



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Sky Light Center Inc.: Supported Housing Program

Office of Mental Health



Report 2012-S-37

May 2014

Executive Summary

Purpose

To determine whether Sky Light Center, Inc. (Sky Light) officials expended funds appropriately and provided the required services under its Supported Housing Program contract with the New York State Office of Mental Health (OMH). The audit covered the period from February 1, 2007 to March 31, 2013.

Background

OMH's Supported Housing Program (Program) provides rental assistance for people with mental illnesses. The Program is designed to enable these individuals to live more independently in a community setting and to reduce homelessness, institutionalization and the associated costs. OMH contracts with supported housing providers, such as Sky Light, to locate apartments and negotiate leases on behalf of clients, help the clients move into their apartments, and provide necessary related services. Sky Light is authorized to service a maximum of 90 clients at an annual cost of \$1.3 million.

Key Findings

- We identified \$125,302 in unsupported and/or inappropriate personal service expenses charged to the Program. These charges included unsupported salary allocations and inappropriate overtime payments to management.
- We also identified \$295,321 in unsupported and/or inappropriate non-personal service expense items, including expenses associated with the unrelated program facilities, payments to a contractor to enhance his personal property and rental payments for unoccupied apartments.
- Sky Light officials cannot account for over \$75,000 in contingency funds that were to be used specifically for client housing emergencies. Officials reportedly used these monies to purchase client "wish list" items such as microwave ovens and televisions.
- Sky Light officials did not make all required visits to client apartments. As a result of our own visits, we identified several potential safety issues, including the lack of smoke and carbon monoxide detectors.

Key Recommendations

- Follow up on the unsupported and/or inappropriate personal service and non-personal service expenses detailed in this report and recover Program overpayments as appropriate.
- Work with Sky Light officials to reinforce the restrictions regarding the use of Program monies and contingency funds.
- Determine whether any contingency funds were used for the personal benefit of Sky Light officials and take corrective action as appropriate.
- Ensure that Sky Light supported housing staff periodically perform the required apartment visits and expeditiously resolve any identified health or safety issues.

Other Related Audit/Report of Interest

[Office for People With Developmental Disabilities: Association for the Advancement of the Blind and Retarded - Options for People Through Services Program \(2011-S-11\)](#)

State of New York
Office of the State Comptroller

Division of State Government Accountability

May 5, 2014

Dr. Ann Marie T. Sullivan, M.D.
Acting Commissioner
New York State Office of Mental Health
44 Holland Avenue
Albany, NY 12229

Dear Dr. Sullivan:

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 entitled *Sky Light Center, Inc.: Supported Housing 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 report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

cc: Cathy Holladay, Sky Light Center

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This report is also available on our website at: www.osc.state.ny.us

Background

The mission of the New York State Office of Mental Health (OMH) is to promote the mental health and well-being of all New Yorkers. As part of its mission, OMH funds and oversees a Supported Housing Program (Program) providing rental assistance and related services for persons with mental illness. The Program is designed to enable these individuals (clients) to live more independently in a community setting and to reduce homelessness, institutionalization and the associated costs. As of June 30, 2012, State supported housing contracts totaled about \$125 million. As of March 31, 2013, approximately 21,000 supported housing units were available State-wide.

OMH contracts with various supported housing providers, such as Sky Light Center, Inc. (Sky Light), to locate apartments, negotiate leases on behalf of clients and help them move into and retain their apartments. Program clients contribute up to 30 percent of their income toward their respective rent and the State pays the rest.

Sky Light, located in Staten Island, is authorized to service a maximum of 90 clients and received total Program-related payments of about \$2.6 million for the two fiscal years ended June 30, 2012. Annual payments to Sky Light are predicated on a flat fee of \$14,493 for each authorized housing unit and are to be used primarily for rent subsidies and associated administrative costs.

At the end of each year, Sky Light sends OMH a Consolidated Fiscal Report (CFR) listing all of its Program-related expenses. OMH compares CFR expenses to the quarterly payments it has remitted to Sky Light during the contract year to determine whether any further monies are due or whether there are overpayments to be recovered.

OMH often reduces its future payments to Sky Light as a result of these reconciliations and identified overpayments. During our fieldwork, we were informed that for the 2009-10 contract year, OMH was seeking recoupment of approximately \$221,000. As of this report, we have not received documentation that such recoupment was executed.

In addition to OMH supported housing, Sky Light offers several New York City-funded services (e.g., rehabilitation, employment, educational, and recreational) managed from the same offices. These services are provided to clients through the City's Clubhouse program.

Prior to engaging our audit, the Office of the State Comptroller received a letter alleging the improper use of government monies by Sky Light officials. We followed up on those allegations during our audit.

Audit Findings and Recommendations

We identified \$420,623 of unsupported and/or inappropriate expenses reported by Sky Light on its CFRs for our review period. These expenses include personal service as well as non-personal service expenses. In addition, Sky Light officials were unable to account for more than \$75,000 in contingency funds and failed to periodically monitor client living conditions.

Personal Service Costs

Sky Light's personal service costs include employee salaries, bonuses, and fringe benefits. The portion of each employee's salary and benefits chargeable to the Program must be supported by time and attendance records or some other type of official record documenting the employee's attendance at work and time spent on Program business. As noted in the Consolidated Fiscal Reporting and Claiming Manual (Manual), which provides guidance for New York State agencies that receive CFRs from providers, such documentation is crucial where an entity offers more than one program and personal service costs are to be allocated between those programs.

We identified \$125,302 of unsupported and/or inappropriate personal service costs recorded on Sky Light's CFRs for the 2010-11 and 2011-12 fiscal years.

Salary Allocations

During the 2010-11 and 2011-12 contract years, Sky Light allocated personal service costs for 15 of its employees to the Program. These annual allocations totaled \$168,206 and \$202,000, respectively. We found that \$70,612 of these costs were unsupported and should not have been charged to the Program.

