New York State Office of the State Comptroller
Thomas P. DiNapoli
Division of State Government Accountability

Samaritan Village, Inc.: Chemical Dependency Services Program

Office of Alcoholism and Substance Abuse Services

Report 2011-S-38 February 2014

Executive Summary

Purpose

To determine whether the Office of Alcoholism and Substance Abuse Services (OASAS) is effectively monitoring the contract to ensure claims submitted by Samaritan Village, Inc. are valid and consistent with contract terms and that contract deliverables are being provided.

Background

OASAS administers programs for the prevention and treatment of alcohol and substance abuse. On October 1, 2009, OASAS entered into a five-year $73.3 million contract with Samaritan Village, Inc. covering the period July 1, 2009 through June 30, 2014 to conduct a Chemical Dependency Services Program (Program) for adults. Samaritan Village has service facilities located throughout the New York metropolitan area and provides residential, outpatient and methadone treatment services to its clients. According to the contract, OASAS reimburses Samaritan Village for the net costs it incurs to provide the contracted services, up to the contract amount. Therefore, if Samaritan Village receives any program-related, noncontract revenues for the individuals it serves (e.g., Medicaid, third party payers, etc.), it reduces claimed Program expenses by those amounts.

Key Findings

- OASAS is not effectively monitoring the contract to ensure that claims submitted by Samaritan Village are valid and consistent with contract terms. As a result, OASAS reimbursed Samaritan Village $973,881 for unallowable, inappropriate, undocumented or questionable expenses. Of this amount, $253,957 was for personal services and $719,924 was for other than personal services.
- Samaritan did not follow required purchasing guidelines designed to ensure a reasonable price is paid for services received, and did not obtain prior OASAS approval, for seven contracts totaling $337,458.
- We question Samaritan's allocation of $1,063,810 in costs among OASAS and non-OASAS programs.
- Samaritan Village underreported program revenue it received by $94,008 and therefore received $94,008 more in reimbursement from OASAS than it was entitled to.

Key Recommendations

- Increase monitoring to ensure that all claimed expenses are appropriate and allowable.
- Recover $661,793 from Samaritan Village as repayment for unreported revenues and expenses identified in this report as inappropriate, unallowable or undocumented.

Other Related Audits/Reports of Interest

Office of Alcoholism and Substance Abuse Services: Phase Piggy Back, Inc. (2009-R-1)
Office of Alcoholism and Substance Abuse Services: Chemical Dependency Program Payments to Selected Contractors in New York City (2007-S-60)

State of New York
Office of the State Comptroller

Division of State Government Accountability

February 28, 2014

Ms. Arlene González-Sánchez
Commissioner
Office of Alcoholism and Substance Abuse Services
1450 Western Avenue
Albany, NY 12203

Dear Commissioner González-Sánchez:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Office of Alcoholism and Substance Abuse Services entitled *Samaritan Village, Inc.: Chemical Dependency Services Program*. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this draft report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

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Background

OASAS administers programs for the prevention and treatment of alcohol and substance abuse. Samaritan Village, Inc. has service facilities located throughout the New York metropolitan area and provides residential, outpatient and methadone treatment services to its clients. On October 1, 2009, OASAS entered into a five-year $73.3 million contract with Samaritan Village covering the period July 1, 2009 through June 30, 2014 to conduct a Chemical Dependency Services Program (Program) for adults. According to the contract, OASAS reimburses Samaritan Village for the net costs it incurs to provide the contracted services, up to the contract amount. Therefore, if Samaritan Village receives any program-related, noncontract revenues for the individuals it serves (e.g., Medicaid, third party payers, etc.), it must reduce claimed Program expenses by those amounts. Samaritan Village is required to support its claims for reimbursement with adequate written documentation (e.g., vendor invoices, proof of services, etc.).

