COPY

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
BEFORE THE SECRETARY OF THE COMMONWEALTH

Commonwealth of Pennsylvania, **Bureau of Charitable Organizations**	: :	
	:	**Docket No.** 0005**-98-05**
vs.	:	**File No. 04-98-07348**
	:	
Welcome America, Inc., **Respondent**	: :	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, Bureau of Charitable Organizations ("Bureau") and Welcome America, Inc. ("Respondent"), stipulate as follows in settlement of the above-captioned case.

JURISDICTION

1. This matter is before the Secretary of the Commonwealth ("Secretary") pursuant to the Solicitation of Funds for Charitable Purposes Act, Act of December 19, 1990, P.L. 1200, No. 202, *as amended* ("Act"), 10 P.S. §§ 162.1-162.24.

2. Respondent was previously registered in the Commonwealth of Pennsylvania as a charitable organization, registration number 11898; Respondent's registration expired on May 15, 1995, and was not renewed thereafter.

3. At all relevant and material times Respondent did not hold a registration to solicit charitable contributions within the Commonwealth of Pennsylvania.

STIPULATED FACTS

4. Respondent admits that the following allegations are true:

a. Respondent's last known business address is 100 S. Broad Street, Philadelphia, PA 19102.

b. Respondent's previous registration as a charitable organization expired on May 15, 1995, and was not renewed thereafter.

c. On June 30, 2004, the Bureau received a complaint that Respondent was soliciting charitable contributions from Pennsylvania business organizations without an approved registration with the Bureau.

d. On July 2, 2004, the Bureau sent a letter to Respondent, informing Respondent of its registration obligations under the Act and providing Respondent with an application packet to register as a charitable organization in the Commonwealth of Pennsylvania.

e. On August 30, 2004, a representative of Respondent contacted the Bureau requesting assistance with the registration process.

f. Between August 30, 2004, and April 22, 2005, the Bureau worked with representatives of Respondent in an effort to obtain from Respondent all documents required for Respondent to become properly registered with the Bureau, including numerous amendments to IRS Form 990s for the fiscal years ending 12/31/02 and 12/31/03 and Bureau Form BCO-10s for the fiscal years ending 12/31/02 and 12/31/03.

g. On May 6, 2005, Respondent became properly registered with the Bureau, for fiscal year ending 12/31/03.

h. As part of the registration process, Respondent submitted to the Bureau, among other things, audited financial statements for fiscal year ending 12/31/03.

i. Attached to the audited financial statements for fiscal year ending 12/31/03 was a "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" ("Compliance Report"), which documented concerns about Respondent's internal control structure, including but not limited to, failure to keep adequate records. A true and correct copy of Respondent's audited financial statements for fiscal year ending 12/31/03 is attached hereto and made a part hereof as "Exhibit A."

j. In addition, the Compliance Report referenced additional concerns about Respondent's internal control structures, which were set forth in a separate letter dated 2/14/05. A true and correct copy of the 2/14/05 letter is attached hereto and made a part hereof as "Exhibit B."

k. A review of Respondent's IRS Form 990s for its five most recently completed fiscal years as filed with the IRS (1999 through 2003), Respondent stated that it received direct public support in amounts ranging from a low of $1,532,980 (2000) to a high of $2,618,850 (2002), for a five-year total in the amount of $9,921,200.

l. Respondent received contributions in the amount of $17,254,252 during the total time Respondent was not registered (1996 though 2003).

AGREED VIOLATIONS

5. Respondent agrees that by engaging in the foregoing activities it violated the Act at 10 P.S. § 162.15(a)(1) by and through § 162.5(a), by failing to register with the Bureau before soliciting charitable contributions in the Commonwealth of Pennsylvania.

6. Respondent agrees that by engaging in the foregoing activities it violated the Act at 10 P.S. § 162.15(a)(1) by and through § 162.12 by failing to keep true and accurate records of its fiscal activities.

