



# Dutchess County Workforce Investment Board

3 Neptune Road Poughkeepsie, NY 12601 Telephone (845) 463-0517 Fax (845) 463-0247 www.dcwib.org

## “Building Partnerships for Workforce Solutions”

Michael McCormack  
Partner  
Liscum, McCormack,  
Vanvoorhis  
Chairman

Linda Hannigan  
Partner, Sedore &  
Company, CPA's, PC  
First Vice Chair

Abbott Hileson  
President  
E-Scan Research  
Second Vice Chair

Corporation  
Secretary

October 28, 2009

Ms. Diane Jablonski, Comptroller  
Office of the Comptroller  
Dutchess County  
22 Market Street  
Poughkeepsie, NY 12601

RE: Draft Audit of Dutchess Works for the Years July 1, 2007 – June 30, 2009 (Audit)

Dear Ms. Jablonski,

Dutchess County Workforce Investment Board (DCWIB) has reviewed the above referenced Audit and would like this letter of response appended to the final document. Prior to receipt of the Audit, DCWIB had impaneled a temporary committee (Committee) to review our relationship with Dutchess Works (Works). The committee consists of DCWIB's Chair, its First Vice Chair, its immediate past Chair, its Executive Director and a representative of the NYS Department of Labor (DOL). The committee's mission is to review all aspects of the relationship with Works including its service delivery model, internal controls, communications between Works and DCWIB and to consider program accountability beyond that which the DOL requires of the workforce system.

In direct response to the findings, I will quote the Audit and use your headings in our response.

### Control Environment

Finding:

Regarding the issue of the \$50,000 contract advance wherein your concern is that Works has “...used the advance to cover the agency's deficits” and you go on to state that “we have requested that DCWIB investigate the cash advance and obtain a full accounting of the \$50,000.00;” At DCWIB's request, Works has provided a report showing expenses and revenues dating from July, 2004 to present. DCWIB has further requested that Works also provide data to correlate each of the DCWIB reimbursements to the recorded expenditures and invoices submitted to DCWIB. The Comptrollers office will be kept apprised of our findings.

Recommendation:

“...we notified the DCWIB that additional monitoring was necessary regarding

*The programs provided by this agency are partially funded by moneys received from the County of Dutchess*

*EOE/P auxiliary aids and services are available upon request to individuals with disabilities*

*Dutchess Works. We brought to their attention the need to review prior and current year funding as the agency was continuously recording deficits.*” Please see above regarding the ongoing process of review that the DCWIB initiated upon notification by your office.

### **Control Activities**

#### Findings:

*“...On-going communication regarding deficits was not documented by the Executive Director to the Board of Directors and DCWIB.”* The Committee will develop a budget and variance reporting mechanism for Works to present to the DCWIB.

#### Recommendations:

*“Communications between the Board of Directors, the Executive Director and the funding entity must be improved.”* DCWIB will require that Works monthly Board Meeting minutes be provided in a timely fashion, and further will require that the Work’s Board address any budget variances revealed by the report referenced above.

### **Contract Adherence and Budget Monitoring**

#### Findings:

*“Budget changes were not formalized in writing with written approvals from DCWIB as required by the contract with the DCWIB.”* DCWIB has instituted a desk audit policy and rejects any requests for reimbursement that do not strictly adhere to the approved budget.

#### Recommendations:

*“All budget modifications should be obtained in writing. Any invoice that shows a budget modification will be rejected unless accompanied by written approval.”*

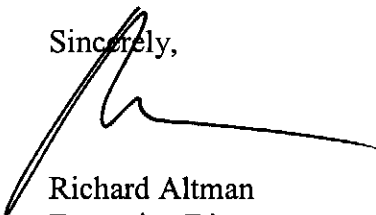
### **Financial Reporting**

#### Recommendations:

*Additional monitoring by the Board and the DCWIB is necessary to ensure accounting records are complete and accurate.”* As noted in other sections, DCWIB formed a Committee to review all aspects of the Works relationship. Specific recommendations regarding financial report format and content will be forthcoming. These reports will be made to the DCWIB Executive Committee monthly.

We have responded directly only to those findings and recommendations specifically referencing the DCWIB. This by no means diminishes the serious nature of the remaining findings and recommendations contained in the Audit. The Committee will review the Audit in detail and will make recommendations to the Executive Committee and the Board regarding the ongoing nature of the Works relationship and any changes it deems necessary to insure viability of the service delivery system and proper fiscal controls.

Sincerely,



Richard Altman  
Executive Director

Cc: F. Fister  
M. McCormack



October 27<sup>th</sup> 2009

Ms. Diane Jablonski  
Dutchess County Comptroller  
22 Market Street  
Poughkeepsie, New York 12601

Dear Ms. Jablonski,

This letter is in response to the financial audit of Dutchess Works for the period July 1, 2007 – June 30, 2009.

At the outset I would like to thank you and your staff for the recommendations and feedback on improving our overall fiscal accountability, internal controls, and financial management systems currently in place. We would like to comment on the findings and recommendations listed below.

### **Control Environment**

#### *Findings*

On-going deficits, contract advance.