Samaritan Village is also required to comply with the Consolidated Fiscal and Reporting Claiming Manual (Manual) and report all Program salaries and expenses on an annual Consolidated Fiscal Report (CFR). For the period July 1, 2009 through June 30, 2010, Samaritan Village reported $10.3 million in offsetting revenues against $14.0 million in personal services and $7.6 million in other than personal services costs, for a cumulative program deficit of $11.3 million to be funded by OASAS.

Audit Findings and Recommendations

OASAS is not effectively monitoring the contract to ensure that claims submitted by Samaritan Village are valid and consistent with contract terms. As a result, we determined that OASAS reimbursed Samaritan Village $973,881 for unallowable, inappropriate, undocumented or questionable expenses. Of this amount, $253,957 was for personal services and $719,924 was for other than personal services (OTPS) costs. We also identified seven OTPS contracts, totaling $337,458, where Samaritan did not follow required purchasing guidelines designed to ensure a reasonable price is paid for services received, and did not obtain OASAS' prior approval. We further question Samaritan's allocation of $1,063,810 in costs among OASAS and non-OASAS programs. Finally, we found Samaritan Village underreported program revenue it received by $94,008 resulting in a correspondingly higher reimbursement from OASAS than warranted. In total, we recommend OASAS recover $661,793 from Samaritan Village as repayment for unreported revenues and expenses identified in this report as inappropriate, unallowable or undocumented.

Claims for Inappropriate Personal Services Expenses

Of the $14 million claimed by Samaritan Village for personal services, we found that $253,957 was inappropriate. On May 21, 2010 Samaritan Village gave each of its 203 employees, except agency administrative staff, a $1,082.84 bonus check, totaling about $219,817. OASAS guidelines are silent regarding when a bonus may be allowable. OASAS officials indicated that given the prevalence of substandard salaries in the substance abuse treatment field, OASAS would not want to discourage payment of one-time performance awards to employees both as a motivator for good performance and as a retention strategy to keep staff from leaving. However, these bonuses were not based on individual performance. Rather, Samaritan officials said they were given as a result of the agency's collective efforts to live within its budget. We believe it is inappropriate for a net deficit State-funded service provider like Samaritan Village to hand out any unspent budgeted money as bonuses.

The remaining $34,140 was inappropriately claimed on the CFR as expenses for an Executive Retirement Account. However, no actual payment was made for the retirement account. Rather, this amount was an estimate of what Samaritan Village might have to pay as part of a retirement package for two senior staff members, considering the funds' present value. Only actual expenses can be claimed.

Recommendations

1. Ensure that Samaritan Village reimbursement claims for personal services expenses comply with Program requirements.

2. Recover the $253,957 in claimed inappropriate personal services expenses.

Claims for Inappropriate Other Than Personal Services Costs

OASAS guidelines require that goods and services purchased be legitimate program-related expenses and documented. During our audit period, Samaritan Village claimed $7.6 million in OTPS costs for reimbursement. Of this, we reviewed $2,175,824 and found that $719,924 (33.1 percent) was either not allowable ($277,216), not documented ($36,612) or questionable ($406,096).

The non-allowable OTPS expenses Samaritan charged to the OASAS contract included non-program-related legal services ($63,519), construction specifically prohibited in the contract ($57,000), contractual services with no identifiable deliverable ($55,000), and the purchase of office equipment ($35,158), for which Samaritan did not obtain required OASAS preapproval, and which appeared not to have been used several years after it was purchased.

The undocumented OTPS expenses included $34,295 that Samaritan reported as a bad debt expense which, even if documented, would not be allowable.

We found $406,096 was given to clients to spend on day trips, outings and transportation (consisting of $261,358 for Metro Cards, $132,541 for "walk around money" and $12,197 for client transportation). Since most Samaritan Village clients already receive a personal needs allowance (PNA) for incidentals, we question if these expenses are duplicative and therefore not necessary. Samaritan Village officials said that there is no regulation or guidance prohibiting the use of OASAS money for this and that some clients may not have sufficient PNA funds available. We recommend OASAS determine if Samaritan's collective use of these multiple funding streams to pay for client incidentals is duplicative, considering client treatment requirements and available PNA.