PROPOSED ORDER

7. The participants consent to issuance of the following Order in settlement of this matter:

a. Respondent violated the Act at 10 P.S. § 162.15(a)(1) by and through § 162.5(a) and § 162.12.

ADMINISTRATIVE FINE

b. An **ADMINISTRATIVE FINE** of ten thousand dollars ($10,000.00) is levied upon Respondent. Respondent shall tender the full sum of ten thousand dollars ($10,000.00), with this executed Consent Agreement, which shall be paid by **certified check, cashier's check, attorney's check, or U.S. Postal money order made payable to the "Commonwealth of Pennsylvania."**

COSTS OF INVESTIGATION

c. An **ASSESSMENT FOR COSTS OF INVESTIGATION** in the amount of five thousand dollars ($5,000.00) is levied upon Respondent. Respondent shall tender the full sum of five thousand dollars ($5,000.00), with this executed Consent Agreement which shall be paid by **certified check, cashier's check, attorney's check, or U.S. Postal money order made payable to the "Commonwealth of Pennsylvania."**

CORRECTION OF INTERNAL CONTROL STRUCTURE PROBLEMS

d. Respondent shall correct all internal control structure problems identified in the audited financial statements for the fiscal year ending 12/31/03, and those identified in the auditors' supplemental letter to Respondent dated February 14, 2005, and shall submit to the Bureau a written, notarized affidavit documenting the actions taken to correct the problems.

AMENDED 990s TO BE FILED WITH IRS

e. Respondent shall file with the IRS a true and correct copy of its Amended IRS Form 990s for fiscal years ending 12/31/02 and 12/31/03.

TRUE AND ACCURATE RECORDS

f. Respondent shall keep true and accurate records of its fiscal activities as required by the Act at 10 P.S. §162.12.

8. This case shall be deemed settled and discontinued upon the Secretary issuing an Order adopting this Consent Agreement and the Respondent's successful completion of any ordered discipline.

ACKNOWLEDGEMENT OF NOTICE AND WAIVER OF HEARING

9. Respondent waives the filing of an Order to Show Cause in this matter. Respondent knowingly and voluntarily waives the right to an administrative hearing in this matter, and to the following rights related to that hearing: to be represented by counsel at the

hearing; to present witnesses and testimony in defense or in mitigation of any sanction that may be imposed for a violation; to cross-examine witnesses and to challenge evidence presented by the Bureau; to present legal arguments by means of a brief; and to take an appeal from any final adverse decision.

AGREEMENT NOT BINDING ON OTHER PARTIES

10. This Consent Agreement is between the Bureau and Respondent only. It does not bind any other administrative entity of the Commonwealth of Pennsylvania, including any other bureau within the Department of State. Except as otherwise noted, this Agreement is to have no legal effect if (a) the Office of General Counsel expresses an objection to the Agreement's form or legality and/or (b) unless and until the Secretary issues the stipulated Order.

EFFECT OF SECRETARY'S REJECTION

11. Should the Secretary not approve this Consent Agreement, presentation to and consideration of this Consent Agreement and other documents and matters by the Secretary shall not prejudice the Secretary from further participation in the adjudication of this matter. This paragraph is binding on the participants even if the Secretary does not approve this Consent Agreement.

ENTIRE AGREEMENT

12. This Agreement contains the whole agreement between the parties; provided, however, that the captions printed in the various provisions of this agreement are for ease of reading only and are not to be interpreted as forming any part of this agreement. There are no other terms, obligations, covenants, representations, statements or conditions, or otherwise, of any kind whatsoever, concerning this Agreement.

AGREEMENT DOES NOT PREVENT REFERRAL TO OTHER AGENCIES

13. The parties acknowledge that other federal, state, and/or local agencies may have jurisdiction over the activities of, or representations made by, Respondent and its officers, directors, agents, employees or independent contractors. Nothing in this Consent Agreement or the Order based upon this Consent Agreement shall preclude representatives of the Bureau from referring any information or data produced as a result of this matter to any federal, state, or local agency or governmental unit having jurisdiction over the activities of Respondent or any officer, director, agent, employee or independent contractor of the Respondent.

