

**Dutchess County Department of Mental Hygiene**

## Dutchess County Department of Mental Hygiene

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# Comptroller's Summary

## Organization/Background

The Department of Mental Hygiene (DMH) provides for the planning, development and delivery of Mental Health services in Dutchess County. In coordination with State and Federal guidelines, DMH offers comprehensive mental health services through direct service and through the purchase of contracted services with local agencies. Funding for services includes patient fees, special grants, County appropriations and State/Federal sources:

- Office of Alcoholism and Substance Abuse Services (OASAS)
- Office of Mental Health (OMH)
- Office of Mental Retardation Developmental Disabilities (OMRDD)

All revenues are received from New York State with Federal funding included in the NYS OASAS and OMH revenue allocations as pass-thrus.

## Audit Scope, Objective and Methodology

An audit was performed for the period January 1, 2003 – December 31, 2006. The DMH total departmental expenses were \$100,774,529.67 for this period (Addendum I). Areas of review included State/Federal funding which was budgeted as \$42.7 million and the purchase of services from outside agencies which was budgeted as \$46.8 million. Oversight, accounting processes including the maintenance of records, compliance with guidelines, and contract adherence were included in our scope.

## Summary of Findings

- Deficiencies in internal controls and accounting processes have resulted in delays in the County receiving revenue:
  - Approximately \$5.5 million is due from New York State/Federal funding sources.
- Corrective actions identified in previous audits were not implemented and accounting processes have deteriorated further.
- DMH did not have comprehensive oversight and operating procedures to account for and collect revenue and to manage contract agency expenditures.
  - Specifically DMH:
    - Did not have written policies and procedures.
    - Did not maintain complete and accurate records for revenues and expenditures.
    - Did not comply with mandated guidelines.
    - Did not complete the accounting processes to finalize revenue and expenditures for each year audited.

## Detailed Findings

### Internal Controls

The objectives of an internal control process include: reliable financial reporting; effective and efficient operations; and compliance with guidelines, contracts and regulations. We found deficiencies in all areas. Specifically,

- Management did not ensure critical accounting processes were carried out.
- There was not a policies and procedures manual addressing significant accounting activities, employee responsibilities, performance standards, control procedures and reporting relationships.
- Corrective actions identified in previous audits were not implemented and accounting processes have deteriorated further.
- DMH could not provide all requested documentation because their files and recordkeeping were incomplete and in many instances data provided was inaccurate. To assist in this audit, we contacted NYS funding sources and service agencies to obtain relevant and reliable information.
- Mandated guidelines for the submittal of funding requests and reporting documents were not adhered to.
- Executed contract documents were not in place.

### Revenues

As shown in the following chart, State and Federal revenues represented approximately 46.11% of DMH's overall budgeted revenues.

Year	Budgeted Revenue	*Budgeted State/Federal Revenue
2003	\$22,802,548.00	\$11,055,587.00
2004	23,981,038.00	10,915,065.00
2005	24,963,242.00	10,393,651.00
2006	<u>20,996,016.00</u>	<u>10,398,666.00</u>
Total	\$92,742,844.00	\$42,762,969.00

\*Does not include Medicaid/Medicare revenues from patient fees.

Contracts with New York State funding sources, as well as, periodic budget and claiming documents are required to receive revenue. The Consolidated Fiscal Report (CFR) is the required claiming document for New York State OASAS, OMH, and OMRDD funding.

The CFR must be certified and submitted according to established guidelines.<sup>1</sup> The official certified CFR for 2003 was recently submitted and certified by DMH's auditors, Price Waterhouse Coopers (PWC) in October 2007. The 2004-2006 CFR's were not certified and submitted.

**FINDINGS**

- DMH failed to meet mandated deadlines for required documentation and executed contracts.
- The reported available New York State funding for the years 2003 – 2006 was \$38,569,825.00. Of this amount, \$33,029,665.00 was received resulting in approximately \$5,540,160.00 in funding due to Dutchess County as follows:

New York State/Federal Funding due DC		<b>Table 1</b>
OASAS 2003 – 2006	\$3,197,584.00	
OMH 2003 – 2006	805,333.00	
OMRDD 2003 – 2006	<u>1,537,243.00</u>	
Total Due		<u>\$5,540,160.00</u>

- As shown on the next page, OASAS, OMH, and OMRDD funding was not consistently paid in the year anticipated. Cashflow interruptions and revenue shortfalls resulted. Suspension of funding occurred due to DMH's inability to provide the required certified CFRs. Available funds are based on accrued revenues, state funding letters and correspondence.

