

Hudson River Housing, Inc.

January 1, 2009 to December 31, 2010

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Comptroller's Summary

Background

Hudson River Housing Inc. is a non-profit organization which operates emergency shelters and transitional housing projects in Dutchess County. More information can be found on their website: www.hudsonriverhousing.org

Audit Scope, Objective and Methodology

The audit was performed for the period January 1, 2009 to December 31, 2010.

Dutchess County provided funding in the amount of \$3,984,135.02 in 2009 and \$3,957,604.21 in 2010 through various county contracts and grants **as shown below**. Funds were provided for rental subsidies, emergency shelter, case management and homeownership education; counseling and supervised transitional housing for at risk/homeless youth placed in the River Haven program. See Exhibit I for detail of funding.

Department	2009	2010
Dept. of Planning	\$330,513.75	\$471,391.86
Dept. of Social Services	3,065,359.27	2,942,685.35
Youth Bureau	212,510.00	167,775.00
Mental Hygiene	<u>375,752.00</u>	<u>375,752.00</u>
Total	<u>\$3,984,135.02</u>	<u>\$3,957,604.21</u>

Statistics for individuals served in 2009 and 2010 is provided on Addendum I.

The audit included a review of:

- Agency financials and program revenue and expenses
- Internal Controls over cash handling and banking
- Management oversight over selected agency processes and accounting: emergency housing, rental subsidies, security deposits
- Employee W-2s, 1099's, and tax reports

Summary of Findings

- As a result of the disproportionate rates charged for emergency overnight housing, funding for the Gannett House resulted in a profit to the program of \$820,936 in 2009 and \$880,494 in 2010.
- Management oversight was not evidenced for bank transfers.
- The Consolidated Fiscal Report (CFR) required by NYS OMH was incomplete and contained reporting errors for 2009 and 2010. Revisions were not timely. As of this audit, the CFR review was not completed by NYS.
- Staff preparing the NYS CFR should attend all trainings.
- Processes for claiming discrepancies for a DSS contract were ambiguous. A refund from HRH for \$572 was received after our review of contract payments.
- Bonuses totaling \$2,165 claimed to the Department of Mental Hygiene for 2009 should be refunded to the County.
- HRH experienced a cyber theft of approximately \$160,000. Half of the funds were recovered and the bank insurance did not cover the theft.

Control Activities

The audited reports for program services, excluding administrative revenue and expense, shows an overall profit of \$177,704 for 2009 and \$1,603,332 for 2010. A detail of program revenue and expenses is shown at Exhibits II and III.

Profitable program areas:

	2009	2010
Property Dev & Mgt	\$51,868	\$1,143,792
Gannett House* county funded	820,937	880,494
Maybrook	19,533	17,045
Neighborworks	<u>160,675</u>	<u>466,488</u>
Total Profit	<u>\$1,053,013</u>	<u>\$2,507,819</u>

Losses to program areas were reported:

	2009	2010
DCCH Shelter	-\$271,108	-\$204,213
LaGrange House	-27,448	-212,334
Hillcrest	-159,825	-110,709
Permanent Housing	-194,858	-152,018
River Haven	<u>-222,070</u>	<u>-225,213</u>
Total Loss	<u>(\$875,309)</u>	<u>(\$904,487)</u>
Grand total profit(Loss)	<u>\$177,704</u>	<u>\$1,603,332</u>
Administration	<u>(\$73,910)</u>	<u>(\$352,342)</u>

Observations: The following is the rate schedule for the Gannett House (also known as Plan-G per DSS) provided by HRH: Rates are based on the number of people per room per night (including meals): \$143 for one person for one room. Additional people in a room incur an additional charge as follows:

Gannett House	2009-2010 Rates
\$143.00	One Person/One Room
\$160.00	Two People/One Room
\$176.00	Three People/One Room
\$193.00	Four People/One Room
\$210.00	Five People/One Room
\$351.00	Five People/Two Rooms
\$368.00	Six People/Two Rooms
\$385.00	Seven People/Two Rooms
\$402.00	Eight People/Two Rooms
\$420.00	Nine People/Two Rooms
\$436.00	Ten People/Two Rooms

Finding

- The Gannett House Program reported profits of \$820,937 in 2009 and \$880,494 in 2010, as a direct result of the extremely high rates charged for overnight stays.