VERIFICATION OF FACTS AND STATEMENTS

14. Respondent verifies that the facts and statements set forth in this Agreement are true and correct to the best of Respondent's knowledge, information and belief. Respondent understands that statements in this Agreement are made subject to the criminal penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

WELCOME AMERICA, INC.

Tracy L. McCurdy, Esquire
Prosecuting Attorney
Department of State

DATED: 5-16-05

By:
Title: Executive Producer
Respondent

DATED: 5/12/05

BCO.CA0301

WELCOME AMERICA, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

EXHIBIT A

Shechtman, Marks,
Devor & Etskovitz, P.C.
Certified Public Accountants

WELCOME AMERICA, INC.
YEARS ENDED DECEMBER 31, 2003 AND 2002

CONTENTS

Shechtman, Marks,
Devor & Etskovitz, P.C.
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Welcome America, Inc.
Philadelphia, PA

We have audited the accompanying statements of financial position of Welcome America, Inc. as of December 31, 2003 and 2002, and the related statements of activities and changes in net liabilities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Welcome America, Inc. as of December 31, 2003 and 2002, and the changes in its net liabilities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2005 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Shechtman, Marks, Devor & Etskovitz, P.C.

February 14, 2005

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WELCOME AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2003 AND 2002

ASSETS

	2003	2002
Cash	$ 285,554	$ 601,460
Accounts receivable	25,000	-
Prepaid expenses	44,899	-
Property and equipment, net	4,445	6,628
Total assets	$ 359,898	$ 608,088

LIABILITIES AND NET LIABILITIES

	2003	2002
Accounts payable and accrued expenses	$ 43,836	$ 41,799
Deferred income	-	492,082
Loans from PIDC	1,800,000	1,000,000
Loans from City of Philadelphia	600,000	600,000
Total liabilities	2,443,836	2,133,881
Net liabilities, unrestricted	(2,083,938)	(1,525,793)
Total liabilities and net liabilities	$ 359,898	$ 608,088

The accompanying notes are an integral part of these financial statements.

WELCOME AMERICA, INC.
STATEMENTS OF ACTIVITIES
AND CHANGES IN NET LIABILITIES
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Revenues:		
Sponsorship revenue	$ 1,139,112	$ 1,393,273
Grants	492,082	607,918
In-kind contributions	1,059,690	1,225,577
Other	4,788	3,907
Total revenues	2,695,672	3,230,675
Expenses:		
Program services	2,881,814	3,671,250
Management and general	306,900	420,181
Fundraising	65,103	107,416
Total expenses	3,253,817	4,198,847
Increase in net liabilities	(558,145)	(968,172)
Net liabilities, unrestricted, beginning	(1,525,793)	(557,621)
Net liabilities, unrestricted, ending	$ (2,083,938)	$ (1,525,793)

The accompanying notes are an integral part of these financial statements.

WELCOME AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Cash flows from operating activities:		
Increase in net liabilities	$ (558,145)	$ (968,172)
Adjustments to reconcile increase in net liabilities to net cash used in operating activities:		
Depreciation	2,183	2,085
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(25,000)	119,000
Prepaid expenses	(44,899)	3,832
Increase (decrease) in:		
Accounts payable and accrued expenses	2,037	(71,920)
Deferred income	(492,082)	492,082
Net cash used in operating activities	(1,115,906)	(423,093)
Cash flows used in investing activities, purchase of property and equipment	-	(2,958)
Cash flows provided by financing activities, proceeds from loans from PIDC	800,000	1,000,000
Net (decrease) increase in cash	(315,906)	573,949
Cash, beginning	601,460	27,511
Cash, ending	$ 285,554	$ 601,460

The accompanying notes are an integral part of these financial statements.

