

Mental Health Association in Dutchess County
January 1, 2007 – December 31, 2007

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Comptroller's Summary

It is critical, not just to Mental Health Association, but to all contract agencies, for which Dutchess County is the net deficit funder or the advanced funder, to submit budgets that are not overstated. In the process of this audit, it was discovered that refunds due to the County totaled over one million dollars (\$1,000,000) for the time period 2004-2006. This is an unacceptable practice, as it effectively ties up County funds unnecessarily. It is critical, especially in tough budgetary times that vendors view their relationship with the County as a partnership and recognize that funds advanced to them are effectively a free loan from the County while waiting for State funds to cover operations.

In addition, MHA receives over \$800,000 County dollars through direct funding and Medicaid. Seeking additional third party funding wherever possible is both beneficial to the fiscal health of the County, but also in accord with contractual obligations.

*Amended July 29, 2010 to address MHA's official response (attached to this report)

It is necessary to address MHA's claim that it made "consistent and repeated attempts to process closeouts...with DCDMH." It is imperative that DCDMH perform timely closeouts to assure prompt reclamation of essential County dollars. In addition, DCDMH should not enter into contractual agreements which provide substantial amounts of excess funding.

Background

Mental Health Association in Dutchess County (MHA) aka Mental Health America of Dutchess County is a voluntary, not-for-profit organization whose mission is the promotion of mental health, the prevention of mental illness and the improved care and treatment of persons with mental illnesses. Additional information is available on the MHA website: <http://www.mhadc.com>.

Audit Scope, Objective and Methodology

An audit was conducted of the Mental Health America of Dutchess County for the period January 1, 2007 through December 31, 2007. Dutchess County contracts provided a total of \$2,826,973.34 in funding which included \$44,509.00 in Dutchess County Funding. In addition, the agency reported \$3,151,330 in Medicaid- Case Management funding in their 2007 financials. Generally, Medicaid funding is comprised of 50% federal, 25% county and 25% state tax dollars.

The contracts were under the auspices of the Dutchess County Departments of Mental Hygiene, Social Services, Planning and Development and the Youth Bureau. A contract summary, including funding sources, is shown at Addendum I.

The audit included a review of the contracts, claims, agency financial records and internal controls regarding the accounting activities.

Summary of Findings

- The records reviewed for revenue, expenses and payroll were generally in good order and readily available.
- Oversight of financials, banking procedures should be improved.
- 1099s were not issued to all vendors in accordance with IRS regulations
- Funds due back to Dutchess County totaling \$1,048,731.25 (for the time period 2003-2006) were not repaid until October 2009. This is a result of contracted funds for those years being overstated resulting in overpayments
- Other revenue sources; such as third party insurance billing and user fees, were not consistently implemented to decrease dependence on funding sources.

Detailed Findings

Control Environment

There are six Directors that share in the supervision of agency activity and report to the Executive Director who in turn reports to the Board of Directors. The six Directors areas of responsibility are; Family Support & Advocacy, Finance & Operations, Rehabilitative Services, Community Education, MICA & Homeless Services and Case Management.

Control Activities

Accounting Oversight

The agency's activities for daily operations were reviewed. This included accounting procedures, separation of duties, banking, cash handling, tax reporting and claim management.

General Accounting and Separation of Duties

The Director of Finance & Operations is responsible for management of the agency's general accounting and payroll. A Certified Public Accountant provided an independent audit.

Findings:

1. The agency budget was presented at the June 20, 2007 Board of Director's meeting. However, the minutes indicated that there was not a quorum present. There was a motion made to e-mail the 2007 agency budget to board members and to have them reply by e-mail with a vote for or against the budget. There is no subsequent notation in Board Minutes indicating the results and affirmation of this action.
2. A finance report was not noted in two sets of board minutes. Additionally, there are no monthly financial statements attached to the board minutes.

Recommendations:

1. When there is no quorum for a vote or the board votes by e-mail on any topic, such actions must be affirmed at the next regular meeting of the board where there is a quorum.
2. A finance report should be made to the board at each meeting. The monthly financial statements reported on at each meeting should be attached to the minutes to provide adequate documentation.

Banking and Cash Handling

Deposits and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Monthly bank reconciliations were completed, verified to the general ledger, and reviewed by the Director of Finance & Operations. One Bank account (MHA-ICM) has two ATM cards for client emergency needs with an average monthly disbursement of \$3,805.

