



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Oversight of Young Adult Institute, Inc.'s Family Support Services Contracts

Office for People With Developmental Disabilities



Report 2017-S-29

September 2018

Executive Summary

Purpose

To determine whether the Office for People With Developmental Disabilities (OPWDD) is providing effective oversight of Family Support Service (FSS) contracts with entities within the Young Adult Institute Network (YAI Network) to ensure claimed expenses as reported on the Consolidated Fiscal Reports (CFRs) are program appropriate and consistent with contract requirements, including those in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). There were three agencies within the YAI Network that had FSS contracts. Our audit covered seven contracts in total: five FSS contracts for the two fiscal years ended June 30, 2016, including three for Young Adult Institute, Inc. (YAI) and two for Premier Health Care, Inc.; and the final two contracts for Rockland County Association for People with Disabilities for the two fiscal years ended December 31, 2016.

Background

OPWDD is responsible for coordinating services for New Yorkers with developmental disabilities. OPWDD contracts with nonprofits to provide services, such as FSS, which are designed to help families care for a relative with a developmental disability at home. As of July 1, 2014, there were seven active FSS contracts covering 37 programs between OPWDD and YAI Network, totaling about \$3 million per year. OPWDD reimburses providers, based on actual program expenses, up to the contracted amount. FSS providers report program expenses on their annual CFRs. The expenses reported on the CFR must fully comply with the CFR Manual regarding the eligibility of costs and documentation requirements. OPWDD reimburses the YAI Network's FSS Programs quarterly, based on payment requests and Consolidated Quarterly Reports submitted to OPWDD's Regional Offices.

Key Findings

- OPWDD needs to improve its fiscal oversight of the YAI Network to ensure that FSS expenses are program appropriate and consistent with contract requirements. OPWDD has not established controls necessary to ensure the expenses claimed by the YAI Network are reasonable, necessary, allowable, supported, and consistent with requirements. For example, OPWDD's procedures for reviewing reimbursement claims do not provide guidance to the regional staff for when it is appropriate to request supporting documentation for expenses claimed and units of service provided.
- The YAI Network claimed \$47,418 (13.7 percent of our sample) for personal service costs that were not properly supported, and inappropriately billed OPWDD for \$15,042 in estimated related fringe benefit costs.
- The YAI Network claimed 2,362.5 FSS units of service (16.7 percent of our sample) were provided to 30 individuals, but did not maintain supporting documentation showing who received the services or when the services were provided. The YAI Network billed OPWDD \$28,553 for these services.

Key Recommendations

- Establish additional monitoring controls to ensure that the YAI Network is claiming only reasonable, necessary, allowable, and supported expenses that are consistent with both the CFR Manual and OPWDD guidelines. Controls should include, but not be limited to:
 - Expanding desk reviews of supporting documentation for expenses and services on a sample basis; and
 - Ensuring regional offices are performing the required monitoring of program service providers.
- Establish and distribute formal policies and procedures to regional offices for reviewing CFRs and quarterly fiscal reports, and provide training to regional offices to ensure compliance.
- Follow up with the YAI Network to formally assess: the \$47,418 in personal service expenses; the related estimated \$15,042 in fringe benefit expenses; and the \$28,553 for the units of service claimed that are not allowable. Take steps to ensure the organization does not re-claim these costs in the future.

Other Related Audits/Reports of Interest

[Office for People With Developmental Disabilities/The Association of Neurologically Impaired Brain Injured Children, Inc.: Compliance With the Consolidated Fiscal Reporting and Claiming Manual \(2013-S-60\)](#)

[Office for People With Developmental Disabilities/Lifespire, Inc.: Compliance With the Consolidated Fiscal Reporting and Claiming Manual \(2016-S-2\)](#)

State of New York
Office of the State Comptroller

Division of State Government Accountability

September 5, 2018

Ms. Kerry A. Delaney
Acting Commissioner
New York State Office for People With Developmental Disabilities
44 Holland Avenue
Albany, NY 12229

Dear Ms. Delaney:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively and, by doing so, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Office for People With Developmental Disabilities entitled *Oversight of Young Adult Institute, Inc.'s Family Support Services Contracts*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

Table of Contents

Background	5
Audit Findings and Recommendations	6
Fiscal Oversight	6
FSS Expenses Claimed	7
Units of Service	8
Recommendations	9
Audit Scope, Objectives, and Methodology	10
Authority	11
Reporting Requirements	11
Contributors to This Report	12
Agency Comments	13
State Comptroller's Comment	16

