

Audit Report

Grace Smith House Inc.
January 1, 2007– December 31, 2007

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Comptroller's Summary

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 who are victims of physical abuse by the person with whom they live or have lived with in the past. Additional information is available on the GSH website <http://www.gracesmithhouse.org>

Audit Scope, Objective and Methodology

The audited period was January 1, 2007 – December 31, 2007. In 2007, the agency's unaudited financial statements reported expenses totaling \$1,397,811.13. Dutchess County reimbursements for 2007 expenses amounted to \$967,892.34 and were provided by the following departments.

<u>Department</u>	<u>Contract #</u>	<u>Term</u>	<u>Budgeted</u>	<u>Payments for 2007</u>
Social Services	#07-0106	1/1/07-12/31/07	\$500,000.00	\$436,710.14
Social Services	#03-0325	1/1/07 -12/31/07	542,797.00	507,729.59
Youth Bureau	#05-0095	1/1/07-12/31/07	13,238.00	13,238.00
Planning	#06-0356	10/1/06 -09/30/09	55,156.00	0.00
Planning	#06-0134	3/01/06- 02/28/07	11,263.00	1,874.61
Planning	#07-0409	3/01/07- 02/29/08	<u>10,000.00</u>	<u>8,340.00</u>
Total			<u>\$1,132,454.00</u>	<u>\$967,892.34</u>

The audit included review of:

- Internal controls;
- Contract compliance;
- The agency's detail ledger, cost allocations, salaries and original supporting documentation.

Contract detail is attached as Addendum I.

Summary of Findings

Internal controls regarding segregation of duties and oversight should be improved. In addition, expense allocations should be supported by documented methodologies.

Detailed Findings

Internal Controls

Separation of Duties- One individual should not have the sole responsibility to authorize a transaction, record the transaction, prepare financial documents and reconcile financial records.

Finding:

A separation of duties is not maintained – specifically:

- The Fiscal Director manages financial transactions and human resource functions. Functions performed include adding new employees, removing terminated employees, entering employee deductions, as well as, receiving the processed payroll product from the vendor. The Executive Director reviews payroll records.
- The Fiscal Director approves invoices for payment, processes the payment and records the transaction in the general ledger as well as reconciles the bank statements. The Executive Director signs checks and approves bank reconciliations.

Recommendation:

Duties should be segregated for proper internal control and to mitigate risk.

Purchasing and Payment Processing – The agency’s internal controls to monitor purchasing and approve purchases for payment were reviewed.

Findings:

There was no process in place to document approvals for purchases and invoice payments. Requests for purchases were verbally initiated by program personnel; the fiscal director verbally approved the availability of funds in the budget and then paid the invoices when due.

Some payments were made from sales orders and statements and did not have supervisory approval; some items were not supported with receipts or other supporting documentation to indicate the delivery or completion of the transaction.

Recommendations:

Processes for purchasing and invoice payment should be developed, documented and implemented with specific attention to formal approvals.

Payments must be made from original invoices and supported with delivery receipts, packing slips and verification of work completed.

Cash Handling and Banking – Deposits, canceled checks, and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Monthly

bank reconciliations are completed and verified to the general ledger; the Executive Director reviews and initials the monthly bank statements and bank reconciliations.

Finding:

During 2007, various months had a bank balance in excess of the insurance protection limits provided by the FDIC program, which is \$100,000.00 at each institution.

Recommendation:

Cash balances should be monitored and kept below the FDIC protection limit.

Contracts

Contracts were reviewed for compliance. See Addendum 1 for detail on contracts. We conducted two reviews of the Follow-up program. Our initial review in February occurred prior to the agency's closeout. The subsequent review occurred in April after the agency closed their 2007 records.

Finding:

Per our initial review, GSH did not comply with the budget requirements of the DSS contract #03-0325 which provided \$542,797.00 to fund the Follow Up program. The contract budget required funding from other sources; the amounts recorded from these other sources did not meet the requirements of the contract budget. Additionally, claims were made against the contract when the program cost center showed a surplus. At the time of our original review, GSH staff advised us that all costs associated with the program were not recorded in the program's cost center. In addition, they did not have a documented methodology to support expense allocations. Upon our subsequent review, GSH provided us with an adjusted report which included revenue and expenses recorded in other program cost centers that were associated with the Follow Up program. This report demonstrated that contract requirements were met and the program did not have a surplus.

Recommendation:

Expenses claimed to a funding source for a program must be recorded in the general ledger for that program's cost center. Expense allocations should be supported by documented methodologies and consistently followed throughout the year.

Revenues

Payments received from Dutchess County were traced to the cash receipts journal, bank deposit slips, bank statements and detail ledger. Deposits were made in a timely manner. Payments were recorded in the appropriate revenue accounts.

Expenses

The agency's budget was approved by the board of directors.

Personnel Services

Total salaries reported were verified to W2s. The Board minutes recorded the board's approval of salary raises in 2007 for full-time staff and part-time staff. The allocation of salaries to various programs and the approval of salary increases were reviewed.

Finding:

Salaries claimed for reimbursement were not recorded to the program cost center in the general ledger. Therefore, the general ledger did not agree with the claim reimbursement forms. Staff informed us that when an employee substituted for another position the cost of their salary was not reclassified. Additionally, time sheets did not identify the program an employee worked in.

