

AUDIT REPORT

Dutchess County Community Action Agency, Inc.

January 1, 2011– December 31, 2011

Table of Contents

COMPTROLLER'S SUMMARY	3
Background.....	3
Audit Scope, Objective and Methodology	3
Summary of Findings	3
Detailed Findings	3
Previous Audit Review	3
Cash Handling, Bank Accounts and Board Oversight	4
Revenues	5
Selected Expense Review.....	5
Salaries & Fringe Benefits	5
Credit Cards	6
Merchant Cards	6
Financial Report Filings	6
EXHIBIT I--STATEMENT OF OPERATIONS	7
EXHIBIT II—CONTRACT/PAYMENT SUMMARY	8

Comptroller's Summary

Background

Dutchess County Community Action Agency, Inc. (DCCAA) is a non-profit 501(c) (3) organization whose mission is to serve low-income residents by creating opportunities and advocacy for systemic changes that will support them in their journey to become self-sufficient. Additional information is available on their website: www.dutchesscap.org.

Audit Scope, Objective and Methodology

The audited period was January 1, 2011 – December 31, 2011. The agency's audited financial statements reported expenses totaling \$5,737,772 and revenues totaling \$5,505,319 in 2011 (Exhibit I). The Dutchess County Department of Social Services (DSS) and the Dutchess County Division of Aging Services provided Federal, State and County funding totaling \$478,715.14 for 2011. A brief description of each contract is attached as Exhibit II. Programs funded were: **Home Heating and Weatherization Assistance, Home Repair Assistance, a Big Brothers Big Sisters Program, Home Delivered Meals (in Beacon), a Volunteer Recognition and a Case Management Program.**

The audit included a review of:

- Prior audit findings
- Internal controls and accounting processes
- Selected expense reviews including Petty Cash and Merchant Cards
- Financial report filings

Summary of Findings

- ❖ Overall records were found to be in good order.
- ❖ Additional board oversight is recommended regarding selected fiscal operations for attested reviews.

Detailed Findings

Previous Audit Review

A number of items included in the previous audit involving Claims, Cash Disbursements, and 1099's, were reviewed and found to have all been improved or corrected.

However, in the previous audit we recommended the agency's policies and procedures should be expanded to address the review and approval of the Chief Executive Officer's actual expenditures. In their response to that audit by the previous Chief Executive Officer, DCCAA

indicated, "The Agency will review and update the policies and procedures by which it is governed."

Finding:

- It was indicated by the Chief Fiscal Officer that the expenses of the Chief Executive Officer follow the same procedure as any agency expense and a purchase order is prepared and approved prior to purchases. The Board is informed of conferences the Chief Executive Officer attends on behalf of the Agency. As per their policy, the Chief Fiscal Officer approves all purchase orders.

Recommendation:

- For additional internal control, the agency's policies and procedures should be expanded to address the review and approval of the Chief Executive Officer's actual expenditures by the Board.

Also, in the previous audit it was noted there are no formal contracts with heating vendors for their services. It was recommended DCCAA should have formal agreements when contracting services.

Finding:

- There were no formal contracts for vendors dispersing emergency fuel to clients in need. The Agency stated they are charged the "going rate" for fuel for the Emergency Fuel Program.

Recommendation:

- All vendors providing services to the agency should have written contracts governing what services will be provided and what fees will be charged. This will assist the agency in budgeting for this service.

Cash Handling, Bank Accounts and Board Oversight

Observations:

- The agency maintained a separation of duties for cash receipting and disbursing. The \$500 Petty Cash fund for Poughkeepsie was reviewed and counted. There are three additional \$100 Petty Cash funds located in Beacon, Red Hook and Dover.
- In 2011, the Agency's Board approved the budget in June, although they operate on a calendar year. In 2012, the Agency's Board approved the budget in January.
- The agency uses a machine to sign checks. Per the Agency, there are always two financial staff assigned to print checks and two different individuals assigned to run the check signing machine.
- Bank statements and account reconciliations are reviewed by the Chief Fiscal Officer.

