

July 23, 2010

Mr. Jim Coughlan
Dutchess County Comptroller
22 Market Street
Poughkeepsie, NY 12601

Dear Mr. Coughlan:

First we would like to address the comments of the Comptroller's Summary. The MHA budgets for Case Management are created according to templates that are set up by the Office of Mental Health, which are the costs of a "typical" case management program as well as the expected Medicaid monies that are needed to cover these costs. During a year when the MHA Medicaid revenues that are part of this template are in excess of the budget it results in a reduction in the amount of net deficit funding needed. During the year, however, the MHA does file a 6 month report at the end of July, as well as a 3rd quarter report at the end of October (as required by contract), resulting in monies being withheld from the August and November monthly contract installments. In addition, starting in 2009 the MHA's contract amount has been reduced by \$320,000 therefore reducing the "payback" to the county. There should be some appreciation for the ability of the agency to maximize Medicaid receipts and consequently not running a deficit.

With regard to the amount of over 1 million dollars (\$1,000,000) being due to the county for years of 2004-2006, the MHA had made consistent and repeated attempts to process the closeouts for these years with the Department of Mental Hygiene starting in 2004. In 2008, again after several attempts to reconcile, a preliminary closeout was done by the MHA's installments in 2008 being withheld. Then, after a meeting with DCDMH and our auditors in 2009 in preparation of the 2008 financial statements, a reconciliation for 1997-2007 was completed. The years of 2003-2007 have been closed out with a payment received by the MHA for those years of \$154,505.09 however 1997-2002 are still open.

Even though there were some findings during this audit, they do not reflect any deficiencies in the internal controls and fiscal policies of the MHA and we would like this fact to be clearly noted in the initial statement.

In response to the audit report for MHA for the fiscal period ending December 31, 2007, the following are our response to findings:

General Accounting & Separation of Duties:

- Finding #1 – The MHA will make sure that if there are any motions that are presented and voted on via e-mail that this is reported at the next board meeting and noted in the minutes of that meeting.
- Finding #2 – The MHA will make sure that the attachments (Financial Statements) are filed along with the minutes of the board meetings. Please note that they are contained in the Finance & Personnel Committee minutes.

Banking and Handling Cash:

- Findings #1 & #2 – MHA has been keeping larger balances in a money market account as well as investing in CDs on a monthly basis. To mitigate exposure to uninsured funds in 2008 the agency started to participate in a program through our bank that invests in CDs which are held by other participating banks within the program in amounts that are under the FDIC threshold therefore ensuring that the deposits are insured.
- Finding #3 – The Director of Finance and Operations of the MHA is dating all bank reconciliations when completing the review and will be having the Treasurer of the board in to review the bank reconciliations periodically.

Community Mental health Services Contract and CFR Review:

- Finding #1 - As stated previously, the MHA budgets for Case Management services according to the templates that are set up by the Office of Mental Health. Throughout the year, the MHA does produce excess Medicaid revenue which is reflected in the six month and 3rd quarter reporting resulting in monies being withheld from installments. Of these excess monies, the MHA is entitled to retain a portion of these monies to use to cover costs of the program in the next year.
- Finding #2 - As stated previously, the MHA had made several attempts starting in 2004 to complete the closeouts for all prior years that had not been closed without any response from DCDMH. (During this time the MHA did keep the monies due to the county in a money market account, prepared to pay these amounts when reconciliations were completed). This continued through 2009 when there was a meeting with DCDMH, MHA and the MHA's external auditors where the auditors stated that they would issue a qualified opinion because the balances due between MHA & the county have not been confirmed since 2003. DCDMH and MHA worked throughout the summer to reconcile the amounts (the MHA actually did write off approximately \$500 to complete this process) and that was completed in October 2009. The years of 2003 through 2007 have been closed however 1997-2002 are still open. We are currently in the process of reconciling the closeout for 2008.

Personnel Services:

- Finding #2 - Salary increases and employee benefits are reviewed and approved by the Finance & Personnel Committee of the Board of Directors. Salary increases that pertain to administrative staff are reported to the Board of Directors during Executive Session and the minutes to the executive session were not included in the audit. All other salary increases and employee benefit changes are reported to the full Board of Directors at the next board meeting.

Service Dollars:

- Finding #1: The MHA makes every attempt to obtain client signatures on all expenditure reports. The agency processes over 1,600 service dollar expenditures per year which is a very high volume of transactions. We will continue to ensure that every expenditure is signed. In order to facilitate the process, the checking of signatures has been designated to another supervisor who can allocate more time to the process.

Revenues:

- Finding #1 - The agency's contract with the county does require matching funds, which the agency does contribute to each year. At the present time the only services that we provide that can be billed to a Third Party payor would be Case Management. The agency has looked into billing third party payors but determined the cost of billing at the time overrode the efficiency of doing so. The agency will look again at this option. The agency does collect some fees for some of the Community Education programs and is always looking for other funding sources. We would like the Comptroller to keep in mind that approximately 90% of the consumers outside of those in Community Education programs are at or below poverty level therefore charging fees for service could exclude the county's neediest community members. In addition, the MHA has been successful in obtaining grants from private foundation to supplement underfunded programs like homeless services. It is important for the comptroller to recognize that we are one of the few agencies in the county who struggle to serve this population as well as others in poverty with insufficient government funding.

IRS Form 1099-Miscellaneous Income:

- Finding #1 - The agency makes payments on behalf of clients through Service Dollars, which is state aid and considered welfare payments which do not qualify for issuance of 1099s. In addition the MHA would have to obtain information from vendors to produce 1099s who may not be aware that the client is receiving mental health services, thus violating HIPAA and other privacy rules. The Office of Mental Health in order to protect the privacy of our clients requested that the checks that are issued not have the MHA's name on the face of them, they only state "SDA Account". We will be writing a letter to

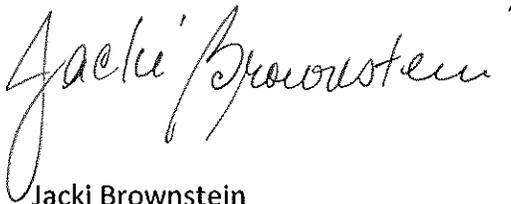
the Chief Counsel in Washington DC for a ruling on these payments. All other vendors that the MHA deals with outside of the Service Dollar funds were issued 1099s per the IRS regulations.

Inventory:

- Finding #1 – The MHA has been trying over several years to dispose of old equipment without success. Thanks to the comptroller's office we now have a contact at Central Services that we can work with and are in the process of compiling a complete list of the equipment that has been identified for disposal.

In closing, we thank the comptroller's office for their review and their acknowledgement that the records reviewed were generally in good order and readily available. We have taken into consideration all recommendations and will or have instituted those that are viable. We do however have disagreements with a few of the finds as noted above.

Sincerely,



Jacki Brownstein
Executive Director



Emily Robisch
Director of Finance & Operations