COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
ROOM 525 HEALTH & WELFARE BUILDING
HARRISBURG, PA 17105-2675

KEVIN M. FRIEL
DIRECTOR

TELEPHONE NUMBER
(717) 772-2231
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FEB 23 2009

Reverend Herbert H. Lusk
People For People, Inc.
800 North Broad Street, Suite 700
Philadelphia, Pennsylvania 19130

Dear Reverend Lusk:

I am enclosing the final report of People for People, Inc. that was recently completed by this office. Your response has been incorporated into the final report. Also, our commentary on your Response is included in the final report.

I would like to extend my appreciation for all the courtesy extended to my staff during the course of fieldwork.

The final report will be forwarded to the Department's Office of Income Maintenance (OIM) to bring the Department's resolution process concerning the report contents to an end. The staff from the OIM may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Alex Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

Kevin M Friel

Kevin Friel

c: Ms. Linda Blanchette
Dr. Bryon Noon
Mr. Dale Porter
Mr. Karl Hoffman

Some information has been redacted from this audit report. The redaction is indicated by magic marker highlight. If you want to request an unredacted copy of this audit report, you should submit a written Right to Know Law (RTKL) request to DPW's RTKL Office. The request should identify the audit report and ask for an unredacted copy. The RTKL Office will consider your request and respond in accordance with the RTKL (65 P.S. §§ 67.101 et seq.). The DPW RTKL Office can be contacted by email at: ra-dpwtkl@pa.gov.

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FEB 23 2009

Mr. Dale Porter, Chief Financial Officer
Philadelphia Workforce Development Corporation
1617 JFK Boulevard, 13th Floor
Philadelphia, Pennsylvania 19103

Dear Mr. Porter:

I am enclosing the final report of People for People, Inc. that was recently completed by this office. Its response has been incorporated into the final report. Also, our commentary on the response is included in the final report.

I would like to extend my appreciation to your staff for the courtesy shown to our auditors during the times they visited your offices for third party verification of certain information provided by People for People, Inc.

The final report will be forwarded to the Department's Office of Income Maintenance (OIM) to bring the Department's resolution process concerning the report contents to an end. The staff from the OIM may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Alex Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

Kevin M Friel

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c: Ms. Linda Blanchette
Reverend Herbert H. Lusk
Dr. Brian Noon
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FEB 23 2009

Ms. Linda Blanchette
Deputy Secretary for Income Maintenance
Health and Welfare Building, Room 432
Harrisburg, Pennsylvania 17120

Dear Ms. Blanchette:

The Bureau of Financial Operations (BFO) has completed audits of People For People, Inc.'s (PFP) EARN Center Program (EARN Program), its Pregnant & Parenting Youth Program (PPY) and its Child Care Center (CCC). The EARN Program and PPY filed Cost Reports with the Philadelphia Workforce Development Corporation (PWDC) for the fiscal years ended June 30, 2007 (Initial Year) and June 30, 2008 (Second Year). The CCC filed monthly reports with Child Care Informational Services (CCIS) for several districts served by PFP in Philadelphia. As such, the audits' goal was to assure that the Cost Reports included only allowable program costs.

This report is currently in final form and therefore does contain PFP's views on the reported findings, conclusions or recommendations (please see Attachment 1). The data used to prepare the report findings was discussed with the PFP's management at a closing conference held on October 17, 2008.

The audit questions the eligibility of costs as stated in Exhibit A:

- Total reported costs for the EARN Program of $1,209,803 and $620,567 for the fiscal years ended June 30, 2007 and 2008, respectively.
- OIM should recover these questioned costs from PWDC in the amount of $1,830,370.
- No costs are questioned in regard to the PPY and CCC.

Executive Summary

PFP, a not for profit corporation, owns 800 North Broad Street, a building containing business offices, banquet and meeting room facilities, a child care center, a charter school and one EARN Center. People For People, Inc, People For People Community Development Credit Union, which operates a savings and loan association at 700 North Broad Street, and People For People Charter School are all separate 501(c)(3) corporations. Classroom space is also rented from Greater Exodus Baptist Church (GEBC) at 714 North Broad Street. GEBC is a related party.

PFP is under contract with PWDC, a non-profit corporation acting as fiscal agent to the Department of Public Welfare, to provide, in part, work training skills and job placement to clients who are assigned to it by the Philadelphia County Assistance Offices located in the Ridge District for the fiscal years ended June 30, 2007 and 2008 and in the Snyder District beginning in June, 2007. For the period beginning July 1, 2008, interim contracts are in place.

BFO audited the following contracts:		6/30/2007	6/30/2008
#EC07-004 – Modification #3	EARN Center (Ridge)	$3,197,812	- 0 -
#EC08-005 – Modification #1	EARN Center (Snyder)	- 0 -	$2,553,254
#EC08-002	EARN Center (Ridge)	- 0 -	$1,801,920
CCIS-Child Care Center	Child Care Center	$ 424,000	- 0 -
#PT06-150 – Modification #3	PPY (to 1/31/2007)	$ 323,109	- 0 -

This report contains a limitation on scope section in which certain items arising during the course of the audit are addressed. For these items, the BFO was unable to form a reasonable assurance due to a lack of available information.

The report findings and recommendations for corrective action to the EARN Program are summarized below:

FINDING	SUMMARY
Finding No. 1 - Internal Control Issues Continue to Persist.	• The lack of adequate internal control was noted by the PFP's independent certified public accountant (CPA) in their report for the year ended December 31, 2006. Similar internal control problems persisted during the years audited by the BFO. • Despite the additional increase in EARN program funding, the financial staff was not expanded and adequate accounting controls were not implemented to handle the additional administrative work.

HIGHLIGHTS OF RECOMMENDATIONS
The PWDC should: • Require that adequate internal controls be implemented as a prerequisite of continuing the contractual relationship during the third interim period which began July 1, 2008. The PFP should: • Allocate compensation based upon actual time spent on the EARN Program as compared to all of PFP's endeavors. • Not request reimbursements for contingent future liabilities. • Issue Federal forms 1096 and 1099 on a timely basis to all individuals who are paid $600 or more during a calendar year. • Implement a better system to identify postings to the general ledger for CCC revenues.

FINDING	SUMMARY
Finding No. 2- For The Year Ended June 30, 2007, Reimbursements Were Requested For Future Ridge District And Snyder District Expenses That Were Not Yet Incurred.	• A contract modification that added $630,500 was executed in August 2007 two months after the fiscal year ended June 30, 2007. PFP included $667,456 on its June 30, 2007 cost report for contingent liabilities that have not yet been incurred or paid. • Reimbursement is limited to eligible costs that are incurred within the contract period.

HIGHLIGHTS OF RECOMMENDATIONS
The PWDC should • Make the necessary adjustments to recover the $667,456 for the contingent liabilities inappropriately billed by PFP.

FINDING	SUMMARY
Finding No. 3 – PFP's Summary Invoice Included Allocations For Common Building Expenses That Are Inappropriate.	• Certain expenses common to the operation of 800 North Broad Street (the Building) were allocated based upon salaries rather than the square footage occupied or floor space used. • The EARN Program occupied one of the eight floors of the Building. However, the allocation methodology used by PFP resulted in charging the EARN Program with 50 percent and 33 percent of the Building's common expenses for the fiscal years ended June 30, 2007 and 2008, respectively. • BFO reallocated expenses based on floor space used by the EARN Program and identified an overcharge of $292,155 for June 30, 2007 and $280,339 for June 30, 2008 to the Earn Program.

HIGHLIGHTS OF RECOMMENDATIONS
The PWDC should: • Make the necessary adjustments to recover $572,494 in inappropriate occupancy costs.

FINDING	SUMMARY
Finding No. 4-Invoicing An Occupancy Allowance Of Two Percent Of Fair Market Value In Addition To Depreciation And Mortgage Interest Overstates Allowable Costs.	• PFP made monthly charges of two percent of fair market appraisal value to PWDC for occupancy of the Building. At year end, PFP also charged common expenses such as mortgage interest expense and depreciation and amortization. This resulted in a duplication of costs. • Actual costs were used instead of the two percent allowance to compute allowable costs.

HIGHLIGHTS OF RECOMMENDATIONS

The PWDC should:

- Make the necessary adjustment to recover the $54,583 overcharged for occupancy costs.

The PFP should:

Only make charges based on historical costs.

FINDING	SUMMARY
Finding No. 5- Related Party Costs Exceeded That Which Is Allowable – Actual Costs	• Reimbursement for the use of facilities owned by a related party is limited to actual costs. Rents of $312,478 and $336,169 were charged to the EARN Program for space rented from GEBC, a related party. • A 50/50 split representing the amount of space utilized by the EARN Program was applied to a compilation of the actual costs incurred for the GEBC property. As a result, rent charges exceeded actual allowable costs by $240,130 and $254,088 for fiscal years ended June 30, 2007 and 2008, respectively. • Payments of $20,000 for gasoline were made to GEBC for transportation of EARN Program clients during the Second Year. • A review of the trip logs indicates that gasoline payments to GEBC for EARN Program transportation/ gasoline exceeded actual usage by $5,634.

HIGHLIGHTS OF RECOMMENDATIONS

The PWDC should:

- Make the necessary adjustments to recover $494,218 for rents to GEBC, a related party.
- Make the necessary adjustments to recover $5,634 for excess gasoline reimbursement to GEBC, a related party, for the fiscal year ended June 30, 2008.

The PFP should:

- Only pay for GEBC's costs for the classroom facilities by obtaining GEBC's cost allocation plans and examining underlying invoices, bills and receipts and limiting the rental payments to applicable costs.
- Only pay that percentage of GEBC's costs that directly relate to PFP's exclusive use of floor space by the EARN Program.
- Pay for the fuel for its own vehicles directly and not rely on a related party to provide gasoline to transport EARN Program clients.

FINDING	SUMMARY
Finding No. 6-Certain Salaries Were Overstated And Were Not Properly Allocated To The Various Cost Centers.	• A number of PFP's employees perform duties for more than one program. Costs associated with these employees should be allocated. An analysis of employee time sheets indicates that charges to the EARN Program were inflated for two employees. It was also noted that the Assistant Controller and a consultant were not allocated but were charged 100 percent to the EARN Program. • The total overcharge is $35,958.

HIGHLIGHTS OF RECOMMENDATIONS

The PWDC should:

- Recover $35,958 for EARN Program direct wages, administrative overhead wages and consultant fees.

The PFP should:

- Allocate wages to the various cost centers based upon employee time records or allocate using an equitable basis to the various cost centers, where no time records are kept by the employee.
- Allocate subcontractor-consultant fees to the respective cost centers served.

FINDING	SUMMARY
Finding No. 7 - General Ledger Entries For The Revenues Received For The CCC Were Overstated.	• The revenue posted to the general ledger for the Day Care Program was more than $450,000 higher than the confirmed receipts. Management was unable to explain the variance because a third party, outside management entity administered the program during the time period in question.

HIGHLIGHTS OF RECOMMENDATIONS

The PFP should:

- Institute better internal controls such that the general ledger entries can be verified.
- Have available the necessary documentation to support each general ledger entry for child care revenues.

Executive Summary Auditor's Commentary

PFP Asserts that the Auditor was Impaired

Despite prior opportunities to do so, PFP made this assertion only after it was informed of the significant nature of the findings. The assertion is surprising in that PFP management agreed with several of the same findings when its own auditor included them in their October 21, 2008, report and PFP has conceded many of these points in their written response to the Department's audit. Nonetheless, the Department reviewed PFPs allegations and found no evidence of bias or impairment and that the audit was conducted in accordance with all relevant auditing standards.

PFP Asserts that GEBC is not a Related Party to PFP

As detailed on page 11 of this audit report and throughout the audit process, the Department has provided ample evidence that the parties are related. PFP's own response to the Department acknowledges that Reverend Lusk is considered a related party by definition.

PFP Asserts that Capital Expenses at a Fourth Property Should Be Allowable Costs

In its January 26, 2009, response to the draft report, PFP's management introduced capital expenditures for a fourth building located at 700 North Broad Street as a basis for the $667,456 in allowable costs that could not be substantiated in audit fieldwork. A significant amount of these purported capital expenses were not incurred during the period of audit and the balance was neither detailed nor invoiced as an EARN Program expense. Therefore, these costs are unallowable, as justification for capital expenses for the purposes of this audit.

PFP Asserts that Fair Market Rental Value Exceeds the Amount Allowable for Its Properties

PFP asserts that the fair market rental value for its properties exceed the amount deemed allowable by the Department's auditors. Regardless of the validity of this assertion, only actual costs are allowable when the property is owned by the provider – fair market rental value is irrelevant in determining allowable costs.

The Department Revised its Draft Audit in Response to PFP Comments

After reviewing proposed edits from PFP in its response, the Department made minor revisions to the audit report which are detailed at the conclusion of the auditor's commentary.

Background

PFP operated one EARN Center serving Ridge District Office during the Initial Year and during the Second Year the program was expanded to include two districts. PFP began serving clients from the Snyder District Office during June of 2007. PFP is located in the City of Philadelphia and provides a broad range of welfare to work services to TANF individuals. At present PFP continues to operate the EARN Center, serving two CAO District Offices, on an interim basis.

PFP also operates a day care facility, a banquet facility and various other smaller programs. It is presently planning to develop a community center and senior citizen center. The PFP Charter School and Community Development Credit Union are separate but related 501(c)(3) corporations. The charter school is located in the same building as PFP whereas the credit union is adjacent to the GEBC complex.

PFP submitted EARN cost reports for the Initial Year and for the Second Year to PWDC, a non-profit entity who administers numerous DPW programs in Philadelphia County.

The BFO met with the PWDC, discussed the nature and scope of its work, made independent confirmations of audit data and reviewed its proposed findings with PWDC.

Objective, Scope and Methodology

The audit objectives were:

- To determine the actual allowable cost of services provided to EARN customers and to determine that the underlying expenditures are reasonable, consistent with allowable cost principals and attributable to PFP, and are not costs of a related entity.
- To determine the correct amount due to PFP from PWDC taking into account the performance based nature of the EARN contracts.

In pursuing these objectives, the BFO interviewed management and staff members from PFP. We also reviewed accounting records, financial records, timesheets, records of client performance and other pertinent data necessary to complete our objectives.

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of these controls. Based on our understanding of the controls, material deficiencies came to our attention. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

Certain scope limitations prevented the BFO from formulating conclusions to within a reasonable degree of certitude.

Fieldwork for this audit took place between April 28, 2008 and October 17, 2008, was based on available records and was performed in accordance with General Accepted Governmental Auditing Standards. This report will be available for public inspection.

Scope Limitations

Under the terms of the PWDC contract with PFP Part A, Paragraph 5, Subparagraph (b)., PFP "...shall keep program funds segregated from other funds ...by maintaining separate ledgers and/or separate bank accounts." Also, under Part A, Paragraph 5, Subparagraph (e), PFP is prohibited from using EARN funds for the support or implementation of any other program, project or agreement that is not directly related to EARN. Notwithstanding these contractual prohibitions, PFP commingled EARN cash and disbursed those funds, in part, for non-EARN Program expenditures.

PFP's EARN Program rented classroom and support space from a related entity. Federal and DPW guidelines limit reimbursement to the related entity's costs. As such, the related entity's bills and invoices were reviewed. For utilities, certain months' bills were missing for the Second Year and were estimated. For both years, BFO requested a two month sample of the related entity's cash disbursements journal and bank statements in order to test payment of the bills. Cash disbursements journals were provided but no bank statements were provided and, as a result, BFO was unable to verify payment of the related entity's costs.

Results of Fieldwork

Finding No. 1 – Internal Control Issues Continue to Persist

The lack of adequate internal control was noted by PFP's independent certified public accountant (CPA) in its report for the year ended December 31, 2006. Since the CPA report for the year ended December 31, 2007 was not available during the course of our audit we met with the principals of the CPA firm and were informed that the report, when issued, will have similar internal control findings.

PFP is a diverse organization that operates several programs simultaneously. Cash is commingled in a general operating account. EARN grant revenues and expenditures were not segregated from funds used to operate the other programs. For example, the banquet facility operates from the same cash account as the EARN Program and several other programs.

Salary allocations to various programs were not consistently based on source documents such as employee time sheets or consultant invoices. Occupancy expenses were allocated during the year using a client per capita basis and at year end using an employee salary basis. Verified revenues for the CCC program could not be reconciled with the amounts posted in the general ledger.

Management's financial staff consisted primarily of a Controller and an Assistant Controller. The Assistant Controller was hired during October 2007 the middle of the audit period. When the EARN contracts were added to PFP's existing structure, additional internal controls were not implemented and no additional personnel were hired. For instance, separate cash accounts could have been opened just for EARN grant revenues and EARN expenditures. Additional administrative staff could have been hired for the increased work flow and additional financial responsibilities.

Recommendations

The BFO recommends that PWDC require PFP to present a plan to implement a system of adequate internal controls as a prerequisite to continuing contractual relationship for the interim period that began July 1, 2008.

The BFO also recommends that PFP implement all the internal control recommendations detailed in the report and any enhancement put forth by PFP'S CPA firm.

Finding No. 2 – For The Year Ended June 30, 2007, Reimbursements Were Invoiced And Paid For Contingent Liabilities Attributed To Future Expenses That Were Never Incurred.

A contract modification to provide start up costs for the Snyder District and to fund other expenses of the Ridge District was executed in August, 2007, two months after the end of the contract year. The modification added $500,000 for clients transitioned from the Snyder District. PFP began operating the Snyder District EARN Center during June, 2007 and all associated costs were billed through the June 2007 invoice. An additional $130,500 in the modification was added for clients transitioned from PWDC placement and Work Plus providers to PFP and for bonus payments exceeding goals stated in Rider A, Section III-Performance Goals. It should be noted that in order to claim any of the funds included in the modification PFP was required, by the contract, to have incurred actual expenses on or before June 2007.

PFP invoiced PWDC on a monthly basis. The invoices were to be limited to actual costs incurred. The final invoice for the Initial Year included $667,456 in expenses that had not been incurred. These funds were received in August of 2007and were placed in the general operating account. The "contingent costs" were never paid or incurred and, as such, are returnable to PWDC. PFP did not produce any documentation to support the $667,456. It was noted that any additional transitioning costs for the Snyder District Clients would have been billed to PWDC in the Second Year as they were incurred.

Recommendation

The BFO recommends that PWDC recover $667,456 for the fiscal year ended June 30, 2007.

Finding No. 3 – PFP's Summary Invoice Included Allocations For Common Building Expenses That Are Inappropriate.

A number of formulas were used at various times during the year to allocate costs associated with the Building. At year end, PFP identified certain expenses that are common to the operation of the Building and allocated those costs based upon salaries rather than square footage utilized or floor space occupied. Although salaries were used as the basis, the salaries for the charter school, which occupies five of the eight floors, were omitted from this allocation. The salary methodology resulted in allocation of the "common expenses" to the EARN Program of 50 percent and 33 percent for the Initial Year and Second Year respectively.

BFO determined that acceptable methods would allocate common building expenses based upon square footage utilized or floor space occupied. All parts of the building, including the charter school floor space, should be taken into account. Management's method, based on salaries, would be more appropriate to an allocation of payroll related expenses like payroll tax expense, employee health insurance expense or workmen's compensation insurance.

Only the seventh floor of the eight floor building is devoted to the EARN Program. Any use of the other floors by EARN clients or staff would be incidental and not continuous. Although a portion of the seventh floor is for administrative offices (that oversee all PFP Programs) this second tier allocation, although warranted in theory, was not taken into account by BFO; so as to give PFP the benefit of the doubt. BFO determined that the EARN Program should be charged one-eighth or 12.5 percent of the expenses common to the Building.

In addition to the allocation issue described above, BFO found discrepancies in the total expenses to be allocated. Copies of the BFO's summaries were provided to management but no comments were received. Both the allocation method issue and the dollar discrepancies issue were taken into account in determining that total costs of $292,155 and $280,339 should be disallowed for the Initial Year and Second year respectively.

Recommendation

The BFO recommends that PWDC recover $572,494 in unallowable occupancy costs billed.

Finding No. 4 – Invoicing An Occupancy Allowance Of Two Percent Of Fair Market Value In Addition To Depreciation And Mortgage Interest Overstates Allowable Costs.

On its books and records, PFP made monthly charges of two percent of the fair market value for occupancy. These charges were reimbursed by PWDC. At the fiscal year's end, entries were made to record and allocate the expenses common to the Building; such expenses included mortgage interest, depreciation and amortization.

Since actual interest and a provision for historical fixed asset cost recovery were reimbursed, it is inappropriate to make a second charge based upon fair market value. The two percent occupancy allowance should be disallowed because actual costs were used.

Occupancy costs of $10,062 and $44,521 should be disallowed for the Initial Year and Second Year respectively.

Recommendation

The BFO recommends that PWDC recover $54,583 in excess occupancy costs.

Finding No. 5 – Related Party Costs Exceeded That Which Is Allowable – Actual Costs

GEBC owns the building at 714 N. Broad Street. The ground floor contains a church along with GEBC's business office on the side plus an auditorium and kitchen area in the rear. The second and third floors have classrooms and support facilities that are used by the EARN Program. The fourth floor is the Reverend's offices. BFO determined that approximately 50 percent of the building is EARN related.

Rents of $312,478 and $336,169 were credited to GEBC for the Initial Year and Second Year, respectively. For both years, the budgeted rents were $240,000. In addition, reimbursements for gasoline of $20,000 were paid to GEBC for the Second Year.

GEBC is related to PFP by reason of common control. The Reverend of GEBC is also the President and Chief Executive Officer of PFP.

Applicable regulations contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations state that "rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowable had title to the property vested in the organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include...organizations under the common control through common officers, directors, or members..."

