

**AUDIT REPORT**

**Rehab Programs, Inc.**

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# **Rehab Programs, Inc.**

## **Comptroller's Summary**

### **Background**

Rehab Programs, Inc. (Rehab) provides comprehensive educational, vocational, residential and medical rehabilitation services throughout Dutchess County, primarily to persons with developmental, physical and emotional disabilities.

Rehab received funding from Dutchess County through contracts with the Department of Mental Hygiene and the Health Department. Rehab's independent auditors reported \$22,454,768.00 in revenue for the year ending December 31, 2005.

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

An audit was performed for the period January 1, 2005 through December 31, 2005. The Department of Mental Hygiene (DMH) provided \$823,238.00 in funding for the Shelter & Supported Employment Program and \$15,000.00 for the Messenger Service Trainee Program. In addition, DMH had a revenue contract with Rehab for the rental of space at the Department of Mental Hygiene in the amount of \$15,000.00. The Dutchess County Health Department reported a total of \$1,558,737.74 paid to Rehab for the Early Intervention and Pre-School programs.

The audit consisted of:

- contract compliance;
- the agency's New York State Consolidated Fiscal Report (CFR) for NYS Office of Mental Retardation with Developmental Disabilities (OMRDD), NYS Office of Mental Health (OMH) and NYS Education Department (SED) funding;
- a review of Rehab's accounts payable/accounts receivable records relating to the 1997 – 2004 Mental Hygiene contract close-outs;
- the agency's detail ledger, cost allocations, salaries and original supporting documentation;
- bank statements, canceled checks and deposits;
- internal controls regarding cash handling and inventory.

## Summary of Findings

- Rehab Programs, Inc.'s accounting records were in good order.
- The inventory records were well maintained.
- Salaries for 1:1 Aides should be based on actual amounts not allocations.
- Based on Rehab's records, a total of \$95,859.05 is due back to the Dutchess County Department of Mental Hygiene for the period 1997 – 2005. Confirmation is required by Mental Hygiene.

## Detailed Findings

### Contract Review

#### Department of Mental Hygiene

Contract #04-0052- This contract was written in the amount of \$823,238.00 for the period January 1, 2005 – December 31, 2005. The contract provided funding for employment services to individuals with developmental disabilities, developing work habits and work skills in sheltered work activities (shelter workshops). Individuals may move from shelter employment to supported employment services within the community.

Funding is provided through the New York State Office of Mental Health (OMH) and New York State Office of Mental Retardation with Developmental Disabilities (OMRDD). The contract was written as follows:

Funding	Amount
State Aid	\$640,315.00
County Share	<u>182,923.00</u>
Total	\$823,238.00

The total audited net operating costs for the programs amounted to \$1,245,077.00. Based on New York State's current funding letter, Rehab is funded as follows:

Funding Source	Amount
State Aid	\$ 577,264.00
County Contribution	182,923.00
<sup>1</sup> Rehab's Contribution	230,077.00
Non-Funded	254,813.00
Total	\$1,245,077.00

The total of New York State funds: \$577,264.00 and County Funds: \$182,923.00 amounted to \$760,187.00. The County made payments totaling \$822,054.00 which represents an overpayment of \$61,867.00. This money is due back to Dutchess County for 2005. Rehab reported 254 individuals served in 2005.

### **Prior Year Mental Hygiene Contracts**

The following is Rehab's due to/from Dutchess County for prior year contracts. This represents monies overpaid by Dutchess County DMH. The agency recorded the numbers based on state/county funding information they received for each year. These amounts were not confirmed with Dutchess County Mental Hygiene.

Contract Year	Due to/from	Amount
1997	Due to DC	\$ 111,492.05
1998	Due from DC	(1,710.00)
1999	Due to DC	183,369.00
2000	Due to DC	374,422.00
2001	Due to DC	91,397.00
2002	Due to DC	145,892.00
2003	Due From DC	(108,750.00)
2004	Due From DC	(762,120.00)
2005	Due to DC	61,867.00
Total	Due to DC	\$95,859.05

#### **Finding:**

Dutchess County DMH has not initiated final closeouts for each year shown.

