



THOMAS P. DINAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

December 13, 2013

Shaun S. Groden, County Administrator
Members of the County Legislature
Greene County
411 Main Street
Catskill, NY 12414

Report Number: S9-13-19

Dear Mr. Groden and Members of the County Legislature:

A top priority of the Office of the State Comptroller is to help officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard public assets.

In accordance with these goals, we conducted an audit of seven counties throughout New York State. The objective of our audit was to determine if the counties were maximizing the reimbursement of costs related to the administration of social services programs. We included Greene County (County) in this audit. Within the scope of this audit, we examined the policies and procedures of the County and reviewed expenditures for social services programs that are eligible for Federal and State reimbursement for the period January 1, 2011 through December 31, 2012.

This report of examination letter contains our findings and recommendations specific to the County. We discussed the findings and recommendations with County officials and considered their comments, which appear in Appendix A, in preparing this report. County officials generally agreed with our recommendations and indicated they plan to take corrective action. At the completion of our audit of the seven counties, we prepared a global report that summarizes the significant issues we identified at all the units audited.

Summary of Findings

We found that the County did not maximize its Federal and State reimbursement of social services costs. Specifically, the County did not seek reimbursement for about \$84,400 of its costs, potentially losing about \$63,300 in additional County revenue. We also identified inconsistencies in the methods used by various County departments to bill the Greene County Department of Social Services (GCDSS) for direct services. These inconsistencies resulted in underbillings for direct services, and ultimately affected the Federal and State reimbursements to the County for such services. In addition, we identified about \$91,900 in costs the County overbilled, resulting in reimbursement it was not entitled to receive. The GCDSS also failed to properly bill out its indirect costs, resulting in approximately \$1,400 in reimbursement that was not claimed.

Background and Methodology

The County encompasses 650 square miles in the northern part of the Catskill Mountains and has a population of about 49,200. The County's 2013 general fund budget totaled \$87.6 million.

The GCDSS administers social services programs within the County, such as temporary assistance, day care, employment and training, Medicaid, protective services for children and adults, foster care, adoption programs and child support. Various New York State agencies supervise the County's administration of these programs. GCDSS expenditures totaled \$31.3 million, or 35 percent of the County's 2012 general fund budget.

In addition to the program costs incurred, the Federal government generally reimburses counties for 50 percent of the indirect costs they incur delivering services to, or for, the local department of social services (DSS). To receive these reimbursements, the County must prepare an annual Indirect Cost Allocation Plan (Plan) that lists each department individually and includes information that justifies the reimbursable costs. The allocation basis used for each cost center must be reasonable, consistent and equitable. The County contracts annually for the preparation of its Plan, which is the basis for claims submitted to the New York State Office of Temporary and Disability Assistance for reimbursement of the indirect costs.

Additional expenditures incurred by other County departments on behalf of GCDSS also can be reimbursable. Federal and State regulations permit the reimbursement of interdepartmental services directly billed to the GCDSS. These billed "direct costs" must be identified specifically with a particular DSS-related cost code. Typical reimbursable direct costs are compensation of employees for the time spent and costs of materials acquired, consumed or expended as they relate to the social services programs. These costs can be substantial and are eligible for Federal and State reimbursement either through a Plan or by directly billing the GCDSS.

Although most social services programs are 50 percent Federally funded, some exceed this level of funding. For example, program costs for the Home Energy Assistance Program (HEAP) are 100 percent Federally funded. State funding levels are generally 25 percent of expenditures, but this level can vary depending on special or legislated funding provisions for individual programs.

The Federal government issued the Office of Management and Budget Circular A-87 (Circular), *Cost Principles for State, Local, and Indian Tribal Governments*, to establish uniform principles and standards for determining allowable costs for Federal reimbursements. The Circular identifies the major types of costs, classifies them as to allowability and mandates the development of an indirect cost allocation plan.

The GCDSS received direct billings from several County departments during our scope period, including:

- The Sheriff's Office for security services,
- The Public Health Nursing Service for early intervention services for children,
- The District Attorney's Office for pre-prosecution work, and
- The Office of the Aging for assisting customers with heating bills under HEAP.

