

|| City of Sioux Falls Council / Minnehaha
|| County Commission Joint Meeting Agenda
|| Carnegie Town Hall, 235 West 10th Street
|| MEETING OF Monday, July 19, 2010 at 5:00 p.m.

Official Agenda

ROLL CALL

PLEDGE OF ALLEGIANCE

APPROVAL OF REGULAR AGENDA

REPORT OF OFFICERS/BOARDS/COMMITTEES/TRANSFERS OF UNENCUMBERED APPROPRIATION
BALANCES AMONG PROGRAMS WITHIN A DEPARTMENT OR ORGANIZATIONAL UNIT AS PROVIDED
IN THE SIOUX FALLS CITY CHARTER SECTION 5.07 (d)

1. REVIEW AUDIT REPORT: 10-02 MULTI-CULTURAL CENTER.

Document: MCC Audit Report

NEW BUSINESS

ADJOURNMENT

Agenda Item: Not Assigned
Item ID: 52957

The following document(s) are public records obtained from the
City of Sioux Falls.

MULTI-CULTURAL CENTER AUDIT

*Internal Audit
City of Sioux Falls, SD*

Highlights of report 10-02

Why Internal Audit did this report

The Multi-Cultural Center of Sioux Falls describes itself as “an integral service organization to ethnic and minority youth and adults in our community.” The Center has been serving the Sioux Falls community since 1997. It receives funding from a variety of sources including the City of Sioux Falls, the Sioux Empire United Way, and private grants. Minnehaha County provides the physical facilities for the Center. The City’s Internal Audit division reviews organizations receiving City funds to ensure contract compliance and identify opportunities to improve management control. Audit objectives were expanded due to requests from both elected officials and Multi-Cultural Center board members. See appendix 1 for details on audit objectives. This is the first internal audit of the agreement between the City of Sioux Falls and Multi-Cultural Center of Sioux Falls.

What Internal Audit recommends

Internal Audit is recommending changes in policies and procedures to strengthen controls over payroll and accounting transactions. We are recommending opportunities for improvement in organization governance and bus safety. We are also recommending the Center pursue state licensing of the after-school program. See appendix 4 for a summary of our recommendations..

What Internal Audit Found

The Multi-Cultural Center of Sioux Falls provides much needed services to the immigrant and refugee population of the Sioux Falls area. However, we did find many internal control weaknesses in the areas of payroll and accounting. We noted inconsistencies in the application of personnel policies and a lack of segregation of duties. We noted opportunities for improvement in organization governance including the areas of transparency and board composition. The board has made some preliminary steps to have the after-school program become licensed by the State of South Dakota; however, that process has not been completed. We recommended that the program become state licensed. We also recommended repair records and maintenance schedules be started for the buses used in the after-school program.

NOTEWORTHY ACCOMPLISHMENTS

The Center has received national recognition for its many innovative programs. For example, in 2008, the Center received an award from the Afterschool Alliance and MetLife Foundation as an Afterschool Innovator.

We appreciate the courtesy and cooperation provided to us by the staff and board members of the Multi-Cultural Center of Sioux Falls.

INTRODUCTION

The Multi-Cultural Center of Sioux Falls has been in operation since 1997 as a nonprofit organization with a mission “to provide opportunities for all people to learn, celebrate and share through cultural experience”. According to a nonprofit research group, the city of Sioux Falls, along with Minnehaha County, is the US metropolitan area with the fastest growing percentage of foreign-born residents.¹ The Multi-Cultural Center (the MCC) offers many programs including language classes, driver’s education for refugees and immigrants, after-school programs for ethnic and minority youth, and meeting space for community groups. The MCC is funded by a variety of private and government grants, United Way funds, and user fees. Additionally, Minnehaha County provides a rent-free facility in downtown Sioux Falls. Gross receipts in 2008 were \$529,666.² The MCC is governed by a board of directors.

AUTHORIZATION

This audit was included in Internal Audit’s 2010 Annual Audit Plan. The City Council approved the Plan by resolution in December 2009. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 104-06.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and fact. The Lead Internal Auditor is accountable to an Audit Committee appointed by the City Council per City ordinance 120-05.