Most Sky Light employees split their time between the Program and the New York City-funded Clubhouse. However, Sky Light officials do not require employees to track their actual hours devoted to the Program as opposed to Sky Light's other contracted services. Instead, personal service costs are reportedly allocated between the Program and other contracted services based on formulae embedded in their accounting software. However, Sky Light officials were unable to explain the rationale for their allocations.

In the absence of Sky Light's allocation methodology, we performed our own calculation based on the ratio of Program revenue to Sky Light's total revenue, an allocation methodology used on our audits of special education providers where we question the accuracy of reported expenses. Based on our calculation, and not including the salary for the Housing Director, whom we agree works full time for the Program, we allocated 54 percent of the salaries paid to Sky Light's other personnel who were being charged to the Program (\$136,751 for the contract year 2010-11 and \$162,843 for the contract year 2011-12).

Emergency On-Call Service

The Program's governing contract requires Sky Light to provide "a 24 hour/7 days a week emergency on-call service" to all clients. The purpose of this service is not detailed in the contract, and there is no mention of extra payment for this service. Sky Light officials told us that they are available to respond to any emergency-related call placed by a client. To comply with this requirement, Sky Light's then Assistant Executive Director and Program Director, who are salaried employees, reportedly alternated on-call duty.

They paid themselves a combined total of \$54,690 above and beyond their annual salaries to be "on call." However, Sky Light could not provide us with any evidence (e.g., work schedules, incident reports, logs) that any off-hour emergencies were ever responded to or extra service work was ever performed. As noted above, there is no contract provision authorizing extra pay for this service. We recommend OMH recover the \$54,690 paid for this undocumented work.

Non-Personal Service Costs

As with personal service charges, providers with multiple programs are to allocate indirect expenses, such as utilities and administrative costs, between programs based on a reasonable method (e.g., square footage, revenue comparisons). In addition, to be eligible for reimbursement, all non-personal services (NPS) costs charged to a funded program must relate to the program's mission. We identified \$295,321 of NPS costs inappropriately charged to the Program for the two contract years reviewed.

General NPS Expenses

For the 2010-11 and 2011-12 contract years, Sky Light inappropriately charged a total of \$143,835 in general NPS costs to the Program. These costs were either unrelated or incorrectly allocated to the Program. For example:

- Sky Light officials could not explain the methodologies used to allocate utilities and training expenses between their various programs. As with personal service cost allocations, we used contract revenues to allocate training, food and wellness costs, and square footage for allocating utilities (a common methodology for allocating such costs), and determined that Sky Light overcharged the Program \$79,911 for these expenses.
- In addition, from a judgment sample of 60 expense items, we found that 49 items totaling \$63,924 were not in compliance with the Manual and inappropriately charged to the Program. These expenses included \$3,225 for Christmas flowers sent to vendors and individuals with whom Sky Light did business, \$5,000 in paper goods for the New York City-funded Clubhouse, and \$14,779 for Clubhouse building repairs.

Questionable Contractor Payments

According to Sky Light officials, they used a specific contractor exclusively for the last 10 years to

perform various repairs and maintenance work on client apartments as well as for the Clubhouse. Payments to this vendor totaled \$124,000 during the 2010-11 and 2011-12 contract years alone, of which \$92,208 was charged to the Program. Sky Light did not have a contract with this vendor, and none of the individual projects awarded to him were competitively bid in an attempt to obtain competitive pricing.

We reviewed 73 payments made to this contractor during our review period (\$83,156) to determine whether the work paid for was supported and appropriate (e.g., ordinary and necessary) for the Program. We determined that 62 of these payments, amounting to \$49,463, were inappropriately charged to the Program. These inappropriate charges included:

- \$22,691 paid on invoices for which there is no supporting documentation;
- \$10,456 for repairs to Clubhouse electrical and plumbing;
- \$5,200 paid to renovate apartments owned by the contractor so that he could subsequently rent them to Program clients; and
- \$2,400 for replacing gutters in the Clubhouse backyard.

When we discussed these payments with Sky Light officials, they informed us that they had discontinued using this contractor.

Rental Payments for Vacant Space

Sky Light officials informed us that, as a matter of policy, they do not use Program funds for rental expenses unless the units are actually occupied. However, we found that Sky Light officials paid monthly rents on two vacant apartments during the period April 2012 through February 2013. These unwarranted rental payments totaled \$18,600. Sky Light officials said they secured these rentals in anticipation of client need.

Similarly, in February 2007, Sky Light officials purchased a five-year lease on property located at 306 St. Marks Place, to be used as office space, which never materialized. Although on or about March 2010 Sky Light converted the space to client rental property, they charged the Program \$62,380 in rental costs prior to housing any clients.

Vehicle Costs

During the audit period, Sky Light owned four motor vehicles that were reportedly purchased with Program funds (the procurement records were not available). Based on the mileage logs maintained for these vehicles, we determined that they were used primarily for non-Program-related functions, such as transportation for Clubhouse members, and sparingly for the Supported Housing Program. Yet Sky Light charged the Program a total of \$28,057 during 2010-11 and 2011-12 for insurance, maintenance, and gas for all of these vehicles. Based on the available mileage logs, the Supported Housing Program needs no more than one vehicle (25 percent of the fleet) to inspect apartments and periodically check up on clients. Therefore, we conclude that at least \$21,043 (75 percent of \$28,057) was inappropriately charged to the Program.

Contingency Funds

According to Program guidelines, provider officials must reserve at least \$500 in contingency funds annually for each client to resolve emergency-related situations that place the client at risk of losing his or her housing unit (e.g., loss of personal income). Based on Sky Light's average occupancy rate of 75 beds, during the two fiscal years ended June 30, 2012, at least \$75,000 would have been allocated for this purpose.

