



**OASAS**  
Improving Lives.

NEW YORK STATE  
OFFICE OF ALCOHOLISM & SUBSTANCE ABUSE SERVICES  
*Addiction Services for Prevention, Treatment, Recovery*

GOVERNOR  
David A. Paterson

COMMISSIONER  
Karen M. Carpenter-Palumbo

August 4, 2010

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

Re: Final Audit Report on Contract with  
Daytop Village, Inc. (Report 2008-R-1)

Dear Mr. Patone:

As requested in your May 6, 2010 transmittal to Commissioner Karen M. Carpenter-Palumbo, this letter is to advise you of the steps taken by the NYS Office of Alcoholism and Substance Abuse Services (OASAS) to implement the three (3) recommendations contained in the NYS Office of the State Comptroller's (OSC) Final Audit Report (Report 2008-R-1) entitled, "Contract with Daytop Village."

The enclosed "Summary of Action Taken, Re: OSC Audit Report 2008-R-1" provides an update on OASAS' actions with respect to Daytop Village, Inc. Should you have any questions or require additional information, please feel free to contact my office.

Thank you for the opportunity to report on progress made and for OSC's consideration of comments provided by OASAS both during and subsequent to the audit.

Sincerely,

Robert A. Kent  
General Counsel

Enclosure  
cc w/enc.:

Karen M. Carpenter-Palumbo  
Thomas Lukacs, Division of the Budget

## **Summary of Action Taken, Re: OSC Audit Report 2008-R-1**

### **Recommendations:**

- 1) Examine Daytop's fiscal activity for the full contract period, including the exceptions noted in this report, to identify all Program revenues that should have reduced contract costs, as well as to identify ineligible expenses charged to the Program. Determine to what extent the State should recover amounts paid to Daytop.**

A follow-up audit by OASAS initiated in June 2009 validated, to some extent, inadequacies in Daytop's third party collection efforts. Audit activity was suspended in October 2009 to allow a CPA firm under contract with Daytop to evaluate their fiscal condition and recent claims/expenses submitted to OASAS. The OASAS audit resumed on March 30, 2010, but due to some scheduling challenges and difficulty retrieving data, is not expected to be completed until September 2010 with a formal report issued in October 2010. The report will address OSC's findings and recommendations and recommend recoupment of State funds, where appropriate.

Potential recoveries may include:

- Any revenue collected from Medicaid, self-pay patients and health insurance co-pays that was not reported by Daytop for OASAS-funded programs.
- Any reasonable amount of revenue that might have been collected from health insurance providers for eligible services provided with a reasonable expectation of approval and payment. OSC's presumption of a 100% collection rate at 100% of cost is not considered reasonable, considering the practice of insurance carriers to limit payments, as well as the indigent nature of the patient population.
- An assessed penalty for failure to adequately collect patient fees. Once again, a 100% collection rate for self-pay patients is neither realistic nor reasonable, especially considering the financially challenged population that Daytop is contractually and statutorily obligated to serve.
- Any expenditure that cannot be adequately documented or supported as program-related.

Rather than enter into our standard multi-year grant contract with Daytop, OASAS has executed a single year contract with a three year renewal option, containing stringent fiscal requirements and immediate termination provisions. This will enable OASAS to consider the extent of recommended recoupment when deciding to what extent continued funding of Daytop is appropriate.

**2) Using a risk-based approach, perform more on-site reviews of providers' fiscal operations to complement CFR desk reviews.**

OASAS acknowledges the importance and value of in-depth fiscal audits and has, in the last 18 months undertaken four concurrent on-site fiscal audits of contractors flagged by OSC

(including Daytop). Going forward, OASAS will look to increase the number of fiscal audits conducted each year. However, we will need to balance our fiscal audit workload with our fiscal review responsibilities to ensure adequate fiscal oversight of the entire system. Since OASAS audit resources are limited, future audit activity will be driven by a risk-assessment process that identifies priority programs for audits. In March 2010, OASAS released new *Administrative and Fiscal Guidelines for OASAS-Funded Providers* to help ensure a reasonable standard of accountability and establish a more viable basis for assessing provider compliance with contractual and statutory requirements. These Guidelines, which are now posted on the OASAS website, went into effect on July 1, 2010. On June 21, 2010, OASAS also posted a *Fiscal Operations Self-Assessment Questionnaire* on its website for use by all service providers as a self-assessment tool to help them evaluate their compliance with OASAS' fiscal standards. OASAS will eventually convert the self-assessment questionnaire to an on-line "fillable" format so that it can collect provider-specific fiscal data for purposes of updating its risk assessment process. Plans are also underway to augment our on-site fiscal monitoring activities with a risk-driven desk audit function. Through these expanded activities, OASAS expects to significantly increase its capacity to monitor compliance with the above-referenced fiscal guidance documents.

**3) Follow up on all recommendations made to providers as a result of on-site audits and/or CFR desk reviews to ensure that they are promptly addressed and implemented as appropriate.**

As a standard part of its fiscal monitoring approach, OASAS follows-up on findings/recommendations that have been issued, both as a result of its own monitoring activities, as well as recommendations generated by other state and/or Federal agencies. Typically, follow-up occurs at the point of the next regularly scheduled fiscal review or, in cases where a significant concern has been identified, a special follow-up review is scheduled and conducted.

During the course of OSC's audit of Daytop, it was noted that OASAS had identified and cited Daytop Village in 2006-07 for not adequately pursuing third party revenues. Daytop submitted a corrective action plan indicating that they intended to develop a new automated billing system which would improve their billing process. OASAS had planned to follow-up on this finding in 2008, but was forced to delay the review due to OSC initiating their audit. As a result, OSC determined before OASAS could, that Daytop did not follow through on this corrective action.

More recently, in April 2010, Daytop acted on this corrective action when it activated a new professional billing system operated by Health Business Solutions. OASAS believes that this corrective action should significantly improve upon their third party collection performance.