As such, BFO undertook an examination of GEBC's expenses and totaled all bills and invoices presented. BFO did not included loan repayments by GEBC to one of its creditors. BFO did not confirm payment of the listed expenses because bank statements, although requested, were not provided. Based on the usage of the 714 N. Broad Street premises, BFO allowed 50 percent of operating expenses as presented in the bills and invoices. This Report assumes that the bills and invoices were actually paid or incurred by GEBC, although a limitation on scope disclaimer is mentioned in the background to this report due to the failure to produce bank statements.

The BFO's audit indicated that $240,130 and $254,088 should be disallowed for the Initial Year and Second Year respectively for rent.

PFP reimbursed $20,000 for gasoline usage to GEBC for the transportation of EARN clients to various sites. Gasoline reimbursements were subject to the same standard of costs only. The three vans in issue each had travel logs which documented date, driver, and destination, identified the related PFP Program and listed beginning and ending mileage. One van traveled mostly for EARN business. One van traveled mostly for church and non EARN matters. The third had mixed usage. Overall, approximately 50 percent of the vans' trips were EARN related. Actual cost is $28,732 at 50 percent EARN Program usage equals $14,366 in allowable cost, resulting in disallowed cost of $5,634 ($20,000 less $14,366).

The BFO's audit indicated that $5,634 should be disallowed for the Second Year for transportation costs.

Recommendation

The BFO recommends that PWDC recover $499,852 in excess related party charges.

Finding No. 6 – Certain Salaries Were Overstated And Other Salaries Were Not Properly Allocated To The Various Cost Centers.

The PFP employees complete bi-weekly time sheets which record their time as allocated to the various PFP Programs, inclusive of the EARN Program. A test of the June, 2008 payroll records indicated that one employee's time was overcharged to EARN Program and a second employee's time was charged to the EARN Program despite the fact that he did no work for the EARN Program. The test was expanded to include April 2008 and May 2008. Identical incorrect allocations occurred in each of the three months tested.

The Assistant Controller's entire salary and a Consultant's entire fee were charged to the Snyder EARN Center for the fiscal year ended June 30, 2008 despite the fact that their duties were diverse and should be allocated among all PFP Programs. PFP proposed allocating the Assistant Controller salary and Consultant's fees based upon the number of employees and clients in the EARN Program as compared to all employees and clients. BFO adopted this method of allocation in computing the adjustment.

Program wages of $12,112 administrative wages of $6,965 and consultant fees of $16,881 should be disallowed for the Second Year.

Recommendations

The BFO recommends that PWDC recover $35,958 pertaining to excess personnel expense charged to the contract.

The BFO also recommends that PFP should:

- Only charge the EARN Program with a percentage of salaries that are consistent with the employees' time records.
- Allocate wages to the EARN Program consistent with the respective employees or consultants duties, responsibilities and time requirements for the various PFP Programs

Finding No. 7 – General Ledger Entries For CCC Revenues Were Overstated.

For the fiscal year ended June 30, 2007, the BFO mailed confirmations to the various CCIS districts in order to verify funding for child care services provided. The amounts confirmed were reconciled to the attendance sheets kept by PFP. However, the revenue posted to the general ledger was more than $450,000 higher than the amount paid and reconciled.

Management was unable to explain the variance because a third party outside management entity made the entries for the period in question.

Recommendation

PFP should post actual revenues to the general ledger and retain supporting documentation.

Auditor's Commentary

On January 9, 2009, the Department held an exit conference with both representatives of PFP and PWDC. In response to a request from representatives from PFP, the Department afforded PFP with the opportunity to revise their original December 17, 2008 response to the draft audit and provide any additional data they felt to be relevant. On January 26, 2009, PFP submitted a revised response along with various attachments and exhibits.

Commentary related to information provided by PFP in response is provided below.

PFP Asserts that the Auditor was Impaired

PFP asserted that the auditors' behavior procedurally impaired the audit and that the auditors were biased against PFP. This assertion was made only after PFP became aware that the audit included findings recommending that the Department recoup a substantial amount of the monies that were paid to PFP. The first time the Department was made aware of this concern was September 29, 2008, despite several prior opportunities for PFP's management to express concern with audit methodology or execution.

The Department finds the claim of bias to be surprising given that many of the findings in its audit mirror findings from PFPs own internal auditors in their October 21, 2008, report (which were accepted by PFP management). In addition, several statements made by PFP management in their written response to the Department's audit and during the January 26, 2009 exit conference concede many of the Department's findings.

Nonetheless, the Department reviewed the claims made by PFP management but was unable to substantiate them except one -- a departmental auditor did provide a copy of his resume to PFP management at their request. Although the resume was requested by PFP management in the context of potentially hiring the auditor as their internal auditor, the Department disciplined the auditor for providing a copy of his resume. Other than this incident, the audit was conducted in compliance with Generally Accepted Government Auditing Standards (GAGAS) as presented in the Yellow Book.

PFP Asserts that GEBC is not a Related Party to PFP

The Department believes that it has substantially documented that PFP and GEBC must be treated as related. Elements supporting BFO's audit finding and conclusion regarding the related party nature of PFP and other entities are as follows:

- The footnotes to the independent CPA audit reports for 2006 and 2007 identify PFP and the Greater Exodus Baptist Church (GEBC) as related parties.
- The PFP tax return (Form 990 Return of Organization Exempt from Income Tax) identifies the related party conditions. This disclosure is present in the PFP 2004, 2005 and 2006 IRS tax return.
- Within the Form 990 tax return, statement 11 states, "the organization's internal programs provide direct funding for their related activities."
- Statement of Financial Accounting Standards (SFAS) No. 57 uses the term control when describing a related party. The document defines control as, "The possession, direct or indirect, of the power to direct or cause the direction of the management

and policies of an enterprise through ownership, contract or otherwise." Reverend Lusk is in a position to exert this control.

- SFAS No. 57 citations regarding examples of related parties or related party transactions:
    - The PFP books of records include "Due To" and "Due From" accounts between the parties. These types of accounts are utilized by related parties.
    - Reverend Lusk is President and CEO of PFP and he is the Pastor of GEBC.
    - Reverend Lusk signed the Lease between PFP and GEBC as a representative of PFP for the 714 North Broad Street property.
    - Reverend Lusk reviews and approves all expenditures for GEBC.
    - Related Party Transactions:
        - GEBC purchased a building at 1226 South Broad St. PFP paid a deposit and for renovation in excess of $100,000 for no consideration.
        - PFP management in describing the complex of buildings (800, 714, and 700) on North Broad refers to it as a campus.
        - PFP has set up an allowance for uncollectible rent and occupancy cost from the Charter School in the amount of $190,508. In addition, GEBC has guaranteed, to several parties, prompt payment by the Charter School of obligations under the rent sublease of up to $200,000.
        - The Credit Union occupies a portion of the 700 North Broad St. building rent free.
- The PFP Board of Director meeting minutes and GEBC Deacon meeting minutes presented do not demonstrate any evidence of disclosure, whether financial issues or transaction were discussed, debated and voted upon. Furthermore, the Deacon minutes do not discuss or disclose any significant financial transactions or issues.
- Overlapping administration, two individuals that serve on PFP's Board of Directors are also listed as GEBC Ministers.

PFP Asserts that Capital Expenses at a Fourth Property Should be Allowable

PFP did not provide information pertaining to a fourth building to the auditors despite six months of fieldwork. In its January 26, 2009, response to the draft report, PFP's management first claimed that capital expenditures at a fourth building located at 700 North Broad Street should be allowable to offset the $667,456 that was disallowed by the auditors. The Department determined that a significant amount of the purported capital expenditures were not incurred during the audit period. In addition, these capital expenditures were neither substantiated nor invoiced to PWDC until completion of audit fieldwork; therefore, these capital expenditures were properly excluded from allowable costs.

PFP Asserts that Fair Market Rental Value Exceeds the Amount Allowable for Its Properties

PFP asserts that the fair market rental value for its properties exceed the amount deemed allowable by the Department's auditors, therefore, the entire amount charged should be allowable. Regardless of the validity of this assertion, only actual costs are allowable when the property is owned by the provider – fair market rental value is irrelevant in determining allowable costs.

The Department Revised its Draft Audit in Response to PFP Comments

After reviewing proposed edits from PFP in its response, the Department made the following revisions to its audit report:

1. The draft report stated that PFP operated the credit union and charter school. However, the credit union is a separate but related entity and the charter school is a separate but related entity;
2. A broad and general statement was removed from the highlights of recommendations pertaining to finding number 1, Internal Control Issues Continue to Persist[1]; and
3. After receiving a ruling from the Treasury Department, the observation and ruling regarding checks outstanding more than 90 days included in the draft report was deleted.

In accordance with the BFO established procedures, please provide a response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure the report recommendations are implemented.

Please contact Alex Matolyak, Audit Resolution Section at (717) 783-7786 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,

Kevin M Friel

Kevin M. Friel

Enclosures

c: Reverend Herbert H. Lusk
Dr. Bryon Noon
Mr. Dale Porter
Mr. Karl Hoffman

[1] The removed statement was, "The PFP should not expend revenues generated from the EARN Program on non-EARN Program expenses."

EXHIBIT

People For People
Schedule of Audit Adjustments

	June 30, 2007	June 30, 2008
Snyder District Expenses	500,000	-
Ridge District Expenses	167,456	-
800 North Broad Common Expenses	292,155	280,339
800 North Broad - 2% Occupancy	10,062	44,521
712 North Broad - Rent to GEBC	240,130	254,088
Transportation Expense to GEBC	-	5,634
Salaries - Incorrect Allocation	-	35,985
Voided Checks	-	12,729
Total Adjustments to Decrease Reported Expenses	$ 1,209,803	$ 633,296

Exhibit A

ATTACHMENT

People For People, Inc.

January 26, 2009

Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
502 Philadelphia State Office Building
1400 Spring Garden Street
Philadelphia, Pennsylvania 19130

Attention: Mr. Kevin Friel, Director, BFO

Re: PFP, Inc. (the "Organization"): Two (2)-Part Response Findings (Finding-1 through Finding-7) in "draft" performance audit report prepared by Division of Audit and Review (DAR) and as discussed in the exit conference held on January 8, 2009.

Dear Mr. Friel:

Attached please find PFP, Inc's response to BFO's draft performance audit. Firstly, I want to take the time to thank you for the graciousness in granting me the extensions you have to submit this response.

Regarding this response, I think it is important that you be made aware of many things that occurred during the course of this audit. As an administrator, for many years, of an organization under the auspices of DPW, my commitment to welfare to work and the Commonwealth remains steadfast. I feel obligated to you, Ms. Richman and all those that work so diligently as stewards of the Commonwealth to be made aware of the serious matters addressed in this response.

Consistent with this commitment, I am placing in your hands the option whether to include Part 1 of this response, to summarize it or not include it. It is my considered opinion that you have the best vantage point, at this juncture, to render a decision that best serves the Commonwealth. I am in no way seeking special favor but I believe after over twenty years of service to the Commonwealth I and the organization that I herein represent will receive fairness.

In fact, should you have the opportunity to review our independently audited financial statements, you will see that PFP expended over $1 million in capital improvements to operate a quality EARN Center.

PFP's team informed you at the January 8, 2009 conference that the "October 17, 2008" closing conference referenced in your transmittal cover letter did not occur. Mr. Rausch was on site, performed field work, had brief interaction with Mr. Harris, was provided a tour of the facilities by the EARN Director and left the premises at approximately 3:48 p.m. after he requested to inspect and review the gas and electric meters.

We are also respectfully requesting that this draft audit, if finalized, **NOT** be made available for public inspection. Due to the "impairments" that have compromised the fairness and integrity of this audit report and audit process, PFP is respectfully requesting that this draft audit, once finalized, not be made available for public inspection. Instead we request that the "limited use" protection, as stipulated in the Yellow Book, be invoked.

Hopefully, this response will clear up all unresolved matters. Should you need to reach my office, please contact PFP's Chief Financial Officer, Robin Eglin, directly.

Sincerely,

Reverend Dr. Herbert H. Lusk, II
President & CEO

cc:
Ernest Jones, Esq., President & CEO, PWDC
Dale Porter, CPA, CFO, PWDC
B. Robin Eglin, CFO, PFP, Inc.
Donna Scamby-Powers, CPA

Part 1

A technical and procedural response detailing that it is PFP's belief that both the audit and audit process were substantively and procedurally impaired according to the impairment standards contained in Government Auditing Standards (GAGAS – Yellow Book, July 2007 Revision).

PFP will demonstrate in this response that the "BFO" - while conducting a performance audit – has violated and continues to violate the federal protections afforded faith based and community organizations. PFP is both; a faith based, as well as a community organization.

Federal Executive Order 13279, Dec. 12, 2002, "Equal Protection of the Laws for Faith-Based and Community Organizations" states, in part, that:

> "No Organization shall be discriminated against on the basis of religion or religious belief in the administration or distribution of federal financial assistance under social service programs".

It should be noted that the Commonwealth of Pennsylvania, Department of Public Welfare, has acknowledged that this is their first audit of any EARN Center. It should be further noted that when the "BFO" originally notified PFP, it was to arrange a time for "BFO" to conduct a "performance audit"; however, the focus of the "BFO" audit was, in fact, financial and compliance-oriented. The first exposure that the Commonwealth had to any program performance information or data was what was presented to the Audit Supervisor, Mr. Crofcheck, in a meeting on September 29, 2008. (Attachment B). The EARN program administered by PFP has generated stellar performance results and leads all similarly situated programs in all significant, measured performance benchmarks. The general bias and lack of balance is glaring in the report's inability to acknowledge not a single positive aspect, attribute or accomplishment of PFP's EARN program. The report's bias is surpassed only by its remarkable failure to meet, even minimally, two other critical report quality elements stipulated in the Government Auditing Standards discussion of reporting standards – accuracy and completeness.

The impairment of the "BFO" is evidenced in its statement of audit objectives. Page 8 of the draft report states that its principal audit objective was:

> *"To determine the actual allowable cost of services provided to EARN customers and to determine that the underlying expenditures are reasonable, consistent with allowable cost principals and attributable to PFP,* ***and not the costs of a related entity.****"*

Paragraph **8.10** of the Government Auditing Standards specifies as follows:

> Audit objectives for performance audits may vary widely. Auditors should communicate audit objectives in the audit report in a clear, specific, neutral, and unbiased manner that includes relevant assumptions, including why the audit organization undertook the assignment and the underlying purpose of the audit and resulting report. When audit objectives are limited and broader objectives can be inferred by users, stating in the audit report that certain issues were outside the scope of the audit can avoid potential misunderstanding.

HERBERT H. LUSK, II, PRESIDENT
800 NORTH BROAD STREET, SUITE. 700, PHILADELPHIA, PENNSYLVANIA 19130•TEL 215.235.2340•FAX 215.235.8345•WWW.PEOPLEFORPEOPLE.ORG

The "BFO" has clearly conducted this audit with the pre-conceived idea that a "related party" relationship exists under the authority they state they are applying, OMB Circular A-122. The phrase contained in the audit objective is not neutral or unbiased and fails to include or identify any relevant assumptions, nor ever disclosing the underlying purpose of the audit and the audit report.

In addition, at various times the Audit Manager, Mr. Higgins and the Audit Supervisor, Mr. Tom Crofcheck (during meetings not limited to July 2, 2008 and September 29, 2008) informed PFP management verbally that there was an "off the record" purpose for this audit. There have been numerous conversations in several venues witnessed by many parties, not limited to BETP, PWDC, PFP's Independent Auditors and PFP's management and outside consultant.

It is PFP's contention that "BFO" functioned capriciously and insidiously in the performance of their audit and that this behavior resulted in a draft report with findings that are incorrect, flawed and based on notions replete in subjectivity. In Part 2, the substantive areas of PFP's response, PFP will attempt to disprove key reported findings and provide additional information that will provide the Commonwealth with further documentation to allow them the option of agreeing with PFP's response. The response will also seek to demonstrate the pattern of bias and the improper conception and application of "the concept of significance" as outlined in the Government Auditing Standards guidelines.

Additionally, PFP will attempt to demonstrate that the "BFO" conducted itself in reckless and flagrant disregard of the standards and stipulations identified in the GAGAS (the Government Accountability Office's *Government Auditing Standards, July 2007 Revision*). In so doing the "BFO's" commitment to the public interest is questioned. The following excerpt from the Yellow Book, cites the paragraphs pertinent to PFP's reasoned opinion that the "BFO" is not in compliance with generally accepted government auditing standards in any elementary manner.

Whether the unwillingness of PFP to yield to the pressure to hire the Auditor (Mr. Rausch) for the position he solicited resulted in a tortured and prolonged exercise of retaliation by the Auditor, or whether PFP "blowing the whistle" in writing has extended the retaliatory behavior to the "BFO" is a matter beyond the scope of this response. However, it is a matter that merits attention.

The combative and confrontational conduct of the Auditor occurred in the presence of the Audit Manager (Mr. Higgins) and the Audit Supervisor (Mr. Crofcheck) and our verbal requests for this conduct to be addressed were met with an unresponsiveness that exacerbated the general mismanagement of this audit. This matter warrants attention because the "BFO" is continuing down a path that is not well reasoned; continuously re-affirming their commitment to a set of findings that PFP represents are incorrect and as unsubstantiated as they are biased. This bias is reflected, in large part to the deliberate omission of matters of "significance" (according to the conception of "significance" identified in the Yellow Book.)

Most alarming is the "BFO's" commitment to move forward outside the "rule" of the meticulously and precise standards defined by generally accepted government auditing standards (as stated in the exit conference of January 8, 2009) with no apparent intent to remain governed and accountable to government auditing standards. The animated perspective about their original decisions was reaffirmed by Mr. Higgins and Mr. Crofcheck – at this meeting and in the presence of the BFO Director and it was clear and unwavering. It is PFP's perspective, conversely, that their domain is limited to considering – and possibly reconsidering – the veracity of the findings in the draft report. If the suggestion is that the "assertions" of the "BFO" are incontrovertible and grounded in the personal reasoning of Mr. Higgins and Mr. Crofcheck, then this response may indeed be an exercise in futility. While serious questions arise about the perceived scope of responsibilities of certain staff persons within the "BFO", PFP will anchor this response in the rule of law, its contract with PWDC, defined business practices and established standards and norms (as articulated within government auditing standards) and the Government Auditing Standards handbook itself.

1.02 Misuse of government authority, misuse of public resources:

Statement of Facts:

- Received audit notification letter, dated April 14, 2008, specifying audit and scope parameters and 20 day timeline for fieldwork.
- The "Audit" Organization began the audit on April 28, 2008 with an entry conference.
- Received notification letter dated July 9, 2008 informing organization of decision to extend the audit "Due to the nature of the surplus carryover from the initial EARN program contract year."
- Received letter November 10, 2008 from Director, BFO, referencing closing conference held on October 17, 2008.

PFP Response:

- Why did it take almost (6) months to complete the fieldwork for this audit? Did PFP not cooperate? Was PFP not forthcoming?

- PFP would appreciate it if an objective, third party draw its own conclusions based on the following:

  - Mr. Higgins in the July 9, 2008 letter (mentioned above), states in his second sentence, "As you know, we have made substantial progress to date on each Program".

- After approximately sixty (60) days of "substantial progress" (and already beyond the timeframe provided), was an additional four (4) months warranted?

- In PFP's judgment, it is possible that very little progress was made at this juncture and Mr. Higgins was not aware of this. How could he have been aware unless PFP informed him? How could PFP have informed him if he did not provide a "listening ear" and remained unreceptive? The first 60 (sixty) days of the auditors on site was characterized by:

  - The submission of his resume by Mr. Rausch – in early May - soliciting the position of Controller (and his $ 85,000 salary requirements) the moment he learned that PFP was in transition and was searching for a new Controller.

  - His ongoing job search, extended telephone conversations (with potential employers we assume) and leaving the site for extended periods (we assume for interviews or other personal matters).

  - Frequent late arrivals and early departures.

  - Bizarre and erratic behavior presenting the same information to him multiple times.

  - Requiring internal security to maintain close surveillance and monitoring through its closed circuit system as a result of this behavior.

  - Assigning a staff person to monitor his whereabouts in the preschool environment when he was assigned to the pre-school conference room.

  - The Auditor awaiting PFP's response to his "candidacy".

Attached are some sample emails (identified as Exhibit 100) from the EARN Director "creatively" attempting to bring attention and inform Mr. Higgins about the "circumstances" PFP was dealing with regarding the Auditor.

The flurry of activity in the September timeframe – and the issues being addressed that were clearly matters from the initial contract year – strongly suggests that very little progress was, in fact, made in the first (60) days of the audit. The notion that an additional 120 days was utilized to generate a draft report with such a limited scope adds more confusion.

Paragraph 1.02 of the handbook on government auditing standards states that legislators, government officials, and the public need to know whether,

> "(1) government manages public resources and uses its authority properly and in compliance with laws and regulations; (2) government programs are achieving their objectives and desired outcomes; (3) government services are provided effectively, efficiently, economically, ethically, and equitably; and (4) government managers are held accountable for their use of public resources".

PFP remains convinced that the conduct of this audit contains all the elements of a mismanaged audit, a misuse of public resources and the misuse of government authority.

2.14 Misusing the position of auditor for personal gain:

As presented in the discussion immediately above, the "BFO" Auditor solicited the position of Controller. Paragraph 2.14 of Government Auditing Standards states:

> "Misusing the position of an auditor for personal gain violates an auditor's fundamental responsibilities. An auditor's credibility can be damaged by actions that could be perceived by an objective third party with knowledge of the relevant information as improperly benefiting an auditor's personal financial interests or those of an immediate or close family member; a general partner; an organization for which the auditor serves as an officer, director, trustee, or employee; or an organization with which the auditor is negotiating concerning future employment. (See paragraphs 3.07 through 3.09 for further discussion of personal impairments to independence)."