#### **Recommendation:**

Rehab should pursue, in writing, DMH final closeouts for all years.

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<sup>1</sup> Rehab's contribution is a New York State requirement toward the program. The non-funded amount represents other sources of funding used to meet total program expenses.

Contract #92-0662 - This revenue contract with the Department of Mental Hygiene provided the rental of space to Rehab located at the Mental Hygiene building – 230 North Road, Poughkeepsie. The area is utilized for educational purposes. For the periods September 1, 2004 – August 30, 2005 and September 1, 2005 – August 30, 2006, Rehab paid \$15,000 per annum. Payments were reviewed in the detail ledger. No discrepancies were found.

Contract #02-0010 - This contract was written in the amount of \$15,000.00 for the period January 1, 2005 – December 31, 2005. The purpose of this contract was to provide a trainee from Rehab's work training center to act as a messenger and to perform other types of work. A total of \$15,000.00 was paid to Rehab for six employees. Salaries claimed were verified to employees W-2s.

Health Department

Contract #04-0625 - This contract was written in the amount of \$2,500,000.00 for the time periods July 1, 2004 – June 30, 2005 and July 1, 2005 – June 30, 2006. It provided for early intervention and pre-school services for children aged 0-5. The Health Department reported a total of \$1,558,737.74 paid to Rehab as follows:

Program	Amount
Early Intervention	\$ 148,445.00
1:1 Aides	128,820.72
Pre-School Tuition	1,125,498.02
Pre-School Summer	155,974.00
Total	\$1,558,737.74

The above payments were made based on a fee for service or tuition basis. However, our review was based on the actual expenditures reported on the department's annual CFR for each program. The CFR is used by NYS to set future rates.

The Early Intervention Services are for children aged 0 through 2 years old. Each child is pre-approved for required services by the Dutchess County Department of Health's Early Intervention designees. The program includes evaluations of children's needs; family counseling, occupational therapy, physical therapy, as well as, speech and language therapy. Dutchess County pays on a fee for service basis for the Early Intervention Program. Rehab reported a total of 157 individuals served. Listed below are the expenses and revenues for the Early Intervention Program for the period January 1, 2005 – December 31, 2005 as reported on the CFR.

<b>Early Intervention</b>	<b>Amount</b>
<u>Expenses</u>	
Personnel Services/Fringe	\$160,443.36
Contracted Direct Care	37,449.75
Staff Travel/Development	4,272.69
Equipment	26,200.54
Property	3,954.21
Other Operations	7,011.19
Administration	150,620.00
<b>Total Expense</b>	<b>\$389,951.74</b>
<u>Revenue</u>	
New York State Department of Health	\$225,261.00

Pre-School Services are for children aged 3-5. Funding was provided for dedicated special classes, children in integrated classes, special education itinerant teaching and/or related services for children with disabilities placed by the Board of Education in each school district. Rates are established by the NYS Education Department based on previous years' expenditures and adjusted accordingly. This program is billed on a tuition and fee for services basis. Rehab reported a total of 120 individuals served. Listed below are the expenses and revenues for the Pre-School Program for the period January 1, 2005 – December 31, 2005 as reported on the CFR.

<b>Pre-School</b>	<b>Amount</b>
<u>Expenses</u>	
Personnel Services/Fringe	\$1,599,987.88
Contracted Direct Care	176,507.37
Staff Travel/Development	5,300.62
Equipment	6,756.62
Property	37,010.69
Other Operations	50,137.41
Administration	133,928.00
<b>Total Expense</b>	<b>\$2,009,628.59</b>
<u>Revenue</u>	
New York State Department of Education	\$2,018,490.00

Revenue and expenses for the agency are reported on the CFR. The CFR was verified to Rehab's detail ledger. There were no discrepancies tracing the amounts reported to the general ledger.

### Expenses

#### Personnel Services

The agency reported salary expense of \$12,718,742.13 of which \$1,767,464.82 was charged to County programs: Mental Hygiene and the Health Department contracts. A sample of employee salaries claimed was compared to the W-2s.

#### **Finding:**

Salaries for 1:1 Aides, in the amount of \$100,816.16, for the Health Department's Pre-School Program were allocated and not based on actual costs.

