

PEOPLE, Inc.
January 1, 2007– December 31, 2007

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COMPTROLLER'S SUMMARY

Background

PEOPLE, Inc. is a not-for-profit organization which supports and advocates for psychiatrically labeled persons services. In addition to Dutchess County, the agency operates in Orange and Ulster County. Additional information is on their website: www.projectstoempower.org

PEOPLE, Inc. began the process of merging with the Resource Center, Inc. in 2006. The financial activities of the Resource Center, Inc. were included in PEOPLE's 2007 audited financial statements.

Audit Scope, Objective and Methodology

The audited period was January 1, 2007 – December 31, 2007. In 2007, the agency's audited financial statements reported expenses totaling \$1,051,145.00. The Dutchess County Department of Mental Hygiene (DMH) provided New York State Office of Mental Hygiene (OMH) funding totaling \$388,864.00. Programs funded were: Supported Housing Rental Assistance and Community Services, Assisted Competitive Employment, Advocacy Services and Multicultural Initiatives.

The audit included a review of:

- New York State Consolidated Fiscal Report (CFR);
- Internal controls and Accounting processes;
- Expense Review;
- Tax and Report Filings.

Summary of Findings

Additional board oversight is recommended regarding fiscal operations. Accounting procedures should be improved and implemented regarding purchasing and credit card usage. Written accounting procedures should be revised to reflect changes. A total of \$605.11 is due back DMH for un-substantiated claims.

Detailed Findings

CFR Review

PEOPLE, Inc. had one contract with the Dutchess County Department of Mental Hygiene: Contract #04-0050-12/04 A3 in the amount of \$388,864.00. All funding was provided by NYS OMH.

The Consolidated Fiscal Report (CFR) is the New York State required claiming document for the OMH funding. Expenses and revenues reported on the CFR for the respective programs were traced to the agency's general ledger. Addendum I provides a summary of expenditures and a brief description of each program.

Internal Controls

Cash Handling, Bank Accounts and Board Oversight

Cash Handling and Bank Accounts

The agency maintained a separation of duties for cash receipting and disbursing. The agency had nine bank accounts in 2007, five of the bank accounts representing the Resource Center Inc., were closed as of December 31, 2007. The Executive Director, the Assistant Executive Director, the Treasurer and one other Board member are authorized signers.

Findings:

- Bank reconciliations were not signed to attest review and oversight by the Board Treasurer or the Executive Director.

Recommendations:

- The Executive Director and/or Treasurer should sign the bank reconciliations attesting to the review.

Board Oversight

Board minutes and agency operating procedures were reviewed for fiscal oversight of the agency.

Findings:

- The agency's Accounting Policies and Procedures do not address board approval of purchases made by the Executive Director. The board minutes did not reflect review of the Executive Director's expenses. *Also noted in credit card section.*
- A one time salary adjustment was given to employees. There was no recorded board approval for this action including the delineation of the terms.
- Monthly fiscal reports, including the annual budget, referenced in the board minutes were not formally attached to the minutes.
- The board minutes were not signed by the secretary of the board.
- Board minutes were not available to verify the employee health insurance plan. Employees did not contribute to the cost of health insurance; staff informed us the agency pays the full cost of health insurance. The agency was unable to provide us with written evidence in the Personnel Policies and board records stating this benefit.

- The board minutes did not record the approval for the adoption of the 403b pension plan or the designated percentage for the agency's contribution. A 3% payment was made to employee accounts in the plan.

Recommendations:

- The board of directors should review and approve the Executive Director's expenses. The agency's accounting policies and procedures should be updated.
- To assure fiduciary oversight, one time salary adjustments including the terms should be approved by the board and recorded in the minutes
- All monthly fiscal reports, including the annual budget, should be formally made a part of the approved board minutes.
- The secretary of the board or other designated board member should sign the board minutes to attest to its accuracy.
- Health Insurance benefits should have board approval and should be recorded in the employee manual for full disclosure and transparency.
- The board minutes must record additions to employee benefits and if the benefit has a discretionary contribution, the Board should officially approve the amount. The employee manual should be up-dated to include this benefit when it is formally approved by the Board.

