Beacon Community Center, Inc.
Beacon Community Center, Inc.
January 1, 2007 - December 31, 2007

Table of Contents

Comptroller's Summary................................................................. 3
Background.................................................................................. 3
Audit Scope, Objective and Methodology........................................ 3
Summary of Findings................................................................. 3
Detailed Findings....................................................................... 3
Accounting Processes and Internal Controls ......................... 3
Contract Claims and Expense Review......................................... 4
Cash Handling & Banking.............................................................. 5
Tax and Report Filings, 1099 and W-9 Processes....................... 5
Addendum I – Contract Detail......................................................... 7
Comptroller's Summary

Background
The Beacon Community Center, Inc. is a not-for-profit corporation, whose mission is to provide year round educational, cultural, and recreational programming to improve the individual and family life in Beacon and surrounding communities in Dutchess County. Additional information is available on the website: http://beaconcommunitycenter.org/

Audit Scope, Objective and Methodology
The audit of the Beacon Community Center, Inc. (BCC) was conducted for the period of January 1, 2007 through December 31, 2007. The outside audit and financials for 2007 were not completed at the time of our review. Dutchess County funding for 2007 amounted to $68,427.99 and was provided as follows:
  • Youth Bureau had two contracts totaling $23,540.00
  • Department of Planning & Development had one contract for $12,000.00
  • The Health Department had one contract with the United Way of Dutchess County, which provided $30,000.00 to BCC
  • Department of Social Services (DSS) provided direct payments totaling $2,887.99

The audit included review of:
  • Accounting processes, oversight and internal controls;
  • Contract claim and expense review
  • Cash handling and banking, report filing and 1099 processes.

Contract detail is attached as Addendum I.

Summary of Findings
Accounting processes and internal controls were not consistently in place and the agency’s board provided minimal oversight. Of the $30,000.00 claimed in Health Department funding, $9,125.00 is disallowed due to the agency’s inability to support expenditure claims.

Detailed Findings

Accounting Processes and Internal Controls
Both financial and administrative internal controls are functions of management. An effective accounting system is dependent upon (1) accounting and financial records which are properly designed and effectively operated (2) duties of agency personnel are segregated and properly overseen by management.
Findings

- Accounting processes were not supported by a proper separation of duties and management oversight was limited. Specifically,
  1. The fiscal consultant had sole responsibility to record transactions, prepare financial documents, reconcile financial records and prepare claims. As a result, there was not a proper separation of duties.
  2. Oversight by the Board of Directors was limited during 2007. The Executive Director along with the fiscal consultant had primary oversight for fiscal processes. We noted errors in claim documentation.
- The agency did not have a comprehensive accounting policies and procedures manual documenting all of the agency’s accounting policies.

Recommendations

- Accounting processes should be supported by a proper separation of duties and management oversight.
  1. Management should not have one individual (the fiscal consultant) responsible for all of the agency’s primary accounting functions. A separation of duties must be implemented to provide proper internal control and proofs of accounting for accuracy.
  2. The Board of Directors and Executive Director should provide oversight over all accounting processes. The Board of Directors and the Executive Director should review job duties and provide oversight for all fiscal processes. Guidelines as set forth by the New York State Attorney General were given to BCC Board members.
- A comprehensive accounting policies and procedures manual which includes internal controls should be documented and implemented.

Contract Claims and Expense Review

Addendum I provides contract detail.
A review of the claims to originating documentation was conducted. Exceptions were noted in the review of Contract #07-0143.

Findings

- In conjunction with the Health Department, a review of the Children’s Health Initiative (CHI) funding for Contract #07-0143 revealed claim documentation totaling $9,125.00 was not adequate to support expenditures submitted to the United Way; therefore, this amount must be paid back to the Dutchess County Health Department. Specific disallowances follow:
  1. $201.29 for brochures deemed unrelated to the funded program.
  2. $175.00 for certificates that were not supported by an invoice documenting the expenditures.
  3. $1,948.71 for snacks which were shipped to the Vendor’s address—a coffee house and not supported by an invoice to BCC.
4. $6,800.00 for tobacco grant funds which were not supported by invoice documentation and program delivery.

**Recommendation**
The disallowance totalling $9,125.00 must be reimbursed to the Dutchess County Health Department.

**Cash Handling & Banking**

BCC maintains several bank accounts. Deposits, canceled checks, voided checks and bank reconciliations were reviewed.

**Findings**
- While reviewing transactions we noted the Executive Director signed two checks payable to herself in the amounts of $1,500.00 and $300.00 as reimbursement for purchases; this was in violation of the BCC By-Laws. After several requests, vendor receipts were provided as documentation to support these payments.
- Bank reconciliations were not signed to indicate review and oversight by the Board Treasurer or the Executive Director.
- The agency’s operating account checks were not secured with a watermark to prevent forgery.
- Voided checks had the signature portion intact and in some cases remained unsigned.