WELCOME AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

1. Business description and summary of significant accounting policies:

Business description:

Welcome America, Inc. (the "Corporation") is a non-profit organization developed to enhance tourism in the City of Philadelphia by promoting an annual festival of events celebrating Independence Day.

Basis of accounting:

The Corporation maintains its accounts on the accrual basis of accounting for financial statement presentation for the Community Revitalization program. Under this method, revenues are recognized when earned and expenses when incurred. The accompanying financial statements were prepared for the purpose of complying with DCED reporting requirements for the Corporation and the Community Revitalization program.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenues:

All support generated from sponsorship revenue, grants, and contributions are considered to be available for unrestricted use.

Income taxes:

The Corporation has been granted tax exempt status in accordance with Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal, state and local income taxes. The Corporation is not a private foundation.

Property and equipment and depreciation:

Property and equipment consists of computer equipment and is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (five years).

Advertising costs:

Advertising costs are expensed as incurred. Advertising costs totaled $882,084 and $849,494 for the years ended December 31, 2003 and 2002, respectively.

2. In-kind contributions and program expenses:

Generally accepted accounting principles require the recognition of contributions of services. This information is included in the financial statements because it is useful in understanding the magnitude of the Corporation's operations, including its dependence on contributed services.

The Corporation recognizes revenues and related expenses for certain goods and services donated by in-kind sponsors at the fair value of the goods and services.

In-kind contributions and expenses are as follows:

	2003	2002
Advertising and promotion	$ 520,749	$ 457,360
Hotel accommodations	96,960	102,518
Transportation	59,560	205,388
Tickets and other entertainment costs	118,766	268,868
Logistics	263,655	191,443
	$ 1,059,690	$ 1,225,577

3. Property and equipment:

Property and equipment consists of the following:

	2003	2002
Computer equipment	$ 10,917	$ 10,917
Less: accumulated depreciation	6,472	4,289
	$ 4,445	$ 6,628

Depreciation expense for the years ended December 31, 2003 and 2002 was $2,183 and $2,085, respectively.

4. Title sponsor:

The Corporation is under agreement with Sun Company, Inc. ("Sunoco") to be the exclusive title sponsor of the event for a three year period ending with the 2006 festivities, with an option to extend through the year 2009.

5. Loan from City of Philadelphia:

In 1995, the City of Philadelphia advanced the Corporation $500,000. This advance is non-interest bearing and has no specific repayment date.

In 2002, the City of Philadelphia advanced an additional $1,000,000 to the Corporation. During 2002, the Corporation repaid $900,000. The balance of $100,000 is non-interest bearing and has no specific repayment date.

6. Loans from PIDC:

During the years ended December 31, 2003 and 2002, the Corporation received $800,000 and $1,000,000, respectively, in loans from Philadelphia Industrial Development Corporation (PIDC). The terms of these loans were zero interest, ninety day term with a balloon payment. These loans were subsequently forgiven (see Note 9).

7. Deferred income:

In 2002, the Corporation received a $1,000,000 grant from PA Department of Community and Economic Development. Part of this grant, $507,918 was spent on event related expenses under the grant budget in 2002. The remainder, $492,082 was classified as deferred income at December 31, 2002 and was used on event related expenses for the year ended December 31, 2003.

8. Concentrations of credit risk:

Financial instruments that potentially subject the Corporation to credit risk include cash on deposit with a financial institution amounting to approximately $335,000 at December 31, 2003, of which only $100,000 was insured by the U.S. Federal Deposit Insurance Corporation.

The Corporation is substantially funded by a government agency. The ability of the Corporation to maintain its overhead structure and meet future financial commitments is dependent on the continued funding by this agency.

9. Subsequent event:

On December 8, 2004, the $1,800,000 loans from PIDC to the Corporation were reclassified as grants under the Economic Stimulus Program of the City of Philadelphia, and as a result the loans were forgiven. This amount will be recognized as income in 2004.