#### **Recommendation:**

Salaries for 1:1 Aides should be reported based on actual time worked and not based on allocations.

#### Consumer Wages

A total of \$249,893.18 was reported expensed for consumer wages (Sheltered Workshop/Supported Employment clients) under the Mental Hygiene CFR. Consumer wages are paid through ADP services, separate from the agency's personnel services. These wages were compared to W-2s and no discrepancies were found.

### Payroll Taxes/Fringe Benefits

A sample of payroll taxes and fringe benefits paid was reviewed. Quarterly payroll tax payments, dental, health and other insurance payments were current. Canceled checks and bank transfers were reviewed. No discrepancies were found.

### Consultants

Rehab claimed \$4,962.25 consultant expense for the Shelter Workshop program, \$10,182.00 for Pre-School and \$36,495.08 for the Early Intervention programs. Consultants' 1099s were compared to the claimed expenses. In the sample selected, 1099s were issued properly and no discrepancies were found.

### Travel Expense

Staff travel consisted of mileage, parking, tolls and other related travel. Rehab claimed \$10,675.20 for the Supported Employment and Integrated Support programs and \$7,415.38 for the Early Intervention and Pre-School programs. A sample of employee reimbursement request forms and receipts were reviewed to the reimbursements and canceled checks. Employees were reimbursed on a timely basis.

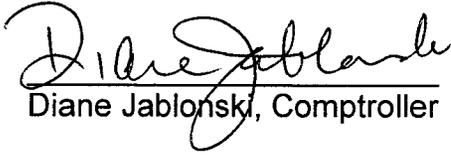
### Equipment

Equipment purchased was traced to the original invoices, canceled checks and inventory listing by program. A physical inventory was performed of the equipment purchased in 2005. Rehab's inventory includes a listing by program and funding source and was well maintained. No discrepancies were noted.

### Progressive Industries Inc.

Progressive Industries Inc., a subsidiary of Rehab Programs, Inc., provides special equipment needed for chronically ill and disabled children as prescribed by a physician. Funds are provided through the New York State Department of Health Physically Handicapped Children's Program and the Early Intervention Program. Private insurance and Medicaid are billed first. A total of \$28,822.24 was paid to Progressive Industries for approximately 109 devices.

A sample of work orders were tested of the equipment provided and the acknowledgement of receipt by the client. No discrepancies were found.

  
Diane Jablonski, Comptroller

  
Carol Doyle, Auditor



**REHAB  
PROGRAMS, INC.**

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**ROBERT IRVING MILLER**  
President

**WILLIAM J. CARROLL**  
Executive Director

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- AT-HOME RES-HAB**  
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- SOCIAL WORK & CASE  
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(845) 485-9803 ext. 247

This agency is partially funded by  
the United Way & Dutchess County.

October 6, 2006

Ms. Diane Jablonski  
Comptroller  
Dutchess County  
22 Market St.  
Poughkeepsie, N.Y. 12601

Dear Ms. Jablonski,

In response to your audit finding for the period January 1, 2005 –  
December 31, 2005, please be advised as follows:

“Salaries for 1:1 aides should be based upon actual amounts not  
allocations”. We agree with this finding and will prepare our future  
CFR with direct charges rather than allocations.

“REHAB should pursue in writing DMH final closeouts”. A copy of  
that request is attached.

We have no other issues or concerns with the report as issued.

Sincerely,

William Carroll  
Executive Director

You can make a difference in the lives that follow



LEAVE A LEGACY



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October 6, 2006

Mr. Gerald Brisley II, MBA  
Director, Office of Budget and Finance  
Dutchess County Department of Mental hygiene  
230 North Rd.  
Poughkeepsie, N.Y. 12601

Dear Mr. Brisley,

As a follow up to the finding of our most recent audit by the county comptroller's office, and our agreement with the numbers cited within that report, we would like to have a final closeout for all years where funding levels are available. Please feel free to call or e-mail me at your earliest convenience.

Sincerely,

Ellen S. Griffin  
Director of Finance

*You can make a difference in the lives that follow*

