

Martin Luther King Cultural Center, Inc.

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December 29, 2009

Ms. Diane Jablonski

Dutchess County Comptroller

22 Market Street

Poughkeepsie, NY 12601

Re: 2007 Audit

Dear Ms. Jablonski:

Dorothy Paulin

Executive Director

I have enclosed information owed to you on the audit exit by the Martin Luther King Cultural Center. I have addressed the findings.

Thank you for the help from you and Mr. Liebler and I'm sorry for the inconvenience I may have caused. The pamphlets you sent have been very helpful. We reviewed each item at our last meeting. Since several of our members are new, we found it helpful.

We have taken steps to bring our agency into compliance as you'll see. I was not able to get a check for the over claims because our fiscal people are away for the holiday. I'LL GET BACK TO YOU ASOON AS POSSIBLE. I have the commitment of a revised Board to help me wherever needed.

Please get back to me if more information is needed. I can be reached at 831-8992. We return on January 5, 2009.

Thank you.

Yours truly,



Dorothy Paulin

The Martin Luther King Cultural Center, Inc.

Response to the audit report for 2007 at the Martin Luther King Cultural Center (MLK)

Summary of Responses

I. Accounting Processes, Oversight and Internal Controls Findings:

- Lack of documented fiscal processes including internal controls and oversight.
- Monthly financial statements were manually produced by agency's financial secretary and did not provide consistent balances from month to month.
- Financial secretary had sole responsibility to record transactions, prepare financial documents and reconcile financial records.
- Board minutes were not available for all months and were incomplete in evidencing authorization of fiscal transactions including authorization of annual budget.
- Attempts to receive board comments resulted in one board member's response, stated he did not regularly attend monthly board meetings.
- The executive director acted as liaison for the board, for the agency and for the fiscal secretary
-

Actions taken:

- BYLAWS were reviewed and amended to reflect New York State requirements where necessary.
- A meeting was held to accept new members, elect a new chairperson and appoint committees that include: a) Audit committee – 4 members whose purpose is to audit leadership needs.
- b) Finance Committee –a standing committee (3 people) whose purpose will be to examine all possible routes of funding of programs that will be developed by the organization: revenue, fundraising, accounting, philanthropic, etc.

The Fiscal Officer will be a member of this committee. Responsible for the management of the agency's revenue and expenses as well as compliance of grant regulation and accepted accounting practices; providing timely financial reports; maintaining fiscal and administrative records and fiscal support for agency operations. See Attachment A

Information will be signed showing approval, in the board minutes by the secretary and maintained at the agency site.

Response to the audit report for 2007 at the Martin Luther King Cultural Center (MLK)

Summary of Responses

II. Cash Handling and Banking

- Review of bank reconciliations was not evidenced.

Actions Taken:

- b) Finance Committee –a standing committee (3 people) whose purpose will be to examine all possible routes of funding of programs that will be developed by the organization: revenue, fundraising, accounting, philanthropic, and bank reconciliation which reflects the current institution names for proper identification. SEE Attachment A

The Fiscal Officer will be a member of this committee. This member will be responsible for the management of the agency's revenue and expenses as well as compliance of grant regulation and accepted accounting practices; providing timely financial reports; maintaining fiscal and administrative records and fiscal support for agency operations. See Attachment A Information will be signed showing approval, in the board minutes by the secretary and maintained at the agency site.

III. CREDIT CARDS

- A written policy to document and formalize credit cards use was missing.
- The Credit card transactions and gasoline expenditures were not evidenced by board review.

Actions Taken:

A written policy for credit card use will be created, transactions and gasoline expenditures will be made available for board review and signed finance committee showing approval and maintained by at the agency site. See Attachment B

Additional training, checklist of responsibilities, and defined committee assignments will motivate board members to become more actively involved with the organization's finances and activities and participate regularly in its governance, providing adequate internal controls and oversight.

Response to the audit report for 2007 at the Martin Luther King Cultural Center (MLK)

Summary of Responses

III. Contract Claims and Expense Review

Over claim was found and must be repaid.