We further found that Samaritan is not ensuring the price it pays for services is reasonable. OASAS' Administration and Fiscal Guidelines require that when goods or services are purchased in excess of $25,000, at least three written bids must be obtained. For goods or services between $10,000 and $25,000, telephone quotes must be documented and retained. Consultant services must also be approved by OASAS in advance. We found Samaritan Village claimed $337,458 for consultant services that were neither bid nor approved in advance by OASAS. For example, the payments for accounting and auditing services charged to OASAS totaled $104,605. As a result of our audit, Samaritan Village replaced this consultant after a bidding process and prior approval were completed. The winning bid was $29,105 lower for the OASAS portion of the contract.

Recommendations

3. Ensure that Samaritan Village reimbursement claims for other than personal services expenses comply with Program requirements.

4. Recover the $313,828 in claimed non-allowable and undocumented other than personal services expenses.

5. Determine if Samaritan's collective use of multiple funding streams to pay for client incidentals is duplicative, considering client treatment requirements and available PNA.

6. Increase monitoring to ensure all consultant services claimed are appropriately bid and approved in advance.

Inappropriate Allocations

We question Samaritan's distribution of $1,063,810 in costs among OASAS and non-OASAS programs. Samaritan Village is required to allocate salaries and expenses of its employees in the CFR to its various OASAS programs, as well as to its non-OASAS programs. If employees work solely on OASAS programs, their salaries should be charged to OASAS programs. If they work on multiple programs, Samaritan Village must split the salaries and allocate the amounts to the various programs based on time worked for each program. Regarding administrative employees who are not directly working in specific programs/sites but whose work is attributable to the overall operation of Samaritan Village, officials must ensure that their salaries are appropriately allocated, representing a fair apportionment of such costs to both OASAS-funded programs and non-OASAS-funded operations. The allocation basis should be consistent with the guidelines specified in the Manual. Documentation for salaries and expenses should show how allocations were determined.

We reviewed records for 50 of the 322 administrative employees who were paid approximately $3 million, and determined that the salaries for 16 employees, who were paid $746,968, may not have been properly allocated among OASAS and non-OASAS programs. Some of these employees' salaries were allocated only to OASAS programs when, in fact, they should have been allocated to both OASAS and non-OASAS programs. Other employees worked only for OASAS programs, but were partially charged to non-OASAS programs. Samaritan officials agreed in part with our findings and said, in the future, they will allocate salaries based on where the employees' time is spent.

We also found $316,842 in OTPS expenses that Samaritan Village charged only to OASAS programs, but should have allocated among OASAS and non-OASAS programs. We estimate that 13 percent of that amount should not have been charged to OASAS. Examples of these expenses included rent for offices and office equipment used by multiple programs. Samaritan Village officials told us they believe the allocation percentage is optional and not required. However, guidelines state that allocations should be consistent with the CFR, which requires allocations to be appropriate.

Recommendations

7. Determine the correct allocations for the 16 employees noted above and recover funds, as appropriate.

8. Determine the correct allocations for the other than personal services expenses and recover funds, as appropriate.

9. Ensure Samaritan Village allocates salaries based on where the employees spend their time, allocates other than personal services expenses consistent with Program guidelines and maintains documentation to support all allocated expenses.

Offsetting Revenues

Samaritan Village is required to report all revenue, including funds received for food stamps, client services and Medicaid services. Since OASAS pays Samaritan Village the difference between reported revenue and the cost of the Program, OASAS should ensure that revenue reports are accurate and appropriate. We determined that OASAS does not verify reported revenue and, as a result, overpaid Samaritan Village $94,008.

For the period July 1, 2009 through June 30, 2010, Samaritan Village reported $10.3 million in revenues. Of this, we reviewed $9.4 million, including revenues received from the New York City Human Resources Administration (HRA), which provides revenue for client care and food stamps, and Medicaid revenues for eligible services provided. We found Samaritan Village reported $32,606 more HRA revenue than it had actually received for client care, but $28,200 less than it received for food stamps: a net overreporting of $4,406. We found Samaritan Village also reported $98,414 less than what it had actually received from Medicaid. The net impact of these over- and underreported revenue amounts resulted in OASAS overpaying Samaritan Village $94,008.

