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March 9, 2009

Ms. Diane Jablonski, Comptroller
22 Market Street
Poughkeepsie, NY 12601

Dear Ms. Jablonski:

This letter is in response to the financial audit of PEOPLE, Inc. for January 1 – December 31, 2007.

I'd like to thank your office for the in depth audit of our agency and for you and your staff's recommendations and feedback on improving our fiscal accountability and our financial management systems.

In addition to responding to the audit we have hired a full time Office Manager to meet our new growth demands and challenges in the agency. Fiscal policies and procedures are the first priority that the board and staff have begun to improve. This strengthening of our infrastructure will facilitate improved financial systems and fiscal responsibility going forward.

Internal Controls

Cash Handling, Bank and Board Oversight

I. Cash Handling and Bank Accounts

Finding 1:

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

Response: The Executive Director will sign the bank statement and follow by signing the bank reconciliation. The Board Treasurer will sign the bank reconciliation in the Executive Director's absence.

II. Board Oversight

Finding 1:

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.

Response: The Agency's Accounting Policies and Procedures are being reviewed and will be corrected to address this issue. The Executive Director's expenses will be reviewed and approved quarterly by the Board.

Finding 2:

A one time salary adjustment was given to employees. There was no recorded board approval for this action including the delineation of the terms.

Response: We will have the Board pass a resolution for the one time salary adjustment including the delineation of the terms for the same.

Finding 3:

Monthly fiscal reports, including the annual budget, referenced in the Board minutes were not formally attached to the minutes.

Response: The fiscal reports were not formally attached to the minutes, but were in the Board packet. We will formally attach it to the minutes.

Finding 4:

The board minutes were not signed by the secretary of the board

Response: The Board secretary will sign all Board minutes.

Finding 5:

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.

Response: The Agency's Personnel Policies are being reviewed and will be corrected to address the contribution of health insurance by the company for the employee. In the future, the board will review and approve the health insurance plan every year before the open enrollment month.

Finding 6:

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.

Response: The Board had approved the 403 B plan in the October 2006 Board meeting minutes, and a resolution will be passed by the Board that the company contribution will match up to 3% if the employee contributes at least 3% to the 403B plan. The employee manual will be updated to include this benefit once the resolution has been passed.

Revenues
Expense Review

I. Purchasing and Payment Processing

Finding 1:

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.

Response: We will start substantiating the paid invoices/statements with all necessary documents attached to the invoices. We will create and start using a purchase order form and have the person authorized to order initial the confirmation order to substantiate the purchase.

Finding 2:

The agency did not have a written policy for allocating indirect expenses such as rent.

Response: The fiscal policy is being reviewed and revised to include the methodology used to allocate indirect expenses.

II. Credit Cards

Finding 1:

Some claimed expenses listed on credit card statements were not supported with original receipts; therefore an amount of \$605.11 is disallowed.

Response: We will send a check in the amount of \$ 605.11 to the Department of Mental Hygiene.

Finding 2:

The Executive Director's credit card transactions were not evidenced by board review.

Response: The fiscal policy is being reviewed and revised to include the Board review and oversight of the Executive Director's credit card transactions quarterly.

III. Petty Cash

Finding 1:

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

Response: We have created a petty cash request form, and employees will start using the form to request petty cash and indicate the nature of the purchase. The same form would also document what was purchased and the change returned.

IV. Merchant Cards

Finding 1:

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*

Response: We understand that merchant cards are equivalent to cash and are changing our procedure and log system to ensure strict security. All cards have been logged in, and we have created a new form for gas card log. We will match all cards with their receipts to ensure that only gasoline has been purchased to fuel agency vehicles and are charged to the appropriate program. The gas cards will be reconciled quarterly.

Once we are done with the gas cards that we have on hand, we will get agency credit cards, one for each vehicle, for staff to fuel the agency vehicles.

V. Tax and Report Filings

Finding 1:

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

Response: W-9's and consultant agreements will be attained for all vendors before the first check request or invoice is honored.

Sincerely,



Steve Miccio, Executive Director