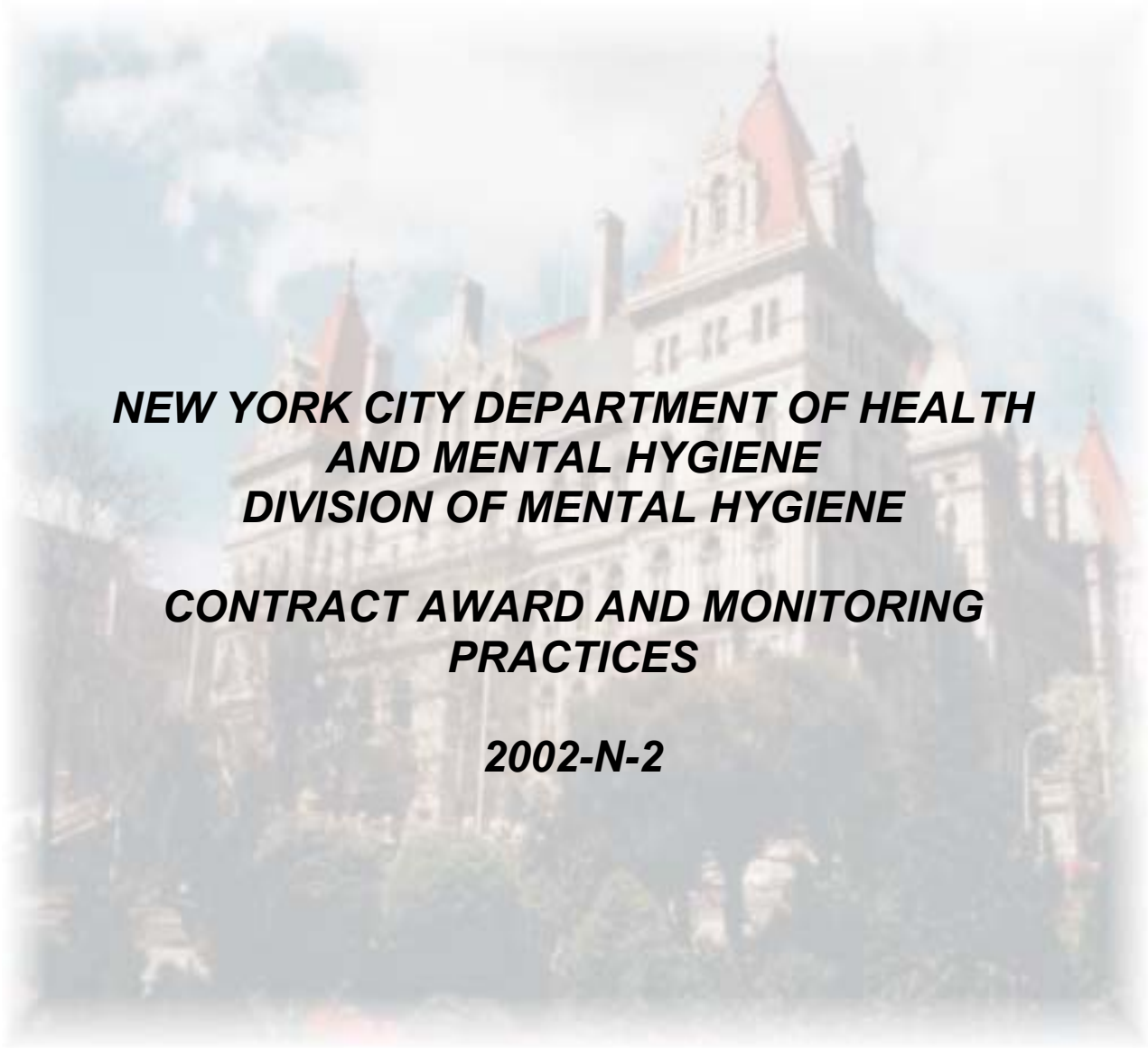
A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