¹ Center for Immigration Studies, Washington, DC (2003)

² IRS form 990, Return of Organization Exempt from Income Tax

INTERNAL CONTROLS

Some objectives of an internal control system (sometimes called management controls) are to provide management with reasonable, but not absolute, assurance about:

- >The reliability and integrity of information;
- >Compliance with policies, plans, procedures, laws and regulations;
- >Effectiveness and efficiency of operations including the safeguarding of assets.

Errors or irregularities may occur and not be detected or prevented because of inherent limitations in any internal control structure. These limitations result from management override, collusion, resource limitations and other factors. Additionally, well designed controls may deteriorate over time or become inadequate.

Management is responsible for the internal control structure. Internal auditors assist management by testing and evaluating the design and performance of controls and offering recommendations for improvement.

OPINION ON INTERNAL CONTROL

In our opinion, the internal control structure is inadequate in a number of areas and we are offering recommendations to improve controls.

DETAILED RESULTS

COMPLIANCE WITH AGREEMENT

MCC IS IN COMPLIANCE

We determined that the MCC is in compliance with both the 2009 and 2010 agreements with the City of Sioux Falls. The MCC is providing general programming per section 1A of the agreement and a refugee and immigrant drivers' education program per section 1B. For example, in 2009, 429 individuals participated in drivers' training. 126 students participated in the middle school after-school program. 87 adult students participated in English class. The City, in turn, is paying the utility expenses of the MCC per the agreement and is providing the agreed upon fee for contracted services. We did note that the City exercised their right under section 5 of the agreement to reduce funding to the MCC in 2010. In February, the City reduced the funding to the MCC by 15 % (from \$125,000 to \$106,250) because of lower than expected revenues.

STATE LICENSING OF AFTER-SCHOOL PROGRAM SHOULD BE PURSUED

The MCC after-school program (ASP) provides school children the opportunity to participate in several worthwhile activities at the Center. MCC buses provide transportation for the children. CRITERIA (what should be): The South Dakota Department of Social Services, Child Care Services maintains that Before and After School Care Centers are required to become licensed regardless of the funding source or location of the program. The exemption to this requirement is if the ASP is providing educational or recreational activities for children who come and go at their own discretion. CONDITION (what is): The MCC picks up school children and transports them to the MCC for several after-school programs.

Each day, after the programs, the MCC transports the children to their homes. EFFECT (so what?): The MCC's after-school program does not permit the children to come and go at their own discretion. By not having a license, the MCC may expose itself to unnecessary risk and liability.

CAUSE (why did it happen?): Our review of 2009 board of directors' minutes indicated that the MCC board was considering state licensing. However, the state did inform the MCC that they were not required to be licensed. The board appeared to be making some preliminary steps towards licensing but this was not completed.

RECOMMENDATION: The MCC should become licensed at the earliest opportunity. State licensing can only enhance the Center's ASP. The MCC will also benefit because licensed programs are inspected yearly by the state and such programs may be eligible to receive reimbursement through the Child Care Food Program.

FUNDING SOURCES OF MCC

An audit objective was to review and clarify funding sources of the Multi-Cultural Center.

2008 sources of funding were as follows³:

Private grant	\$54,177	8% of total
State grants	187,119	27%
City grants	105,000	15%
United Way grant	120,531	18%
Contributions in kind	154,800	23%
All other support	62,251	9%
TOTAL	\$683,878	

Contributions in kind include the use of the building (County) and paid utilities (City).

³ Page 3 of audited (external auditor) financial statements, 2008 Statement of Activities

2009 sources of funding were as follows⁴:

Private grant (Avon)	\$58,750
State grants	128,132
City grants	125,000
United Way grant	182,809
All other support	93,585
TOTAL	\$588,276

Note: the internal financial statements do not show the value of contributions in kind.

FINANCIAL INTERNAL CONTROLS

An audit objective was to review internal controls over financial transactions. We did this primarily by reviewing the accounts payable and the payroll process.