Instead of using these contingency funds for the stated purposes, Sky Light reportedly has been using them to purchase client "wish list" items such as microwave ovens, televisions and gift certificates. Sky Light leased a storage facility to store many of these items but did not keep any inventory records documenting what was stored in, or distributed from, this space.

Using a listing of procured items created by the Program Director on March 28, 2013, we visited the storage site and attempted to locate 77 of what we believed to be the more expensive items (i.e., computers and televisions). We were unable to locate 13 of the items, including flat screen televisions, microwave ovens, a cordless phone and vacuum cleaners, with an estimated total value of at least \$1,100. Procurement records for all of these items were not available.

While Sky Light officials provided statements from clients attesting that they had received these types of items, there was no evidence (i.e., serial numbers or inventory control numbers) to prove these were the same items from the inventory listing. We have no assurance that the procured items were used for appropriate Program business.

Compliance With Program Requirements

Program guidelines require supported housing providers such as Sky Light to visit clients at least monthly to verify that the listed client still lives in the supported housing apartment. In addition, although not part of the guidelines, Sky Light officials use these opportunities to assess client living conditions.

Our review of 37 Sky Light client case files found that, as of December 31, 2012, six client apartments had not been visited by Sky Light staff in over a year, and another five clients had never been visited since entering the Program. These five clients have been living in their supported housing units for periods ranging from two to 20 years. As a result, Sky Light officials have not met their fiduciary responsibility to ensure the health and well-being of their clients and ensure that State financial resources are not being spent inappropriately.

Sky Light officials stated that some clients have refused to allow these apartment visits. They stated further that when these refusals were brought to the attention of their OMH liaisons, they were not given the support to enforce the visits. We confirmed this assertion with OMH officials.

Accompanied by a Sky Light representative, we attempted our own site visits to the 37 clients relating to our sampled case files to verify client identity and to observe the conditions of the

apartments. Five clients did not respond to our telephone calls to set up appointments for our visits, and three others refused to allow us to visit. For the 29 apartments that we were able to visit, we found the following potentially hazardous conditions:

- Two clients had matches next to their stoves to light the stove manually as their pilot lights were not working,
- One apartment had substantial clutter, making entry and egress difficult - especially in the event of a fire,
- Another apartment had a leak in the bathroom ceiling, which was dripping in the vicinity of electrical wiring, and
- 13 apartments were missing either a smoke detector, a carbon monoxide detector or a fire extinguisher.

As a result of these visits, Sky Light officials took action to resolve the potential safety issues. In addition, OMH officials informed us that they plan to revise Program guidelines to require clients to allow Sky Light employees entry to their apartments at least quarterly.

Recommendations

1. Follow up on the unsupported and/or inappropriate personal service and non personal service expenses detailed in this report and recover Program overpayments as appropriate.
2. Work with Sky Light officials to reinforce the restrictions over the use of Program monies and contingency funds.
3. Determine whether any contingency funds were used for non-Program purposes and take corrective action as appropriate.
4. Ensure that Sky Light supported housing staff periodically perform the required apartment visits and expeditiously resolve any identified health or safety issues.

Audit Scope and Methodology

We audited Sky Light's Supported Housing Program for the period February 1, 2007 to March 31, 2013. The objectives of our audit were to determine whether Sky Light officials expended contract funds appropriately and whether they provided the required contracted services in compliance with Program guidelines.

To accomplish our objectives, we interviewed OMH and Sky Light officials as well as Sky Light's independent certified public accountant. In addition, we reviewed Supported Housing Program guidelines and Sky Light's supporting financial and Program-related records. We selected a judgmental sample of transactions to determine whether each was supported and Program-appropriate. We also selected a sample of inventory items to locate and client apartments for physical inspection.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence we obtained during the audit 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 clients 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 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 our report was provided to OMH and Sky Light officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of the report.

OMH officials stated that it is inappropriate for them to comment on our findings since they are directed at Sky Light. However, they generally concurred with our audit recommendations and indicated that actions have been or will be taken to implement them. OMH officials also address some of the comments made by Sky Light officials in response to our findings.

Sky Light officials disagreed with several of our findings and asserted that our audit was as much an audit of OMH as it was of Sky Light. Nevertheless, Sky Light officials stated that they have implemented certain policy and procedural changes based on our audit's preliminary findings. Also, our rejoinders to certain Sky Light statements are included in our State Comptroller's Comments.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Mental Health 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 recommendations were not implemented, the reasons therefor.

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.

Exhibit

Program Costs Reviewed	Disallowed Costs
Personal Services	
Salary Allocations	\$ 70,612
Payments for On-Call Services	54,690
Total Personal Services	\$125,302
Non-Personal Services	
General Disallowances	\$143,835
Questionable Contractor Payments	49,463
Inappropriate Rental Payments	80,980
Vehicle Costs	21,043
Total Non-Personal Services	\$295,321
Total Disallowed Program Costs	\$420,623

Agency Comments - Office of Mental Health



State of New York
Andrew M. Cuomo
Governor



Office of Mental Health
44 Holland Avenue
Albany, New York 12229
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April 21, 2014

Frank Patone, CPA
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street, 21st Floor
New York, NY 10038

Dear Mr. Patone:

The Office of Mental Health has reviewed the Office of the State Comptroller's (OSC's) draft audit report entitled, "Sky Light Center, Inc. Supported Housing Program" (2012-S-37) and Sky Light Center's 3/18/14 response to OSC's draft report. Our comments to the findings and recommendations contained in OSC's report and our comments to Sky Light Center's letter are enclosed.

The Office of Mental Health appreciates the Office of the State Comptroller's efforts to recommend improvements in our operations.