Alan G. Hevesi
COMPTROLLER



NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE DIVISION OF MENTAL HYGIENE

CONTRACT AWARD AND MONITORING PRACTICES

2002-N-2

DIVISION OF STATE SERVICES

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Report 2002-N-2

Thomas R. Frieden, M.D., M.P.H.
Commissioner
New York City Department of Health and Mental Hygiene
125 Worth Street
New York, New York 10013

Dear Dr. Frieden:

The following is our audit report on the New York City Department of Health and Mental Hygiene's contract award and monitoring practices relating to the provision of mental hygiene services.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of State Services

April 29, 2003

EXECUTIVE SUMMARY

NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE
DIVISION OF MENTAL HYGIENE
CONTRACT AWARD AND MONITORING PRACTICES

SCOPE OF AUDIT

The New York City Department of Health and Mental Hygiene (Department) is responsible for local mental hygiene services for New York City residents. The Department, through its Division of Mental Hygiene (Division), contracts with hospitals and community-based organizations (delegate agencies) to provide various mental health, mental retardation/developmental disability and alcoholism services. The Division is required to follow the contracting process outlined in the City's Procurement Policy Board (PPB) rules. The Division usually enters into contracts with delegate agencies for a period of up to three years, with two renewal options of three years each. For the fiscal year ended June 30, 2001, the Department paid $179,642,000 on 363 active contracts.

The Division's Office of Program Review and Evaluation (OPRE) performs audits to assess issues relating to program performance and quality of services provided by the delegate agencies. OPRE has developed standards for reviewing program performance. The standards are performance measures based on rules and regulations, clinical practice and the contract requirements of the program.

Our audit addressed the following question relating to the Division's contract award and monitoring practices for the period July 1, 1999 through July 15, 2002:

- Did the Division award contracts in accordance with City rules and adequately monitor the performance of delegate agencies in providing mental hygiene program services?

AUDIT OBSERVATIONS AND CONCLUSIONS

We noted opportunities for the Division to more effectively monitor the performance of delegate agencies in providing mental hygiene program services. Our findings relating to the awarding of contracts were of lesser

significance and, therefore, we have reported them separately to Department officials apart from our formal audit report.

Based on our analysis of OPRE's audits of contracts, we identified several instances where contracted programs showed continuous poor performance on certain performance standards, by receiving failing scores on the same performance standards on consecutive audits. Additionally, we identified situations where contracted programs showed deteriorating performance on certain performance standards, by receiving failing scores on performance standards that had received passing scores in the previous audit. Given that the time between OPRE's audits of a specific program may be up to three years, it is important for OPRE to provide a level of monitoring throughout the term of each contract that will determine whether programs continue to perform at a satisfactory level for all standards. (See pp. 5-8)

OPRE auditors are required to inform delegate agencies of conditions identified during an audit that require immediate corrective action. We found instances that we considered sufficiently serious to require immediate corrective action, but there was no documentation that the auditors notified the delegate agency, so the agency could take corrective action. For example, in one case, the auditors found that the provider's medicine cabinet contained expired medication. (See pp. 8-9)

When OPRE auditors identify deficiencies relating to program performance, the delegate agency must submit a corrective action plan to the Division outlining steps the agency will take to improve program performance. We found that some delegate agencies were late in submitting corrective action plans. The late submittal of corrective action plans could delay the action needed to resolve program deficiencies. (See pp. 9-10)

Our report contains three recommendations for the Division to more effectively monitor the performance of delegate agencies in providing mental hygiene program services.

Comments of Officials

Department officials are in general agreement with the findings and recommendations included in the report. A complete copy of the Department's response to the report is included as Appendix B. Appendix C contains State Comptroller's Notes, which address matters of disagreement included in the Department's response.

