



## Office of Mental Health

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March 28, 2017

Frank Patone, CPA  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
59 Maiden Lane – 21<sup>st</sup> Floor  
New York, NY 10038

Dear Mr. Patone:

The Office of Mental Health has reviewed the Office of the State Comptroller's (OSC's) final audit report entitled, "Administration of Contract C007373 with the Institute for Community Living" (2015-S-39). Our response to the recommendations contained in OSC's report are enclosed.

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

Sincerely yours,

  
Ann Marie T. Sullivan, M.D.  
Commissioner

**OFFICE OF MENTAL HEALTH  
RESPONSE TO OFFICE OF THE STATE COMPTROLLER  
FINAL REPORT 2015-S-39  
ADMINISTRATION OF CONTRACT C007373 WITH THE  
INSTITUTE FOR COMMUNITY LIVING**

**I. OMH Overall Comments**

OMH has reviewed the findings and recommendations in the Office of the State Comptroller's final report (2015-S-39) entitled "Administration of Contract C007373 with the Institute for Community Living." The purpose of this audit was to determine whether or not OMH is effectively administering its supported housing contract with the Institute for Community Living (ICL) and ensuring that contracted services were provided and that only appropriate and supported expenses were reimbursed. OSC found that ICL was in compliance with program requirements and that personal service costs and fringe benefits allocated to the contract were appropriate.

The OMH supported housing program contracts (either directly or indirectly through county governments) with not-for-profit agencies to 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 the response to the draft report, OMH strongly disagreed with OSC's contention that OMH does not have effective fiscal controls for its supported housing program. OMH utilizes many guidance and monitoring tools including the Supported Housing Guidelines (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). CFR's are CPA-certified and providers are given training on proper preparation and filing. Indeed, OSC notes on page 6 that ICL provided the required services and charged personal service costs appropriately. Thus, it cannot be the case that OMH lacks effective fiscal controls. OSC now concedes that OMH has effective fiscal controls, yet still recommends that OMH "establish effective fiscal controls," making this recommendation unnecessary.

**II. OMH Comments to OSC Audit Findings**

**OSC Statement**

On page 8, last paragraph OSC states, "while we note that OMH's Program Guidelines use the word "should" when referring to setting up contingency funds, OMH's Fiscal Guidelines and Q and A document regarding program requirements use either "require" or "are to" when referring to such funds. OMH officials should consider a formal review of their collective guidance and reconcile or revise as necessary."

**OMH Comment**

The maintenance of contingency funds is not an OMH requirement, but is an advisable practice, and OMH has always made that clear to all of its service providers. OMH is reviewing all current guidance, and will revise as needed, to ensure that all guidance is consistent and clear. OMH will communicate the result of its work to all service providers.

### **III. OMH Responses to OSC Recommendations**

#### **OSC Recommendation No. 1**

Establish effective fiscal controls to ensure that providers' use of program funds is appropriate, allowable, and documented. Controls should include but not be limited to expanded desk reviews of provider CFR's to include review, utilizing a risk-based approach, of supporting documentation to ensure that claimed program expenses are reasonable, necessary, and allowable.

#### **OMH Response**

As OSC notes on Page 6 of its report, OMH already has established fiscal and programmatic monitoring programs that require providers to report accurately and appropriately and to maintain documentation of OMH program expenditures. OMH annually reviews contracts that are up for renewal to ensure that service providers are meeting programmatic goals and fulfilling reporting requirements. OMH also already ensures that regional offices are performing the required monitoring of program service providers through our contract renewal process.

#### **OSC Recommendation No. 2**

Develop supplemental guidance for service providers on allowable program costs.

#### **OMH Response**

Reviews of guidance documents occur routinely and providers are made aware of all changes. The CFR Manual provides guidance on allowable and non-allowable program costs. OMH and their NYS agency partners are currently reviewing the Manual to determine whether additional clarifying guidance is needed on some of the items of disallowance. Based on this review, recommendations may be submitted for approval and published in future CFR Manuals.

#### **OSC Recommendation No. 3**

Recover the \$138,132 in inappropriate and unsupported NPS expenses reported on ICL's CFR for the contract year ended June 30, 2014.

#### **OMH Response**

OMH will review the NPS expenses that OSC determined to be inappropriate or unsupported and recover overpayments where necessary.

#### **OSC Recommendation No. 4**

Work with ICL officials to establish a contingency fund, along with an appropriate recordkeeping system for such fund.

#### **OMH Response**

This recommendation is one of several that are being addressed through the revision of the Supportive Housing Guidelines. The revisions, which specifically address and clarify contingency funds, are in the process of being drafted and reviewed. As part of the revision process, changes to the Supportive Housing Guidelines will be compared with the Spending Plan Guidelines to ensure consistency.

- **OSC Recommendation No. 5**  
Ensure that all service providers superintend contingency funds properly, including but not limited to requiring separate tracking and reporting on spending, and using such funds in compliance with program requirements.

**OMH Response**

As stated above, OMH is revising the Supportive Housing Guidelines which includes addressing and clarifying contingency funds.

- **OSC Recommendation No. 6**  
Initiate recovery procedures for the \$561,011 overpaid to ICL for the 2010-11 and 2011-12 contract years.

**OMH Response**

OMH has completed its review of the final claim and recoveries will be made as appropriate.

- **OSC Recommendation No. 7**  
Perform the required annual reconciliations for the 2012-13, 2013-14, and 2014-15 contract years as soon as possible. Perform the year-end reconciliations for all subsequent years in a timely manner.

**OMH Response**

OMH has completed its review of the final claim and recoveries will be made as appropriate.