Many thanks for your continued help and cooperation.

Sincerely yours,

Martha Schaefer Hayes
Executive Deputy Commissioner

Enclosure



**OFFICE OF MENTAL HEALTH
RESPONSE TO OFFICE OF THE STATE COMPTROLLER
DRAFT REPORT 2012-S-37
SKY LIGHT CENTER, INC.
SUPPORTED HOUSING PROGRAM**

Overall OMH Comments

OMH has reviewed OSC's draft audit report 2012-S-37 entitled Sky Light Center, Inc. Supported Housing Program. Although the report was issued to OMH, the majority of its findings are directed at Sky Light Center, Inc. and not OMH. As such, it would be inappropriate for OMH to comment on the findings.

After OSC has completed their review of Sky Light's response to this draft report and provides OMH with its final determination, OMH will commence with the follow up work described in OSC's Recommendation #1.

OMH's Responses to OSC's Recommendations

OSC Recommendation No. 1

Follow up on the unsupported and/or inappropriate personal service and non-personal service expenses detailed in this report and recover Program overpayments as appropriate.

OMH Response

OMH will work closely with OSC to follow up on expenses identified in the draft report that OSC found to be inappropriate and will recover program overpayments as needed.

OSC Recommendation No. 2

Work with Sky Light officials to reinforce the restrictions over the use of Program monies and contingency funds.

OMH Response

OMH sent a May 30, 2013 letter to Skylight's Executive Director explaining that only Supported Housing expenditures may be claimed under the Supported Housing Contract and reiterate the need to maintain proper documentation to support these expenditures. Further, the letter provided guidance on the use of contingency funds. The NYCFO will conduct site reviews and periodically meet with Skylight to review and reinforce these expectations.

OSC Recommendation No. 3

Determine whether any contingency funds were used for non-Program purposes and take corrective action as appropriate.

OMH Response

OMH will review Sky Light's handling of contingency funds to determine whether they were properly used and take appropriate action as needed.

OSC Recommendation No. 4

Ensure that Sky Light supported housing staff periodically perform the required apartment visits and expeditiously resolve any identified health or safety issues.

OMH Response

OMH housing staff will review expectations with Skylight regarding housing staff performing apartment visits and responding to health and safety needs. The New York City Field Office will conduct site visits and meet with Skylight to assess and ensure that the required apartment visits are occurring and health and safety concerns are being addressed in a timely manner.

OMH Comments to Sky Center Center's March 18, 2014 Response to OSC

Sky Light Center (SLC) responded to OSC's draft report in a March 18, 2014 letter to OSC. OMH has reviewed that letter and will next provide its response to comments made by Sky Light in that letter that were directed at OMH.

SLC Comments, Page 2 Second Bullet

The NYS OMH has recently issued Sky Light Center with a document clarifying (for the first time in the tenure of this contract- over 20 years), allocation protocols for a Clubhouse operating a Supported Housing Program. The Deputy Director of the NYC Field Office stated the following in this 6/6/13 letter:

"Agencies that operate a Clubhouse and Supported Housing funded by the State Office of Mental Health (OMH) have made the services and supports of the Clubhouse available to individuals in the agency's Supported Housing. Clubhouse membership has been an invaluable and positive experience for many Supported Housing recipients".

It is Sky Lights position and it is also part of the NYS contract verbiage with SLC (Appendix D Section I which states"Sky Light seeks to build a therapeutic community that involves engaging "members" as fully as possible in equal partners in "running the clubhouse"....) that all

housing recipients are eligible to partake of Sky Light opportunities and services. In order to achieve this, numerous costs must be allocated across program lines.

OMH Response

As required by OMH, SLC reports the costs of its programs on a yearly basis on the NYS Consolidated Fiscal Report (CFR). The Full CFR completed by SLC requires certification by an independent certified public accountant and by agency management. The CFR Manual provides detailed instructions on the allocation of costs. The instructions cover employees who perform job duties that relate to more than one function as well as programs that share the same items of expense.

The 6/13/13 letter that Sky Light received from OMH was merely a reminder letter (“your agency is reminded of the following”) of instructions that have been in place and contained in the CFR for many years. No new allocation instructions were provided.

Please also note that the CFR is an interagency cost report that is also used by OPWDD, SED and OASAS. Included in the joint CFR duties performed by the agencies is the regular provision of CFR training opportunities for all providers.

SLC Comment, Bottom of Page 2, Last Bullet, Contingency funds

“Since the OSC preliminary audit report was issued; SLC has changed its protocol regarding the usage of contingency funds. Items needed to furnish an apartment for a tenant first moving into an apartment must be accompanied by three bids if the amount is over \$1,000. Clarification from the OMH at a meeting in February of 2014 has expanded the list of items that should be included in the initial furnishing noted as necessary and required. At this same meeting, OMH staff also elaborated on the fact that SH Programs should be open to using contingency monies to replace broken "items" in an apartment if the tenant did not destroy the property through neglect or abuse.”

OMH Response:

The following was provided by OMH in a written response to SLC:

Contingency funds are available to resolve situations that place the consumer at risk of losing his/her housing. Eligible expenditures for contingency funds include: furniture storage, rent payment if someone is hospitalized and has no other resources or if someone's roommate moves out and a portion of the rent cannot be paid (time limited to 3 months); minor repairs if not the responsibility of the landlord; and other reasonable housing related emergency problems which, if not addressed, could cause the recipient to lose the housing. Providers must ensure that, on average, a minimum of \$500 per recipient is available annually to address such emergencies. Documentation, including receipts, must be maintained by the agency for the use of contingency funds.