Revenues

The recording of revenue was reviewed. All Dutchess County payments were recorded in the appropriate revenue accounts and payments were deposited in a timely manner.

Expense Review

Purchasing and Payment Processing

All purchases require the Executive Director's approval. The Executive Director initials the agency's payment form for all invoices paid. Documentation for a selection of expenses was reviewed.

Findings:

- Paid invoices/statements were not substantiated with packing slips, receipts and order requests. In some cases, there was no indication on the support documentation to indicate who ordered the product or if the product was received.
- The agency did not have a written policy for allocating indirect expenses such as rent.

Recommendations:

- The person authorized to order the product should initial the confirmation order to substantiate the purchase. Packing slips and invoices should be obtained from the delivered product and these documents should be attached to paid invoices/statements.
- The agency should document the methodology used for allocating expenses.

Credit Cards

The Agency had one credit card; the Executive Director was the only approved user.

Findings:

- Some claimed expenses listed on credit card statements were not supported with original receipts; therefore an amount of \$605.11 is disallowed.
- The Executive Director's credit card transactions were not evidenced by board review.

Recommendations:

- All credit card purchases should be supported with original receipts. An amount of \$605.11 should be returned to the Department of Mental Hygiene.
- Oversight and review of the Executive Director's credit card transactions must be evidenced with board approval.

Salaries & Fringe Benefits

Payroll records including time sheets, W-2's, journal entries, cancelled checks, state and federal quarterly tax reports were reviewed. An outside payroll processing company handled the agency's payroll, State and Federal tax reports. Salary and fringe allocations and procedures were also reviewed.

Petty Cash

The Administrative Assistant maintains \$150.00 in petty cash. Replenishment and reconciliation of petty cash is approved by the Executive Director and Accountant.

Finding:

- Employees did not sign a form acknowledging receipt of petty cash funds.

Recommendation:

- Employees should sign a form indicating the amount of petty cash issued and the nature of the purchase. The returned receipt should indicate what was purchased and the change returned to the petty cash fund should be documented.

Merchant Cards

Merchant card purchases and procedures for 2007 were reviewed. The agency procured prepaid Mobile/Exxon gas cards in \$50.00 and \$25.00 denominations to purchase gasoline for the agency vehicles. Gas cards purchased in 2007 amounted to \$3,500.00 and were verified to the general ledger; \$1,000.00 of these purchases were claimed to Dutchess County.

In 2008, 220 gas cards, at \$25.00 each, were purchased at a cost of \$5,500.00. As of January 2009, a total of eight cards remained for a total value of \$200.00.

Finding:

- The agency did not have adequate controls in place to monitor gasoline purchases:
 - Gas cards were not logged upon their purchase nor were they designated to the County for which they were purchased.
 - The gas card log was not periodically reconciled including year end; as a result we were unable to determine the true cost of gasoline use for 2007.
 - Receipts for all used gas cards were not available.
 - Receipts for purchases made with gas cards were not matched to the relevant gas card.
 - Receipts to substantiate the total value of the gas card were not available resulting in various gas cards with small open balances.
 - Receipts did not identify the vehicle being fueled, the vehicle's mileage or the employee using the card.
 - Agency policy requires only gasoline be purchased with gas cards; however, on three separate occasions purchases were made for food, ice melt and propane gas.

Recommendation:

- Merchant cards are equivalent to cash and require strict security. The agency should have comprehensive procedures to monitor and account for all expenses charged to gasoline purchases. The agency must assure that expenses charged for gasoline are: gasoline costs; used to fuel agency vehicles; expended in the period reported; charged to the appropriate program. Receipts on all purchases should be collected and should identify the vehicle with mileage at time of fueling and the responsible employee. If necessary, alternative ways of managing the purchase of gasoline should be explored.

