

Hudson River Housing, Inc.

Hudson River Housing, Inc.
January 1, 2008 – December 31, 2008

Comptroller’s Summary.....	3
Organization and Background	3
Audit Scope, Objective and Methodology	3
Summary of Findings.....	3
Detailed Findings	3
Control Environment	3
Control Activities.....	4
Tax and Report Filings and W-9 Processes	5
Addendum I – Hudson River Housing.....	6
Hillcrest House.....	6
LaGrange Lodge	6
1-Gannett House	6
2-LaGrange House	6
3-Townhouses	6
River Haven	6
NeighborWorks Home Ownership Center.....	6
Long Term Housing.....	6
Repair and Rehabilitation of 60 Catherine Street	7
Addendum II	8

Comptroller's Summary

Organization and Background

Hudson River Housing, Inc. (HRH) and Subsidiaries is an organization that develops, rehabilitates, and operates emergency, transitional, and permanent housing for low income and homeless individuals and families in Dutchess County. In addition to housing, HRH provides supportive services intended to aid residents in achieving and maintaining stable and long-term housing. Additional information is on the website: <http://www.hudsonriverhousing.org>

Audit Scope, Objective and Methodology

An audit was conducted of Hudson River Housing, Inc. for the period January 1, 2008 through December 31, 2008. Total claims amounted to \$3,602,747.57; claims for the 14 county contracted sources totaled \$1,548,529.47 and \$2,054,218.10 was paid directly by the Department of Social Services for Client based services. Addendum 1 and Addendum II provide additional information regarding contracts and direct payments.

HRH's audited financial report for the period ending December 31, 2008 reported the total agency's revenues as \$7,436,430.00 and expenses as \$7,306,764.00 resulting in a change in net assets of \$129,666.00.

The audit included a review of:

- Internal controls including policies and procedures
- Financial records including revenue reported by HRH and expenses claimed to Dutchess County
- Tax and report filing

Summary of Findings

Claiming procedures and records for county funded programs were in good order. Banking procedures should be improved; specifically, board review of bank reconciliations and checks over \$10,000.00 should be dually signed as required by Board resolution. Procedures for issuing IRS Form 1099 should be strengthened.

Detailed Findings

Control Environment

Our assessment of Hudson River Housing's internal control system found the agency maintained a favorable control environment with effective communication, continued risk assessment and monitoring of program services.

Control Activities

Revenue

Revenue functions reviewed included collections for rental income, billing to DSS for client based services and claiming for county contracted services. Our review included transaction sampling from ledgers and bank accounts for all county revenues claimed and received. Revenue collection procedures reviewed included the review of the agency's billings and recording of accounts receivable. No discrepancies were noted.

Expenses

Direct Payments to HRH from DSS

Direct payments totaling \$2,054,218.10 were paid by the Dutchess County Department of Social Services. All payments were client based. We reviewed HRH's billing procedures by testing selected transactions for Gannett House, LaGrange Lodge, Shelter plus Care, LaGrange House and Hillcrest. Included in our review were the initial referral forms and invoices submitted to DSS. No discrepancies were noted.

Contract Claims

Salaries totaling \$750,734.26 was claimed to eleven of the county contracts. HRH maintains a spreadsheet of each employee claimed to programs. The agency reported allocations were based on percentage of time worked on each program. We compared each claimed employee's salary to the allocation schedule and each individual's W-2. No discrepancies were noted.

Other than personal service expenses (OTPS) reviewed included client transportation, telephone and internet bills, dues and subscriptions, and housekeeping (various offices and rental units). Supporting documentation for all payments reviewed included approvals, actual invoices and cost center allocations (where applicable).

Bank Accounts

Hudson River Housing maintains 13 bank accounts. We reviewed documentation from four bank accounts: the main operating account (which is used for day to day operations), River Haven, Gannett House and Tenant Security. Deposits, canceled checks, voided checks and bank reconciliations were reviewed.

