

BI Incorporated

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Audit Report

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Comptroller's Summary

Background/Organization

BI Incorporated (BI Inc.) provides responsible alternatives to incarceration through intensive community supervision services and technologies. The Dutchess County Probation Department contracted with BI Inc. to provide the Community Transition Center day reporting program. The program is designed as an Alternative to Incarceration. Individuals are court ordered to participate in this program which is supervised by the Dutchess County Probation Department. Additional information regarding BI Inc. is located on their website: www.bi.com.

Audit Scope and Objective

The audit was performed for the period January 1, 2007 – December 31, 2007. The Probation Department had one expenditure driven contract #07-0081 for \$682,928.65 with BI Inc. for the time period. This agency's administrative and fiscal offices are located in Colorado which limited our review of the agency's internal controls and original documentation.

Our audit objectives included verification of:

- Monthly contract claims to original expense documentation
- Agency processes for the payment and recording of bills; including the purchase and distribution of gift cards used as client incentives

Summary of Findings

Monthly claims were not certified by the local Program Director. Monthly claim documentation was limited to support actual expenses incurred. Over claims totaling \$825.03 must be repaid to Dutchess County.

Detail of Findings

Contract Review

The contract with BI Inc. is an expenditure driven contract which requires expenses to be incurred and in most cases paid prior to being submitted for reimbursement. BI Inc.'s contract provided an advance payment of \$75,000.00 with a monthly recoupment of \$7,500.00 deducted until the \$75,000.00 was fully reimbursed.

While the contract was written for a maximum of \$682,928.65; the contract budget was written for \$657,000.00. BI Inc. commenced the operation of the program in February 2007. Expenditures included startup costs for training, hiring and information technology setup. In most cases, these expenditures were included in the direct expense lines – salary, employee training and travel rather than in the administrative expense line. These expenditures were approved by Probation through the monthly claims.

The following is a summary of the contract budget and claims:

	Contract Budget	Contract Claims
Salary	\$205,000.00	\$195,676.17
Fringe	64,000.00	61,932.68
Contract/Temp Labor	5,000.00	4,106.63
Rent	57,000.00	56,217.12
Utilities	17,000.00	11,865.51
Vehicle	8,000.00	6,650.99
Client Needs/Materials	33,000.00	20,793.73
Employee Training and Travel	32,000.00	31,002.45
Supplies and Services	15,000.00	7,413.45
Postage	2,000.00	1,496.10
Equipment rental, maintenance	4,000.00	2,005.28
Equipment	37,000.00	20,689.83
Telecommunications	14,000.00	10,443.22
Case Management/Software	10,000.00	5,103.70
Administration	<u>154,000.00</u>	<u>153,658.00</u>
Total	<u>\$657,000.00</u>	<u>\$589,054.86</u>

Claim Review

Monthly claims were submitted to Dutchess County Probation. In accordance with the contract, the \$7,500.00 advance recoupment was properly recorded on each claim. Limited documentation was provided to support the monthly claims.

Findings:

Monthly claims submitted to Dutchess County were not signed off by the local Program Director to certify all expenses were true and correct.

Monthly claims submitted did not contain complete claim documentation to support expenditures. Specifically:

- Payroll is processed by ADP. Actual ADP payroll distribution ledgers were not provided to support payroll expenditures. Voided checks and payroll adjustments were not included on monthly or subsequent claims.
- Other expenditures were listed on a transaction register which did not include check numbers and dates paid. BI Inc. did not pay all expenses prior to claiming to Dutchess County.

Recommendations:

All claims should be certified by the local Program Director to attest that direct costs, other than the administrative fee, are true and correct.

Documentation to support expenditures should include:

- ADP ledgers, voided check and payroll adjustment information to support actual payment activity.
- Check numbers and date paid should be listed on all transaction registers to support monthly line-item claims.
- Expenditures must be incurred prior to claiming and all voids or payment adjustments must be documented and adjusted from subsequent claims.

Personnel Services

A total of \$195,676.17 was claimed in personnel services for the fiscal year 2007. Salaries claimed were compared to each employee's W-2.

Finding:

Claims exceeded two employee W-2 amounts by \$450.87. Over claims were due to data entry errors and two voided payroll checks that were not adjusted and reconciled on subsequent claims.

Recommendation:

BI Inc. must claim actual expenses paid. Claim adjustments must be made for voids and errors. A total of \$450.87 must be paid back for the over claims.

Contract/Temp Labor

Five employees of BI Inc. were temporarily assigned to start up the program in Dutchess County. A total of \$4,106.63 was claimed for salary. ADP labor distribution ledgers were provided for the time period claimed (requested during the audit) and no discrepancies were noted.

Rent

A total of \$56,217.12 was claimed in rent for the fiscal year 2007. Rental agreements were reviewed in addition to BI Inc.'s monthly canceled checks.

Finding:

Rental claims were not adjusted to reflect actual payments made by BI Inc. for rent. Based on the rental contract agreement and supported by cancelled checks, BI Inc. paid \$55,842.96 for rent. BI Inc. claimed a total of \$56,217.12 resulting in an overpayment of \$374.16.

Recommendation:

Only actual expenditures are claimable. A total of \$374.16 must be repaid for rent.

Other Expenditures Reviewed

A three month sample of expenses claimed was reviewed:

Client Needs and Materials

A total of \$20,793.73 was claimed for client needs and materials. Charges to this account included counseling material, food and gift cards for client incentives.

Gift Cards

Gift cards are purchased in order to give clients incentives. In 2007, a total of \$265.21 was claimed for client incentives. Current incentives include \$5 gift cards for clients who attend the program for a full 5 day week. Clients who pass the GED test may receive a \$25 - \$50 gift card. BI Inc.'s process of handling gift cards was reviewed. Gift cards are purchased and distributed by the Program Director. Cards are properly secured. Upon distribution, gift cards are signed by the recipient.

Finding:

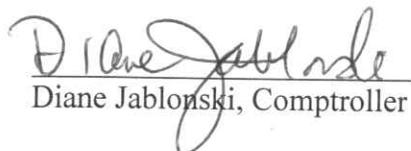
An inventory ledger was not maintained to fully account for cards when purchased, distributed and remaining on hand. While the program did maintain a gift card distribution with names, amounts and signatures, dates the cards were distributed (*dates were implemented in 2008*) and card serial numbers were not included.

Recommendation:

Gift Card procedures should include a full accounting of the purchase including the serial numbers, date of purchase, all distribution information and a running balance of gift cards remaining.

Employee Training and Travel

A total of \$31,002.45 was claimed for employee training and travel. Expenditures claimed included expenses incurred for employee hiring and retention; such as, advertising, drug and background checks; specific training expenditures for trainers to travel to Dutchess County and also for employees to travel to other BI Inc. locations. Three months of training and travel expense were reviewed and no discrepancies were noted.


Diane Jablonski, Comptroller


Carol Doyle, Auditor