



May 8, 2013

Mr. Michael Solomon
Audit Manager
State of New York
Office of the State Comptroller
110 State Street
Albany, New York 11136

Re: Chemical Dependency Program
Payments to Selected Contractors in
New York City
Report 2011-F-17

Dear Mr. Solomon.

The NYS Office of Alcoholism and Substance Abuse Services (OASAS) is in receipt of your follow-up report on the actions taken by this agency per the recommendations contained in your original audit report of providers Palladia, Inc. and The Child Center of New York, Inc., formerly known as the Queens Child Guidance Center and submits the following response to your request for actions planned to address the unresolved issues in the report.

Recommendation 1 – Partially Implemented

Recover the \$8,032,665 in Program charges from Palladia, and the \$346,223 in Program charges from the Guidance Center, they could not adequately document as Program-related.

As of January 2013, OASAS recouped all funds “not adequately documented as Program-related” from Palladia and The Child Center. This includes the final one third of the \$771,309 recouped from Palladia and the entire amount of \$17,641 determined due from The Child Center. As such, the status of this recommendation should have been “implemented.”

Recommendation 3 – Not Implemented

Audit all Program-related expenditures for other Palladia and Guidance Center contract years to determine whether the related charges are supported and Program appropriate. Recover all unsupported and inappropriate expenditures.

Since OASAS already audited a full year for each provider, we believe this status should have been “partially implemented.” OASAS is planning to return later this year to audit the additional 4 contract years for both providers and will recover any amounts determined to constitute inappropriate payments.

Recommendation 7 – Partially Implemented

Follow-up with the Guidance Center to determine what services are funded and assess the Program appropriateness of those services. If necessary, refer findings to the appropriate government officials.

OASAS will continue to monitor OASAS program services through its annual performance review process whereby we will ensure that the Guidance Center meets required utilization and performance targets for all OASAS services before any budgets are approved for funding. Further, program review staff will continue to monitor program performance to ensure treatment services are delivered in accordance with regulations and policies. Further, any anomalies discovered during the scheduled follow-up audits will be referred to the appropriate OASAS or other funding entity for review and appropriate action.

We would like to acknowledge the courteous, cooperative and professional manner with which your staff conducted themselves during this follow-up.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Steven J. Shrager', written in a cursive style.

Steven J. Shrager
Director of Audit Services

cc: Trisha Schell-Guy
Thomas Lukacs, Division of the Budget