

Audit Report

Children's Media Project, 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	4
Board Oversight, Internal Controls and Accounting Processes.....	4
Cash Handling and Banking	4
Purchasing and Payment Processing.....	5
Contract Claims	6
Board.....	6
Revenues	6
Expenses	7
Fringe Benefits/Payroll tax	7
Addendum.....	8

Comptroller's Summary

Background

Children's Media Project (CMP) is an arts and education not-for-profit organization focused on media and technology; the 3 separate functional areas are educational programming, production house and exhibitions. Additional information is on their website: www.childrensmediaproject.org

Audit Scope, Objective and Methodology

The audited period was January 1, 2007 – December 31, 2007. In 2007, the agency's audited financial statements reported expenses totaling \$441,444.00. Dutchess County provided funding totaling \$144,398.34 as follows:

Contracts between the County of Dutchess and Children's Media Project:				
Contract #	Term	Description		Payments
07-0249-YB	03/01/07 - 12/31/07	Youth Study Tour of South Africa		\$1,000.00
06-0350-9/06 HD	09/20/06 - Open	10 Minute Video/DVD Community Education Tool on DC Comprehensive Cancer Control Initiative		\$4,700.00
DC Contracts with other agencies who contracted with Children's Media Project				
DC Contract #	DC Term	DC Contract Agency	Description	Sub Contract Funding with CMP
07-0216-12/07-SS	03/01/07 - 11/31/07	DC Workforce Investment Board	Summer Youth Employment	\$20,052.34
07-0143-12/07-HD	01/01/07 - 12/31/07	United Way of DC	Tobacco Initiative \$60,000.00 Obesity Initiative \$27,000.00	\$87,000.00
05-0235-12/05-PL	01/01/07 - 12/31/07	DC Arts Council	Arts Fund \$6,646.00 Cultural Capital \$25,000.00	\$31,646.00
			Total all contracts	\$144,398.34

The audit included review of:

- Internal controls and accounting processes including purchasing, payment processing, cash handling and banking.
- Contract review and County payments for 2007.

Summary of Findings

There was limited board oversight and no separation of duties in cash handling, banking, purchasing and payment processes. Deficiencies were noted in the agency's accounting records: purchasing, claiming, cash flow, and reconciliation. A total of \$271.57 was over claimed and should be returned to the Dutchess County Workforce Investment Board.

Detailed Findings

Board Oversight, Internal Controls and Accounting Processes

A Board has fiduciary responsibility to oversee the organization's finances.

Board oversight and the agency's 2008 internal processes for daily operations were reviewed. This included the receipt of money, bank deposits, cash flow monitoring, purchase approvals, check disbursements, bank reconciliations, payroll, borrowing practices and claim processing.

Cash Handling and Banking

Deposits, canceled checks, and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Signators to bank accounts include designated board members, the Executive Director and the Executive Producer.

Findings:

1. In 2008, there was no separation of duties as the Executive Director prepared and made bank deposits, signed checks, recorded the transactions, prepared bank reconciliations and the financial statements that were presented to the board.
2. Bank reconciliations were not initialed by a review authority.
3. Bank reconciliations were not consistently completed in a timely manner.
4. Bank balances reported in the audited financial statements did not reconcile to the bank balances recorded in the trial balance that was provided for audit.
5. A single authorized person can sign checks with no ceiling amount. Our review of cancelled checks showed two checks one for \$46,037.00 and another for \$19,963.00 had one signature and no additional approval recorded on the invoice.
6. The cash flow was not sufficient for the agency to pay its monthly expenses in full. In 2007, credit card balances were not paid in full on a monthly basis; a majority of the time only the monthly minimum amount required was paid. This resulted in increasing debt as finance charges incurred ranged from 16.15% to 29.99% each month. Credit cards carried over substantial balances from 2006 to 2007. In October 2007, a loan for \$60,000.00 was taken to payoff credit card balances and the agency's line of credit. In 2008, the line of credit was reduced from \$50,000.00 to \$25,000.00. As of December 2008, the agency used \$24,664.11 from its line of credit.
7. A Board motion for the agency's bank resolution approved any one of the authorized signatures may borrow funds. The credit card statement from Bank of America Platinum Visa Business Card carried over a cash balance of \$5,511.29 from 2006 indicating cash was advanced. The card was paid off with a portion of a bank loan on October 12, 2007.

Recommendations:

1. The Executive Director's duties should be segregated and board oversight improved to provide checks and balances.
2. A board member should review and initial bank reconciliations and verify them to the financial statements.
3. Bank reconciliations should be completed in a timely manner.
4. Reported bank balances should reconcile to the adjusted trial balance. A procedure should be established for recording subsequent corrections to bank reconciliations without impacting the processed bank reconciliation.
5. To improve internal controls, the Board should require dual signatures on checks over a stipulated amount.
6. All expenses incurred should be paid in full when due. Credit card purchases should not be made to overcome the unavailability of cash. Management and the Board should pay close attention to cash flows. Inability to pay expenses incurred on a timely basis should be acted upon immediately. The Board should monitor the availability of cash to meet monthly expenses and address cash flow shortages.
7. For better fiscal control, the board should approve all borrowing including cash advances.

Purchasing and Payment Processing

Purchasing and payment processes were reviewed. The agency had several credit cards; the Executive Director and Executive Producer are approved signators; the cards are maintained in a secure location at the business office.