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INTRODUCTION

Background

The New York City Department of Health and Mental Hygiene (Department), under the City Charter and in accordance with Article 41 of the State Mental Hygiene Law, is responsible for local mental hygiene services for New York City residents. The Department's mission with regards to mental hygiene services is to oversee and coordinate the development of a comprehensive, integrated community-based service system. In addition, the Department, through its Division of Mental Hygiene (Division), has responsibility to ensure that mental hygiene services are comprehensive, high quality, cost-efficient, and culturally and linguistically responsive across all local hospital, community and criminal justice mental health systems.

The Division does not provide direct client services. Instead, it contracts with hospitals and community-based organizations (delegate agencies) to provide various mental health, mental retardation/developmental disability and alcoholism services. The Division is required to follow the contracting process outlined in the City's Procurement Policy Board (PPB) rules. The Division usually enters into contracts with delegate agencies for a period of up to three years, with two renewal options of three years each. For the fiscal year ended June 30, 2001, the Department paid $179,642,000 on 363 active contracts. There were 245 contracts (totaling $107,504,000) for mental health services, 60 contracts (totaling $44,173,000) for mental retardation/developmental disability services, and 58 contracts (totaling $27,965,000) for alcoholism services.

Contracts are required to undergo both fiscal and program reviews. The Division engages independent CPAs to perform a fiscal audit of each contract every year. The CPAs render an opinion on the delegate agency's financial statements, contract compliance, and internal controls relating to the contract. The Division's Office of Program Review and Evaluation (OPRE) audits the program side of contracts, focusing on program performance and quality of services provided. OPRE has developed standards for reviewing program performance. The standards are performance measures based on rules and regulations, clinical practice and the contract requirements of

the program. A contract may have multiple programs. According to OPRE policy, OPRE auditors must audit each program within a contract at least once during the term of the contract.

When a program audit identifies deficiencies, the delegate agency must submit a corrective action plan to the Division outlining steps the delegate agency will take to improve program performance. As part of its ongoing monitoring process for delegate agencies, the Division has Bureau/Borough employees (consultants) who conduct reviews, give technical support, and make unannounced visits throughout the year. In addition, the consultants receive copies of the corrective action plans and are responsible for overseeing their implementation.

Audit Scope, Objectives and Methodology

We audited selected aspects of the Department's contract award and monitoring practices relating to the provision of mental hygiene services for the period July 1, 1999 through July 15, 2002. The objectives of this performance audit were to evaluate whether contracts were awarded in accordance with City rules and whether the Division adequately monitored the programs to determine their compliance with contract terms. To accomplish these objectives, we reviewed applicable laws, rules and regulations, interviewed Department officials, reviewed Department policies and procedures, reviewed audit reports prepared by OPRE, and reviewed the work of the Division's consultants. In addition, we selected a random sample of 25 contracts that were active as of June 30, 2001 from the population of 363 contracts active as of that date. We sampled a proportionate number of contracts in each of three areas: mental health services, mental retardation/developmental disabilities services, and alcoholism services.

As is our practice, at the outset of the audit we requested a representation letter from Department management. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to their agency's operations that would

have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors.

However, officials of the Mayor's Office of Operations have informed us that, as a matter of policy, Mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from Department officials that all relevant information was provided to us during this audit. We consider this refusal to provide a representation letter to be a limitation on the scope of our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in the report.

Except as discussed in the preceding paragraphs, we conducted our audit in accordance with generally accepted governmental auditing standards. Such standards require that we plan and perform our audit to adequately assess those procedures and operations of the Department that were included within our audit scope. Further, these standards require that we understand the Department's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence that supports transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations identified through our preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Response of Department Officials to Audit

Draft copies of this report were provided to Department officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix B. Appendix C contains State Comptroller's Notes, which address matters of disagreement included in the Department's response.

In addition to the matters discussed in this report, we have reported separately to Department officials about our findings concerning the contract award portion of the audit. While these are matters of lesser significance, officials should implement our recommendation related to these issues to improve the contract award process.