WRITTEN ACCOUNTING POLICIES AND PROCEDURES ARE LACKING

CRITERIA (what should be): Written policies and procedures aid in guiding employees in their duties and make it clear what management expects. They are a fundamental internal control principle.

CONDITION (what is): While there is a board approved policy for authorized signatories of checks, there is a lack of written, board approved accounting policies and procedures.

EFFECT (so what): Relying on “understood” policies can lead to misunderstandings and inconsistencies.

CAUSE: Management may have had other priorities.

RECOMMENDATION: Board (treasurer or finance committee) should review and approve the accounting policies and procedures. They should be reviewed and updated on a regular basis.

⁴ 2009 internal financial statements (year-to-date 12/31/09)

LACK OF SEGREGATION OF DUTIES

CRITERIA (what should be): Segregation of duties is a fundamental concept of internal control. No one person should be in a position to have complete control of a transaction.

Proper segregation of duties helps reduce errors and protects employees from allegations of wrongdoing.

CONDITION (what is): External auditor noted that there is an overall lack of segregation of duties in accounting operations. We found the same condition to be true.

EFFECT (so what?): Opportunity for fraud or errors.

CAUSE (why did this happen?): Lack of financial resources to hire employees to better segregate bookkeeping and accounting duties.

RECOMMENDATION: We recommend that the board and executive director identify the areas of higher risk for fraud or error and implement limited segregation of duties to the extent possible. Board should consider having the treasurer or finance committee review certain transactions on an unannounced basis.

NEED FOR A TRAINED BOOKEEPER/ACCOUNTANT

CRITERIA (what should be): Bookkeeping and accounting work is an important function of any enterprise. The budget of the MCC has grown over the years and is now over \$600,000. A prudent business practice would be to employ the services of a trained bookkeeper/accountant.

CONDITION (what is): The staff member presently performing bookkeeping functions is not trained in bookkeeping or accounting. We noted a number of bank reconciliations that were not actually reconciled; they included large unreconciled differences.

EFFECT (so what?): Errors in financial reports (information inaccurate).

**CAPITALIZATION
THRESHHOLD NEEDS TO BE
RAISED**

CAUSE (why did this happen?): Lack of financial resource to hire staff. The board has partially mitigated this risk by hiring a Certified Public Accounting firm to perform an annual financial statement audit and help prepare financial statements.

RECOMMENDATION: Board should consider diverting sufficient financial resources to either outsource the bookkeeping function or hire a part-time bookkeeper/accountant.

CRITERIA (what should be): Point at which equipment is classified as a capital asset is known as the capitalization threshold. Capitalization thresholds should be periodically adjusted for inflation. A Government Accountability Office (GAO) survey⁵ reports that capitalization thresholds are usually in the \$250 to \$5,000 range.

CONDITION (what is): Numerous small assets (values less than \$100) appear on the fixed asset listing. External auditors have noted this and mentioned it to the board of directors.

EFFECT (so what?): Waste of resources in accounting for the details of numerous small dollar assets; not consistent with accounting concept of materiality.

CAUSE (why did this happen?): No adjustment for inflation since the MCC began operations in 1997. Lack of written and board approved policies and procedures.

RECOMMENDATION: Board should approve policy to raise the threshold to at \$500.

**BOARD SHOULD CONSIDER
PERIODIC ROTATION OF
EXTERNAL AUDITOR**

CRITERIA (what should be): A prudent business practice is to rotate audit firms (or managing auditor if firm is not changed) periodically, such as every 5 years.

⁵ GAO report 03-42

Rotation of auditors allows a “new set of eyes” to observe the client operations and avoids undue familiarity between auditor and auditees that can develop over time.

CONDITION (what is): The MCC has been using the services of the same accounting firm since the inception of the Center in 1997.

EFFECT (so what?): Without “new eyes”, a reportable condition may be ignored or missed.

CAUSE (why did it happen): Board of Directors has not taken action to rotate accounting firms.

RECOMMENDATION: There should be a periodic change of audit firms. If the board believes that this is neither necessary nor practical, they should request a change in the auditor actually performing the audit work.

