

**Lexington Center for Recovery, Inc**

**January 1, 2010 – December 31, 2010**

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# Comptroller's Summary

## Background

Lexington Center for Recovery, Inc. (LCR) was established in 1982 and is a provider of alcoholism and substance abuse treatment with outpatient treatment centers located in Westchester, Dutchess and Rockland counties. The Dutchess County publicly funded alcohol and substance abuse services (including methadone) are conducted in eight Dutchess County locations: Red Hook, Rhinebeck, Dover, Millbrook, Beacon and three locations in Poughkeepsie (two clinics and the methadone program). Additional information can be found at Lexington's website: <http://www.lexingtonctr.org>.

## Audit Scope, Objective and Methodology

An audit was conducted of Lexington Center for Recovery, Inc. financial records for the period January 1, 2010 through December 31, 2010 in addition to follow up of the previous audit findings. Dutchess County contracts and their respective payments for 2010 totaled \$2,123,834 as follows:

<u>Department</u>	<u>Contract #</u>	<u>Amount</u>
Department of Mental Hygiene (DMH)	10-0075	\$2,046,230
Dutchess County Stop-DWI	08-0207	17,000
Dutchess County Stop-DWI	08-0208	52,000
Department of Social Services (DSS)	00-0174	8,604
<b>Total Funding</b>		<b><u>\$2,123,834</u></b>

County tax levy funding totaling \$684,564 was provided in 2010 from DMH for the Clinics and Methadone Program. In addition, Dutchess County STOP-DWI fines provided funding totaling \$69,000 for 2010 programs. The DSS contract was for the rental of space.

The objective of the audit was to review financial processes and internal controls over Dutchess County contracted services.

## Summary of Findings

- The Department of Mental Hygiene's funding close-out reconciliations for the periods 2003 – 2010 resulted in a total of \$100,435.38 due to Dutchess County from Lexington.
- Since our previous audit: Lexington's policy and procedure manual has been updated regarding cash handling and asset inventory. Lexington's administration reported that periodic reviews are conducted to ensure compliance.

## Detailed Findings

### Control Environment

The agency's bylaws require a minimum of six directors.

*The last audit of 2009 found: The agency was not in compliance with the bylaws which require a minimum of six directors; one board member was also an employee of the agency as a counselor.*

Observations:

- The agency currently has seven Board members and is in compliance with the bylaws.
- No board members are employees of Lexington.

## **Financials**

CHAR 500, Annual Filing for Charitable Organizations and IRS 990 Information Returns were filed for tax year 2010.

## **Control Activities**

### **Cash Handling - Banking**

There are two bank accounts where monies from Dutchess County are deposited. Deposits and bank reconciliations were reviewed. *The last audit revealed: bank account balances exceeded the FDIC insured limit, one account was used locally in Dutchess County to pay for some local program expenses and bank reconciliations were not signed by the reviewer.*

Observations:

- Bank account balances were under the \$250,000 FDIC insured limit.
- Monies received from Dutchess County were deposited timely.
- Monthly bank reconciliations are completed by the agency's Director of Finance and reviewed by the Executive Director who initials the bank statement. According to the agency, statements and the reconciliations are presented to the Board Treasurer as part of the fiscal meetings.
- Dutchess County bank accounts are used for revenue collections and no longer used for disbursement of funds. Accounting is centralized and disbursement requests are reviewed, approved and prepared from the administrative office.

Finding:

- Lexington began to provide the backup to support the meeting minutes in the later part of 2010. Bank statements and reconciliations were not attached to minutes. Attestation of review was not found on the statements.

Recommendation:

- An attestation of review of the bank accounts and reconciliations should be noted in the board minutes and a copy of the reviewed statement/reconciliation should be attached to all minutes to maintain compliance with agency procedures.

### **Petty Cash**

A review of petty cash policies was conducted. *In the last audit some use of petty cash for staff was questioned. In addition, petty cash was not reconciled at one agency location.*

Observations:

- Petty cash policies reviewed were written.
- Limitations for all petty cash purchases are stated.
- The Program Director is responsible for the approval, purchase and maintenance of the petty cash.
- Administration reviews petty cash purchases for compliance to agency policy.

**Cash Handling – Cash Receipting/Accounts Receivable**

As noted in our previous audit: The collection of cash from clients and their respective insurances is critical to alleviate the financial burden on the deficit funding provided by New York State and Dutchess County.

Internal controls regarding collection processes and recordkeeping were reviewed. *Previous audit findings: Collection procedures at the satellite clinics did not include an attestation of the review of the daily receipts; Collections and daily cash receipt transmittals were held for a week prior to submittal to the main clinic at Manchester Road for a weekly deposit.*

Lexington presented detailed cash control policies for cash/check/credit receipts. In addition, they stated a process was in place for random periodic review by administration of procedures at each site. The procedures include:

- Two staff members count the collections each day making sure they balance to the cash receipt list and both sign the cash receipt list. The employee's signatures of review are retained at the program sites.
- Daily cash receipt transmittals are faxed to the administrative office.

