Audit Report

Mid-Hudson Addiction Recovery Centers, Inc.

January 1, 2007– December 31, 2007

Mid-Hudson Addiction Recovery Centers, Inc.
(MARC)

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Comptroller's Summary

Background

Mid-Hudson Addiction Recovery Centers, Inc. (MARC) operates residential programs which serve individuals in recovery and their families. Programs include the Chemical Dependency Crisis Center, community houses (3), and several Supported Sober Apartments. Additional information is available on the MARC website: http://www.mharc.org.

Audit Scope, Objective and Methodology

An audit was conducted of the Mid-Hudson Addiction Recovery Centers, Inc. for the period January 1, 2007 through December 31, 2007. A total of $554,947.00 was expended for 2007 as follows:

- Department of Mental Hygiene had one contract for enhanced funding for Road To Recovery participants $5,000.00
- Department of Planning had one annual contract to provide funding for personal services - $10,000.00
- Department of Planning had two multi-year contracts providing funding for rental assistance.
    - Tenant-based Rental Assistance - $43,157.00
    - Sponsor-based Rental Assistance - $38,736.00
- Department of Social Services provided funding for personal care needs and rental assistance on behalf of DSS clients. Payments issued in 2007 totaled $458,054.00.

The audit included a review of:

- MARC's processes for billing to the county.
- Internal controls regarding the handling of funds.
- Agency led gers, contracts, bank reconciliations, federal and state tax returns, 1099s, payroll records, and original supporting documentation.

Summary of Findings

The agency did not have a process to issue 1099s. In addition, internal controls regarding segregation of duties should be improved.

Detailed Findings

Internal Controls

Cash Handling and Banking

Deposits and bank reconciliations were reviewed. Monies received from Dutchess County were deposited timely. Monthly bank reconciliations are completed and verified to the general ledger. An employee from each residence collects monies from the tenants and prepares the "Collection Sheet". The "Collection Sheet" along with checks and any supporting documentation is submitted to the finance office. The funds are counted, posted to the tenant's account, and prepared for deposit by one individual. The deposit is taken to the bank by another employee.

Finding:

The funds are counted, posted to the tenant's account, and prepared for deposit by the same individual.

Recommendation:

These functions should be separated to provide a separation of duties.

Financial Statements

The agency's Financial Statements did not include long-term debt for their various properties. Specifically, MARC has received funding from New York State Homeless Housing Assistance Corp (HHAC), New York State Dormitory Authority, and New York State Office of Alcoholism and Substance Abuse Services (OASAS).

Finding:

Properties were not disclosed as long term debt.

Recommendation:

Disclose the long-term debts with the appropriate notes to the financial statements.

Contracts and Direct Payments

Contractual funding from Dutchess County totaled $96,893.00 through the Department of Mental Hygiene and Planning. The Department of Social Services also provided funding during 2007 that totaled $458,054.00.

The attached Addendum provides additional information regarding contracts and direct payments.

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 and recorded in the appropriate revenue accounts.

Expenses

Personnel Services

MARC contracts with an outside vendor to process the agency's payroll including payroll taxes. Salaries claimed to Dutchess County funding were verified to W-2s. There were no discrepancies.

IRS Form 1099-Miscellaneous Income

The IRS requires Form 1099-Miscellaneous Income Statements be issued to individuals/businesses that receive payment of $600.00 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. Selected expenditures were reviewed for 1099 issuance.

Finding:

Vendors provided services and received payments in excess of $600.00 during 2007. The agency did not issue any 1099's for the calendar year 2007 and W-9's were not available for review.

Recommendation:

A procedure to obtain W-9s from all vendors must be instituted. IRS Form 1099 must be issued when required per IRS regulations.

Aileen Davidson

Aileen Davidson, Auditor

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Addendum – Contracts and Direct Payments

Department of Mental Hygiene

Contract # 06-0271

The contract term was January 1, 2007 through December 31, 2007 with a maximum amount of $12,500.00. The Nature of the Agreement was to enhance funding to residential care and supplement other program funding. Funding was provided by NYS OASAS. Reimbursement per client was $400.00 after 30 days at a MARC Community Residence and after 90 days MARC was eligible for an additional $600.00. The total amount claimed and expended was $5,000.00.