Within 90 days after final release of this report, we request that the Commissioner of the New York City Department of Health and Mental Hygiene report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

MONITORING PROGRAM SERVICE PERFORMANCE

Effective Division monitoring of contracts is important to determine whether mental hygiene programs are performing in accordance with contract terms. The time between OPRE's audits of a specific program may be up to three years, and therefore it is important for OPRE to provide a level of monitoring that will determine whether programs continue to perform at a satisfactory level for all standards throughout the term of the contract.

The Division's Bureau/Borough consultants monitor the progress of delegate agencies toward implementing corrective action plans (CAPs), as well as perform other ongoing monitoring efforts. However, we found that OPRE's current practices are not sufficient to provide reasonable assurance that programs continue to perform at a satisfactory level on all standards throughout the term of the contract. In addition, OPRE auditors are required to inform delegate agencies of conditions identified during an audit that require immediate corrective action. We found instances that we considered sufficiently serious to require immediate corrective action, but there was no documentation that the auditors notified the delegate agency, to enable the agency to take corrective action. In addition, we found that some delegate agencies were late in submitting CAPs.

Monitoring Needs Improvement

OPRE auditors use standards to assess program performance. For each standard reviewed, OPRE auditors grade the program's performance on a scale of 1 through 5. Grades of 4 and 5 are considered to be passing scores, in that the program was in full or substantial compliance with the standard. Grades 1, 2 and 3 are considered to be failing scores. After the audit is completed, Division policy requires the delegate agency to develop a CAP to correct any deficiencies identified in the audit report and to forward the CAP to the Division within 18 days after receiving the audit report. The CAP, which is the delegate agency's plan on how to address the

deficiencies, is shared with the Division's consultants so that they can oversee its implementation.

To determine if the Division was adequately monitoring the performance of delegate agencies, we selected a random sample of 25 contracts for review and requested OPRE's latest audit reports for programs in those contracts. For 13 of these contracts, consisting of 20 programs, a prior audit report was issued. We requested the corresponding prior audit reports for those programs to compare their performances over a period of time.

We found that five programs that received failing scores for certain standards in the prior OPRE audit report continued to receive failing scores for some of those same standards in the subsequent report. For example, the prior audit report for one program showed a failing score of 2 for the quality management standard relating to the sexual and physical abuse assessment. The auditor wrote, "Only 30% of the case records reviewed contained complete sexual and physical abuse assessment." The subsequent report showed that the auditor made a similar statement about the same standard, stating, "Only 20% of the case records reviewed contained documentation for the assessment of sexual and physical abuse." This time the program's performance on this standard received a failing grade of "1." Even though the delegate agency submitted a CAP, the program did not satisfactorily comply with this standard.

For another program, the prior audit report stated, "None of the case records reviewed of the clients who were prescribed psychotropic medication on-site, included a full mental status examination. Missing information included assessment of both recent and remote memory, concentration, psychomotor activity, insight, attention and orientation to person, place and time." The subsequent audit report restated the same deficiency. The program received a failing grade of "1" for this standard in both audit reports.

As shown by the following table, five programs continued to receive failing scores on one or more performance standards on consecutive audits, in spite of the Division's ongoing monitoring efforts. Specifically, three programs continued to receive failing scores on one of the performance standards from one audit to the next, one continued to receive failing scores on two

performance standards, and one continued to receive failing scores on four standards.

Sampled Program	Number of Failing Standards In Consecutive Audits
2a*	1
14	4
16a*	2
19	1
21	1

* The related contract involved more than one program.

We also noted that 12 programs that had received passing scores for certain standards in the prior audit report subsequently received failing scores for some of those standards in the next audit report, representing a decline in delegate agency performance in those areas. For example, one program received a passing score for the fire drill standard in the prior audit report, but received a failing score for that same standard in the subsequent report. The subsequent report stated that the "provider must insure fire drills are conducted at least once quarterly."