Recommendation:

Employee time actually worked in programs should be documented, recorded in the appropriate general ledger account, applicable cost center and claimed to the funding source. Adjusting entries to accounts should be made when an employee works in another cost center. In addition, all applicable costs should be supported by time sheets.

Fringe Benefits/Payroll tax

GSH incurs payroll taxes and fringe benefit costs for all employees. Payroll taxes are processed by an outside vendor but payment and filing was done by the agency; we verified electronic transfers from the bank account for the payment of IRS tax withholdings. GSH has written Personnel Policies and Procedures which were reviewed.

Finding:

The Personnel Policies Handbook notes that annually the Board will approve the percentage of medical coverage to be paid for full-time employees and the percentage to be paid on the profit sharing retirement plan. Board minutes from January to November were reviewed and we saw no resolutions approving percentages for the above benefits. The entire budget was approved; however, unlike the salary raises that had specific approval these two benefits did not have specific approval.

Recommendation:

The board minutes should indicate the board approved the percentages to be used for the health plan and the retirement plan.

IRS Form 1099-Miscellaneous Income

The IRS requires Form 1099-Miscellaneous Income Statements be issued to individuals/businesses that receive payment of \$600.00 or more in a calendar year for

services provided. A W-9 (Request for Taxpayer Identification Number and Certification) identifies a vendor's business status.

Finding:

The agency did not have W-9s available for all vendors. At the time of the audit, 1099s were not issued to all vendors eligible to receive a 1099; however, staff was in the process of obtaining W-9s and issuing 1099s.

Recommendation:

GSH should obtain W-9s from all providers of services to determine their business status. A procedure should be established to identify all payments to vendors required by the IRS to receive a 1099.


Diane Jablonski, Comptroller


Cordelia Shemain, Auditor

Addendum I

Contract Detail

Department of Social Services

Contract #03-0325 – This contract provided **\$542,797.00** for the 9 programs listed below for the period January 1, 2007 to December 31, 2007. Three of these programs amounting to \$239,370.00 were subcontracted out to Hudson Valley Legal. Six programs amounting to \$303,427.00 were provided by GSH within the scope of their “Follow UP” program. Per the contract the total cost of this program was budgeted at \$608,228.00; DC Youth Bureau contracted \$13,238.00 and funding from other sources amounted to \$52,193.00.

Program	Provided By	Budget Amount	Expended
SUB CONTRACTED			
Pro Bono Legal Services	HV Legal	\$55,000.00	\$54,916.67
Divorce Project	HV Legal	\$79,710.00	\$79,543.34
Family Court	HV Legal	<u>\$104,660.00</u>	<u>\$104,660.00</u>
TOTAL			
SUBCONTRACTED TO			
HV Legal		\$239,370.00	\$239,120.01
PROVIDED BY GSH			
Non Residential Program Services	GSH	\$47,041.00	\$46,710.42
Family Advocate/Latina Outreach Worker	GSH	\$40,825.00	\$40,825.00
Life Skills Training Project	GSH	\$51,000.00	\$51,000.00
Domestic Violence Children’s Protective Services Liaison services	GSH	\$47,761.00	\$23,992.90
Family Violence Prevention Services for Individuals	GSH	\$58,700.00	\$58,700.00
Dutchess County Family Court Advocacy Services	GSH	<u>\$58,100.00</u>	<u>\$47,381.26</u>
TOTAL PROVIDED BY		\$303,427.00	\$268,609.58
GSH			
Grand Total	GSH	<u>\$542,797.00</u>	<u>\$507,729.59</u>

Contract #07-0106 This contract had a maximum consideration not to exceed \$500,000.00 for the period January 1, 2007 to December 31, 2007. The program provided residential services to victims of domestic violence. Reimbursements are based on the 2007 Domestic Violence State Aid Rates (DVSARs) for licensed Domestic Violence residential programs. The 2007 rate set by New York State Office of Children and Family Services (OCFS) was \$92.02 per diem. In 2007, the Dutchess County Department of Social Services directly reimbursed GSH \$436,710.14. GSH has two domestic violence shelters.

Youth Bureau

Contract #05-0095 This contract was written for \$13,238.00 for the period January 1, 2007 to December 31, 2007 and was for the purpose of providing services to youth while residing at Grace Smith House. Services included role modeling, individual and family crisis counseling, group support and information referrals and advocacy. The entire contract was expended on salaries, all claims were paid.

Planning

Contract #06-0134 This contract was written for \$11,263.00 for the period March 1, 2006 to February 28, 2007.

Contract #07-0409 This contract was written for \$10,000.00 for the period March 1, 2007 to February 29, 2008.

The above contracts provided victims of domestic violence with emergency housing, advocacy and support services. Funds were provided by the United States Department of Housing and Urban Development (HUD). An amount of \$11,153.61 was claimed and paid for the 12 months of 2007, all claims were for salaries. Contract # 06-0134 was reimbursed for the entire amount of \$11,263.00; Contract #07-0409 has a balance of \$1,660.00 to be claimed for 2008 expenses.

Contract #06-0356 This contract was written for \$55,156.00 for the period October 1, 2006 to September 30, 2009. Funds for this contract are provided by HUD under the Supportive Housing program for the special needs of homeless persons. As of the audit no claims were made.