

Audit Report

Occupations, Inc.

January 1, 2011 – December 31, 2011

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Comptroller's Summary

Background

Occupations, Inc (OI) is a not-for-profit human services agency providing a broad array of services which include mental health and employment services. The Dutchess County Department of Mental Hygiene (DMH) contracted with OI to jointly provide replacement staffing for DMH's Continuing Day Treatment (CDT) programs in preparation for the transition of PROS. Per the 2012 Dutchess County Executive Budget and DMH, the CDT Program is ceasing as of March 31, 2012 due to decreased state Medicaid funding. OI will administer the entire new program, the Personal Recovery Oriented Services (PROS), as of the operating certificate dates issued by NYS OMH. The initial contract with OI commenced in June 2010 and has continued through 2012.

Additional information is available on their website: www.occupations.org

Audit Scope, Objective and Methodology

The audited period was January 1, 2011 – December 31, 2011. For the audit period, DMH contracted with OI for an amount of \$375,000. The contract provides funding for shared staffing and operation of CDT centers at three locations in Dutchess County: Poughkeepsie, Millbrook and Rhinebeck.

The audit scope was limited to review the agency's claims submitted to Dutchess County with an emphasis on salaries and fringe benefits.

Summary of Findings

Accounting records reviewed for the agency were in good order.

Detailed Findings

Contract Funding

The OI contract scope of services stated the following: "OI will provide its employees as contract workers to assist DMH in staffing its PROS during the transition period. The terms and payments from DMH to OI for provided contracted workers will be based on actual salary and actual fringe benefits and will be billed on a monthly basis".

The contract did not have a line item budget attached for the \$375,000. Below is a listing of expenses claimed:

Expenses	Amount
Salary	\$323,517.00
Fringe Benefits	58,252.30
Other Than Personal Services	6,980.99
Administration Costs	<u>48,189.33</u>
Total Claim	<u>\$436,939.62</u>

Observations:

- *Per DMH, the attrition of DMH staff necessitated OI's replacement of staff at a faster rate than anticipated resulting in additional costs for the contracted services.*
- As shown, OI claims submitted for 2011 exceeded the contract amount of \$375,000; therefore total claims have not been paid. *DMH indicated a contract amendment is being finalized to pay the additional costs.*

Expenses

To verify expenses a worksheet aggregating all claims made to the county was prepared.

Observations:

- Employee salaries claimed were verified to IRS W2s.
- Allocation of salaries was reviewed; employee salaries were charged to the program based on time spent in the program.
- Fringe benefit costs claimed were based on employee salary allocations.
- The administrative and overhead rate, at the time of review, was 12.41%

Findings:

- It was noted salaries and related fringe benefits totaling \$1,595.70 were claimed in 2011 for the period December 18, 2010 – December 31, 2010. While these expenses were outside the 2011 contract period, the previous contract was for \$375,000 for the period June 1, 2010 to December 31, 2010.
- Certain employees have pre-tax deductions that are not subject to Social Security and Medicare tax. The agency claimed \$424.15 in taxes on these pre-tax amounts resulting in an over claim.

Recommendations:

- The 2010 claims should have been submitted for the 2010 contract and paid from the 2010 budget. All future claims should be paid within the contract scope and paid from the correct appropriated funds.
- Taxes claimed and paid on tax exempt amounts should be adjusted and the overcharge should be deducted from an open 2011 claim.