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December 13, 2013

Dale Weston, Legislative Chairman
Members of the County Legislature
Tioga County
56 Main Street
Owego, NY 13827

Report Number: S9-13-15

Dear Mr. Weston 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 Tioga 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 report. Appendix B includes our comment on an issue raised in the County's response. 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 \$223,415 of its costs, potentially losing up to \$167,561 in additional County revenue. We also identified inconsistencies in the methods used by various County departments to bill the Tioga County Department of Social Services (TCDSS) for direct services. These inconsistencies resulted in underbillings for direct services as well as a minor overbilling, and ultimately affected the Federal and State reimbursements to the County for such services.

Background and Methodology

The County is located in the southern Finger Lakes region of New York State and has a population of about 51,000. The County's 2013 general fund budget totaled \$69.5 million.

The TCDSS 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. TCDSS expenditures totaled \$15.4 million or 21 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.

Other expenditures incurred by other County departments on behalf of TCDSS also can be reimbursable. Federal and State regulations permit the reimbursement of interdepartmental services directly billed to the local DSS. 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 TCDSS.

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 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 reimbursement. The Circular identifies

the major types of costs, classifies them as to allowability and mandates the development of an indirect cost allocation plan.

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

- The Sheriff's Department for transportation services,
- The Department of Public Works for vehicle repair and maintenance,
- The Department of Public Health for evaluation services,
- The County Attorney for providing legal services for the TCDSS, and
- The Information Technology and Communication Services (ITCS) Department for actual ITCS services provided.

The County submitted claims for reimbursement totaling \$2,275,858 in 2012 for social services administrative costs. Of this amount, direct billing claims totaled \$1,942,705 and indirect claims totaled \$333,153.

We examined the County's Plan for 2011, available Plan documentation for 2012 and the operations of County departments furnishing both direct and indirect services to the TCDSS 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 C 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 TCDSS should have guidelines and procedures for the departments to follow when directly billing TCDSS for reimbursable services.

We reviewed¹ each County department that provided services to TCDSS and found the County could have submitted approximately \$223,415 in additional claims over the two-year period ending December 31, 2012, potentially generating up to \$167,561 in additional revenue for the County. These foregone amounts 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 the Sheriff, District Attorney and Public Health underbilled the TCDSS for direct services provided while the County Attorney's Office overbilled the TCDSS for direct services provided. These departments did not use a standard billing process or did not routinely bill the TCDSS, 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 Sheriff's Department (Sheriff) provided investigative and transportation services to TCDSS. The Sheriff underbilled TCDSS a total of \$146,624 for these services. For example, a Sheriff investigator spent a considerable amount of time investigating TCDSS-related cases. However, the Department did not bill TCDSS for salary and fringe benefits costs for this individual, which resulted in \$122,999 in costs not submitted for reimbursement. In addition, the Sheriff provides patrol officers to escort TCDSS clients; however, the Sheriff was not billing TCDSS for the costs of these services, which amounted to \$23,625.
- The District Attorney's (DA) Office stated that approximately seven percent of its cases are related to TCDSS matters. Although the DA's Office does not delineate pre-prosecution costs from prosecution costs, we estimate that approximately seven percent of its costs are attributable to social services programs and, therefore, a portion can be claimed for reimbursement. Using the 2012 adopted budget of salaries and wages for the DA's Office, we estimate that this represents \$65,311 in costs.
- Prior to April 2012, the Department of Public Health (Department) was billing TCDSS for personal care evaluations. However, following a change in the mechanism for calculating costs, the Department failed to bill TCDSS for the majority of 2012, which resulted in approximately \$11,480 in costs that were not submitted for reimbursement.

We identified one instance where the County overbilled for services and may have obtained reimbursement which it was not entitled to receive:

- The County Attorney's Office was billing the TCDSS a set hourly rate for attorney services which was higher than the actual salary and fringe benefit costs, resulting in an overbilling of \$3,671.

¹ To determine if costs were accurately billed back to the TCDSS, we reviewed vouchers, claims and department charge-backs to the TCDSS 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 County should continually monitor and identify all related direct social services costs within departments and track these costs to maximize reimbursement. For example, the DA's Office currently does not maintain detailed records of fraud prosecution costs related to the Supplemental Nutrition Assistance Program or other pre-prosecution costs relating to social services programs. Maintaining such records may provide opportunities for additional 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 Plans for the 2011 and 2012 fiscal years and found that the amounts submitted were accurate.

Recommendations

1. The County should standardize the billing process from the various County departments to the TCDSS 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 DA's Office should maintain a record of staff time spent on prosecution activities related to social services programs for which costs are Federally reimbursed, such as Supplemental Nutrition Assistance Program fraud. 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 pages.