The decision to enable, permit or promote such misuse of the position of the Auditor is not a matter that rests exclusively with the Auditor. It directly reflects on the "BFO" and its management and management controls. In a meeting involving several individuals, including Mr. Higgins and Mr. Crofcheck on September 29, 2008, the Auditor referenced, several times, his dissatisfaction with his compensation amid many other comments an objective third party would consider professionally inappropriate.

2.15 Professional behavior: Performing according to relevant professional standards.

The accounting and auditing profession is committed to a set of commendable standards. The Auditor's Behavior – previously characterized as bizarre and erratic – can additionally be described as combative and confrontational. The language in the Yellow Book regarding professional behavior appears in Paragraph 2.15 of the book and states,

> "High expectations for the auditing profession include compliance with laws and regulations and avoidance of any conduct that might bring discredit to the auditors' work, including actions that would cause an objective third party with knowledge of the relevant information to conclude that the auditors' work was professionally deficient. Professional behavior includes auditors' putting forth an honest effort in performance of their duties and professional services in accordance with the relevant technical and professional standards".

PFP remains perplexed that the Commonwealth would utilize an auditor whose criminal background is a matter of public record, having committed crimes of turpitude, to be permitted to audit a daycare center and permitted access to PFP's daycare center. It is PFP's opinion that the "BFO" and the "BFO"s management was negligent in this regard and had the obligation to inform PFP so different workspace arrangements could have been made.

3.02, 3.03, 3.07 Auditor Independence Personal Impairments

Government Auditing Standards are explicit and unambiguous about auditor independence. Paragraphs 3.02 and 3.03 are definitive in their language about auditors maintaining independence, the appearance of impaired independence and the need for impartiality.

> 3.02 In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence.
>
> 3.03 Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. Auditors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

PFP's experience during the six months of fieldwork is replete with illustrations of bias and impaired independence. PFP submits the following examples for illustrative purposes:

- In the July 2, 2008 meeting attended by the auditor, Mr. Higgins and several management personnel from PFP, the CEO stopped briefly to check in on the status of the audit's progress. The combative auditor very quickly presented to the CEO a copy of the contract and pointed to certain language and alleged that PFP was in contract violation for "promoting religious activity". This interchange occurred in the presence of the Audit Manager, Mr. Higgins.
- Mr. Higgins, on several occasions indicated to PFP that he was consulting with a senior official of the BETP and confirmed that the BFO was "pursuing his concerns".
- In the September 29, 2008 meeting, Mr. Crofcheck asserted that the he was personally involved in reviewing PFP in 2001 and offered this an explanation of the purpose of the audit. (Even though it was previously communicated that PFP had received "unqualified opinions" from its independent auditors for five (5) consecutive years.

To the credit of the "BFO" officials, they have been forthright and unabashed in their acknowledgment about their opinions, judgments and biases. Unfortunately, it simultaneously reflects their irretrievably impaired independence.

Further clarifying impairments to independence, Paragraph 3.07 reaffirms that,

> **3.07** Auditors participating on an audit assignment must be free from personal impairments to independence.[22] Personal impairments of auditors result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way......."

This paragraph expounds on this subject and in sweeping, inflexible and uncompromising language sets forth examples of personal impairments of individual auditors that include, but are not limited to, the following:

> 3.07 e. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
> 3.07 f. biases, including those resulting from political, ideological, or social convictions that result from membership or employment in, or loyalty to, a particular type of policy, group, organization, or level of government; and
> 3.08 g. seeking employment during the conduct of the audit with an audited organization

3.04, 3.08, 3.09, 3.10, 3.12 Audit Organization Independence and Impairments

> **3.04** When evaluating whether independence impairments exist either in fact or appearance with respect to the entities for which audit organizations perform audits or attestation engagements, auditors and audit organizations must take into account the three general classes of impairments to independence— personal, external, and organizational.[20] If one or more of these impairments affects or can be perceived to affect independence, the audit organization (or auditor) should decline to perform the work—except in those situations in which an audit organization in a government entity, because of a legislative requirement or for other reasons, cannot decline to perform the work, in which case the government audit organization must disclose the impairment(s) and modify the GAGAS compliance statement. (See paragraphs 1.12 and 1.13.)

Although the Audit Organization (BFO) has wide latitude in how to handle any impairment to independence, the intent of the standard in the GAGAS is precise. The statement of the audit objective has already been presented as reflecting a patently partial perspective in its mere construction. The following represent but three, albeit significant examples of the preconceived ideas and conclusions of the BFO:

- In a document authored by the "BFO", dated July 16, 2008, titled *Mid Audit Status Conference* (Attachment 150) apparently a documentation of minutes of a meeting between the "BFO" and PFP's Independent Auditors, Page 1, paragraph 7, the last sentence states:

  > "BFO wants to examine underlying costs to limit reimbursement such ***that no profit accrues to a religious organization"*** (PFP's emphasis).

This has been a consistent theme and pattern of the auditor's opinions and beliefs that PFP was promoting religious activity.

- The auditor has in various venues "lectured" many persons, including at PWDC, about the "separation" of church and state.

- At the September 29, 2008 meeting attended by Mr. Higgins, Mr. Crofcheck and several other persons, the auditor, once again revisiting his "belief" declared by "pointing" to a contract clause asserting that there was a contract violation because "profit was innuring" (PFP's paraphrase). Upon being questioned, the Auditor indicated that he was correct because it's the law and he is a lawyer with multiple law degrees. Mr. Higgins and Mr. Crofcheck were asked if they were familiar with the contract clause that was being referenced and whether they concurred. They briefly inspected the contract and remained non-responsive. When Mr. Higgins and Mr. Crofcheck were asked directly whether the auditor's "opinion" was an opinion of legal counsel, since he cited his legal credentials, "BFO's" management remained non-responsive.

A subsequent "google search" of the auditor's legal credentials yielded the Supreme Court of Pennsylvania's order referring "this matter" to the disciplinary board.

PFP is now aware that the Audit Organization has always shared the beliefs, biases and opinions of the auditor as evidenced, along with other things, in the meeting minutes referenced above, the draft report's statement of objective and the litany of statements that has collectively cast a cloud on the integrity of this audit. While the rest of the Audit Organization may have been "clever" in masking and concealing its biases, the documentation and the auditor clearly reveal a pre-meditated, pre-conceived and presumptuous approach to this faith based organization and this audit.

The role and responsibility of the Audit Organization (BFO) is addressed in great depth in the Yellow Book. Excerpts from the Yellow Book read as follows:

> 3.08 Personal Impairments: Item (e) of this paragraph states that audit organizations – among other things, must at a minimum, ".stress the importance of independence and the expectation that auditors will always act in the public interest,..."
>
> 3.09 For example, the audit organization could remove that auditor or specialist from any work on that audit or require the auditor or specialist to eliminate the cause of the personal impairment. If the personal impairment cannot be eliminated, **the audit organization should withdraw from the audit.**
>
> 3.10 Audit organizations must be free from external impairments to independence. Factors external to the audit organization may restrict the work or interfere with auditors' ability to form independent and objective opinions, findings, and conclusions.
>
> 3.12 The ability of audit organizations in government entities to perform work and report the results objectively can be affected by placement within government, and the structure of the government entity being audited.

The Yellow Book is unequivocal in requiring the "BFO" to stress the importance of independence and possibly, to remove the auditor from work on the audit. The failure to remove the auditor from the audit and permitting him to continue his fieldwork until October 17, 2008 is perplexing. It is obvious that "BFO" management did not at anytime view the auditor as impaired in his independence and incapable of rendering impartial judgment. PFP believes in light of this fact, that "BFO" management has always shared the auditor's personal views and biases and as an audit organization collectively compromised the independence, objectivity and neutrality of this audit and thereby has not acted in the public interest.

7.04 Significance in a Performance Audit

The Yellow Book, in paragraph **7.04** defines significance thoroughly,

> **7.04** The concept of significance[89] assists auditors throughout a performance audit, including when deciding the type and extent of audit work to perform, when evaluating results of audit work, and when developing the report and related findings and conclusions. **Significance is defined as the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors**. Such factors include the magnitude of the matter in relation to the subject matter of the audit, the nature and effect of the matter, the relevance of the matter, the needs and interests of an objective third party with knowledge of the relevant information, and the impact of the matter to the audited program or activity. Professional judgment assists auditors when evaluating the significance of matters within the context of the audit objectives.

Reprehensibly, the draft report ignores and omits important matters in relation to its findings. The auditor and the "BFO" have been provided in-depth information by PFP, PWDC and the Independent Auditor and "BFO" has, conspicuously, chosen to not include "significant" information.

A sample of the significant factors and significant information that has been disregarded include but is not limited to:

Finding 2

- Discussions of an "emergency nature" between PWDC and PFP occurred in May 2007. PFP was requested, and agreed, to develop the Snyder EARN Center. Without a contract, a letter of intent or any contractual details (which was a work in progress at PWDC) – PFP, in good faith, began servicing Snyder clients in early June, 2007.

- PFP acted in good faith in proceeding with a real estate transaction with a reasonable expectation based on certain representations from PWDC requiring PFP to exclusively and solely operate the Snyder EARN Center at this South Philadelphia location

- PFP was advanced $500,000 on August 30, 2007, subsequent to the close-out of the ECO7 contract. However, it was addressed by PWDC as a written modification, executed September 12, 2007, to the EC07 Earn contract stipulating.

- PFP assumed that since it did not have custody of these funds at the change of fiscal years, upon disbursement on August 30, 2007, its usage was thus approved and sanctioned by PWDC.

- Clearly, this was a contractual "mishap" that created for PFP a contractual "catch-22" and should have -perhaps- been addressed within the EC08 contract framework which would have prevent this from occurring.

Finding 3

- PFP consulted with and acted upon the advice of the Independent Auditor, a national firm.

- In the "BFO" document, dated July 16, 2008 (Attachment 150), entitled *Mid Audit Status Conference,* the last paragraph of Page 1, states, "Braunewell stated that PFP came up with the salaries method and **he went along with it** although other methods could have been used such as square footage". (Mr. Braunewell is a principal of the Independent Audit Firm used by PFP).

- Page 38 of the 2007 Independent Auditor's Report states a $0 questioned cost.

Finding 5

- Page 14 of the 2007 Independent Audit Report states "PFP rents additional space from GEBC for program activities under the two FOCUS programs in the amount of $16,000 per month per program beginning July 2001.

- In the "BFO" document, dated July 16, 2008 (Attachment 200), entitled *Mid Audit Status Conference,* Paragraph 7, sentence 2 states, "Reilly commented that just because it's a related party for financial statement purposes doesn't mean they are related for DPW purposes or that rents are too high." (Mr. Reilly is also a principal at the Independent Audit firm engaged by PFP).

- BETP and DPW have previously accepted the use of "fair market value" to determine rental amounts, dating back to at least 2001.

The above bulleted items constitute matters of "significance" and importance, add context and lend credibility to PFP. Excluding this context from the summary and the narrative of the draft report, results in a slanted, biased document. More importantly, it reveals that the "BFO's" concept of significance is limited and geared to support a set of pre-determined findings.

7.37 & 7.38 Criteria

Once again, the Yellow Book is particularly clear and specific in delineating the development and use of criteria. Paragraphs 7.37 and 7.38 states,

> 7.37 Auditors should identify criteria. Criteria represent the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated.
>
> 7.38 The following are some examples of criteria:
>
> a. purpose or goals prescribed by law or regulation or set by officials of the audited entity,
> b. policies and procedures established by officials of the audited entity,
> c. technically developed standards or norms,
> d. expert opinions,
> e. prior periods' performance,
> f. defined business practices,
> g. contract or grant terms, and

The "BFO" seems to be wedded to the sovereignty and dominion of their narrowly determined criteria, as if PFP functions in a vacuum. PFP has been in the welfare to work arena for many years and several defined business practices have long been in place. The standards and norms that govern the relationship with PWDC is an acceptable and relevant criterion. The expert opinion of PFP's Independent Auditor and the fact that PFP consults and has sought their advice and counsel is a material criterion that ought to be considered. The contract in place at the time between PWDC and PFP should bear some weight. For instance, PFP **MET** the "segregation" standard in the contract because it maintained separate ledgers. The contracts under review also permitted the "carryover" of program income, under certain conditions. The changes to the contract language took effect this contract year. Hence, the absence of the use of fair and reasonable criteria - as defined in the Yellow Book – contributes to a skewed report with improper findings.

8.02 Reporting Standards:

GAGAS states "The auditor may use the report quality elements of timely, complete, accurate, objective……." Accurate, objective and complete are further defined in the Yellow Book:

> **a. Accurate:** "An accurate report is supported by sufficient, appropriate evidence with key facts, figures, and findings being traceable to the audit evidence Reports that are fact-based, with a clear statement of sources, methods, and assumptions so that report users can judge how much weight to give the evidence reported, assist in achieving accuracy………."
>
> **b. Objective:** "Objective means that the presentation of the report is balanced in content and tone. A report's credibility is significantly enhanced when it presents evidence in an unbiased manner and in the proper context. This means presenting the audit results impartially and fairly. The tone of reports may encourage decision makers to act on the auditors' findings and recommendations……

"This balanced tone can be achieved when reports present sufficient, appropriate evidence to support conclusions while refraining from using adjectives or adverbs that characterize evidence in a way that implies criticism or unsupported conclusions"

"The objectivity of audit reports is enhanced when the report explicitly states the source of the evidence and the assumptions used in the analysis."

"The report may recognize the positive aspects of the program reviewed if applicable to the audit objectives. Inclusion of positive program aspects may lead to improved performance by other government organizations that read the report. Audit reports are more objective when they demonstrate that the work has been performed by professional, unbiased, independent, and knowledgeable staff."

c. Complete: Being complete means that the report contains sufficient, appropriate evidence needed to satisfy the audit objectives and promote an understanding of the matters reported. It also means the report states evidence and findings without omission of significant relevant information related to the audit objectives.

This chapter discusses the reporting standards for performance audits. Attachment A details the litany of statements in the draft report that are not accurate, objective or complete or "all of the above". Statements are not accurate and frequently do not include a clear statement of sources, methods or assumptions. As previously indicated, the written report does not meet any basic, minimal or elementary standards of objectivity as defined in the Yellow Book. Glaring omissions, particularly of matters of "significance" (as advanced in the Yellow Book) that provide context and the use of narrow, selective and partial audit criteria (contrary to the specific guidance of the Yellow Book) have resulted in a draft report that should be drastically modified if the "BFO" intends to comply with generally accepted government auditing standards.

While this part of our formal response may seem lengthy, it is filled with technical and procedural citations taken directly from authoritative literature. It was our sincere desire to reference these citations in the hope that those who read our response will obtain a more detailed perspective of what PFP believes the conduct of the audit should have been, what it actually was, and the draft report that appears to have resulted from the 'BFO's" noncompliance with it. We bring these items to those ultimately making decisions because it is not only important for them to be made aware of our concerns – it is equally important for us to voice them. We believed during the audit process and now continue to believe in the exit process that this audit was conducted with clear biases and as such, is subject to our belief that it was not performed impartially and independently. At our exit conference held on January 8, 2009, those representing the state reiterated to us that any and all information we could provide that was additional to that already submitted would be taken into account when reaching a decision regarding the disposition of this process. And yet, several days later, we were notified that the state stood by their decision-a statement made without allowing us the agreed upon time frame to prepare our additional information.

We respectfully request that our response to Part 1, contained herein, be carefully reviewed.

EXHIBIT "100"

Donna Powers

From: Pri [priseebadri[redacted]]
Sent: Monday, January 26, 2009 4:19 PM
To: Donna Powers
Subject: Fw: File Audit Follow Up

#1
------Original Message------
From: Danavan West
To: Dan Higgins
Cc: priseebadri[redacted]
Cc: Keith Harris
Cc: Donna Powers
Cc: Robin Eglin
Cc: Thomas Crofcheck
Sent: Oct 6, 2008 11:00 AM
Subject: File Audit Follow Up

Dan,

As a follow up to my email to Joe, I wanted to know if you would be available when we meet. When we met on July 2, 2008, I had a chance to present to TIm and you, the nature of the EC08 contract and the differences with the EC07 contract.

When you met with the PWDC staff at our site, on Friday, August 22,2008, when they performed their file review, I had asked Mr.Seebadri to request that you stay for the duration of the file review. I still remain unclear as to whether Mr. Piccolo and Mr. Rausch and I , are on the same page. I think your presence will facilitate a more effective and efficient meeting.

Thank you . I look forward to hearing from you

Donavan Sterling West
Director
People For People Inc.
800 N. Broad Street (7th Flr)
Philadelphia, PA.19130
O: 215.235.2340
F: [redacted]
E:

Pri

Donna Powers

From: Pri [priseebadri@[redacted]]
Sent: Monday, January 26, 2009 4:21 PM
To: Donna Powers
Subject: Fw: Fwd: Meeting With Piccolo !

#2
------Original Message------
From: Danavan West
To: Joe Piccolo
Cc: priseebadri@[redacted]
Cc: Fatima R Benitez
Cc: Keith Harris
Cc: Donna Powers
Cc: Robin Eglin
Cc: Thomas Crofcheck
Cc: Timothy Rausch
Cc: Dan Higgins
Sent: Oct 6, 2008 10:40 AM
Subject: Fwd: Meeting With Piccolo !

Joe,

I sent you an email on Friday and came up to see you several times but I guess I missed you. The security staff mentioned that you had left for lunch around 11:30. By the time Harry called me when you got back around 2:30 p.m. I had left for a meeting. In any event, please review the attached email sent to me by the PFP Data Manager, who met with you last Monday.

Please shoot me any answers to her questions that you may have in advance of us reviewing the file exceptions from the EC07 contract year. We are available any day this week. The earlier in the week the better.

Best regards,

Donavan Sterling West
Director
People For People Inc.
800 N. Broad Street (7th Flr)
Philadelphia, PA.19130
O: 215.235.2340
F: [redacted]
E:

-----Embedded Message-----
From: "Fatima Benitez" <fbenitez@peopleforpeople.org>

To: [redacted]

Date: Mon, 6 Oct 2008 09:36:58
Subject: Meeting With Piccolo !

Good Moring Donavan,

Here is the update that you requested.

1. I met with Mr. Piccolo on Monday, Sept 29, 2008. I reviewed with Mr. Piccolo the five "exception files" and corrected two of the files which should not be exceptions. This was for the file portion of their audit for the EC08 contract (target month = April 2008).

2. Mr. Piccolo took notes and documented our meeting accordingly. Regarding Ms. [redacted] I indicated to Mr. Piccolo - as you had directed - that their finding was accurate but a "request for payment adjustment" was submitted to PWDC. Please follow up and provide Mr. Piccolo and Mr. Rausch the supporting documentation, should they request it, that the request for adjustment was submitted.

3. As per your directive, I provided Mr. Piccolo the opportunity to review four (4) additional files that were not included in the original file list. They were [redacted]. With the same target month of April, 2008, the following four TANF recipients were not sent to us as part of the pre-populated invoice, were not submitted or invoiced for and we have never been paid for.

In your absence, Mr. Seebadri explained to Mr. Piccolo that the "client level" payment system was far from perfect and the system itself has a consistent error margin. In my estimate, having worked directly with this system of invoicing, there is an error rate between 5-10 % every month.

In the first month of the EC09, there were at least 50 errors supplied to us in the invoice by PWDC, and we are still finding more. Hopefully we will be properly compensated eventually. However, the point that Mr. Seebadri was making to Mr. Piccolo - and I am not sure he grasped - since he initially hesitated reviewing the additional files that I provided him. The point that Mr. Seebadri was making to him - and I agree with is that the system has many errors that come from PWDC and it probably balances out in the end.

4. I did not have the list of 7 files that had exceptions from the EC07 contract (target month = June 2007) and did not participate with Mr. Piccolo or Mr. Rausch in that review. I have the files and am available to review them with Mr. Piccolo and Mr. Rausch at their convenience. However, I am requesting some information. Please could you have them provide more detail in writing about what these "file exceptions" are about so my staff person can be more helpful.

I am not sure that Mr. Piccolo and Mr. Rausch are aware of the following:

Ø EC07 and EC08 contracts are different
Ø EC07 contract does not include retention (1 month, 3 month, 6 month)

Ø There are no retention payments under EC07 contracts.

Ø Retention payments began in the EC08 contract (starting July 1, 2007)

Ø There were no invoices generated by PWDC under EC07 contract.

Ø We did not validate any data for payments under the EC07 contract.

Ø PWDC did not establish any data, file, or process requirements under EC07 (as under EC080

Ø We were not paid "per client" under EC07 (like we are under EC08). We were paid at a "program performance level"

Please let me know how I can be of further assistance.

Fatima Benitez
Information Systems Management Coordinator
Ridge & Snyder EARN Center

EXHIBIT 150

(5)

People For People
Mid Audit Status Conference
July 16, 2008

Dan and Tim meet with the independent auditing firm, Larson Allen. The meeting began at 10:00 am and ended at 11:40. Those in attendance signed in at W/P 3A2

Dan gave a brief introduction describing background and goals.

Internal Control Issues were noted in12/06 Report. Dan asked what additional procedures were enacted in 12/07 audit. Braunewell stated that PFP's Controller had insufficient support and this caused problems with books and records and thqt these Internal Control deficiencies continued through 12/07. Elgin stated that he was the Controller before present one took over in late 2003 or early 2004. Elgin created an accounting system where none existed before.