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<sup>1</sup> NYS requires the final CFR to be filed with NYS on May 1<sup>st</sup> for the previous period of January 1 through December 31.

**OASAS Funding**

	Available	Received 2003	Received 2004	Received 2005	Received 2006	Received 2007	Total Receipt	Total Due
2003	\$1,963,860	\$968,228	\$ 0	\$995,632			\$ 1,963,860	\$ 0
2004	2,019,815		1,887,107				1,887,107	132,708
2005	1,862,972			266,888			266,888	1,596,084
2006	<u>1,962,239</u>				\$493,447		<u>493,447</u>	<u>1,468,792</u>
	\$7,808,886						\$4,611,302	<u>\$3,197,584</u>

**OMH Funding**

	Available	Received 2003	Received 2004	Received 2005	Received 2006	Received 2007	Total Receipt	Total Due
2003	\$ 6,496,741	\$4,968,245	\$1,502,996				\$ 6,471,241	\$ 25,500
2004	6,819,494		6,819,494				6,819,494	0
2005	6,121,329			\$1,126,770	\$1,302,744	\$3,328,584	5,758,098	363,231
2006	<u>6,821,911</u>				6,167,430	237,879	<u>6,405,309</u>	<u>416,602</u>
	\$26,259,475						\$25,454,142	<u>\$805,333</u>

**OMRDD Funding**

	Available	Received 2003	Received 2004	Received 2005	Received 2006	Received 2007	Total Receipt	Total Due
2003	\$ 999,962	\$955,331	\$ 16,223			\$25,691	\$ 997,245	\$ 2,717
2004	923,520		765,097			84,779	849,876	73,644
2005	1,115,256			\$775,340		94,656	869,996	245,260
2006	<u>1,018,992</u>				\$207,217	23,664	<u>230,881</u>	<u>788,111</u>
	\$4,057,730						\$2,947,998	<u>\$1,109,732</u>

The total OMRDD funding due from NYS for 2003-2006 \$1,537,243.00, includes \$1,109,732.00 (from the chart above) and two additional OMRDD programs amounting to \$427,511.00. As shown below, the Family Support Respite and Crisis Intervention Services Grants are not included in the above chart for 2004-2006 since DMH stated the NYS contracts were rescinded. However, the amounts are included in **Table 1** on page 4 as funding due to Dutchess County since DMH did incur the expenses. These programs were expensed as follows:

**Family Support Respite Program**

This program was provided by the Cardinal Hayes Home for Children. The NYS revenue contract #C019887 (Dutchess County #04-0867) for the period 1/1/04 – 12/31/08 was rescinded per DMH. DMH paid Cardinal Hayes Home for Children under County contract #04-0051, but did not receive NYS funding.

Contract #	Program Year	Contract Amount	Amount Paid	Reimbursement From NYS	Due to DC
04-0051	2004	\$ 81,162.00	\$ 81,162.00	\$ 0	\$ 81,162.00
04-0051	2005	\$ 86,034.00	\$ 86,034.00	\$ 0	\$ 86,034.00
04-0051	2006 (partial)	\$100,051.00	\$ 81,868.00	\$ 0	<u>\$ 81,868.00</u>
Total Due DC					<u>\$249,064.00</u>

**Crisis Intervention Services Grant**

This program is provided by the Dutchess County Department of Mental Hygiene. The NYS revenue Contract #C019886 (Dutchess County #04-0866) was rescinded per DMH. DMH recorded the \$64,890.00 per year as an accrual.

Program Year	Projected NYS contract	Reimbursement From NYS	Due to DC
2004	\$64,890.00	\$16,223.00*	\$ 48,667.00
2005	\$64,890.00	\$0	\$ 64,890.00
2006	\$64,890.00	\$0	\$ 64,890.00
Total due DC			<b><u>\$178,447.00</u></b>

\*A cash receipt received in 2005 by DMH identified the time period as 4/04 and is presumed to be an advance payment; however, DMH could not verify this.

**RECOMMENDATIONS**

- Processes should be implemented to correct 2003-2006 revenue records.
- DMH must maintain accurate and complete revenue records including supporting documentation for accounts receivable records.
- All NYS contracts providing revenue should be executed by DMH.
- A complete file of funding letters and correspondence for each funding source should be available for audit. In addition, DMH should comply with information requests from NYS in a timely manner and retain copies of correspondence.
- Timelines for submitting State required reports must be adhered to. This includes required budget reports, quarterly reports and the certified CFRs. In addition, DMH should retain evidence of the acceptance or the rejection of reports. All 2004 – 2006 CFR’s must be expedited and certified by the DMH auditors as required by NYS guidelines.