Finding:

- Bank reconciliations for 2011 were signed by the Chief Fiscal Officer but were not signed to attest review and oversight by the Board Treasurer or the Chief Executive Officer.

Recommendation:

- The Chief Executive Officer and Board Treasurer should sign the bank reconciliations on a regular basis attesting to review.

Revenues

The recording of revenue was reviewed. All Dutchess County payments were recorded in the appropriate revenue accounts and payments were deposited in a timely manner.

Selected Expense Review

All purchases require the Chief Fiscal Officer's approval. The Chief Fiscal Officer approves the agency's purchase order form for all invoices paid. Documentation for a selection of expenses was reviewed with no significant findings.

Salaries & Fringe Benefits

Payroll records including W-2's, journal entries, cancelled checks and state and federal quarterly tax reports were reviewed. An outside payroll processing company handled the agency's payroll, State and Federal tax reports. Salary and fringe allocations and procedures were also reviewed.

Findings:

- 21 employees, including the Chief Executive Officer, received a total of \$93,626 in Weatherization salary incentives from ARRA funding in 2011. These salary incentive payments were not approved by the Board of Directors.
- The agency formed a succession planning committee to select a new Chief Executive Officer. This committee worked on behalf of the Board of Directors and included the Board President. When the offer was made for the new Chief Executive Officer, it included a salary increase of \$6.60 per hour. The appointment of the new Chief Executive Officer was approved by the Board in the March 2011 minutes; however the raise was not noted as formally approved in the board minutes.

Note: The CFO indicated going forward the Board President would make a recommendation to the Executive Committee for approval of pay raises.

Recommendations:

- To improve Board oversight, all employee pay increases/incentives should be reviewed and formally approved by the Board of Directors.
- Raises for the Chief Executive Officer should be formally approved and noted in the board minutes.

Credit Cards

The Agency had one American Express credit card that was in the name of the former Chief Executive Officer, which was canceled in October 2011. A new credit card from the Hudson Valley Federal Credit Union was authorized by the Board of Directors and opened in October 2011. The Board President, Chief Executive Officer, Chief Fiscal Officer and Administrative Assistant are the approved users of the new HVFCU VISA card. Credit card statements and internal controls were reviewed with no significant findings noted.

Merchant Cards

Merchant cards from Home Depot and Lowes were authorized by a motion at the February 2012 Board meeting. The purpose of the merchant cards is to facilitate home repairs done through North East Home Improvement (NEHI), a for profit subsidiary of DCCAA.

Financial Report Filings

Tax Report Filings including the 990 (Return of Organization Exempt from Income Tax), CHAR500 (Annual filing for Charitable Organizations) were filed by the agency's accountants for 2011.

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

No findings were noted.

Exhibit I--Statement of Operations

Statement of Operations
Dutchess County Community Action Agency
12/31/2011

Unrestricted revenue:		
Contracts & Grants	\$4,757,221.00	
In-Kind Support	182,100.00	
Contributions Unrestricted	68,625.00	
Rental Income	68,375.00	
Town & Village	26,032.00	
Interest	1,448.00	
Programs	11,679.00	
Sales	237,204.00	
Miscellaneous	152,635.00	
	<hr/>	
Total Unrestricted Revenues		\$ 5,505,319.00
 Unrestricted Expenses		
Personnel	2,020,392.00	
Client Assistance	248,938.00	
Other Programs	2,815,511.00	
Management & General	652,931.00	
	<hr/>	
Total Unrestricted Expenses		\$ 5,737,772.00
 Decrease in Unrestricted Net Assets		 (232,453.00)
 Unrestricted Net Assets Beginning of Year		 567,780.00
		<hr/>
Unrestricted Net Assets End of Year		\$ 335,327.00
		<hr/> <hr/>