State Government Accountability Contact Information:

Audit Director: Stephen Goss

Phone: (518) 474-3271

Email: StateGovernmentAccountability@osc.ny.gov

Address:

Office of the State Comptroller
 Division of State Government Accountability
 110 State Street, 11th Floor
 Albany, NY 12236

This report is also available on our website at: www.osc.state.ny.us

Background

The New York State Office for People With Developmental Disabilities (OPWDD) is responsible for coordinating services for more than 130,000 New Yorkers with developmental disabilities, such as cerebral palsy, Down syndrome, and autism spectrum disorders. OPWDD provides services directly and through a network of approximately 750 nonprofit service providing agencies, with about 80 percent of services provided by private nonprofits and 20 percent provided by State-run services. Family Support Services (FSS) are designed to help families care for a relative with a developmental disability at home. The goal of any FSS program is to maintain family unity, enhance caregiver skills, and prevent out-of-home placement. FSS also include services that families with disabled members need to provide environmental supports and maintenance of family stability and integrity, and typically include information and referral, parent training, family counseling, recreation, home-based care, adaptive equipment and home modification, and legal services.

OPWDD contracts with three entities within the Young Adult Institute Network (YAI Network) to provide FSS in the New York City Metropolitan Area. These three entities are the Young Adult Institute, Inc. (YAI), Premier Health Care, Inc. (PHC), and the Rockland County Association for People with Disabilities (RCAPD). (During our audit period, RCAPD was known as Rockland County Association for the Learning Disabled. The name change was effective June 30, 2017.) YAI is the sole corporate owner of PHC and RCAPD. As of July 1, 2014, there were seven active contracts between OPWDD and the YAI Network entities, namely YAI (three), PHC (two), and RCAPD (two), with a total contract amount of \$14.9 million, averaging about \$3 million per year. The seven contracts include 37 FSS programs for these three providers. OPWDD reimburses providers, based on actual program expenses, up to the contracted amount. FSS providers report program expenses on their annual Consolidated Fiscal Reports (CFRs). The expenses reported on the CFR must fully comply with the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) regarding the eligibility of costs and documentation requirements. OPWDD reimburses the YAI Network's FSS Programs quarterly, based on payment requests and Consolidated Quarterly Reports submitted to its regional offices. We focused our audit on the programs that we deemed to be high risk based on amounts claimed and the nature of program services provided.

Audit Findings and Recommendations

We found OPWDD needs to improve its oversight of the YAI Network to ensure that FSS expenses are program appropriate and consistent with contract requirements. Further, OPWDD has not established controls necessary to ensure the expenses claimed by the YAI Network are reasonable, necessary, allowable, supported, and consistent with requirements. Based on our judgmental sample, we found the YAI did not maintain appropriate supporting documentation as required for \$47,418 (13.7 percent of our sample) in personal service expenses and \$15,042 in related fringe benefit costs. We also found RCAPD did not maintain the required supporting documentation for 2,362.5 FSS units of service (16.7 percent of our sample) provided by one of its programs, for which RCAPD reported \$28,553 in related expenses. Without the supporting documentation, it is unknown whether these expenses are related to the FSS program, if the services were in fact provided, or to whom and when.

OPWDD disagrees with our findings and has assessed its monitoring levels as adequate because FSS contracts are subject to audit by OPWDD at any time. However, we do not consider these audits to be a monitoring control because they occur after the transactions are completed and reimbursement has been made, as opposed to an ongoing evaluation of operations and activities.

Fiscal Oversight

As the oversight agency for the FSS, it is OPWDD's responsibility to ensure that service providers only claim allowable FSS expenses on their CFRs and meet the terms of the FSS contracts. According to OPWDD officials, they rely on providers' Certified Public Accountants (CPAs) to verify that the expenses are reasonable and necessary and comply with Program guidelines, as reported in the CFR. However, both the CFR Manual and the CPA certification included on the CFR state that, while the CPAs test certain amounts reported on the CFR, they do not determine whether all expenses are allowable in accordance with guidance for each individual program. Instead, the CPAs perform limited testing on the total expenses for the entire CFR and affirm that the CFRs were completed in accordance with the CFR Manual (including its appendices).