We also reviewed Medicaid-eligible services provided at Samaritan Village's Jamaica outpatient facility on January 7 and 21, 2012 and identified several errors and omissions that led us to question whether all available revenues are being accurately pursued. In some cases, documentation for billed services did not support that the client was present. In others Samaritan failed to bill for services that clearly were provided. When we presented our findings to Samaritan officials, they agreed with most of our observations and conclusions. Samaritan officials indicated they encountered problems with the billing service provider and have since contracted with a different company. However, during the audit period it appears potentially significant errors occurred that may represent additional offsetting revenues.

Recommendations

10. Ensure that all Samaritan Village reported revenue is complete, accurate and appropriate.

11. Recover the $94,008 overpaid to Samaritan Village as a result of its underreporting of Program revenues received.

12. Ensure Samaritan pursues available Medicaid revenues for services provided to eligible clients.

OASAS Oversight

OASAS is responsible for inspecting and monitoring programs it funds to ensure State resources are used only for claims that are program appropriate and supported. While OASAS has performed fiscal reviews of Samaritan Village, these were not done on a regular basis and there was no follow-up on findings. For example, OASAS did a review in 2004 and noted that there was no bidding for accounting services. Yet we found the same issues in this audit several years later. Once this problem was identified, increased monitoring by OASAS could have prevented some of the improper reimbursements noted in this report. We believe OASAS needs to more closely review expenditures and allocations to ensure Samaritan Village is receiving only funds it is due.

In responding to our draft report, OASAS officials detailed several improvements they have made to their fiscal oversight efforts since the end of our audit period. These initiatives include adopting a risk-based system to target audit resources, as well as introducing more focused fiscal reviews by Field Office representatives. Officials expressed confidence that these efforts, along with increased training and coordination, have resulted in improved fiscal oversight.

Recommendation

13. Establish effective monitoring controls to ensure Samaritan Village only claims appropriate expenses.

Audit Scope and Methodology

We audited OASAS to determine whether it effectively monitored its contract with Samaritan Village to ensure claims submitted were valid and consistent with contract terms, and that contract deliverables were being provided for the period July 1, 2009 through June 30, 2010. To accomplish our objectives, we interviewed officials and staff at OASAS and Samaritan Village to obtain an understanding of their services, policies and procedures. We also reviewed Samaritan Village's financial records, supporting schedules for claimed expenses and offsetting revenues, and sampled claimed expenses to determine whether they were allowed and supported. We interviewed employees to determine if they were working on OASAS programs, performed third party verification of selected revenue categories, tested the billing system for Medicaid services to determine that services provided were actually billed and were supported by client files and reviewed documentation to determine whether the quantity of services reported was supported.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to OASAS officials for their review and comment. We also provided OASAS officials with detailed support for each of our reported findings. Their comments were considered in preparing this report and are attached in their entirety at the end. Officials agreed to examine each expense that we reported as unallowable, inappropriate, undocumented or questionable, and to pursue recovery of any inappropriately claimed expense. Similarly, officials agreed to examine Samaritan's revenues to determine the propriety of the amounts reported and to recover any funding that may have resulted from underreported revenues. Officials further indicate they will review the circumstances where Samaritan may not have followed the required guidelines, and detail the specific steps they have taken, or will take, to ensure Samaritan's future reimbursement claims comply with Program requirements.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Alcoholism and Substance Abuse Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where the recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments

OASAS Improving Lives. NEW YORK STATE
OFFICE OF ALCOHOLISM & SUBSTANCE ABUSE SERVICES
Addiction Services for Prevention, Treatment, Recovery

Governor
Andrew M. Cuomo

Commissioner
Arlene González-Sánchez, M.S., L.M.S.W.