Actions Taken:

- MLKCC has taken the following actions : (1) hired a bookkeeper,(2) identified responsibilities for each position;(3) engaged an experienced accountant to train and responsible staff in the "Duty and Care" (4) retrained staff in the use of the addendums in QUICKBOOKS to benefit from a software report of all documents.

- MLKCC will repay over claims

Target Date: 1/15/09

IV. Tax and Report Filings, 1099 and W9 Processes

- Names of Board of Directors were incomplete.

Actions Taken:

- IRS Form 990 for tax year 2007 was amended and refilled to include all officers, directors, trustees and key employees as required by IRS regulations.

IRS Form 1099 was missing

Action Taken:

- IRS Form 1099 for tax year 2007 was issued as required by IRS regulations.

- IRS Form W2, Wage and Tax Statement

No payroll taxes were withheld from three payments nor reported to the IRS quarterly via IRS 941. Withholding taxes under reported for these three people.

Action Taken:

Forms were amended to include three payments noted with the appropriate copies of the amended forms being distributed to the IRS, NYS Department of taxation and respective employees. All payroll taxes have been resubmitted to the IRS and NYS to withhold the additional payroll taxes due.

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Response to the audit report for 2007 at the Martin Luther King Cultural Center (MLK)

Summary of Responses

- IRS Form W9 Request for Taxpayer ID

The W9 forms were not filed for several employees and contractors.

Actions Taken

Requirements for W9 were reviewed and have been filed. Policy has been established requiring Form W9 be obtained from all employees and any non-exempt contractors prior to making any payments.

All 2007 recommendations have been corrected. The internal controls that have been instituted will help MLK be audit ready for future OVERSIGHT AND INTERNAL CONTROLS.

MARTIN LUTHER KING CULTURAL, INC
19 SOUTH AVENUE
BEACON, NY 12508

FISCAL POLICIES & PROCEDURES

ACCOUNTING PROCESSES, OVERSIGHT AND
INTERNAL CONTROLS

MLK_Policies_Procedures_Manual

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INTRODUCTION

This manual is designed to clarify MLK's fiscal requirements and policies regarding its programs and documents consistent and concise instructions for form completion and submission to ensure audit readiness.

QUICKBOOKS has been implemented as the software system and MLK will adopt the following fiscal practices in order to maintain records for each grant.

Officers of the Board: Oversight & Governance

Chairperson

Vice Chairperson

Secretary

Fiscal Officer

Committees:

Finance Committee

Audit Committee

Programs Committee

Physical Committee

Election Committee

See responsibilities Article V Sec. 1-5 as stated in the BYLAWS.

POLICIES, PROCEDURES & REQUIREMENTS

1. Maintain records for each grant in a manner consistent with generally accepted accounting practices.
2. Not co-mingle records for funds. A recordkeeping system that maintains a separate identity for each grant or contract will be used.
3. Maintain a list of funds received under each contract, with a description amount of funds.
4. Maintain a list of all funds disbursed under the grant including payee and amount. Any payments made after the termination date of a contract or the ending date of the program year must be for expenditures incurred during the period.
5. No cost incurred before the start date of the grant period will be reimbursed.
6. Maintain complete and accurate documentation to support revenues and expenses (e.g. bank deposits slips, invoices and time sheets, etc) for six years after the contract or grant period.
7. Maintain accurate time records for all employees paid under the grant or contract. Acceptable time records must note period covered and have full signatures of both the employee and his/her supervisor.
8. Maintain an accurate, complete and current inventory of equipment purchased with grant funds.
9. Require original signatures and not use signature stamps on checks.
10. Assure that the person responsible for maintaining the books and records (fiscal officer) does not have authorization for signing checks from the checking account.
11. Assure dual signatures on all checks written by the bookkeeper. Four people shall be authorized to sign checks. Two of the four signatures must be present.
12. Return all unexpended advance funds to the funding source within 90 days of the end of the program.

STIPENDS

A stipend payment may be included as part of a training program, where the intent of the program is to assist a participant in acquiring the skills necessary to obtain employment and to subsequently retain employment. A stipend must be a nominal amount and may be paid hourly, daily, or weekly. Payment qualifying as a stipend should be budgeted as category 2 in the budget: CONTRACTED SERVICES AND STIPENDS.