SLC Comment, bottom of Page 6, Rental Payments for Vacant Space

At a February 2014 meeting, staff representing the NYS OMH (including Moira Tashjian and Caren Abate) stated that the OMH allows SH programs to rent up to five vacant apartments in order for consumers who are approved for SH housing to have a choice in the apartment they want to make their "home". Sky Light Center provided options for consumers in relation to the two apartments the OSC indicates were secured but vacant for the periods of time indicated. In these two instances, no consumers wanted to live at those sites due to the small size of the apartment and the less than desirable neighborhood where they were located. Sky Light Center could not foresee this difficulty in filling the apartments and legally had to pay the rent for the term of the lease before ending the legally binding agreement with the landlord.

OMH Response:

As provided by OMH in a written response to SLC:

OMH expects that agencies fill all Supported Housing units they are contracted to develop and operate. In addition, OMH does not have a policy regarding how many apartments a consumer may be shown before they select the apartment they want. OMH acknowledges that due to some turnover of apartment units, there may be some vacancies, but only for a minimal amount of time.

Sky Light Comments

Page 2, Number 3 - If OMH had provided Sky Light with regular oversight feedback and support to address any issues that they felt should be changed or corrected, corrective action would have taken place. Instead all that SLC has received on a consistent basis from OMH is conflicting guidance from OMH workers and the field office. As indicated throughout our response, when compliance concerns were brought to our attention by the OSC, Sky Light Center promptly took corrective actions and the SH program is now in compliance with all of your recommendations (unless OMH approval to make the change is required).

Page 3, Second Bullet - If Sky Light Center is being held to how it has managed the SH Program during the audited period, it seems appropriate that the report should accurately reflect OMH's policies or lack of policies and conflicting guidance during the same period.

OMH Response

OMH disagrees with Sky Light's assertion that OMH has provided conflicting guidance. OMH makes guidance readily available and routinely informs providers that OMH field office staff can be called on to answer questions and assist providers with understanding their duties and responsibilities. Specifically, when Sky Light approached OMH with questions regarding the supported housing program, a meeting was held between SLC and OMH, including senior field office staff, to review, address and clarify Sky Light's questions and concerns.

Agency Comments - Sky Light Center Inc.

March 18, 2014

Mr. Keith Dickter, CPA, CISA
Office of the State Comptroller
Division State Government Accountability
123 William Street – 21st Floor
New York, New York 10038-3885

RE: Sky Light Center, Inc. Supported Housing Program
Report 2012-S-37

Mr. Dickter:

This communication will confirm that the Board is in receipt of your draft report and would like to submit our comments on the report following our review of your findings. The Board understands that it has an obligation to eventually issue a response and corrective action plan to the final report, and believes that these comments are an important step in that process. The Board views the audit and the report as an opportunity to review and improve upon our procedures and we certainly intend to take this opportunity to improve policies and practices.

*
Comment
1

As you will see from our comments there are several areas where we disagree with the findings and the perspective taken on our practices. We also note that the report does not find fraud, waste or abuse.

After reviewing the preliminary findings reports you presented to us the Organization has implemented significant changes to our protocols and operations as they relate to the supported housing program operated by Sky Light Center. We believe that we have implemented changes based on your prior recommendations that comply with your suggestions. In those areas requiring further NYS Office of Mental Health response and guidance, a final report from your office will serve as the foundation for discussion of those program areas.

Our response has been structured to follow the format of your draft report in hopes of making our response easy to follow. Before we get to our specific responses we would like to highlight a few points to draw attention to our concerns regarding the following:

*
Comment
2

1. Throughout the OSC on-site audit, we were advised by the OSC staff that this was “as much an audit of OMH as Sky Light”. But the draft report focuses very little on the culpability of OMH in any of these areas of concern that were raised by the OSC.
2. The OSC spent over eight months on-site at Sky Light Center reviewing our program and procedures but less than one week at the NYC OMH Field Office. We are concerned that this

may have given the OSC a less than complete picture of the method in which OMH oversees Supported Housing (SH) programs such as the one Sky Light Center operates.

3. Documents obtained from the OSC indicate that OMH told OSC officials that they *"do not provide regular and necessary oversight and guidance to SH programs such as the one operated by SLC due to a lack of staff and money"*. In other similar contractual arrangements with City and State funders Sky Light has regular contact with a City/State liaison. Sky Light is also provided with audit procedures and guidelines that are clear and regularly updated. We are also offered technical assistance and trainings as needed and the funders diligently allow for corrective action plans to be developed and approved to correct any compliance issues found during regular audits. If OMH had provided Sky Light with regular oversight feedback and support to address any issues that they felt should be changed or corrected, corrective action would have taken place. Instead all that SLC has received on a consistent basis from OMH is conflicting guidance from OMH workers and the field office. As indicated throughout our response, when compliance concerns were brought to our attention by the OSC, Sky Light Center promptly took corrective actions and the SH program is now in compliance with all of your recommendations (unless OMH approval to make the change is required).

Key recommendations:

- Sky Light Center has followed up on what the OSC deems to be unsupported and/or inappropriate personal service and non-personal service expenses as detailed in the report. While the Sky Light Center has performed a time study of the current staffing and current job descriptions, the current study does not reflect the percentage of effort that was in place regarding the individual staff lines during the fiscal years July 2010-June 2011 and July 2011-June 2012. Sky Light Center has undergone a significant transformation with regard to its staffing and their individual percentages of effort as of July 1, 2012. The percentages of effort that were in place during the periods in question pertained to the staffing patterns and responsibilities of service that were in place for many years prior to (and also including) the period in question. These percentages of service (fte's) were reviewed by other auditors and agencies for many years and also the periods in question and have been verified by them as being reasonably determined. We have provided detailed schedules of response to NYS OMH and we are working with Mr. James Russo, NYS OMH, to discuss any recovery of funds that his department deems to be inappropriate.
- The NYS OMH has recently issued Sky Light Center with a document clarifying (for the first time in the tenure of this contract- over 20 years), allocation protocols for a Clubhouse operating a Supported Housing Program. The Deputy Director of the NYC Field Office stated the following in this 6/6/13 letter:

"Agencies that operate a Clubhouse and Supported Housing funded by the State Office of Mental Health (OMH) have made the services and supports of the Clubhouse available to individuals in the agency's Supported Housing. Clubhouse membership has been an invaluable and positive experience for many Supported Housing recipients".

