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December 3, 2008

Diane Jablonski,  
Comptroller  
Dutchess County Office Building  
22 Market Street  
Poughkeepsie, NY 12601

Dear Ms. Jablonski:

We are in receipt of the Draft Findings Report of your audit of Mill Street Loft and your Findings and Recommendations addressing issues that you raised during the audit for the fiscal year ending 12/31/07. Below represents our response to your recommendations.

### **Internal Controls**

#### **Recommendation:**

A formal accounting process and procedure manual should be developed and implemented.  
*We accept the recommendations of the Comptroller's office and will have a procedure manual in place in 2009.*

### **Contract Claims and Expense Review**

#### **Recommendation:**

A formal claiming process including reconciliation should be put in place and made a part of the procedure manual.  
Agreements should be on file for all vendors.  
*We agree with the above recommendations and they will be included as part of the above referenced procedure manual. It has already been recognized in your report that Mill Street Loft has reviewed and revised all claim documentation to correct claiming errors.*

*I want to thank the staff at the Comptroller's office for providing an example of an excel spreadsheet that will assist us in determining appropriate allocation of staff costs in the future.*

### **Cash Handling & Banking**

#### **Recommendations:**

Monies received by the agency must be deposited in a timely manner.  
*We agree and this will be incorporated into the procedure manual.*

The agency should utilize the bank reconciliation through QuickBooks.  
*This recommendation has already been implemented and all reconciliations are being done in QuickBooks.*

The process for preparing bank reconciliations should be consistently followed.  
*We agree and it will be followed as stated above.*

The balance in each bank should not exceed the maximum amount insured by the FDIC.  
*We will take steps to insure the safety of the funds either through distribution among additional banks or through a Tri-Party collateral agreement insuring any funds that exceed the FDIC insured amount.*

Checks issued in excess of \$2,500.00 should have dual signatures. This policy should be formally documented in the procedure manual.  
*The procedure manual will formally document the dual signature amount and policy.*

Checks should be issued in sequential order.  
*We agree and this process will be addressed in the procedure manual.*

The board treasurer or designee should initial bank reconciliations attesting to the review. The bank statements should periodically be delivered unopened to the treasurer for review.  
*We will address these recommendations with the Board and determine the appropriate policy for handling of bank statements and reconciliations in the procedure manual.*

### **Tax and Report Filings, 1099 and W-9 Processes**

#### **Recommendations:**

A process for collecting IRS W-9 forms from vendors should be implemented.  
*We agree and the process has already been implemented and will be incorporated into the procedure manual.*

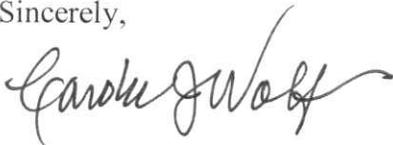
An employee's W-2 should reflect the total amount paid to the employee for the year.  
*We acknowledge the single instance where that occurred and will insure that the W-2 accurately reflects the total amount paid to the employee within the fiscal year.*

All vendor payments must be reflected on IRS Form 1099-Miscellaneous Income Statements and corrected 1099-Miscellaneous Income Statements must be filed for the three instances noted in the report.

*We agree and the appropriate steps will be taken to file the corrections.*

I appreciate all of your suggestions and recommendations regarding internal control procedures which I have already shared with our Finance Committee. Please feel free to call me if you have any additional comments or questions.

Sincerely,



Carole J. Wolf  
Executive Director