Recommendations

- The rate schedule should be revised to ensure a government funded program does not provide a profit. While the agency indicated these excess funds were utilized for other programs, this is an excessive charge for overnight housing.

- *Dutchess County DSS should review the rate schedule and the agency's profit to ensure excess funds are made available for other county programs.*

Internal Controls over Cash Handling and Banking

Bank Accounts

Five bank accounts which were directly relating to the county funded programs were reviewed.

The general operating account is used to deposit funds. Routinely funds are wire transferred to the program bank accounts. One person normally transfers these funds via phone without additional written authorization or approval. An average of \$1,200,000 is deposited into the general operating account monthly. Wire transfers normally exceed \$10,000.

A sample of County payments was traced to the bank account and the ledger account. Bank transfers were reviewed and traced to the designated accounts.

Observations: The bank accounts were reconciled and outstanding checks were current. A board member periodically reviewed and initialed the statements. County deposits were made timely. HRH's policy for checks written over \$10,000 requires dual signatures. While conducting the audit there was discussion of a cyber theft of funds from one of the accounts for approximately \$160,000.

Findings

- Cash receipts are deposited into the general operating account and transferred daily to the appropriate accounts. Bank wire transfers were performed by the CFO via telephone transfers. HRH did not have oversight approval of the CFO's wire transfers. In addition, there was not a written audit trail of the transfers to and from accounts.
- Three checks exceeding \$10,000 each were found without dual signatures.
- One bank account did not have activity in it since November 2009 and a balance of \$11.73 remains in the account.
- A total of \$80,000 was recouped from the cyber theft; however, additional monies were not recouped from the agency's bank. *As a result of this breach, the agency put additional controls in place.*

Recommendations

- HRH should institute a dual review and approval process with the bank for fund transfers. Additional controls should be put in place with the bank to contact the agency for larger fund transfers. *During the audit HRH instituted a wire transfer form to trace the deposit of funds and provide an audit trail.*
- HRH should follow their guidelines for checks written over \$10,000.
- Bank accounts no longer needed should be closed. HRH has 47 accounts currently opened.
- All bank accounts and banking institutions should be routinely reviewed for cyber security. Funds should be recouped from the bank.

Rent Security Deposits

The Department of Social Services and the DC Planning Department provide security deposits for eligible individuals. DSS provides a voucher in lieu of an actual cash payment and in some instances provides cash payments if a landlord will not accept the voucher. The Planning Department provides cash payments for security deposits. The Planning Department reported a total of \$34,456.79 paid during the audited time period.

Observations: The Planning Department provided the following guidelines for HUD's security payments:

'HUD is giving grantees the discretion to determine how to handle security deposits. Assuming the landlord is not retaining the security deposit to pay for costs incurred by the tenant (e.g., damages); the grantee may recover the security deposit, in which case it must be treated as program income. Alternately, the grantee may allow the household to keep the deposit and use it towards their next unit'.

According to the Planning department: 'Under HUD regulations, we were not required to recover the security deposits and we did not design the program to do so.'

According to HRH, the 'Permanent Housing' program' runs at a deficit and all 'returned' security deposits have been placed in program income when the tenant moves. This is in compliance with HUD guidelines.

Employee W-2s, 1099's, and tax reports

Personal Services

According to the HRH's financials, salary expenses were \$3.6 million for 2009 and 2010. Salaries for employees directly claimed to Dutchess County contracts totaled \$739,182.76 for 2009 and \$645,951.81 for 2010. Claimed salaries were verified to HRH payroll records, employee W2's, and the agency's Federal and State tax and report filings for 2009 and 2010. Salaries for all grants were allocated to the various programs. We noted the agency experienced changes in staffing of the primary payroll and accounting positions in the last quarter of 2010.