LACK OF DOCUMENTATION FOR HOURS WORKED BY EMPLOYEES

CRITERIA (what should be): Supervisor approval of time sheets should be documented (for example, signature of supervisor or manager). Time sheets should not contain “white outs” or “cross outs” and employees should use standard time sheets.

CONDITION (what is): We noted that there were situations where there was a lack of documentation for hours worked by employees. Time sheets lacked standardization and sometimes lacked executive director’s approval. We also noted instances of cross outs and white outs.

EFFECT (so what?): Inadequate control over employees.

CAUSE (why did this happen?): Lack of management oversight.

RECOMMENDATION: Board should consider approving funding for a time clock. Time sheets should be standardized. Executive director or supervisor should sign all time sheets.

**MCC SHOULD SWITCH TO
BI-WEEKLY PAYROLL
PERIOD**

CRITERIA (what should be): Most employers pay their employees either bi-weekly (every two weeks) or monthly.

CONDITION (what is): MCC employees are paid weekly (Friday); they are paid for hours worked from the previous Friday to Thursday.

EFFECT (so what?): Inefficient and uneconomical use of resources. Staff person performing payroll must do payroll every week.

CAUSE (why did it happen?): This apparently has been the practice since the MCC began operations.

RECOMMENDATION: The board should create policy that payroll will be done bi-weekly instead of weekly.

**BOARD SHOULD CONSIDER
WHETHER PAYROLL
FUNCTION SHOULD BE
OUTSOURCED**

Opportunity for improvement: We noted in our review of payroll procedures and documentation that there were an unacceptable number of errors and inconsistencies.

RECOMMENDATION: The board should consider whether it would be prudent and practical to hire the services of a payroll company to perform the payroll function for the MCC.

**FINANCIAL INTERNAL
CONTROLS OVERALL**

The board should make improvements in these internal controls a priority. The board should develop and approve accounting and payroll policies and procedures and consider allocating funds for a part-time bookkeeper/accountant (or outsourcing these functions). These steps plus increased management oversight should greatly improve controls in these areas.

COMPLIANCE WITH BOARD POLICIES/INTERNAL POLICIES

PERSONNEL POLICIES NOT ALWAYS FOLLOWED

We noted that the MCC has written personnel policies. However, these policies are not consistently followed. We reviewed a years worth of payroll records for two full-time employees. For example, one of the employees was paid for the Martin Luther King, Jr. holiday. The other employee did not receive pay for that holiday. According to policy, an employee must work an average of 32 or more hours a week (1,664 hours per year) to be considered full-time and receive benefits. One employee was considered full-time and received benefits while their total hours for the year totaled 1,384 (including paid time off). We also noted numerous math errors while performing this review and paid time off that was approved after the fact.

RECOMMENDATION: We recommend a board review and greater management oversight of personnel policies.

BOARD OF DIRECTORS COMPOSITION NEEDS REVIEW

We reviewed the articles of incorporation from 1996 and the various changes since then including articles of amendment and changes in by-laws. The latest revisions were completed in October 2009. We noted that according to the current by-laws, the board should have at least two youth representatives and at least one-fifth of the board shall be representatives from the ethnic community. The current board does not meet this requirement.

RECOMMENDATION: More board members representing the ethnic community and youth should be recruited if possible or the by-laws may be amended to create a different board composition.

**BOARD GOVERNANCE AND
BASIC BEST PRACTICES
ASSOCIATED WITH GOOD
GOVERNANCE OF
NONPROFIT
ORGANIZATIONS**

Best practices are methods and techniques that have consistently shown results superior to those achieved with other means and which are used as benchmarks to strive for.⁶ A best practice is a superior method or innovative practice that contributes to the improved performance of an organization, usually recognized as “best” by other peer organizations.⁷

Caveat: Just because something is a “best practice” does mean it must be implemented. Best practices are not a substitute for the judgment and wisdom of board members or trustees. Best practices that work well in certain organizations may not be as applicable to other organizations.

