Audit Report

Mid-Hudson Family Health Institute, Inc.

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Comptroller's Summary

Background

Mid-Hudson Family Health Institute, Inc. (the Institute) is a not-for-profit corporation which operates freestanding diagnostic and treatment institutes in the Mid-Hudson region. The Institute provides health services to medically underserved populations.

Mid-Hudson Family Health, Inc. received monies from Dutchess County through contracts with the Dutchess County Health Department for two programs: Healthy Families with funding provided by the New York State Office of Children and Family Services and Primary Health Care HIV/AIDS program with funding provided by the Federal Ryan White CARE Act, Title I Grant.

As of July 2006, the Healthy Families Program is funded directly by New York State.

The Institute's independent audit of their 2004 financial statements reported agency wide expenses totaling $22,637,153.00.

Audit Scope, Objective and Methodology

The audit period was March 1, 2004 – June 30, 2006. The County provided a total of $1,700,144.00: $1,280,244.00 for the Healthy Families contract #01-0507 and $419,900.00 for the Primary Health Care HIV/AIDS contracts #04-0409 and #05-0273.

The audit included a review of:

- Contract compliance;
- The agency's detail ledger, cost allocations, salaries and original supporting documentation;
- Internal controls regarding the handling of bank statements, cash handling and inventory;

Summary of Findings

- County receipts were deposited in a timely manner and 1099s were issued properly to contractors;
- Detail ledger cost centers were not in agreement with the agency's general ledger;
- A total of $3,367.25 is due back to the County. The Institute overclaimed personnel expenses totaling $2,045.25 and a laptop totaling 1,322.00;
- Expense reimbursements to contractors and employees of the Institute were paid late;
- There was not a signed rental agreement for 2004 for the Beacon Center;
- The 2005 and 2006 agreement was signed by an individual who did not have authorization, as required by agency guidelines;
- The inventory listing for each program was not maintained properly.

Detail Findings

Contract Review

Healthy Families Program

Contract #01-0507

This contract was written for the period July 1, 2004 – June 30, 2005 and July 1, 2005 – June 30, 2006 in the amount of $640,122.00 for each period. The purpose of this contract was to provide home visiting services to expectant parents and families with infants residing in the City of Poughkeepsie, Beacon and Hyde Park. Home visiting services included screening and assessment, education in parenting skills and prenatal / child health care. The goal was to improve self sufficiency of the family and prevent child abuse and neglect. Services are provided up to one year from birth.

The contract budget and claims follow for each time period:

July 1, 2004 – June 30, 2005
The Institute reported 150 participants served during the contract period.

	Contract Budget	Claims
Personnel	$384,092.00	$343,057.09
Fringe	72,322.00	65,180.84
Travel/Conference	16,640.00	15,883.37
Consultant/Contractual	1,666.00	840.80
Supplies	14,009.00	13,900.10
Other	151,393.00	
Overhead/Admin		52,530.78
Rent		44,085.12
Furniture/Equipment		20,882.00
Other		26,268.03
Total	$640,122.00	$582,628.13

July 1, 2005 – June 30, 2006
The Institute reported 116 participants served during the contract period.

	Contract Budget	Claims
Personnel	$407,444.00	$378,597.93
Fringe	77,414.00	71,932.57
Travel/Conference	17,874.00	14,903.11
Consultant/Contractual	1,666.00	1,014.75
Supplies	5,223.00	7,432.08
Other	130,501.00	
Overhead/Admin		53,923.23
Rent		44,837.94
Other		19,216.63
Total	$640,122.00	$591,858.24

Primary Care HIV / Aids

Contract #04-0409

This contract was written for the period March 1, 2004 – February 28, 2005 in the amount of $228,200.00. Under this contract, the Institute provided direct primary health care services, specialty care, case management and community outreach

to the HIV / AIDS population in Dutchess County. Funds were provided under the Federal Ryan White CARE Act, Title I Grant. The Institute reported a total of 56 individuals served.