Finding:

MARC's request for reimbursement was submitted to the Department of Mental Hygiene several months after eligible.

Recommendation:

Requests for reimbursements should be processed as soon as eligible.

Department of Planning and Community Development

Funds received from HUD Community Development - Human Services were for salaries and operational costs. Rental assistance was from Shelter Plus Care funds.

Recipients may be homeless, have a mental disability and or substance abuse disorder. The tenant's share of rent is calculated at 30% of income.

The Department of Planning and Community Development administered three (3) contracts during this audit period.

Contract # 07-0431-PL

The term of contract was March 1, 2007 through February 29, 2008 with a maximum amount of $10,000.00. This contract was provided from 100% HUD Community Development Block Grant (CDBG) funds. The contract provided funding for two employees to provide counseling to residential clients.

Personal services including fringe were claimed and paid to this program. The claims were reviewed and traced to the employee's reported W-2 amounts. No discrepancies noted.

Contract # 04-0203-PL and Contract # 06-0032-PL

Both of these multi-year contracts are funded 100% by the HUD Shelter Plus Care Program. MARC allocates approximately 20% per year.

Shelter Plus Care is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases).

HUD through the Planning Dept. provides funding for rental assistance and administration. Several apartments are rented from various property owners and one building is owned by MARC (76 Montgomery St.). Tenants pay 30% of rent based on income or assistance received from DSS. MARC pays the balance.

The following is a separate review of the individual contracts.

Contract # 04-0203-PL Tenant-based Rental Assistance (TRA)
The term of the contract is February 1, 2004 through January 31, 2009 with a maximum amount of $294,840.00.

The population receiving services should be individuals, couples, and families that are homeless with special needs. All participants are required to have and maintain a funding source to remain in permanent housing.

During 2007, funding through this contract provided rental subsidies in the amount of $39,966.00 and $3,191.00 for administration. The total claimed and paid was $43,157.00. The following is a summary of the claims submitted and paid.

HUD Share	$39,966.00
Tenant Share	19,011.00
Agency	23.00
Base Rent	$59,000.00
Administration	3,191.00
	$62,191.00

Contract # 06-0032-PL Sponsor-based Rental Assistance (SRA)
The term of contract is January 1, 2006 through December 31, 2010 with a maximum amount of $212,640.00.

The population receiving services should be chronically homeless with chronic substance abuse disorders. Preference is given to single parents with children and individuals with co-occurring psychiatric disorders. Tenants come from local transitional housing programs for the homeless, emergency shelters, and the streets.

Funding through this contract provided rental subsidies in the amount of $35,871.00 and $2,865.00 for administration. The total claimed and paid for 2007 was $38,736.00.

The following is a summary of the claims.

HUD Share	$35,871.00
Tenant Share	8,538.00
Agency	466.00
Base Rent	$44,875.00
Administration	2,865.00
Total	$47,740.00

Department of Social Services

On behalf of DSS clients, direct payments were issued by DSS to five separate vendor sites during 2007: 51 Cannon Street – Crisis Center, Bolger House, Dowling House, Florence Manor, and MARC (various homeless housing units). Funding was provided for personal care needs and rental assistance.

A person from each site prepares the "Collection Sheet" for monies received from DSS, tenants, and other sources. Monies and the "Collection Sheet" are sent to the administration office to be posted and deposited.

The following is a summary of expenditures per site.

Vendor	Vendor #	Amount Paid
51 Cannon St (Crisis Center)	0092467	$142,423.86
Bolger House	0095237	161,364.90
Dowling House	0097521	70,228.79
Florence Manor	0099183	75,953.65
MARC (homeless housing units)	0100678	8,082.80
Total Expended in 2007		**$458,054.00**

Findings:

- DSS Vendor information was reviewed. The contact persons and addresses for MARC were not correct.
- At the administration office, the same individual processes the billing, posts receipts, and prepares the bank deposit.

Recommendations:

- MARC needs to notify DSS of the correct information for the vendor files.
- Accounting functions should be separated to provide a separation of duties.