

Audit Report

Dutchess County Arts Council Inc.
January 1, 2009 – December 31, 2010

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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, 2009 – December 31, 2010. Contracts with Dutchess County Department of Planning funded \$196,933 in 2010 and \$251,190 in 2009. The audited financial statements of the agency reported \$773,310 in functional expenses for 2009; un-audited financial statements for 2010 reported \$623,824 in expenses.

The scope of our review included:

- Contract funding for:
 - Re-granting of Dutchess County funding totaling \$152,605 for 2010 and \$194,825 for 2009.
 - DCAC programs totaling \$33,328 for 2010 and \$45,000 for 2009.
 - Management and general agency expenses totaling \$11,000 in 2010 and \$11,365 for 2009.
- Internal controls and accounting records.

Summary of Findings

Agency records were found in good order. Recommendations include requiring the submission of W9 forms from all vendors and reviewing and clarifying employee benefit policies.

Detailed Findings

Contract Funding

Contract #10-0219 was written for \$196,933 for the time period January 1, 2010 to December 31, 2010 and included specified designations for Re-Granting \$38,163 for the Bardavon 1869 Opera House and \$38,142 for the Mid-Hudson Civic Center. The entire contract amount was claimed and paid. See Addendum I for funding details.

Contract #05-0235-A5 was written for \$251,190 for the time period January 1, 2009 to December 31, 2009 and included specified designations for Re-Granting \$48,925.00 for the Bardavon 1869 Opera House and \$38,142.00 for the Mid-Hudson Civic Center. The entire contract amount was claimed and paid. See Addendum I for funding details.

Cultural Capital was not funded in 2009 and 2010 as in past years. In 2011, the Mid Hudson Civic did not receive funding.

Re-Granting of Funds received from Dutchess County

Dutchess County supported the DCAC Grant Making program with \$152,605 in 2010 and \$194,825 in 2009. In 2009, this amounted to 53.03% of the agency’s Grant Making program.

Dutchess County’s funding of grants is reported in the Grant Making program. Grants to the following recipients were designated by Dutchess County.

	2010	2009
Bardavon 1869 Opera House	\$38,163	\$48,925
Mid Hudson Civic Center	<u>38,142</u>	<u>48,900</u>
Total	<u>\$76,305</u>	<u>\$97,825</u>

The Arts Fund of DCAC has two categories of Grants:

- Funded Member Grants - Established, professionally run organizations that provided high quality programming qualified to receive a Funded Member grant.
- Supported Member Grants - Smaller organizations, some volunteer led receive Supported Member Grants

All recipients undergo an evaluation by a panel of professionals from arts and not for profit organizations. Some of the evaluating criteria are: artistic quality, scope of services, community outreach, organizational capacity and accountability.

Funded & Supported Member Grants		
	2010	2009
Funded Member Grants		
Bardavon	\$24,870	\$32,000
Barrett House	5,520	7,100
CMP Media Arts Center	8,160	10,500
Cunneen Hackett	4,200	5,400
MH Child Museum	7,380	9,500
Mill St. Loft	9,990	12,850
Rhinebeck Performing Arts	6,920	8,900
Upstate Films	6,800	8,750
Total Funded Members *	\$73,840	\$95,000
Supported Members		
New Day	\$3,153	\$4,500
Pawling Concert Series	2,330	3,000
Rhinebeck Chamber Society	2,330	3,000
Total Supported Members *	\$7,813	\$10,500
Total Funded and Supported Members*	\$81,653	\$105,500
<i>* Includes funding other than DC</i>		

Dutchess County Funding For Programs and Management and General

In 2010, \$33,328 was funded for programs and \$11,000 for management and general. In 2009, funding for programs was \$45,000 and \$11,365 for management and general. In 2009, Dutchess County funded 23.13 % of DCAC program expenses and 14.40 % of management and general.

Internal Controls

The agency's internal controls for daily operations were reviewed. This included the receipt of money, bank deposits, purchase approvals, check disbursements, bank reconciliations, payroll, issuance of IRS Misc 1099 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 reviewed by President/Board member. Control of the receipt of funds is maintained by an overview by the President. When cash is received, the cash count is observed by a second person.

Finding:

- The signature portion of voided checks was not destroyed.

Recommendation:

- The signature portion of voided checks should be destroyed.

Purchasing and Payment Processing

All expenses are approved by the President. The Business Manager reviews all invoices and processes checks. IRS Form Misc 1099 reporting miscellaneous income are issued. Signatories to the bank accounts include designated board members and the President. Checks over \$2,500 require two signatures; checks are physically signed.

Finding:

- IRS Form W9 - Request for taxpayer identification and certification was not collected from all vendors. This form identifies the vendor's business entity status and is used for 1099 issuance.

Recommendation:

- A procedure should be instituted to collect a W9 from each vendor the DCAC transacts business with to determine tax liability status for 1099 issuance.

Salary & Employee Benefits

Employee earnings were verified to W-2 forms. Employee Benefits were verified to the agency's Personnel Policy. Allocation of salary and employee expenses claimed were reviewed.

Finding:

- The Personnel Policy was vague in its description of employee benefits.

Recommendation:

- The Personnel Policy should include clear definitions of employee benefits.

Addendum I – Detail of Funding

2010	Dutchess County				
	Dutchess County	Grant Making	Program	Management & General	
	2010	2010	2010	2010	
Dutchess County					
Arts Fund	\$71,800	\$71,800			
Bardavon 1869 Opera House	38,163	38,163			
Mid Hudson Civic Ctr	38,142	38,142			
Arts In Education	4,500	4,500			
Arts Mgmt & Tech Asst	10,500		\$10,500		
Artscene	4,000		4,000		
Public Information	11,078		11,078		
Folk Arts	4,000		4,000		
Mgmt & Gnrl	11,000				\$11,000
Hudson River Arts Festival	3,750		3,750		
Cultural Capital	0		0		
Total Dutchess County	\$196,933	\$152,605	\$33,328		\$11,000
Dutchess County % of DCAC					
Dutchess County Arts Council	DCAC Total	Grant Making	Program	Management & General	Fund Raising
DCAC 2010 Functional Expenses (Unavailable)					

2009	Dutchess County				
	Dutchess County Total	Grant Making	Program	Management & General	
	2009	2009	2009	2009	
Dutchess County					
Arts Fund	\$92,000	\$92,000			
Bardavon 1869 Opera House	48,925	48,925			
Mid Hudson Civic Ctr	48,900	48,900			
Arts In Education	5,000	5,000			
Arts Mgmt & Tech Asst	12,000		\$12,000		
Artscene	7,800		7,800		
Public Information	14,000		14,000		
Folk Arts	4,200		4,200		
Mgmt & Gnrl	11,365				\$11,365
Hudson River Arts Festival	7,000		7,000		
Cultural Capital	0		0		
Total Dutchess County	\$251,190	\$194,825	\$45,000		\$11,365
Dutchess County % of DCAC		53.03%	23.13%		14.40%
Dutchess County Arts Council	DCAC Total	Grant Making	Program	Management & General	Fund Raising
DCAC 2009 Functional Expenses	\$773,310	\$367,383	\$194,569	\$78,908	\$132,450