

Audit Report

Grace Smith House, Inc.
January 1, 2014– December 31, 2014

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COMPTROLLER'S SUMMARY

Due to vacancies during 2014, a new Executive Director (December 2014) and a new Director of Finance and Administration (July 2014) were hired. While it appears since our last audit that management has increased its knowledge of internal controls, additional efforts should be made to review the agency's accounting activities and ensure that 'new' employees in the management team are trained to carryout fiscal policies and procedures. Additionally risk assessments of critical areas regarding duty segregation and cash handling should be evidenced periodically.

BACKGROUND

Grace Smith House, Inc. (GSH) is a not-for-profit licensed domestic violence service provider. GSH provides services to women and their dependent children. Additional information is available on the GSH website <http://www.gracesmithhouse.org>.

AUDIT SCOPE, OBJECTIVE AND METHODOLOGY

The objective of our audit was to review the 2014 accounting records and processes for the time period January 1, 2014 – December 31, 2014. Contracts between GSH and Dutchess County for 2014, totaled \$1,262,387.78. As of, June 26, 2015, Dutchess County reimbursements for 2014 claims amounted to \$1,160,242.52. Additional claims were pending budget amendments.

Nine programs were provided funding under the following three contracts:

Department of Community & Family Services (*formally Department of Social Services*)

Contract # 12-0142-12/12-SS-A5

Programs:

• Core Services	\$ 77,994.65
• Family Advocate Latina Outreach	49,406.25
• Domestic Violence Non-Residential Children's Services Liaison	102,049.50
• Domestic Violence Family Court Advocates	80,875.83
• Domestic Violence Education and Prevention	50,518.75
• Legal Services Hudson Valley - Family Project	82,428.40
• Legal Services Hudson Valley - Divorce Project	<u>106,877.40</u>
	\$550,150.78

Contract #13-0123-12/13-YB-A1

Non-Residential Youth Program

\$12,237.00

Contract #14-0068-12/14-SS

Domestic Violence Residential Services

\$700,000.00
\$1,262,387.78

Exhibit I contains a brief description of each program funded.

The audit included review of the agency's control environment, claims submitted to Dutchess County, agency accounting records and original supporting documentation, banking and cash handling, personnel services, W-9 collection and 1099 issuance.

SUMMARY OF FINDINGS & RECOMMENDATIONS

- Weaknesses were identified in Claiming and Petty Cash practices. Petty Cash practices were changed during our review. Additional oversight and monitoring claim processes should be put in place to ensure accurate records and timely claims.
- Management should continue to develop comprehensive operating procedures for key accounting activities which comply with state, federal and best accounting practices, which promote proper checks and balances and oversight.
- Disallowances totaling \$8,076.08 were noted based on the review of actual expenses claimed in comparison to the contract program budgets. If budget modifications are completed, these disallowances may be reduced or eliminated.

DETAILED FINDINGS

CONTROL ENVIRONMENT

Management, for the purpose of this report, is defined as the Executive Director, Director of Finance and Administration and the Board of Directors.

The Agency's accounting processes and internal controls for daily operations were reviewed.

Findings

- Petty Cash procedures were not properly designed and effectively executed.
- Claiming duties were not properly segregated.
- Errors were noted in claim reimbursement requests.
- Claim reimbursements were not submitted timely to the county for several DCFS programs.

Recommendations

- Petty Cash procedures should be consistent with best practices. *While conducting our review the agency was notified of our concerns and immediately reviewed and instituted policies and procedures in accordance with best practices for the handling of cash receipts and petty cash.*
- Additional attention is necessary to design duty segregation for the claiming responsibilities.
- Additional oversight by multiple individuals should alleviate claim reimbursement errors.
- Timely submission of claim reimbursements will ensure cash flow.

2014 CLAIM REVIEW – EXPENDITURE DRIVEN

Claims for the following programs were submitted for personnel, fringe benefits and operating expenses. The budget for each program area was reviewed to the quarterly claims submitted. The budget and amounts paid for each program area follow:

Contract #12-0142-12/12-SS-A5

Program	Contract Amount	Paid Amount as of 6/26/15
Non-Residential DV Core Services	77,994.65	80,855.99
Family Advocate Latina Outreach	49,406.25	45,033.02
Domestic Violence Non-Residential CPS Liaison	102,049.50	92,133.15
Family Court Advocates	80,875.83	76,037.04
Domestic Violence Education and Prevention	50,518.75	47,517.10
LSHV - Family Project*	106,877.40	106,668.68
LSHV - Divorce Project*	82,428.40	82,219.67

Contract #13-0123-12/13-YB-A1

Non-Residential Youth	12,237.00	12,237.00
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*The program funding provided for Legal Services Hudson Valley for the Family Project and the Divorce Project was paid to GSH who subcontracted with the agency. As part of the county contract, GSH received an administrative fee.