For another program, the prior OPRE audit report gave a passing score for the discharge planning documentation standard. (Discharge planning is the process of planning for a client's termination from the program.) However, the subsequent report showed a failing score of "1," stating, "Only 28% of the case records reviewed contain acceptable documentation of discharge planning." The following table shows that 12 programs had a decline in performance relative to 35 performance standards.

Sampled Program	Number of Satisfactory Standards That Failed In Subsequent Audit
1	3
2a*	2
2b*	2
3	2
6a*	4
11	2
14	2
16a*	2
16b*	3
19	8
20b*	1
21	4

* The related contract involved more than one program.

Our findings demonstrate the need for the Division to improve its monitoring of program performance during the term of the contracts.

Immediate Corrective Action Not Taken

According to OPRE officials, audits sometimes identify deficiencies that require the delegate agency to take immediate corrective action rather than wait to take action until the issuance of the audit report. Such deficiencies could involve matters relating to health and safety or quality management. The cover sheet of the OPRE audit report has a place for the auditor to indicate if immediate corrective action is needed. However, the Department was not able to provide us with any formal policies and procedures for the identification and handling of such matters. For example, there was no formal guidance on what constitutes a deficiency requiring immediate corrective action. Also, there were no procedures to be followed by the auditor and the delegate agency when such deficiencies are identified, including necessary documentation. Hence, we could not determine, with certainty, which deficiencies fall into this category.

In the OPRE audit reports for two of the sampled contracts, we identified deficiencies in the areas of health and safety and in quality management that we considered sufficiently serious to require immediate corrective action. However, there was no indication that the auditors identified these deficiencies as requiring immediate corrective action or that such action was taken. For example, the audit report for one program stated, "at the time of the site visit, the provider's medication storage cabinet contained expired medication." In our judgment, this situation required immediate corrective action. The expired medication should have been promptly removed from the cabinet to prevent program staff from dispensing it to patients. Although OPRE officials told us that the delegate agency acted immediately to correct the situation, there was no evidence of any action on the part of OPRE to bring the matter to the attention of the delegate agency or action on the part of the delegate agency to immediately correct the condition. Another audit report indicated the following case record storage deficiency: "Client case records are stored centrally in file cabinets in a lockable room in a client hallway traveled by clients. Although administrative staff reports that only one provider staff has access to the records because the room is kept locked, at the time of the audit, the room and file cabinets were unlocked." In our judgment, this is another situation that required immediate corrective action to prevent access to the cabinet and its contents. Again, there was no evidence that OPRE auditors notified the delegate agency of the need for immediate corrective action, nor was there evidence that the delegate agency took immediate action to ensure the room and file cabinets were to be continually locked.

Division officials subsequently advised that they are formalizing, in writing, the Division's established policy regarding immediate corrective action.

Corrective Action Plans Not Submitted Timely

According to Division policy, when an audit identifies deficiencies, the delegate agency must forward a CAP to OPRE within 18 days after receiving the audit report. The anticipated date of correction for each deficiency should be no later than 30 days after the audit report is received. It is important for the Division to enforce its policy to help resolve deficiencies in a timely manner.

We found that delegate agencies did not always submit their CAPs in a timely manner. For the 11 programs where we reviewed prior audit reports, all 11 were required to submit CAPs. Five programs submitted CAPs from 19 to 30 days after receipt of the audit report, and two others submitted their CAPs more than 30 days after receipt of the audit report.

In our review of the most recent audit reports for each of the 25 sampled contracts, delegate agencies were required to submit CAPs for 19 programs. Thirteen CAPs were not submitted in a timely manner. Four CAPs were submitted more than two months after issuance of the audit report, while two were submitted more than one month after report issuance.

The late submittal of CAPs could delay the corrective action needed to resolve program deficiencies. Division officials advised that they are reorganizing and, as part of this reorganization, they will develop a policy to improve the timeliness of the submission of CAPs.

Recommendations

1. Provide the level of monitoring necessary to ensure that programs perform at a satisfactory level on all standards throughout the term of the contract.

2. Develop and enforce formal policies and procedures for identifying and handling deficiencies that require immediate corrective action.