Finding:

- Attestation of review was not sent to the administrative office.

Recommendation:

- At the time the weekly deposit tickets are sent to the administrative office, the verification signatures should also accompany the deposit ticket.

**Methadone Maintenance Program**

Previously, the Methadone Maintenance Program cash collection processes did not include a proper separation of duties: Funds were collected, recorded and deposited by the same individual. A review by a supervisor attesting to the daily collections was not performed.

Observation:

- A segregation of job duties was implemented separating the collections and entries. The supervisor now additionally counts, balances and signs the review daily.

## Expense Review

### Personnel Services

Salary and expenses were charged to the various programs. Expenses for Administrative Staff are allocated to each department based on a ratio value. Other staff members are directly charged to the various programs. Salary expenses claimed to Dutchess County funding were verified to W-2s. No exceptions were noted.

### IRS Form 1099-Miscellaneous Income (1099-MISC)

The IRS requires Form 1099-MISC be issued to individuals and certain businesses that receive payment of \$600 or more in a calendar year for services provided. The form W-9 (Request for Taxpayer Identification Number and Certification) is completed by a vendor and identifies a vendor's business status and allows the 1099 to be properly completed. The W-9 and 1099 MISC were reviewed and no exceptions were noted.

## Contract Summary

### Alcohol & Substance Abuse Treatment Services Contract #10-0075 1/1/10-12/31/10

We reviewed the Consolidated Fiscal Report (CFR), the required claiming document by New York State and Dutchess County Mental Hygiene. New York State OASAS (Office of Alcoholism and Substance Abuse Services) and Dutchess County are the primary deficit funders of this contract.

#### Observations:

- According to Lexington's audited financial statements: the agency's prepares its audited financials on an accrual basis; however, reporting to New York State OASAS and the Dutchess County Department of Mental Hygiene is on a cash basis.

Expenditures and revenues reported on the CFR were traced to Lexington's general ledger. Expenditures are offset by agency generated revenues which include: patient fees, Medicaid and third party billing. The reported deficit funding is shown as State (which may include Federal), Local (Dutchess County) and Non-funded categories. Exhibit I provides a summary of 2010 revenues and expenditures for this contract.

#### 2010:

Contract #10-0075 MH for the term 1/1/10-12/31/10 provided \$2,046,230 to Lexington to operate clinics for alcohol and substance abuse treatment services. This contract has been fully claimed and paid to Lexington. The agency's Final CFR indicates a total of \$2,048,205 Net Operating Costs. According to DC DMH 2010, there will not be an amendment executed to the contract for the difference of \$1,975 in expenses.

In addition, to the above contract DC DMH had an agreement with Lexington to provide DMH staffing during 2010. DMH determined \$95,418.14 was the cost of the Shared Staffing. This amount was not paid to the county. DMH anticipates netting \$1,975 in agency expenses from the shared staffing costs resulting in a balance of **\$93,443.14 due to the County for 2010.**

Findings:

- As shown below, our review of records for the period 2003-2009 has determined a **total of \$6,992.24 is still due to Dutchess County. In addition, \$93,443.14 is due to the County from Lexington for 2010.**

Recommendations:

- All closeouts should be completed.
- A total of \$6,992.24 should be paid to Dutchess County for 2003-2009 closeouts.
- A total of \$93,443.14 should be paid to Dutchess County for 2010.

**Medicaid Audit**

As noted in our previous audit, Lexington had undergone a Medicaid audit and reached an agreement on the disallowances. According to Lexington's Financial Director a total of \$62,617 was retained by Medicaid for Dutchess Clinics to cover a portion of the disallowance. The Medicaid amount for Dutchess Clinics is reported on the CFR on the cash basis and reflects this decrease in the Program Medically Supervise 3520 (02) on Exhibit I.

**Prior Year Audit Follow-up: 2003 to 2009 DMH Contract Reconciliations**

In addition to the current audited year, a review of prior year closeouts for the years 2003 to 2009 was conducted to ensure all funds due to or due from Dutchess County to Lexington were completed. Our review of the county financial records included: contracts, payments, reconciliation documents from OASAS, and the Dutchess County Department of Mental Hygiene.

