Audit Report

Council on Addiction Prevention and Education of Dutchess County, Inc. (CAPE)

January 1, 2006 – December 31, 2006

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Comptroller's Summary

Background

Council on Addiction Prevention and Education of Dutchess County, Inc. (CAPE), previously known as Dutchess County Council on Alcoholism and Chemical Dependency, Inc. (Council), is a non-profit agency, certified by New York State Office of Alcoholism and Substance Abuse Services (NYS OASAS) to provide prevention education services and training. CAPE provides the following services on substance abuse:

1. Programs, conferences, consultation, training and workshops to educate individuals on the consequences of substance abuse.
2. Assistance to the community, schools, organizations, families (and individuals) in developing and establishing strategies and programs for prevention and intervention.
3. Dissemination of information regarding addictions and referral for individuals and families to treatment resources and providers.

The Council also engages in school counseling programs to reach young people. Additional information is available on the CAPE website, http://www.capedc.org/

CAPE receives funding from the Dutchess County Department of Mental Hygiene, Stop DWI, Health Department via United Way of Dutchess County, various school districts in Dutchess County, Federal and State governments, fees for service and contributions.

In 2007 the agency appointed a new Executive Director.

Audit Scope, Objective and Methodology

The audited period was January 1, 2006 – December 31, 2006. The audited financial statements of the agency reported $963,425.00 in functional expenses. Dutchess County contracts amounted to $483,458.00 and were provided by the following departments:

- Mental Hygiene $343,758.00
- Stop-DWI two contracts: $28,500.00 and $1,200.00
- Health Department funds which were passed through the United Way to CAPE for $110,000.00

The audit included review of:

- contract compliance;
- the agency's Consolidated Fiscal Report (CFR) for DMH- OASAS funding;
- the agency's detail ledger, cost allocations, salaries and original supporting documentation;
- Internal controls.

Contract detail is attached as Addendum I.

Summary of Findings

The board did not exercise prudent oversight of budget, salaries and employee benefits.

Detailed Findings

Internal Controls

A Board has a fiduciary responsibility to oversee the organization's finances, ensure that controls are in place to provide reasonable assurance that assets are safeguarded and that transactions are authorized and properly recorded. The following processes were reviewed.

Budget –A budget is an estimated financial plan for authorized spending and the means of financing the proposed expenditures. It requires management to conform to spending limits and obliges management to ensure projected revenues are received to cover expenses. The Fiscal Policies and Procedures manual as well as the By Laws of the agency were reviewed.

Findings:

- The budget process was not addressed in either the By Laws or Fiscal Policies.
- CAPE's 2006 budget was not approved by the Board.
- CAPE had a deficit of $24,916.00 in 2006 and $14,510.00 in 2005. Over this two year period the agency's fund balance experienced a 59.43% reduction; the fund balance at the end of 2006 was $57,751.00.

Recommendations:

- The fiscal Policies and Procedures Manual should be reviewed and updated as determined by the Board.

- The Board should approve the budget. Procedures for budget development and approval should be documented.

- Deficit funding should be approved by the Board. When actual revenue/expenses differ from budgeted revenue/expenses resulting in a deficit, corrective action should be taken.

Financial Statements –Financial statements provide an overview of the agency's financial condition. These statements must be accurate, complete and traceable to the agency's financial records. CAPE's financial records which included banks statements and the trial balance were traced to the audited financial statements.

Findings:

- Bank balances in the pension plan accounts totaling $27,450.03 were not included in the audited financial statements. The agency maintains a bank account that holds funds for the employee pension plan; undistributed funds are owned by CAPE until distributed to employee's individual accounts. This resulted in an agency asset and liability not reported in the financial statements.

- Funds not received as of December 31, 2006 were recorded as "Un-deposited Funds" and included in the financial statements as "Cash and Cash Equivalents". This resulted in the financial statements overstating cash by $23,489.02. The financial statements reported cash at the end of 2006 to be $35,374.00. If the un-deposited cash was recorded as an accounts receivable, the cash at the end of 2006 would have been $11,885.00.

Recommendations:

- For accountability, all assets and liabilities must be stated as they are an integral part of the financial statements.

- Funds not yet received from a grant agency should be recorded and reported as an accounts receivable. This is important for accurate data representation.

Bank Statements – Deposits, canceled checks, voided checks and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Voided checks are kept on file and monthly bank reconciliations are completed and reviewed at a supervisory level.

Findings:

- Voided checks were marked void; however, the signature portion was not destroyed.
- Outstanding checks dating back to 2003, 2005 and early 2006 were listed as open on the bank reconciliations.

Recommendations:

- To prevent misuse, the signature portion of voided checks should be destroyed.

- Outstanding checks, after a period of time determined by CAPE and their auditors, should be reevaluated and the necessary adjustments should be made.

Separation of Duties- No single individual should be able to authorize a transaction, record the transaction and take custody of the product.

Findings:

- The fiscal person processes payroll, sets up new employees, removes terminated employees, enters in employee deductions, records payroll transactions in the general ledger, pays bills related to employee deduction, as well as, receives the processed payroll product from the vendor. The Executive Director reviews payroll records after they have been delivered to the fiscal person.

- The fiscal person processes purchase orders, invoices and checks for payment, enters data in the general ledger and reconciles bank statements. The Executive Director signs the checks and returns them to the fiscal person and also reviews bank statements before forwarding them to the fiscal person. The banking institution does not return cancelled checks.