It is Sky Lights position and it is also part of the NYS contract verbiage with SLC (Appendix D Section 1 which states"Sky Light seeks to build a therapeutic community that involves engaging "members" as fully as possible in equal partners in "running the clubhouse"....) that all housing recipients are eligible to partake of Sky Light opportunities and services. In order to achieve this, numerous costs must be allocated across program lines.

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Comment
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- At no point in the auditing process has anyone from the OSC suggested that there was a concern that contingency funds had been used for the personal benefit of Sky Light officials. It is a far cry from recommending that OMH determine whether contingency funds were used for “non-program purposes” as stated later in the draft report (page 10) and accusing Sky Light officials of stealing. If such a charge is being indicated by the OSC, please provide proof that theft occurred on the part of specific officials. This is a serious insinuation that does not match any former statements made by OSC officials. Without details, it is difficult for Sky Light “officials” to respond or defend themselves. The Organization did account for these funds separately. Purchases that were questioned during the OSC audit are referenced in the OMH Supported Housing Budgeting guidelines as acceptable purchases to assist tenants in setting up the household and "...assist in times of financial problems that would otherwise create a housing crisis...." The Organization has documents supporting these expenditures. SLC believes these expenses are reasonable based upon the circumstances the Organization faced and there are absolutely no inappropriately expensed items.
- Since receiving the preliminary report on apartment visits provided by the OSC in 2013, Sky Light Center has begun to request that tenants allow Sky Light housing staff to provide them with monthly apartment visits that focus on resolving any identified health or safety issues. Please see the attached monthly visit form that outlines areas reviewed during said visits. That being said, please note that even though required monthly visits are not a requirement of the NYS OMH we have implemented this process anyway. The wording in this report does not specifically focus on this point but rather speaks to what OMH may do in the future. If Sky Light Center is being held to how it has managed the SH Program during the audited period, it seems appropriate that the report should accurately reflect OMH’s policies or lack of policies and conflicting guidance during the same period.

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Key findings:

- Contingency funds: Since the OSC preliminary audit report was issued; SLC has changed its protocol regarding the usage of contingency funds. Items needed to furnish an apartment for a tenant first moving into an apartment must be accompanied by three bids if the amount is over \$1,000. Clarification from the OMH at a meeting in February of 2014 has expanded the list of items that should be included in the initial furnishing noted as necessary and required. At this same meeting, OMH staff also elaborated on the fact that SH Programs should be open to using contingency monies to replace broken “items” in an apartment if the tenant did not destroy the property through neglect or abuse.

- The OSC recommendation to “ensure that Sky Light supported housing staff periodically perform the required apartment visits” is contradictory to their preliminary visits recommendation which noted that monthly apartment visits do occur. It would be helpful if the OSC could be specific with regard to the detail in regards to this recommendation. As a result of the preliminary recommendation, Sky Light Center began performing more visits and documenting monthly visits. While this has been a significant drag on staff resources, we believed by doing so that we were complying with a very important finding noted in the OSC report.

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- The OSC report focuses only on deficits found in “client” apartments. Sky Light Center, at the time of the audit, supported over 75 people in apartments in the community. Of those 75, the OSC visited 29 people in their apartments. In all, 38.6% of program tenants were visited. Of that, 14% had “safety” issues in their apartments. Another way to describe this OSC concern for safety is that 86% of tenants had no safety concerns, lived in nice apartments, were satisfied with the support received from Sky Light Center, allow apartment visits on an as needed basis and are integrated into their communities, which happens to be a key program goal.

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- While many of the issues found by OSC have subsequently been resolved, and OSC received paperwork signed by the tenant outlining the issues resolved, many issues are not the responsibility of Sky Light Center. While the SH Program staff can provide tenants with safety devices or point out concerns, it is the intent of the program to provide independent living opportunities to tenants. If a tenant is not willing to address the safety issues Sky Light brings to their attention, Sky Light Center cannot force changes. Please reflect the unique nature of these living arrangements in the report. The OMH SH guidelines specifically state, the recipient support plan “must be based on recipient preference and must be approved by the recipient”. Sky Light Center builds positive working relationships with tenants. Skill building needed to sustain housing is encouraged and offered.

Audit findings and Recommendations:

- Sky Light Center accounted for all contingency monies spent. All monies were spent in providing quality supported housing support services to the recipients of these services. Please correct this characterization of our inability to account for the money. This is grossly untrue.
- It is a mischaracterization to use the phrase that we “failed to periodically monitor client living conditions”. This statement does not accurately portray the OMH guidance related to visits, the value of contact versus visits, nor does the statement reflect the efforts made on an ongoing basis by Sky Light SH staff to offer visits/make contacts, nor does it reflect the clause that visits can be refused by tenants (and are regularly refused by some).

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Personal Service Costs

Salary Allocations

Please correct the report to reflect the fact that Sky Light Center did in fact provide the OSC with a rationale for allocations. A more accurate characterization of this issue is that the OSC did not agree with Sky Light's allocation methodology. Again, the manner in which the report is written creates an incorrect impression of either a withholding of information or a lack of oversight of the contract allocations by Sky Light fiscal staff. This was not the case. While the Sky Light Center has performed a recently updated time study of the current staffing and current job descriptions, the current study does not reflect the percentage of effort that was in place regarding the individual staff lines during the fiscal years July 2010-June 2011 and July 2011-June 2012. Sky Light Center has undergone a significant transformation with regard to its staffing and their individual percentages of effort as of July 1, 2012. The percentages of effort that were in place during the periods in question pertained to the staffing patterns and responsibilities of service that were in place for many years prior to (and also including) the period in question. These percentages of service (fte's) were reviewed by other auditors and agencies for many years and also the periods in question and have been verified by them as being reasonably determined.

