

Audit Report

Gateway Community Industries, Inc

January 1, 2010 – December 31, 2011

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Background

Gateway Community Industries, Inc. (Gateway) is a non-profit corporation providing services to individuals with mental and physical disabilities in Ulster and Dutchess Counties. Some of the services they provide are case management, supported housing, vocational support and psychiatric rehabilitation. Revenues are derived from Medicaid, Office of Persons with Developmental Disabilities (OPWDD), Office of Mental Health (OMH), Office of Alcohol and Substance Abuse Services (OASAS), State Education Department (SED) US Department of Housing and Urban Development (HUD) and fees.

Audit Scope, Objective and Methodology

An audit of Gateway Community Industries, Inc. (Gateway) was conducted for the period January 1, 2010 – December 31, 2011. There were two contracts with Gateway for the audited time periods which were under the auspices of the Dutchess County Department of Mental Hygiene. Each contract provided pass-thru funding from New York State Office of Mental Health (OMH) for Supported Housing and Employment. Contract #07-0172 provided funding totaling \$766,681 for the time period January 1, 2010 – December 31, 2010 and Contract #11-0078 provided funding totaling \$853,971 for the time period January 1, 2011 – December 31, 2011. Dutchess County programs are 100% funded from New York State Office of Mental Health.

The audit included a review of the contracts, claims, agency financial records and internal controls regarding accounting activities. Personnel services, rental payments and associated client income were reviewed.

Summary of Findings

The financial records reviewed were in good order and readily available. Policies and procedures were in place to provide duty segregation and oversight. A recommendation is made for the Board to review bank statements and reconciliations periodically.

Detailed Findings

Control Environment

Oversight includes the agency's Board of Directors and Finance Committee, as well as, the agency President and CEO. The Chief Financial Officer is responsible for the agency's general oversight of financial operations. A Certified Public Accountant provided an independent audit. The Controller is responsible for the general accounting.

Accounting Activities

The agency's activities for daily operations were reviewed. This included accounting procedures, separation of duties, banking, cash handling, tax reporting and claim management.

Banking and Cash Handling

Deposits and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Monthly bank reconciliations were completed. Outstanding checks were current.

Contract Review

The Consolidated Fiscal Report (CFR) is the required claiming document. The 2010 and 2011 CFR reports were reviewed and traced to Gateway's general ledgers.

The Department of Mental Hygiene provided NYS OMH funding through Contract #07-0172 dated 1/1/10-12/31/10 in the amount of \$766,681 and Contract #11-0078 for the period 1/1/11 – 12/31/11 in the amount of \$853,971. Funding provided Vocational Job training and Supported Housing with case management support for individuals recovering from mental illness. Gateway reported 129 individuals were served in 2010 and 130 individuals were served in 2011. Gateway provides up to 47 slots for supported housing: 34 regular; 8 special use (long stay); and 5 women with children slots.

Revenue and expenses reported on the respective CFRs follows:

Expense	2010	2010	2010	2011	2011	2011
	Vocational	Supported Housing	Total	Vocational	Supported Housing	Total
Personnel /Fringe	\$124,676	\$129,836	\$254,512	\$142,288	\$159,621	\$301,909
Other	14,143	17,496	31,639	18,216	26,061	44,277
Equipment	541	4,171	4,712	407	4,708	5,115
Property	12,566	326,215	338,781	12,080	344,508	356,588
Administration		175,667	175,667	1,859	205,171	207,030
Total	\$151,926	\$653,385	\$805,311	\$174,850	\$740,069	914,919

Revenue	2010	2010	2010	2011	2011	2011
	Vocational	Supported Housing	Total	Vocational	Supported Housing	Total
SSI & SSA		\$41,102	\$41,102		\$36,070	\$36,070
NYS OMH	\$151,926	612,283	764,209	\$149,972	703,999	853,971
Non-Funded				24,878		24,878
Total	\$151,926	\$653,385	\$805,311	\$174,850	\$740,069	\$914,919

New York State Office of Mental Health approved funding as follows:

Code	NYSOMH Funding Source	2010	2010	2011	2011
		Amount Claimed	Amount Approved*	Amount Claimed	Amount Approved**
37	Integrated Supported Employment	\$42,351	\$42,351	\$49,405	\$49,405
39	Innovated Rehabilitation Programs	57,681	57,681	56,167	56,167
78	Supported Housing	525,538	525,538	618,371	618,371
200	Community Reinvestment	131,013	131,013	129,530	129,530
400	Community Performance Funds	503	503	498	498
90	Non- Funded	7,123		24,878	
	Total Claimed	\$764,209		\$878,849	
	Total Funded		\$757,086		\$853,971

*NYS OMH approved funding letter dated September 24, 2010

**NYS OMH approved funding letter dated November 11, 2011

Observations:

- A total of \$766,681 was paid on Contract #07-0172 and Gateway Industries returned \$9,595 to Mental Hygiene as a result of the New York State approved funding of \$757,086.
- The total paid in 2011 on contract #11-0078 was \$853,971.

Selected Expense Review

Personnel Services

Employee W-2's were reviewed for direct and indirect salaries claimed on the CFR. In 2010 \$208,708 was claimed and \$248,206 in 2011. Total W-2 salary was matched to the agency's Federal 941's and NYS-45's. These amounts were \$5,603,431 in 2010 and \$5,702,415 in 2011. Time sheets included allocated time reporting weekly. No discrepancies were noted.

Property/Rentals

The Supported Housing program provides payments to landlords on behalf of individuals. Guidelines state '*Under no circumstances should the stipend be paid directly to the recipient.*' In 2010, a total of \$312,017 was paid to landlords and \$330,771 in 2011. A review of Gateway's 1099's issued for rental payments were reviewed and no discrepancies were noted.

Internal Controls

Internal controls for payroll, accounts payable, cash receipts and banking were reviewed.

Payroll- In addition to employee salary, Gateway also pays salary for consumers. Software Vertex, Mas90 and the contracted ADP payroll are integrated and used to process payroll. Payroll is processed in house. Internal controls were implemented including separation of duties, check signing logs and locks.

Banking – Two agency bank accounts were reviewed: Payroll and Operating. Bank account reconciliations, canceled checks, outstanding checks and deposits were reviewed. A selection of checks was reviewed for check signing policies, approvals and supporting documentation.

Finding:

The Board of Directors does not review the bank accounts or bank reconciliations.

Recommendation:

As an added internal control, the board should randomly and periodically review bank statements and reconciliations and attestation evidenced.

Revenue

SSI/SSA rents - A review of the intake process and the annually required client income recertification process was conducted. As part of the supported housing program, Individual stipend amounts must be calculated based on the difference between what the tenant can pay and the rent for the unit. The recipient's contribution toward the total cost of rent and utilities should not exceed 30 percent of an individual's adjusted income. In 2010, \$41,102 was reported received and \$36,070 in 2011 for SSI/SSA rents.

Accounts Receivable – A current accounts receivable was reviewed. Rents are reported when received. As of November 16, 2012 a total of \$8,350 was listed as accounts receivable: \$5,055 was current and \$1,958 was over 120 days. The Agency indicated case workers work closely with individuals to provide their share of the rent and to continue to become independent, supporting the program goal.