3. Enforce the requirement that programs prepare and submit corrective action plans in a timely manner after receipt of the program audit reports.

MAJOR CONTRIBUTORS TO THIS REPORT

Kevin McClune

Albert Kee

Stuart Dolgon

Charles Johnson

Jeffrey Marks

Adrian Wiseman

Paul Bachman

THE CITY OF NEW YORK

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Michael R. Bloomberg
Mayor

Thomas R. Frieden, M.D., M.P.H.
Commissioner

nyc.gov/health

March 27, 2003

Kevin M. McClune
Director of State Audit
Office of the Comptroller's Office
10 State Street, 11th Floor
Albany, New York 12236

Re: Draft Audit Report on the
Department of Health and Mental
Hygiene, Division of Mental Hygiene
Contract Award and Monitoring Process
2002-N-2

Dear Mr. McClune:

Enclosed please find, the response and the audit implementation plan of the Department of Health and Mental Hygiene, Division of Mental Hygiene, to the above referenced draft audit report. The Department requests that the attached response be appended, in full, to the final report.

Although the Department is in general agreement with the findings and recommendations included in the draft audit report, there are some areas of disagreement which are addressed in the attachment. Further, the Department will implement two of the three recommendations contained in the report.

Should you or your staff have any questions regarding the Department's response, please do not hesitate to contact Amar Dyal at (212) 219-5535.

Sincerely,

Thomas R. Frieden, M.D., M.P.H.
Commissioner

TRF/ljd

Enclosures

Appendix B

c: DOHMH
Lloyd I. Sederer, M.D.
Elsie del Campo
Martha Sullivan, D.S.W.
Patricia A. Thomas
Peter Koehler
Charles Troob
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STATE COMPTROLLER'S OFFICE
Stuart Dolgon

COMMENTS TO SELECTED FINDINGS IN THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER'S DRAFT AUDIT REPORT ON THE DEPARTMENT OF HEALTH AND MENTAL HYGIENE DIVISION OF MENTAL HYGIENE

AUDIT NUMBER 2002-N-2

PREPARED BY

THE CITY OF NEW YORK
DEPARTMENT OF HEALTH AND MENTAL HYGIENE
DIVISION OF MENTAL HYGIENE

MARCH 2003

The Department's comments in response to the audit report are presented below in the same sequence as in the report. Excerpts from the report are indicated in **bold** face type.

EXECUTIVE SUMMARY

Audit Observations and Conclusion

- **Given that the time between OPRE's audits of a specific program may be up to three years, it is important for OPRE to provide a level of monitoring throughout the term of each contract that will determine whether programs continue to perform at a satisfactory level for all standards.**

  Agency's Response

  Based on the Department's history of monitoring program services and the available resources, we have established that the three-year cycle is an adequate time period for program audits. In addition, any program that receives a Needs Improvement or Satisfactory rating is subject to a program audit in each subsequent year until the program achieves a satisfactory rating. The State Office of Mental Health, State Office of Alcoholism and Substance Abuse Services and the Joint Commission on Accredation of Healthcare Organizations also have three-year cycles of review.

  * Note 1

- **OPRE's auditors are required to inform delegate agencies of conditions identified during an audit that require immediate corrective action. We found instances that we considered sufficiently serious to require immediate corrective action, but there was no documentation that the auditors notified the delegate agency, so the agency could take corrective action.**

  Agency's Response

  The auditors were informed that deficiencies that require immediate corrective action are contextual and are determined on a case-by-case basis. Staff members are trained to identify situations that affect the immediate health and safety of clients and recommend immediate corrective action, when necessary. In addition, the Department is formalizing its established policy in writing, regarding immediate corrective actions.