Braunewell did not know when 12/07 audit will be completed since he is waiting for a revenue confirmation and reconciliation from PWDC and the results of BFO's audit

Carryover Expenses for Ridge & Snyder were not paid nor incurred. Braunewell wants to see expenses through 12/07 to determine if the carryover was expended subsequent to our audit period ended 6/07. No decision has been made at this time as to how the advance cash is to be reported. Tim stated that cost report should be amended down by $667,000 for 6/07 and stated his understanding that PFP's Mr.Pri suggested that such an amendment would be an option PFP would consider during the 7/2/08 meeting.

Braunewell stated that cash was not segregated. No decision

Rent to Greater Exodus, who is a related party, should be limited to lesser of cost or market. Reilly commented that just because it's a related party situation for financial statement purposes doesn't mean that they are related for DPW purposes or that rents are too high. Tim stated that if outside directors of PFP exercised proper oversight, it would be evident in the Board of Director Minutes that rents were set a FMV or at costs value for Greater Exodus. BFO want s to examine underlying costs to limit reimbursement such that no profit accrues to a religious organization.

Occupancy Costs for 800 North Broad Street included a $400,000 off books adjustment representing a 50% allocation from PFP otherwise unallocated expenses. BFO stated that it is necessary to vouch expenses and then to analyze the method of allocation based on salaries. It was suggested by BFO that square footage allocation would be the best method of allocating building costs. Braunewell stated that PFP came up with the salaries method and he went along with it although other methods could have been used such as square footage. PFP is to draft a narrative of why payroll was used although Braunewell understands that this method was employed because EARN Program clients move around and use other parts of the building in addition to the dedicated space.

Attachment A

List of Disputed Statements

1. PFP is a not for profit corporation with business offices, banquet and meeting room facilities, a Child Care Center, a savings and loan association, a Charter School and two Philadelphia County District EARN Centers located at 800 North Broad Street. **(Page 2)**

   People For People, Inc.; People For People Community Development Credit Union and People For People Charter School are all separate 501 © 3 entities.

2. Philadelphia, PA 19130. Classroom space is also rented from Greater Exodus Baptist Church (GEBC) at 712 North Broad Street. GEBC is a related party **(Page 2)**

   People For People, Inc. and GEBC do not have common control. This is completely refuted within the text of PFP's formal response.

3. PFP should not expend revenues generated from the EARN Program on non EARN Program Expenses. **(Page 3)**

   BFO agreed to remove statement in January 8, 2009 conference.

5. Allocate compensation based upon actual time spent on the EARN Programs as compared to all of PFP's endeavors. **(Page 3)**

   Assertion rejected. PFP is in compliance.

6. PFP should not request reimbursements for contingent future liabilities. **(Page 3)**

   PFP asserts that this is a misstatement of the facts and adds further support within the text of PFP's formal response.

7. Implement a better system to identify postings to the general ledger for CCC revenues. **(Page 3)**

   Assertion refuted. PFP states that this recommendation is wholly unsubstantiated.

8. The PWDC should make the necessary adjustments to recover the $667,456 for the contingent liabilities inappropriately billed by PFP. **(Page 3)**

   PFP objects to the use of "inappropriately billed". This is a repeated assertion that is not consistent with the facts of the situation.

9. PFP also operates a charter school, a saving and loan association, a day care facility, a banquet facility and various other smaller programs. It is presently planning to develop a community center and senior citizen center. **(Page 7)**

   Please see Note 1 above

10. EARN. Notwithstanding these contractual prohibitions, PFP commingled EARN cash and disbursed those funds, in part, on non EARN Programs. **(Page 9)**

    This is both an incorrect and unsubstantiated statement. (1) PFP, Inc. is in full compliance with Part A, Paragraph 5, Subparagraph (b) because PFP maintained and continues to maintainseparate ledgers. And (2) PFP, Inc. is in full compliance with Part A, Paragraph 5, Subparagraph (e) because it did not use funds for the support of any other program/s. This is a reckless and unsubstantiated assertion.

11. PFP Invoiced PWDC on a monthly basis. **(Page 10)**

12. Only the seventh floor of the eight floor building is devoted to the EARN Programs **(Page 11)**

    This is incorrect and further substantiated in the text of PFP's formal response.

13. Any use of the other floors by EARN clients or staff would be incidental and not continuous. **(Page 11)**

    This is an untrue statement. The 8th Floor is reserved during the week (during business hours) for EARN activities.

14. In addition to the allocation issue described above, BFO found discrepancies in the total expenses to be allocated. Copies of the BFO's summaries were provided to management but no comments were received. **(page 11)**

    This is an incorrect statement. A comprehensive explanation was provided to BFO. (Re-submitted)

15. GEBC is related to PFP by reason of common control. The Pastor of GEBC is also the President and Chief Executive Officer of PFP. **(Page 12)**

    PFP disputes this statement. See Note 2 above.

16. One van traveled mostly for EARN business. One van traveled mostly for church and non EARN matters. The third had mixed usage **(Page 12)**

    This is an incorrect statement. Vans are used for EARN only.

17. The amounts confirmed were reconciled to the attendance sheets kept by PFP. However, the revenue posted to the general ledger was more than $450,000 higher than the amount paid and reconciled.**(Page 12)**

    This is an incorrect statement.

People For People, Inc.

Part 2

A substantive response to the draft findings including actions taken, actions in progress and actions to be taken in order to comply with the report recommendtions. Please note that this part is inclusive of Attachment A.

Following is the response and PFP's Corrective Action Plan in connection with the Schedule of Findings as required to be reported in accordance with the "draft" performance audit report prepared by the DAR for fiscal years ending June 30, 2007 and June 30, 2008.

Finding – 1: Internal Controls
(Please see Attachment A – Finance Department Organizational Chart)

People for People, Inc. (PFP) had recognized that the additional funding they had received in the last several years caused a considerable amount of overload in their financial department and acknowledges the condition and auditor's recommendation. Inasmuch as PFP recognizes the importance of accounting for and monitoring each of the Organization's programs in accordance with generally accepted accounting principles (GAAP), Office of Management and Budget Circular A-122, Office of Management and Budget Circular A-133, and the Commonwealth of Pennsylvania, Department of Public Welfare's Audit Manual, they have taken the following steps:

- Earlier this year and prior to the field audit conducted by the Pennsylvania Department of Public Welfare, the management of People for People, Inc. had made the decision to expand their fiscal personnel to include a Director of Finance and an assistant to the Director of Finance in an sustained effort to more efficiently and effectively manage the finances of the Organization. Management immediately began a search for persons with the appropriate resumes to effectuate this plan. Shortly thereafter, the Department of Public Welfare began its fieldwork. Even though the then Controller had just recently suffered the death of his mother, in an effort to work with the Department's auditors, PFP.'s management agreed to the field audit and its timeframe. While enmeshed in the original audit and then its added scope of an additional year, PFP continued their search for quality additions to their fiscal personnel.
- PFP is happy to report that they have hired a gentleman who has an MBA and a BA in accounting to their Finance team. They further hired an outside consultant (CPA) who has extensive experience in nonprofit auditing and accounting and who will provide ongoing consulting services to the Organization, to assist them in their efforts to grow the Organization in the realization of its mission. In addition, the Organization continues the use of a well-know and respected Chief Financial Officer, who along with the Board of Directors, will oversee the daily operations of PFP. Finally, the Organization has just hired a Compliance and Financial Reporting Officer (copy of [redacted] resume is attached and marked as Exhibit "N") who was, in fact, recommended by PWDC. [redacted] will be charged with implementing the new procedures that will address concerns regarding the management of the books and records of the Organization, in compliance with the above mentioned circulars and authoritative literature are being implemented and will be functioning shortly.

- It is their firm commitment that PFP continue their growth, fully aware of the needs of the Organization in the finance area and the hiring and maintaining of requisite personnel to achieve their goals. Allocation methods, compliance with local laws, regulations and contracts are primary to their ongoing growth and these areas of the finance department's procedures will be fully reviewed and adjusted as necessary to reach total compliance with all funders in the future.

__Finding - 2a: Earn Center-Snyder Start-Up Costs__ $500,000
(Please see Attachment B – Schedule of Expenses)

The Organization disagrees with this finding and its wording. It is the Organization's firm statement that they did not request reimbursement for future Ridge District and Snyder Avenue expense that had not yet been incurred in the manner so stated. In an effort to shed additional light on this subject and the workings of this particular program, the Organization would like to share the following information. Before there was ever a Ridge Avenue District or a Snyder Avenue District, the Organization obtained the EARN RFP (Request for Proposal) from Contract from the Commonwealth. In connection with that RFP, the Organization responded with various documents and floor which are contained herein and marked as Attachments H and I. These documents clearly show the architectural plan for the renovation of the building which exists at 700 N. Broad Street. Upon being awarded the contract for the EARN Center, the Organization began renovations on the building located at 700 N. Broad Street, with full intentions of creating and operating a new EARN Center in that location. During the year ended June 30, 2007, costs were incurred in that project for renovations and construction. These costs are documented on Exhibit C which accompanies this response. It should be noted that a total of $296,387 was incurred between July 1, 2006 and June 30, 2007. Please note that dates shown on Exhibit C are "paid" dates rather than "incurred dates".

As stated above, the proposed use of the 700 building dates back to the Organization's proposal in 2005 for an EARN Center. Attached are the two Exhibits (H and I) which were part of the Organization's original proposal that demonstrate the Organization's intentions to meet the space and capacity needs of a high volume EARN Center.

In furtherance of their commitment to the Commonwealth and at the Commonwealth's request, in April 2007, the Organization agreed to and began servicing clients who were originally being serviced from the South Philadelphia County Assistance Office (commonly now know as the Snyder Avenue District) as quickly as they could. This was a joint and agreed upon project between the Organization and the Philadelphia Workforce Development Corporation (PWDC) which ultimately engineered the contract modification noted above in the Summary. The Organization projected an amount of funding that they would need to start-up the project and to make themselves financially whole as a result of the prior year spending on the 700 N. Broad Street building. The Organization recognizes that the funds were finally received in August 2007, two full months after the year end of June 30, 2007 and not as separate contract. During the period immediately following the Commonwealth's EARN Contract's year end of June 30, 2007, the Organization began an active search for a building located south of City Hall in Philadelphia to service the South Philadelphia clientele, at the Commonwealth's request. The search for this building took several months and the time of several management personnel of PFP but finally, in early 2008, the building located at 1226 S. Broad Street was purchased. Again with the intention of creating a new EARN Center in South Philadelphia the Organization paid for the initial down payment on the building and an additional $90,000 for leasehold improvements to that building to make it code compliant (Please see attached Exhibit "O"). Moreover, the Organization was charged rent for use of the building from February 2008 forward. These costs, although recognized clearly by the Organization did not occur within the fiscal 2007 contract deadline, are shown on Exhibit B attached. The Organization acknowledges that there was a considerable amount of misunderstanding in the undertaking of this project on the part of the Organization. It was not then and never has been the intention or case that the Organization would use any EARN funds for anything other than the EARN project. The Organization fully recognizes the timing difference and assures the Commonwealth that these types of communication errors on the Organization's part will not occur in the future; however, the Organization would further state the there are many levels of ambiguity in the contract language itself and there is continued hope on the Organization's part that the Commonwealth will also review this detail and hopefully, reword the language to make it clearer for those who sign it. We would further point out to the Commonwealth that construction on the 700 N. Broad Street building continued into the fiscal 2008 contract, the total of said costs being $194,436 as shown on Exhibit C. We would like to reiterate that these costs were not included on the report submitted to PWDC at the year-end because they were posted to the Organization's balance sheet during the periods ended June 30, 2007 and 2008. The Organization recognizes that there may have been errors in reporting by not including valid costs that were incurred during the timeframes in question, albeit not in the specific contract year that they should have been spent. Attached and marked as Exhibit D is a schedule showing the breakdown between the expenses incurred in both fiscal years ended June 30, 2007 and June 30, 2008, respectively.

The EARN Program was new in 2006/2007 and the language in the contracts was not as clear as it could have been as we have stated. The Organization acknowledges that there was confusion in their understanding of the wording of the contract but sincerely used all funds received by Commonwealth for their intended use. We request that the Commonwealth consider this information in their final report.

The Organization requests that this finding and recommendation be removed. The Organization provides the following additional context which is significant to this matter.

Background and Statement of Facts:

1. Discussions of an "emergency nature" between PWDC and the Organization occurred in May 2007. The Organization was requested, and agreed, to develop the Snyder EARN Center. Without a contract, a letter of intent or any contractual details (which was a work in progress at PWDC) – the Organization, in good faith, began servicing Snyder clients in early June, 2007.
2. The Organization was advanced the amount of $500,000 on August 30, 2007, subsequent to the close-out of the ECO7 contract. However, it was addressed by PWDC as a written modification, executed September 12, 2007, to the EC07 EARN contract .
3. In retrospect, this was a contractual "mishap" that created for the Organization a contractual "catch-22" which had the language within the EC08 addressed the additional funding, perhaps the "mishap" could have been avoided.
4. All new EARN Centers were advanced "start-up" resources at varying funding levels. The Organization requested and was granted an increased advance because of the stipulation that the Snyder EARN Center be located in South Philadelphia, thus requiring a two stage client transition. The immediate transition of Snyder clients occurred in June 2007 and a second transition was to occur once suitable space was identified in South Philadelphia.
5. Suitable space meant public transportation accessible, ADA compliant, having the appropriate classroom environment, preferably requiring little to no renovations and the other space attributes that would be conducive to an EARN Center operation.
6. From an accounting perspective, the Organization treated the advance in this manner; as a modification to the EC07 contract for Snyder Client Services. Oral and written conversations took place between management at PWDC and management at the Organization in which the entire "idea" of transitioning Snyder clients to the Organization's administration was conceived and the Organization, in furtherance of their commitment to the program, went out on a search and seek mission to accommodate those TANF clients by finding a suitable property, south of City Hall, in which to service them. This was done with the full knowledge and support of PWDC.
7. The Organization was successful in locating a suitable property and building in the fall of 2007. The Organization made a $90,000 payment for leasehold improvements, and a security deposit for $10,000 was made in February 2008, and the lease between Greater Exodus Baptist Church (GEBC) and the Organization was entered into for the use of 1226 S. Broad Street. There was never any indication that PFP, as a separate corporate entity and subprovider to PWDC for EARN programs, was to PURCHASE the building located in their own name. PWDC was aware that GEBC was the entity which purchased the building and which entered into a lease agreement with PFP to rent the space.

8. Since then, the Organization has accrued, and will continue to accrue all rental and other related lease expenses through September 2008 and thereafter until the Organization can properly dispose of this lease. The Commonwealth is aware of this issue but has not advised the Organization of how it will fund this purchase in the future.
9. The Organization represents that it has expended the $500,000 in accordance with the intent of the Contract modification, that all funds expended were for EARN program-related costs and that at no time has the Organization expended these funds inappropriately. The Organization will work with PWDC and DPW to resolve this.
10. We would also point out to the Commonwealth that there is a huge variance between the amount that the independent audit report ($94,000) and the draft audit ($250,000-$260,000) that has been questioned with regards to the rent issue.

Finding 2-b: Accrued Ridge Expenses
(Please See Attachment B – Schedule of Expenses)

The Organization disagrees with this finding and the "draft" report's recommendations.

The Organization is requesting that it be permitted to revise its cost reporting for this period to include accumulated costs that were within the parameters of the EC07 contract.

The Organization is of the opinion that it properly expended all, if not more than the contract funds and there should not have been any accrued Ridge expenses. These expenses were not previously charged in the expenditure reports to PWDC because, under generally accepted accounting standards, certain Organization expenses were capitalized, and the Organization's Controller posted them appropriately. However, under the regulatory basis of accounting, which should be done for DPW reporting purposes, these costs should have been expensed.

Finding -3: Building Expense Allocation

The Organization acknowledges and accepts that the approach chosen by the Controller was not the most reasonable or prudent method. In the EC09 contract year, the Organization will use a more conventional approach, with a prior approval from PWDC.

The above finding was the result of a methodology used by the Organization's Controller in allocating indirect expenses of occupancy charges to the EARN Center. Whereas the Commonwealth has argued that only one floor was used to house the EARN Program, we disagree. In addition to the entire 7th floor, a goodly portion of the 8th floor and the conference room on the 1st floor are used exclusively to administer the EARN Program. PFP calculates a total of approximately 13,000 square feet in the 800 North Broad Street building is used for the EARN Program. Using the fair market value of rental expense for similar educational facilities in the area, we believe that the Organization has exceeded the amount charged to the EARN Program. The Organization submits a schedule (Exhibit G) of the fair market value of rental expenses in the area. The total square footage claimed is 18,600 and the total fair market rental value per annum is $303,421.

However, for the record, the Organization wishes to dispute the report's conclusions about building usage. The EARN Centers have two floors that are dedicated to EARN activities and operations during the week, (7th and 8th floors). Additionally, the 1st floor conference room is dedicated to EARN, the 1st floor cafeteria is shared with childcare employees and the basement is used approximately 50% for storage, archiving, etc. The report is only partially correct about the level of EARN usage on the 8th floor. The floor is used for large orientation groups, as an overflow area, EARN client engagement events, external auditors (BFO, PWDC) and the Presidential Room is used almost daily by the Organization's internal file and reconciliation team. Although the school shares the building, the school day ends at 2:45 p.m. whilst the EARN Center is open Monday through Friday from 8:00 a.m. to 8:00 p.m. and on Saturdays from 8:30 a.m. to 2:00 p.m.

The Organization is requesting that PWDC/DPW defer to the independent auditor's report that identified this item with a $0 questioned cost (*Larson Allen Audit Report, page38)*. Hence the Organization clearly accepts the finding - but is requesting the specific recommendation for PWDC to obtain financial recovery be removed or modified. The Organization is respectfully requesting the above resolution for the following reasons:

- The Organization did not violate any terms of their contract with PWDC.
- LarsonAllen performed the Organization's audit in compliance with the Commonwealth's requirements and Federal OMB Circular A-133 and expressed their independent opinion of a $0 questioned cost.
- As a demonstration of due diligence, the Organization's Controller sought the opinion of two Certified Public Accountants (CPA) prior to performing this allocation methodology. This includes the counsel of the firm that performed this audit.
- Implementing the recommendation of the DAR "draft" report will adversely affect the Organization's program operations in general and the EARN Center, in particular.

Finding -4: 2% Occupancy Allowance

PFP asserts that the additional charges made were not duplicated. The charges that the Commonwealth maintains were duplicated actually were remaining costs AFTER direct charges had been posted to the individual programs that the Organization administers. However, the Organization asserts that the actual square footage used (as shown in the attached analysis) will indicate that the square footage multiplied by the fair market value of rent exceeds the amount and therefore, the amount charged is actually less than the amount allowable under the contract guidelines. Please refer to Exhibit G.

Finding -5: Rent
(Please See Attachment C - Fair Market Value Comparative Analysis)
(ORGANIZATION (PFP) Board of Directors, Greater Exodus Board of Deacon Roster and Copies of Minutes provided to PWDC, PFP's original incorporation data, Letter from the Chairman of the Board of Deacons of GEBC and copies of two (2) emails submitted separately for review)

Prior to this audit, the related party notion has been used "loosely" because it's level of "significance" was marginal and were assumed for financial statement purposes only. (The Organization refers to "significance" as defined by GAGAS). Its level of "significance" has changed, firstly, because of the Commonwealth's approach to not formulate audit criteria consistent with GAGAS standards. According to GAGAS, audit criteria should include defined business practices, norms and standards, expert opinions and program performance. Secondly, its level of "significance" has changed because of the Audit Organization's (BFO) commitment to the beliefs, opinions, preconceived ideas and limitedly reasoned thoughts of its auditors as a substitute for audit criteria. The term "Related Party" has emerged as an assumption, unquestioned and unproven and absolutely subjective.

Mr. Rausch and Mr. Higgins have stated that the parties (PFP and GEBC) are related because Reverend Lusk is the Pastor of GEBC as well as the President and CEO of PFP. Mr. Crofcheck, in a meeting on January 9, 2009, referenced a statement he had seen on a website. Mr. Crofcheck further voiced his opinions and conclusions about leasehold improvements. (This is consistent with the unsubstantiated and preconceived "related party" conclusion stated in the audit objective and the pattern of comments and statements by BFO auditors).

In an email dated January 12, 2009 from Mr. Crofcheck to Mr. Higgins, which was then forwarded to PFP's outside CPA consultant (shown as Exhibit J), the Commonwealth states that People for People (PFP) is required to follow OMB Circular A-122. Further, in an email dated October 9, 2008 (Exhibit K) from Mr. Higgins to PFP's outside CPA consultant, Mr. Higgins states that "It is DPW and BFO position that related party rent is to be reimbursed at the less of fair market value or actual cost. This conclusion was reached after discussions with the Office of Income Maintenance (OIM). The contract between PWDC and state agencies requires subcontractors TO BE IN COMPLIANCE WITH OMB CIRCULAR A-122, "Cost Principles for Non-Profit Organizations."