	Contract Budget	Claims
Personnel	$147,762.00	$147,761.46
Fringe	25,697.00	25,697.01
Employee Travel	850.00	652.64
Consultant/Contractual	20,080.00	8,722.82
Supplies	1,368.00	1,368.00
Other	12,443.00	6,481.00
Rent		5,962.00
Admin	20,000.00	19,664.56
Total	$228,200.00	$216,309.49

Contract #05-0273

This contract was written for the period March 1, 2005 – February 28, 2006 in the amount of $191,700.00. This contract provided the same service as above: Direct primary health care services, specialty care, case management and community outreach to persons living with HIV/AIDS in Dutchess County. The Institute reported a total of 57 individuals served.

	Contract Budget	Claims
Personnel	$116,472.00	$114,240.97
Fringe	18,445.00	18,279.00
Travel	555.00	532.00
Consultant/Contractual	33,500.00	33,034.00
Supplies	225.00	225.00
Other	200.00	220.00
Overhead/Admin	17,427.00	17,143.00
Rent	4,876.00	4,876.00
Total	$191,700.00	$188,549.97

Revenues

Deposits

A sample of County reimbursement checks were traced to the general ledger and bank accounts. The checks were deposited in a timely manner and recorded properly in the general ledger for each program.

Expenses

Detail Ledger/Claiming

Claims made to the Dutchess County Health Department for Healthy Families and the HIV/AIDS programs were traced to the agency's general ledger. In addition, the detail ledger for each program was also reviewed.

Finding:

- The claims made to the County for each cost center – Healthy Families and HIV/AIDS program were not traceable to the detail ledger. Direct expenses such as salaries, rent and telephone were posted to the general ledger but not consistently posted to the program detail ledgers. The program detail ledgers were not reconciled to the general ledger.

Recommendation:

- The Institute should reconcile the detail ledgers to the general ledger: All entries should be posted to their respective programs to properly reflect actual transactions.

Personnel Services

During the audit period, a total of $896,962.00 was claimed in personnel services. Employee salaries claimed were compared to their W-2.

Finding:

- One employee's salary was overclaimed due to a calculation error on the Institute's salary spreadsheet. Contract #04-0409 was overclaimed in the amount of $1,134.00 and contract #05-0273 was overclaimed in the amount of $911.25.

Recommendation:

- The Institute should ensure all salaries claimed match the actual payroll register. A total of $2,045.25 is due back to the DC Health Department.

Consultant/Contractor

The Institute claimed $3,720.80 in 2004; $30,347.82 in 2005 and $7,598.75 in 2006 for consultant/contractor expenses. This included speakers for patient/staff education, medical social work services, pain management therapists and nutritionists. Of the consultants claimed to the County, all 1099's were issued properly.

Finding:

- The Institute claimed and was paid for consultant/contractor expenses on a monthly basis from Dutchess County. Consultant/contractor expense was not paid by the agency in a timely manner: Some contractors were paid several months later. County reimbursements were applied the agency's overall obligations.

Recommendation:

- Upon receipt of claimed funds, the Institute should properly pay the consultants monies due. Reimbursed funds should be used for the purpose intended: County reimbursements should be segregated from the general operation of the Institute.

Travel

Employee travel reimbursements were claimed to the Health Department: $15,883.37 in 2004/2005 and $7,837.11 in 2005/2006. Employees submit their travel expense reimbursements on a monthly basis to the Institute. A sample of claims were traced from employee reimbursement requests, to employee reimbursement checks and then to the bank statement. In addition, payment dates made by Dutchess County were compared to employee reimbursement dates.

Finding:

- The Institute claimed and was paid travel expenses on a monthly basis from Dutchess County. Employees sampled were not reimbursed on a monthly basis and in some cases waited several months to get reimbursed for this expense.

Recommendation:

- Expenses should be paid in a timely manner.

Rent

For the audit period, the Institute claimed rent expense for both programs: $27,010.76 in 2004; $54,107.12 in 2005 and $15,896.28 in 2006. Rental agreements for the offices located in the City of Poughkeepsie and the City of Beacon were reviewed.