Findings:

- The agency's policy for dual signatures, established by the Board of Directors, January 17, 2008, for checks over \$10,000.00 was not adhered to for approximately 6 to 7 checks per month.
- While the bank account reconciliations are reviewed by the Chief Financial Officer, there was no Board review of bank reconciliations to provide additional oversight.
- Findings specific to the River Haven Bank Account:
 - The authorized signer signed checks issued to herself (8 in the sample).

- A check was issued to cash.
- Reimbursements were made to employees rather than directly to vendors for supplies.

Recommendations:

- HRH's policy of dual signatures for checks over \$10,000.00 should be adhered to.
- All bank account reconciliations should be reviewed periodically by the board treasurer or designated board member. The review should be acknowledged by the signature or initials of the reviewer of the bank reconciliations.
- River Haven procedures should be strengthened:
 - The authorized check signer should not sign checks made payable to herself.
 - Checks should not be issued to cash.
 - Checks should be made payable to supply vendors.

Tax and Report Filings and W-9 Processes

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. The IRS Form 1096, Annual Summary and Transmittal of US Information Returns, must be completed to transmit Copy A of Form 1099 to the IRS. The IRS Form W-9 (Request for Taxpayer Identification Number and Certification) is completed by a vendor and identifies a vendor's business status. Selected expenditures were reviewed for 1099 issuance.

Findings:

- A signed copy of the IRS Form 1096 Annual Summary and Transmittal of US Information Returns with copies of issued 1099-Miscellaneous Income Statements was not available for review.
- 1099s were not issued to all vendors as required by IRS regulations. We noted transportation providers, youth stipends, and some landlords did not receive 1099s.

Recommendations:

- Copies of IRS Form 1096 Annual Summary and Transmittal of US Information Returns with copies of issued 1099-Miscellaneous Income Statements should be available for review.
- 1099s must be issued to all vendors receiving payment of \$600.00 or more.

Addendum I – Hudson River Housing

Hillcrest House

Hillcrest House provides transitional housing services for homeless adults with disabilities, primarily those with mental illness and substance issues. Shelter residents enrolled in a continuing treatment program receive case management services, meal plans, and transportation. Residents can live at Hillcrest House for up to 24 months.

LaGrange Lodge

The LaGrange Lodge is comprised of: Gannett House which provides emergency shelter; LaGrange House which provides for transitional shelter; and Townhouses which are rental units.

1-Gannett House

The Gannett House Program provides emergency shelter services including case management to individuals and families placed in emergency housing who seek a quick transition to independent living. After Hours Emergency Placement (AHEP) is also provided at Gannett House for all Dutchess County individuals and families that became homeless outside of regular business hours due to non-disaster related circumstances. All placements must come through a referring agency; guests must contact DSS the next day for continued placement.

2-LaGrange House

LaGrange House provides shelter and case management services to individuals and families who are in transition to obtaining long term housing.

3-Townhouses

The LaGrange Townhouses provide long term housing at monthly rents.

River Haven

River Haven is a comprehensive 24-hour system of emergency services, including shelter for runaway and homeless youths. Meals, laundry facilities and supportive services are also provided.

River Haven – Independent Living provides supportive services to non-residential and transitional housing programs

NeighborWorks Home Ownership Center

Homebuyer education services to first time homebuyers, households in foreclosure and households seeking reverse mortgages.

Long Term Housing

The Department of Planning and Community Development administered three (3) multi-year contracts during the audit period. Funding was provided from the United States Department of

Housing and Urban Development (HUD) grants. The grants provided funding for rental assistance and administration. Recipients may be homeless, have a mental disability and or substance abuse disorder.

The following is a separate review of the individual contracts.

DC Department of Planning and Development Contract #04-0292 PL-A1 for the period of 02/01/04 – 02/28/09

A total of \$56,086.00 was expended for 2008 from this multi-year contract. Funding provided rental subsidies for eleven (11) apartments totaling \$51,937.00 and \$4,149.00 for administration.

DC Department of Planning and Development Contract # 05-0623 PL for the period 09/09/05 – 09/08/10

This multi-year contract was written for \$342,900.00 to provide assistance for special needs homeless persons in Dutchess County. A total of \$38,267.00 was expended for 2008 services. Funding provided rental subsidies for seven (7) apartments totaling \$35,438.00 and \$2,829.00 for administration.