It is the Organization's position that the legal standard determining "related party" lies in an objective standard of "common control". Although perceived to be, the thread of "common control" does not exist. These entities are, by legal and Organizational requirements, governed by their own individual governing boards. There is no "common governing" or "common control" with these entities. It is PFP's position that one must first prove the "related party" issue exists before one can stipulate the manner in which costs can be reimbursed. Although under Generally Accepted Accounting Principles (FASB No. 57 Related Party Disclosures), the definition of related parties includes "its management" and "a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and **can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own** separate interest." The Organization acknowledges that Pastor Lusk is considered a related party by definition under SFAS 57 because he is the President of PFP and the Pastor of GEBC. It can be **PERCEIVED** that he has significant influence on both organizations **BUT he cannot significantly influence one or the other to an extent that one or the other transacting parties might be prevented from fully pursuing its own interest.** To be honest, both of these entities have separate and distinct interest and although it may APPEAR that the Reverend is reaching his arms out to the North Philadelphia community and using language on a website that might APPEAR to sound as if the entities are one and the same, we respectfully state that this is a man who is a visionary and who is able to bring in the community people by showing them that his only intention is to help and assist them, whether it be by preaching from his pulpit to their spiritual needs or helping to start and oversee an organization that helps them with their physical needs through job training and placements. Again, two distinct, separate ends to a community that needs help in achieving them. The Commonwealth is unfortunately taking the position that Pastor Lusk is somehow influencing one of these two entities from pursuing their own interests. With all due respect, how can anyone influence a Church from administering to the spiritual needs of its flock by overseeing a nonprofit entity who is administering a program, funded by a government, which helps people to learn trades? It is illogical to impose this finding on PFP because the reasoning used by the Audit Organization makes no sense. At the January 8, 2009 meeting, Mr. Crocheck and Mr. Higgins both pointed out that there are related party disclosures contained within the text of PFP's independent audit. This is a true statement; however, these disclosures are contained under the guidance of SFAS 57 and not OMB Circular A-122. By identifying GEBC as a related party, all that the disclosures do is include the nature of the relationship, the description and dollar amounts of any transactions that occur between the two and the amounts that are owed to and/or from the entities on the balance sheet. This does not indicate that the entities are under common management control but, instead, are written for disclosure purposes.

Under OMB Circular A-122, in addition to the Circular's general principles, included in Appendix B, paragraph 43 specifically provides guidelines for rental costs of building and equipment. Such costs are allowed to the extent that rates are reasonable considering comparable properties, market conditions, other alternatives available, and the leased property. However, the rental costs under "less-than-arms-length" leases are allowable only up to the amount that would be allowed if the nonprofit organization had title to the building. Inasmuch as PFP owns the building located at 800 N. Broad Street, this would include expenses such as depreciation or use allowance, maintenance, taxes and insurance. Further stated in paragraph 43, "a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between divisions of a non-profit organization; non-profit organizations under common control through common officers, directors or members; and non-profit organization and a director, trustee, officer, or key employee of the non-profit organization or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest." PFP hereby represents that neither PFP nor GEBC are able to control the other party. This is supported by the items enumerated in the next paragraph. None of the examples as shown in paragraph 43 of OMB Circular A-122, Appendix B, describe the relationship between PFP and GEBC. We submit that the determination of the statement that this is the case is a subjective one and should not be allowed in the findings as stated.

The Organization and the church are:

Separate and distinct entities and NOT divisions, affiliates or components of one another
Governed by separate Boards: a Board or Directors and Board of Deacons (Reverend Lusk is NOT a member of the Board of Deacons)
Governed by Boards with no common or overlapping Board members

The minutes of both these entities have always been available to the Commonwealth and copies of such have been provided to the Commonwealth and receipt has been acknowledged by BFO.

As indicated, the Organization has submitted both the minutes from the meetings of the Board of Directors of the Organization and minutes from the meetings of the Board of Deacons from the GEBC as well as a detailed analysis of fair market value fro rental properties in the vicinity of 800 North Broad Street (Exhibit G) and assert that since the Board of Director minutes and Board of Deacon minutes clearly show that these are separate and distinct entities, that the Commonwealth itself has written that PFP is to follow OMB Circular A-122 in submitting costs for reimbursement and based on the information submitted in writing above, they are not related parties and therefore, PFP is justified in charging the fair market value of rent to the EARN Program for the square footage occupied by the EARN Center during the years in question. (A rent structure that is a "defined business practice" and been in place since 2001 with DPW, as indicated on page 14 of the Organization's 2007 Independent Audit report). Once this calculation is determined, The Commonwealth will note that the fair market value of rent far exceeds the actual cost and therefore, nullifying this finding.

We also submit herewith a letter (Exhibit L) from [redacted] Chairman of the GEBC Board of Deacons which further explains that there is a total lack of related party issues between GEBC and People for People. Also attached is Exhibit M which is a copy of the incorporation data of People for People, Inc. We respectfully request that you include these documents as further evidence of our position.

The Organization, after revisiting this matter, is requesting that annual rent to GEBC be permitted up to a maximum of $240,000 annually or $20,000 per month. The Organization will facilitate PWDC recovering rent paid to GEBC in excess of $240,000 for the EC07 and EC08 contracts. The Organization reiterates the following reasoning to support its position.

- Page 14, Note 9 of the Organization's independent audit, paragraph 1, sentence 2 sates "ORGANIZATION rents additional space from GEBC for program activities under the two FOCUS programs in the amount of $16,000 per month per program beginning July 2001".
- The Organization has managed SPOC and JRARRE programs under contract with BETP as far back as 2001.
- In approximately, 2002 and under the David Florey BETP administration, this matter was questioned and put to rest with the acceptance and approval of BETP.
- BETP and DPW have previously accepted the use of "fair market value" to determine rental amounts.
- The Organization argued then and is re-submitting the position that fair market value is appropriate because The Organization and the church DO NOT have "common control".

Clarification:

The Organization is further arguing that "fair market value" is the only fair, reasonable and equitable method to determine rent. The finding contained in the "draft" report regarding rent is in error and, at a minimum, unfair. (For the record, The EARN Center's space usage significantly exceeds the 50% identified in the report and the underlying costs are substantially greater than that identified in the draft report) The Organization disagrees with the finding of a questioned cost and also disagrees with the methodology used to determine the rent, the amount of the questioned cost and the calculation used to derive the amount of the questioned cost.

In not having the opportunity for a closing conference, the Organization understands what the Department is stating regarding the usage of gasoline by Church vehicles for EARN Center clients, we are unable to tie back to the State's amount of cost times 50%. Mr. Rausch was provided expansive and extensive documentation (several binders) because the Organization documents on a "trip level" and these transportation manifests were provided to Mr. Rausch. It is the Organization's belief that this documentation was not thoroughly reviewed. In an effort to be fair to the findings of the State and since we are unable to reconcile our amounts to the State, PFP cannot reasonably comment on this questioned cost of $5,634 having no viable evidence on how it was derived. The Organization's belief is that the finding is incorrect.

Finding -6: Salaries

The Organization understands that the BFO believes that two employees' salaries and related benefits were inappropriately charged to the EARN Program. The Organization disagrees. The employees identified devote 100% of their time to the EARN program and the Organization's records do not substantiate the BFO belief and therefore the Organization rejects the questioned cost of $35,958.

Finding -7: CCC General Ledger Entries

The Organization disputes this finding and since the closing conference referenced in this draft report on October 17, 2008, did not occur, the Organization did not have the opportunity to refute this finding.

Observation

A ruling has been requested in regard to certain checks that were issued and were outstanding for more than 90 days.

Response:

The Organization maintains that the checks in question were, in fact, EARN Center expenses. The Organization has determined that none of these checks were voided and re-issued and that the Organization is within the Commonwealth of Pennsylvania's Escheat Law period of two years and therefore, are not required to return the funds to the state. The Organization is of the belief that these checks will be cleared in the future and has moved them to an outstanding liability account on the books.

EXHIBIT B

PEOPLE FOR PEOPLE
CHARGES RELATED TO SNYDER AVENUE EARN CENTER
BUILDING PURCHASED AT 1226 S. BROAD STREET
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2008

Rental Income Charged to PFP by GEBC Note: Rent has been accrued through September 2008 because DPW audit not yet complete	$ 84,000
Security Deposit Paid by GEBC for 1226 S. Broad Street	$ 10,500
Deposit on 1226 S. Broad Street Paid by PFP and posted as a capital expense	90,000
Total Expenses Not Previously on PFP/EARN Center G/L	**$ 184,500**

Note: $ 10,158 of expenses were incurred in June 2007 for the Snyder Avenue Earn Center - these expenses were charged to the 2007 Earn Contract and as such, do not specifically appear as charged to Snyder Avenue.

EXHIBIT C

PEOPLE FOR PEOPLE
CONSTRUCTION IN PROGRESS EXPENSES
FOR THE EARN CENTER AT 700 N. BROAD STREET

Date	Num	Name	Memo	Amount	
07/05/2006	007481	[redacted]	Professional Services from 06/1/2006-06/30/2006	376.00	
07/21/2006	0058799	[redacted]	700-702 N Broad Street	272.50	
08/08/2006	0008242	[redacted]	Professional Services from 7/1/06-7/31/06	376.00	
08/18/2006	10299	[redacted]	700 Bldg Zoning Application	520.00	
08/22/2006	0059862	[redacted]	700-702 N Broad Street	941.11	
09/13/2006	0009022	[redacted]	Professional Services from 8/1/06-8/31/06	5,282.90	
09/22/2006	0060687	[redacted]	700-702 N Broad Street	5,355.60	
10/10/2006	0009852	[redacted]	Professional Services from 9/1/06-9/30/06	13,006.61	
10/17/2006	10447	[redacted]	700 Bldg Water Flow Test permit	350.00	
10/23/2006	0061763	[redacted]	700-702 N Broad Street	1,137.69	
11/02/2006	Nov06	[redacted]	Invoice No. 3	2,500.00	
11/06/2006	0010571	[redacted]	Professional Services from 10/1/06-10/31/06	18,593.31	
11/22/2006	0062715	[redacted]	700-702 N Broad Street 10/01/06-10/31/06	1,426.66	
12/01/2006	0002682	[redacted]	700 N. Broad Street Facade	4,400.00	
12/01/2006	0002890	[redacted]	700 N. Broad Street Facade	1,100.00	
12/07/2006	0011308	[redacted]	Professional Services from 11/1/06-11/30/06	9,258.00	
12/22/2006	0063615	[redacted]	700-702 N Broad Street 11/01/06-11/30/06	2,495.40	
12/31/2006	FYE#20	[redacted]	To accrue [redacted] Invoice at FYE.	3,361.50	
01/22/2007	0064556	[redacted]	700-702 N Broad Street 12/01/06-12/31/06	130.87	
01/26/2007	0015567	[redacted]	Geotechnical Investigation at 700 N. Broad St	3,180.00	
03/01/2007	0013453	[redacted]	Professional Services from 02/1/2007-02/23/2007	752.00	
04/04/2007	0014653	[redacted]	Professional Services from 032/24/2007-03/23/2007	1,512.35	
04/30/2007	05508PA-0015267	[redacted]	Professional Services from 03/24/2007-04/20/2007	13,488.42	
05/08/2007	071015-001	[redacted]	Materials and labor cost- 700 Bldg	26,515.35	
05/25/2007	0002	[redacted]	Materials and labor cost- 700 Bldg	57,853.95	
06/04/2007	0016240	[redacted]	Professional Services from 04/21/2007-05/18/2007	6,238.57	
06/08/2007	61224	[redacted]	700 Building Rewiring and Rework	5,280.00	
06/15/2007	52020789	[redacted]	Job #4620029607/01300 146200296	1,727.00	
06/15/2007	5200790	[redacted]	Job #4620029605/01300 146200296	8,248.00	
06/26/2007	0003	[redacted]	Materials and labor cost- 700 Bldg	59,392.29	
08/02/2007	0010	[redacted]	Materials and labor cost- 700 Bldg	30,573.97	
08/02/2007	0012	[redacted]	Materials and labor cost- 700 Bldg	9,175.57	
09/27/2007	071036	[redacted]	Materials and labor cost- 700 Bldg	1,565.55	
				296,387.17	Subtotal through 6/30/2007
12/06/2007	700 N. Broad Street	[redacted]	Supply and Install Electric heat packages	6,997.19	
03/12/2008	05508pa-0023021	[redacted]	Professional Services from 02/2/2008-02/29/2008	400.00	
04/08/2008	183196	[redacted]	Project #174810111, 700 N. Broad Street	3,356.46	
04/11/2008	05508PA-0023991	[redacted]	Professional Services from 03/01/08 - 03/31/08	51.89	
05/08/2008	05508PA-0024633	[redacted]	Professional Services from 03/29/08-04/25/08	376.00	
05/29/2008	AIA 001	[redacted]	700 Building WIP	37,660.00	
06/11/2008	05508PA-0025456	[redacted]	Professional Services from 04/26/08-05/30/08	752.00	
07/07/2008	002-7/07/08	[redacted]	700 Building WIP	133,695.00	
07/11/2008	0026203	[redacted]	Professional Services from 05/31/08-06/27/08	5,377.28	
				188,665.82	Subtotal through 6/30/2008
				485,052.99	Total 6/30/2007 and 6/30/2008

EXHIBIT D

PEOPLE FOR PEOPLE
CONSTRUCTION IN PROGRESS EXPENSES
FOR THE EARN CENTER AT 700 N. BROAD STREET

Date	Num	Name	Memo	Amount
07/05/2006	007481	[redacted]	Professional Services from 06/1/2006-06/30/2006	376.00
07/21/2006	0058799	[redacted]	700-702 N Broad Street	272.50
08/08/2006	0008242	[redacted]	Professional Services from 7/1/06-7/31/06	376.00
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11/02/2006	Nov06	[redacted]	Invoice No. 3	2,500.00
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11/22/2006	0062715	[redacted]	700-702 N Broad Street 10/01/06-10/31/06	1,426.66
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12/07/2006	0011308	[redacted]	Professional Services from 11/1/06-11/30/06	9,258.00
12/22/2006	0063615	[redacted]	700-702 N Broad Street 11/01/06-11/30/06	2,495.40
12/31/2006	FYE#20	[redacted]	To accrue [redacted] invoice at FYE.	3,361.50
01/22/2007	0064556	[redacted]	700-702 N Broad Street 12/01/06-12/31/06	130.67
01/26/2007	0015567	[redacted]	Geotechnical Investigation at 700 N. Broad St	3,180.00
03/01/2007	0013453	[redacted]	Professional Services from 02/1/2007-02/23/2007	752.00
04/04/2007	0014653	[redacted]	Professional Services from 032/24/2007-03/23/2007	1,512.35
04/30/2007	05508PA-0015267	[redacted]	Professional Services from 03/24/2007-04/20/2007	13,488.42
05/08/2007	071015-001	[redacted]	Materials and labor cost- 700 Bldg	26,515.35
05/25/2007	0002	[redacted]	Materials and labor cost- 700 Bldg	57,853.95
06/04/2007	0016240	[redacted]	Professional Services from 04/21/2007-05/18/2007	6,238.57
06/08/2007	61224	[redacted]	700 Building Rewiring and Rework	5,280.00
06/15/2007	52020789	[redacted]	Job #4620029607/01300 146200296	1,727.00
06/15/2007	5200790	[redacted]	Job #4620029605/01300 146200296	8,248.00
06/26/2007	0003	[redacted]	Materials and labor cost- 700 Bldg	59,392.29
08/02/2007	0010	[redacted]	Materials and labor cost- 700 Bldg	30,573.97
08/02/2007	0012	[redacted]	Materials and labor cost- 700 Bldg	9,175.57
09/27/2007	071036	[redacted]	Materials and labor cost- 700 Bldg	1,565.55
12/06/2007	700 N. Broad Street	[redacted]	Supply and install Electric heat packages	6,997.19
03/12/2008	05508PA-0023021	[redacted]	Professional Services from 2/2/2008-2/29/2008	400.00
04/08/2008	183196	[redacted]	Project #174810111, 700 N. Broad Street	3,356.46
04/11/2008	05508PA-0223991	[redacted]	Professional Services from 3/1/08-3/31/08	51.89
05/08/2008	05508PA-0024633	[redacted]	Professional Services from 3/29/08-4/25/08	376.00
05/29/2008	AIA 001	[redacted]	700 Building WIP	37,660.00
06/11/2008	05508PA-0025456	[redacted]	Professional Services from 4/26/08-5/30/08	752.00
07/07/2008	002-7/07/08	[redacted]	700 Building WIP	133,695.00
07/11/2008	0026203	[redacted]	Professional Services from 5/31/08-6/27/08	5,377.28
				485,052.99

EXPENSES INCURRED IN THE PURCHASE
OF THE BUILDING AT 1226 S. BROAD STREET

Rental Income Charged to PFP by GEBC for the period 2/08 through 9/08 @ 10,500 per month	84,000.00
Security Deposit Paid by GEBC and then charged to PFP	10,500.00
Deposit for renovations paid by PFP	90,000.00
	184,500.00

TOTAL EXPENSES INCURRED FOR BOTH PROJECTS	669,552.99

PLEASE NOTE THAT EXHIBITS "E" AND "F" HAVE ALREADY BEEN SUBMITTED AND IDENTIFIED AS COPIES OF THE MINUTES OF THE BOARD OF DIRECTORS OF PFP, INC. AND THE MINUTES OF THE BOARD OF DEACONS OF GEBC

EXHIBIT G

PEOPLE FOR PEOPLE, INC.
COMPARABLE LEASE ANALYSIS

Comparable No.	Property/Location	LL/Tenant Leased Area (SF)	Leasable Area (SF) Renovation Year	Land Area (Ac/SF)	Commencement Term (Years)	Lease Structure	Average Annual Escalations	Rent Rate Per SF
1	Charter School [redacted]	[redacted]	67,000 2007	4.62 201,247	September 1, 2007 N/Av	NNN	N/A	$13.74
2	Charter School [redacted] Philadelphia, PA	[redacted]	47,371 2007	0.71 31,105	October 16, 2007 5	NNN	2.00%	$9.75
3	Charter School [redacted]	[redacted]	50,000 2005	1.77 77,101	September 1, 2005 24	NNN	5.00%	$12.76
4	Charter School [redacted] Philadelphia, PA	[redacted]	62,023 2006	N/Av N/Av	August 1, 2006 10	NNN	2.30%	$13.00

Summary

	Commencement	Leasable Area (SF)	Term	Annual Esc.	Term (Years)	Rent Rate
Low	September 1, 2005	47,371	5	2.00%	5	9.75
High	October 16, 2007	67,000	24	5.00%	24	13.7
Average	December 4, 2006	56,599	13	3.10%	13	$12.31

Appraiser's Estimate

	Property/Location		Leasable Area (SF) Renovation Year	Land Area (Ac/SF)	Commencement Term (Years)	Lease Structure	Average Annual Escalations	Rent Rate Per SF
Subject	[redacted] Charter High School [redacted] Philadelphia, PA	Current Estimate	142,743 1940/2008	0.88 38,111	July 1, 2008 10	NNN	3.00%	$13.00

Charge Per SF	Average Occupancy in Sq. Ft.	Total Rent	
$16.31	20,000	$326,250	714 Building
	18,600	303,413	800 Building
		$629,663	

EXHIBIT H

PEOPLE FOR PEOPLE
SCHEDULE OF AUDIT ADJUSTMENTS, AS PROPOSED BY THE STATE
WITH RESPONSE AMOUNTS INDICATED

	June 30, 2007	June 30, 2008
Snyder District Expenses	$500,000	$0
Ridge District Expenses	167,456	-
800 North Broad Common Expenses	292,155	280,339
800 North Broad-2% Occupancy	10,062	44,521
712 North Broad-Rent to GEBC	240,130	254,088
Transportation Expense to GEBC	-	5,634
Salaries-Incorrect Allocation	-	35,985
Voided Checks	-	12,729
	1,209,803	633,296
Less: Expenses Related to 1226 S. Broad Street		(184,500)
Less: Construction Costs at 700 N. Broad Street	(296,387)	(188,666)
Less: Fair Market Value of Rental Property in Vicinity of 800 N. Broad Street-18,600 sq. ft used	(303,413)	(303,413)
Less: Fair Market Value of Rental Property in Vicinity of 712 N. Broad Street-20,000 sq. ft used	(326,250)	(326,250)
Less: Amount Claimed for Carpet Replacement		(13,461)
Less: Amount of Voided Checks Above	-	(12,729)
	$283,753	**-$395,723**

Following the above calculations, it would appear that the State, over a two-year period, was undercharged by PFP by $ 111,970.