Finding

- In 2009, salaries for five HRH employees claimed and paid by the DC Department of Mental Hygiene contract #07-0144 included \$2,165 in bonuses.

Recommendation

- Bonuses are not claimable and the \$2,165 should be refunded to the County.

IRS Form 1099-Miscellaneous Income and W-9 Processes

Selected expenditures were reviewed for 1099 issuance. The agency's procedures for W9 submittals included a review annually of expenditures for 1099 issuance.

Finding

- Our sample of 52 vendors revealed all W9's were not available at the time of our initial review,

Recommendation

- W9's should be completed by all vendors and retained on file at the agency prior to payment.

Contract and Direct Payment Findings

Contract Descriptions can be found at Exhibit I.

Mental Hygiene Contract #07-0144

A review of the Consolidated Fiscal Report (CFR), the required claiming document for NYS and Dutchess County, was conducted. Revenue and expenses for the funded programs were reviewed to the agency's fiscal documents presented.

Observation: While reviewing the CFR's for 2009 and 2010, we noted all revenue was not reported. We notified Dutchess County Department of Mental Hygiene and the agency's CFRS for 2009 and 2010 were returned for revision. *The agency has been revising the documents several times over the past 6 months and as of this writing there were still outstanding documentation concerns with NYS. The current revision does not request additional funding from Dutchess County. All funding received from Dutchess County is 100% NYS.*

	Net Deficit Funding Original CFR's	Contract Payments to Date	
2009	\$321,917	\$321,917	
2010	\$367,225	\$366,413	*Funding cut by NYS
		<u>\$688,330</u>	

Findings

- HRH did not report all revenue and expenses on the initial CFR submission. *NOTE: Revised CFR's dated May 2012 have been received from HRH.*
- Staff did not have adequate training and communication with DMH regarding CFR requirements to ensure all required information was included on the CFR. The agency was unaware of the need to report all program related income.

Recommendations:

- CFR submissions should be reviewed by agency personnel for accuracy and CFR's should be remitted timely. All CFR processes and procedures should be reviewed annually to ensure correctness and additional oversight instituted by management.
- Staff should increase communication with DMH and attend CFR trainings to ensure accuracy.

Planning Department Contract #10-0513

Funding for this contract was provided from HUD through the Department of Planning.

Finding

- HRH submitted a claim dated March 2010 in the amount of \$7,259. The Planning Department along with HUD denied the claim.

Recommendation

- Claims should be submitted timely.

DSS Contract #05-0575 & #10-0100

The County was billed monthly and payments were based on a \$175 per-diem cost per bed. However, the County was responsible for the minimum cost of 4 guaranteed beds (vacant or filled) amounting to \$175 x 4=\$700/night guaranteed to assure County clients have priority use of beds.

	Dutchess County Youths Claimed	Amount Claimed & Paid Minimum 4 Beds/\$175/Bed=\$700/ Night (365 days)	Actual Total Days Spent @ River Haven 2009	Actual Cost @ \$175/Night/Person 2009
2009	44	\$255,500	981	\$171,675
2010	52	\$255,500	1,067	\$186,725

Observation: Based on the above use, the county paid an additional \$83,825 for unused beds in 2009 and \$68,775 in 2010. *This amount is excessive. DSS should review this contract for cost containment.*

Dutchess County Department of Social Services - Direct Payments

HRH bills DSS for emergency services directly, upon verification that the individuals are DSS eligible. The following chart shows payments made to Hudson River Housing based on payment information provided by DSS for 2009-2010.

