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**AUDIT REPORT  
DUTCHESS COUNTY COMMUNITY ACTION AGENCY  
January 1, 2008 – December 31, 2008**

**June 16, 2009**

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# Comptroller's Summary

## Organization and Background

Dutchess County Community Action Agency, Inc. (DCCAA) is a non-profit organization incorporated in 1979 and designated by the Dutchess County Legislature as the county's official anti-poverty agency. Additional information is on their website [www.dutchesscap.org](http://www.dutchesscap.org)

## Audit Scope, Objective and Methodology

DCCAA had five contracts totaling \$907,404.00 with Dutchess County for the period audited January 1, 2008– December 31, 2008. A summary of each contract is attached as Addendum I. The agency's unaudited 2008 financial statements listed expenses at \$2,799,717.54.

The audit included a review of DCCAA's internal controls with an emphasis on oversight and fiscal monitoring.

## Summary of Findings

Since our previous audit, conducted in 2007, DCCAA has made significant improvements in their internal accounting processes. However, additional improvements regarding claiming, expense allocation and board oversight should be made.

## Detailed Findings

Internal controls protect an agency's assets against the danger of loss or misuse; ensure the efficient and effective management of resources as well as compliance with applicable legal requirements.

## Control Activities

Claims, cash disbursements and board oversight procedures were reviewed for the following control activities: Authorization and oversight; properly designed claiming processes; segregation of duties; periodic reconciliations and management verification.

## Claims

### Authorization and Oversight

Findings:

- For the period audited, several claims were returned as unsatisfactory and were required to be resubmitted. Errors noted included the claiming of expenditures not directly related to programs.
- In addition, during our audit review we found line item expenses were not consistently claimed to the appropriate contract budget category.

Recommendations:

- Oversight should be improved. Claims should be reviewed for accuracy and contract compliance before submission.

- Expenses should be claimed as originally budgeted and when necessary budget amendments should be processed to provide for variances.

### Properly Designed Claiming Processes

#### Findings:

- There was not an allocation methodology for shared costs; costs were charged to each program based on funding availability. As a result, costs assessed may have been overcharged to selected programs. We noted:
  - Personnel costs were not consistently charged based on employees actual time worked in a program; the agency stated salaries were charged based on the availability of funding in each grant.
  - Other than Personnel Services (OTPS) costs were claimed based on funding availability in grant budgets.

#### Recommendations:

- To foster equitable and accurate accounting of program costs, expenses should not be charged to programs based on funding availability. Allocation methodologies should be developed to allocate shared program costs to accurately report program costs.
  - Salaries charged to a program must be based on actual employee time worked in a program.
  - Every attempt must be made to directly charge an expense to the appropriate program; when this is not possible, the method used for charging must be documented.

### **HEAP- Home Energy Assistance Program Claims Review**

The contracted programs provided with this funding included Heating Equipment, Emergency Fuel and the Fuel Buyers Club:

#### Findings:

#### **Heating Equipment**

Funding was for heating equipment crisis assessment. A vendor was hired to perform inspections from referrals received from the Department of Social Services (DSS).

- DCCAA did not have a formal agreement with the vendor.
- While the DSS contract stated reimbursement of \$75.00 per inspection, we noted the county incorrectly reimbursed DCCAA the claimed vendor charge of \$85.00 per inspection. A total of \$160.00 was requested to be refunded to DSS.

#### Recommendations:

- DCCAA should have formal agreements when contracting services.
- Contracts should be formally amended to reflect accepted rate changes.

#### **Emergency Fuel Program**

This program maintains fuel pick up sites, dispensing 10 – 20 gallons of heating fuel per visit, to county residents who are without heating fuel or have a supply that will not last until the next business day.

Finding:

- There were no written guidelines stating a maximum amount of emergency heating fuel to be dispensed to individuals. During the audited period some participants received up to 150 gallons of emergency fuel.

Recommendation:

- Guidelines should be updated and adhered to. When exceptions occur, the reason(s) for the exception should be documented.

### **The Fuel Buyers Club**

The Fuel Buyers Club assisted low income county residents in their purchases of heating fuel. This program was discontinued October 2007.

Findings:

- The accounts receivables for the program resulted in \$77,526.76 in delinquent customer accounts. DSS provided \$25,617.57 and the remaining monies were paid with DCCAA unrestricted funds.
- To date, the fuel buyer bank account has a balance of \$1,050.85 as of 3/30/09. The bank charges a monthly service fee, reducing the funds in this account.