**BOARD OF DIRECTORS IS
EMPLOYING MANY BEST
PRACTICES BUT THERE
ARE OPPORTUNITIES FOR
IMPROVEMENT**

We determined that the MCC board of directors is in compliance with many best practices associated with good governance. For example, the board began work last year on developing a strategic plan that integrates all the MCC’s activities around a focused mission. However, there are a number of opportunities for improvement such as developing a newsletter and updating the MCC website. See appendix 2 of this report for details on our assessment of compliance with best practices and appendix 4 for our specific recommendations. See appendix 3 for a list of the sources of best practices.

⁶ www.businessdictionary.com

⁷ www.visitask.com

SAFETY

BUSES HAVE RECENTLY RECEIVED SAFETY INSPECTIONS; THERE IS A LACK OF MAINTENANCE RECORDS AND SCHEDULES

An audit objective involved safety particularly maintaining the condition of the buses used in the after-school program, screening of employees working with children, and written policies for drivers (picking up passengers other than children, for example).

We noted that the MCC buses are old (15 plus years). We noted that there was a towing charge for a bus in March 2010 indicating a breakdown.

CRITERIA (what should be): It is prudent practice to maintain detailed maintenance and repair records for vehicles, and to keep vehicles on a regular maintenance and inspection schedule, particularly vehicles used to transport children.

CONDITION (what is): We verified documentation that the South Dakota Highway Patrol had performed safety inspections of the MCC buses. The only vehicle records are those associated with the vehicle expense section of the accounting general ledger. We did not find any documentation indicating the buses are maintained according to a regular maintenance schedule.

EFFECT (so what?): Lack of maintenance and repair records is an indication that the vehicles may not be maintained in a proper manner. Unless detailed records and schedules are maintained, there are no criteria to determine when the vehicles should be inspected, serviced, repaired or replaced.

CAUSE (why did it happen?): This may not have been a priority for past management. Tight budgets may lead to cuts in certain programs that may result in unintentional additional risks.

RECOMMENDATION: We did note that the MCC recently developed an inspection form for their buses. This is a

positive step. We recommend that more be done. The MCC buses should each be assigned a vehicle number. A file should be utilized to record all expenses related to that vehicle. This should include mileage, inspections, fuel, oil, tires, all repairs, and license requirements. The MCC should contract with a fully licensed and certified repair facility to inspect and maintain the vehicles to the highest standards for vehicles transporting school children. The vehicle maintenance and repair records should be reviewed at least annually to determine if the repair expenses are too great or if a replacement vehicle(s) would be a viable option.

**BACKGROUND CHECKS
ARE BEING PERFORMED**

We reviewed documentation provided by the MCC and determined that background checks are being done on employees that work with children.

**NO WRITTEN POLICIES FOR
BUS DRIVERS**

We determined that there were no written policies for drivers. An example would be a written policy that drivers are not allowed to pick up passengers who are not children in the after-school program. The board may decide there is a need for written policies for MCC bus drivers.

APPENDIX 1

OBJECTIVES

This was both a compliance audit of the agreement between the City of Sioux Falls and Multi-Cultural Center of Sioux Falls as well as a review of internal controls, policies and procedures, and organizational governance. Audit objectives were developed in discussions between the Audit Committee and the MCC board of directors. Specific objectives were:

- >Compliance of the MCC with the terms of City agreement.
- >Review/clarification of the sources of funding for the MCC.
- >Review of internal controls over financial transactions.
- >Review of MCC operations and personnel policies & procedures.
- >Review of board governance and basic best practices associated with good governance of nonprofit organizations.
- >Review safety, particularly in regard to children served by MCC programs

SCOPE AND METHODOLOGY

The scope of the audit was 2009-2010. When reviewing controls, the emphasis was on controls as they now exist. We interviewed board members, the former and current executive director, MCC staff, and the external auditor of the MCC. We reviewed internally prepared financial statements and audited financial statements prepared by the Center's external auditor. We reviewed the IRS form 990 for the MCC which is an information return required of nonprofit corporations. We observed operations and reviewed documents including board minutes. We did research on governance best practices (see appendix 3).

PERFORMED BY

Internal Auditor Jeff Weber and Lead Internal Auditor Rich Oksol, CPA, CGAP performed this audit.