DC Department of Planning and Development Contract # 08-0434 PL for the period 01/01/08 – 12/31/08

This contract was written for \$123,228.00 to provide assistance for special needs homeless persons in Dutchess County. A total of \$85,692.00 was expended for 2008 services. Funding provided rental subsidies for ten (10) apartments totaling \$79,350.00 and \$6,342.00 for administration.

Repair and Rehabilitation of 60 Catherine Street

DC Department of Planning and Development Contract #07-0396 PL for the period of 07/23/07 – 06/30/22

This contract was written for \$245,000.00 and the total consideration is in the form of a mortgage loan to be forgiven if after 15 years after date of Certificate of Completion and HRH was in compliance with HUD regulations.

The deferred payment loan provided funding to assist with the repair and rehabilitation of 60 Catherine Street. The building was rehabilitated into five (5) rental apartments with four (4) of the apartments to be rented to the chronically homeless at or below the HOME rent limits.

The balance of this contract in the amount of \$32,712.50 was paid to HRH in 2008.

Addendum II

County Funding Per Program Expenses Claimed and Paid					After Hours	DSS Shelter, Transitional, & Permanent	Transitional Permanent Housing Rent Subsidy	Admin	Repair / Rehab	2008 Expenses Claimed
Program	Contract #	Salaries	Fringe	OTPS	Fees					
River Haven										
Per Diem	05-0575SS					\$255,500.00				\$255,500.00
Support services	05-0650PL	\$14,555.35	\$3,491.22	\$1,049.20						19,095.77
Emergency shelter & support	07-0317PL	4,107.41	299.79	0.00						4,407.20
Emergency shelter & support	08-0370PL	33,087.36	2,531.15	0.00						35,618.51
Youth gang prevention initiative	07-0165YB	15,811.00	3,636.99	10,552.01						30,000.00
Youth program	08-0089YB	208,700.15	24,219.38	43,684.52						276,604.05
Services for "at risk youth"	04-0670SS	8,819.90	1,097.10	0.00						9,917.00
Services for "at risk youth"	08-0242SS	38,351.87	6,981.13	0.00						45,333.00
HUD										
Transitional/Permanent Housing	04-0292PL						\$51,937.00	\$4,149.00		56,086.00
Transitional/Permanent Housing	05-0623PL						35,438.00	2,829.00		38,267.00
Transitional/Permanent Housing	08-0434PL						79,350.00	6,342.00		85,692.00
Repair/Rehab Catherine St	07-0396PL								32,712.50	32,712.50
Subtotal		\$323,433.04	\$42,256.76	\$55,285.73	\$0.00	\$255,500.00	\$166,725.00	\$13,320.00	\$32,712.50	\$889,233.03
Client Based/Shelter/Support Services										
Gannett House & NeighborWorks HomeOwnership	05-0268-SS	\$219,607.31	\$39,076.76	\$87,187.92	\$22,943.00					\$368,814.99
Gannett House Plan D	DSS Direct					\$13,020.00				13,020.00
Gannett House Plan G	DSS Direct					1,831,792.00				1,831,792.00
LaGrange Lodge Townhouse	DSS Direct					3,594.00				3,594.00
Shelter + Care	DSS Direct					11,699.31				11,699.31
LaGrange House	DSS Direct					106,381.21				106,381.21
Hillcrest House	DSS Direct					87,731.58				87,731.58
Hillcrest House	07-0144MH	<u>207,693.91</u>	<u>37,581.54</u>	<u>45,206.00</u>						<u>290,481.45</u>
Subtotal		\$427,301.22	\$76,658.30	\$132,393.92	\$22,943.00	\$2,054,218.10	\$0.00	\$0.00	\$0.00	\$2,713,514.54
Total County Funding		\$750,734.26	\$118,915.06	\$187,679.65	\$22,943.00	\$2,309,718.10	\$166,725.00	\$13,320.00	\$32,712.50	\$3,602,747.57