DSS Vendors	2009	2010
Hudson River Housing-Noxon Street	\$0.00	\$10,262.50
Hudson River Housing-Home Base Shelter	\$21,774.06	\$8,981.27
Hudson River Housing-Townhouse	\$3,756.00	\$6,094.00
Hudson River Housing-Plan G (GANNETT HSE)	\$2,131,252.00	\$2,166,676.00
LaGrange House	\$113,279.51	\$115,830.62
After Hours Emergency Placement	\$6,752.00	\$2,616.00
Riverhaven/Hudson River Housing-Transitional Living	\$0.00	\$0.00
Hillcrest House Emergency Bed Program	\$0.00	\$2,250.00
Shelter Plus Care	\$4,175.00	\$6,350.00
Hillcrest House	\$103,092.50	\$108,387.98
HRH Garden Properties Limited	\$0.00	\$9,298.83
Hudson River Housing Coach (Innis Ave)	\$0.00	\$4,350.00
Maximize-Hudson River Housing (Bement Ave)	\$12,050.00	\$15,632.15
Hudson River Housing Inc	\$5,617.57	\$0.00
Total	\$2,401,748.64	\$2,456,729.35

The funding breakdown by source follows:

50% Federal	\$1,200,874.32	\$1,228,364.67
25% State	\$600,437.16	\$614,182.34
25% County	\$600,437.16	\$614,182.34
	\$2,401,748.64	\$2,456,729.35

Observation

- The process for handling an overpayment was not clearly defined; both the agency and DSS presumed the other initiated the process:
 - During our review of DSS payments to HRH, an overpayment of \$572 for 2010 services was found for one individual in our sample of DSS checks and HRH invoices for Hudson River Housing –Plan G.

Note: As a result of this audit, Hudson River Housing provided a refund to DSS.

Exhibits

Exhibit I

Contracts			
Department of Planning			
			2009
			2010
River Haven, Supported Services 12 units	3/1/09-2/28/10	#09-0330	\$44,000.00
River Haven, Supported Services 12 units	3/1/10-2/28/11	#10-0305	\$44,000.00
Shelter Plus Care	10/1/09-12/30/12	#09-0385	59,829.75
Shelter plus Care, Home Base 6 units	4/1/09-3/31/10	#09-0388	38,850.00
Shelter plus Care, Home Base 6 units	4/1/10-3/31/11	#10-0512	49,222.00
Shelter plus Care, Home Base II 10 units	4/1/09-3/31/10	#09-0390	61,407.00
Shelter plus Care, Home Base II 10 units	4/1/10-3/31/11	#10-513	67,057.00
Shelter plus Care, Home Base 6 units	9/9/05-9/8/10	#05-0623	49,943.00
Shelter plus Care Home Base 6 units	9/9/10-9/8/11	#10-0511	13,368.00
Shelter plus Care Home Base II			
River Haven Independent Living	10/1/05-9/30/09	#05-0650	59,399.00
Shelter plus Care, Home Base 7 units	2/1/04-3/31/09	#04-0292	17,085.00
Department of Social Services			
River Haven	1/1/09-12/31/09	#08-0242	55,250.00
River Haven	1/1/09-12/31/09	#05-0575	255,500.00
River Haven	1/1/10-12/31/10	#10-0100	255,500.00
Short term rent, security for individuals moving off DSS	1/1/09-12/31/09	#05-0268	352,860.63
Short term rent, security for individuals moving off DSS	1/1/10-12/31/10	#10-0154	230,456.00
Direct Rental Assistance	1/1/09-12/31/10	Direct Rents rate chart	2,401,748.64
Youth Bureau			
River Haven	1/1/09-12/31/09	#08-0089	212,510.00
River Haven	1/1/10-12/31/10	#10-0136	167,775.00
Mental Hygiene			
Shelter plus Care Home Base II 10 units	1/1/09-12/31/09	#07-0144	375,752.00
Shelter plus Care Home Base II 10 units	1/1/10-12/31/10	#07-0144	375,752.00
Totals			\$3,984,135.02
			\$3,957,604.21

The above contracts provided the following programs:

- Rental assistance for the low income
- Shelter Plus Care (S&C) – in addition to rental assistance, case managers provide support services which include financial management
- Home Base – serves homeless young adults with substance abuse dependencies.
- Home Base II – serves individuals and families diagnosed with severe and persistent mental illness.
- River Haven – 24 hour crisis intervention, emergency shelter counseling, case management, and supervised transitional housing for at risk/homeless youth ages 10-17.
- Supportive Services- develops, rehabilitates and operates emergency, transitional and permanent housing for low income and homeless families/individuals in Dutchess County and provides support services for residents to achieve and maintain stable and long term housing.