Recommendations:

- Additional monitoring of the accounts receivable may have limited this liability.
- This dormant account should be closed.

### **Cash Disbursements**

A sample of invoices was reviewed.

#### **Invoice Processing**

Findings:

- Expenses were not correctly posted to the expense account numbers noted on the allocation expense worksheet.
- Purchases charged to the agency credit card were not consistently supported with a purchase order, a travel request approval and/or invoice.

Recommendations:

- Expenses must be posted to the approved account numbers.
- All expenses paid on a credit card should be correctly supported with an invoice and agency required documentation.

### **Board Oversight**

Board minutes and agency operating procedures were reviewed for fiscal oversight of the agency.

#### **Oversight and Monitoring**

Findings:

- Monthly fiscal reports, including the annual budget, referenced in the board minutes were not formally attached to the minutes.

- The agency's Accounting Policies and Procedures do not address board approval of actual costs incurred by the Executive Director. Purchases made by the Executive Director are reviewed and approved by a DCCAA employee and did not have board approval.
- The board did not formally approve the eight percent (8%) discretionary contribution to the pension plan.

Recommendations:

- All monthly fiscal reports, including the annual budget, should be formally made a part of the approved board minutes.
- For proper internal control, the agency's policies and procedures should be expanded to address the review and approval of the Executive Director's actual expenditures.
- The board should annually review benefit plans contributions and include the formal approval in the minutes.

### **1099 Processing**

The agency's procedures for obtaining W-9s and 1099 issuance were reviewed. 1099's were issued as required by IRS guidelines.

Finding:

- W9's were not on file for all vendors providing services to the agency.

Recommendation:

- W9's should be obtained for all vendors providing services to the agency.

## **Addendum I - Contracts**

### **Department of Social Services**

The Department of Social Services (DSS) funded the following programs: Dutchess Early Childhood Intervention Program (DECIP); Family Development Program (FDP); Home Energy Assistance Program (HEAP); programs to serve low income and elderly residents of Dutchess County (Poor & Elderly).

	DECIP 02-0129	FDP 05-0194	HEAP 04-0850	Poor & Elderly 06-0087
<i>Budget</i>	<i>\$164,297.00</i>	<i>\$319,909.00</i>	<i>\$298,672.00</i>	<i>\$112,526.00</i>

**Contract #02-0129** for \$164,297.00 covered the period January 1, 2008 – December 31, 2008 and supported the Dutchess Early Childhood Intervention Program (DECIP) that operates in Dover and Beacon. Reimbursement is at the rate of \$650.00 per family per month for a maximum of six months. Referrals are made by Child Protective Services (CPS), the Dover and Beacon School Districts, health care professionals and self referrals. This is a preventative program providing services that empower self sufficiency. The goal of the program is to increase parenting skills and to insure a safe home for the child. The outcome of the program is the safety of the child.

**Contract #05-0194** for \$319,909.00 covered the period January 1, 2008 – December 31, 2008 and supported the Family Development Program. Services were provided to TANF (Temporary Assistance to Needy Families) eligible individuals. The goal of the program was to promote family development and help build independence for the long term. Case managers identified needs for training, transportation, childcare and obstacles in obtaining and retaining employment. An amount of \$312,943.06 was claimed and paid.

**Contract #04-0850** for \$298,671.66 for the Home Energy Assistance Program (HEAP) and covered the period October 1, 2007 –September 30, 2008. This program provides emergency fuel that is dispensed to individuals at designated locations; delivers fuel to homes of the disabled, frail and elderly and homes with infants; provides heating equipment crisis assessment and provides client advocates to assist families in processing HEAP applications.

**Contract #06-0087** for \$112,526.00 covered the period January 1, 2008 – December 31, 2008 and provided local funding to enable the agency to drawdown federal Community Services Block Grant monies for the operations of various programs for Dutchess County's low income and elderly residents.

### **Department of Planning**

**Contract #07-0315** for \$12,000.00 covered the period March 1, 2007 –February 29, 2008. This contract supported a Big Brothers/Big Sisters Program. Funds were provided by HUD under the Housing & Community Development Act of 1974. The entire amount of the contract was claimed for salaries and fringe benefits. The contract was not renewed.