Stipends do not require a formal contract between parties, while contracted services do.

Stipends require a maintenance log to document that a recipient participated in the activities required for payment. Time sheet may be used and should include at minimum: name, period covered, amount received and signatures of the recipient and supervisor.

CONSULTANT/CONTRACTED SERVICES

A person paid as an employee cannot also be paid as a consultant by the same employer.

Types of services to consider:

Employee:

- Covered by unemployment insurance benefits and work's compensation that is paid by the employer.
- Services are ongoing
- Fixed Work Schedules

Consultant: Services are not covered by unemployment insurance benefits and work's compensation is not paid by the employer.

- Services are not ongoing (one time).
- Requires a written contract
- Provides and pays for training, supplies, and employees

DUTIES OF A FISCAL OFFICER

The Fiscal Officer maintains all books and records and provide proper internal control, and must not prepare or sign checks. The function of the Fiscal Officer include but is not limited to the following:

- Certify that all funds received are properly recorded, deposited in the proper bank account in a timely manner and credited to the appropriate funding source.
- Certify that all expenditures of funds are appropriate, made in a timely manner and charged to the appropriate funding source.
- Maintain a record of all funds received, including a description of the source and the amount, in a manner, consistent with generally acceptable accounting procedures.
- Maintain a record of all funds disbursed, including payee and the amount, in a manner, consistent with generally acceptable accounting procedures.
- * Maintain a filing system that will allow for accurate and complete documentation to support the recordkeeping system (e.g. bank deposit slips, invoices, and time sheets).
- Certify that the bank accounts are reconciled and any discrepancies are resolved in a timely manner
- Certify that good purchasing practices are followed that will allow for goods to be purchased at a price that is reasonable and prudent.
- Maintain an accurate, complete, and current inventory of equipment.
- Certify that all claims for reimbursement are submitted in a timely manner to the appropriate funding source.

PETTY CASH/CREDIT CARD

- * To facilitate the payment of certain minimal charges that cannot be handled by a properly signed check in a timely manner, MLK may, with the approval of the Board and funding source, establish an alternative disbursement mechanism. This fund will be called petty cash whereby a credit card may be used by the executive director.
- The petty cash fund will not exceed \$200.00 and disbursements made through this fund will not exceed \$200.00 per month or \$2,400 per year.
- All disbursements made out of petty cash must be for approved budget items.
- For expenditures made out from petty cash voucher must be completed and kept with the fund. The voucher can be a pre-printed form, in all cases, must contain the following information:

Amount

Date:

Payee:

Purpose:

Approved by:

Received by:

- The petty cash fund should be reconciled monthly and the fund replenished to its original beginning balance. Any replenishment of petty cash disbursements made must be by a check from the programs checking account, if applicable, and made payable to the Custodian. The expenditure is then recorded in the journal and ledger and the petty Cash vouchers are then filed.
- One person (executive director) should be appointed custodian of the petty cash fund/credit card and be solely responsible for the fund's safekeeping.
- The When claiming reimbursement for this account, expenses must be shown as part of the maintenance and operations category. Copies of invoices or receipts should be included to support outlays. The reimbursement request must include a brief description of the items of expenditure in the claims package.

SHARED CASH

Shared cost are those common expenditures that are incurred as part of the regular operation of a program such as staff, utilities, rent, copying machine usage, and postage, which are shared by all or some of the funding sources at the site or program.

Any expense incurred over more than one funding source or program must be charged proportionately or allocated to the program. In order to prevent an audit disallowance, justification of each allocation must be maintained along with the other records kept by a funded agency

When a cost is shared by more than one funding source, the method for allocating that cost should be documented. This could include but not limited to:

- A schedule that indicates the total program budget and amount received from each funding source with applicable percentages noted for purposes of pro-rating the expenses.
- Note which program incurred the bill
- Source of funding for program

SOURCE DOCUMENTS RETENTION OF RECORDS

A source document is any business form that contains original data about a transaction. For every entry in the journal or ledger there should be a source on file.