Recommendations:

- Payroll duties should be segregated for proper internal control.
- Processes for purchasing, invoice payments and bank reconciliations should be segregated.

Revenues

Payments received from Dutchess County were traced to the cash receipts journal, bank deposit slips, bank statements and detail ledger. Deposits were made in a timely manner.

Revenue received from all sources associated with the School Based Prevention Program was verified for inclusion on the CFR. This is essential for the accurate calculation of the net deficit funding that is billed to and paid for by the Department of Mental Hygiene Contract (see Addendum I).

Expenses

CAPE's operating budget was not approved by the Board.

Personnel Services

Total salaries reported were verified to W2s. The allocation of salaries to various programs and the approval of salary increases were reviewed.

Findings:

- CAPE did not have a documented cost allocation plan. The process of allocating indirect salary expenses to various programs could not be traced.

- Staff received increases in 2006; however there was no Board approval for the raises.

Recommendations:

- The cost allocation plan should be documented. Application of the plan should be traceable.
- Salary expenses should be approved by the board.

Fringe Benefits/Payroll tax

CAPE incurs payroll taxes and fringe benefit costs for all employees. Payroll taxes are processed by an outside vendor; all payroll taxes were paid on time. CAPE has written Personnel Policies and Procedures.

Findings:

- The Personnel Policies and Procedures do not address all fringe benefits offered to employees. Specifically, the Simplified Employee Pension Plan (SEP) and Health Benefit plans offered are not documented.

- Simplified Employee Pension Plan

  A distinctive feature of this type of pension plan is that employer contributions are discretionary; however, in 2006 $32,593.00 was contributed to the plan without Board approval. In 2006, a contribution of 5% of total salaries was made to the plan; this resulted in eligible employees receiving 5.98% since all salaries were not eligible.

  CAPE disburses funds quarterly to a CAPE bank account for the SEP; however payment to individual employee accounts is made annually. This resulted in claims made to Dutchess County for expenses not yet incurred.

  The original plan agreement and employer application documents were not available. A dditionally, other available documents under the agency's current name were incomplete. Some eligible employees had not opened SEP accounts; therefore their allocation was not distributed to them. CAPE does not have a policy on how to handle these undistributed funds.

- Health Insurance

  All employees except the Executive Director are required to contribute to the cost of health insurance; however one employee other than the Executive Director did not contribute to the health plan. According to CAPE staff, this additional benefit was negotiated many years ago; however, a written agreement was not available in the agency's files. The Board approved the Executive Director to receive benefits without a contribution.

Recommendations:

- All fringe benefits should be described in the Personnel Policies and Procedures.

- SEP contributions should be annually approved by the Board. Expenses should be claimed from Dutchess County when expensed. Management should ensure that documents are available to support the legitimacy of the plan and procedures for managing the plan should be established.

- CAPE must take steps to ensure all benefit policies are documented and in accordance with government regulations.

Cordelia Shemain

Cordelia Shemain, Auditor

Diane Jablonski

Diane Jablonski, Comptroller

Addendum I

Contract Detail

Department of Mental Hygiene

Contract #04-0053 was for the period January 1, 2006 – December 31, 2006 to provide deficit funding for the School Based Prevention Program totaling $346,028.00. NYS Office of Alcoholism and Substance Abuse Services (OASAS) requires revenues and expenses to be reported on a Consolidated Fiscal Report (CFR) for claiming. A verification of the program's expenses and revenues reported on the CFR and the agency's financial records was conducted.

The following details the agency's expenses and revenues as reported on the CFR

		Reported by Council
Expenses	Personnel Services	$413,629.00
	Fringe Benefits	85,457.00
	Other Than Personal Services	38,266.00
	Property	17,697.00
	Administration	30,715.00
Total Expense		**$585,764.00**
Revenues	DC Stop DWI	$29,700.00
	School Districts	207,281.00
	Other	3,664.00
Total Revenue		**$240,645.00**
Net Deficit Funding		**$345,119.00**

Details of the net deficit funding as provided by the contract:

State Aid Revenue	$326,561.00
County Share	19,467.00
Total	$346,028.00

The full amount of the contract $346,028.00 was claimed and paid. The final claim resulted in a Net Deficit of $345,119.00 resulting in $909.00 due to the County. CAPE processed a check to the County for $909.00 on April 10, 2007.

Stop DWI

Contract #02-0266 was written for the period January 1, 2006– December 31, 2006 in the amount of $28,500.00. The contract provided for a full time Alcohol and Highway Safety Educator to give educational presentations in schools and community groups and to coordinate a conference for Students Against Destructive Decisions (SADD). The entire amount of the contract was claimed and paid.

Contract #06-0347 was written for the period January 1, 2006 – December 31, 2006 and provided $1,200.00 for an alcohol/highway safety educator at a SADD conference. The entire amount of the contract was claimed and paid.

Health Department/United Way

Contract #06-0149 The Dutchess County Health Department contracted with the United Way who subcontracted with CAPE to provide Tobacco Free Youth Initiative Programs. The programs provided by CAPE included *Teens Against Tobacco Use, Life Skills Training, Cessation, Media Literacy and Alternative to Suspension.* These programs targeted youth 8 – 13 years old in elementary and middle schools.

The United Way contract with CAPE was written for the period January 1, 2006– December 31, 2006 for the amount of $110,000.00. The full amount of the contract was claimed and paid as follows:

Personnel Services	$71,399.00
Fringe	14,919.00
Operations	4,306.00
Materials	8,383.00
Occupancy	6,904.00
Admin	4,089.00
Total	$110,000.00