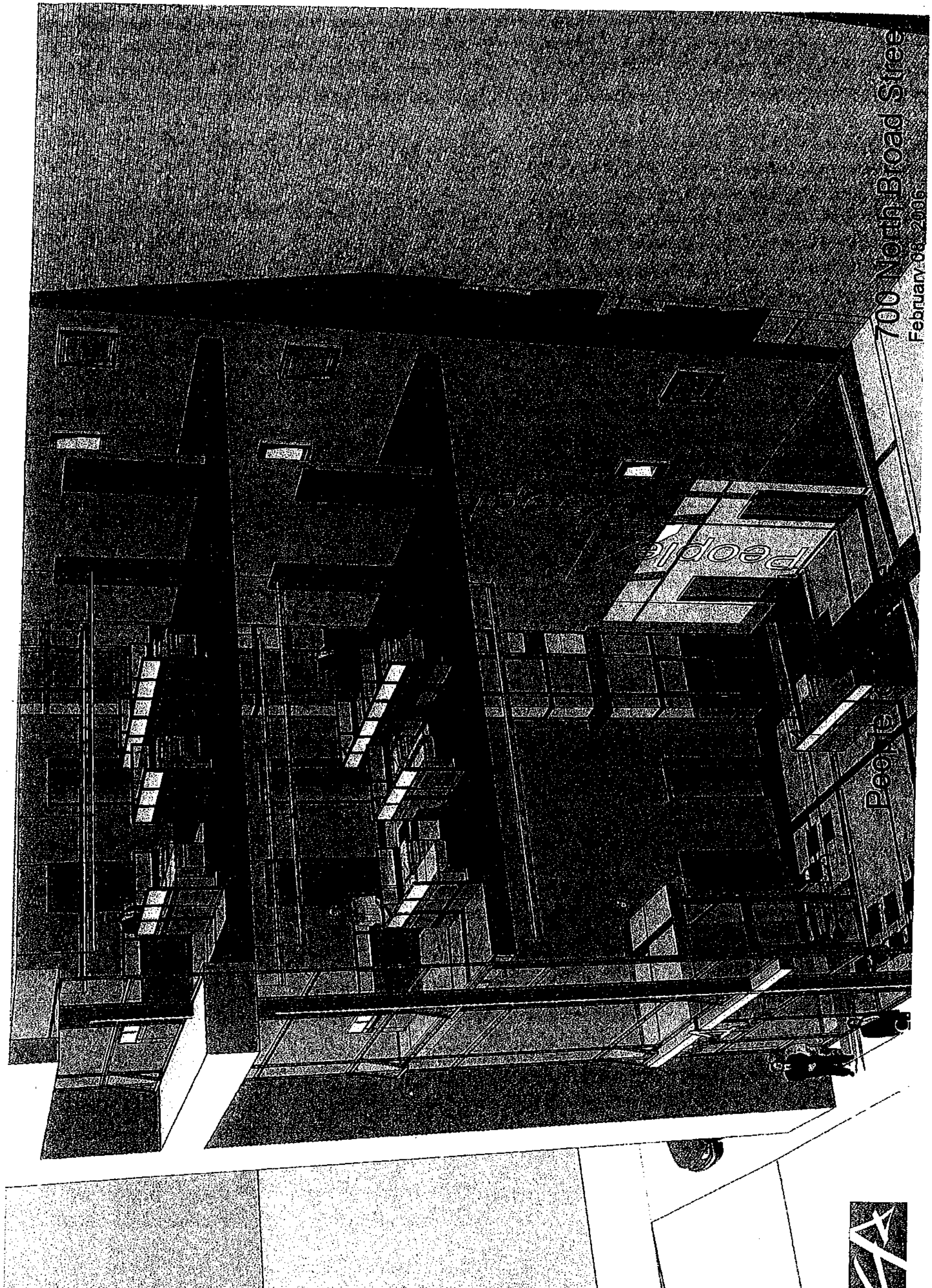
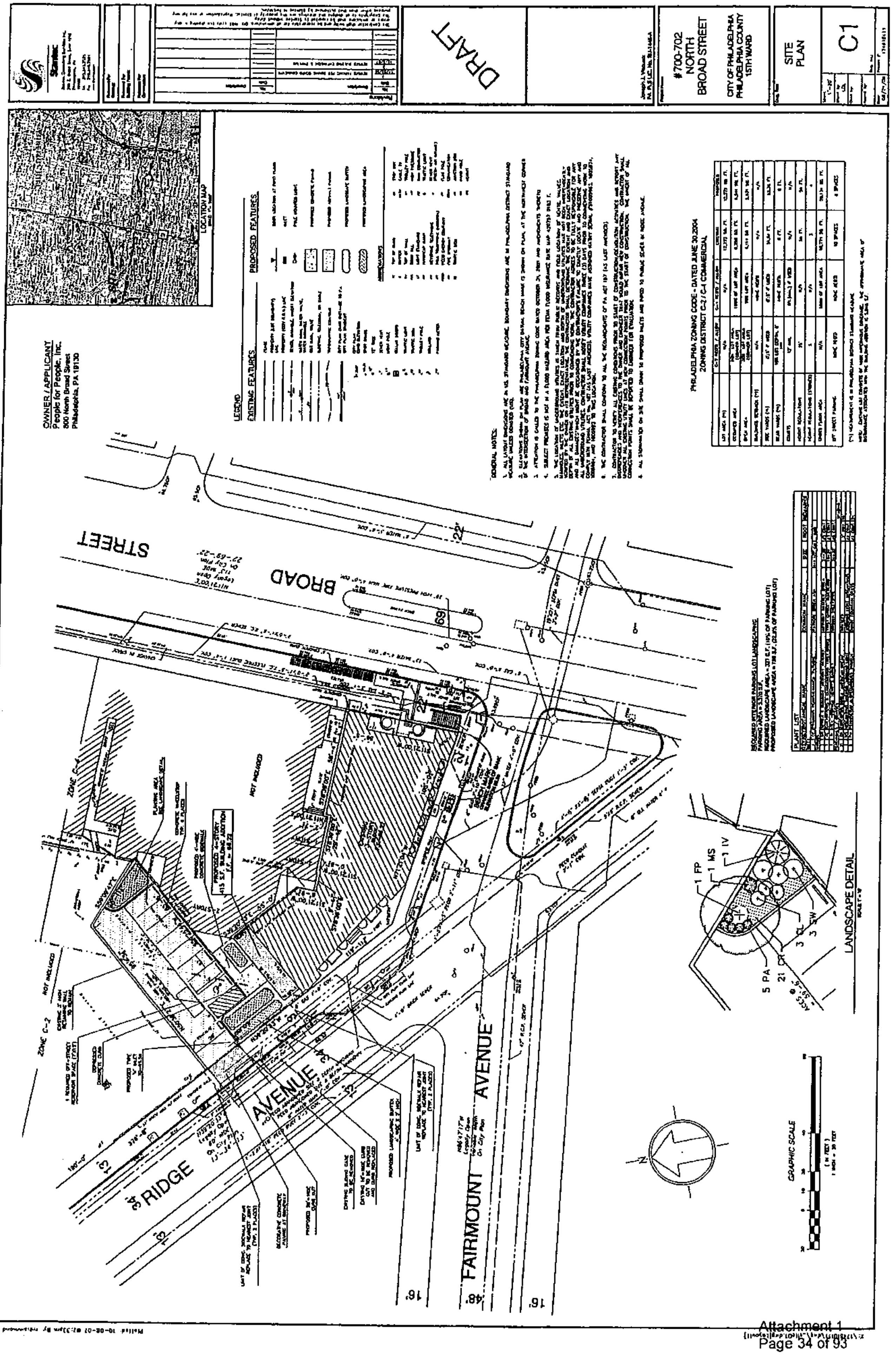
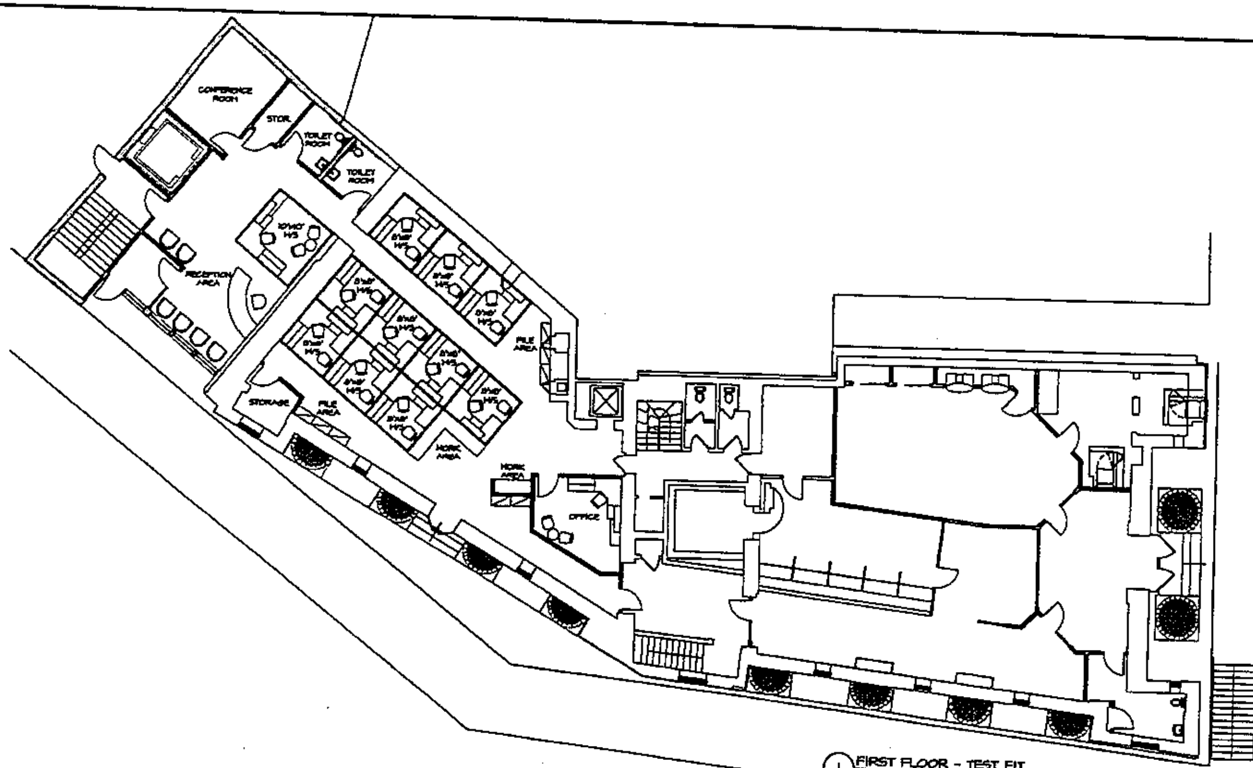


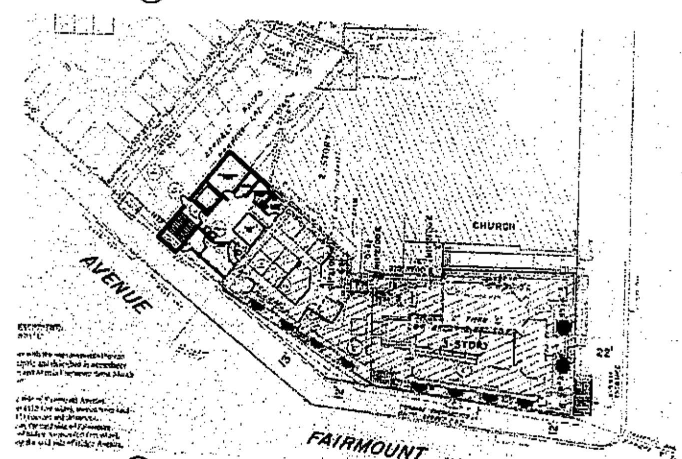
EXHIBIT "I"



Stantec
DRAFT
#700-702 NORTH BROAD STREET
CITY OF PHILADELPHIA PHILADELPHIA COUNTY 15TH WARD
SITE PLAN
C1
OWNER / APPLICANT
People for People, Inc.
800 North Broad Street
Philadelphia, PA 19130
LOCATION MAP
LEGEND
EXISTING FEATURES
PROPOSED FEATURES
GENERAL NOTES:
PHILADELPHIA ZONING CODE - DATED JUNE 30 2004
ZONING DISTRICT C-2 / C-4 COMMERCIAL
BROAD STREET
RIDGE AVENUE
FAIRMOUNT AVENUE
ZONE C-4
ZONE C-2
NOT INCLUDED
LANDSCAPE DETAIL
GRAPHIC SCALE



1 FIRST FLOOR - TEST FIT



2 KEY PLAN
N.T.S.

PROGRAM SUMMARY	
Room / Space	Plan Quantity
RECEPTION	1
CONFERENCE ROOMS	3
NEW TOILET ROOMS (2 PER FLR.)	6
STORAGE CLOSETS	4
OFFICE	1
CONFERENCE AREA	2
FILE AREAS	3
WORK AREAS	3
8'-6"X8'-6" CUBICLES	36
10'-0"X10'-0" CUBICLES	3

PROGRAM SUMMARY			
FLOOR	EXISTING SQFT.	NEW SQFT.	TOTAL SQFT.
FLOOR 1	1,751	1,291	3,042
FLOOR 2	N/A	N/A	N/A
FLOOR 3	2,453	1,427	3,880
FLOOR 4	1,802	1,427	3,229
TOTAL	6,006	4,145	10,151

Cubellis Associates Inc.

TITLE
FIRST FLOOR
TEST FIT

SCALE
AS NOTED

DRAWN BY PAV
CHECKED BY WW

PEOPLE FOR PEOPLE
700 NORTH BROAD STREET
PHILADELPHIA, PA

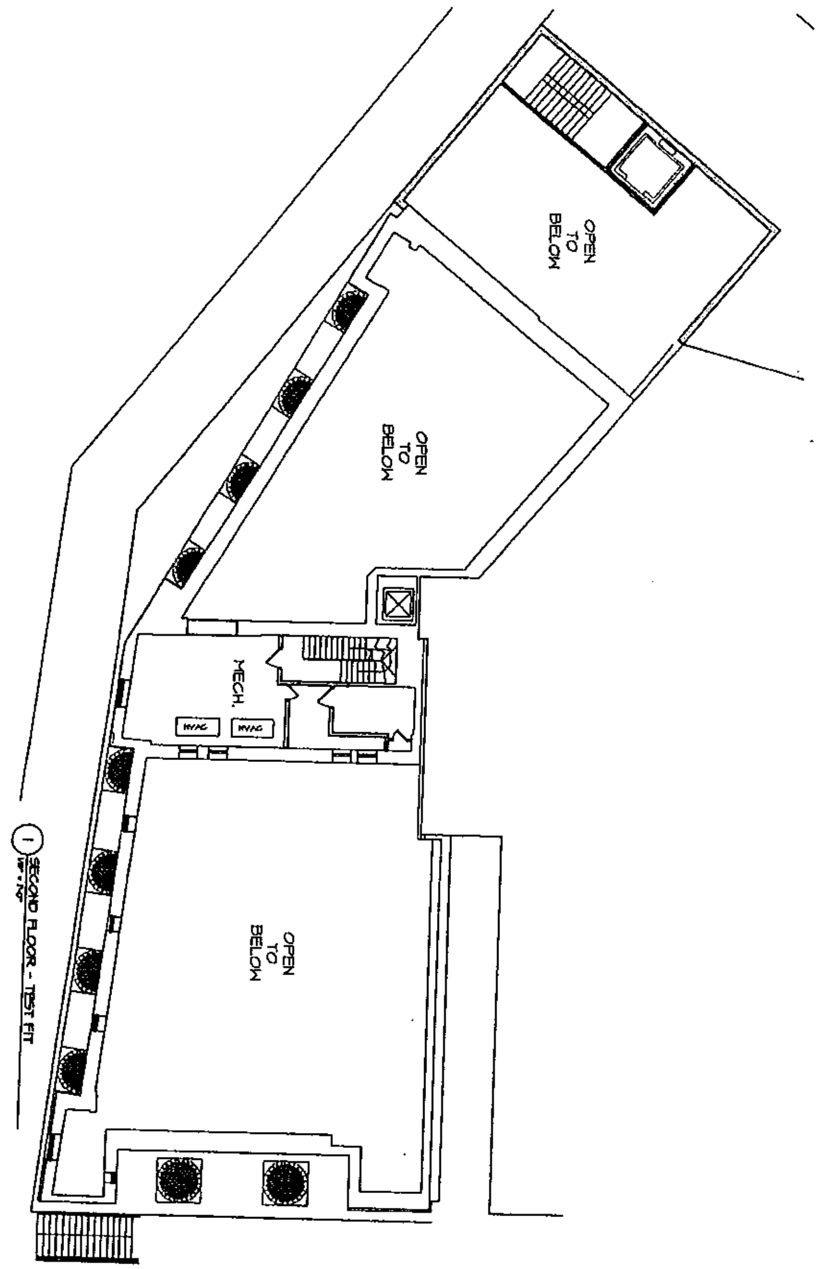
OWNER
PEOPLE FOR PEOPLE

PROJECT NORTH

NO	DATE	REVISIONS

TF-1

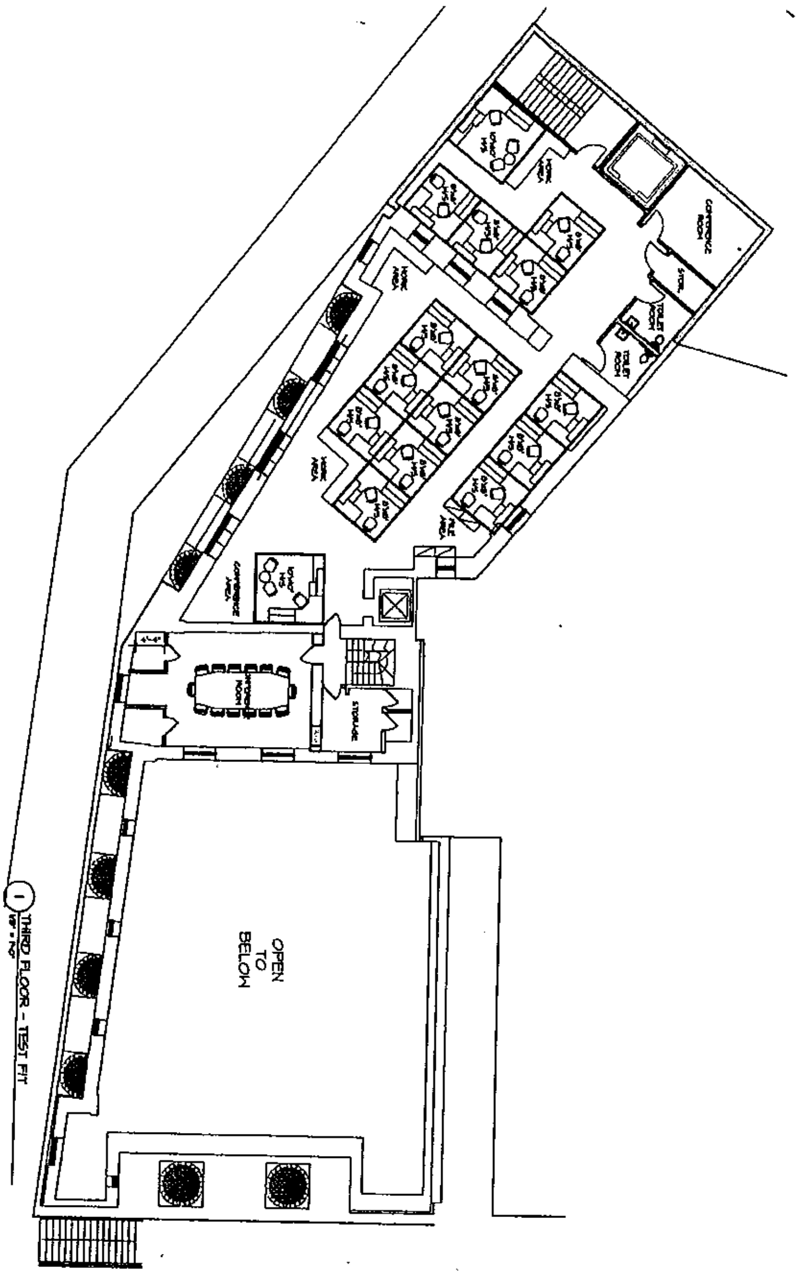
05308PA



0500PA	TF-1	Cubellis Associates Inc.	SECOND FLOOR TEST FIT	PEOPLE FOR PEOPLE 700 NORTH BROAD STREET PHILADELPHIA, PA
		DRAWN BY PAV / CHECKED BY WW	SCALE AS NOTED	OWNER PEOPLE FOR PEOPLE

PROJECT NORTH

NO	DATE	REVISIONS



Cubellis Associates Inc.

THIRD FLOOR
TEST FIT

PEOPLE FOR PEOPLE

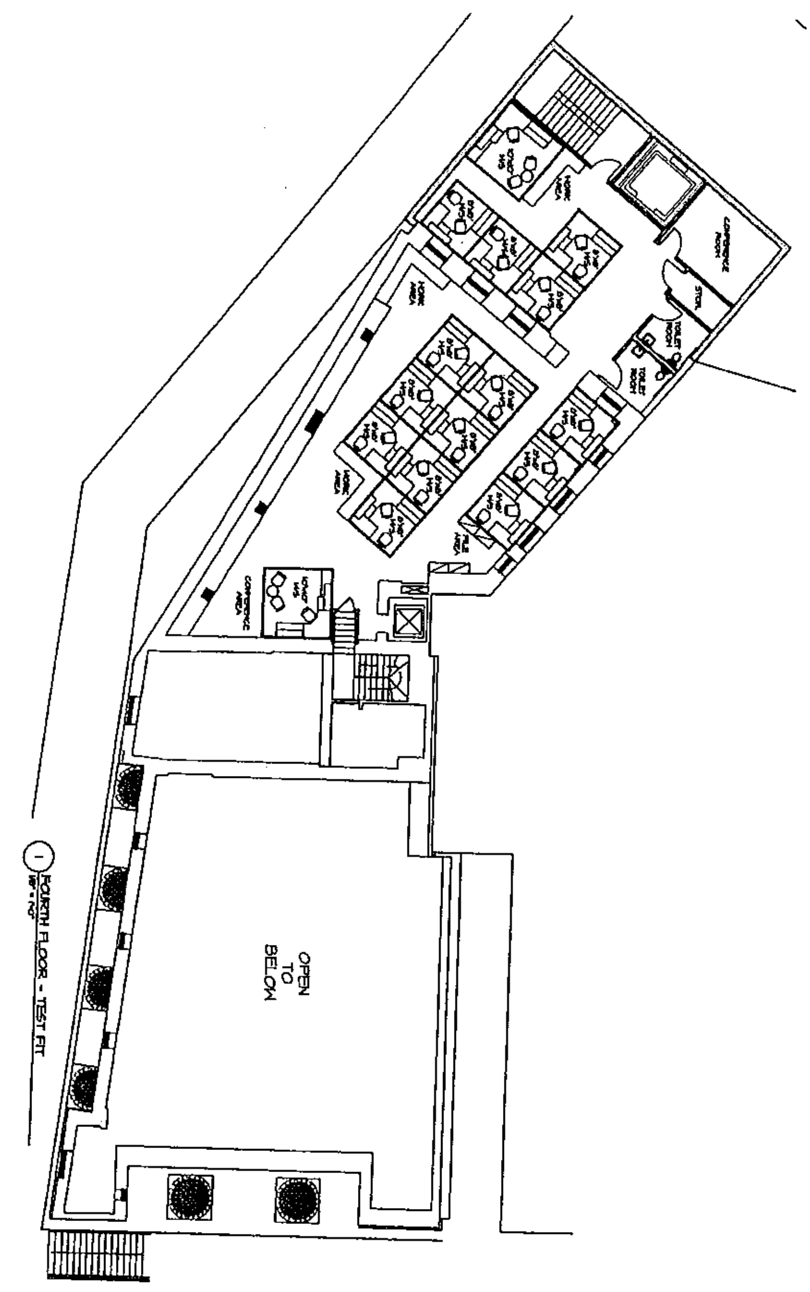
700 NORTH BROAD STREET
PHILADELPHIA, PA

DRAWN BY PAV | CHECKED BY WW | SCALE AS NOTED

OWNER: PEOPLE FOR PEOPLE

PROJECT NORTH

TF-1



0500BPA	TF-1	Cubellis Associates Inc.	TITLE: FOURTH FLOOR TEST FIT	PEOPLE FOR PEOPLE 700 NORTH BROAD STREET PHILADELPHIA, PA
		DATE: 3.8.05 · DRAWN BY: PAV · CHECKED BY: WW	SCALE: AS NOTED	OWNER: PEOPLE FOR PEOPLE

PROJECT NORTH

NO	DATE	REVISIONS

EXHIBIT "J"

Donna Powers

From: Higgins, Daniel J. [dahiggins@state.pa.us]
Sent: Thursday, October 09, 2008 9:25 AM
To: Donna Powers
Subject: FW: RENT: Cost versus FMV: Let's put it to rest and move on.