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Emergency On-call

This is the most egregious and offensive part of the OSC draft report. To characterize the staff who was assigned the emergency on-call work by the former Executive Director many years ago, as "paying themselves" is outrageous. The OMH Supported Housing guidelines require agencies to provide "24 hour crisis outreach services". The NYC OMH Field Office performed an on-site program evaluation in the spring of 2013. At this audit, OMH staff did not request to see on-call crisis logs to determine need for this very important support service. The OMH staff was advised of the Sky Light on-call staffing. No issue was raised by these OMH representatives regarding the structuring of the staffing for this required program service. The CFR has indicated for the years of this audit that the on-call services were paid through personal service contract monies. Sky Light Center was never informed that this was not an allowable expense. The individuals who graciously participated in the 24/7 on call service were paid at standard hourly rates of \$5/hr. for on-call sessions.

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Non-Personal Service Costs

General NPS expenses

Again, the OSC mischaracterizes many of the charges made by Sky Light Center in operating the SH program. For example:

Holiday flowers were for landlords, not vendors, as a thank you for their support of the program. This practice has been discontinued since this OSC review.

The OMH SH guidelines state that medical/dental care is to be part of the "...full range of Community Support Services..." available to the recipient via Sky Light Center. Wellness service expenses charged to the SH contract fall within this category.

Program supplies are provided by one vendor, "Staples", and utilized by each funded program on an as needed basis. The SH program needs paper goods on a daily basis to function.

Questionable Contractor Payments

These were on-going maintenance items that the Organization decided to use a local vendor for because a consistent and reliable vendor was not able to be obtained throughout years. Because of previous experiences Mr. Pinazo's company was viewed as a "sole source" for the type of work he provided the Organization. Based upon these circumstances and their company's reliable track record and reasonable rates, their services were used. There was no receipt for the range because Mr. Pinazo's company did not purchase the range.

Rental Payments for vacant space

At a February 2014 meeting, staff representing the NYS OMH (including Moira Tsjian and Caren Abate) stated that the OMH allows SH programs to rent up to five vacant apartments in order for consumers who are approved for SH housing to have a choice in the apartment they want to make their "home". Sky Light Center provided options for consumers in relation to the two apartments the OSC indicates were secured but vacant for the periods of time indicated. In these two instances, no consumers wanted to live at those sites due to the small size of the apartment and the less than desirable neighborhood where they were located. Sky Light Center could not foresee this difficulty in filling the apartments and legally had to pay the rent for the term of the lease before ending the legally binding agreement with the landlord.

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Vehicle Costs

It is Sky Lights position and it is also part of the NYS contract verbiage (Appendix D section 1 which statesSky Light seeks to build a therapeutic community that involves engaging "members" as fully as possible in equal partners in "running the clubhouse"....) that all housing recipients are eligible to partake of Sky Light opportunities and services. In order to achieve this numerous costs must be allocated across program lines. Based upon cost allocations that were in place the costs that are questioned in the OSC report does not exceed the allowable allocation for these expenditures.

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Contingency Funds

*The agency asked tenants to indicate on a "needs lists", items that were needed to replace broken items or provide items to improve their quality of life. There were no "wish lists".

* The report indicates that "Sky Light leased a storage facility to store many of these items but did not keep any inventory records..." Later in the same report "contingency" section, the OSC reports "...there was no evidence (i.e., serial numbers or inventory control numbers) to prove these were the same items from the inventory listing." Please note: Sky Light provided OSC staff with an inventory list.

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*The OSC did not request inventory control numbers when presented with the signed "client statements". It is unfair to characterize this as "...no evidence to prove these were the same items from the inventory...." This information could have been provided to OSC if it had been requested.

*There was an inventory list for the storage unit. The items the OSC were unable to locate in the storage site were due to an outdated inventory list being used and those items had been distributed to tenants as indicated above.

Compliance with Program Requirements

- There were no tenants that had never been visited.
- In several cases, tenants not visited had refused visits by Sky Light SH staff.
- Could the OSC please preface this section with the information received by OMH officials that SLC was not provided the tools or authority to enforce visits. To place it after stating that "...Sky Light officials have not met their fiduciary responsibility...." gives the reader the impression that this is the finding when in fact there were extraordinary issues that undermined Sky Light from meeting its fiduciary responsibility.

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Comment
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Supported Housing Program and Fiscal Corrective Actions as a Result of the OSC Audit

- 1) Sky Light's SH Program is in the process of returning one of the lesser used vehicles to OMH.
- 2) The storage unit utilized to stock bulk purchases of items for tenant's apartments has been closed.
- 3) The SH Program is not working with any specific contractor to repair/paint areas in tenant apartments.
- 4) Tenants are visited monthly with focus on safety issues. If a person refuses or misses an apartment visit, a verbal review of important issues is reviewed off-site.
- 5) The on-call emergency phone calls are now logged by staff with disposition of each issue documented.
- 6) An additional full time SH Program case manager has been hired.
- 7) Although NYC OMH Field Office staff are reluctant to respond in writing, Sky Light SH Program staff request clarification of OMH guidelines in writing on a regular basis.

