

New York State Association for Retarded Citizens, Inc.
Dutchess County Chapter

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Comptroller's Summary

Background

New York State Association for Retarded Citizens (NYSARC) Inc., Dutchess County is a non-profit agency providing a comprehensive array of services to Dutchess County residents with developmental disabilities and their families. Residential, day habilitation, vocational, and clinic programs are some of the services provided by NYSARC. Additional information is on their website: www.dutchess-arc.org

Audit Scope, Objective and Methodology

An audit was performed for the period January 1, 2007 through December 31, 2007. The agency's audited annual financial statements reported expenses totaling \$14,909,252.00 for the year ended December 31, 2007. Dutchess County Department of Mental Hygiene (DMH) provided \$437,660.00 in funding for the Shelter Workshop & Supported Employment Program. In addition, the Department of Social Services through a contract with the Workforce Investment Board (WIB) provided \$28,679.00 for a Summer Youth Employment and Training Program.

The audit included review of:

- Accounting processes and internal controls;
- 2007 Contract Review;
- 2000 – 2007 Mental Hygiene CFR closeout review.
- 2003 – 2007 MCFFA Review

Summary of Findings

A tentative total of \$317,601.58 is past due to DC DMH for the period 2002- 2007. At this time, estimated close outs prepared by DC DMH for 2005 and 2006 indicate a total of \$167,572.87 may be owed to NYSARC. Findings were noted in the payroll processing, the handling of voided checks, and IRS Form W-9 collection and IRS Form 1099 issuance.

Detailed Findings

Accounting Processes and Internal Controls

NYSARC's 2007 claims were reviewed to accounting ledgers and supporting documentation. Payments were made in accordance with the agency's accounting processes and procedures. Findings were noted in the payroll processing, the handling of voided checks, and IRS Form W-9 collection and IRS Form 1099 issuance as follows:

Findings:

- Payroll processing is handled by one individual. The payroll bookkeeper enters payroll, runs the checks, has unsupervised access to the electronic signature that is applied to payroll checks, and bundles the checks for distribution.
- Voided checks were marked void; however, the signature portion was not destroyed.
- W-9s were not available on all vendors to determine entity status and the need for issuing an IRS Form 1099.

Recommendations:

- The agency should provide additional security for the application of the electronic signature. Additionally, the function of distributing of checks should be separated.
- To prevent misuse, the signature portion of voided checks should be destroyed.
- IRS W9s should be collected on all vendors. A procedure should be established to ensure all vendors receive a 1099 if required.

Claim and Contract Review - 2007

Department of Social Services/Workforce Investment Board

Contract #07-0216- This contract was written in the amount of \$28,679.00 for the period June 1, 2007 – September 31, 2007 to provide a Summer Youth Employment Program for TANF (Temporary Assistance to Needy Families) eligible youth. Twelve individuals participated in the program. An amount of \$13,604.76 was expended on participant work subsidies and \$13,604.76 on other work activities and expenses.

Department of Mental Hygiene

Contract #04-0539- This contract was written in the amount of \$437,660.00 (*\$362,050.00 NYS funding and \$75,610.00 Dutchess County appropriation*) for the period January 1, 2007 – December 31, 2007. Funding was for a Sheltered Workshop Program and a Supported Employment Program. The Consolidated Fiscal Report (CFR) is the New York State required claiming document for the Office of Mental Retardation and Developmental Disabilities (OMRDD) and Office of Mental Health (OMH) funding.

CFR Review

A review of expenses and revenues reported on the CFR for the respective programs was conducted and traced to the agency’s detail ledger.

Net Deficit Funding reported on the CFR is a result of Total Expenditures less Total Net Revenues. Below is the Net Deficit Funding for programs supported by Dutchess County as reported on the CFR.

	Sheltered Workshop	Supported Employment	Total	DMH Estimated Close out
State (OMH)		\$19,246.00	\$19,246.00	\$19,246.00
State (OMRDD)	\$342,804.00		342,804.00	\$226,406.00
County Appropriation	<u>75,610.00</u>		<u>75,610.00</u>	<u>\$75,610.00</u>

<i>DC Support Contract</i>	<i>\$418,414.00</i>	<i>\$19,246.00</i>	<i>\$437,660.00</i>	<i>\$321,262.00</i>
Voluntary Contributions	198,787.00		198,787.00	
Non-Funded	126,174.00	17,220.00	143,394.00	
Total	<u>\$743,375.00</u>	<u>\$36,466.00</u>	<u>\$779,841.00</u>	

The Agency's CFR claimed the entire contract amount of \$437,660.00. As of the audit date, \$384,549.82 was paid by Dutchess County to the agency. Per an estimated close out provided by DC DMH, State funding was reduced from \$362,050.00 to \$245,652.00 for a total reduction of \$116,398.00.