Findings:

1. Bank statement balances reached a maximum of \$913,507.21 and a minimum of \$116,858.08 for all bank accounts during 2007.
2. Balances in one bank exceeded the FDIC insured limit of \$250,000 at the end of 10 of 12 months in 2007.
3. Bank account reconciliations are completed by the Agency's Finance Department Manager and reviewed by the Director of Finance & Operations. Reconciliations were signed but were not dated to indicate when the review was accomplished. It was indicated by the Director of Finance and Operations that board members do not review bank reconciliations.

Recommendations:

1. Balances in non-interest bearing accounts should be kept at a minimum. Monitoring by management and the board of the agency's cash balances should be increased to determine if appropriate investments could be used to generate additional revenue.
2. Funds deposited in a particular bank should not exceed the FDIC limit.
3. Reconciliations should be dated when reviewed to indicate when the review was accomplished. A board member should periodically review reconciliations to enhance internal controls.

Community Mental Health Services Contract and CFR Review

Contract #04-0152 for 2007 provided Community Mental Health Services for 15 programs, which are listed on Addendum II with program descriptions included as Addendum III. A total of \$2,380,297.00 was expended for this contract.

The Consolidated Fiscal Report (CFR) is the required claiming document. The 2007 CFR report was reviewed, tracing the MHA 2007 general ledger revenues and

expenditures to the 2007 CFR. Program allocations including salary allocations were reviewed. Accounts reviewed included payroll, equipment, inventory and revenue accounts. Cash handling processes for cash and credit cards were also reviewed.

The contract amount was \$2,800,015.00 and payment provisions included monthly advance payments to the agency

In 2007, \$2,558,341.74 had been paid to the agency under this contract: However, the net operating costs reported in the agency's CFR were \$2,499,392.00 resulting in an overpayment by Dutchess County of \$58,949.74. *On August 4, 2008 DC received reimbursement of these funds from the agency.*

Subsequent to this CFR submittal, NYS determined that the net operating costs had to be adjusted for excess Medicaid received by the agency in prior years. In addition, the agency's required contribution for the contract programs also had to be adjusted. As a result of these adjustments, MHA was requested to pay the County an additional \$119,095.00 to close-out the 2007 contract. This transaction is summarized as follows:

2007 CFR Net Operational Costs	\$2,499,392.00	
Less: Prior Years Excess Medicaid Income	41,727.00	
Less: Agency Contribution	<u>77,368.00</u>	
2007 CFR Adjusted Net Operational Costs		<u>\$2,380,297.00</u>
Due to Dutchess County(see below)		<u>\$ -119,095.00</u>

On October 23, 2009, a closeout for 2003-2007 (as shown below) was processed by DMH. Included in this was the 2007 adjustment.

-\$ 52,000.00	2003 Due to County
\$264,620.34	2004 Due to Agency
-\$ 46,435.25	2005 Due to County
\$107,415.00	2006 Due to Agency
<u>-\$119,095.00</u>	2007 Due to County
<u>\$154,505.09</u>	Due to Agency

While reviewing the above closeout request, it was noted by the Comptroller's Office that a previous closeout adjustment dated April 24, 2008 for the 2003-2006 period (as shown below) had not been processed by DC DMH.

\$165,159.00	2003 Due to Agency
-\$232,978.00	2004 Due to County
-\$641,042.25	2005 Due to County
<u>-\$339,870.00</u>	2006 Due to County
<u>\$1,048,731.25</u>	Refund to the County

The 2003-2006 closeout was completed October 23, 2009 with a payment to the Commissioner of Finance for \$1,048,731.25 from MHA's 2008 Dutchess County contract funds. The check for \$154,505.09 for the 2003-2007 closeout was then released to MHA.

Findings:

1. For the years 2004 – 2006, each budget that produced the contract document was overstated. In addition, the payment provisions allowed for advances based on the overstated contracted amounts which resulted in the agency being overpaid from county funds for several years.
2. Interim 'closeouts' were not processed timely resulting in excess county funds being held by the agency.

Recommendations:

1. Budgets should not consistently be overstated to increase agency cashflow at the expense of county dollars.
2. Interim closeouts should be processed to ensure proper cashflow for Dutchess County and the agency.

