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Commissioner

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Executive Deputy Commissioner

October 15, 2020

Michael Solomon
Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236-0001

Dear Mr. Solomon:

The Office of Mental Health (OMH) has reviewed the Office of the State Comptroller's (OSC's) follow-up audit report 2019-F-51 entitled, "*Administration of the Contract with the Postgraduate Center for Mental Health.*" Our response to the recommendations contained in OSC's report are enclosed.

OMH appreciates OSC's efforts to recommend improvements in our operations and thanks you and your staff for the cooperation extended during the engagement.

Sincerely,

A handwritten signature in black ink that reads "Emil Slane". The signature is written in a cursive style.

Emil Slane
Deputy Commissioner, Chief Fiscal Officer

Enclosure

**Office of Mental Health
Comments on the Office of the State Comptroller's
Follow-Up Audit Report 2019-F-51 entitled,
"Administration of the Contract with the Postgraduate Center for Mental
Health"**

The following are the Office of Mental Health's (OMH) comments in response to the Office of the State Comptroller's (OSC) Follow-Up Audit Report 2019-F-51 entitled, "Administration of the Contract with the Postgraduate Center for Mental Health." We are not providing comments to recommendations 1, 2, 5, 8 and 9 as all were confirmed by the OSC to be implemented or not applicable (#8).

Recommendation #3

Ensure that only program-eligible and properly supported expenses are reimbursed to PCMH.

Status - Partially Implemented

Response #3

OMH disagrees with the status of this recommendation as standardized processes are in place to mitigate risks associated with ensuring that only program-eligible and properly supported expenses are reimbursed. In addition to the actions noted by OSC, OMH continues to provide annual and ad-hoc training sessions to educate mental health providers on allowable expenditures, maintenance of appropriate documentation for review upon audit and the accurate completion of the CFR. Training topics are updated to reflect identified trends and emphasize non-allowable costs when needed. Additionally, OMH has developed new training directed towards county-level program and fiscal officials who oversee the distribution of State aid funding for community-based mental health services. In this role, these county representatives are responsible for reviewing the CFR in the context of their own contract close-out process. The training was designed to educate on the CFR and assist the counties in how they can utilize the information to hold providers accountable, conduct audits and assess their fiscal health, and to provide resources on fiscal guidelines for expenditures.

State Comptroller's Comment – We acknowledge that OMH has certain processes in place to mitigate the risks that non-program-eligible expenses are claimed. However, these processes need to be improved to ensure that only program-eligible and properly supported expenses are reimbursed to PCMH.

Recommendation #4

Recover \$697,938 in inappropriate and unsupported expenses charged to the audited contract and other OMH contracts cited in the report.

Status - Not implemented

Response #4

OMH disagrees with this finding. OMH has reviewed the potential disallowances identified in OSC's initial report and determined that \$550K of the \$697K in expenditures were allowable. OMH is in the process of recovering the remaining \$129K through the contract close-out reconciliation process.

State Comptroller's Comment – We maintain that \$550K of the \$697K in expenditures were inappropriate and unsupported. Further, OMH has not yet recovered the \$129K.

Recommendation #6

Expand desk reviews of provider CFR's to include review, on a sample basis, of supporting documentation to ensure that claimed program expenses are reasonable, necessary, and appropriate.

Status - Not Implemented

Response #6

OMH agrees with this recommendation. In consultation with the OMH audit team, a risk-based approach to conducting expanded desk reviews on a sample basis will be developed in the next six months and fully implemented within a year. The expanded desk review will request more detailed supporting documentation to insure that reported expenditures are program eligible and appropriate.

Recommendation #7

Develop formal time frames for CFR close-outs and recoupments to help ensure that surplus advances are accounted for and recovered in a timely manner.

Status - Not implemented

Response #7

OMH disagrees with this finding and is in full compliance with this recommendation. OMH has had formal timelines in place for years, as detailed in the Internal Controls Manual and acknowledged by OSC. While the two-year timeline is a measurable goal for contract close-outs and monitoring the status of this work, completion within these goals [deadlines] is not always possible. The nature of CFR reporting timeframes, the number of CFR resubmissions, the timeliness of providers in responding to questions and requests for revisions to claiming schedules, and other special circumstances (e.g., audits, emergency transitions, multi-year close-outs) all contribute to the length of time it takes to close-out a contract accurately. OMH has approximately 800 providers funded through over 500 direct OMH contracts and 62 State Aid Letters (i.e., funding that goes to counties which then contract with providers). The automation of the contract close-out has helped to streamline the standard process, but there are contracts and CFR submissions requiring further reviews and follow-up to verify accuracy of the close-out.

OMH is in the process of evaluating current business processes to seek additional efficiencies to improve the agency's ability to meet the two-year timeframe for contract close-outs more

consistently within existing resources. This evaluation includes a review of the business processes used to identify methods to reduce delays and monitor progress, enforcement of timely responses from providers, and development of key benchmarks for close-out completions. OMH anticipates that the review process and implementation of changes will be completed within the next year, and a significant increase in the number of contract close-outs meeting the [two-year] goal will be realized. Part of the processing improvements will be offset by conducting expanded desk audits within existing resources.

State Comptroller's Comment – Although OMH's 2013 Internal Controls Manual states that the agency should be able to complete close-outs within two years of the end of a contract fiscal year, OMH officials agree that meeting this timeframe is not always possible. However, we note that OMH officials indicated they are in the process of evaluating current business practices that would improve their ability to meet the two-year timeframe. Further, we found that OMH still does not recover all surplus advances in a timely manner – a weakness that was noted in the initial audit report.