



Office of Mental Health

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August 2, 2017

John Buyce, CPA, CIA, CGFM
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236-0001

Dear Mr. Buyce:

The Office of Mental Health has reviewed the Office of the State Comptroller's (OSC's) final audit report entitled, "Oversight of the Supported Housing Program: Rehabilitation Support Services, Inc." (2016-S-5). Our responses to the recommendations contained in OSC's report are enclosed.

Sincerely yours,

Ann Marie T. Sullivan, M.D.
Commissioner

**OFFICE OF MENTAL HEALTH
RESPONSE TO OFFICE OF THE STATE COMPTROLLER
FINAL REPORT 2016-S-5
OVERSIGHT OF THE SUPPORTED HOUSING PROGRAM:
REHABILITATION SUPPORT SERVICES, INC.**

OMH has reviewed the findings and recommendations in the Office of the State Comptroller's (OSC) final report (2016-S-5) entitled "Oversight of the Supported Housing Program: Rehabilitation Support Services, Inc." The purpose of the audit was to determine whether or not OMH is ensuring that Residential Support Services (RSS) expended funds appropriately and provided the required services under their supported housing program contracts.

OMH enters into contract (either directly or indirectly through county governments) with not-for-profit agencies to operate supported housing programs which provide rental assistance and supportive services for individuals with serious mental illness to retain housing in the community. The not-for-profit entities locate privately-owned apartments for supported housing and provide rental stipends, advocacy with landlords, and coordination and linkage to community supports to assist in maintaining independent housing. OMH's oversight role is to provide guidance to providers, ensure that providers are implementing program guidelines, and review and reconcile claimed expenses.

In Section I, OMH explains how OSC exceeded its statutory authority when conducting the audit, and refutes OSC's assertion that OMH fails to provide sufficient fiscal oversight and programmatic guidance to its supportive housing program providers. In Section II, OMH comments on specific OSC audit statements regarding OMH's oversight of its supportive housing program, and where necessary, identifies where OSC makes statements and findings that are without factual or legal merit. Lastly, in section III, OMH responds to OSC's specific recommendations regarding RSS.

I. OMH Overall Comments

OSC states on page 2 that RSS is the sixth supported housing provider that they have audited in the past two and a half years and that they have identified \$3.2 million in ineligible, unsupported, or questionable costs that were claimed for State reimbursement. While OSC has conducted six audits, field work for the first provider began in May 2012, more than five years ago, not two and a half as stated in the report. Additionally, for one of these audits ("Administration of the Contract with the Center for Urban Community Services" 2014-N-5), OSC was auditing the New York City Department of Health and Mental Hygiene's administration of the contract with the provider, not OMH's oversight.

While OSC claims to have identified \$3.2 million in ineligible, unsupported, or questionable costs, only \$1.4 million were associated with the supported housing program. By including non-supported housing and non-mental health program costs in this total, OSC artificially inflates the amounts characterized as "questionable" relevant to these reports. The remaining five providers included in OSC's audits claimed a total of \$53.3 million in expenses for the supported housing program during the audit scope. The total amount of ineligible, unsupported, or questionable costs associated with the supported housing program only account for less than three percent of the total claim. See the table below:

Provider	Audit Scope	Total SH Claim	Total Unallowable and Questionable Per OSC Report	Total SH Unallowable and Questionable	% SH Unallowable to Total Claim
Skylight	2/1/07 - 3/31/13	\$6,631,122	\$420,623	\$420,623	6%
DePaul	1/1/13 - 10/31/15	\$9,168,843	\$377,699	\$151,730	2%
ICL	7/1/13 - 6/30/14	\$11,091,266	\$138,132	\$138,132	1%
Postgrad	7/1/13 - 6/30/14	\$6,047,646	\$697,938	\$568,133	9%
RSS	1/1/14 - 8/31/16	\$20,333,333	\$521,887	\$144,118	1%
		\$53,272,210	\$2,156,279	\$1,422,736	3%

Additionally, as stated in OMH's response to the draft report, OSC's audit is flawed because it goes beyond OSC's authority as set forth in in NYS Constitution Article 5, Section 1. OSC is authorized only to "(1) to audit all vouchers before payment and all official accounts; (2) to audit the accrual and collection of all revenues and receipts; and (3) to prescribe such methods of accounting as are necessary for the performance of the foregoing duties." In other words, OSC is authorized only to audit whether OMH properly ensured that contracted services were provided and that only appropriate and supported expenses were reimbursed.