The County submitted non-salary administrative claims for reimbursement totaling \$1,830,736 in 2012 for social services administrative costs. Of this amount, direct billing claims totaled \$1,400,836 and indirect claims totaled \$429,900.

We examined the County's Plan for 2011, available documentation for 2012 and the operations of County departments furnishing both direct and indirect services to the GCDSS for the period January 1, 2011 through December 31, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those County operations within our audit scope. Further, those standards require that we understand the County's management controls and those laws, rules and regulations that are relevant to the County's operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in accounting and operating records and applying such other auditing procedures we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report. More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Audit Results

Direct Billing – To receive all reimbursement for applicable costs, County departments should bill all actual and appropriate expenditures incurred on behalf of the administration of social services programs. The GCDSS should have guidelines and procedures for the departments to follow when directly billing GCDSS for reimbursable services.

We reviewed¹ each County department that provided services to GCDSS and found the County could have submitted approximately \$84,400 in additional claims over the two-year period ending December 31, 2012, potentially generating up to \$63,300 in additional revenue for the County. In addition, we identified about \$91,900 in costs in which the County overbilled, resulting in reimbursement it was not entitled to receive. The under- and overbillings were the result of errors and the lack of a formal, consistent process being used by the various County departments for interdepartmental billing. The departments of Public Health Nursing, District Attorney, Information Technology and County Attorney underbilled the GCDSS for direct services provided. These departments did not use a standard billing process or did not routinely bill the GCDSS, therefore not capturing the County's share of applicable FICA, workers' compensation, retirement, disability and/or health insurance costs related to the direct services provided. For example:

- The Public Health Nursing Service (Service) bills GCDSS for early childhood intervention services based on the percentage of time employees spend providing early intervention services. We determined that the Service used outdated salary figures and did not include certain fringe benefit costs in its calculations. In addition, the Service erroneously reduced the billing to GCDSS by 50 percent, resulting in an underbilling of \$46,000.
- The District Attorney's Office bills GCDSS for legal services for the prosecution of welfare fraud cases according to a contract. According to County officials, the billings are based on a percentage of time worked on GCDSS-related matters, which officials acknowledged and estimated to be approximately 14 percent. Using this percentage, we determined that the District Attorney's Office underbilled approximately \$22,200.
- The Information Technology (IT) Department was not billing GCDSS for computer support services. We determined that based on the number of computers the IT Department services for GCDSS, the IT Department could bill, at a minimum, approximately \$11,600 and seek reimbursement.
- The County Attorney's Office represents the County in legal matters and works with various departments, including the GCDSS, to provide legal assistance and assistance with GCDSS contracts. The County Attorney, however, does not specifically track time spent by staff attorneys on these GCDSS-related activities. Based on discussions with County officials, we determined that about \$4,600 could be billed back to the GCDSS for time spent on legal services.

We identified two other instances where the County overbilled, resulting in obtaining more reimbursement than it was due. For example:

¹ To determine if costs were accurately billed back to the GCDSS, we reviewed vouchers, claims and department charge-backs to the GCDSS to ensure that all costs (e.g., salaries, fringe benefits and other applicable direct charges) were included in the departments' calculations. Where we determined that costs were lacking, we obtained additional cost information including payroll, workers' compensation, retirement, disability and/or health insurance records to recalculate costs.

- The Sheriff's Office billed an hourly rate for two Sheriff's deputies. We determined, after excluding costs that were not attributable to GCDSS-related services, that the hourly rate charged was inflated. This resulted in approximately \$81,200 in costs being overbilled and reimbursement provided that GCDSS was not entitled to receive.
- The Office of the Aging was billing the GCDSS for services provided assisting clients with HEAP based on time studies. We determined that based on these studies, the Office of the Aging overbilled approximately \$10,700 over a two-year period resulting in reimbursement it was not entitled to receive.

The County should continually monitor and identify all related direct social services costs within departments and track these costs to maximize reimbursement.

Indirect Cost Allocation – Indirect costs are those costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Because the County performs Federally supported activities at the local level, such indirect costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The Plan provides that process. Formal accounting and other records should support the propriety of all indirect costs included in the Plan. The County annually contracts with a vendor to complete its Plan.

