 2021							\$311.39

APPENDIX A – Living Wage Exhibits

The exhibit below is a schedule of daily rate employees and the amount per hour and number of pay periods each was underpaid.

Broken But Not Destroyed Employees Paid Daily Pay Rates Difference Between Calculated Hourly Rates Paid and Applicable Living Wage Rates								
Employee Number	Period		Daily Rate of Pay	Hours Per Day	Hourly Rate Calculation	Living Wage Rate	Hourly Difference	Pay Periods Worked
	From	To						
3	01/01/20	07/31/20	\$140.00	12	\$11.67	\$16.76	\$5.09	13
3	08/01/20	12/31/20	\$140.00	12	\$11.67	\$17.06	\$5.39	10
3	01/01/21	07/31/21	\$165.00	12	\$13.75	\$17.06	\$3.31	9
5	01/01/20	07/31/20	\$130.00	12	\$10.83	\$16.76	\$5.93	1
5	08/01/20	12/31/20	\$130.00	12	\$10.83	\$17.06	\$6.23	10
5	01/01/21	07/31/21	\$130.00	12	\$10.83	\$17.06	\$6.23	14
5	08/01/21	12/31/21	\$130.00	12	\$10.83	\$17.57	\$6.74	10
6	01/01/20	07/31/20	\$170.00	12	\$14.17	\$16.76	\$2.59	12
6	08/01/20	12/31/20	\$170.00	12	\$14.17	\$17.06	\$2.89	10
6	01/01/21	07/31/21	\$200.00	12	\$16.67	\$17.06	\$0.39	14
6	08/01/21	12/31/21	\$200.00	12	\$16.67	\$17.57	\$0.90	10
10	01/01/20	07/31/20	\$140.00	12	\$11.67	\$16.76	\$5.09	14
10	08/01/20	12/31/20	\$140.00	12	\$11.67	\$17.06	\$5.39	10
10	01/01/21	07/31/21	\$165.00	12	\$13.75	\$17.06	\$3.31	14
10	08/01/21	12/31/21	\$165.00	12	\$13.75	\$17.57	\$3.82	10
11	08/01/20	12/31/20	\$150.00	12	\$12.50	\$17.06	\$4.56	5
16	01/01/20	07/31/20	\$115.00	12	\$9.58	\$16.76	\$7.18	14
16	08/01/20	12/31/20	\$115.00	12	\$9.58	\$17.06	\$7.48	10
16	01/01/21	07/31/21	\$150.00	12	\$12.50	\$17.06	\$4.56	10
17	01/01/20	07/31/20	\$130.00	12	\$10.83	\$16.76	\$5.93	6
20	08/01/21	12/31/21	\$150.00	12	\$12.50	\$17.57	\$5.07	2
21	01/01/21	07/31/21	\$150.00	12	\$12.50	\$17.06	\$4.56	6

APPENDIX B - Audit Methodology

This audit was conducted in pursuant to the Nassau County Comptroller's authority as set forth in Article IV of the Nassau County Charter.

The objective of this review was to determine whether BBND was in compliance with the Nassau County Living Wage Law and other legal requirements.

To achieve these objectives, our audit procedures included the following:

- We obtained employee shift schedules which were transferred from WhatsApp and represented as work schedules and compared these schedules to ADP payroll records to test their validity.
- We compared the hourly rates, when provided, to the applicable Living Wage rates to ensure compliance with the Living Wage Law. Where not provided, Auditors computed the hourly rates based on other information from the auditee for comparison with the applicable Living Wage rate.
- We reviewed ADP's Earned Time Off records to determine if employees were receiving the appropriate amount of compensated leave time.
- We interviewed the Owner and Executive Director and reviewed the check registers to gain an understanding of the cash disbursement process and ensure compliance with the Code of Federal Regulations.
- We analyzed the check registers and judgmentally selected 80 disbursements for testing to ensure adequate internal controls were in place. We traced the disbursements to invoices and canceled checks provided to determine whether the disbursements were adequately supported and approved.
- We obtained a listing of County payments made to BBND during the audit period. We traced these payments to the check registers to determine if County funds were being properly used for the mission of the emergency shelter.
- We reviewed cash disbursements made to vendors to determine if appropriate tax documents were issued for non-employee compensation.
- We reviewed the payroll records to determine if all employee wages were correctly reported to taxing authorities.
- We reviewed annual IRS 990 Forms to determine they were properly completed and filed.
- We reviewed Board minutes to determine if an annual budget was prepared and approved by the Board.
- We randomly selected 100 claim vouchers submitted by BBND to DSS for reimbursement to determine if they were completed accurately and the correct rate was paid.
- We interviewed the Executive Director to understand the hiring process and determine if OTDA requirements are being met.

We conducted this compliance audit in accordance with Federal and State regulations governing non-profit entities. Unless otherwise indicated in this report, samples for testing were selected based on professional judgement, as it was not the intent to project the results onto the entire population.

APPENDIX B - Audit Methodology

We believe the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objective. Management has the responsibility to initiate a corrective action plan that addresses the findings and recommendations in this report which should be provided to our office within two weeks.

APPENDIX C –Auditee’s Response



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Response to Finding 1

Please be advised each shift worked by contracted employees is paid at a daily rate therefore hours are not reported for daily rated paid contractors. Auditors were provided with timekeeping records. In 2021, BBND kept digital timekeeping records, Auditors requested that the digital records be converted and provided, BBND obliged. Therefore, Auditors received manual timekeeping records. In the conversion from digital to manual there may have been errors however, BBND attest that all employees have been paid for all time worked.