Monitoring Program Performance (Page 5)

- **The time between OPRE's audits of a specific program may be up to three years, and therefore, it is important for OPRE to provide a level of monitoring that will determine whether programs continue to perform at a satisfactory level for all standards throughout the term of the contract.**

  Agency's Response

  Based on the Department's history of monitoring program services and the available resources, we have established that the three-year cycle is an adequate time period for program audits. In addition, any program that receives a Needs Improvement or Satisfactory rating is subject to a program audit in each subsequent year until the program achieves a satisfactory rating. The State Office of Mental Health, State Office of Alcoholism and Substance Abuse Services and the Joint Commission on Accredation of Healthcare Organizations also have three-year cycles of review.

  * Note 1

- **OPRE's borough consultants monitor the progress of delegate toward implementing corrective action plans (CAPs), as well as perform other ongoing monitoring efforts.**

  Agency's Response

  The consultants in the Division's Bureau/Borough offices and not OPRE's Borough Consultants monitor the progress of delegate agencies Corrective Action Plans (CAPs), as well as perform other ongoing monitoring efforts.

  * Note 2

- **We found that OPRE's current practices are not sufficient to provide reasonable assurance that programs continue to perform at a satisfactory level on all standards throughout the term of the contract.**

  The Department disagrees with the above comment. The Department has extensive experience in the monitoring of Mental Hygiene programs. Based on this experience, the Department has established that the frequency of the audits, which is part of the overall monitoring process, is adequate.

  * Note 1

  As the State Comptroller's auditors are aware, the Department's consultants in the three Bureaus, monitor on an ongoing basis, all aspects of the programs' functions and provide technical assistance as needed. This includes following up on the implementation of the corrective action plans and monitoring the correction of deficiencies.

- **In addition, OPRE's auditors are required to inform delegate agencies of conditions identified during an audit that require immediate corrective action. We found instances that we considered sufficiently serious to require immediate corrective action, but there was no documentation that the auditors notified the delegate agency, to enable the agency to take corrective action.**

  The auditors were informed that deficiencies that require immediate corrective action are contextual and are determined on a case-by-case basis. Staff members are trained to identify situations that affect the immediate health and safety of clients and recommend immediate corrective action, when necessary. In addition, the Department is formalizing its established policy in writing, regarding immediate corrective actions.

Monitoring Needs Improvement (Page 6)

- **As shown by the following table, 5 programs continued to receive failing scores on 9 performance standards from one audit ot the next, in spite of the Division's ongoing monitoring efforts.**

  Agency's Response

  We find the language used to present the findings in the final paragraph of Page 6 to be misleading in interpreting the table on Page 7, making the results appear more negative than the actual numbers indicate. The way it is currently worded gives the impression that these 5 programs continued to receive failing scores on 9 standards each, rather than only 1 each in 3 programs. To be clear and accurate, this last paragraph should read: "As shown by the following table, 3 of the 13 programs continued to receive failing scores on 1 of the performance standards from one audit to the next, 1 continued to receive failing scores on 2 performance standards, and 1 continued to receive failing scores on 4 standards.

  * Note 2

Monitoring Needs Improvement (Page 7)

- **We also noted that 12 programs that had received passing scores for certain standards in the prior audit report subsequently received failing scores for some of those standards in the next audit report, representing a decline in delegate agency performance in those areas.**

  Agency's Response

  We strongly object to the inclusion of standards not rated in the comparison described on Page 7 and shown in the table on Page 8. If a standard was not rated in a prior audit, it is inaccurate to say that performance has declined. Please note that we objected to this method of

  * Note 2

presenting data in our earlier review of draft reports, and we noted that this method was not presented in the Second Preliminary Report. A more fairly representative method should be used to present the changes described.

Our service providers do not operate in a static environment, and are subjected to variables such as staffing shortages, changes in program personnel and client mix which can impact on performance at any given point in time. Therefore, it cannot be generalized that there may be a decline in the delegate agency performance in these areas.

In addition, the consultants in the three Bureaus monitors the programs on an ongoing basis, on all aspects of the programs' functions and provide technical assistance as needed. Routinely, this includes following up on the implementation of the corrective action plan and monitoring the correction of deficiencies.