OSC went beyond its constitutional authority by evaluating the quality of programmatic benchmarks made by trained health care professionals. OSC has no clinical expertise, should not be second-guessing trained medical experts, and should certainly not be making any findings based on those assessments.

Second, as noted in OMH's response to OSC's draft audit, OSC has no basis for its finding that "OMH did not provide sufficient fiscal oversight and programmatic guidance to Program providers to ensure that claimed expenses are Program appropriate and that certain Program goals were met". Indeed, OSC found that RSS' clients received appropriate housing services, and then asserted that OMH did not visit the program frequently enough because OMH did not sufficiently focus on the fiscal aspects, something for which visits to the program are not required. In fact, OMH's Central New York Field Office visited RSS on August 12, 2014 and the Hudson River Field Office was on-site May 6, 2016.

OMH's oversight process ensures that claimed expenses are program appropriate and program goals are achieved. OMH employs two approaches to awarding Supportive Housing beds. In the New York City and Long Island regions, OMH awards the beds to providers through an RFP and contracts directly with providers. In other regions, the beds are allocated to the counties, who in turn procure and hold the contracts with providers. Counties are required to attest that the Supportive Housing Guidelines (SH Guidelines) will be adhered to by providers and OMH Field Offices respond to any complaints raised by consumers. When an issue or complaint arises, the Field Office follows up directly with the agency and includes other appropriate parties, such as the county Single Point of Access (SPOA). The Field Office works with all involved parties to ensure any issues are resolved. The Hudson River Field Office (HRFO) has jurisdiction over 16 counties, including the majority of counties in which RSS operates. Over 2,700 Supportive Housing beds are operating in the Hudson River Region. The HRFO reports that it has received just three complaints in the past three years from consumers residing in Supportive Housing beds.

In addition, OMH utilizes many guidance and monitoring tools including the SH Guidelines, the Aid to Localities Spending Plan Guidelines, CPA-prepared certified financial statements, the contract close-out process performed by OMH's Office of Community Budget and Financial Management, and the submission of the Consolidated Fiscal Report (CFR). CFRs are CPA-certified and providers are afforded training on proper preparation and filing.

II. OMH Comments to OSC Audit Findings

1. **OSC's Assumption that OMH Does not Request Supporting Documentation for CFRs:** On page 6, third paragraph, OSC states, "While OMH performs limited desk reviews of the CFRs, it usually does not request supporting documentation from providers."

OMH Comments: This statement is inaccurate. OMH requests documentation of expenditures anytime the CFR appears to contain errors or irregularities, or anytime the CFR shows large changes in reported expenditures from previous years. Although the limited staff available to OMH cannot review supplemental documentation for every single one of the 800 providers that hold more than 700 OMH contracts, such documentation is requested whenever necessary.

2. **OSC Misunderstands that Providers Are Not Required to Set Aside Contingency Funds:** On page 7, first paragraph, OSC states that the 2014 and 2015 SH Guidelines indicate that providers should set aside \$500 in contingency funds for each client from the annual stipend. The paragraph goes on to say that "the 2015 Questions and Answers supplement specifically states that service providers are required to set aside contingency funds for clients living in the community (rather than a facility), which is how RSS places its program clients."

OMH Comments: As OMH has repeatedly stated, the guidance only advises that providers "should" maintain contingency funds – this is not a requirement. Budget constraints that are due to increasing program expenses often limit the ability of providers to set aside contingency funds and therefore the SH Guidelines state that "contingency funds **should** be set aside annually from the per unit OMH operating subsidy." To address the inconsistency in wording between the SH Guidelines and the corresponding SH Guidelines Questions and Answers document, OMH has drafted revisions specifically addressing and clarifying contingency funds, and they are currently under review.