WELCOME AMERICA, INC.
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2003 AND 2002

		2003		2002
Program services:				
Advertising and promotion	$	882,084	$	849,494
Decorations and supplies		142,693		218,894
Equipment rental		182,187		246,957
Event producer fees		627,236		785,731
Location and set up		248,286		265,486
Service and support		215,395		234,831
Talent and entertainment		522,145		862,853
Travel and transportation		61,788		207,004
	$	2,881,814	$	3,671,250
Management and general:				
Payroll and related expenses	$	133,875	$	239,975
Bad debt		-		24,000
Computer		-		2,040
Depreciation		2,183		2,085
Insurance		67,878		13,863
Office expenses		23,782		62,848
Penalties		182		370
Professional fees		79,000		75,000
	$	306,900	$	420,181
Fundraising:				
Payroll	$	51,103	$	49,591
Sponsorship costs		14,000		57,825
	$	65,103	$	107,416

Shechtman, Marks,
Devor & Etskovitz, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Welcome America, Inc.
Philadelphia, PA

We have audited the financial statements of Welcome America, Inc. as of and for the year ended December 31, 2003 and have issued our report thereon dated February 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described below.

04-01 – Allowable costs

Condition:	The Corporation did not receive a prior approval from the funder, PA Department of Community and Economic Development ("DCED"), for any line item variances over 15% of the agreed upon budget for the state grant.
Criteria:	The DCED grant requires prior approvals on line item budget variances over 15%.
Effect:	The Corporation is not in compliance with the grant agreements.
Cause of Condition:	The current management was not aware of the requirement to contact the funder about the variances.
Recommendation:	The Corporation needs to ensure that it is making grant expenditures in accordance with the grant application and closely monitor budget versus actual expenditures. In case of such variances management should contact the funder for prior approval.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below.

04-02 – Allowable costs

Condition: The Corporation is not consistently following their internal policy which requires all invoices to be approved by both the Event Producer (if event related) and the Executive Director prior to payment.

Criteria: The Corporation maintains a policy that requires all invoices be approved by both the Event Producer (if event related) and the Executive Director.

Effect: By not following this policy, the Corporation is increasing their risk that invalid expenditures could be paid with Corporate funds.

Cause of Condition: Some check requisitions were paid without the approval of the Executive Director.

Recommendation: The accounting department and the check signer must require approvals on check requisitions prior to payment process.

04-03 – Allowable costs

Condition: The Corporation was unable to provide supporting documentation for some of the payroll paid to its part time employees.

Criteria: It is the Corporation's policy that all part time employees complete time sheets to record hours worked and to compute the wages to be paid.

Effect: Because the client was unable to find some of the time sheets, the amount paid to the part time employees can not be substantiated. The projected error to total wages paid to part time employees is $13,099.

Cause of Condition: The Corporation has had high turnover in most of the positions within the Corporation; it seems likely that the time sheets were lost in the transition.

Recommendation: The Corporation needs to ensure that the time sheets are retained from year to year. We recommend that the approved time sheets be attached to the weekly payroll registers provided by the payroll company.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Corporation in a separate letter dated February 14, 2005.

This report is intended solely for the information and use of the Board of Directors, management, the State of Pennsylvania and the City of Philadelphia and is not intended to be and should not be used by anyone other than these specified parties.

Shechtman, Marks, Devor & Etskovitz, P.C.

February 14, 2005
Philadelphia, PA

Shechtman, Marks,
Devor & Etskovitz, P.C.
Certified Public Accountants

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February 14, 2005

Board of Directors and Officers
Welcome America, Inc.
Philadelphia, Pennsylvania

In connection with the audited financial statements of Welcome America, Inc. ("the Company") as of December 31, 2003 and for the year then ended, the American Institute of Certified Public Accountants requires us to gain an understanding of the Company's internal control structure. As stated in our engagement letter, the purpose of our audit was to express an opinion on the financial statements and not to provide assurance on the internal control structure.

