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GRANT INSPECTION AND REVIEW

Organization: Arab American Foundation, Inc.
Grant/Loan: CDBG YR 33: \$12,600; YLAC loan: \$8,000
By: Philip A. Zisman, Inspector General
Date: October 21, 2008

REVIEW

Organization Overview

The Arab American Foundation (“AAF or Foundation”), with an office at 20 South Broadway, sponsors the Arabic Cultural School Program, located in the Yonkers Community Action Program, Inc., building on Ashburton Avenue. The School offers Saturday classes for approximately 60 students between the ages of 6 and 18 in Arabic language and culture. In addition, the Foundation offers assistance and counseling to members of the Arabic community with matters related to language translations, immigrations, and accessing government programs. The Foundation also offers computer classes and language training for adults.

Grant/Loan Summary

In year 33 of the CDBG program (February 1, 2007 – January 31, 2008), the AAF received a \$12,600 grant. The City monies were budgeted as follows:

	\$ 9,690	Contract Services/Teachers
	\$ 261	Telephone
	\$ 2,265	Rental of Space
	<u>\$ 384</u>	Insurance
Total:	\$12,600	

On December 8, 2005, the foundation received an \$8,000 loan from the Yonkers Local Assistance Corporation (YLAC).¹ The interest free loan was to be paid back in three months and was intended to help the Foundation with a short term, cash flow problem. No repayments were made until June 2007, at which time AAF agreed to a pay \$650 per month for twelve months. Only periodic payments have been made under this new agreement, and the current loan balance is \$5,200.

Site Visit

On October 7, 2008, Deputy Inspector General Ed Benes and I met with Board President Bassam Naber in the Foundation's office at 20 South Broadway. The office consists of one large room divided by partitions. There is a small conference table, and several desks. We saw several computers and monitors which had been disconnected.

According to Mr. Naber, the office is open on weekdays from 10 A.M. to 1 P.M., and is staffed by an office manager who is paid \$150 per week. He told us that the computers were disconnected because the Foundation is scheduled to move from the 9th floor office to the 4th floor on October 15th. The office manager provides assistance to members of the Arabic community who ask for help. Computer and adult language classes are also conducted in the office.

Mr. Naber told us that this year the Saturday school was beginning on October 11th, and that it was expected that there will be an enrollment of approximately 60 students. The school has either four or five teachers depending on enrollment. Each family is requested to pay a \$50 registration fee per student, which is sometimes waived if a family cannot afford it. The School follows the public school calendar. We saw pictures of the school's students engaged in school activities on the wall of the office.

Mr. Naber explained that the Foundation is experiencing financial difficulties, in part, because it has lost a State grant of \$15,000. As a result, the Foundation is behind in its payment of salaries and other expenses. With respect to the YLAC loan, Mr. Naber said that he was initially referred to YLAC by former Planning and Development Commissioner Stephen Whetstone. He said that the Foundation was now making periodic payments when funding was available. Mr. Naber said that the Foundation was seeking to resolve its financial problems by trying to restore the State grant and by engaging in fundraising.

¹YLAC, a quasi-government entity, is a non-profit organization incorporated in 1980. According to its Certificate of Incorporation, YLAC 's purpose is to combat community deterioration and promote economic development within the City. Its membership is to include, among others, representatives of business, community organizations, labor and education. According to the Office of Community Development, YLAC was initially funded with a CDBG grant, and its only ongoing activity is a revolving loan program. The Office of Economic Development services YLAC's loan portfolio.

Payments

All payments submitted to the City for reimbursement under the grant were documented and consistent with the approved grant contract between the City and the AAF. The salary payments to the office manager and school teachers, which were the largest part of the grant budget, were supported by timesheets.

Program Participants

Grant recipients are required to submit to the City "Quarterly Progress Reports" that provide statistical information regarding the ethnicity and income levels of the persons who participated in grant funded programs. Under applicable federal HUD regulations, programs that receive funding must document that at least 51% of the program participants are from families with low to moderate incomes. During the grant year of February 1, 2007 through January 31, 2008, the AAF submitted 3 of the required 4 progress reports and reported that 60 persons received assistance: 25 were low income and 35 were moderate income.

The Foundation provided us with registration cards of students enrolled in the Saturday school. On each card a notation was made if the student came from a family with a low or moderate income. According to Mr. Naber, the Foundation considered family income below \$30,000 to be low, and income below \$50,000 to be moderate. Mr. Naber stated that upon consultation with the City's Office of Community Development (OCD), the Foundation will begin using a more detailed form to record program participants' income levels and ethnicity.

We discussed the Foundation's methodology for determining income levels with OCD staff who told us that the notations on the registration cards did not provide the necessarily level of detail to meet federal reporting standards. OCD also confirmed that they provided the Foundation with a new form to better capture income and ethnicity information.

Internal Controls

We found that all payments under the CDBG grant were supported by documentation and were consistent with the grant budget. Although we found no evidence of any monies being misappropriated, there was no system of internal controls that would ensure that grant funds and other AAF monies were properly expended. Mr. Naber maintains the Foundation's checking account and makes all payments himself. There is currently no external review of payments and monthly bank statements.

We reviewed the Foundation's checkbook and it appears that the documented payments that were made over the last year supported the organization's operations. We discussed with Mr. Naber that in order to establish

a system of internal controls he should have at least one or two other board members review and approve all payments before the checks are issued, and that the treasurer of the board should independently perform monthly bank reconciliations. Mr. Naber agreed that these were good ideas.

We also note that the Foundation does not report payments to staff by issuing IRS 1099 forms. Mr. Naber agreed that 1099s should be issued.

Conclusions

- The Arab American Foundation spent Year 33 CDBG funds in accordance with the approved grant budget. There was proper documentation submitted in support of AAF payments under the grant.
- AAF is in arrears in the repayment of the \$8,000 YLAC loan.
- The AAF's Quarterly Progress Reports provided information regarding income of people who participate in its School program. The Foundation, in consultation with OCD, will now utilize a new form to better capture required income and ethnicity data.
- The AAF has no system of internal controls. We recommend that the Foundation institute two reforms: First, at least one board member, other than Board President Naber, should review and approve all payments before checks are issued. Second, the treasurer of the board should independently conduct monthly bank reconciliations of the Foundation's checking account.
- The AAF should issue and file appropriate 1099 forms for income tax purposes.