Findings:

1. The agency did not have a financial procedures manual addressing processes for purchasing including credit card purchases and payment of expenses.
2. In 2008, there was no separation of duties regarding purchasing, the Executive Director approved and made purchases, processed payments, allocated expenses to associated programs, and signed checks.
3. Purchases made by the Executive Director and Executive Producer did not have board oversight.
4. Paid invoices were not consistently substantiated with an audit trail showing who approved the purchase and confirmation that the goods or services were received. Additionally, credit card payments were not consistently supported with receipts.

Recommendations:

1. For better internal controls, processes for purchasing and payment should be developed and implemented.
2. Executive Director's duties should be segregated and board oversight improved to provide checks and balances.
3. Purchases made by the Executive Director and Executive Producer should be reviewed by the Board.
4. All invoice payments should be supported with approved purchase requests and other purchase documents to verify the purchase and receipt of goods. All credit card purchases should be supported with original receipts. If a purchase

is made by the Executive Director, a second signature should be required to document the purchase.

Contract Claims

Claims for reimbursement from contracts are processed by the Executive Director.

Findings:

1. Salary amounting to \$271.57 could not be supported with payments made to the individual within the contract period.
2. The agency received funds for claimed expenses: However, the expenses were charged on credit cards and the credit card was not paid in full.

Recommendations:

1. The amount of \$271.57 should be returned this amount must be returned to the DC Workforce Investment Board.
2. Reimbursed expenses should be paid in full.

Board

The Board By Laws prohibits the Chairperson and Treasurer positions being held by the same individual. The board is responsible for reviewing audited financial statements and prior year comparisons.

Findings:

1. Per a board listing received, the same individual occupied the position of President and Treasurer; there were no positions listed with the title of Chairperson.
2. Our review of Financial Statements dated December 31, 2006 and December 31, 2007 found amounts for 2006 changed from the December 31, 2006 statement to the December 31, 2007 statement. In addition, revised IRS 990 forms were not filed for 2006.

Recommendations:

1. The board should adhere to the By Laws.
2. The board should exercise due care in reviewing financial statements and filing the necessary IRS tax forms.

Revenues

The recording of revenue was reviewed.

Finding:

Revenues were not matched to expenses. An entire grant of \$50,000.00 was accrued at the end of 2007; however according to the agency, the grant year covered two different fiscal years of the agency and the agency did not defer revenue to cover the unexpended portion of the grant into the agency's following fiscal year.

Recommendation:

Revenue and expenses for 2007 should be matched to the accounting period.

Expenses

The agency's budget was approved by the Board of Directors.

Findings:

1. Total salaries reported on the agency's IRS forms 941 and W2 amounted to \$130,343.45; total payroll reported on the financial statements amounted to \$136,301.00. The agency could not reconcile the difference of \$5,957.55 in payroll expenses reported on the financial statements and the IRS W2 form.
2. The 2007 trial balance recorded unidentified expenses totaling \$2,020.44.

Recommendations:

1. All differences should be promptly identified, reconciled and supported by detailed information.
2. All expenses should be identified and recorded to the correct lines.

Fringe Benefits/Payroll tax

CMP incurs payroll taxes and fringe benefit costs for all employees. Payroll taxes are processed by an outside vendor.

Finding:

CMP was not consistent in the manner it handled personnel expenditures. Certain students were initially processed as employees and charged to personnel expenses but later the same students were processed as non-employees and charged as a program expense.

Recommendation:

The agency should adhere to the IRS's established policies for identifying employees and that process should be consistently followed.


Diane Jablonski, Comptroller


Cordelia Shemain, Auditor

Addendum

Dutchess County Youth Bureau **Contract # 07-0249 YB**

This contract provided \$1,000.00 towards a youth study tour of South Africa. Youth were to be trained as Peer Educators in HIV/AIDS prevention. The term of the contract was March 1, 2007 to December 31, 2007.

Dutchess County Department of Health **Contract # 06-0350 HD**

This Department of Health contract was for \$4,700.00 with an open term beginning 9/20/06. CMP was to produce a 10 minute video/DVD on the Dutchess County Comprehensive Cancer Control Initiative conference held on September 21, 2007. The video/DVD would be used as a community education tool to introduce the initiative to the public.

Contract # 07-0143 HD

This Department of Health funding was provided to the Children's Services Council via United Way of Dutchess County. The Children's Services Council sub-contracted with CMP for an amount of \$87,000.00 for the delivery of programs to address tobacco use and childhood obesity among Dutchess County Youth, for the term 1/1/2007 to 12/31/2007. The **Take Another Look** tobacco program received \$60,000.00. In this program youth examined the underlying causes and dynamics of tobacco and other addictive substance use and learned media skills to create a series of media based products which support tobacco use prevention. The **Media and Food** program received \$27,000.00. In this program youth explored the techniques used by advertisers to market unhealthy food products to children. Youth participated in creating a youth produced DVD to promote healthy choices in diet and exercise and provided alternatives to the messages sent out by mainstream advertisers.

Dutchess County Department of Social Services with DC Workforce **Investment Board (WIB)** **Contract # 07-0216 SS**

This Department of Social Services funding was provided through the DC Workforce Investment Board (WIB) for a TANF summer youth employment program. WIB subcontracted with CMP to provide a DROP TV program for an amount of \$20,053.00 for the period June – September 2007. Students filmed their educational and team building activities and produced 10 half hour magazine style television shows to be aired on Cablevision.

Dutchess County Department of Planning with DC Arts Council

Contract # 05-0235 PL

This Department of Planning funding was provided through the DC Arts Council for Cultural Capital and Supported Memberships. DC Arts Council granted a total of \$31,646.00 for the replacement and upgrading of computers, software, accessory hardware and cameras and \$6,646.00 for overall administration.