Signed:

Date:

SKY LIGHT CENTER'S SUPPORTED HOUSING APARTMENT VISIT LOG

APARTMENT VISIT DATE: _____

MEMBER'S NAME: _____

Site Visit

MEMBER'S ADDRESS: _____

Verbal

PHONE NUMBER: _____

PLAN FOR VISIT

BUILDING INSPECTION

	YES	NO	COMMENT
Fire Safety:			
Does front door open all the way? If not, recommend moving any items preventing it from doing so.			
Smoke Detector Installed and Working?			
Carbon Monoxide Detector Installed and Working?			
Can alarm be heard in sleeping area?			
Is a fire extinguisher installed? <i>This is a requirement</i>			
Does tenant have a fire escape ladder, either a portable unit or attached to building?			
Is there a smell of gas anywhere within the apartment?			
Does stove self light? If not, advise AGAINST use of matches and recommend contacting the landlord ASAP.			
Has fire evacuation plan been discussed and rehearsed? (<i>must have signed fire safety form in file</i>)			
Is there any structural damage (<i>paint, tiles, walls, ceiling, floor</i>)? If so please comment using a detailed description. <i>Take picture if possible.</i>			
Environmental - Kitchen			
Are all kitchen appliances in working condition? <i>Refrigerator, freezer, stove, sink, etc.</i>			
Is there adequate food in the refrigerator and/or cabinets? If not, please comment on how food is being obtained – Eating Out? Attending SLC? Food Stamp Issue?			
Is kitchen sink clean? Does water work properly?			
Are counter tops clean?			
Is trash being emptied?			
Are there any signs of vermin (<i>roaches, fruit flies, ants, etc</i>)? <i>If so, advise to contact exterminator.</i>			

**SKY LIGHT CENTER'S
SUPPORTED HOUSING APARTMENT VISIT LOG**

	YES	NO	COMMENT
Environmental - Bathroom			
Is bathroom clean?			
Is toilet working properly?			
Is shower working properly?			
Is there a plunger in bathroom?			
Does hot /cold water run properly?			
Is there any structural damage (<i>paint, tiles, walls, ceiling, floor</i>)? If so please comment using a detailed description. <i>Take picture if possible.</i>			
Environmental - Bedroom (<i>sleeping area if studio</i>)			
Is room clean?			
Is bed in good condition? <i>Check mattress, box spring and frame</i>			
Are clothes being put away?			
Is there any structural damage (<i>paint, tiles, walls, ceiling, floor</i>)? If so please comment using a detailed description. <i>Take picture if possible.</i>			
Other Questions To Ask			
Has any pertinent information changed such as phone number, entitlements, doctors, medications? If so please comment using detailed information.			
Is tenant working? If they are, paystubs MUST be submitted to Sky Light. Please advise of such.			
Do you have any current medical conditions that you need assistance with?			
Any issues with budgeting? If so please complete budget review form.			
Any landlord or neighbor issues at this time?			
Does member wish to become more active in clubhouse?			
Does member want to receive Sky Light newsletter?			
Any Needs/Wants at this time?			

APARTMENT VISIT FINDINGS

Staff Signature: _____

Member Signature: _____

State Comptroller's Comments

1. We have informed Sky Light officials that they have cited the responsibilities of OMH pursuant to the Executive Law. Although it would be welcomed, Sky Light is under no obligation to respond to our final report.
2. Our report clearly identifies OMH as the responsible oversight agency. As such, our recommendations are addressed to OMH officials.
3. As noted in the report, Sky Light's Clubhouse program is fully funded by New York City. There are no contract provisions for Supported Housing Program monies to be dedicated to the Clubhouse.
4. We agree, this is a potentially serious issue and not one that we make lightly. As noted in our report (and contrary to their assertions), Sky Light officials were unable to account for the proper expenditure of their contingency funds. Those specifics were presented to Sky Light officials during our field work. OMH needs to investigate further to determine whether any of these monies were used inappropriately.
5. Sky Light's concerns regarding the extent of OMH oversight is already mentioned in the report.
6. There is no contradiction in our report. We correctly note that Sky Light's own policy is to visit each Client apartment monthly. However, when we looked for compliance with said policy, we found that several Clients did not permit Sky Light staff to do so. Our recommendation is that Sky Light officials comply with their own policy which we deem to be a good one.
7. Sky Light officials invert our findings to express that the majority of their Clients do allow apartment visits and, during our own visits to selected Client apartments, the majority of those visited were found to be safe. Although from a percentage perspective this may be true, Sky Light officials should not diminish the significance of any apartments posing risk to a Client.
8. The phrase "failed to adequately monitor Client living conditions" is accurate. If even a few apartments go unvisited for a significant period of time, considering Clients' medical conditions and their need for supportive housing, both clients' health and the residence they occupy can be placed at greater risk.
9. Although Sky Light's accountant attempted to explain the rationale for their salary allocations, we did not receive any evidence (e.g., time and attendance records, work effort studies) to support those allocations.
10. Our report adequately describes the justification for our recommended disallowance. The fact that previous persons who reviewed this reported service did not request the documentation that we did (nor cite this lack of documentation as a finding) does not defend this substantial expenditure of government monies without reasonable evidence that the service in fact was provided.
11. Buying flowers for vendors or landlords is not a legitimate reimbursable expense. We do not take exception to any wellness program provided by Sky Light – only the misallocation of associated costs. The paper goods in question pertain to dishes, cups and napkins.
12. We have not been provided with any evidence supporting this assertion, nor were we

advised of this allowance when discussing our preliminary findings with Sky Light and OMH officials. Also, the noted conversation between Sky Light and OMH representatives is addressed in OMH's response to this report (page 18).

13. After receipt of Sky Light's response, we asked Sky Light for any support it has for the identifying numbers we requested during the audit. None was provided.
14. The proper administration of this contract is the responsibility of both OMH and Sky Light. Sky Light officials cannot obviate their responsibility to perform their required functions claiming lack of proper oversight. The report section cited by Sky Light officials is accurate and balanced as written.