

AUDIT REPORT

NYSARC, Inc. Dutchess County Chapter

January 1, 2009 – December 31, 2010

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Comptroller's Summary

Organization

NYSARC, Inc. Dutchess County Chapter is a non-profit agency that has been serving children and adults with developmental disabilities and their families in Dutchess County since 1971. The organization operates residential, day services, vocational and clinic programs. Additional information can be found at: www.dutchess-arc.org.

Audit Scope

The audit was performed for the period January 1, 2009 through December 31, 2010. For the time periods, Dutchess County Department of Mental Hygiene (DMH) contracted \$382,911 and \$312,062 respectively with NYSARC. Contract funding was provided from New York State Office of Persons with Developmental Disabilities (OPWDD), New York State Office of Mental Health (OMH) and County appropriations for the Shelter Workshop & Supported Employment Program. Prior year contract funding which has not been completed is included in this review.

The audit included a review of:

- Accounting and internal control processes
- Contract review, the Consolidated Fiscal Report (the claiming document) and related accounting records
- Funding status for all open time periods

Summary of Findings

- Additional controls are recommended for:
 - Oversight over bank reconciliations since there was no evidence of board review
 - Duty segregation and security since the individual who oversees payroll has access to enter data in the payroll system
- NYSARC is due a total of \$35,830 in funding for 2008 and 2009.

Accounting and Internal Control Processes

Internal control provides oversight to ensure efficient and effective management of resources as well as compliance with legal requirements. Proper duty segregation, oversight and monitoring are critical to ensure fiscal accountability and alleviate risk.

Accounting and internal control processes reviewed included banking and payroll.

Banking

NYSARC has five bank accounts. Accounts were reviewed for: reconciliations, outstanding checks, deposit of county funds, check writing procedure and policies, and the agency's oversight/review. NYSARC has a check list of bank account policy and procedures that is performed every month.

Observations:

- ❖ Bank reconciliations were up to date, outstanding checks were current, oversight procedures were evident.

Finding:

- Deposits and disbursements exceeded one million dollars a month. Bank account oversight is limited to the agency administrative staff and board review was not evidenced.

Recommendation:

- A board member should periodically and randomly receive all un-opened bank accounts and review the monthly activity as an added internal control. The reviewer should initial the statement for audit. This additional control is recommended to ensure board oversight and monitoring

Payroll

Total agency Personal Services reported were \$9,208,257 in 2009 and \$9,328,552 in 2010. Personal Services reported on the Consolidated Fiscal Report (CFR) for the Workshop and Supported Employment Programs totaled \$421,247 in 2009 and \$426,454 in 2010.

Documents reviewed included:

- W-2s
- NYS and Federal quarterly tax return filings
- Internal operating procedures

NYSARC's payroll department enters new employees, records and verifies employee's time worked and processes payroll checks internally. NYSARC has payroll procedures that include a check-off system of payroll duties, checks and balances, levels of oversight and monitoring for processing and distributing payroll checks. The administrative office is the final review attestation (sign off).

Finding:

- One of the final reviewers has the capacity to enter payroll information into the internal payroll system and also may make changes in employees hours worked, amounts paid, etc.

Recommendation:

- Final administrative overseer of payroll should not have full access to make payroll entries. This additional control will ensure duty segregation and internal control. *During the audit, NYSARC was reviewing permissions and making changes where appropriate.*

Contract, Claims, Accounting Records and Recapitulation of Funds

Contract 09-0161 Mental Hygiene

The county contracts for each year were reviewed and compared to payment applications including the agency's final claiming documents, the Consolidated Fiscal Report (CFR) for 2009 and 2010.

Revenue and expenses reported on the CFR were traced to the agency's detail ledgers. Net deficit funding reported on the CFR is a result of total expenditures less total net revenues. Below is the net deficit funding for the programs including the New York State and Dutchess County funding for 2009 and 2010.

Net Operating Costs for 2009 of \$625,601 follow:

2009	OPWDD	OMH	Total
Adjusted Expenses	\$1,185,210	\$32,026	
Less Net Revenues	<u>591,635</u>	<u>-0-</u>	
Net Operating Costs	\$593,575	\$32,026	\$625,601

Funding per DMH for 2009 is provided as follows:

2009	DMH Estimated Funding
State OPWDD	\$248,815
State OMH	22,484
County Appropriation	<u>66,522</u>
DC Support Contract	\$337,821
Voluntary Contributions	182,293
Non-Funded	<u>105,487</u>
Total	<u>\$625,601</u>

Net Operating Costs for 2010 of \$743,464 follow:

2010	OPWDD	OMH	Total
Adjusted Expenses	\$1,136,539	\$74,317	
Less Net Revenues	<u>467,392</u>	-0-	
Net Operating Costs	\$669,147	\$74,317	\$743,464

Funding per DMH for 2010 is provided as follows:

2010	DMH Estimated Funding
State OPWDD	\$203,356
State OMH	27,404
County Appropriation	<u>67,897</u>
DC Support Contract	\$298,657
Voluntary Contributions	178,507
Non-Funded	<u>266,300</u>
Total	<u>\$743,464</u>

NYSARC reported approximately 151 individuals were funded each year under the NYS/County funded programs in 2009 and 2010.

Observations

- ❖ For 2009, a total of \$337,821 was claimed and \$316,908 was paid leaving a total due to NYSARC of \$20,913.
- ❖ For 2010, a total of \$298,657 was claimed and paid.

Medical Care/Facilities Financing Agency (MCFFA)

NYS Office of Mental Retardation and Developmental Disabilities (OMRDD) makes quarterly payments to Dutchess County DMH for funding of OMRDD funded agencies; from these payments OMRDD withholds MCFFA debt due from the agencies. DMH is responsible for collecting the debt from the agencies. NYSARC's debt was withheld from DMH quarterly payments: as such DMH is required to bill them for repayment of the debt.

Effective July 1, 2009 NYS recoupment's for NYSARC MCFFA Property Bond Financing related to NYARC's Sheltered Workshop program has been redirected. It is now recouped directly against NYSARC's Medicaid billing and no longer through DMH.

A review of the repayment to DMH from the last audit of 2007 to date found that NYSARC repaid DMH all monies due. No discrepancies were found.

Funding status for prior periods

- ❖ As part of the audit, previous years state funding and closeouts were reviewed. The 2007 funding was reconciled and completed since our last audit (2009).
- ❖ Funding for 2008 has not been finalized. Dutchess County DMH provided source funding information for 2008 which included the New York State Funding letters from OMH dated September 26, 2008 in the amount of \$24,785 and OPWDD dated July 2, 2008 in the amount of \$241,100. In addition, DMH provided an internal spreadsheet documenting final closeout figures. Funding for 2008 amounted to \$329,706: \$241,100 OPWDD; \$24,785 OMH and Dutchess County contract funding of \$63,821. This is \$14,917 higher than the county's 2008 contract amount of \$314,789. The contracted amount of \$314,789 was paid to NYSARC: A contract amendment is necessary to pay the additional \$14,917.

Finding:

- According to the Dutchess County Department of Mental Hygiene, the 2008 contract #04-0539 was in the process of being amended to reflect the additional NYS OPWDD funding of \$14,917. The contract amendment will increase the contract total to \$329,706. This amendment is being processed by DMH.

Recommendation:

- DMH and NYSARC should meet periodically and reconcile funding and related documents for timely completion.