#### *Response*

Our records indicate that on August 19, 2004 a contract advance of \$50,000 was received. We have no record of receiving a contract advance during 2006. In prior years contract advances were given at the beginning of every contract and were adjusted at the last submission. However to avoid giving future contract advances, the 8/19/04 contract advance was not adjusted with the last submission. Our understanding was that that money was intended by the WIB to fund working capital required to service future contracts. In our accounting records the advance was recorded as income.

Your recommendation to strengthen our financial infrastructure in conjunction with the WIB is greatly appreciated.

## **Control Activities**

### **Financial Statement/Board Minutes**

#### *Findings*

Audited financial statements report net losses, deficits not addressed by the Board.

#### *Response*

Dutchess Works operates on a contract reimbursement basis. All expenses are first incurred and subsequently reimbursed under the contract. In essence, all contracts operate at a deficit. If it were not for the 8/19/04 working capital infusion the organization could not function. The financial statements are prepared in accordance with GAAP (generally accepted accounting principles) which required the capitalization of fixed assets and booking of depreciation expense. The deficits noted on the financial statements result primarily from depreciation expense. The deficit for the year ended June 30, 2008 includes the depreciation expense as well as one year's worth of audit fees that were not reimbursed under that year's contract.

## **Contract Adherence and Budget Monitoring**

#### *Findings*

Budgets not adhered to, budget changes not formalized.

#### *Response*

The budget is a management tool, not a fund mandate. Although every effort is made to stay within the budget line items, various adjustments are generally necessary and appropriate. This procedure has been in effect since DutchessWorks started. Under current policy it is the WIB, not the board, who approves these adjustments. It should be noted that virtually all budget changes noted in your audit were to reduce overhead and to increase payroll which is in line with the intended purpose of the contract. A budget modification form has been created which will reflect any budget modifications. It will be submitted to the WIB for approval.

#### *Salaries*

The audit report states that "salaries totaling \$15,349.80 were incurred for the September 15, 2008 payroll and were not claimed". A new contract went into effect in October 2008. Subsequently, Dutchess Works received the \$16,800 payroll advance which was in effect used for the missed payroll. No salary loss was incurred by any DutchessWorks employee.

## **Financial reporting**

### *Findings*

Accounting records not properly designed to match claims and are not maintained on an accrual basis. Payroll advances not identified as such in the accounting records.

### *Response*

Dutchess Works uses the Quickbooks (QB) software to maintain their books and records. QB is affordable, well recognized accounting software used by many public and private organizations. The accounting data required to be submitted to substantiate claims is not in a generally accepted accounting format. Accordingly, for purposes of claims an excel spreadsheet is used which reconciles in total with QB, but not necessarily by line item. The outside accountant posts year end journal entries to convert from cash to an accrual basis. We agree that the books should be maintained on an accrual basis; however, funding limitations have precluded us from hiring an accountant. Currently, this work is being done by our office manager who performs a variety of other tasks in addition to the accounting. We find that it is more economical to have the outside accountants convert our books from cash to accrual than to hire an accountant with the skills necessary to maintain the books on the accrual basis; however this will be reviewed when the WIB sets forth their financial requirements.

## **Payroll Records**

### *Findings*

Insufficient support for payroll transactions.

### *Response*

All payrolls received from Staff Line will continue to be reviewed as received by the Fiscal Officer and Executive Director for accuracy and completeness.

All payroll adjustments to Staff Line are fully documented utilizing Staff Line's Employee change form. One copy is sent to Staff Line and a copy is retained in their personnel file.

As noted in the attached correspondence from Staff Line, starting with the first payroll in 2008 all employees wages have been verified in calculating the employer match

## Cash Handling

### *Findings*

Lack of segregation of duties

### *Response*

Regarding segregation of the duties please note that 2 signatures are required for all checks. The person handling cash is not the sole signatory. As noted above budget limitations have precluded us from creating additional positions which would allow for a greater segregation of duties.

In conclusion, Dutchess Works has requested the Dutchess County Workforce Investment Board to notify us in writing the fiscal expectations and procedures to be followed based on the changes instituted by your directives to that agency. Once received, they will be fully implemented.

I once again thank you and your staff for the recommendations and we found it a pleasure working with professionals that reflected a courteous attitude at all times.

Respectfully submitted,



FREDERICK R. FISTER  
Executive Director  
DutchessWorks

Cc: DutchessWorks Consortium  
Dutchess County Workforce Investment Board

# Staff-Line, Inc.

Division of the  
Ethan Allen  
Personnel Group

October 22, 2009

Fred Fister  
Dutchess Works  
233 Main Street  
Suite 1  
Poughkeepsie, NY 12601

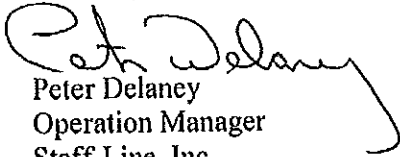
Fred,

A component of employee's salaries, TAA, was not used when calculating the employer match on their total compensation. As a result the following adjustments were made:

Carol McNamara	\$49.36
Stephanie Renino	\$53.88

Starting with the first pay in 2008 all employee wages were used in calculating the employer match.

Sincerely,

  
Peter Delaney  
Operation Manager  
Staff-Line, Inc.