Selected Expense Review

Personnel Services

All employee expenses (salary, benefits, etc.) were charged to the various departments. Expenses for Directors, Supervisors and Clerical Staff (Admin. Assistants) are allocated to each department based on program direct expenses. Other staff members are directly charged to the various programs based on an assignment/re-assignment letter, which sets the allocation percentage for each employee.

Salary expenses claimed to Dutchess County funding were verified to W-2s.

Findings:

1. Two staff allocations out of eight tested were noted to have discrepancies between the assignment/re-assignment letter and the actual allocation applied. In one instance the actual allocation was incorrectly applied. In the second instance an allocation letter was not issued timely resulting in the first month's allocation being incorrect and the discrepancy was not corrected.
2. The Board of Director's meeting minutes did not reflect any notation for approval of salary increases or employee benefits.

Recommendations:

1. Allocations should be reviewed and any discrepancies rectified.
2. Salary increases and employee benefits should be reviewed and approved by the Board of Directors.

Service Dollars

This expense includes any assistance to clients in developing and maintaining situations for living, working and socializing in the community, which enhances their potential for growth and independence. These include utility bills, rent bills, doctor bills, purchase of necessities, and other "living expenses". In 2007 the agency's general ledger recorded \$407,745 in service dollars. The general ledger total was traced into the 2007 CFR. Procedures for providing service dollars were reviewed. Purchases of Service Dollars items are paid through an ATM (credit card) or are paid by a check subsequent to processing a Purchase Order. In 2007 \$45,660 service dollars were expended utilizing the ATM cards and the balance paid through the issuing of checks. A review of 9 expenditures in the month of August, 2007 was made; tracking the procedures and documentation to ensure adequate controls.

Finding:

1. Of the 9 transactions reviewed four (4) transactions were missing the client's signatures on the Summary Expenditure Forms.

Recommendation:

1. All required signatures should be obtained in processing service dollars expenditures.

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. Selected revenue sources were reviewed to ensure appropriate recording of receipts.

Finding:

1. Contract 04-0152 requires the agency seek additional sources of funding for the mental health program. MHA did not bill third party insurances and did not consistently collect user fees for various services. This lack of revenue causes an increased reliance on funding sources.

Recommendation:

1. Implement 3rd party billing and user fees where applicable, to reduce net deficit funding.

IRS Form 1099-Miscellaneous Income

The IRS requires Form 1099-Miscellaneous Income Statements 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.

Finding:

1. A number of vendors who received rental payments on behalf of clients did not have a W-9 in file. In addition, the agency did not issue 1099s to these vendors as required by IRS regulations. The agency stated that they did not collect information due to patient privacy regulations. We discussed the concern with the IRS and they stated that the 1099 issuance is required.

Recommendation:

1. The agency should secure a W-9 from every vendor and provide a 1099 where required by IRS regulations.

Tax Filing

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

Inventory

Based on the agency's Consolidated Statements of Financial Position, there was \$2,214,059.00 in property & equipment, net of accumulated depreciation. The agency maintains a detailed list of inventory with a retail value of \$250.00 and greater. There is an "Inventory Control Form" that details new purchases and a "MHA Inventory Disposition Form" that details items removed from inventory.

Finding:

1. For several years there have been a number of old computers, monitors, printers and peripherals stored and designated by the agency for discard. It was stated that these units were all paid for with funds provided by Dutchess County.

Recommendation:

1. The agency should provide a comprehensive list of the equipment to Central Services and DCDMH for discarding of the items.

Other County Contract Funding

DC Youth Bureau Contract #05-0133-12/05-YB A2 for the period of 01/01/07 – 12/31/07

A total of \$42,798.00 was contracted and expended for personnel services and misc. expenses in 2007. Funding provided a Youth Intervention Program for Special Needs Children.

DC Department of Social Services Contract #06-0611-12/06-SS A1 for the period of 01/01/07 – 12/31/07

A total of \$13,520.00 was contracted with \$7,950.00 being expended as stipends during 2007. Funding provided eligible homeless individuals day time shelter on weekends and holidays during inclement weather.

DC Departments of Planning & Development and Mental Hygiene Contract #06-0133-9/08-PL/MH for the period of 10/01/05 – 9/30/08

A total of \$54,245.00 was expended for personnel services in 2007 from this multi-year contract. Funding provided, through the “Living Room”, support and connections to resources for the chronically homeless with mental illness and chemical abuse issues.

