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*Power of Prevention*

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January 31, 2008

Mrs. Diane Jablonski  
Comptroller  
Dutchess County Comptroller's Office  
22 Market Street  
Poughkeepsie, NY 12601

Dear Mrs. Jablonski:

Thank you for the review of the audit findings on January 17, 2008 with Robert Ranieri, Board President, Peter McGinnis, Treasurer, Margaret Hirst, LGU, Susan Donovan, Fiscal Manager, and me.

Attached you will find our responses to those findings. Our answers reflect the outcome of thoughtful and careful discussions with our auditors, UHY, who will begin conducting our 2007 audit in February. Should you require anything further from CAPE, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Elaine Trumpetto".

Elaine Trumpetto  
Executive Director

Attachments

cc: R. Ranieri  
P. McGinnis  
N. Gesh  
C. Lane  
M. Hirst  
S. Donovan  
file

EXECUTIVE COMMITTEE

Robert J. Ranieri Jr. *President*  
Nicole Gesh *Vice President*  
Peter C. McGinnis *Treasurer*  
Catherine Lane *Secretary*

Elaine C. Trumpetto, M.A.  
*Executive Director*



A Contract Agency of Dutchess County Department of Mental Hygiene

BOARD OF DIRECTORS  
Barry Bloom  
Christopher McCormack  
Julie Gerrard  
Lisa Cardinale  
Pat Lamanna  
Timothy P. Doyle

**Finding:**

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

**Response/Corrective Action:**

The Board understands their administrative and fiduciary responsibility for the Agency and the need to document all decisions. The board has hired CCSNYS to aid them in board development. The fiscal policies, personnel policies and agency by-laws are in the process of being amended to reflect procedures for budget development, salary increases and employee benefits. The board has been reviewing all budgets, salaries and employee benefits for 2008. All committees of the Board will report to the Board with any recommendations. Their decisions are currently recorded in a dedicated file. Committees will forward written recommendations to the Board. The Board will record resolutions on designated forms. The secretary of the Board will submit written Board minutes to the Executive Director. Recommendations, resolutions and minutes will be Recorded in the same dedicated file.

**Finding:**

**Budget process was not addressed by either the By Laws or Fiscal policies. CAPE's 2006 budget was not approved by the Board. Also Cape has been running a deficit for the past two years**

**Response/Corrective Action:**

Our CPA brought these issues to the Board and Agency's attention at the completion of our 2006 audit. This will be standard procedure in the 2008 fiscal year. The fiscal policies are under review and will be updated to reflect changes, namely the procedure for budget development and approval as outlined above.

The board has reviewed the projected budget for 2008 and is currently evaluating different cost saving proposals recommended by CAPE management and fund raising alternatives to address the deficit issues.

**Finding:**

**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 statement.**

**Response/Corrective Action:**

The account used to hold the employee benefits plan contributions has been deemed an account of the plan. The account was set up using the Council's Federal ID number because SEP plans are individual employee accounts and therefore there is no separate plan identity. The Council deposits the money into this account prior to the transfer to the individuals' accounts. If it is necessary to carry the cash account on the books there will be an offsetting liability account showing the amounts to be paid to the employees. The liability and cash will be reduced when the amounts are paid.

**Finding:**

**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. If the undeposited cash was recorded as an accounts receivable, the cash at the end of 2006 would have been \$11,885.**

**Response/Corrective Action:**

This statement is not accurate. Funds not received as of 12/31/06 are recorded as accounts receivable. The amount in the undeposited funds account represented a check received by the Council prior to December 31 that was not deposited until January 4. Because the check had been received, accounts receivable was reduced and the accounting software posted the offset to undeposited cash prior to processing the deposit.

**Finding:**

**Voided checks were marked void; however, the signature portion was not destroyed.**

**Response/Corrective Action:**

Since the county auditor advised us in October 2007 to destroy the signature on all voided checks, fiscal has been following that procedure. The voided checks also have void written on all three parts and are kept in a locked file cabinet in a locked closet in the Executive Director's office.

**Finding:**

**Outstanding checks dating back to 2003, 2005 and early 2006 were listed as open on the bank reconciliations.**

**Response/Corrective Action:**

CAPE will work with our CPA during this year's audit (February 2008) to address All outdated checks that are reflected in our register. This process will be reviewed yearly with our CPA to prevent any repeat of outstanding checks.

**Finding:**

**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.**

**Response/Corrective Action:**

Presently, the executive director signs all payroll journal entries in addition to signing all payroll sheets. We do understand that one person should not handle all payroll responsibilities. Unfortunately, due to limited resources, it is not an option to hire additional help. We will continue to work with our CPA firm to address these issues and develop new checks and balances.

**Finding:**

**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.**

**Response/Corrective Action:**

We understand that one person should not handle all fiscal responsibilities. Unfortunately, due to limited resources, we are limited in what we are able to do. For the past four years, we have been working with our CPA to address this issue and work on developing new checks and

balances in this area.