3. **OSC's Misunderstanding of the Program and the Services that Are Provided:** On page 7, second paragraph, OSC states that OMH allows RSS to provide medication education services that are not consistent with the SH Questions and Answers document.

OMH Comments: This is an example of OSC's inability or unwillingness to understand the program and their failure to take OMH responses into consideration. In May 2016, OMH program officials explained in writing to OSC that RSS operates an enhanced supported housing program in Albany County. This enhanced supported housing program allows clients to live in a stepped-down community-based residential setting and includes a full-time nurse and some medical assistance and additional supports, one of which is medication management. The SH Guidelines Questions and Answers document discusses only medication services provided in a supported housing program and does not discuss allowable services for the enhanced supported housing program.

4. **OSC's Erroneous Conclusion that OMH Does Not Provide Consistent Fiscal Oversight of Supported Housing Providers:** On page 7, third paragraph, OSC states that "OMH is not exercising consistent fiscal oversight of its more than 150 Program service providers." OSC goes on to say that OMH's guidance is vague and providers are left on their own to interpret guidance.

OMH Comments: OSC's statement reflects a fundamental misunderstanding of OMH's programmatic and fiscal guidance, which provides a comprehensive set of guidelines to ensure that programmatic goals are met within the framework of the fiscal guidelines. The SH Guidelines empower service providers to tailor services to clients. This type of

individualized treatment and assessment is exactly how providers can best serve persons in need of supported housing.

Specifically, the SH Guidelines indicate that providers should "deliver those services necessary to establish the recipient in his/her housing, and maintain that housing . . .". The SH Guidelines are designed to focus on coordination of services with community providers. To that end, the SH Guidelines list a range of services that the recipient should be provided access to (e.g., employment support, mental health and substance abuse treatment, assistance with obtaining entitlements). Flexibility is necessarily extended to providers given the variability in recipient need, which changes over time, as well as the local availability and choice in services. Such individualized treatment is clinically effective and fully compliant with the Americans with Disabilities Act.

In addition to the SH Guidelines, OMH relies on the CFR Manual to offer guidance to providers on the completion of the CFR, including how to categorize allowable expenses. Appendix X of the CFR Manual (Adjustments to Reported Costs) details those expenses that are ineligible for reimbursement. Providers rely on these guideposts in order to properly categorize expenses.

5. **OSC's Programmatic Assumptions Surrounding Performance Measure Goals:** OSC states on Page 8, first paragraph, that "OMH has other quantitative performance measures – such as the median length of stay – that have no set goals or targets."

OMH Comments: Setting such goals or targets would be a mistake, and for OSC to suggest that OMH should set such goals again shows a fundamental misunderstanding of the supported housing program. Because the program is intended to be long-term/permanent housing, establishing a standardized benchmark for length of stay would not be meaningful because the length of stay is highly individualized. A consistently low length of stay may be indicative of a high turnover rate (a condition where OMH would engage the provider to identify and address any performance issues).

6. **OSC's Assumptions Regarding Program Performance:** OSC assumes on page 8, second paragraph that "OMH does not take action when a Program service provider underperforms other than to recover any annual stipends paid for beds not provided." OSC goes on to conclude that although RSS's overall occupancy in all of the supported housing sites, over eight different counties, was below OMH's goal of 90 percent in 2013, "OMH still increased the number of beds RSS was contracted to provide in 2014 and again in 2015." OSC goes on to conclude that OMH should consider reallocation of units.

OMH Comments: The SH Guidelines indicate that "OMH may reallocate units when significant vacancies exist." OMH does not consider temporary shortfalls of 6.9 percent and 4.4 percent to be significant. Thus, OSC should not assume that appropriate action for the overall program's not meeting the 90 percent occupancy rate is to withhold awarding additional beds, regardless of the level of need in the community, lack of organizational capacity, or any other mitigating circumstances.

RSS is the primary or exclusive supported housing provider in eight counties. Additional beds are awarded by RFP as resources allow in response to the needs identified in the community. As part of OMH's RFP process, a provider's bed performance with regard to bed utilization is included in the scoring rubric. RSS is a successful provider in good standing and in some instances, may be the only applicant offering to provide supported housing beds in a particular county.