Finding:

The reduction in State funding resulted in an overpayment of \$63,287.82 (*DC support in the amount of \$321,262.00 less payments of \$384,549.82*).

Recommendation:

The estimated overpayment should be recouped to reflect the reduction in state funding.

MCFFA (Medical Care Facilities Financing Agency)

OMRDD makes quarterly payments to DC DMH for funding of OMRDD funded agencies; from these payments OMRDD withholds MCFFA debt due from the agencies. DMH is responsible for collecting the debt from the agencies. NYSARC's debt was withheld from DMH's quarterly payments; as such, DMH is required to bill them for repayment of the debt.

Finding:

NYSARC has not paid for the period April – December 2007 totaling \$70,992.00.

Recommendation:

NYSARC should pay the April – December 2007 MCFFA monies owed to DMH.

Additional Expense Review

Salaries reported on the CFR were verified to W2s and to the agency's financial statements. Payroll tax deductions were verified as reported to the IRS; additionally a sample of federal payroll tax deductions were verified as paid. Expenses for repairs and maintenance reported on the CFR were checked to the site of service. The agency's payments for general liability insurance and worker's compensation insurance were current.

CFR Closeout Review 2000-2007

Contract funding from NYS is estimated by DMH and is finalized by DMH based on funding letters received from NYS OMRDD and NYS OMH. The Dutchess County contract states "In the event State Aid is reduced at any time for the period covered by this contract, then the County shall require the Agency to repay any amounts advanced by the County above the amount finally established by the State..."

In reference to the above, an annual closeout is required. Below is closeout information on the year audited (2007), unaudited years (2006, 2005), previous audits (2000 – 2004).

Year	Due to/ (Due from DC)	Closeout Final Estimated	Status	NYSARC owes DC	DC owes NYSARC
2007	63,287.82	Estimated	Open	\$63,287.82	
2006	(136,183.87)	Estimated	Open		\$136,183.87
2005	(31,389.00)	Estimated	Open		\$31,389.00
2004	(334,415.00)	Final	Closed DC paid NYSARC \$334,415.00		0.00
2003	67,024.00	Final	Closed NYSARC paid DC \$67,024.00	0.00	
2002	137,986.16	Final	Open NYSARC paid DC \$35,533.48	\$102,452.76	
2001	(322,005.00)	Final	Closed DC paid NYSARC \$322,005.00		0.00
2000	419,257.14	Final	Closed NYSARC paid DC \$419,257.14	0.00	
TOTAL				\$165,740.58	\$167,572.87

Finding:

NYSARC did not pay DC the entire amount owed for 2002 resulting in an open balance of \$102,542.76. In 2007, a reduction in State funding resulted in DC overpaying NYSARC \$63,287.82.

Recommendation:

NYSARC must remit the 2002 final closeout balance of \$102,542.76 and the estimated overpayment of \$63,287.82 for 2007. Final closeouts for the years 2005 and 2006 must be processed by DMH to expedite closure.

MCFFA 2003- 2007 Review (Medical Care Facilities Financing Agency)

DC DMH is responsible for collecting MCFFA debt repayments from agencies funded by OMRDD. OMRDD makes quarterly payments to DC for agencies it funds; from these payments OMRDD withholds MCFFA debt repayments due from the agencies. NYSARC received MCFFA funding and therefore must repay DC for the amount withheld by OMRDD.

Below is a review of MCFFA billings and collection of repayments:

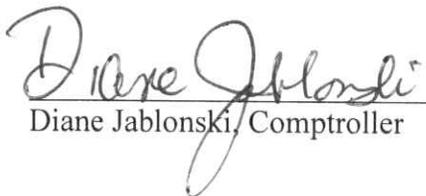
Year	Billed	Billed Amount	Status	NYSARC owes DC
2003	July – December	\$25,691.00	Paid	
2004	January – December	\$84,779.00	Paid	
2005	January - December	\$94,656.00	Paid	
2006	January - December	\$104,533.00	Partial Payment \$23,664.00	\$80,869.00
2007	January – December	\$94,656.00	Partial Payment \$23,664.00	\$70,992.00

Finding:

NYSARC has not paid DC the entire amount billed for 2006 or 2007.

Recommendation:

NYSARC must make payment to DC for the 2006 balance of \$80,869.00 and the 2007 balance of \$70,992.99.


 Diane Jablonski, Comptroller


 Cordelia Shemain, Auditor