December 2, 2013

John Buyce
Audit Director
Office of the State Comptroller
110 State Street
Albany, NY 12203

Re: Report 2011-S-38

Dear Mr. Buyce:

Thank you for the opportunity to respond to the Report 2011-S-38 wherein the Office of the State Comptroller (OSC), Division of State Government Accountability, conducted an audit of the OASAS contract to fund Samaritan Village, Inc. (Samaritan) for chemical dependency treatment services.

OSC criticizes OASAS for poor oversight of nearly $2.5 million dollars of claimed expenses, which totals more than 20% of the funding provided to Samaritan. However, in the section labeled "Key Recommendations" OSC recommends that OASAS recover $661,793, an amount that represents approximately 5.8% of the total OASAS net deficit funding paid to Samaritan. While OASAS strongly believes it is inappropriate for a provider to claim any non-allowable expenses and supports any recommendation to recover such misspent dollars, the OSC report grossly overstates the potential recoveries and unfairly characterizes the nature of the questioned expenses.

OASAS will follow-up the OSC audit with its own fiscal analysis of Samaritan. It is important to note that OASAS' Fiscal Audit and Review Unit (FARU) had already begun a fiscal review of Samaritan that included a review of the same timeframe that was the subject period of the OSC audit. In fact, FARU and OSC staffs were on-site at Samaritan at the same time. OASAS issued an audit report to Samaritan on November 2, 2011 wherein we identified issues including contracts not being competitively bid, incorrect allocation of program expenses and the lack of equipment registers. In deference to the OSC auditors also being on-site, OASAS advised Samaritan that we would return to follow-up on all issues identified in the OASAS audit some time after March of 2012 fully expecting that OSC auditors would have finished their work before that date. It is now 20 months beyond the date OASAS expected to return to Samaritan and we have now been provided with the OSC's draft audit report which lacks clarity and was not written by the team of auditors that actually conducted the field work and accumulated the supporting documentation. As we continue to work together as partners in promoting funded provider accountability, we would expect more timely advisements from OSC so that issues can be resolved as quickly as possible.

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Below are responses related to the specific recommendations:

OSC Recommendation #1 and #2:

1. Ensure that Samaritan Village reimbursement claims for personal services expenses comply with program requirements.
2. Recover $253,957 in claimed inappropriate personal service expenses.

OASAS Response:

OSC determined that $253,957 claimed for personal services was inappropriate. One component of that finding involved $34,140 that was claimed as an expense for an "Executive Retirement Account." If this expense was not actually paid in the year it was claimed and therefore non-allowable, OASAS would agree with this portion of the OSC finding and seek to recoup those dollars. The balance of this finding is comprised of $219,817 representing checks, each in the amount of $1,082.84, that were distributed to 203 employees. As is indicated in the report, OASAS advised OSC that the substance use disorder treatment (SUD) system is greatly hampered by poor retention of staff due to difficulty in offering competitive salaries. In providing these uniform payments, Samaritan was attempting to retain staff and promote quality of care, while staying within its agreed upon budget. We also advised OSC that Samaritan employees working in the SUD programs were regularly paid less than employees working in Samaritan's other programs. This pay disparity often resulted in staff seeking transfers out of Samaritan's SUD programs creating ongoing staffing issues in the OASAS funded programs. OASAS intends to review the documentation pertaining to the staff incentive payment; however OASAS believes that the across the board payment of additional compensation in the amount of $219,817 will ultimately be determined to be appropriate as it helped to ensure continuity of services and remained within the provider's budgetary constraints.

OASAS fully understands the current economic climate and believes that increased oversight of our funded provider's personal service costs is warranted. To that end, OASAS recently issued revised and enhanced Administrative & Fiscal Guidelines for Funded Providers that require all such providers to obtain prior written approval from the OASAS Commissioner, or the Commissioner's designee, for any change in compensation including increases in salary or incentive payments of any kind that occurs subsequent to its approved OASAS net deficit budget. Any non-compliance will result in the disallowance of such claimed costs.