DC Department of Social Services Contract #06-0156-12/06-SS A1 & A2 for the period of 01/01/07 – 12/31/07

A total of \$40,354.00 was contracted and expended for personnel services and misc. expenses in 2007. Funding provided for a Court Appointed Special Advocate (CASA) Program to children at risk of being placed in foster care.

DC Department of Mental Hygiene Contract #06-0313-12/06-MHA! for the period of 01/01/07 – 12/31/07

A total of \$204,435.00 was contracted with \$115,784.60 being expended personnel services and misc. expenses in during 2007. Funding provided for case management services under the Managed Addiction Treatment Services (MATs) Program.

DC Youth Bureau Contract #07-0086-1/07-YB for the period of 01/01/07 – 12/31/07

A total of \$7,500.00 was contracted and expended for personnel services and misc. expenses in 2007. Funding provided a Southern Dutchess Teen summer recreation program for nine youths ages 14-17.

Addendum I

2007 Dutchess County Contracts with Mental Health Association

Contracts	Description	Payments YTD 2007	County Dollars	Federal Dollars	NYS Dollars
04-0152- 12/04MH A3	Provide Community Mental Health Services	\$2,380,297.00	\$33,793.00	\$86,913.00	\$2,259,591.00
05-0133- 12/05YB A2	Provide a Youth Intervention Program for Special Needs Children	42,798.00			42,798.00
06-0611- 12/06SS A1	Provide Homeless individuals day time temporary shelter	7,950.00	3,259.00	2,306.00	2,385.00
06-0133- 9/08PL/MH	Provide support and connections to resources for the chronically homeless	54,245.00		54,245.00	
06-0156- 12/06SS A1&A2	Conduct a Court Appointed Special Advocate (CASA) Program to provide services to children at risk of being placed in foster care	40,354.00	7,457.00	20,182.00	12,715.00
06-0313- 12/06MH A1	Provide Case Mgt Services under the Management Addiction Treatment Services	115,784.60			115,784.60
07-0086- 12/07YB	Provide a Southern Dutchess Teen summer Recreation Program for 9 youths aged 14-17. Funds provided by NYS OCFS.	7,500.00			7,500.00
TOTALS		<u>\$2,648,928.60</u>	<u>\$44,509.00</u>	<u>\$163,646.00</u>	<u>\$2,440,773.60</u>

Addendum II

Mental Health Association Contract #04-0152-A3		2007					
Program Code	Description	CFR Report Amount *	NYS Amount	Federal Amount	County Amount	Agency Contribution	
034C	Intensive Case Mgmt Svc	\$52,483.00	\$52,483.00				
039B	Case Mgmt	37,722.00	37,722.00				
039C	Mentally Ill Chemical Abusers	0.00	0.00				
041	Adult Clinical Infrastructure	86,913.00		\$86,913.00			
084A	Gen. Fund (Flexible) Adult	1,606,534.00	1,495,373.00		\$33,793.00	\$77,368.00	
084B	Gen. Fund (Flexible) C& F	39,795.00	39,795.00				
104A	Supportive Case Mgmt	121,746.00	121,746.00				
106	Sate Operated ACT	31,472.00	31,472.00				
122	Comm. Support Progs.	65,644.00	65,644.00				
140J	HCRA C& F Fam Supp. Svcs	54,670.00	54,670.00				
140S	HCRA Adult ICM Serv	52,502.00	52,502.00				
140T	HCRA Adult SCM Serv	63,326.00	63,326.00				
170L	Kendra's AOT ICM Serv.	17,411.00	17,411.00				
170M	Kendra's AOT SCM Serv.	353.00	353.00				
300	Homeless/MICA	155,394.00	155,394.00				
400	Commissner. Performance Fds	11,695.00	11,695.00				
550	Adult Home Case Mgt	45,445.00	45,445.00				
550A	Adult Home Case Mgt Svc Dollars	14,560.00	14,560.00				
Total Allocations		<u>\$2,457,665.00</u>	<u>\$2,259,591.00</u>	<u>\$86,913.00</u>	<u>\$33,793.00</u>	<u>\$77,368.00</u>	

Addendum III

Program Description for CFR Funded Programs

OASAS Program Codes, Types and Definitions

**New York State Consolidated Fiscal Reporting and Claiming Manual Reporting Period:
January 1, 2007 to December 31, 2007 Issued: 10/07**

Below is an alphabetical listing of program types and the corresponding codes grouped by service type.