Thank You,
Daniel Higgins

-----Original Message-----
From: Higgins, Daniel J.
Sent: Thursday, October 09, 2008 9:23 AM
To: 'priseebadri@[redacted]'; ':[redacted];
[redacted]'; 'kharris@peopleforpeople.org'
Cc: Crofcheck, Thomas P; Rausch, Timothy N.; Piccolo, Joseph L.
Subject: RE: RENT: Cost versus FMV: Let's put it to rest and move on.

It is DPW and BFO position that related party rent is to be reimbursed at the lesser of fair market value or actual cost. This conclusion was reached after discussions with the Office of Income Maintenance (OIM).The contract between PWDC and state agencies requires subcontractors to be in compliance with OMB Circular A-122,"Cost Principles for Non-Profit Organizations." Attached is a web link to this document and copy to the section we our referring.
At this time we need to review the documents Donna has compiled pertaining to the actual cost incurred by Greater Exodus Baptist Church. After which we most likely will need a second tour of the church complex.

1. A link to the OMB A-122 document.

http://www.whitehouse.gov/omb/circulars/a122/a122.html

2. The section of the OMB document that references related party rent.

46. Rental costs.

a. Subject to the limitations described in subparagraphs b through d, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased.

b. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property.

c. Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of an organization; (ii) organizations under common control through common officers, directors, or members; and (iii) an organization and a director, trustee, officer, or key employee of the organization or his immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.

d. Rental costs under leases which are required to be treated as capital leases under GAAP, are allowable only up to the amount that would be allowed had the organization purchased the property on the date the lease agreement was executed, i.e., to the amount that minimally would pay for depreciation or use allowances, maintenance, taxes, and insurance. Interest costs related to capitalized leases are allowable to the extent they meet criteria in subparagraph 23.a. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the organization purchased the facility

Thank You,
Daniel Higgins

-----Original Message-----
From: Crofcheck, Thomas P
Sent: Monday, October 06, 2008 4:12 PM
To: Higgins, Daniel J.
Subject: FW: RENT: Cost versus FMV: Let's put it to rest and move on.

-----Original Message-----
From: Pri [mailto:priseebadri[redacted]]
Sent: Sunday, October 05, 200[redacted]
To: Dan Higgins; Crofcheck, Thomas P
Cc: Keith Harris; Robin Eglin; Donna Powers; Danavan West; Bruce Braunewell; Vincent P. Reilly
Subject: RENT: Cost versus FMV: Let's put it to rest and move on.

Dan and Tom,

Robin asked me to follow up with you guys on this matter. On Monday, Dan indicated that he was going to review the Income and Maintenance guidelines regarding the rent matter. Firstly, I am requesting a status on your research and secondly, I am respectfully requesting that BFO "yield" on this matter for the following reasons.

1. In questioning this cost, PFP was "under the impression" and/or led to believe by Tim that because of the related party matter, the rent amount should be the lesser of "fair market value versus the cost basis" and a collective "assumption" was made that a "circular" or some acceptable authority formed the basis of this authority.

2. At our July 2, 2008 meeting (Dan, Tim, Keith, Donavan and myself were present), Tim "pointed" to the "promotion of religious activity" clause in the contract.(to Pastor Lusk when he "stopped by" the meeting for a moment.

3. On Monday, September 29, 2008, after Donna requested the explicit "authority" that led BFO to draw its conclusion, Dan "pointed to" the "inure profit" clause in our PWDC contract.

Notwithstanding all the discussion about the separation of church and state, TIm's legal credentials and everything else that was "riichly" discussed, I think Dan both wisely and prudently suggested that he will explore further for some written basis, maybe somewhere else in the DPW universe that provides the explicit basis for this conclusion.

I have read more this last week (more than my 3 Ivy League degrees) searching for something explicit. I have found as much as the Eagles got when they ran the ball 3 times on Chicago's 1 yard line (that still hurts, more than the Cowboys game and now the Redskins too!!) - nothing.

Here's my quick top ten list behind our thoughts.

1. There is no federal accounting circular to support this conclusion.
2. There is no state guideline (that I have found) that bolster's this rationale.
3. The PWDC contract is "silent" on this.
4. Industry-wide, rental contracts and rental agreements utilize fair market value as an "acceptable standard".
5. This has been a historical rental arrangement between these parties that precedes these contracts.
6. PWDC has historically accepted "fair market value" as the standard as well as the rental agreement.

7. The PFP proposal that was submitted discussed this partnership extensively in order to build the neighborhood based center within a contiguous, campus framework as prompted by the EARN RFP.
8. The PFP proposal has been widely acclaimed (by the Governor himself) as the best EARN Center proposal that captures the EARN vision.
9. We remain an extremely high performing EARN Center (as we shared the citywide results with you).
10. As Donna indicated, we will provide you a reasonable, fair market value analysis.

Dan and Tom, with the myriad issues that we are committing to put to rest this week to bring this audit to closure, I am respectfully requesting that arrive at an expeditious and satisfactory "conceptual" resolution. If not, please forward me or point me to the "authority" that your rationle is grounded in. Donna mentioned that October 15, 2008 is an absolute deadline. My fear is that I am unsure what it will take to complete a full and thorough analysis of GEBC's costs. Are cost allocation methodology questions going to arise here as well. This may support the rent charges anyway. I'm just trying to be practical.

Regards,
Pri
Pri

EXHIBIT "K"

You replied on 1/12/2009 4:37 PM.
The sender of this message has requested a read receipt. Click here to send a receipt.

Donna Powers

From:	Crofcheck, Thomas P [tcrofcheck@state.pa.us]	**Sent:**	Mon 1/12/2009 4:27 PM
To:	Donna Powers; Higgins, Daniel J.		
Cc:			
Subject:	RE: People For People		
Attachments:			

I highlighted the section below that applies. Reread the BFO report. The findings support our position that management's actions or lack of action have inhibited PFP from pursing their own interests.

---Original Message-----
From: Donna Powers [mailto:[redacted]]
Sent: Monday, January 12, 2009 4:08 PM
To: Higgins, Daniel J.
Cc: Crofcheck, Thomas P
Subject: RE: People For People

I'm sorry but I don't follow you. I understand what you sent. I simply don't know how your reading of the Statement bolsters your position that there are related parties involved here..

SFAS 57 defines "related parties" as follows:

Affiliates of the enterprise; entities for which investmens are accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interest. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

If there are no transactions between related party entities but there is a circumstance of common control between them, SFAS 57 does require disclosures. Further, a nonprofit organization should be aware that the SFAS 57 definition of related party disclosures does, in fact, include an organization's management and members of management's immediate family, as well as affiliated entitties. As such, under Statement 57, certain transactions with brother-sister organizations and certain national and local affiliates as well as entities whose officers or directors are members of the nonprofit governing board, may have to be disclosed.

The Statement goes on further to describe examples of related party transactions and disclosures. Our feeling is that the State has to prove the existence of a "related party" before we would have to delve into further paragraphs of the Statement. We have provided you with distinct documentation that clearly shows that governance of the nonprofit entities in question is in no way commingled. We have shown you that because of this separation, there is no common control. Therefore, having shown that there is no related party relationship, we would have no related transactions.

Forgive me if I seem at a loss, Dan, but I don't think FASB 57 supports your position in any way. In fact, I believe that it fully supports our position.

Please let me know your thoughts.

Donna

Donna Scamby-Powers, CPA

Director

[redacted]

From: Higgins, Daniel J. [mailto:dahiggins@state.pa.us]
Sent: Mon 1/12/2009 2:11 PM
To: Donna Powers
Cc: Crofcheck, Thomas P
Subject: FW: People For People

See response below.

Thank You,

Daniel Higgins

-----Original Message-----
From: Crofcheck, Thomas P
Sent: Monday, January 12, 2009 2:02 PM
To: Higgins, Daniel J.
Subject:

People For People is required to follow OMB Circular A-122.

OMB Circular A-122 under A. Basic Considerations, 2 –(e) requires allowable costs be determined in accordance with generally accepted accounting principles (GAAP).

The Financial Accounting Standards Board (FASB) is the highest authority in establishing GAAP for non-profit entities.

According to Appendix A -9 of FAS 57 the FASB was asked to provide the guidance needed on related parties since guidance was not provided in the authoritative literature on GAAP.

[redacted]

EXHIBIT "L"

Greater Exodus Baptist Church

www.gebch.com

Herbert H. Lusk, II, Pastor
704-714 N. Broad Street
Philadelphia, PA 19130
Office: (215) 235-1394
Fax: (215) 235-6435

January 26, 2009

To Whom It May Concern:

I am the Chairman of the Board of Deacons of Greater Exodus Baptist Church located at 701 N. Broad Street, Philadelphia, Pennsylvania. As Chairman, I am vested with authority over the business of the entire congregation as well.

I am writing this letter to you on behalf of our Deacon Board and all of the members thereto. The purpose of this letter is to clarify the independence of our organization from People for People, Inc. Although the two organizations have a common thread, Reverend Herbert H. Lusk II, we operate our organization and make business decisions independently without influences from our spiritual leader, Rev. H. H. Lusk, II

In the 27 years Rev Lusk has been Pastor of our Church he has attended approximately one (1) meeting per year of the monthly Deacon Board meetings and none of them involved any business matters of the Church.

We conduct business with People for People, Inc. as well as other organizations in the neighborhood. When we do, it is always done in an arms-length manner and always aware and committed to even prevent any possible impression of imprudence.

Governance in the Baptist Church is an over 200 year tradition and hopefully, this explanation will assist interested parties in understanding how our church functions. GEBC remains strictly within the governance parameters of American Baptist policy, rules and regulations. GEBC is governed exclusively by its Board of Deacons.

All financial matters and transactions are conducted according to generally accepted business practices ensuring that all business dealings and transactions are "arms length transactions". In any and all business dealings and transactions, GEBC always – and this is ensured through its governance structure, internal controls and checks and balances – acts in its own self interest and is not subject to any pressure or duress from the any other party including our beloved Pastor, Rev. Dr. H. H. Lusk, II.

GEBC maintains that only through "arms length transactions" can fair and equitable business be consummated. In the real estate arena, only through such "arms length transactions can fair market value be achieved. (GEBC is active in purchasing real estate, obtaining mortgages, etc).

With respect to the lease of space to People For People that is currently used by the EARN Center, please find attached comparative data on rental values for similar space. An analysis will show that the current lease, which was grandfathered many years ago is currently well below market value. A lease, at any lesser value, in today's environment would inflict an insurmountable hardship on the church.

Attachment 1

[redacted]

This letter's intent is to affirm the independence and the independent governance of GEBC. In all, our decision making process has been fair and unclouded by any outside forces other than the members of our Deacon Board.

Sincerely,

[redacted]

[redacted]

Chairman
GEBC, Board of Deacons

[redacted]

EXHIBIT "M"

Filed with the Department of State
on September 25, 1991.
ROBERT M. GRANT
Deputy Secretary of the Commonwealth

ARTICLES OF INCORPORATION - DOMESTIC NONPROFIT CORPORATION
DSCB:15-5306 (Rev 89)

In compliance with the requirements of 15 Pa. C.S. §5306 (relating to articles of incorporation), the undersigned, desiring to incorporate a nonprofit corporation, hereby states that:

1. The name of the corporation is PEOPLE FOR PEOPLE, INCORPORATED.

2. The address of this corporation's initial registered office in this Commonwealth is 714 North Broad Street, Philadelphia, PA 19130.

3. The corporation is incorporated under the Nonprofit Corporation Law of 1988 for the following purpose or purposes: To use a wholistic approach to assist families, signle mothers, children, teenagers, drug addicts and those ensnared in the web of a self-perpetuating cycle of poverty by economic, educational, cultural, psychological and spiritual help.

4. The corporation does not contemplate pecuniary gain or profit, incidental or otherwise.

5. The corporation is organized exclusively for charitable, religious and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (3) of the Internal Revenue Code or corresponding section of any future federal tax code.

6. The corporation is organized upon a nonstock basis.

7. The name and address of each incorporator is:

Name: [redacted] Address: [redacted]

8. No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 3 hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activites not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170 (c) (2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

9. Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501 (c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

IN TESTIMONY WHEREOF, the incorporator has signed these Articles of Incorporation this 23rd day of September, 1991.

[redacted]

AMENDMENT TO THE ARTICLES OF INCORPORATION

3. The Corporation is incorporated under the Nonprofit Corporation Law of 1988 for the following purpose or purposes:

a. To use a wholistic approach to assist families, single mothers, children, teenagers, drug addicts and those ensnared in the web of a self-perpetuating cycle of poverty by economic.

b. The Corporation will receive and administer funds exclusively for educational and charitable purposes without pecuniary gain or profit, incidental, or otherwise to its members. Its purpose shall be to assist in the development of projects, undertakings, studies, and other activities in cooperation and in coordination with local government and civic bodies for the elimination of slums, blight, and blighting influences, and to aid, assist, and foster the planning, replanning, development, renewal, redevelopment, and improvement of the area which includes all of Philadelphia Metropolitan Area, all for the primary purpose of combating community deterioration and securing adequate housing, community facilities and other related facilities, services, and conditions, economics, and otherwise, conductive to the progress and general welfare of the community and to that end:

c. To take, accept, hold and acquire by request, devise, gift, purchase, loan or lease any property, real, personal or mixed, whether tangible intangible, without limitation as to kind, amount or value.

d. To sell, convey lease or make loans, grants or pledges of my such property, or any interest therein or proceeds therefrom, and to invest, and reinvest the principal thereof and receipts therefrom, if any.

e. To borrow money upon and pledge of mortgage any such property for any purpose for which it is organized and to issue notes, bonds or other forms of ineptness to secure any of its obligations.

f. To aid and assist in clearing, rebuilding, and rehabilitating blighted, deteriorated areas or structures.

O. To encourage and assist in the preparation of plans, survey, studies and recommendations.

h. To guarantee undertakings, contracts, or performances of other.

i. To encourage citizen participation in housing and community improvements and improvement programs and to disseminate information to the general public concerning the objectives and purposes of the corporation.

j. To hold, improve by construction or otherwise, develop, clear, prepare, and dispose of real property.

k. To aid and assist in the construction, acquisition or rehabilitation of structures or housing units adequate for the relocation of persons displaced by governmental action matters incidental thereto.

l. To carry on any of the foregoing activities or purposed either directly, or an agent for or with other persons, associations, or corporation.

m. To carry on any activity and to deal with and expend any such property or income therefrom for any of the foregoing purposes without limitation, except such limitations, if any, as may be continued in the Instrument under which such property is received, the Certificate of Incorporation, the By-laws, of the Corporation, or any other limitations as are prescribed by law, provided that no such activity shall be such as is not permitted by a corporation except from Federal Income Tax under Section 501(c) (3) of the Internal Revenue Code of 1954 or any corresponding future provision of the Revenue Code.

PEOPLE FOR PEOPLE, INCORPORATED

BY-LAWS

Corporate Name

1. The name of the Corporation shall be, as stated in the Articles of Incorporation, as follows:

PEOPLE FOR PEOPLE, INCORPORATED

Objects

2. The corporation is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania for such objects or purposes as are stated in the Articles of Incorporation.

Offices

3. The registered office shall be located at such place within the Commonwealth of Pennsylvania as the Board of Directors shall from time to time determine.

4. The Corporation shall also have offices at such other places as the Board of Directors may appoint.

Seal

5. The corporate seal of the Corporation shall have inscribed thereon the name of the Corporation, the year of its creation and the words "Corporate Seal, Pennsylvania".

Membership

6. The membership of the corporation shall be one class consisting of individuals and organizations as may be elected to membership by vote of the Board of Directors. Each organization shall be represented by one delegate.

Meetings of Members

7. Meetings of the members shall be held at the registered office of the Corporation, or at such other place as the Board may determine.

8. Each member shall be entitled to one vote in person or by proxy.

9. A majority of the members shall be requisite at every meeting in person or by proxy to constitute a quorum.

Annual Meeting

10. The annual meeting of members shall be held at the registered office of the Corporation on the of in each year at o'clock .M., or at such other place as the Board may determine. Each member shall receive at least five (5) days' notice of the annual meeting.

11. At the annual meeting there shall be elected, by ballot, a Board of six (6) Directors, who need not be members of the Corporation, to serve for one year and until their successors are elected or chosen and qualify.

Special Meeting of Members

12. Special meetings of the members shall be called by the President, and shall be called at the request in writing to the President of a majority of the Board of Directors, or by a majority of the members, upon five days' written notice sent to each member.

Regular Meetings of Board

13. Regular meetings of the Board of Directors shall be held without notice immediately following the annual meeting of members or at such other time and place as the Board of Directors shall determine. The Board of Directors shall meet quarterly at such time and place as the Board of Directors shall determine.

First Meeting of Directors after Election

14. At the first meeting after each election of Directors, the Board shall elect a President and at their discretion one or more Vice-Presidents, one or more Secretaries, and a Treasurer, who shall hold office during the pleasure of the Board, but who shall not be elected for a longer term than one year. Additional officers may be appointed by the Board from time to time.

Quorum of the Board

15. At least one-third (1/3) of the Directors shall be necessary at all meetings to constitute a quorum for the transaction of any business.

Special Meetings of the Board

16. Special meetings of the Board may be called by the President on two (2) days' notice to each Director, either personally, by mail or by wire; special meetings may be called in like manner and on like notice on the written request of a majority of the Board of Directors. Special meetings shall be held at such places as the Board may determine.

Dues and Qualification of Members

17. The dues, if any, payable by members of the corporation, shall be fixed, from time to time, and assessed by the Board of Directors. Qualifications for membership shall be determined by the Board.

General Powers of Directors

18. The Board of Directors shall have the management of the business of the Corporation. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by these By-Laws directed or required to be exercised or done by the members.

Specific Powers of Directors

19. Without prejudice to the general powers conferred by the last preceding clause, and the other powers conferred by the Articles of Incorporation and by these By-Laws, it is hereby expressly declared that the Board of Directors shall have the following powers, that is to say:

First. From time to time to make and change rules and regulations, not inconsistent with these By-Laws, for the management of the Corporation's business and affairs.

Second. To purchase or otherwise acquire for the Corporation any property, rights or privileges which the Corporation is authorized to acquire, at such price and on such terms and conditions and for such consideration as they shall from time to time see fit.

Third. At their discretion to pay for any property or rights acquired by the Corporation, either wholly or partly in money or in stocks, bonds, debentures or other securities of the Corporation.

Fourth. To create, make and issue mortgages, bonds, deeds of trust, trust agreements and negotiable or transferable instruments and securities, secured by mortgage or otherwise, and to do every other act and thing necessary to effectuate the same.

Fifth. To appoint and at their discretion remove or suspend such subordinate officers, agents or servants, permanently or temporarily, as they may from time to time think fit, and to determine their duties, and fix, and from time to time change, their salaries or emoluments, and to require security in such instances and in such amounts as they think fit.

Sixth. To confer by resolution upon any appointed officer of the Corporation the power to choose, remove or suspend such subordinate officers, agents or servants.

Seventh. To appoint any person or persons to accept and hold in trust for the Corporation any property belonging to the Corporation, or in which it is interested, or for any other purpose, and to execute and do all such duties and things as may be requisite in relation to any such trust.

Eighth. To determine who shall be authorized on the Corporation's behalf to sign bills, notes, receipts, acceptances, endorsements, checks, releases, contracts and documents.

Ninth. From time to time to provide for the management of the affairs of the Corporation, at home or abroad, in such manner as they see fit, and in particular, from time to time, to delegate any of the powers of the Board in the course of the current business of the Corporation to any standing or special committee, or to any officer or agent and to appoint any persons to be the agents of the Corporation, with such powers (including the power to sub-delegate), and upon such terms as may be deemed fit.

The President

20. The President shall preside at all meetings of the members and Directors; he shall have general and active management of the business of the Corporation; shall see that all orders and resolutions of the Board are carried into effect; shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, and when authorized by the Board, affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of the Secretary or the Treasurer.

