

**TOWN OF ERWIN  
SITEL OPERATING CORPORATION  
PROJECT FUNDS  
AUDIT REPORT**

**MARCH 31, 2010**

**TOWN OF ERWIN  
SITEL OPERATING CORPORATION  
PROJECT FUNDS  
AUDIT REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Town of Erwin  
Painted Post, New York

We have audited the accompanying schedule of Sitel Operating Corporation Project funds expended for the New York State Small Cities Community Development Block Grant of the Town of Erwin for the period ended March 31, 2010. This financial statement is the responsibility of the Town of Erwin's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of Sitel Operating Corporation Project funds expended referred to above presents fairly, in all material respects, the expenditures of federal awards under the New York State Small Cities Community Development Block Grant in conformity with accounting principles generally accepted in the United States of America.

*EFP Rotenberg, LLP*

EFP Rotenberg  
Rochester, New York  
June 25, 2010

**TOWN OF ERWIN**  
**Schedule of Sitel Operating Corporation Project Funds Expended**  
**For the Period Ended March 31, 2010**

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	<u>Expenditures</u>
Project costs - Sitel Operating Corporation	\$ 734,000
Program delivery expenses - Sitel Operating Corporation	8,000
Program administration expenses - Town of Erwin	<u>8,000</u>
<b>Total Expenditures of Project Funds</b>	<b>\$ <u>750,000</u></b>

The accompanying notes are an integral part of this schedule.

**TOWN OF ERWIN**  
**Notes To Schedule of Sitel Operating Corporation Project Funds Expended**  
**For the Period Ended March 31, 2010**

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**Note 1. General**

The accompanying schedule of project funds expended presents the activity related to a Grant and Indemnification Agreement dated August 27, 2008 between the Town of Erwin and Sitel Operating Corporation. A New York State Small Cities Community Development Block Grant was awarded to the Town of Erwin in March, 2008 for Sitel Operating Corporation as subrecipient to finance certain training costs and to create 400 new jobs.

**Note 2. Basis of Accounting**

The accompanying schedule of Sitel Operating Corporation project funds expended is presented on the accrual basis of accounting.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PROGRAM-SPECIFIC AUDIT OPTION  
UNDER OMB CIRCULAR A-133**

To the Town of Erwin  
Painted Post, New York

Compliance

We have audited the compliance of the Town of Erwin with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to the New York State Small Cities Community Development Block Grant for the period ended March 31, 2010. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Town of Erwin's management. Our responsibility is to express an opinion on Town of Erwin's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the New York State Small Cities Community Development Block Grant occurred. An audit includes examining, on a test basis, evidence about the Town of Erwin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Erwin's compliance with those requirements.

As described in item 2010-1 in the accompanying schedule of findings and questioned costs, the subrecipient did not comply with requirements established in the Grant and Indemnification Agreement dated August 27, 2008. Compliance with such requirements is necessary, in our opinion, for the Town of Erwin, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Erwin complied, in all material respects, with the requirements referred to above that are applicable to its Grant and Indemnification Agreement dated August 27, 2008 between the Town of Erwin and Sitel Operating Corporation dated August 27, 2008 for the period ended March 31, 2010.

Internal Control Over Compliance

The management of the Town of Erwin is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the program tested. In planning and performing our audit, we considered the Town of Erwin's internal control over compliance with requirements that could have a direct and material effect on the program tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erwin's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Erwin's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a significant deficiency.

The Town of Erwin's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Erwin's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Town of Erwin and its regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
June 25, 2010

**TOWN OF ERWIN**  
**Schedule of Findings and Questioned Costs for Sitel Operating Corporation Project Funds Expended**  
**For the Period Ended March 31, 2010**

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**SUMMARY OF AUDITOR'S RESULTS:**

Internal control over project funds expended:

- |  |      |
|--|------|
| • Significant deficiencies identified? | YES  |
| • Material weaknesses identified?      | NONE |

Type of auditors report issued on compliance for program tested: QUALIFIED

Summary of Audit Findings: YES

Identification of Program Tested:

- Grant and Indemnification agreement between the Town of Erwin and Sitel Operating Corporation dated August 27, 2008

**COMPLIANCE FINDINGS AND QUESTIONED COSTS:**

**COMPLIANCE FINDING 2010-1 - Sitel Operating Corporation Training Documentation** - In the test of training documentation of Sitel Operating Corporation it was noted that training completion could not be substantiated for approximately 22% of the sample. In discussion with Sitel Operating Corporation management, they indicated that due to staff turnover there may have been inconsistencies in how training files were maintained.

**RECOMMENDATION** - The template for training documentation should have been established at the start of the program, maintained at a centralized location and then periodically reviewed by Sitel Operating Corporation staffing to ensure compliance with the requirements of the grant. Had this occurred, training documentation would have been maintained in a more organized fashion. In addition, a certificate of completion could have been prepared and distributed to employees upon the completion of the training program, with a copy stored in each employee's personnel folder. Sitel Operating Corporation personnel should review the training documentation related to this grant and ensure it is properly documented.

**MANAGEMENT RESPONSE** - The Town of Erwin entered into a Grant and Indemnification Agreement for Small Cities Funds with Sitel Operating Corporation dated August 27, 2008. Paragraph 1(a) of said Agreement required Sitel Operating Corporation to "utilize the Grant ... solely for the purpose of training needs relative to the prospective employees in connection with the Project", and further required Sitel Operating Corporation to supply "copies of applicable documentation from its records verifying its application of the Grant to its intended purposes". Sitel Operating Corporation was also required to comply with and be bound by all conditions of the Grant, cooperate fully and completely with the Town, and indemnify the Town against any and all claims arising out of breach of the Agreement by Sitel Operating Corporation.

The Town requested and received documentation from Sitel Operating Corporation regarding employment and income levels of new hires. Despite repeated requests, diligent effort, communication with the local site as well as corporate offices, the Town was unable to obtain all the requisite documentation in regard to completed training. The Town neither had control of nor access to such data and had to rely upon Sitel Operating Corporation as contemplated in the Grant and Indemnification Agreement for Small Cities Funds.