Furthermore, OSC did not take into consideration that the additional beds awarded may have been allocated to counties where the 90 percent occupancy target was being met. For instance, the supportive housing beds operated by RSS in Schenectady County in

2015 that were open for greater than 12 months were operating at 91.8% occupancy for calendar year 2015. Ten additional beds were awarded to RSS in Schenectady County during 2015. Moreover, CAIRS data is constantly fluctuating, and newly awarded beds account for some of the gap between the occupancy rates and the program goal, as RSS works with clients to identify appropriate housing that the client may choose to accept, and are not filled immediately when the new beds are awarded. During 2013, RSS opened the following new beds:

- Albany County – 20 beds
- Orange County – 12 beds
- Schenectady County – 5 beds
- Tioga County – 2 beds

At the end of calendar year 2013, the 20 newly awarded beds in Albany County had an occupancy rate of 32.2%. OSC's view of the data likely did not account for the effect of newly opened beds, which may take up to 120 days to fill. It is also important to note that it is extremely challenging for providers to identify appropriate, habitable, affordable housing that is near program and/or clinical services, and has access to public transportation, while competing with college students and other low-income tenants, as well as balancing client choice.

Lastly, while OSC's preliminary report entitled "OMH Oversight" did include that RSS' occupancy rate was below 90 percent in 2015, it did not include mention of OMH increasing RSS's number of beds despite having a "low" occupancy percentage. Had OSC informed OMH of this concern before issuing the audit report, OMH would have been able to provide detail surrounding the occupancy percentages and increased beds by county.

7. **OSC's Erroneous Conclusion that Performance Measures Do Not Reflect Program Goals:** OSC inaccurately draws the conclusion on page 8 that "[t]he performance measures OMH currently uses do not reflect the primary goal of the program." OSC further states on page 9 that "[w]ithout targets for the performance measures, OMH is not able to evaluate whether a service provider is meeting expectations or how a service provider compares to other service providers in its area."

OMH Comments: This conclusion is incorrect. The primary goal of the program is to assist consumers with serious mental illness to obtain and maintain housing in the community. The particular rates of occupancy and the rates of referrals from a particular settings is a measure that is monitored to determine success of the program. The length of stay helps to measure the success of the individual.

8. **OSC's Clinical Determination on Purchasing Food for Clients:** OSC found \$32,617 spent on food for clients and staff to be questionable. On page 13, first paragraph, OSC explains that purchasing food for clients could be acceptable if it was purchased to help a client remain in housing. They go on to state that "providers are not expected to provide all necessary services to clients but instead should assist clients in linking to community support systems, which would include programs such as local food pantries and emergency SNAP benefits."

OMH Comments: The program guidance explicitly states that expenses establishing a client in housing are allowable expenses, and food purchases do help clients to remain in housing. OSC's reference to SNAP benefits clearly demonstrates that OSC does not know that SNAP benefits have certain eligibility guidelines that may not be applicable to clients in supported housing, including that they are only available at the initial application for SNAP benefits and may take several days to receive benefits. Moreover, food pantries may not be available or sufficient, and they are not a complete alternative that would

preclude supplemental or occasional assistance through the supported housing program. Again, OSC has made assumptions based on programmatic determinations for a program with which they are not familiar. The supported housing program is designed to afford providers with flexibility to develop an individual support plan, link clients to benefits and services in the community, and to provide ancillary services necessary to support or maintain the clients in housing as necessary.

Additionally, OSC did not indicate that it found clients that were provided with food through the supported housing program without also being assisted with applying for SNAP benefits and/or other community resources.

- 9. OSC's Reference to the Provider Reimbursement Manual:** On page 13, last paragraph, OSC states that Appendix X of the CFR Manual indicates that if the Manual nor the NYS Codes, Rules, and Regulations address an issue, that the Provider Reimbursement Manual (PRM-15) applies. They go on to state that according to the PRM-15, gifts are not necessary program costs if they are not common or accepted occurrences in the provider's field of activity.