**Recommendations**
- The dual signature requirement in the By-Laws should be adhered to. In addition, checks should be issued directly to vendors for supplies.
- The board treasurer should initial bank reconciliations attesting to the review. In addition, the bank statements should periodically be delivered unopened to the treasurer for review.
- Checks containing the secure watermark should be utilized to protect the agency’s assets.
- To enhance internal controls, the agency should consider removing the signature portion of voided checks.

**Tax and Report Filings, 1099 and W-9 Processes**
The agency is required to file various state and federal reports in addition to having an annual outside audit completed. IRS Form W-9s should be obtained for individuals and businesses who provide services to the agency and IRS Form 1099s should be issued in accordance with IRS regulations where applicable.

**Findings**
- At the time of our review (September), the agency did not have a completed audit for 2007 and had not filed the following required 2007 State and Federal reports:
  1. NYS CHAR 500, Annual Filing for Charitable Organizations
  2. IRS Form 990, Return of Organization Exempt from Income Tax
- W9s were not on file for all vendors providing services to the agency.
- The BCC did not issue 1099s to all vendors as required by IRS regulations.

**Recommendations**
- Fiscal reports should be completed in a timely manner.
- BCC should establish and implement a process to obtain W9s for all vendors.
- An IRS 1099-Miscellaneous Income Statement should be issued where required per IRS regulations.

Vivian Williams, Auditor

Diane Jablonski, Comptroller
Addendum I – Contract Detail

**Contract #05-0132-12/05-YB-A2  Term 1/1/07-12/31/07**

This Youth Bureau contract provided $23,040.00 for youth education and development programs with a matching grant from the NYS Office of Children and Family Services. Personnel and utility expenses were claimed to this contract.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget</th>
<th>Claimed &amp; Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>$14,396.70</td>
<td>$17,915.59</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$1,885.94</td>
<td>$1,500.80</td>
</tr>
<tr>
<td>Contract Services</td>
<td>$1,081.84</td>
<td>$0.00</td>
</tr>
<tr>
<td>Maintenance &amp; Operation</td>
<td>$5,675.52</td>
<td>$3,623.61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,040.00</strong></td>
<td><strong>$23,040.00</strong></td>
</tr>
</tbody>
</table>

**Contract #07-0248-YB  Term 3/1/07-12/31/07**

This Youth Bureau contract provided $500.00 for “Youth Leaders for Creative Summer Arts Camp” with a 25% matching in kind or cash match from Children’s Services Council 2007 Youth Asset funding. A theatre production consultant was contracted by the agency for this program at the rate of $25/hour. The contract was paid in full.

**Contract #07-0466-2/08-PL  Term 3/1/07-2/29/08**

The Department of Planning and Development contract provided a $12,000.00 grant through the US Department of Housing and Urban Development under the Housing and Community Development Act of 1974. The funding provided a summer enrichment program for young people with educational and recreational activities. The contract was paid in full.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget</th>
<th>Modified Budget *</th>
<th>Claimed &amp; Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$8,810.00</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>Sub-Contractors</td>
<td>$300.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Operations (Travel, Supplies, Phone)</td>
<td>$1,615.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Occupancy</td>
<td>$275.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,000.00</strong></td>
<td><strong>$12,000.00</strong></td>
<td><strong>$12,000.00</strong></td>
</tr>
</tbody>
</table>

*Budget modified by 9/18/07 request*

**Contract #07-0143 12/07-HD  Term 1/1/07-12/31/07**

This Health Department contract with the United Way of Dutchess County provided $30,000.00 in funding to BCC for the “Beacon We Can! 2007” program to help fight childhood obesity. Funding was provided by the Children’s Health Initiative through the
Children’s Services Council with the United Way administering contract funding. Contract claims from BCC to United Way were reviewed. United Way paid the $30,000.00 portion of the contract in full to BCC.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget</th>
<th>Modified Budget *</th>
<th>Claimed &amp; Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$7,287.00</td>
<td>$7,287.00</td>
<td>$7,287.02</td>
</tr>
<tr>
<td>Operations</td>
<td>$1,250.00</td>
<td>$1,250.00</td>
<td>$1,250.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>$478.00</td>
<td>$478.00</td>
<td>$478.00</td>
</tr>
<tr>
<td>Incentives</td>
<td>$2,931.00</td>
<td>$2,931.00</td>
<td>$2,931.00</td>
</tr>
<tr>
<td>Consultants</td>
<td>$15,054.00</td>
<td>$10,354.00</td>
<td>$10,354.00</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>$0.00</td>
<td>$4,700.00</td>
<td>$4,700.00</td>
</tr>
<tr>
<td>Administration</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
</tr>
</tbody>
</table>

* Per email vote 11/5/07

Dutchess County Department of Social Services (DSS) - Direct Payments 1/1/07-12/31/07
A total of $2,887.99 was paid by DSS to BCC. Based on eligibility, DSS clients received this subsidy for day care services.