OSC Recommendations #3, #4 #5 &#6:

3. Ensure that Samaritan Village reimbursement claims for other than personal services expenses comply with Program requirements.
4. Recover the $313,828 in claimed non-allowable and undocumented other than personal services expenses.

5. Determine if Samaritan's collective use of multiple funding streams to pay for client incidentals is duplicative, considering client treatment requirements and available PNA.
6. Increase monitoring to ensure all consultant services claimed are appropriately bid and approved in advance.

OASAS Response:

OASAS will review the areas identified and recoup any inappropriately paid expenses that can be validated for non-program related legal services, construction costs prohibited by the contract, contractual services with no identifiable deliverables, and the purchase of equipment where that equipment appears to have remained essentially unused years after its purchase.

While the OSC did not request that OASAS recoup personal needs allowance (PNA) funds, "walk around money" (WAM) and transportation expenses that were dispensed by Samaritan, it questioned the propriety of $406,096 in such expenses, included these expenditure in its "Key Findings" and lumped it together in criticizing OASAS' monitoring practices. . In discussion with OSC audit staff, it appeared there was some confusion as to what constituted allowable and appropriate uses of PNA and WAM monies and that the existing regulations and OTDA administrative directives guiding such expenditures had not been fully considered in the development of this finding. While OASAS will seek to recover any PNA, WAM money and transportation expenses that may have been inappropriately claimed, it is important to acknowledge that there is no obvious reason to suspect these funds were used in violation of the regulations and associated guidance.

OASAS will also review the circumstances involving all instances where Samaritan may not have followed required competitive bidding practices. In some situations the total claimed expense may be disallowed. In other instances, where Samaritan is unable to establish it secured the lowest price or has an acceptable rationale for the vendor selection, OASAS will seek to recover what it calculates as the excess expenditure. Further, OASAS will review Samaritan's policies and procedures to ensure they meet the competitive bidding practices as stipulated in the OASAS Administrative & Fiscal Guidelines for Funded Providers. Any deficiencies will require corrective action.

OSC Recommendations #7, #8 &#9:

7. Determine the correct allocations for the 16 employees noted above and recover funds, as appropriate.
8. Determine the correct allocations for the other than personal services expenses and recover funds, as appropriate.
9. Ensure Samaritan Village allocates salaries based on where employees spend their time, allocates other than personal services expenses consistent with Program guidelines and maintains documentation to support all allocated expenses.

OASAS Response:

With regard to the reported inappropriate allocations of salaries and other expenses between OASAS and non-OASAS programs, OASAS will follow up with regard to the specifically identified employees, and also test an expanded sample of staff to determine the propriety of the total allocation. OASAS will recover all monies determined to have been inappropriately claimed.

OSC Recommendations #10, #11 &#12:

10. Ensure that Samaritan Village reported revenue is complete, accurate and appropriate.
11. Recover the $94,008 overpaid to Samaritan Village as a result of underreporting of Program revenues received.
12. Ensure Samaritan pursues available Medicaid revenues for services provided to eligible clients.

OASAS Response:

OASAS agrees that it is essential that providers reasonably pursue all possible sources of revenue and accurately report the receipt of all revenues actually received. OASAS will independently examine Samaritan's revenues for the period involved to determine the propriety of amounts reported and will recover any net deficit funding provided as a result of underreported revenues. OASAS will also determine the impact of underreported revenue on subsequent funding periods.