We compared the claims submitted for indirect cost reimbursement to the indirect costs per the approved Plan for the 2011 fiscal year and available documentation for the 2012 fiscal year and found that the County did not claim approximately \$1,400 in additional claims that its vendor instructed them to do.

Recommendations

1. The County should standardize the billing process from the various County departments to the GCDSS to accurately capture and bill the direct expenditures related to social services programs.
2. The County should periodically monitor the administrative costs of the social services programs to ensure the County is maximizing its reimbursement.
3. The County Attorney should maintain a record of staff time spent on GCDSS-related legal services, and the County should calculate the costs of these services and apply for Federal reimbursement.

The County Legislature has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report.

We encourage the County Legislature to make this plan available for public review in the Clerk's office.

Our office is available to assist you upon request. If you have any further questions, please contact Ann Singer, Chief of Statewide Audits, at (607) 721-8306.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following page.



August 23, 2013

**Office of the
County Administrator**

411 Main Street
Suite 408
Catskill, New York 12414

Shaun S. Groden
County Administrator

[REDACTED]
Office of the State Comptroller
Division of Local Government & School District Accountability
110 State Street
Albany, New York 12236

Dear [REDACTED]:

This letter is to serve as Greene County's response to the Comptroller's Audit Report Number S9-13-19. The objective of this audit was to determine if the County was maximizing the reimbursement of costs related to the administration of social service programs. The audit was conducted in the month of May/June 2013 at the Greene County offices. Thank you for the opportunity to work collaboratively with the Comptroller's Office to improve operations. We value the input you have provided and appreciate the recommendations included within your report.

Recommendations:

The County has reviewed all recommendations included in the audit report. As we have determined that we concur with all recommendations, the County intends to use them as the basis for future planning.

1. The County will endeavor to standardize the billing process from the various departments to the department of social services in order to accurately capture and bill the direct expenditures.
2. The County will periodically monitor the social service administrative costs to ensure the county maximized reimbursement.
3. The County will ask the County Attorney's office to monitor staff time spent on social services related legal services and review any data provided to determine if costs can be identified in order to submit for State and Federal Reimbursement.

Very truly yours,

Shaun S. Groden,
County Administrator

SSG/ld
c.c.: Kira Pospel, DSS Commissioner



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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we reviewed the operations of County departments furnishing both direct and indirect services to the GCDSS for the period January 1, 2011 through December 31, 2012. Specific areas addressed in our audit included the indirect cost claiming process, identification of reimbursable costs and direct billing optimization. We interviewed County officials, communicated with Plan administrators and reviewed the County's Plan for 2011, available Plan documentation for 2012, annual financial reports and ledgers, County budgets, payroll records, departments' direct billings for services, and other documents maintained by the County that were relevant to our audit.

Our procedures included the following:

- We reviewed the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, which established uniform principles and standards for determining allowable costs applicable to Federal grants, contracts, and other Federal agreements with local governments.
- We reviewed *Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government* (ASMB C-10), an implementation guide issued by the United States Department of Health and Human Services to assist State and local governments in applying OMB Circular A-87.
- We reviewed the *Fiscal Reference Manual*, a publication issued by the New York State Office of Temporary and Disability Assistance (OTDA) that interprets the Federal requirements and provides detailed guidance to local social service districts within the State for the financial administration of these programs.
- We reviewed relevant provisions of the Local Finance Law.
- We compared the County's financial records with their 2011 and 2012 Plans to verify the identification and inclusion of all material services chargeable to social services programs. We also verified that the amount of indirect costs claimed through the OTDA was consistent with the annual Plan amount.
- For County departments that directly bill the GCDSS for their services, we calculated the cost to these departments for providing the services and compared it with the related billings to the GCDSS.

Because central service department costs allocable to a county's DSS are generally eligible for a 50 percent share of costs on Federally participating programs, we applied a 50 percent Federal reimbursement rate when calculating estimates of Federal reimbursement for revenue enhancements and projections of this nature.

Other revenue enhancements and accelerations addressed in this report are considered GCDSS administrative costs and must be allocated to the various social services programs administered by the GCDSS. Because such costs are generally reimbursed at the 50 percent level by the Federal government and the 25 percent level by the State, we applied these percentages when calculating estimates of Federal and State reimbursement for revenue enhancements and accelerations of this nature.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objective.