OMH Comments: OSC's reliance on the PRM as a benchmark for evaluating the supported housing is inappropriate. The PRM is a federal guidance document covering multiple program types that are funded by Medicaid or Medicare. OSC's reference to the PRM does not apply because supported housing is not funded by Medicaid or Medicare.

Even if the PRM did apply, it would actually categorize gift cards as an acceptable program cost. As discussed in the response to the draft report, the PRM defines costs related to patient care as "all necessary and proper costs which are appropriate and helpful in developing and maintaining the operation of patient care facilities and activities. Necessary and proper costs related to patient care are usually costs which are common and accepted occurrences in the field of the provider's activity."

The way that OMH utilizes gift cards as a tool for community integration means that these costs clearly fit the definition of a cost related to patient care. This is because the gift cards are issued to enable individuals to learn such independent living skills as being able to purchase groceries, shop for clothes, etc. These skills are critical for persons transitioning to community living, as a person in OMH's care cannot safely transition to independent community living without first understanding how to use money and make basic purchases independently. Thus, the use of gift cards to teach individuals how to live integrated and independent lives is critical for participants in the SH program to thrive in their supported housing.

- 10. OSC's Comparison of OMH to SED:** On page 14, second paragraph, OSC compares OMH to SED by stating that while both agencies are required to complete a CFR, SED has issued guidance which prohibits the claiming of gift cards as an allowable expense.

OMH Comments: OSC draws an inappropriate comparison between OMH and SED. As OMH has clearly stated to OSC on multiple occasions, OMH and SED programs are completely different in both programmatic structure and goals. Additionally, the populations served and the programs that serve them have nothing in common.

Specifically, SED programs are strictly educational and do not provide community integration, life-skill building, or any programmatic focus that would entail the use of gift cards, hence the prohibition by SED. In contrast, OMH programs are designed to integrate a person into a larger community and providing gift cards to these individuals is an important tool for OMH to use in achieving community integration. Notably, such integration is not only regarded as clinical best practice, but is also required by the

Americans with Disabilities Act. Accordingly, OMH requests that OSC remove the erroneous analogy between the SED and OMH gift card policies.

11. **OSC's Assumption that OMH Does Not Visit Providers:** OSC makes the assumption on page 15, fifth paragraph, that "OMH does not regularly visit service providers to review case files" based on the fact that they found two clients that were paying more than 30 percent of their income toward rent which was not pre-approved by OMH.

OMH Comments: OMH conducted more than 30 visits to supported housing programs in 2016. The fact the OSC found two clients that were paying more than 30 percent of their income towards rent is not indicative of whether or not site reviews are being conducted. The requirement for OMH pre-approval for clients paying more than 30 percent of their income towards rent was an addendum to the SH Guidelines that were updated in 2015. This process was not put into place until April 2015, and because OSC's audit scope was January 2014 to August 2016, it is unclear whether or not pre-approval was needed.

III. **OMH Responses to OSC Recommendations**

- **OSC Recommendation No. 1 – OMH Guidance Over Program Expenditures**
Issue clear and specific guidance to service providers on allowable Program expenses that may be reported on the CFR.

OMH Response

The CFR Manual provides specific guidance and criteria regarding the eligibility of program expenses. Section 13 of the CFR Manual defines the expenses which should be included on each line of the CFR, and the appendices not only clarify those expenses which are deemed allowable, but define those expenses which have been determined to be non-allowable as well.

- **OSC Recommendation No. 2 – Claiming of Expenses**
Establish controls to ensure that service providers are claiming only reasonable and allowable expenses on the CFRs for the supported housing program.

OMH Response

OMH already provides extensive guidance and training to its providers on allowable program costs. OMH has controls in place through its desk review and contract close-out process to ensure that providers are claiming allowable expenses. OMH continually reviews such guidance and training to ensure providers are receiving the most up-to-date and accurate information regarding allowable expenses.

- **OSC Recommendation No. 3 – Consistency in Supported Housing Guidance**
Ensure all Program guidance materials, including supplemental information such as the 2015 Questions and Answers document, are consistent with each other and with Program goals.