According to OPWDD officials, regional staff are responsible for approving the reimbursement of claims submitted by providers and also review the quarterly fiscal reports and conduct program reviews of providers. However, OPWDD's procedures for reviewing reimbursement claims do not provide guidance to the regional staff for when it is appropriate to request supporting documentation for expenses claimed and units of service provided. As a result, the regions did not have any supporting documentation of claimed expenses for the FSS contracts we reviewed. Without supporting documentation, even on a sample basis, OPWDD has limited assurance that claimed expenses are appropriate.

Furthermore, OPWDD has allowed YAI to combine its 31 FSS programs into 11 columns on its CFR, making it much more difficult for staff to monitor program expenses to ensure they comply with contract terms. In contrast, both PHC (two programs) and RCAPD (four programs) report each program and its related expenses in separate columns on their CFRs, making them easier to

monitor. OPWDD officials stated their review of CFRs and submitted expenses is limited because they do not review supporting documentation for CFRs unless something appears incorrect, based on what is allowed in the contract and considering budget limitations. Due to OPWDD's limited oversight, it was unclear if expenses reimbursed to the YAI Network by OPWDD were, in fact, related to FSS Programs.

We also found that the level of regional office staff resources available for contract oversight varies, and in some cases is limited, by where the person receiving program services resides. For example, the NYC Regional Office oversees the programs for residents within the five counties of the City, the Long Island Regional Office oversees the programs for residents in Suffolk and Nassau counties, and the Hudson Valley Regional Office oversight includes the programs for residents in Rockland and Westchester counties. The NYC Regional Office has a small staff responsible for monitoring the fiscal aspects of the contracts, such as review of the quarterly payment requests, annual CFR review, and fiscal reporting for the region's contracts. However, there is only one FSS person for each of the counties within the NYC Regional Office responsible for conducting site visits to providers to ensure services are being provided.

OPWDD also audited YAI FSS expenses for the period of July 1, 2009 through June 30, 2012. Its report, dated July 19, 2017, identified unsupported FSS expenditures and recommended YAI strengthen its controls to ensure that FSS program expenditures adhere to program requirements and coordinate the recovery of about \$27,000 in unsupported FSS expenditures with OPWDD. OPWDD's findings were similar to those we report in the following sections of this report. Nonetheless, OPWDD has assessed its monitoring levels as adequate because FSS contracts are subject to audit at any time. Monitoring is an ongoing evaluation of activities based on an assessment of risk to identify undesirable events that occur and alert management so they can take appropriate action, such as deny payment for ineligible expenses. In contrast, an audit occurs after the transactions are completed and providers have been reimbursed. Therefore, audits are not considered to be monitoring controls. OPWDD officials told us that they will consider our findings in their next risk assessment in 2019.

FSS Expenses Claimed

Of the \$5.1 million in FSS costs claimed by YAI, PHC, and RCAPD during our audit period, we judgmentally selected a sample of 193 transactions totaling \$718,191 in personal service and other than personal service (OTPS) costs to determine if the transactions were reasonable and appropriate FSS expenditures, based on the CFR Manual and on OPWDD FSS guidelines. We found YAI did not maintain appropriate supporting documentation as required for \$62,460 in personal service expenses and related fringe benefit costs.

Personal Service Costs

According to the CFR Manual, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the program, and sufficiently documented pursuant to the guidelines in the Manual. Acceptable supporting documentation for allocating personal

service costs includes time sheets that document the actual hours worked on each program or a time study for each employee who works on more than one program in accordance with Appendices J and L of the CFR Manual, respectively. Appendix L of the CFR Manual requires time studies to include, at a minimum, two weeks per quarter for the annual reporting period.

Personal service costs include program-related and administrative expenses for employee salaries, bonuses, and fringe benefits. Fringe benefits include employment benefits that are required by State and federal law, such as Social Security and workers' compensation, as well as benefits that are not mandated, such as employer contributions to health insurance and retirement benefits.

