

Audit Report

Dutchess County Arts Council, Inc.

January 1, 2007– December 31, 2007

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Comptroller's Summary

Background

The Dutchess County Arts Council, Inc. (DCAC) is a not-for-profit arts service organization dedicated to strengthening and supporting artists and arts organizations in Dutchess County and the Mid-Hudson Valley region. Additional information is on their website: www.artsmidhudson.org

Audit Scope, Objective and Methodology

The audited period was January 1, 2007 – December 31, 2007. Through a contract with the Department of Planning, Dutchess County provided \$295,890.00 in funding. The audited financial statements of the agency reported \$731,390.00 in functional expenses.

The audit included review of:

- Re-granting of Dutchess County funding totaling \$228,768.00;
- Dutchess County Funding for DCAC operations totaling \$67,122.00;
- Internal controls and accounting records.

Program detail is attached as Addendum I.

Summary of Findings

Fiscal and monitoring procedures should be implemented to account for the \$228,768.00 re-granted funding.

Detailed Findings

Contract # 05-0235

The above contract was written for \$295,890.00 with a term of January 1, 2007 to December 31, 2007. While the Dutchess County Tentative Budget proposed \$230,890.00 in funding for DCAC with a specified designation of \$48,925.00 for the Bardavon 1869 Opera House and \$38,900.00 for the Mid-Hudson Civic Center; the adopted budget included an additional amount of \$65,000; \$55,000.00 for cultural capital and \$10,000.00 for the Mid-Hudson Civic Center.

The entire contract amount was claimed and paid as follows:

Program Name	Funding for Operations	Funding for Re-Grants	Total Funded and Paid
Arts Fund	\$16,200.00	\$73,800.00	\$90,000.00
Bardavon 1869 Opera House		48,925.00	48,925.00
Mid-Hudson Civic Center		48,900.00	48,900.00
Arts In Education		4,893.00	4,893.00
Arts Management & Technical Assistance	9,970.00		9,970.00
Artscene	7,582.00		7,582.00
Public Information	10,500.00		10,500.00
Folk Arts	4,200.00		4,200.00

Hudson River Arts Festival	6,470.00		6,470.00
Management & General	9,450.00		9,450.00
Cultural Capital	2,750.00	52,250.00	55,000.00
Total	\$67,122.00	\$228,768.00	\$295,890.00

Re-Granting of Funds received from Dutchess County: \$228,768.00.

DCAC paid \$228,768.00 to contractors in the form of re-grants and specified designations as shown in the Table below:

	Funding Specified in the Contract	Arts Fund (Funded & Supported Members)	Cultural Capital	Arts In Education	Total All Grants
Bardavon 1869 Opera House	\$48,925.00	\$22,385.00			\$71,310.00
Mid-Hudson Civic Center	\$48,900.00				\$48,900.00
Cunneen Hackett Arts Center		\$3,777.00	\$10,000.00		\$13,777.00
Mid-Hudson Children's Museum		\$6,646.00	\$6,000.00		\$12,646.00
Mill Street Loft		\$8,394.00	\$6,250.00		\$14,644.00
Childrens Media Project		\$6,646.00	\$25,000.00		\$31,646.00
Barrett Art Center		\$4,267.00	\$5,000.00		\$9,267.00
Rhinebeck Performing Arts		\$5,526.00			\$5,526.00
Upstate Films		\$5,946.00			\$5,946.00
Kaatsbaan International Dance Center		\$3,673.00			\$3,673.00
New Day Repertory		\$3,498.00			\$3,498.00
Pawling Concert Series		\$1,521.00			\$1,521.00
Rhinebeck Chamber Society		\$1,521.00			\$1,521.00
Violet Avenue Elementary School, Hyde Park				\$1,700.00	\$1,700.00
Seymour Smith Elementary School, Pine Plains				\$1,600.00	\$1,600.00
Eugene Brooks Middle School, Webutuck				\$1,700.00	\$1,700.00
Not reimbursed by Dutchess County				\$-107.00	\$-107.00
Total	\$97,825.00	\$73,800.00	\$52,250.00	\$4,893.00	\$228,768.00

According to the agency: a panel of volunteers with expertise in nonprofit management, finance, education and various artistic disciplines reviewed grant proposals, applications and portfolios for the allocation of grants. Each grant recipient signed a contract with DCAC.

Finding:

While there was a contract for each grant recipient, additional supporting documentation regarding actual expenditures incurred was not required.

Recommendation:

The DCAC should require fiscal documentation and institute program monitoring processes from all grant recipients to ensure monies were expended and accounted for.

Dutchess County Funding For Operations \$67,122.00:

DCAC expended \$67,122.00 for operational expenses described in table below; this amounts to 22.69% of the total Dutchess County contract budget and 33.89% of total budget less specified re-granting. See table below.

Operating Expenses	Arts Fund	Arts Mgmt & Tech Asst	Artscene	Public Information	Folk Arts	Mgmt & Gnrl	Hudson River Arts Festival	Cultural Capital	Total
Salary/Fringe/ Train/ Misc	\$12,241.00	\$7,936.00	\$2,777.00	\$8,349.00	\$3,478.00	\$6,340.00	\$1,887.00	\$2,420.00	\$45,428.00
Occupancy/ Supplies/ Equip	2,059.00	966.00	382.00	886.00	434.00	896.00	231.00	195.00	6,049.00
Print/Postage/ Advert/Misc	1,172.00	258.00	3,481.00	240.00	32.00	564.00	537.00	10.00	6,294.00
Public Programs	156.00	342.00	0.00	465.00	20.00	130.00	2,267.00	40.00	3,420.00
Contract Fees & Services	572.00	468.00	942.00	560.00	236.00	1,520.00	1,548.00	85.00	5,931.00
Total Operating Expenses	<u>\$16,200.00</u>	<u>\$9,970.00</u>	<u>\$7,582.00</u>	<u>\$10,500.00</u>	<u>\$4,200.00</u>	<u>\$9,450.00</u>	<u>\$6,470.00</u>	<u>2,750.00</u>	<u>\$67,122.00</u>

Employee earnings were verified to W-2 forms and the allocation of expenses claimed was reviewed. There were no discrepancies.