Findings

- In 2014, GSH did not correctly use the 2014 budget attached to the contract for claiming. Instead the 2013 budget amounts were used, resulting in salary allocation anomalies. Specifically, salary costs were not claimed at the contracted percentage for specific job titles. *Revised claims were submitted during our site review. Budget modifications were being requested to re-allocate funding dollars between programs. This process had not been completed at the time of the writing of this audit.*
- Duties for preparing and submitting claims for reimbursement were not segregated. The same individual prepared and submitted claim documents that had various anomalies including the incorrect budget amounts. Additional oversight would assist in identifying errors and anomalies prior to submittal to the county.
- Claims were not submitted timely; claims for the first three (3) quarters of 2014 were submitted; however, the fourth quarter of 2014 for all programs was not submitted until June 18, 2015. Some claims still have not been submitted for 2014 as of the writing of this audit. Budget modifications were being submitted and reviewed for possible allowance of additional expenses.
- Documentation supporting the funds claimed for Family Court and Divorce Project legal services were not supported by detail claims. The detail claim documents had to be requested from the subcontractor by GSH at the time of our site review. **Anomalies were found with the claim documentation resulting in disallowances totaling \$5,214.74 due to the fact that the funding allocation for non-personnel services was limited to 2% and the agency claimed and was paid 6%. There was no budget modification submitted to allow this allocation.**

Recommendations

- All claim documents should accurate and agree with the correct funding year. Budget modifications should be sent timely when necessary. The 2014 funding by program must be

finalized. **The above chart shows an overpayment of \$2,861.34 for the Non-Residential DV Core Services program which will have to be returned to the county if a budget modification is not approved.**

- The individual preparing the claim document should not be the only individual reviewing the claim document prior to submission.
- Claims should be submitted timely. This will ensure a proper cash flow to the agency.
- Documentation for all Family Court and Divorce Project legal services should be reviewed and validated by GSH as the administrative entity **prior to submittal** for reimbursement from Dutchess County.

CLAIM REVIEW – PER DIEM PAYMENTS FOR \$700,000

Contract #14-0068 with DCFS provided funding for residential care services that included temporary shelter, emergency services and care. A total of \$617,540.87 was claimed and paid for 2014 services. Claims were paid based on per diem rates established by the New York State Office of Children and Family Services. The established rate for the contract term January 1 to December 31, 2014 was \$104.87 per person per night. A sampling of payments billed and paid for the months of July through November were chosen for review. Attendance records for this time period for the selected cases were reviewed. No discrepancies were noted. In addition, agency policies and procedures for recording client stays were reviewed.

Observation

It was noted that sign in/sign out logs were not consistently retained for audit and review. However, the information was entered in the respective database from the logs and reconciled prior to disposal.

CASH HANDLING AND BANKING

Selected transactions were traced to the bank records including deposits and no discrepancies were noted. Bank reconciliations were reviewed and no discrepancies were noted.

Petty Cash processes were reviewed. The agency did not fund petty cash through disbursements instead when cash was received from various revenue sources it was held and used for selected 'petty cash' disbursements.

Finding

- The agency did not have a petty cash procedure that was in accordance with best practices and which provided a proper level of internal control. When cash funds were collected they were typically held and used for selected disbursements which should have been paid by check. Cash funds held at the agency were up to \$4,000. Cash funds typically disbursed were for mileage, travel and client needs.

Recommendation

- The above finding was immediately discussed with the agency upon discovery. While we were conducting our fieldwork at the agency, policies and procedures for Petty Cash were established and immediately implemented to correct the above deficiencies for Petty Cash funding (replenishment) and disbursements.

PERSONNEL SERVICES

The primary expenditure claimed for the various programs was for personnel services. The agency contracts with an outside vendor to provide payroll services. Personnel costs claimed were compared to the W-2s and respective tax reports. No discrepancies were noted.

W-9 AND 1099 REVIEW

The IRS requires issuance of Form 1099 to individuals/businesses that receive payment of \$600 or more in a calendar year for services provided. An IRS W-9 Form identifies a vendor's business status.

Finding

- The agency did not have a W-9 available for one vendor utilized. *During our audit, staff was in the process of obtaining the W-9.*

Recommendation

- GSH should obtain W-9s from all providers of services prior to payment and retain copies for audit purposes.

EXHIBIT I FUNDED PROGRAMS AND DESCRIPTIONS

Contract #12-0142-12/12-SS-A5

Programs	Description
Non-Residential Domestic Violence Core Services	Services to provide social support and increase protective factors to enhance Domestic Violence victim's safety.
Family Advocate Latina Outreach	Spanish-speaking Advocacy and counseling for Domestic Violence issues in the Latina community.
Domestic Violence Non-Residential Child Protective Services Liaison	Liaisons located at Child Protective Services for Domestic Violence victim support, and training and support for Child Protective Services workers to understand family violence
Family Court Advocates	Liaisons to assist Domestic Violence victims with completing petitions and understanding the Family Court Process.
Domestic Violence Education and Prevention	School-based programs focusing on bullying and relationship violence, prevention and intervention. Provides schools with crisis help with family violence incidents.
Legal Services Hudson Valley - Family Project	Provides information, referrals, advice and counsel for matters arising from abuse including family offenses, child custody, visitation and support.
Legal Services Hudson Valley - Divorce Project	Provides information, referrals, advice and counsel for matters arising from abuse including legal separation or divorce, spousal support or maintenance, and related property issues.

Contract #13-0123-12/13-YB-A1

Non-Residential Youth Program	A trauma informed intervention program to help youths and families recover from effects of domestic violence. Services include assessments, referrals, counseling, education, support groups, advocacy, transitional housing and recreational activities.
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Contract #14-0068-12/14-SS

Domestic Violence Residential Services	Grace Smith House Inc. provides a residential care program approved by New York State Office of Children and Family Services for Domestic Violence victims. Services include temporary shelter & emergency services and care.
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