Auditors needed to factor in schedule changes and the digital format used. BBND is working on having a manual and digital timekeeping system.

Response Findings 2

Per the information from our accountant, the IRS website only indicates returns that were mailed directly to them. The return for 2019 and 2020 were electronically filed and accepted by the IRS. (See attached electronic confirmation).

Our understanding of the revenue received was that these funds were given by the County as grants to be used for the operating costs for services rendered by the organization. All revenues received by the county will be noted as Program revenue going forward.

Money from BBND Corp. is not being used to supply a foreign organization but being used to support mission trips.

Response to Findings 3

This must be corrected with ADP.

Response to Findings 4

Accountant will be providing 1099's for all professional services.

Response to Findings 5

These checks were deposited into a BBND Corp. TD Bank account ending in 8466.

Additionally, the funds were added as revenue on the 2021, 990.

Response to Findings 6

Please be advised that the “personal vehicle” mentioned in the Auditor’s reports is owned by BBND and driven by the company’s Executive Director for business use. Documentation can be provided on same. Auditors received certified bank checks from Executive Directors personal Wells Fargo account loaning BBND over \$100,000 for operating costs for the audited years. When Nassau County Department of Social Services goes more than 45 days without paying BBND, BBND must be loaned the money to cover operational expenses such as payroll and other related costs.

Please be advised W-2's , 990 and board minutes showed that the CEO and executive director forwent years of salary. Therefore, accountant needs to file a schedule L showing what is owed to CEO and executive director has recommended.

Response to Finding 7

APPENDIX C –Auditee’s Response



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Please be advised the bylaws of the organization state that mission trips are a fundamental service provided by the organization. The missions’ trips are not exclusive to Jamaica, BBND Corp. hosts mission trips in Brooklyn, NY, Baltimore, MD and Hempstead, NY.

Response to Findings 8

BBND is actively looking for an in-house bookkeeper and has decided on one of the candidates.

Response to Finding 9

Please be advised that BBND Corp does a yearly budget that is sent to OTDA for approval and upon their approval it is submitted to the board.

Response to Findings 10

Please see the attached First Aid and Police Records (will be sent in email following this)

Response to Findings 11

Please be advised the Executive Director of the organization is working with ADP to rectify the discrepancies found by Auditors.

Response to Findings 12

Paid time off is done through ADP and all employees part time and full time accrue based on the requirements set forth by the living wage law. Therefore, if the employee the is not eligible they do not receive paid time off. ADP will retroactively give paid time off for all employees that are eligible and have not been receiving. In addition, BBND gives all eligible employees four major holidays off. Contracted employees are not eligible.

APPENDIX D – Auditor’s Comments on Auditee’s Response

The Auditee did not fully respond to the audit recommendations in the report. Overall, they failed to address their lack of compliance and only partially responded to the findings.

Below are Field Audit’s comments on the Auditee’s response to our findings.

Note 1

With respect to Finding 1, BBND’s attestation that all employees have been paid for all time worked is not sufficient. BBND is required to maintain an accurate auditable record of all wages and compensation paid to employees.

Note 2

With respect to Finding 2, Auditor review of public information on the IRS website concerning 990 filing indicates that all tax-exempt returns are available whether they are filed electronically or in paper forms. Auditors tested the IRS website for other County shelter providers who filed electronically for 2019 and 2020 and their 990s were available. BBND must file timely and accurate IRS Form 990, including a Schedule L noting “Transactions with Interested Persons” when BBND has received loans from “Officers and Key Employees” to the organization.

Note 3

With respect to Finding 3, BBND’s attestation that this must be corrected with ADP is not accurate. Payments and compensation to employees cannot be made outside of the payroll system.

Note 4

With respect to Finding 4, BBND must issue 1099-NEC forms to all vendors who did not receive a tax reporting document for the year in which the money was earned.

Note 5

With respect to Finding 5, during the audit, Auditors were informed of and discovered a total of four business accounts used by BBND at two different banks.

Note 6

With respect to Finding 6, BBND failed to address in their response, payment of unallowed personal expenses noted in the audit, such as primary residence mortgage payment, personal credit card expenses, tuition payments for family members, and personal meal and entertainment expenses. Loans to BBND are not a basis for BBND to pay unallowable personal expenses.

Note 7

With respect to Finding 7, the outreach programs financially supported by BBND are outside the scope of the MOU with the County and therefore unallowable under NYS Charities and Federal guidelines.

Note 8

With respect to Finding 8, Management is responsible to develop adequate internal controls to safeguard the organization’s assets.

APPENDIX D – Auditor’s Comments on Auditee’s Response

Note 9

With respect to Finding 9, BBND states they prepare a budget and submit such budget to NYS OTDA. Auditors reviewed all Board minutes from the period 2019-2021 and found no evidence of such budget being reviewed and approved by the Board.

Note 10

With respect to Finding 10, BBND provided no evidence they perform required sex offender registry checks **before** onboarding a new employee. Additionally, BBND has provided no evidence of First Aid certifications during the audit period or that currently there are enough First Aid certified employees to meet OTDA requirement that at least one employee per shift is First Aid qualified.

Note 11

With respect to Finding 11, BBND must pay all employees in accordance with the Living Wage Law. Employees identified by the Auditors should be paid the amount owed to them and proof of payment provided to the Comptroller’s Office.

Note 12

With respect to Finding 12, under the Living Wage Law, BBND is responsible for tracking compensated leave time for all eligible employees, including contract employees. BBND should provide proof of payment to all employees who are owed compensated leave time during the audit period, including those employees no longer employed by them.

Contributors to the Report

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Audit Team

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