Our audit covered the two fiscal years ended June 30, 2016 for YAI and PHC, and the two fiscal years ended December 31, 2016 for RCAPD. For the two fiscal years we audited, the three entities reported on their CFRs a total of \$2,682,221 for personal service costs excluding fringe benefits, of which we tested \$345,447. We identified total ineligible expenses of \$62,460 reported by YAI on its 2014-2015 and 2015-2016 CFRs that were not eligible for reimbursement. The ineligible expenses included \$47,418 in personal service costs as follows:

- 41 payments to ten employees totaling \$36,228 without sufficient supporting time studies;
- 7 payments to two employees totaling \$8,943 without sufficient time sheets; and
- 7 payments to four employees totaling \$2,247 for payments in addition to the employees' regular salary that were not supported.

Additionally, YAI inappropriately billed for mandatory and non-mandatory fringe benefit costs associated with the above personal service costs, which we calculated to be \$15,042.

Other Than Personal Service Costs

To determine if OTPS expenses claimed were reasonable, necessary, directly related to the program, and adequately documented, we selected:

- five YAI programs with client incidental expenses; and
- three YAI programs and one PHC program with subcontracted services expenses.

We selected the five highest-cost general ledger transactions within the incidental and subcontracted services accounts totaling 50 client incidental transactions and 36 subcontracted service transactions totaling \$372,744. We found all the transactions we tested were reasonable, necessary, directly related to the program, and adequately documented. Since RCAPD did not have subcontracted services expenses and its client transaction expenses were insignificant, we did not include RCAPD in our OTPS testing.

Units of Service

According to the CFR Manual, providers are expected to train staff regarding the appropriate measures of service for the type of program being operated and ensure that this information

is recorded at the time the service is rendered. Furthermore, OPWDD FSS Guidelines issued to FSS providers require providers to maintain documentation to support the units of service and the number of people served. We found RCAPD did not maintain the required supporting documentation for 2,362.5 FSS units of service claimed to be provided by one of its programs, for which RCAPD billed \$28,553.

We selected a judgmental sample of ten FSS programs and for each program selected two of eight quarterly reports to verify that the units of service that YAI, PHC, and RCAPD billed to OPWDD were provided. Our test of a total of 14,122.5 units of service found YAI and PHC programs had adequate supporting documentation to verify the 11,760 units of service they billed were, in fact, provided. However, RCAPD could not provide any supporting documentation such as rosters or sign-in sheets for the 2,362.5 units of service (16.7 percent) totaling \$28,553 that it billed for its Coffee House Program for the first and fourth quarters of 2015. Without the supporting documentation, OPWDD cannot determine whether these expenses are related to the FSS program, if the services were in fact provided, or to whom or when. Furthermore, OPWDD officials did not make required site visits and therefore cannot demonstrate that these services were provided for this program. OPWDD officials confirmed that site visits should have been made and stated that they were not made during this period because of staff turnover. As a result of our bringing this to YAI's attention, in November 2017, RCAPD created a new attendance form and issued a memo requiring the Rockland Coffee House staff to collect client attendance weekly. OPWDD informed us that it has and will continue to work with the YAI Network to formally assess our findings.

Recommendations

1. Establish additional monitoring controls to ensure that the YAI Network is claiming only reasonable, necessary, allowable, and supported expenses that are consistent with both the CFR Manual and OPWDD guidelines. Controls should include, but not be limited to:
 - Expanding desk reviews of supporting documentation on a sample basis; and
 - Ensuring regional offices are performing the required monitoring of program service providers.
2. Establish and distribute formal policies and procedures to regional offices for reviewing CFRs and quarterly fiscal reports, and provide training to regional offices to ensure compliance.
3. Follow up with the YAI Network to formally assess the \$47,418 in personal service expenses, the related estimated \$15,042 in fringe benefit expenses, and the \$28,553 in units of service claimed that are not allowable, and take steps to ensure the organization does not re-claim these costs in the future.

Audit Scope, Objectives, and Methodology

Our audit determined whether the OPWDD is providing effective oversight of FSS contracts within the YAI Network to ensure claimed expenses as reported on the CFRs are program appropriate and consistent with contract requirements, including the CFR Manual. There were three agencies within the YAI Network that had FSS contracts. Our audit covered seven contracts in total: five FSS contracts for the two fiscal years ended June 30, 2016, including three for YAI, Inc. and two for Premier Health Care, Inc.; and the two Rockland County Association for People with Disabilities FSS contracts for the two fiscal years ended December 31, 2016. These three entities reported just over \$5.1 million in FSS costs during our audit scope.