FROM THE DESK OF
Dale N. Weston, Legislative Chair

County Office Building – 56 Main Street – Owego, New York 13827 – Telephone (607) 687-8240
Fax (607) 687-8232 – Email: westond@co.tioga.ny.us – Website: www.tiogacountyny.com

August 21, 2013

████████████████████
Office of the State Comptroller
Division of Local Government & School District Accountability
State Office Building
44 Hawley Street, Room 1702
Binghamton, NY 13901

Dear ██████████:

This letter is to serve as Tioga County's response to the Comptroller's Audit Report Number S9-13-15. 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. Thank you for the opportunity to work collaboratively with the Comptroller's Office to improve operations and provide feedback on your recommendations.

Our response to each section of the report is attached for your consideration. Any follow-up questions may be addressed to my office or directly to Commissioner Yetter at (607) 687-8302. Thank you.

Sincerely,

Dale N. Weston, Chair
Tioga County Legislature

cc: ██████████ (Albany Office)

Audit Results Response

Direct Billing:

□ **The County Sheriff's Department (Sheriff) provided investigative and transportation services to DSS. The Sheriff under-billed DSS a total of \$146,624 for these services. For example, a Sheriff Investigator spent considerable amount of time investigating DSS related cases. However, the Department did not bill TCDSS for cost such as salary and fringe for this individual which resulted in \$122,999 in costs not submitted for reimbursement. In addition, the Department accompanies Caseworkers on after hour's home visits. The Department was not billing TCDSS for these services, which amounted to \$23,625 in costs.**

We do not dispute the fact that Sheriff Investigator time could be billed to DSS. However, the amount of \$122,999 is based on anecdotal not empirical data and we feel the actual amount is lower. One investigator is assigned to these activities. The Department of Social Services will work with the Sheriff's department and Budget Officer to establish a process to time study and direct bill these activities.

See
Note 1
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We agree that the Sheriff's Department was not billing for accompanying Caseworkers on after hours visits and do not dispute the amount. After hours calls are done by different Deputies depending on schedules. The Department of Social Services will work with the Sheriff's Department and Budget Officer to establish an hourly rate to be used to cover salary and fringe costs for the time spent accompanying caseworkers.

□ **The County District Attorney's Office (District Attorney) informed us that approximately seven percent of their cases are related to Social Service matters. Although, the District Attorney does not delineate pre- prosecution from prosecution cost, based on the 2012 adopted budget of salaries and wages for the Office, we estimate that approximately seven percent is attributable to social services and therefore a portion can be claimed for reimbursement, we estimate that this represents \$65,311 in costs.**

The Department of Social Services will work with the District Attorney's Office and Budget Officer to establish a procedure for determining that the 7% cost allocation is accurate and develop a mechanism for billing appropriately.

□ **The County Department of Public Health (Department), prior to April 2012, was billing TCDSS for personal care evaluations. However following a change in the mechanism for calculating cost the Department failed to bill DSS for the majority of 2012, which resulted in approximately \$11,480 in cost not submitted for reimbursement.**

The County Department of Public Health is no longer providing this service to the Department of Social Services. Any costs not claimed for 2012 will be identified and retro claimed for reimbursement.

We identified one instance where the County over-billed for services and may have obtained reimbursement which it was not entitled to. For example:

□ **The County Attorney's was billing the TCDSS a set hourly rate for attorney services which was higher than the actual salary and fringe resulting in an over-billing of \$3,671.**

We agree with this finding. The Department Of Social Services will adjust the hourly rate charged by the County Attorney to actual salary and fringe costs. This rate will be reviewed on an annual basis.

Indirect Cost Allocation – Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) 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. Since federally supported activities are performed at the local level (by the County), 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 Plans for the 2011 and 2012 fiscal years and found that the amounts submitted were accurate.

We of course agree with the finding that the Indirect Cost Allocation claims for the audited years were accurate. We work closely with the Budget Officer and Venesky and Company to ensure all costs are captured and claimed.

Recommendations

We have reviewed all recommendations included in the audit report and will implement them as a Corrective Action.

1. The County will standardize the billing process from the various departments to the TCDSS to accurately capture and bill the direct expenditures related to social services.
2. The County will periodically monitor the social services administrative costs to ensure the County is maximizing its reimbursement.
3. The District Attorney's Office will maintain a record of staff time spent on prosecution activities related to social services programs for which these costs are federally reimbursed, such as intentional food stamp fraud. The County should calculate the costs of these services and apply for Federal reimbursement.

APPENDIX B

OSC COMMENT ON THE COUNTY'S RESPONSE

Note 1

The Sheriff's Department provided us with an estimate of the time spent by the Investigator on TCDSS-related cases. We used this information, along with relevant salary and fringe benefits costs, to calculate the underbilling of \$122,999.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective, we reviewed the operations of County departments furnishing both direct and indirect services to the TCDSS 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 2011 and 2012² Plans, annual financial reports and ledgers, 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 the relevant provisions of the Local Finance Law.
- We compared the County's financial records with their 2011 and 2012³ 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 TCDSS for their services, we calculated the cost to these departments for providing the services and compared it with the related billings to the TCDSS.

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

² The 2012 Plan was not yet completed; therefore, we reviewed a letter from the vendor detailing amounts to bill for 2012.

³ Ibid

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 TCDSS administrative costs and must be allocated to the various social services programs administered by the TCDSS. 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.