

**Mid-Hudson Association For Persons with Disabilities, Inc.**  
**July 1, 2007– March 31, 2009**

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## **COMPTROLLER'S SUMMARY**

### **Background**

Mid Hudson Association for Persons with Disabilities, Inc. (MHAPD) is a not-for-profit organization that provides families with case management services and financial reimbursement related to the care of their developmentally disabled family members. The agency's last available audited financial statements dated December 31, 2008 reported expenses totaling \$535,954.00 for a 12 month period.

### **Audit Scope, Objective and Methodology**

The audited period was July 1, 2007 – March 31, 2009. For the 21 month audit period the Dutchess County Department of Health paid MHAPD a total of \$663,490.48 to provide Respite (\$41,986.48) and Service Coordination (\$621,504.00) to children aged 0-3 years.

The audit included a review of internal controls, accounting processes and accounting records.

### **Summary of Findings**

The claiming records for the funding provided by the Dutchess County contracts were in good order: However, the MHAPD did not maintain a complete set of accounting records at the agency. In addition, the agency's internal controls regarding accounting records, board oversight and agency policies and procedures should be strengthened.

### **Detailed Findings**

#### **Internal Controls**

#### **Control Environment**

Management for the purpose of this report includes the Executive Director and the Board.

#### **Oversight and Fiscal Monitoring**

Board minutes and agency operating procedures were reviewed for fiscal oversight of the agency.

#### **Findings:**

- There were no formalized documented accounting and human resource policies and procedure manuals.
- The board did not approve the annual budget.
- There was no evidence of board review of bank records.

Recommendations:

To improve the control environment and mitigate risk:

- Management should prepare and maintain documented accounting and human resource policies and procedures
- To assure fiduciary oversight the board should approve the annual budget.
- The board should review bank records.

**Control Activities**

The accounting records, bank accounts, segregation of duties, employment policies and procedures were reviewed.

**Accounting Records**

The agency contracted with two accounting firms to prepare bank reconciliations, quarterly and annual financial statements and tax filing reports; additionally, an outside payroll provider processed payroll and payroll taxes.

Finding:

- Available source documents included check stubs, deposit slips, bank statements and invoices. A cash receipt journal, cash disbursement journal, general ledger and trial balance were not available at the agency for audit. Management did not utilize the above for fiscal monitoring.

Recommendation:

- All accounting records should be available at the agency's place of business for audit review. These records should be monitored and verified by management.

**Claims**

A total of sixteen client records were reviewed to verify service coordination claims. Records examined documented dates, time spent and description of the service provided.

Findings:

- Services provided at a client's home did not require the provider obtain a signature to attest to the delivery of service.
- The actual time of day the service was delivered was not recorded.

Recommendations:

- When a service is provided through a face to face meeting, the provider should request a signature from the client's caregiver to acknowledge the delivery of service.
- The times of day a service is delivered should be recorded.

## **Bank Accounts**

The agency had a bank account for each source of funding. Authorized signors include the Executive Director and Board Treasurer

### Findings:

- Bank reconciliations were not signed to attest review and oversight by the Board Treasurer or the Executive Director.
- Bank reconciliations provided did not include details such as the bank statement balance and balance recorded in the agency's trial balance.
- A rubber stamp was used to sign checks.
- The agency had eight bank accounts to account for various funding sources. This is not a common practice as accounting records are normally utilized to account for each funding source.

### Recommendations:

- Bank reconciliations should be initialed to attest to review by agency management.
- The check book balance reported on the reconciliation should be verified to the agency's trial balance and the bank statement balance. This function is necessary to identify and correct discrepancies in a timely manner.
- Rubber stamp signatures are not recommended.
- The agency should streamline accounting records through the consolidation of bank accounts.

## **Segregation of Duties – Cash Handling**

The agency maintained a separation of duties for cash receipting: However, the cash disbursement function was not properly segregated.

### Finding:

- The Executive Director wrote out operating expense checks and signed these checks resulting in no separation of duties for this cash disbursement function.

### Recommendation:

- The function of writing out checks should be separated from the signing of checks.

## **Employment Policies**

We requested copies of the agency's human resource policies and procedures. The agency did not provide employee agreements or an agency employee handbook.

### Findings:

1. Formalized employee agreements were not available for review. A considerable portion of the agency's revenue is generated by services provided to clients by

- employees; upon separation, employees may take these clients with them resulting in a risk of funding loss to the agency.
2. Documentation delineating employee reimbursements and benefits were not available. There was no employee handbook or documentation stating board approval of the available benefits and employee contributions. Specifically, we noted:
    - Employees compensated for travel and meeting attendance were paid at different rates and there was no documentation available to support the variances in reimbursement.
    - Employees were required to contribute to health insurance coverage; the agency was unable to provide documentation to verify the accuracy of the employee contributions. Required contributions varied by employee.

Recommendations:

1. The agency should maintain formalized policies and procedures. Management should review revenue risks to ensure the agency's continuance as an on-going concern.
2. Employee compensation and fringe benefits should be approved by the board and documented in a policy and procedure manual.