To accomplish our objectives and assess the internal controls related to our objectives, we reviewed related laws, rules, and regulations; the CFR Manual and its related appendices for 2015 and 2016; and OPWDD's Guidelines and Requirements for Family Support Service Contract Compliance. We interviewed officials and staff of OPWDD and YAI to gain an understanding of their services, policies, and procedures. We also reviewed the related contracts, CFRs, financial records, and supporting information to assess whether certain costs claimed by YAI, PHC, and RCAPD on the CFRs that were considered high risk were properly calculated, adequately documented, and allowable.

We judgmentally selected three samples of costs claimed: one related to personal services, one from other than personal services, and one based on the number of units of service provided (units of service can be in hours, days, or per person). For each of the three samples selected, we based our selections on various risk factors, including which FSS program the expense reported on the CFRs related to, the dollar amounts, and the fiscal period. In total, we tested \$345,447 in personal service expenses, \$372,744 in other than personal service expenses, and 14,122.5 units of service provided.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to OPWDD officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety to the end of it. Officials indicated their agreement with, and the steps they are taking to implement, the report's recommendations regarding establishing and distributing policies and procedures to regional offices for reviewing fiscal reports and following up with the YAI Network regarding the unallowable costs identified. OPWDD, however, disagrees with the need for additional monitoring controls.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office for People with Developmental Disabilities shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Contributors to This Report

Stephen J. Goss, CIA, CGFM, Audit Director
Donald D. Geary, CFE, CGFM, Audit Manager
Theresa M. Nellis-Matson, CPA, Examiner-in-Charge
Bruce Brimmer, Senior Examiner
Caitlin Andreone, Staff Examiner

Division of State Government Accountability

Andrew A. SanFilippo, Executive Deputy Comptroller
518-474-4593, asanfilippo@osc.ny.gov

Tina Kim, Deputy Comptroller
518-473-3596, tkim@osc.ny.gov

Ken Shulman, Assistant Comptroller
518-473-0324, kshulman@osc.ny.gov

Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews, and evaluations of New York State and New York City taxpayer-financed programs.

Agency Comments



Office for People With Developmental Disabilities

ANDREW M. CUOMO
Governor

KERRY A. DELANEY
Acting Commissioner

August 8, 2018

Mr. Stephen Goss
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Re: Draft Report 2017-S-29

Dear Mr. Goss:

The Office for People With Developmental Disabilities has reviewed the Office of the State Comptroller's draft audit report, 2017-S-29, entitled: "Oversight of Young Adult Institute Inc.'s Family Support Services Contracts."

Please find attached our comments on this draft report. Thank you for the opportunity to comment. If you have any questions or concerns, please do not hesitate to contact me directly at 518-474-0677 or amanda.s.mitchell@opwdd.ny.gov.

Sincerely,

Amanda Mitchell
External Audit Liaison

Attachment

Executive Office

44 Holland Avenue, Albany, New York 12229-0001 | 866-946-9733 | www.opwdd.ny.gov

**Office for People With Developmental Disabilities’
Response to the Office of the State Comptroller’s
Draft Audit Report (No: 2017-S-29):
“Oversight of Young Adult Institute Inc.’s
Family Support Services Contracts”**

The New York State Office for People With Developmental Disabilities (“OPWDD”) disagrees with certain findings and recommendations in the Office of the State Comptroller’s (“OSC”) draft audit report (2017-S-29) entitled “Oversight of Young Adult Institute Inc.’s Family Support Services Contracts.” In this audit, OSC reviewed costs claimed for Family Support Services (“FSS”) on the Consolidated Fiscal Reports (“CFR”) of voluntary agencies within the Young Adult Institute Network (“YAI”). This audit covers different periods, depending on the agency, between 2013 and 2016.

OPWDD agrees with one of OSC’s findings and disagrees with the other. OSC asserted that YAI, Inc. reported costs totaling \$62,460 that it deemed ineligible for reimbursement, and that the Rockland County Association for People with Disabilities (“RCAPD”) reported \$28,553 in costs for 2,362.50 units of service for counseling and respite services without any documentation to support the actual services provided. This finding was uncontested by YAI and OPWDD does not dispute the finding. OPWDD disagrees with OSC’s findings that OPWDD lacks appropriate oversight.