Findings:

- There was no formal rental agreement with Dutchess County Community Action Agency, Inc. for the City of Beacon office during the time period February 1, 2004 – January 31, 2005. The Institute continued to pay the same monthly rent throughout.
- The project manager for the Healthy Families program signed the lease agreements for February 1, 2005 and 2006 for the City of Beacon office. This person was not authorized to sign leases per the Institute's guidelines.

Recommendations:

- The Institute should have current rental agreements.
- Only authorized personnel should sign rental agreements.

Equipment / Inventory

A physical inventory was performed for the Healthy Families Program. Equipment purchases under the Healthy Families contract #01-0507 in 2005 totaled of $8,276.00. The inventory was traced to the original invoices, canceled checks and the Institute's equipment inventory report.

The Institute purchased a laptop computer and a security system for the building in Beacon.

Findings:

- The Institute claimed a laptop computer with a docking station in February 2005 and purchased the equipment in March. Another laptop/docking station was claimed in June 2005 but never purchased. Each claim was in the amount of $1,322.00.
- An equipment inventory listing report was requested for both programs: Healthy Families and HIV/AIDS. The newly acquired laptop was not on the Institute's inventory listing. During the audit, an incomplete inventory listing was provided by the agency and then updated again by the agency during our review.

Recommendations:

- The Institute must return $1,322.00 to the DC Health Department for the laptop/docking station not purchased.
- The Institute should maintain an up-to-date, accurate listing. A complete program listing should be provided annually to each funder.

Carol Doyle, Auditor

Diane Jablonski, Comptroller

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October 20, 2006

Ms. Diane Jablonski
Office of the Comptroller
Dutchess County
22 Market Street
Poughkeepsie, NY 12601

Re: Audit Response
Audit Dates: March 1, 2004 – June 30, 2006

Dear Diane,

The following is our response to the Audit Report for the above-mentioned audit period submitted with your letter dated September 28th 2006:

Finding: Detail ledger cost centers were not in agreement with the agency's general ledger.

Response: The Agency's books are on an accrual basis and the Program's detail cost centers are recorded on a cash basis. Also the Agency does not make allocations of certain overhead expenses to the programs during the year.

Finding: A total of $3,367.25 is due back to the County. The Institute overclaimed personnel expenses totaling $2,045.25 and a laptop totaling $1,322.00.

Response: After review of the result of the finding, the Institute agrees with these findings. The staff accountant who was responsible for preparing the worksheet for the personnel expenses made errors resulting in an overclaim of the personnel expenses. Regarding the laptop, two different vouchers were submitted in 2005 for laptops. The second laptop that was vouchered for ended up not getting ordered and was not adjusted off of subsequent vouchers in the contract period.

Finding: Expense reimbursements to contractors and employees of the Institute were paid late.

Response: This was a problem in past periods. The Institute made procedural changes to minimize this problem. Expenses are now being paid prior to submitting vouchers for reimbursement. We have also requested an advance for the Healthy Families contract so as to have funds available for prompt payment.

Finding: There was not a signed rental agreement for 2004 for the Beacon Center.

Response: There was a signed rental agreement prior and subsequent to the 2004 period. Neither the landlord nor the Institute could produce a copy of the rental agreement for 2004.

Finding: The 2005 & 2006 agreement was signed by an individual who did not have authorization, as required by agency guidelines.

Response: The 2005 lease was signed by the Program Coordinator and the signed lease was in her possession. The 2006 lease is signed by administration and is properly signed.

Finding: The inventory listing for each program was not maintained properly.

Response: It was brought to our attention, as a result of the audit, that the Program's inventory listing was not consistent with the official listing maintained in the Finance Department of the Institute. We believe that the Institute's list is accurate, up to date and that the depreciation has been handled appropriately.

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It was a pleasure to work with Carole Doyle during the audit process. We understand that the audit is a tool used by the auditing agency to substantiate processes and reporting but in addition to this we utilize the results of the audit to improve our processes.

Sincerely,

Ellen Werner

Ellen Werner
Chief Financial Officer

Cc: Dr. John Anderson, President & CEO
Fred Morina, Controller