APPENDIX 2

AREAS OF BEST PRACTICE FOR NONPROFIT GOVERNANCE

FINANCIAL

Best Practice

1 Annual independent financial statement audit (especially if revenues are > \$500,000)

2 Organization prepares timely statements (statements of financial position and statement of financial activities for example) which are clearly stated and useful to staff and board

3 Organization follows accounting practices which conform to accepted standards

4 Ensure accuracy of IRS form 990; board or treasurer reviews and approves 990 and makes public (website)

5 Develop detailed operating budget that is approved by board

Internal Audit Assessment and Comments

In compliance; however, see audit recommendation concerning need for auditor rotation.

Needs improvement; this has not been done consistently. Some board members mentioned that financial information at meetings was minimal; this may be due to treasurer position on board being currently unfilled. Information should include comparison of actual revenue and expenses to budgeted amounts.

Needs improvement; external auditor has noted lack of segregation of duties. See audit recommendations in this report concerning financial internal controls.

Needs improvement; although external auditor signs form 990 as the paid preparer and ensures the accuracy thereof, it does not appear that either the board or treasurer reviews or approves the 990. It is not available on the MCC website.

In compliance.

HUMAN RESOURCES

Best Practice

1 Board conducts an annual review/evaluation of the executive director in relationship to a previously determined set of expectations

2 Organization has developed written personnel policies

Internal Audit Assessment and Comments

Needs improvement; executive committee did an evaluation of the executive director on annual basis and set salary. It is not known if director was evaluated against a previously determined set of expectations.

In compliance; however, there are several audit findings concerning compliance with personnel policies

CONFLICT OF INTEREST

Best Practice

Board should develop and adopt a conflict of interest (COI) policy that:

- defines conflict of interest
- states who it applies to (board and staff, for example)
- has a means of enforcement

Undetermined. In the executive committee minutes from July 2009, there is mention of need to update COI and have board members sign. There is mention of staff conflict of interest in December 2009 minutes-unclear if new policy was developed, approved by board and signed by staff.

TRANSPARENCY

Best Practice

1 Organization posts policies, financial information, and information on programs and results

2 Develop a regular newsletter or organization report for contributors, funding agencies, and general public

Not in compliance; organization has a website but it is not current. There is information about programs but nothing on program results or financial information.

Not in compliance; in October 2009 the board had a discussion about developing such a newsletter but there has been no follow through on this.

PLANNING

Best Practice

1 Organization's purpose and activities meet community needs

2 Organization has a clear, meaningful mission statement which reflects its purpose, values, and people served

3 Board and staff have developed a written strategic plan to achieve its mission

4 The strategic plan integrates all organization's activities around a focused mission

Internal Audit Assessment and Comments

In compliance; organization meets needs such as drivers' education training, after school programs, and providing meeting space among many others.

In compliance; MCC has a mission statement with five goals listed that relate to the mission statement. NOTE: many of the programs of the MCC relate to assisting refugees and immigrants; this is not part of the mission statement (although it is mentioned in goals).

In progress; board started activity on developing a strategic plan in 2009. It is not completed yet.

Strategic plan is not completed yet; current board is working with consultants to develop and complete a strategic plan.

BOARD OF DIRECTORS

Best Practice

1 New board members are orientated to organization including by-laws, policies, and organization mission as well as their role and responsibilities as board members

2 Board meets on some regular basis (minimum of 3 to 4 times per year)

3 Board has some say in day-to-day operations

4 Board has at least one member (such as the treasurer) who has a financial or accounting background

5 Board keeps detailed minutes of their meetings

Internal Audit Assessment and Comments

Not in compliance; does not appear to be any orientation for new board members. In an October 2009 board meeting there was discussion of forming a nominating committee. Part of the committee's responsibilities would involve orientation of new members. Committee is not formed yet.

In compliance; board and executive committee have met on a regular basis.

In compliance; under previous executive director it appeared that board members had minimal involvement. This is based upon interviews with several board members. Current involvement by board members has been forced by resignation of previous executive director and executive committee members. We recommend future board members have some involvement in day-to-day operations. One method of involving members would be to assign oversight of various programs and activities to individual members or subcommittees.