- **Our findings demonstrate the need for the Division to improve its monitoring of program performance during the term of the contracts.**

Agency's Response

The Department disagrees with the above comment. The Department has extensive experience in the monitoring of Mental Hygiene programs. Based on this experience, the Department has established that the frequency of the audits, which is part of the overall monitoring process, is adequate.

* Note 1

As the State Comptroller's auditors are aware, the Department's consultants in the three Bureaus, monitor on an ongoing basis, all aspects of the programs' functions and provide technical assistance as needed. This includes following up on the implementation of the corrective action plans and monitoring the correction of deficiencies.

Immediate Corrective Action Not Taken (Page 8)

- **The cover sheet of the OPRE audit report has a place for the auditor to indicate if immediate corrective action is needed. However, the Department was not able to provide us with any formal policies and procedures for the identification and handling of such matters.**

Agency's Response

The auditors were informed that deficiencies that require immediate corrective action are contextual and are determined on a case-by-case basis. Staff members are trained to identify situations that affect the immediate health and safety of clients and recommend immediate corrective action, when necessary. In addition, the Department is formalizing its established policy in writing, regarding immediate corrective actions.

STATE OFFICE OF THE COMPTROLLER
AUDIT IMPLEMENTATION PLAN
CONTRACT MONITORING

AUDIT NUMBER - 2002-N-2
PAGE 1 OF 2

RECOMMENDATION WITH WHICH THE AGENCY DISAGREES AND DOES NOT INTEND TO IMPLEMENT	REASONS FOR DISAGREEMENT AND REFUSAL TO IMPLEMENT
1. Provide the level of monitoring necessary to ensure that programs perform at a satisfactory level on all standards throughout the term of the contract.	The Department disagrees with the need for this recommendation. The Department does provide the level of monitoring necessary to ensure that programs perform at a satisfactory level on all standards throughout the term of the contract. Based on the Department's history of monitoring program services and the available resources, we have established that the three-year cycle is an adequate time period for program audits. In addition, any program that receives a Needs Improvement or Satisfactory rating is subject to a program audit in each subsequent year until the program achieves a satisfactory rating. The State Office of Mental Health, State Office of Alcoholism and Substance Abuse Services and the Joint Commission on Accredation of Healthcare Organizations also have three-year cycles of review. As the State Comptroller's auditors are aware, the Department's consultants in the three Bureaus monitor all aspects of the programs' functions on an ongoing basis and provide technical assistance as needed. This includes following up on the implementation of the corrective action plan and monitoring the correction of deficiencies.

STATE OFFICE OF THE COMPTROLLER
AUDIT IMPLEMENTATION PLAN
CONTRACT MONITORING

AUDIT NUMBER - 2002-N-2
PAGE 2 of 2

RECOMMENDATIONS WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT	METHODS/PROCEDURES	IMPLEMENTATION DATE	PROGRAM IMPROVEMENT/DOLLAR SAVINGS/INCREASED REVENUE WITH TIMETABLE
2. Develop and enforce formal policies and procedures for identifying and handling deficiencies that require immediate corrective action.	The Department will formalize in writing, its established policy regarding implementing corrective action. Currently, staff members are trained to identify situations that affect the immediate health and safety of clients and recommend immediate corrective action, when necessary. It should be noted that deficiencies that require immediate corrective action are contextual, and are determined on a case by case basis.	July 2003	
3. Enforce the requirement that programs prepare and submit corrective action plans in a timely manner after receipt of the program audit reports.	The Department is currently reorganizing. As part of this reorganization, the Department will develop a policy to improve the timeliness of the programs' submission of the corrective action plans in response to the program audits.	July 2003	

State Comptroller's Notes

1. Our findings with respect to programs continuing to receive failing scores on performance standards on consecutive audits and programs receiving passing scores on certain performance standards on one audit and failing scores on these standards on the next audit illustrate the need for improved monitoring.

2. We modified our report accordingly.