

# AUDIT REPORT

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**Child Care Council of Dutchess and Putnam, Inc.**

**April 1, 2014 - December 31, 2015**

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## Organization

Child Care Council of Dutchess and Putnam, Inc. works to promote affordable and quality child care, provide information and support to families and strengthen the early childhood workforce in Dutchess and Putnam Counties. Additional information can be found at: [www.childcaredutchess.org](http://www.childcaredutchess.org).

## Audit Scope

The audit was performed for the period April 1, 2014 through December 31, 2015. Child Care Council of Dutchess and Putnam, Inc. had three contracts with Dutchess County during this time period.

Department of Behavioral & Community Health	7/1/2014-6/30/2015	\$203,000
Department of Planning and Community Development	4/1/2014-3/31/2015	\$12,050
Department of Community and Family Services (DCFS)	1/1/2015-12/31/2015	\$255,317

The audit included internal control processes, contract review and accounting processes. Banking, payroll records, 1099s, other expenses claimed and financial reports were reviewed.

## General Finding

In most cases the records were found to be in good order: However, improvements are recommended in the handling of banking. Disallowances totaling \$228.19 for credit card fees and a notary renewal fee should be recouped.

## Detailed Findings

### Banking

The agency's primary bank account was reviewed for reconciliations, outstanding checks, deposit of county funds and the agency's oversight/review.

#### Observations:

Bank reconciliations and outstanding checks were current. County funds were deposited as received and oversight procedures were evident.

An additional bank account retained a balance of \$25,000 and showed no activity.

#### Findings:

- A board member reviews completed bank reconciliations monthly and attests to the review. There is not a procedure in place for a board member to prepare a complete bank reconciliation to provide verification periodically.
- The bank account for operations retained a balance significantly greater than the FDIC insured amount of \$250,000.
- Voided checks were reviewed and it was noted the signature portion was not removed.
- We noted funds for the agency's scholarship program are maintained in the general operating account. We inquired as to the possibility of separating the funds. *The agency indicated the funds were set up in this manner since 2010 and the scholarship grantor has no requirement to segregate these funds and appears to be satisfied with the annual summary reports provided. Additionally the agency stated, this scholarship program is reviewed during their annual independent audit and the agency indicated there could be additional administrative duties resulting in additional costs.*

#### Recommendations:

- Preparation of bank reconciliations by an appointed board member periodically for additional oversight.
- Maintenance of the bank account balance within the FDIC insured amount.
- Removal of the signature portion from voided checks.

- We recommend the agency consider utilizing the additional account which has the \$25,000 (and no specified purpose) be used to segregate funds for the scholarship program. In addition, having the funds in this account may assist with the agency's need to maintain funds within the FDIC limit.

## **Payroll**

Total agency Personnel Services reported were \$590,676.26 in 2015. The total amount claimed to Dutchess County and paid to the agency was \$175,739.45.

Documents reviewed included claims, W-2s and NYS and Federal quarterly tax return filings.

Observations:

- ❖ The agency utilizes ADP's time keeping system for all employees.
- ❖ Claimed salary amounts were within W-2 reported salary amounts.
- ❖ Payroll taxes were filed timely.

## **1099's**

1099's were reviewed for consultant services in 2015. There were no discrepancies.

## **Other Expenses**

Other expenses claimed included credit card, notary fees and travel. We reviewed these items for compliance with contract budget items.

Findings:

- Fees for Credit Cards were charged to the Daycare Grant. The agency indicated these fees are assessed when a credit card is used for classes which the Child Care Council administers and charges a fee. Fees for credit card assessments should be offset by agency revenue and not charged to the county grant. A total of \$199.19 was claimed and paid.
- A Notary fee was charged for a staff member who was not charged to a county program. A total of \$29 was claimed and paid. *The agency indicated this individual is a backup notary; which would be a general administrative cost.*
- Travel expenses claimed were in excess of the budgeted amount. Per the contract, a budget amendment is required in order to exceed a category by more than 10%. Upon notification, DCFS deducted \$371.89 from the 4<sup>th</sup> quarter claim to bring the category overage within the allowed percentage.

Recommendations:

- The agency should reduce a future claim or remit a check for \$228.19 for notary and credit card fees.
- The agency should monitor all lines in compliance with the contract.

## **Other Records Reviewed**

Board minutes and financial reports were reviewed.

Observations:

- ❖ We noted the board minutes were not signed by the secretary and recommended this should be instituted.
- ❖ The agency's outside audit for 2014 indicated the agency had a lack of duty segregation. The agency indicated they were in agreement and would review processes and procedures; however they were limited due to staff size.