OSC Recommendation #13

13. Establish effective monitoring controls to ensure Samaritan Village only claims appropriate expenses.

OASAS Response:

OASAS recognizes that accountability and fiscal oversight of our funded providers is critically important. We therefore take exception to the statements in the report and the Key Findings/Key Recommendations that state that OASAS is not effectively monitoring the contract and needs to increase its monitoring. While we recognize these findings pertain to events that happened 3-4 years ago, we believe this report fails to acknowledge our existing monitoring systems, and those that we have added over the past 18 months. OASAS's general approach to fiscal monitoring is two-fold, based on available audit staff resources. To maximize the effectiveness of our audit staff resources and successfully manage a case load of 350 OASAS funded providers, we use a risk-based system for identifying and scheduling in-depth and thorough fiscal reviews. In addition, we consider other provider audit risk indicators, as well as requests for audits by OSC and other governmental agencies, to help prioritize our fiscal audit/review schedule. In-depth fiscal reviews are the predominant form of fiscal monitoring conducted by OASAS, and are comprised of focused (5-10 day or longer) examinations of OASAS funded service providers' financial operations, to determine both their compliance with applicable OASAS requirements and to substantiate the representations of their annually filed Consolidated Fiscal Report (CFR) claiming documents. We currently perform approximately 80 to 100 fiscal reviews per year. Fiscal audits of OASAS-funded service providers, which are reserved for those providers at highest risk, are comprehensive examinations of longer duration, with significant testing of transactions, which are performed to ensure that program revenues and expenditures are adequately documented, authorized in the approved budgets, and applied/incurred for appropriate program services. Both fiscal reviews and fiscal audits examine the adequacy of the service provider's financial and general operating procedures and practices as well as their existing internal controls.

In consideration of the OSC recommendations in this and other audits, OASAS has increased the volume of these audits. We have completed 3 in the past year and currently have two fiscal audits underway. Where problem areas, inappropriate expenditures and/or improper practices are identified, OASAS requires providers to implement remedial measures which may include corrective action plans and calculated repayments.

To further enhance our oversight and contract monitoring compliance, in the spring of 2012 OASAS instituted a new initiative whereby our regional Field Office representatives regularly conduct fiscal reviews in addition to their regularly scheduled assessments of the provider's programmatic performance. The areas reviewed by the OASAS Field Office representatives include, but are not limited to, relevant documentation pertaining to the provider's Board of Directors, fiscal policies and procedures, employee handbooks, audited financial statements, and any corrective action plans or fiscal viability-financial recovery plans as applicable.

OASAS Field Office personnel also target a variety of expense categories to help ensure the propriety of claimed costs. These include, but are not limited to; determining the accuracy of personal services costs, the correct allocation of costs, if applicable, between funded and non-funded programs, the proper use of credit cards, the accountability for OASAS funded equipment, the compliance with the competitive bidding of consultant/contractual services and proper vehicle use. Each fiscal review conducted by the Field Office results in a fiscal site report of its findings issued to the provider. Those that require a corrective action plan are followed up on by Field Office staff. In addition, each fiscal site report is reviewed by OASAS' Director of Audit Services and as warranted referrals are made to other OASAS departments for appropriate follow-up. Most reports that are referred for follow up are sent to the OASAS Fiscal Audit and Review Unit so that a more in-depth fiscal review or audit can be planned.

In April of 2011, OASAS established an "Enhanced Oversight Team" which has primary responsibility for coordinating and enhancing the monitoring and data collection systems to detect and proactively address provider level, program level and system level deficiencies.

The Team meets monthly to:

- Review high risk referrals;
- Identify and schedule providers for unannounced site visits;
- Assess the need for additional interventions (e.g. referrals to other units or agencies);
- Schedule follow-up and plan of corrective action compliance; and
- Recommend sanctions.

Finally, to ensure enhanced accountability and provide further guidance to providers, OASAS revised and updated its comprehensive Administrative & Fiscal Guidelines for Funded Providers. New sections were added to clarify expectations and explain sanctions for non-compliance. These guidelines better help to ensure a standard of accountability for OASAS funded providers and establish a more viable baseline for assessing provider compliance with OASAS fiscal requirements.

We thank you for your consideration of our comments and look forward to a prompt resolution of all OSC audit findings.

Sincerely,

Robert A. Kent
General Counsel

cc: Arlene González-Sánchez
Sean Byrne
Trisha R. Schell-Guy
Steven J. Shrager
Tom Lukacs, DOB