**Contracted Agency Service Expenses 2003-2006**

DMH offers comprehensive mental health services through direct service and through the purchase of contracted services with local agencies. The purchase of these services represented approximately 45% of DMH’s overall budgeted expenses.

Year	Total DMH Budgeted Expenses	Total Budgeted Contracted Services	Total Contract Expenses Paid
2003	\$ 24,329,117.00	\$10,903,900.00	\$10,225,361.55
2004	25,342,146.00	11,251,498.00	9,305,117.91
2005	26,390,795.00	11,107,352.00	10,467,374.25
2006	<u>27,762,495.00</u>	<u>13,565,817.00</u>	<u>9,494,352.35</u>
<b>Grand Totals</b>	<b><u>\$103,824,553.00</u></b>	<b><u>\$46,828,567.00</u></b>	<b><u>\$39,492,206.06</u></b>

DMH contract agency expense records for the period of January 1, 2003 through December 31, 2006 were reviewed. DMH contracted with 16 - 19 agencies for services each year.

Each agency had an executed contract which detailed the terms of payment including the respective funding sources. In most cases dollar amounts were based on anticipated funding at the time of contract execution. Each agency is responsible to submit periodic reports for payment requests, as well as, a final CFR for contract closeout.

#### FINDINGS

- Oversight was not in place to monitor contract management.
- DMH did not maintain complete, organized, detailed files for each agency including required report submissions, payment listings, accounts receivable, accounts payable and correspondence regarding discrepancies.
- Final closeouts (funds due to/from contract agencies) were not completed for each agency for each year of the audit period. In addition, as evidenced by the open accounts payables listed in the County's financial records, closeouts for several agencies have not been finalized for 2001 and 2002.
- Based on the lack of records and recordkeeping a consolidated summary by agency could not be prepared for amounts due to Dutchess County or due to the funded agency.

#### RECOMMENDATIONS

- Formal contract management and accounting policies and procedures must be written and adhered to for proper accountability.
- DMH must maintain complete and accurate records for each contract agency. Records should include contracts, payments made, payments received, accounts receivable, accounts payable, State/Federal funding letters and correspondence related to specific agencies, agency audits, budget modifications, correspondence including periodic notes when an agency is not reconciled by the following year.
- 2003-2006 contract agency records should be given immediate attention to correct, complete and reconcile. In addition, DMH contract agency expense records for prior time periods should be reviewed and reconciled.

  
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Carol Doyle, Auditor

  
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Vivian Williams, Auditor

  
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Diane Jablonski, Comptroller

**Addendum I**  
**REVENUES**

**DMH STATE AND FEDERAL REVENUES<sup>2</sup>**

Year	BUDGETED STATE/FEDERAL REVENUE	ACTUAL STATE/FEDERAL REVENUE
2003	\$11,055,587.00	\$ 9,460,563.00
2004	10,915,065.00	9,762,829.00
2005	10,393,651.00	9,099,557.00
2006	<u>10,398,666.00</u>	<u>9,803,142.00</u>
Total	<u>\$42,762,969.00</u>	<u>\$38,126,091.00</u>

**EXPENSES**

**DMH TOTAL EXPENSES**

	BUDGETED	ACTUAL
2003	\$ 24,329,117.00	\$ 23,708,577.33
2004	25,342,146.00	25,125,299.45
2005	26,390,795.00	25,126,689.62
2006	<u>27,762,495.00</u>	<u>26,813,963.27</u>
Total	<u>\$ 103,824,553.00</u>	<u>\$100,774,529.67</u>

**DMH CONTRACT AGENCIES EXPENSES**

	ENCUMBERED & EXPENDED	ACTUAL EXPENSE
2003	\$ 10,903,900.00	\$ 10,225,361.55
2004	11,251,498.00	9,305,117.91
2005	11,107,351.67	10,467,374.25
2006	<u>13,565,817.15</u>	<u>9,494,352.35</u>
Total	<u>\$46,828,566.82</u>	<u>\$ 39,492,206.06</u>

<sup>2</sup> Family Support Respite Program and Crisis Intervention Grant not included in the Budgeted and Actual