OMH Response

This recommendation is misleading and overly broad. Program guidance documents establish and explain the program goals, along with expectations and direction on how to achieve those goals. OSC fails to provide any example of inconsistency between the guidance and program goals. OMH acknowledges that the language regarding contingency funds in the SH Guidelines Questions and Answers document differs from the SH Guidelines. The SH Guidelines are currently being revised to address and remove any inconsistency.

- **OSC Recommendation No. 4 – Contracts with Service Providers**
Ensure that contracts with Program service providers comply with Program guidance.

OMH Response

OMH distributes extensive programmatic and fiscal guidance to providers. CFR training (updated annually) includes guidance on allowable program costs and OMH has controls in place through its desk review and contract close-out process to ensure that providers are claiming allowable expenses.

- **OSC Recommendation No. 5 – Goals for Performance Measures**
Establish specific quantitative and qualitative goals or targets for all Program performance measures.

OMH Response

As indicated on page 8 of OSC's audit report, OMH utilizes two performance measures for the supported housing program: occupancy, and length of stay. OMH has established an occupancy rate of 90 percent as the target for the supported housing program. As previously stated, establishing a benchmark for length of stay would not be meaningful because the program is intended to be long-term/permanent housing. As such, length of stay is a relative indicator, and a minimum standard would not be appropriate.

- **OSC Recommendation No. 6 – Accuracy of CAIRS Data**
Ensure the accuracy of the information reported by service providers through CAIRS.

OMH Response

OMH disagrees with this recommendation. CAIRS provides real-time data on tens of thousands of individuals across multiple programs. It is not a practical use of public resources to verify this volume of CAIRS data. However, OMH does perform periodic program monitoring, a component of which is reviewing case files that include admission and discharge information (i.e., the same data entered in to CAIRS). Additionally, providers are aware that OMH uses CAIRS data when evaluating responses to RFP's, which provides an incentive for performance as well as for timely and accurate data submissions.

- **OSC Recommendation No. 7 – Performance Data Availability**
Provide current RPI data to the public.

OMH Response

OMH has acknowledged that technical issues hindered the posting of the RPI reports during the audit. Public availability of the on-line reports was restored in March 2017.

- **OSC Recommendation No. 8 – Performance of Providers**
Evaluate the performance of Program service providers, and take appropriate action when a Program service provider is not meeting Program goals.

OMH Response

OMH disagrees with the presumptions that providers are not evaluated and that appropriate action is not being taken. OMH would further characterize OSC's recommendation as policy analysis based on incomplete information rather than a recommended corrective action to an audit finding. OMH, the providers, the County Mental Health Commissioners, and SPOA's mutually and collectively operate and manage a system of mental health services and housing, and are mutually and collectively interested in the performance of that system. Performance is reviewed constantly as the SPOA's and providers work to meet the needs of individuals within the resources available, including the supportive housing resources. A provider demonstrating consistently low occupancy would face scrutiny from the SPOA, County, and OMH Field

Office and resources could ultimately be in jeopardy of being reallocated to another provider or County.

OSC has presumed that “appropriate action” for SH providers not meeting the 90 percent occupancy rate is to withhold awarding additional beds, regardless of the level of need in the community, lack of organizational capacity, or any other mitigating circumstances.

Further, OSC did not account for the impact of newly awarded beds. At the point that RPI reports were generated, 31 beds had been opened within six months of the report with a 40% occupancy rate, artificially deflating RSS’ overall occupancy rate for supportive housing beds. Lastly, some beds that were awarded under specific initiatives are restricted to certain target populations which may delay full occupancy (e.g., high-cost Medicaid users, individuals with long lengths of stay at Psychiatric Centers, individuals being released from prison that have residency restrictions).

- **OSC Recommendation No. 9 – Additional Performance Measures**

Develop additional Program-specific quantitative and qualitative performance measures for all service providers, regardless of whether they receive funding through a county or directly from OMH.