Exhibit II
Hudson River Housing
2009 Revenue and Expense

Revenue	DOCH Shelter	Gannett House	Hillcrest	Permanent Housing	River Haven	NPC	Neighbor-works	Maybrook House	LaGrange House	Property Development Management	Administration	Total
County Contracts												
DC Dept of Planning - CDBG		\$24,920.72			\$23,272.74							
DC Dept of Planning - HPRP				\$53,829.75								
DC Dept of Planning, HUD				\$189,678.00								
DC Dept of Planning HUD					\$26,242.49							
DC Dept of Mental Hygiene	\$11,245.53		\$211,011.98	\$87,929.05	\$212,510.07							
DC Youth Bureau Contract					\$58,877.03							
DC Dept of Social Services	\$110,077.96	\$140,873.54								\$80,977.96		
Total County	\$121,293.29	\$165,794.26	\$211,011.98	\$337,436.80	\$320,902.33					\$80,977.96		\$1,237,396.62
NYS/ Fed Direct	\$57,490.71	\$84,593.78	\$300,559.40	\$152,496.10	\$549,790.68	\$79,002.00	\$378,550.04	\$245,256.00	\$209,208.35	\$466,994.04		\$2,503,977.10
Other Grants												\$228,517.00
Program/retail/other Income	\$42,162.00	\$2,226,802.00	\$278,965.00	\$179,575.00	\$272,827.00		-\$864.00	\$77,476.00	\$372,076.00	\$284,873.00		\$3,743,892.00
In-kind Revenue	\$153,961.00	\$63,397.00	\$72,769.00	\$16,227.00	\$42,588.00				\$2,253.00	\$71,555.00		\$390,286.00
Total Revenue	\$384,877.00	\$2,520,593.04	\$903,305.36	\$685,734.90	\$1,196,118.01	\$79,002.00	\$377,786.04	\$322,732.00	\$583,537.35	\$884,340.00		\$8,074,159.72
EXPENSES												
Salary and Fringe	\$433,418.00	\$843,977.00	\$574,795.00	\$324,797.00	\$1,086,765.00	\$79,002.00	\$158,057.00	\$98,840.00	\$419,031.00	\$427,506.00		\$4,481,167.00
Other	\$217,160.00	\$742,211.00	\$307,033.00	\$531,287.00	\$310,135.00	\$0.00	\$59,054.00	\$152,523.00	\$116,308.00	\$404,231.00		\$205,897.00
Depreciation	\$5,407.00	\$113,468.00	\$87,302.00	\$24,509.00	\$51,288.00	\$0.00	\$51,836.00	\$75,845.00	\$735.00	\$735.00		\$3,045,840.00
Total Expenses	\$652,992.00	\$1,699,858.00	\$969,129.00	\$880,593.00	\$1,408,189.00	\$79,002.00	\$271,111.00	\$303,189.00	\$510,985.00	\$832,472.00		\$7,970,356.00
Revenue over Expense	-\$271,108.00	\$820,937.04	-\$159,824.62	-\$194,858.10	-\$222,069.99	\$0.00	\$160,675.04	\$19,533.00	-\$27,447.65	\$51,868.00		-\$73,810.00

