



Institute for Senior Professionals

September 17, 1997

Chairman, Board of Directors
Panhandle Animal Welfare Society, Inc.
752 NW Lovejoy Road
Fort Walton Beach, FL 32548

Dear Sir:

Attached you will find a brief report of our findings during a review of internal control attributes at your PAWS facility.

It is our belief that you need a more in-depth management study to help you correct your current difficulties, which are significant. We would be willing to undertake a more thorough study at your request, and we estimate that it would take two or three people for approximately two months.

We encourage you to arrange a meeting for presentation of findings by Mr. Richard Hilland. Thank you for your cooperation with Mr. Hilland during his review.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. D. Harvell', is written over the typed name.

H. D. Harvell
Chairman

HDH:bt

copy

P.A.W.S.
(Panhandle Animal Welfare Society)

752 NW Lovejoy Road
Fort Walton Beach, FL 32548
Tel: (850) 243-1525 or 243-5204
Fax: (850) 664-0445

Mr. Doug Harvell
ISP/OWCC
100 E. College Blvd.,
Niceville, FL 32578

August 1, 1997

RE: P.A.W.S. (Panhandle Animal Welfare Soc).

Dear Mr. Harvell:

Our Financial committee met with Mr. Richard Hilland requesting his assistance. It was agreed, we have no internal control whatsoever and Richard kindly agreed to look into all our financial procedures of the shelter; check all reports, check books; all financial reports together with recommendations suggested by our accountants for the past four years. After doing this, Mr. Hilland will submit a report of his findings and recommendations, and submit same to me - the Treasurer, who in turn will submit to the Board of Directors.

We really appreciate all the time and effort Mr. Hilland is willing to

Attachment 1

donate to us, for which we will be eternally grateful.

Sincerely,

Doe G. Thorough
P.A.W.S. Treasurer

cc: ~~Mr. Richard Hilliard~~
Board Members

Doe G. Thorough
372 Gardner Drive, N.E.
Fort Walton Beach, FL 32548
Tel: (850) 243-7036

Mr. Richard W. Hilland
66 St. John C. Sims Pkwy.,
Niceville, FL 32578

August, 27, 1997

RE: P.A.W.S.
(Panhandle Animal Welfare Society)

Dear Richard:

Hope you had a great time with your grandchildren. I know you must have enjoyed their company.

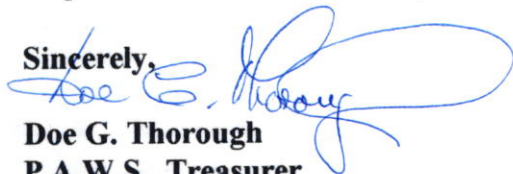
I am enclosing herewith Financial Audits, together with our accountants findings and recommendations for 1992 through 1996 (The latter being just a compilation.) We, (the board) were always informed these recommendations had all been taken care of, but feel skeptical that they indeed had been. Hopefully, you will be able to check on these for us.

Dee Thompson, our present Acting Director is waiting for your call to set up a time at your convenience. Just as soon as you possibly can would be greatly appreciated. We have requested Dee to put at your disposal any and all records you request.

Richard, if you have any questions or concerns, please do not hesitate to call me. I am available anytime to discuss this with you.

Hope the enclosed will assist you in this endeavor, and thank you so much,

Sincerely,



**Doe G. Thorough
P.A.W.S. Treasurer**

cc: P.A.W.S. Financial Committee

/dgt

PLEASE SAVE THE ENCLOSURES

September 15, 1997

REVIEW OF INTERNAL CONTROL ELEMENTS

The subject of internal control is old and in some ways disguised. The subject, in its simplest form is "when something goes wrong who catches it or who prevents it from going wrong to begin with"? Internal controls over a process are designed to prevent mistakes from being made and minimizing the chance of someone doing something wrong deliberately while exercising the process.

Auditors are frequently associated with talking about and finding weaknesses in internal controls, yet it is management's responsibility to install and monitor the internal controls within a business. It is an important responsibility but a necessary one in protecting assets and insuring accurate accounting.

Accidental mistakes are called "errors" while deliberate ones are called "irregularities". Internal controls are designed primarily to thwart the acts of people acting alone. They generally do not thwart the efforts of collusion. Fortunately, most irregularities are committed by people acting alone.

The attributes of good internal control are as follows:

1. Segregation of duties...i.e. segregate the functions of (1) possession, (2) accounting and (3) authority over the asset. Frequently the asset is money.
2. Qualified people. This simply means that personnel are trained and have the proper experience to perform their assigned duties.
3. Limiting the access to assets to those requiring it.
4. Comparison of accounts to accounting standards. This is usually accomplished by having periodic audits performed. Since auditors can also detect when something is in error, they are an element of internal control. Obviously, a "once a year look" is not something most trustees or directors want to settle for. It is important but far from what you would feel comfortable with.
5. Executing transactions according to the desires of management. (because management is supposed to understand internal control).
6. Recording transactions in the proper category and time to reflect an accurate record of business activity.

Internal control is not free and in many cases not even inexpensive. It is a necessary burden of doing business. When Trustees, who bear the ultimate responsibility, oversee business activity they want to be assured that it is under firm control.

Attachment 2

September 4, 1997

PAWS Internal Control Findings 1992-1997

1. Stale dated checks... '92... '93
2. Capitalization Policy? '92
3. Control of licensing fees. '92
4. Inadequate documentation of travel expenses... '92... '93... '94.
5. Question of status... employee or contractor...!
6. Disposal of unused assets.. '92.
7. Recording expenses on a functional basis... '92
8. No written accounting, personnel or procedures manual... '93
9. Documentation and storage of Transactions... '93... '94.
10. Use of Natural categories for reporting expenses... '93
11. Allocation of insurance expense..... '94.
12. Automobile Insurance Collection..... '94.
13. Adjusting entries for prior years..... '94.
14. No annual adjustments to General Ledger... '94... '95.
15. No policy on waiver of fees & fines..... '94.
16. Cash Receipts Journal differs from General Ledger. '94
(policies for classifying cash and reconciling
control totals to amounts in the General Ledger)
17. Designated funds are being deposited in the operating
account with no written accounting of the disposition
of the funds..... '94.
18. Charge card balance being carried for several
months without classification of expenses and
charges not being recorded in the General Ledger.. '94
19. Checks > \$100 with only one signature..... '94.
20. Salary increases with no authorization.... '94.
21. Proper recording in General Ledger not
agreed to the Sales Tax Return..... '94.
22. No Written documentation of accounting
policies..... '95.

Attachment 3