Internal Controls

The agency's internal controls for daily operations were reviewed. This included the receipt of money, bank deposits, approval of purchases, check disbursements, bank reconciliations, payroll and claim processing.

Cash Handling and Banking

Deposits, canceled checks, and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Monthly bank reconciliations are completed and verified to the general ledger.

The agency maintains a separation of duties for cash handling. The Development Director opens the mail, makes copies of the checks and gives them to the Business Manager who prepares a check log which is reviewed and initialed by the President. The Business Manager processes and makes the bank deposits, records information in the financial system and prepares bank reconciliations. The President and Board Treasurer review and initial bank reconciliations. As a result of a new procedure implemented in 2008, the President verifies the check log to the deposits recorded on the bank reconciliation.

Finding:

Corrections made in the financial system after the bank reconciliation was completed caused the general ledger and bank reconciliation to be out of balance.

Recommendation:

A procedure should be established for recording corrections to the financial system without impacting the processed bank reconciliation.

Purchasing and Payment Processing

All expenses are approved by the President. The Business Manager reviews all invoices and processes checks. Signators to the bank accounts include designated board members and the President. Checks over \$2,500.00 require two signatures; checks are physically signed.



Cordelia Shemain, Auditor



Diane Jablonski, Comptroller

Addendum I *

Program Descriptions

The Arts Fund conducts fund raising programs to provide funding to arts organizations throughout the county. The Arts Fund received a total of \$90,000.00 in funding; \$16,200.00 for salaries, fringe benefits, office costs, marketing, activities and \$73,800.00 for redistribution to funded members.

The Arts Fund grant recipients undergo an evaluation by a panel of artists and nonprofit business professionals. Artistic quality, scope of services, and community outreach, as well as organizational capacity and accountability are all taken into consideration when allocating grants. There are two categories for Arts Fund Grants; Funded Member Grants for established arts organizations and Supported Member Grants for smaller organizations or ongoing arts programs.

Bardavon 1869 Opera House – funds totaling \$48,925.00 were specified in the contract. Funds were claimed to DCAC for capital expenditures: Lighting Equipment, Stage Curtains and Backdrops, New Decking and Railings and a new truck for the Hudson Valley Philharmonic. DCAC made payment to the Bardavon 1869 Opera House. Dutchess County does not pay any administrative fees to DCAC for this program.

Mid-Hudson Civic Center - funds totaling \$48,900.00 were specified in the contract. Funds were claimed to DCAC for ongoing building maintenance and a skating class for disadvantaged children in Dutchess County. DCAC made payment to the Mid-Hudson Civic Center. Dutchess County does not pay any administrative fees to DCAC for this program. The entire amount was disbursed by DCAC.

Arts in Education received \$4,893.00 from Dutchess County to support innovative in-class arts programs in 3 schools; DCAC with additional funding from the New York State Council on the Arts provided a total of 10 schools with funding during the 2006-2007 school year. Dutchess County does not pay any administrative fees to DCAC for this program. The entire amount was disbursed by DCAC.

Arts Management & Technical Assistance funds workshops, networking opportunities, seminars and tutorials for anyone involved in making, promoting or enjoying the arts. The entire amount of \$9,970.00 was for salaries, fringe benefits, office costs, marketing, activities and contracted services.

ArtScene – is a guide to artists and art organizations. The publication is issued twice a year; it is mailed to members and dropped off at various business locations and is free to the public. Approximately 4,500 copies are issued for each publication. The amount of \$7,582.00 was for personnel services, printing, distribution and other related costs.

Public Information received funding totaling \$10,500.00. Activities included maintenance of an attractive website, research, writing and editing email communications and newspaper columns and the promotion of Dutchess County’s cultural assets.

Folk Arts received \$4,200.00 in funding for a part-time professional folklorist and operational expenses as related to the Folk Arts program.

Hudson River Arts Festival received \$6,470.00 to generate interest in the traditional arts and cultural opportunities in Dutchess County and to support artists that perform and present their cultural traditions at the Hudson River Arts Festival held in Poughkeepsie and at the Spirit of Beacon Day.

Management & General received \$9,450.00 for administration and fund raising activities of DCAC.

Cultural Capital received a total of \$55,000.00 in funding; \$2,750.00 for salaries, fringe benefits, office costs, marketing, activities and \$52,250.00 for cultural capital. Established organizations received cultural capital for one-time capital or maintenance expenses. The following received Cultural Capital grants:

Cunneen Hackett Arts Center	\$10,000.00	Sound & Lighting systems for the theater.
Mid-Hudson Children’s Museum	\$6,000.00	Lighting and Seating
Mill Street Loft	\$6,250.00	Assistance in financing a new van
Childrens Media Project	\$25,000.00	Media equipment
Barrett Art Center	\$5,000.00	Energy conservation

* The program descriptions were reviewed with DCAC.