21. He shall have general superintendence and direction of all the other officers of the Corporation, and shall see that their duties are properly performed.

The Vice-President

22. The Vice-President shall be vested with all the powers, and required to perform all the duties of the President in his absence.

The Secretary

23. The Secretary shall keep full minutes of all meetings of the members and Directors; he shall be ex officio Secretary of the Board of Directors; he shall attend all sessions of the Board, shall act as clerk thereof, and record all votes and

the minutes of all proceedings in book to be kept for that purpose. He shall give, or cause to be given, notices of all meetings of the members of the Corporation and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be.

The Treasurer

24. The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Directors.

25. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation, and at the regular annual meeting of the Board, a like report for the preceding year.

26. He shall give the Corporation a bond in a sum, and with one or more sureties, if the Board of Directors so determine, for the faithful performance of the duties of this office, and the restoration to the Corporation, in case of his death, resignation or removal from office, of all books, papers, vouchers, money or other property of whatever kind in his possession belonging to the Corporation.

Vacancies

27. If the office of any Director, or of the President, Vice-President, Secretary or Treasurer, one or more, becomes vacant, by an increase in the number of Directors, or by reason of death, resignation, disqualification, or otherwise, the remaining Directors, although less than a quorum, by a majority vote, may choose a successor or successors, who shall hold office for the unexpired term.

Resignation of Officers

28. Any Director or other officer may resign his office at any time, such resignation to be made in writing, and to take effect from the time of its receipt by the Corporation, unless some time be fixed in the resignation, and then from that date. The acceptance of a resignation shall not be required to make it effective.

Indemnification of Directors and Officers

29. Each Director and each officer and former Directors or officers, and any person who may have served, at its request, as a Director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, shall be indemnified by the Corporation against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties or a party by reason of being or having been Directors or officers or a Director or officer of the Corporation or of such other corporation, except in relation to matters as to which any such Director or officer or former Director or officer or person shall be adjudged, in such action, suit, or proceeding, to be liable for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, Agreement, vote of Members, or otherwise.

Personal Liability of Directors

30. No director of the Corporation shall be personally liable to the Corporation or its members for monetary damages as such for any action taken, or any failure to take any action, unless: (1) the Director has breached or failed to perform the duties of his office as set forth in 15 Pa. C.S. 511 relating to standard of care and justifiable reliance; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. These provisions, however, shall not apply to: (1) the responsibility or liability of a Director pursuant to any criminal statute; or (2) the liability of a Director for the payment of taxes pursuant to local, State or Federal law.

Amendments

31. The By-Laws of this Corporation may be amended by a majority vote of the members, at any annual meeting, or upon notice at any special meeting held for that purpose.

32. The Board of Directors by the affirmative vote of a majority of the Directors may alter or amend these By-Laws at any regular meeting of the Board or at any special meeting of the Board, provided that notice of the proposed alteration or amendment has been given to each Director.

Internal Revenue Service

Department of the Treasury

District Director

Delaware-Maryland District

31 Hopkins Plaza, Baltimore, MD 21201

PO Box 13163 Room 1550
Baltimore, MD 21203

July 6, 1998

PEOPLE FOR PEOPLE INCORPORATED
714 N BROAD ST
PHILADELPHIA, PA 19130

Employer Identification Number:
[redacted]

Person to Contact:
EP/EO Tax Examiner

Telephone Number:
(410) 962-6058

Dear Sir/Madam:

This is in response to your inquiry dated June 25, 1998, requesting a copy of the letter which granted tax exempt status to the above named organization.

Our records show that the organization was granted exemption from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code by our letter dated August, 1992. We have also determined that the organization is not a private foundation because it is described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you under section 170 of the Code.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during the calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

You are required to file Form 990, Return of Organization Exempt from Income Tax, only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

A copy of our letter certifying the status of the organization is not available, however, this letter may be used to verify your tax-exempt status.

Because this letter could help resolve any questions about your exempt status, it should be kept in your permanent records.

Sincerely yours,

Paul M. Harrington

Paul M. Harrington
District Director

EXHIBIT "N"

[redacted]

PROFESSIONAL EXPERIENCE

ACCOUNTING MANAGER Jan 08 – Nov 08
[redacted] Philadelphia, PA

- Ensured internal accounting and financial operations were performed accurately and on a timely basis
- Managed compilation of financial information, journal entries and reconciliation of accounting transactions
- Maintained effective internal controls to assure safeguarding of assets and reliability of financial statements
- Prepared monthly financial statements and assured compliance with rules and regulations governing 501 © (3) organizations as well as reporting requirements of individual public and private funders
- Reconciled accounting information between two separate databases – PCAPS (invoice generation) & MIP (Agency accounting system)
- Assisted Director of Financial Reporting in resolving accounting and financial problems and/or issues & preparation of annual budgets and cash flow forecasts
- Reviewed all receipts and disbursements, ascertaining correct account distribution and ensured all support documentation was accurate and in order
- Guaranteed proper preparation for annual financial audit
- Supervised and trained Staff and Senior Accountants, Accounts Payable Associates and Fiscal Analysts
- Prepared A-133 Schedule in support of financial statements
- Worked closely with other management with their budget development & strategic fiscal planning
- Performed additional duties and special projects as requested by the CFO and President/CEO
- Instrumental participant of internal development team to enhance the internal provider PCAPS MIS system, offering input in design, reporting and user-friendliness
- Communicated with providers to troubleshoot fiscal issues or to update on payment cycle and processing
- Produced audit confirmation letters to providers
- Provided weekly and monthly reporting of invoice submission status of various providers
- Composed accounting policy and procedures manual
- Implemented automated system of invoice and reporting generation within PCAPS database
- Increased productivity by 40% and reduced accounting errors by 65%
- Eradicated past due payables of over $2 million
- Reported directly to CFO

FINANCE/ACCOUNTING/CONSULTANT Mar 07 – Jan 08
[redacted] NJ (Sept 07 – Jan 08)

- Month-end close, financial reporting, account analysis & reconciliations along with researching and correcting account discrepancies
- Reviewed financial statements, variance analysis, managed general ledger, handled cost

accounting, booked journal entries and accounting of fixed assets, accounts receivable & accounts payable

- Assisted in preparation of budgets & SEC reporting
- Provided support in SOX testing, prepared documentation & work paper backup for all audit & regulatory data requests and completed other special projects.

[redacted] Philadelphia, PA (May 07 – Aug 07)

- Management and development of firm accounting functions, monthly general ledger closing process, ensuring that all necessary journal entries and tasks were completed on a timely basis
- Reported and recorded financial results on a monthly basis, prepared monthly financial statements and bank reconciliations, accounts payable, cash receipts, client disbursements, escrow, banking, annual 1099s process, and analyses as needed
- Monthly tax filings and coordinating annual audit information requirements.

[redacted] Philadelphia, PA (Mar 07 – Jun 07)

- Accounts payable and receivables and payroll, reported cash flow regularly to owner, paid monthly sales tax and maintained general ledger
- Accurate and timely financial reporting and managing account analysis.

FINANCIAL ANALYST II Mar 04 - Mar 07

[redacted] Philadelphia, PA

- Assisted in the preparation of the monthly parent company statements and annual operating & capital budgets as well as certain account analysis
- Monitored budget performance and performed budget variance analysis
- Aided in formation of Medicare & Medicaid cost reports
- Screened reimbursement regulations and prepared analytics accordingly
- Formulated net revenue analysis for financial statements
- Ensured accuracy of the third party accounts on general ledger
- Maintained book and records of smaller affiliate subsidiary
- Reported to Director of Corporate Accounting.

FINANCIAL ANALYST Jun 02 - Feb 04

[redacted] Philadelphia, PA

- Provided financial research and analysis in support of a variety of on-going reporting
- Developed financial models and monthly President's reports
- Coordinated division-wide financial projections and planning
- Handled questions relating to multiple aspects of leasing charges, billing, maintenance, new vehicle orders, and changes to existing vehicles
- Administered monthly financial payment processes and reconciled monthly financial reports
- Reported directly to Director of Finance and had consistent communication with the division CFO and Regional Financial Directors.

CASH ACCOUNTANT Dec 99 - Jun 02

[redacted] Philadelphia, PA

- Reviewed financial input documents to ensure accurate reporting of component monthly operating results
- Resolution of deposit discrepancies, journal entries, wire transfers, and bank account documentation
- Variance analysis and explanation

- General ledger account analysis, and a portfolio of 150 bank reconciliations per month
- Frequent communication with field operating personnel
- Maintained proper depository bank account balances by researching returns, replenishing deficiencies, and transferring excess funds
- Required ability to work independently under strict month end time constraints.

STAFF ACCOUNTANT May 99 - Dec 99
[redacted] Philadelphia, PA (Assignment at [redacted]

- Assisted Chief Accountant and served as troubleshooter
- Compiled analytical summaries
- Analyzed balancing sheet accounts, performed reconciliations, assisted in the maintenance of automated general ledger systems, closings, & financial audit.

JUNIOR ACCOUNTANT Aug 97 - May 99
[redacted] NJ

- Payroll, bank reconciliations, general ledger, year-end financials, monthly compilations, corporate and individual tax returns
- Month-end closing activities and assisted with special projects

EDUCATION

RUTGERS UNIVERSITY, Camden, NJ
BS, Finance, [redacted]

ADVANCED COMPUTER SKILLS

Microsoft Excel, Microsoft Word, Microsoft Power Point, Microsoft Outlook, Microsoft Access, Great Plains, Fund E-Z, Crystal Reports, FRx Report Designer, MIP, Solomon, Oracle, PeopleSoft, Hyperion, SAP, Peachtree & QuickBooks

EXHIBIT "O"

People for People, Inc.

We Change Lives!
800 North Broad Street
Philadelphia, PA 19130
Tel: 215-235-2340 ♦ Fax: 215-235-8345 ♦ www.peopleforpeople.org

People For People, Inc.

ADDENDUM
TO LEASE AGREEMENT

People for People, Inc. (also known as the "tenant") has voluntarily contributed the sum of $90,000 towards the purchase of the property located at 1226 South Broad Street. This voluntary contribution is to be considered by the Greater Exodus Baptist Church, also known as property owner/Landlord, as an offset against future costs (incurred by the Landlord) arising from the tenant required building interior "fit out" necessary in order for the tenant to effectively operate its business in the leased space.

Tenant is aware, and agrees, that costs to customize the building interior space in excess of the aforementioned amount must be borne by the tenant.

Therefore, the parties mutually agree to incorporate the following formal clause titled "Landlord's Work and Tenant's Contribution to Leasehold Improvements" into the lease agreement:

Landlord's Work and Tenant's Contribution to Leasehold Improvements.

Landlord shall construct the Premises incorporating in such construction all items of work (hard costs) included in certain final plans and specifications prepared by Tenant and approved by Landlord (the "Landlord's Work"). Landlord shall have the exclusive right to determine the architectural design and the structural, mechanical and other standard details and specifications of Landlord's Work, including, but not limited to, the type of materials and the manufacturer and supplier thereof. Landlord shall pay for the cost of Landlord's Work up to _____Ninety Thousand__ Dollars ($___90,000.00_____) (the "Cost Contribution"). Upon the execution of this Lease Agreement, Tenant shall pay Landlord the sum of Ninety Thousand Dollars ($90,000.00) representing Tenant's contribution to the interior improvements. Landlord's obligation to perform Landlord's Work is conditioned upon receipt of all necessary permits and approvals therefor. The taking of possession of the Premises by Tenant shall be conclusive evidence as against Tenant that at the time such possession is so taken, the Premises were in good and satisfactory condition, provided that Tenant will be permitted to enter the Premises for the purpose of inspecting Landlord's Work and to install Tenant's furniture, fixtures and equipment, such entry shall not constitute possession, acceptance or commencement of the Term of the Lease.

[redacted]
Greater Exodus Baptist Church

K R Harris
People for People, Inc.

2/14/2008
Date

People For People, Inc.

January 26, 2009

Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
502 Philadelphia State Office Building
1400 Spring Garden Street
Philadelphia, Pennsylvania 19130

Attention: Mr. Kevin Friel, Director, BFO

Re: PFP, Inc. (the "Organization"): Two (2)-Part Response Findings
(Finding-1 through Finding-7) in "draft" performance audit report prepared by Division of Audit and Review (DAR).

Dear Mr. Friel:

Please find the following as part of the response sent to you electronically:

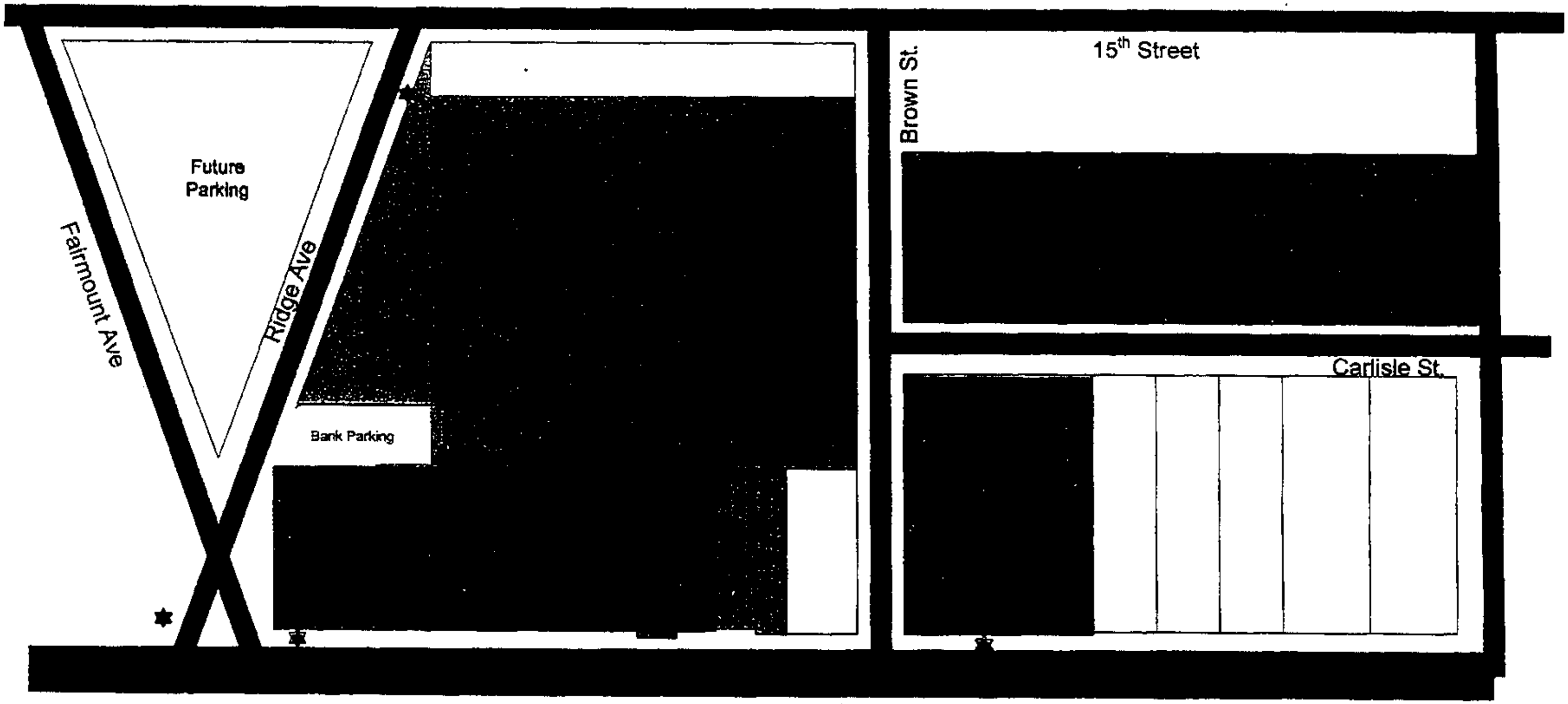
1. A CD with digital images of the renovated 700 building.
2. An attachment from the proposal, dating back to 2005 identifying the 700 building as part of the EARN Center
3. The PowerPoint presentation, with slide# 3 showing the same.

Sincerely,

Reverend Dr. Herbert H. Lusk, II
President & CEO

CC:
Ernest Jones, Esq., President & CEO, PWDC
Dale Porter, CPA, CFO, PWDC
B. Robin Eglin, CFO, PFP, Inc.
Donna Scamby-Powers, CPA

People For People Campus



1
- People For People Credit Union
- PNC Bank Branch
- Social Service Offices and Classrooms

2
- JRC Center
- Computer Classrooms
- Offices - Counseling and Retention
- Lunchroom
- Resource Center
- Large Meeting Room

3
- Computer Classrooms
- Case Managers' Offices
- Supervisor's Offices

4
- People For People Executive offices
- PFP Early Childhood Education Center
- People For People Charter School
- Case Managers' Offices
- Orientation Class Rooms
- Computer Class Rooms
- Community Resource Center
- View Banquet Facilities
- Nurse's Office
- Security Office - Monitoring Station

5
- Annex Offices
- Classrooms
- Counseling Offices

★ Broad Street Subway Entrance ★ C Bus Stop ★ 61 Bus Stop

* Future Expansion - PFP Mall

People For People, Inc.

Vision

Connection to Local Community

"If they like you

and

they believe you

and

they trust you

and

have confidence in you...

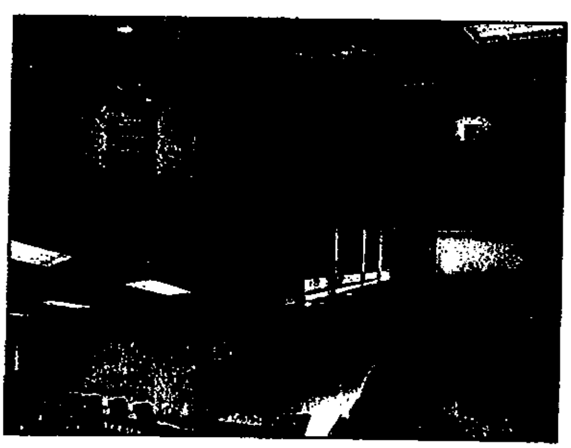
Then they may buy from you."

For over 15 years....

We have built our staff


Our Staff – Our Team


For over 15 years....
We have built
our campus



For over 15 Years...

The Community has come to

- Like us
- Trust us
- Believe in us
- Have confidence in us

We can be the
face of an EARN Center

People For People, Inc.

In our community

Leveraging of other resources

Quality of collaboration With our partners

gsk GlaxoSmithKline

ABM

Employment Goals

For our customer.......

Employment Goals

For our prospective employers.......

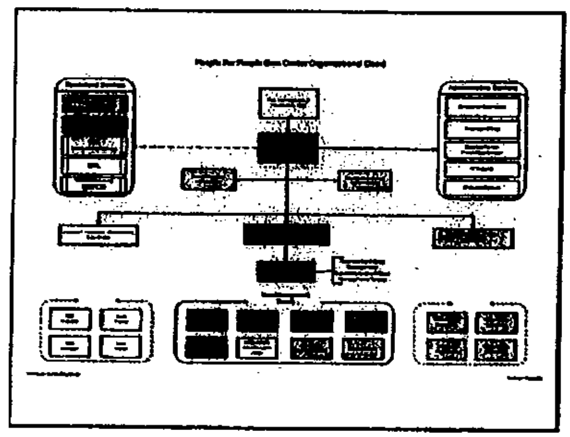
- To build their confidence in us
- To develop strong relationships
- To supply well qualified candidates
- To be the first place the employer will go for candidates

Employment Goals

For ourselves.......

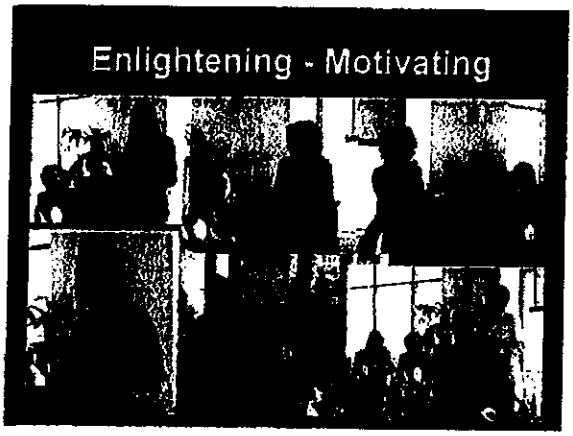
- To know the needs and requirements of the labor market
- [illegible]
- To maximize each customer's potential
- [illegible]
- To build quality job listings

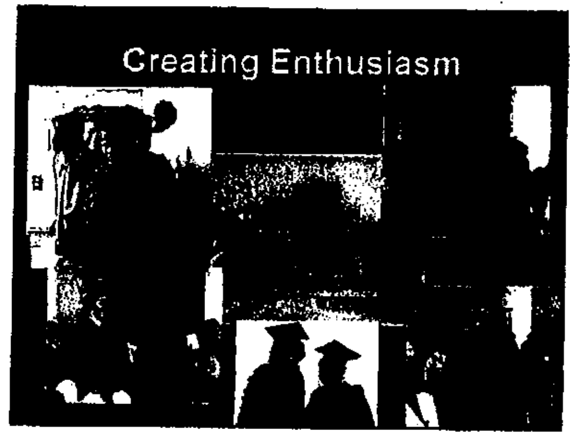
Our Staff – the people of PFP



Vision
▼
Flexibility
▼
Responsiveness

Empowering our customers


Enlightening - Motivating


Creating Enthusiasm


The Philadelphia Inquirer
Late Breaking News – Graduates Realize their Dreams !
Belief Pays Off
People For People GED Graduation
Local Weather
This is what an EARN CENTER is all about