OPWDD’s Oversight of Family Support Services

The FSS system is defined in Mental Hygiene Law 41.43 as a family-directed, statewide system of comprehensive family support services. The purpose of FSS is to assist and enhance the quality of life for individuals and families caring at home for family members with a developmental disability. FSS includes general services (e.g. behavior management, case management, counseling, financial and life planning, etc.) and family reimbursements where agencies reimburse families directly for services the agency does not offer.

Agencies that administer this program generally do not have the financial ability to pay up front for the provision of services and to wait for subsequent reimbursement. The contract is therefore designed to provide prospective quarterly advances based on the agency’s estimation of the cost of services it expects to provide during that quarter. OPWDD makes each advance based upon estimated costs in the contract. Starting with the 3rd quarter, the agency provides Consolidated Quarterly Reports (“CQRs”) with the quarterly claims, in which it certifies to the actual services provided and costs expended for prior quarters. OPWDD reconciles the CQRs to prior quarter advances and may adjust the 3rd and 4th quarter payments accordingly. OPWDD then reconciles the agency’s final claim to the agency’s annual Consolidated Financial Report (“CFR”) which is submitted on December 1 following the end of the contract period. After performing this reconciliation, OPWDD pays any balance due from the 10% that was withheld. Each of these quarterly reports is attested to by the agency’s Chief Executive Officer and its annual CFR is certified by a certified public accountant. The CFR System is a standardized electronic reporting method accepted by a number of New York State agencies, including OPWDD. The CFR consists of schedules that capture financial information for budgets, quarterly and/or mid-year claims, an annual cost report, and a final claim. The CFR, submitted annually, is both a year-end cost report and a year-end claiming document. Moreover, vouchers submitted for payment are deemed to be a certification that the payments requested are for project expenditures made in accordance with the contract budget. OPWDD ensures quarterly claims are supported by expenditure data and will adjust payments for unsupported expenditures.

Throughout the reporting period, the regional office staff conducts programmatic reviews to ensure that the FSS agency is performing the services to which it has attested. Contract managers review the quarterly fiscal reports. When staff identifies a possible discrepancy, they seek additional documentation from the agency.

* Comment 1

1

*See State Comptroller’s Comment, Page 16.

RESPONSE TO OSC'S RECOMMENDATIONS

Recommendation #1: Establish additional monitoring controls to ensure that the YAI Network is claiming only reasonable, necessary, allowable, and supported expenses that are consistent with both the CFR Manual and OPWDD guidelines. Controls should include, but not be limited to:

- Expanding desk reviews of supporting documentation for expenses and services, on a sample basis; and
- Ensuring regional offices are performing the required monitoring of program service providers.

Response: OPWDD disagrees with this recommendation. As described above, OPWDD has appropriate oversight, monitoring, and safeguards in place and is in compliance with all relevant laws and regulations. However, to assist the regional offices in monitoring FSS provided by YAI Inc., effective July 1, 2018, OPWDD requires YAI, Inc. to enhance quarterly expenditure data by allocating expenditures to individual programs.

* Comment 1

Recommendation #2: Establish and distribute formal policies and procedures to regional offices for reviewing CFRs and quarterly fiscal reports, and provide training to regional offices to ensure compliance.

Response: OPWDD agrees with this recommendation. OPWDD will formalize and distribute its policies and procedures for reviewing CFRs and quarterly fiscal reports among the regional offices. Formalized FSS policies and procedures will also be reinforced during OPWDD's monthly regional office contract management meetings. In addition to existing on-the-job training provided to new staff in relation to FSS requirements, OPWDD will refresh and formally update regional office staff on FSS requirements annually.

Recommendation #3: Follow up with the YAI Network to formally assess: the \$47,418 in personal services expenses; the related estimated \$15,042 in fringe benefit expenses; and the \$28,553 for the units of service claimed that are not allowable. Take steps to ensure the organization does not re-claim these costs in the future.

Response: OPWDD agrees with this recommendation. OPWDD will require the Network to repay OPWDD the unallowable costs identified through this audit and ensure that the organization does not re-claim these costs in the future.

State Comptroller's Comment

1. As shown on page 6 of our report, OPWDD is not exercising the appropriate fiscal oversight in place to ensure the YAI Network is only claiming FSS expenses that are program appropriate and consistent with contract requirements. Considering OPWDD did not identify the \$47,418 for personal service costs, the \$15,042 in related fringe benefits, and the 2,362.5 FSS units of service the YAI Network claimed without maintaining required supporting documentation, we believe enhanced controls are justified.