OMH Response

OMH disagrees with this recommendation. As has been previously stated, OMH already has appropriate performance measures in place. The metrics of occupancy rate and length of stay utilized by OMH sufficiently measure the fundamental purposes of the supported housing program. OMH does consider it allowable that counties may choose to require additional data reporting, particularly given their role as the administrator of the Single Point of Access (SPOA) system, but it is not required.

- **OSC Recommendation No. 10 – Non-Allowable Expenses**

Recover the \$32,271 in expenses (\$6,282 charged to the Program and \$25,989 charged to other OMH-funded programs) we identified as not reasonable, necessary, or allowable for the Program.

OMH Response

OMH has requested additional documentation for further review of the expenses that OSC asserts are non-allowable. Should any costs be identified as being non-allowable, OMH will recover funds as appropriate.

- **OSC Recommendation No. 11 – Questionable Expenses**

Review the \$489,756 in questionable expenses (\$137,848 charged to the Program and \$351,907 charged to other OMH-funded programs) we identified to determine whether they are reasonable and necessary, and recover any amounts determined to be not allowable.

OMH Response

OMH has requested additional documentation for further review of the expenses that OSC asserts are questionable. Should any costs be identified as being non-allowable, OMH will recover funds as appropriate.

- **OSC Recommendation No. 12 – Competitive Bidding**

Require service providers to rebid competitively bid contracts periodically or demonstrate that the contract remains competitively priced.

OMH Response

This is a best practice that OMH has already adopted as demonstrated by its inclusion on OMH's website, in the document "Top Ten Internal Controls to Prevent and Detect Fraud." OMH will work with providers to reiterate this expectation.

- **OSC Recommendation No. 13 – Related-Party Transactions**

Ensure that service providers properly report all related-party transactions on their CFRs.

OMH Response

The CRF Manual requires that all related-party transactions be included on the CFR-5. OMH will work with providers to reiterate this expectation.

- **OSC Recommendation No. 14 – Gift Cards**

Develop guidance for gift cards that, at a minimum, requires service providers to:

- Document which clients received gift cards, including vendor and amount;
- Document the reason a gift card was considered appropriate to assist the client; and
- Obtain receipts or other evidence that the client used the gift card for its intended purpose.

OMH Response

OMH has reviewed and revised the SH Guidelines which specifically address the use of gift cards. An updated version of these guidelines are currently under review.

- **OSC Recommendation No. 15 – Rental Stipend Worksheets**

Ensure that Program service providers are correctly completing rental stipend worksheets.

OMH Response

In regions where OMH holds the supportive housing contract with the providers, OMH Field Offices routinely engage in on-site monitoring of the supported housing program and review case files, which includes the review of rental stipend worksheets. In other areas, counties contract directly with providers and conduct oversight activities including monitoring visits and inspections. OMH will request that the applicable counties conduct a follow-up visit in conjunction with the Field Office if possible, in order to ensure that RSS is correctly completing the worksheets.

- **OSC Recommendation No. 16 – Pre-approvals Regarding Rent**

Ensure that Program service providers obtain the required pre-approvals for clients to pay more than a fair market value and/or more than 30 percent of their income for rent.

OMH Response

The SH Guidelines were updated in 2015 to include the requirement for pre-approval from OMH for clients who would pay more than 30 percent of their income towards rent. As stated, dependent upon the region of the State, Field Offices or Counties do perform on-site monitoring, including a review of case files and rental stipend worksheets.

Regarding fair market rent, OSC has misinterpreted the guidance to infer that pre-approval from OMH is required for rents exceeding the fair market rent. This is not the case. The SH Questions and Answers document indicates that "if the agency finds and is willing to pay for an apartment above the Fair Market Rent they may choose to do so after conducting a rent reasonableness study."

- **OSC Recommendation No. 17 – State and County Guidance**

Revise the OMH guidelines to provide clear direction to all Program service providers, including whether OMH or county guidelines should take precedence.

OMH Response

OMH strongly disagrees with OSC's generalization that the guidance provided by OMH is lacking clear direction. However, OMH will review current guidance regarding the relationship between OMH and county guidelines to determine whether clarification is needed.