Not in compliance; although the position of treasurer has existed in past, it is currently unfilled.

In compliance; we reviewed the board minutes file and it appeared to be complete.

APPENDIX 3

SOURCES OF BEST PRACTICES

Minnesota Council of Nonprofits
“Principles & Practices for Nonprofit Excellence” (2009)

City Auditor’s Office, City of Kansas
City, MO
“Special Report Good Governance Practices for Boards and Commission”
(August 2001)

Hennepin County, MN Contract Audit
and Compliance Division
Standard checklists for audits of
nonprofit organizations

www.managementhelp.org (from
Greater Twin Cities United Way)
“Checklist to Evaluate a Nonprofit Board of Directors”

APPENDIX 4

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSE

- 1 MCC should pursue state licensing of the after-school program (page 4)
- 2 Board or treasurer should review and approve written accounting policies and procedures (page 6)
- 3 Board and executive director should implement limited segregation of duties to extent possible (page 7)
- 4 Outsource bookkeeping function or hire part-time bookkeeper/accountant (page 8)
- 5 Raise capitalization thresholds to \$500 (page 8)
- 6 Rotation of external auditor (page 9)
- 7 Implement time clock, standardized time sheets, supervisor approval of time sheets (page 9)
- 8 Switch to bi-weekly payroll cycle (page 10)
- 9 Consider outsourcing payroll function (page 11)
- 10 Board review of personnel policies; greater management oversight (page 11)
- 11 Review board by-laws; recruit youth and ethnic representatives or change by-laws (page 11)

Response to audit report from President of the Board, Mary Medema and Interim Executive Director, Bruce Wallin dated June 30, 2010:

The Multi-Cultural Center Board and administration would like to express their appreciation and respect for the professionalism and courtesy shown to Board members and staff throughout the audit process. Although the word "audit" often conjures up negative impressions of the ensuing process, the mutual objectives to improve internal financial controls and operational functions of the Center have further stimulated an opportunity for positive change.

After review of the audit, there are no disagreements as to their intent or substance. Many of the recommendations are inter-related and steps toward implementation will achieve the best practices business culture that the Center is committed to achieve. Implementation of the recommendations will necessarily take a longer time period for some items (especially in the Board governance areas) but the focus will be toward timely change.

In addition, the following brief points are offered as further commitment toward improvements in a variety of fiscal and programmatic functioning:

(See next page for continuation of management response)

12 Develop repair records and maintenance schedules for buses (page 13)

13 Improve financial information for board (page 16)

14 Board or treasurer review and approve 990 (page 16)

15 Evaluate executive director against previously determined set of expectations (page 17)

16 Review conflict of interest policy; should apply to staff and board (page 17)

17 Update website; include information about finances and program results (page 17)

18 Develop a newsletter or organization report (page 17)

19 Develop nominating committee on board (page 19)

20 Involve board members more in day-to-day operations (page 19)

21 Fill treasurer position on board with qualified person (page 19)

- *An update web site was place in service on June 16, 2010 and further changes/improvements will be incorporated on a regular basis including a calendar of events, facility use and multi-cultural resources and activities throughout the community.*
- *State licensing of the After School Programs will be addressed in depth in the fall of 2010 during the Board of Directors Strategic Planning process and upon completion of the employment of an Executive Director.*
- *The Center is currently in the process of revising the Table of Organization with the initial goal to place greater emphasis on direct supervisors being held more accountable for assigned staff, budget allocation and departmental outcomes.*
- *Although not specifically addressed in the audit recommendations, the Center is also working toward improved Job Descriptions, implementing a revised Performance Evaluation system, a Purchasing Policy, and an updated facility Rental Agreement. These efforts, and others, will improve the overall governance of the Center.*
- *Evaluation is already underway to identify alternatives to in-house payroll administration and seeking expertise/assistance in the accounting/bookkeeping functions.*

(See next page for conclusion of management response)

Challenges lie ahead. The Board of Directors and administration are confident that recommendations expressed within the audit will be addressed in a timely and quality fashion in the coming months.