*Includes County funded rent assistance

Exhibit III
Hudson River Housing
2010 Revenue and Expense

Revenue	DOCH Shelter	Garnett House	Hillcrest	Permanent Housing	River Haven	NFC	Neighbor-works	Maybrook	LaGrange House	Property Development I	Administration	Total
County Contracts												
DC Dept of Planning - CDBG		\$22,602.31		\$232,985.82	\$23,985.71							\$46,589.02
DC Dept of Planning - Federal Stimulus				\$210,040.00								\$210,040.00
DC Dept of Planning, HUD					\$47,183.56							\$47,183.56
DC Dept of Planning HUD					\$113,262.99							\$113,262.99
DC Dept of Mental Hygiene	\$12,143.02		\$235,603.76	\$143,379.23								\$391,126.01
DC Youth Bureau Contract #10-0136					\$54,512.01							\$54,512.01
DC Youth Bureau Contract #10-0136					\$300.00							\$300.00
DC Dept of Social Services	\$160,000.00	\$40,000.00										\$200,000.00
Total County	\$172,143.02	\$62,602.31	\$235,603.76	\$386,405.05	\$229,244.27	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$1,295,998.41
NY/RIed Direct	\$52,897.38	\$53,196.47	\$306,382.39	\$412,388.95	\$390,139.59	\$87,895.00	\$727,987.47	\$249,843.00	\$198,419.67	\$1,432,702.60		\$3,921,862.52
Other Grants	\$65,213.00	\$2,127,702.00	\$278,686.00	\$168,100.00	\$145,848.32			\$76,731.00	\$379,371.00	\$8,992.98		\$1,558,841.30
Program/rental/other income	\$89,738.00	\$58,085.00	\$14,001.00	\$12,560.00	\$257,028.00	\$55,750.00			\$428.00	\$95,075.00		\$3,311,510.00
In-kind Revenue												
Total Revenue	\$388,981.40	\$2,289,565.78	\$334,683.15	\$1,179,464.00	\$1,088,020.18	\$87,895.00	\$727,987.47	\$326,574.00	\$573,219.67	\$1,863,967.58	\$178,302.00	\$9,544,640.23
EXPENSES												
Salary and Fringe	\$426,128.00	\$837,338.00	\$560,497.00	\$457,261.00	\$1,031,238.00	\$97,895.00	\$146,890.00	\$102,650.00	\$435,000.00	\$398,703.00	\$202,004.00	\$4,695,574.00
Other	\$162,869.00	\$512,312.00	\$298,563.00	\$846,712.00	\$230,707.00		\$114,699.00	\$155,043.00	\$214,602.00	\$320,738.00	\$265,561.00	\$3,114,546.00
Depreciation	\$5,407.00	\$89,423.00	\$86,302.00	\$24,509.00	\$31,288.00			\$31,836.00	\$140,951.00	\$735.00	\$73,079.00	\$483,590.00
Total Expenses	\$534,404.00	\$1,419,073.00	\$934,362.00	\$1,331,482.00	\$1,293,233.00	\$97,895.00	\$261,499.00	\$309,492.00	\$780,553.00	\$770,176.00	\$530,644.00	\$8,293,650.00
Revenue over Expense	-\$204,212.60	\$880,493.78	-\$110,708.85	-\$152,018.00	-\$225,212.82	\$0.00	\$466,488.47	\$17,045.00	-\$212,334.33	\$1,143,791.58	-\$352,342.00	\$1,250,990.23

*Includes County funded rent assistance

Addendum I

Hudson River Housing provided the follow unduplicated statistics of individuals served in 2009 and in 2010.

<u>Program</u>	<u># Served in</u> <u>2009</u>	<u># Served in</u> <u>2010</u>
Gannett House	172	176
Hillcrest House	115	119
DC Coalition for the Homeless	551	576
Shelter Plus Care	12	10
Home Base I	15	9
Home Base II	9	8
COACH *	11	11
Special use Beds	3	9
Catherine Street *	8	8
River Haven Independent Living	187	155
River Haven Transitional Living C	20	26

*no Dutchess County contract/funding