Although the fiscal person processes all purchase orders, they are approved by the executive director prior to payment. The purchase order and check are returned to the executive director for signature and then the checks are mailed. As far as checks received are concerned, there is a different procedure. The office manager receives the checks and logs them in the check log. The checks are then given to the executive director for review. Checks are then forwarded to fiscal to prepare the bank deposit. The bank deposit is prepared and then reviewed and initialed by the executive director prior to the office manager taking the deposit to the bank. After the deposit is made, the receipt from the bank is attached to the copy of the deposit created by Quickbooks with all the backup and it is returned to the executive director for final review before it is filed. As far as bank statements are concerned, the executive director opens all bank statements, reviews and initials prior to the statement being given to the fiscal person. The fiscal person balances the checking/savings account and reports are printed from Quickbooks. The reports are then reviewed and initialed by the executive director. The reports are then held for the review by the finance committee. Once the finance committee reviews and initials the statements/reports, then the bank statement is filed.

**Finding:**

**Cape's operating budget was not approved by the Board.**

**Response/Corrective Action:**

Our CPA suggested in their management letter (for 2006) to the Board that all budgets need to be approved and the approval needs to be documented in the minutes. The new Executive Director has instituted the following process for accurate documentation.

- . Finance Committee – Recommendation Form to Board
- . Board Resolution Form
- . Board Minutes with attached committee Recommendation Form and Board Resolution Form recorded in dedicated file.

**Finding:**

**Cape did not have a documented cost allocation plan. The process of allocating**

indirect salary expenses to various programs could not be traced.

**Response/Corrective Action:**

There is a cost allocation for overhead expenses and we will document this process within the fiscal guidelines. We are working with our CPA to establish a fair allocation plan for indirect salary expenses.

**Finding:**

Salary expenses should be approved by the board.

**Response/Corrective Action:**

The board is in the process of developing procedures to handle salary increases. The Board will approve all salary expenses and will document their approval with a board resolution and this will be reflected in the board minutes.

**Finding:**

**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.**

**Response/Corrective Action:**

The Board is in the process of reviewing all human resource issues, specifically the personnel policies and procedures. The Board is currently updating these policies and will document all health plan choices and explain the retirement plan (SEP). These decisions are being documented through Board Resolutions and inclusion in the Board minutes.

**Finding:**

**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.**

**Response/Corrective Action:**

The Board is aware of the problems with the SEP IRA and is in the process

of reviewing alternative retirement plans. The board will formally approve the contribution rate annually.

**Finding:**

**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.**

**Response/Corrective Action:**

Eligible employees earn their retirement as they earn their salaries. As such, the expense is incurred during the course of the year as salaries are earned. The Council maintains its records on the accrual basis of accounting, whereby, expenses are recorded when incurred regardless of when the payment is made.

**Finding:**

**The original plan agreement and employer application documents were not available. Additionally, 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.**

**Response/Corrective Plan:**

The Board is aware of the problems with the SEP IRA. They are currently reviewing other retirement options.

**Finding:**

**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.**

**Response/Corrective Plan:**

This will be addressed when the Board revises the personnel policies. Additionally, the aforementioned employee has since left CAPE employment.

Executive Summary  
2006 County Audit

The CAPE Board and management have carefully reviewed findings of the recent audit. The Finance Committee met on January 22, 2008 after the audit exit interview and made the following recommendations:

- . Realign management duties to separate Human Resource responsibilities from fiscal.
- . Reduce administrative salaries by 5%-10%.
- . Review 2008 contributions to SEP IRA. Consider reduction or elimination for 2008.
- . Review mileage reimbursement for counselors placed full time in the school districts.
- . Review/consider bid from ADP (20% less than Paychex). This bid includes an HR module with a help desk.
- . Reapply (in process) for refunding from SAMHSA grant for 2008.
- . Work with CCSNYS for
  - . Board development
  - . Strategic Plan
  - . Fund development
  - . An application in process for a mini-grant to the Dyson Foundation for the purposes of capacity building.

The Executive Director will be meeting with the Executive Committee to formalize the above recommendations which will be brought to the full Board at their next meeting in March 2008.



**Board Resolution Form**

**For**

***The Council on Addiction, Prevention & Education, Inc.  
of Dutchess County***

**RESOLUTION OF**

Be it resolved by the Board of Directors of The Council on Addiction, Prevention & Education, Inc. of Dutchess County, a Not for Profit Corporation as follows:

*(Substance of Resolution or Action to be Approved/Authorized)*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This resolution was adopted by the Board of Directors of the Corporation at a regular/special meeting of the Corporation held on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Director, Board President \_\_\_\_\_  
Director, Board VP \_\_\_\_\_  
Director, Treasurer \_\_\_\_\_

**CERTIFICATE OF SECRETARY**

The undersigned hereby certifies that he/she is the duly elected and qualified Secretary of The Council on Addiction, Prevention and Education, Inc. a Not for Profit Corporation in the State of New York, County of Dutchess, City of Poughkeepsie and that the aforementioned resolution is a true and correct record duly adopted by the Directors of the Corporation on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

IN WITNESS WHEREOF, I have executed my name as Secretary on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.