0690 – Outreach

(Non-Licensed Program)

Outreach programs/services are intended to engage and/or assess individuals potentially in need of mental health services. Outreach programs/services are not crisis services. Examples of applicable services are socialization, recreation, light meals, and provision of information about mental health and social services. Another type of service within this program code includes off-site, community based assessment and screening services. These services can be provided at forensic sites, a consumer's home, other residential settings, including homeless shelters, and the streets.

0770 - Psychosocial Club

(Non-Licensed Program)

The objective is to assist individuals disabled by mental illness to develop or reestablish a sense of self-esteem and group affiliation, and to promote their recovery from mental illness and their reintegration into a meaningful role in community life through the provision of two or more of the following: (1) consumer self-help and empowerment interventions; (2) community living; (3) academic; (4) vocational and/or (5) social-leisure time rehabilitation, training and support services.

0810 - Case Management

Activities aimed at linking the client to the service system and at coordinating the various services in order to achieve a successful outcome. The objective of case management in a mental health system is continuity of care and service. Services may include linking, monitoring and case-specific advocacy.

0820 – Blended Case Management

(Non-Licensed Program)

This program will facilitate a team approach to case management services by combining the caseloads of multiple Intensive Case Managers (ICMs) and/or Supportive Case Managers (SCMs).

1650 - Family Support Services (Children and Family)

(Non-Licensed Program)

Family support programs provide an array of formal and informal services to support and empower families with children and adolescents having serious emotional disturbances. The goal of family support is to reduce family stress and enhance each family's ability to care for their child. To do this, family support programs operate on the principles of individualized care and recognizing every child and family is unique in their strengths and needs. Connecting family members to other families with children with serious emotional problems helps families to feel less isolated and identify their own strengths.

**1760 – Advocacy/Support Services
(Non-Licensed Program)**

Advocacy/support services may be individual advocacy or systems advocacy (or a combination of both). Examples are warm lines, hot lines, teaching daily living skills, providing representative payee services, and training in any aspect of mental health services. Individual advocacy assists consumers in protecting and promoting their rights, resolving complaints and grievances, and accessing services and supports of their choice.

**1810 - Intensive Case Management
(Non-Licensed Program)**

In addition to the program description for Case Management (Code 0810), ICM services are services which are operated under a fidelity structure defined in 18 NYCRR, Section 505 and a memorandum of understanding between OMH and the NYS Department of Health. Federal Individuals with Disabilities Education Act Funds

**1990 – Bridger Services
(Non-Licensed Program)**

Bridger Services are targeted to serve individuals that are transferring from one level of mental health service to a less restrictive mental health service. The services provide supports to link consumers to appropriate community services and to ease their transition.

**2770 - Self Help Program
(Non-Licensed Program)**

To provide rehabilitative and support activities based on the principle that people who share a common condition or experience can be of substantial assistance to each other. These programs may take the form of mutual support groups and networks, or they may be more formal self-help organizations that offer specific educational, recreational, social or other program opportunities. Direct staff hours: The number of staff hours spent by staff in providing case management services face-to-face or by telephone directly to Consumers or collaterals. Indirect staff hours: The number of staff hours spent by staff in providing case management services on behalf of Consumers other than face-to-face or by telephone directly with Consumers or collaterals.

**2810 – Intensive Case Management (ICM) Services Dollars Management
(Part of the Intensive Case Management Program)**

Direct costs of support provided by the county or agency for contracted management expenses.

**6810 - Supportive Case Management (SCM)
(Non-Licensed Program)**

In addition to the program description for Case Management (Code 0810), SCM services are services which are operated under a fidelity structure defined in 18 NYCRR, Section 505 and a memorandum of understanding between OMH and the NYS Department of Health.

**8810 – Assertive Community Treatment (ACT) Program Service Dollars
(Associated with the licensed Assertive Community Treatment (ACT) program, Program Code 0800)**

Individual services aimed at meeting basic needs of the consumer. These services may include emergency services as well as job coaching, education, leisure-time services and others. Agency administrative costs allocated to the operating costs of this program via the Ratio Value allocation methodology are redistributed to other OMH programs in the CFR.