The principal objectives of an effective internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that all transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance requires that management, in fulfilling its responsibility make estimates and judgments to assess the expected benefit and related costs of control procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, there is a risk that procedures may become inadequate in future periods because of changes in conditions and the degree of compliance with the procedures may deteriorate.

Generally accepted auditing standards require the auditor to ensure that the management and/or audit committee of an entity receives information to assist in overseeing the financial reporting and disclosure process.

In addition, auditors are required to inform management of any problems encountered related to accounting principles and their application and significant audit adjustments. During the course of our audit, we noted the following matters:

1. Cash disbursements and expenditures:

   A policy of the Company requires that all invoices submitted for payment be attached to a check requisition for approval by both the event producer (if event related) and the acting Executive Director. This allows the accounting department to rely on the validity of expenditures. During the course of our audit procedures, we found that there were a number of check requisitions which were not approved by the Executive Director.

EXHIBIT B

It is imperative that the organization maintain adequate controls over the cash disbursements functions. We recommend that the accounting department be made aware that no invoice should be paid without the approval of the Executive Director.

2. Invoicing and cash receipts

A policy of the Company requires the Sponsorship Director to notify the accounting department via email when a company agrees to become a sponsor. At that time, the accounting department sends the sponsor an invoice. These invoices are then filed in the accounting department. We found that in some instances the accounting department could not locate the invoice copy.

Without proper tracking of sponsorship income and invoicing, the Company can not easily track open receivables. We recommend that files be created in the accounting department for each sponsor. All correspondence both internally generated (such as from the Sponsorship Director) and externally generated (such as copies of checks and other documentation from the sponsor) should be filed accordingly.

3. Payroll expenditures:

The Company employees a number of part time workers during the peak festival time. These part time employees are required to complete a time sheet of their hours worked. During our audit procedures we found the following:

- The Company could not find time sheets to support amounts paid to a number of part time employees.
- On some of the time sheets retrieved by the Company, the number of hours worked did not agree to the number of hours paid. In discussions with management, we were informed that in some cases part time employees were compensated for a minimum number of hours regardless of hours worked, but we found no documentation authorizing this.

We recommend closer monitoring of the payroll function. All time sheets should be signed by the supervisor. Any changes to the number of hours paid should be noted and approved by the supervisor. In addition, the accounting department should not accept time sheets which are not approved. At the end of each payroll cycle, all documentation related to that payroll, such as time sheets, employee changes and payroll reports, should be appropriately filed.

4. Grant reporting requirements:

   The Company receives funding from the State of Pennsylvania Department of Community and Economic Development through periodic grant contracts. These contracts require the Company to follow budgets which are approved by the State at the time that the contracts are awarded. Budget line item variances greater than 15% require prior approval from the State. During the course of our audit, we noted such deviations from budget for which management did not receive prior approval.

   We recommend that management more closely monitor the actual expenditures to budgeted amounts outlined in the State contracts. If management foresees the need to deviate from the approved budget, we recommend they notify the State immediately.

While correcting each of the foregoing points will not prevent or preclude errors or illegal acts from occurring, it will help to improve record keeping, the internal control structure, and the profitability of the Company. If you would like to further discuss these or any other issues, please call us.

Very truly yours,

Shechtman, Marks, Devor & Etskovitz, P.C.

SHECHTMAN, MARKS, DEVOR & ETSKOVITZ, P.C.

IN THE MATTER OF THE
WELCOME AMERICA, INC.
FILE NO.: 04-98-07348

ORDER

AND NOW, to wit, on this 17th day of May 2005, the terms of paragraph 7 of the foregoing Consent Agreement are hereby adopted and incorporated as the Order of the Secretary of the Commonwealth in resolution of this matter. This Order shall take effect immediately.

BY ORDER

Pedro A. Cortés

Pedro A. Cortés
Secretary of the Commonwealth

BCO.CA0301