Tax and Report Filings

Tax and Report Filings including the 990 (Return of Organization Exempt from Income Tax), CHAR500 (Annual filing for Charitable Organizations) were filed by the agency's accountants for 2007.

The IRS requires Form 1099-Miscellaneous Income Statements be issued to individuals/businesses that receive payment of \$600.00 or more in a calendar year for services provided. The IRS Form W-9 (Request for Taxpayer Identification Number and Certification) is completed by a vendor and identifies a vendor's business status.

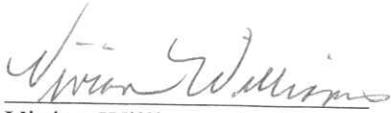
The agency's procedures for obtaining W-9s and 1099 issuance were reviewed. 1099's were issued as required by IRS guidelines.

Finding:

- W9's and contracts were not on file for all vendors providing services to the agency, i.e. a consultant providing training and the agency's attorney.

Recommendation:

- W9's and contracts should be attained for all vendors providing services to the agency.


Vivian Williams, Auditor


Cordelia Shemain, Auditor


Diane Jablonski, Comptroller

Addendum 1

Contract Detail

The Dutchess County Department of Mental Hygiene (DMH) administered the contract with PEOPLE.

Contract #04-0050-12/04 A3- This contract was written in the amount of \$388,864.00 for the period January 1, 2007 – December 31, 2007. The table below lists the contracts and funding amounts.

	Assisted Competitive Employment	Advocacy Services	Multicultural Initiatives	Supported Housing Rental Assistance	Supported Housing Community Services	Total Programs
Personal Services	\$6,275.00	\$90,624.00	\$9,453.00		\$31,027.00	\$137,379.00
Fringe Benefits	1,733.00	21,456.00	2,594.00		8,663.00	34,446.00
Other than Personal Services	<u>12,022.00</u>	<u>16,644.00</u>	<u>6,780.00</u>	<u>0.00</u>	<u>16,161.00</u>	<u>51,607.00</u>
Total Operating Costs	\$20,030.00	\$128,724.00	\$18,827.00	\$0.00	\$55,851.00	\$223,432.00
Equipment	\$540.00	\$6,650.00	\$406.00	\$0.00	\$7,314.00	\$14,910.00
Property	4,193.00	6,190.00	3,374.00	83,520.00	5,388.00	102,665.00
Agency Administration	<u>4,510.00</u>	<u>26,506.00</u>	<u>4,176.00</u>	<u>0.00</u>	<u>12,665.00</u>	<u>47,857.00</u>
CFR1 Total All Costs	<u>\$29,273.00</u>	<u>\$168,070.00</u>	<u>\$26,783.00</u>	<u>\$83,520.00</u>	<u>\$81,218.00</u>	<u>\$388,864.00</u>

Description of Programs:

Supported Housing Rental Assistance and Community Services: Rental assistance is provided to consumers via a rent stipend. The consumer is expected to contribute an established percentage of their income towards the cost of rent and utilities; the agency pays the difference directly to the landlord. Consumers are assisted in locating and securing housing of their choice and in accessing the support services necessary to live successfully in the community. The agency reported 184 consumers received community services and a total of 17 consumers received rental assistance.

Assisted Competitive Employment: This program provides individualized services to assist individuals with psychiatric labels in obtaining or inquiring about employment.

Advocacy Services: Peer advocates work with individuals in protecting and promoting their rights, resolving complaints and grievances and foster self advocacy skills which help them gain access to desired services or treatment.

Multicultural Initiatives: This is a Multi-Cultural outreach program that serves mental health consumers with multi-cultural backgrounds and those who under-utilize established mental health services. The programs offers assistance in developing alternative programs designed to address the unmet needs of mental health consumers.