The most common source documents are invoices, receipts, canceled checks and time sheets. Source documents should be filed in category order for maintaining an orderly cross-reference and retrieval capability.

All source documents and accounting records should be retained for no less than six (6) years following the last disbursement of any grant period or the final audit conducted, whichever occur first.

Certain specific documentation must exist prior to reimbursement of expenditures:

- Property rental agreements must be on file to document rental payments
- A fully executed copy of each consultant contract must be kept on file with appropriate Tax and Report Filings and signatures: Required Forms shall include:
 - 1099 – per IRS Regulations for business/individuals that receive payment of \$600.00 or more in a calendar year for services provided.
 - 990 - per IRS filing Regulations
 - 941 - payroll taxes
 - W2 - payroll taxes
 - 941 - payroll taxes
 - NYS-45-MN - payroll taxes
 - W9 – from employees & contractors who are non-exempt prior to making any payments.

Time records must be maintained for all employees for whom reimbursement is being sought. These time sheets must include the period covered and signatures of both the employee and the employee's direct supervisor.

BACKUP DOCUMENTS MUST BE MAINTAINED.

BANK RECONCILIATION

All checking accounts should be reconciled monthly. The reconciliation should be done by someone other than the Fiscal Officer or the persons who sign checks.

Four board members will be authorized to sign checks and two of the four must sign.

Two of the four must sign the checking account reconciliation each month.

The reconciliation will occur as soon as possible after the bank statement is received.

PURCHASING GUIDELINES

To maintain proper internal control, it is required that the following procedures be used when purchasing goods or services.

The person requesting the purchase of goods or services must complete a purchase requisition

The purchase requisition must be approved by the Director.

The Fiscal Officer authorizes payment and record the transaction

The bookkeeper or Fiscal Official must complete the purchase order and issue a check.

Someone other than the Fiscal Officer must sign the check.

Prices paid for goods must be reasonable and prudent, three verbal quotes must be obtained for items costing between \$2,500 and \$5,000.

Quotes are stated prices for which a vendor will sell an item. Quotes can be obtained in person or by phone. A record of the process must be kept and should include:

Date:

Type of quote:

Name of vendor:

Description of item to be purchased:

Cost Quoted:

Signature of person obtaining quote:

Any purchase request for goods above \$5,000 must have five (5) written bids. These bids must be attached to the purchase request. When five bids are not received, proof that at least five bids were solicited or an explanation of why fewer than five solicitations were made must be kept on file.

A bid is the stated price for which a vendor will sell an item. The lowest bids should be the one chosen. If the lowest bid is not chosen, justification must be on file to document why the lowest bid was not selected. Bids are required to be filed, sealed, and a bid opening should be held with more than one person present to certify that all bids were considered at the same time.

Bids must be in writing and on a vendor's letterhead and contain the following information:

Date of Bid:

Description of item to be sold:

Cost:

Signature of vendor's representative:

EQUIPMENT INVENTORY

Equipment is defined as any item that has a life expectancy of more than two years and cost over \$500.00, regardless of percentage of State funds used or contact period during which the purchase was made.

Inventory records must be maintained for equipment purchased with State and/or Federal Funds.

A permanent, unique numbered label must be affixed to each piece of equipment.

An equipment inventory form or electronic (computer) record must be maintained on each piece of equipment containing the following information:

- Grant year
- Funding Source
- Contract number, if applicable
- Inventory deal number
- Name of item
- Description
- Location
- Date of Purchase
- Cost:
- Signature of Authorized Person
- Date form or electronic record was completed

Equipment purchased may not be sold or disposed of without written authorization will be provided by a County representative.

Martin Luther King Cultural Center.

Checklist for monthly Board activities

- _____ Maintain records for each grant in a manner consistent with generally accepted accounting practices. (Revenue/Expenses)
- _____ Not co-mingle records for funds. A recordkeeping system that maintains a separate identity for each grant or contract will be used.
- _____ Maintain a list of funds received under each contract, including a description of source and amount of funds.
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Audit Committee

Signatures : _____, _____, _____

Martin Luther King Cultural Center

BANK RECONCILIATION

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