2003:

Per DMH's Estimated Closeout dated 4/13/11 for Lexington 2003: \$1,373,155 was listed as claimed net deficit funding, less \$108,708 (an Unclaimable Program Code Adjustment). These expenses were per DMH "duplicative of claimed expenses DMH is funded for", therefore they are not payable to Lexington, and in addition, the funding was reduced by \$156 for non-funded expenses. Therefore, \$1,264,291 adjusted net funding less the payments made by Dutchess County, in the amount of \$1,266,913, results in a balance of **\$2,622 due to the County.**

2004:

The 2004 contract #04-0654 MH, which provided funding to operate a Methadone Maintenance treatment program, was amended June 7, 2011 increasing the consideration to a total of \$204,068. The clinic contract #03-0195 MH A1 was overpaid by \$81,360.24 while the methadone contract was underpaid by \$117,731 based on the NYS reconciliation. Payments made by Dutchess County for 2004 totaled \$1,602,763.24 resulting in a net balance of **\$36,370.76 due to Lexington.** As noted in the previous audit, the due to Dutchess County of \$81,360.24 and the due from Dutchess County of \$117,731 were not accounted for in Lexington's records.

2008:

Payments totaling \$2,141,657 (the contracted amount) were made to Lexington resulting in an overpayment of \$40,741 based on the state reconciliation funding totaling \$2,100,916. Noted in the previous audit, *DMH had requested NYS OASAS reconsider funding of \$40,741 for 2008. In an email from the OASAS Regional Coordinator, dated October 12, 2011 to DMH: "The Lexington Center 2008 Program Budget Change Requests have not received proper approvals, therefore, the*

*(NYS) claims unit has advised that they are not willing to re-open 2008."* **The County is due \$40,741 from Lexington for the 2008 overpayment.**

2009:

The overpayment to Lexington of \$27,819 for 2009 **has been repaid** to the County as of May 6, 2011.

### **Other Contracted Funding with Dutchess County**

#### **DC Stop DWI Contract – Cognitive Group Therapy contract #08-0207 Term 1/1/10-12/31/10**

A total of \$16,997 was expended for 2010 to reimburse personnel services and miscellaneous expenses associated with providing a Cognitive Group Therapy Program for repeat DWI offenders.

#### **DC Stop DWI Contract – Evaluation and Treatment contract #08-0208 Term 1/1/10-12/31/10**

A total of \$52,000 was expended in 2010 for personnel services and miscellaneous expenses to provide a chemical dependency evaluation and clinical treatment for all DC residents who apply for services in connection with a DWI violation.

#### **DSS - Rental contract #10-0174 Term 1/1/10-12/31/10**

A total of \$8,604 was contracted and expended for rental expenses in 2010 for a sublease of 956 sq. ft. on the 2<sup>nd</sup> floor of 412 Main St, Poughkeepsie, NY. The space was leased and used by the Department of Social Services.

**Exhibit I**

**Contract # 10-0075 12/10 MH 1/1/10-12/31/10**

Program Type	Methadone Maintenance 2050 (00)	Medically Supervised 3520 (01)	Medically Supervise 3520 (02)	Enhanced Medically Supervised 3528 (00)	Totals
Site	Poughkeepsie	Beacon	Pough - (Manchester Rd & Main St.), Dover Plains, Rhinebeck, Millbrook + Red Hook	Poughkeepsie	
<b>Expenses</b>					
Personal Services	\$568,420	\$301,955	\$1,597,022	\$120,095	\$2,587,492
Fringe Benefits	117,545	64,560	354,097	21,581	557,783
Other Than Personal Services	244,949	91,419	506,275	39,545	882,188
Property -Provider-Paid	16,094	67,145	237,830	18,000	339,069
Agency Administration	98,372	48,391	259,677	19,150	425,590
<b>Total Expenses</b>	<b>\$1,045,380</b>	<b>\$573,470</b>	<b>\$2,954,901</b>	<b>\$218,371</b>	<b>\$4,792,122</b>
<b>Revenue</b>					
Participant Fees (less SSI & SSA)	\$81,770	\$64,401	\$242,863	\$0	\$389,034
Medicaid	798,775	169,033	957,250	0	1,925,058
Other Third Parties	52,397	57,014	251,414	-	360,825
Other (STOP - DWI Grants)	-	-	69,000	-	69,000
Net Deficit Funding:					
Federal Share	28,375				
State Share		204,827	912,068	218,371	1,363,641
Local Government Share	84,063	78,195	522,306	0	684,564
<b>Total Gross Revenue</b>	<b>\$1,045,380</b>	<b>\$573,470</b>	<b>\$2,954,901</b>	<b>\$218,371</b>	<b>\$4,792,122</b>



LEXINGTON CENTER FOR RECOVERY, INC.  
TREATING PEOPLE WITH ALCOHOLISM AND DRUG DEPENDENCY SINCE 1982  
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April 17, 2012

James L. Coughlan  
Comptroller  
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Dutchess County  
22 Market Street  
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Dear Mr. Coughlan:

This is in response to your draft report dated April 5, 2012. I thank you for acknowledging all of the positive changes the agency has made in relation to the findings of our 2011 audit.

In relation to the current audit, we disagree with the finding that Lexington owes Dutchess County a considerable amount of money. We have had preliminary discussions with Dutchess County Mental Hygiene and will continue to pursue this issue with them.

Sincerely yours,

Adrienne Marcus, Ph.D., CASAC  
Executive Director