## **County Contracts and Payment**

### **Contract 12-0114-12/12-SS-A3 Child Care Registration and Inspection**

This county contract for the time period January 1, 2015 - December 31, 2015 amounting to \$255,317 was reviewed. All funds paid by the County were 100% funded by the New York State Office of Children and Family Services. Payment requests totaled \$176,161.03 for the time period. Department Of Community and Family Services (DCFS) Payments for the program were as follows:

2015 EXPENSES	Total
Personnel Services	\$123,636.57
Fringe Benefits	24,436.31
Contractual/Consulting Services	5,829.29
Travel/Per Diem	4,089.73
Supplies	988.87
Other Expenses	17,180.26
	\$176,161.03

The Contractor agreed to register family day care and school-age child care programs in accordance with statute, regulations and the terms of the agreement.

**Finding**

- In reviewing the contract scope 'Appendix A' with the agency it was noted the target numbers were not updated and were erroneously carried forward each year. The agency provided statistics which were published in their annual report and indicated the target number should be based on the actual number of registered family day care homes and school age child care programs that exist in Dutchess County. *The contract scope as executed indicated the Contractor expected to serve annually 255 child day care providers and 1,255 children in registrar and inspector roles and responsibilities.*

**Recommendation**

- The contract scope should be reviewed annually prior to contract execution to correctly state the anticipated outcomes.

Target	Annual
To serve annually 112 child day care providers and 896 children in registrar and inspector roles and responsibilities	Total providers: 100 Total children: 2,235

The agency reported the following for inspections which shows they exceeded their requirements.

Quarter	1	2	3	4
Actual Number of 50% Inspections (to date)	16	52	59	78
Quarterly Goal (Q4 is the Annual Requirement)	12	23	36	50
50% Inspection Cumulative Pct of Goal	130.61%	226.09%	162.20%	156.00%

**Observation:**

- ❖ As shown the agency exceeded the total quarterly and annual goals.

**Contract 14-0206-3/15-PL Jump Start School Age-Choices for a Healthy Tomorrow**

The county contract for the period April 1, 2014-March 31, 2015 amounting to \$12,050 was reviewed. This was an Agency Partner grant funded by Dutchess County Planning. Payment requests totaled \$11,536.94.

Department Of Planning and Community Development Payments for the program were as follows:

2014-2015 EXPENSES	Total
Personnel Services	\$6,843.09
Fringe Benefits	902.85
Travel	92.19
Supplies	1,270.10
Other Expenses	1,997.33
Indirect Costs	431.38
	\$11,536.94

**Provisions of the contract included:**

The contractor expected 105 children, ages 6 – 12 and 14 School Age Child Care Program (SACC) staff to learn how to prepare healthy snacks and learn fun, low cost physical activities. The contractor also planned to give 160 parents the opportunity to better understand the nutrition and physical activities provided in the SACC program.

Anticipated Participants and Activity	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	#	% of Target
5 School Age Child Care Programs will receive on-site training.	0	1	4	0	5	100%
14 staff will participate in trainings	0	3	20	0	23	164%
105 children will participate in training and learn how to prepare healthy snacks and new fun physical activities	0	13	111	0	124	118%
160 parents will have the opportunity to better understand the nutritional and physical activities provided in the School Age Child Care program.	0	17	160	0	177	111%

### Contract 14-0161-6/15-HD-A1 Parent Transportation and Respite Reimbursement

The county contract for the period July 1, 2014 – June 30, 2015 amounting to \$203,000 was reviewed.

The Contractor and the County Liaison from the Department of Behavioral and Community Health (DBCH) developed a claim acceptable to the DBCH which included parent reimbursement forms for transportation and respite care, written instructions, and financial record keeping. Payments were made to parents within 30 days of receipt of mileage claim forms, on the basis of one round trip per day between the child's home and school, at the Federal Mileage reimbursement rate. An administration fee for transportation was paid to the contractor. Respite payments were made to providers within 30 days of receipt of the provider's timesheet, consistent with the DBCH approved list. An administration fee for Respite payments was also paid to the contractor.

The county receives approximately 59.5% from the New York State Education Department for parent transportation expenses and approximately 49% from the New York State Department of Health for respite expenses.

Payment requests totaled \$63,214.24 for the time period as follows:

2014-2015 EXPENSES	Total
Parent Transportation	\$57,034.76
Parent Transportation Administration Fee	4,500.00
Respite	1,554.50
Respite Administration Fee	124.98
	\$63,214.24

#### Observations:

- ❖ A sample of claim documents for parent transportation and respite was reviewed and no discrepancies were noted.
- ❖ Discussions regarding the administration fees were being conducted regarding the contract language.