

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 8, 2003

Mr. James L. Stone
Commissioner
Office of Mental Health
44 Holland Avenue
Albany, NY 12229-0001

Re: Odyssey House Contract C005232
Report 2002-F-56

Dear Mr. Stone:

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, we have reviewed the actions taken by officials of OMH as of February 26, 2003, to implement the recommendations contained in our audit report, *Odyssey House Residence Program Contract C005232* (Report 2000- R-4). Our report, issued on December 14, 2001, assessed Odyssey House's compliance with contract terms, and sought to determine whether contract-related billings had been supported properly and were related to the Odyssey House Residence Program (Program). In addition, we verified that revenues had been accounted for properly, and assessed OMH's fiscal and programmatic oversight of the contract.

Background

OMH provides treatment and support services intended to help the mentally ill return to community life, such as vocational training, recreational activities, room and board, and clinical services. OMH contracts with many not-for-profit entities to assist it in providing these services.

Odyssey House, headquartered in New York City, is a social and community service organization with extensive experience in addressing chemical dependency and providing residential centers for various programs funded by New York State (State). The program we audited, known as the Residence Program (Program), operates a 60-bed facility for adults over 18 years of age, and provides long-term residential care and specialized treatment services to mentally ill substance abusers who have been certified homeless. The contract required Odyssey House to provide housing for 60 residents, including bed space, 3 meals per day, and therapeutic services. The program is group-oriented and focuses on strengthening self-esteem by engaging the residents in taking responsibility for their own treatment and the environment in which they live.

Program residents qualify for either Supplemental Security Income or Home Relief, which provide approximately \$500,000 annually for the Program. Any remaining Program expenses, up to approximately \$1.5 million per year, are then covered by the OMH contract. Contract expenditures for the period July 1, 2000 through June 30, 2002, totaled \$3.2 million.

Summary Conclusions

In our prior audit, we identified the need for OMH and Odyssey House officials to enhance contract-related operations as well as to credit certain moneys available to the Program as intended, thus reducing the State's funding by \$40,352.

Our follow-up review found that OMH has made significant improvements by implementing all but one of our recommendations for enhancing operations at Odyssey House. It has strengthened internal controls and shortened the duration of the average resident's stay at the facility. OMH officials said they have not implemented Recommendation 1, which called for a recovery of State funding, because they disagree with its underlying premise.

Summary of Status of Prior Audit Recommendations

Of the six prior recommendations, OMH officials have implemented five recommendations and have not implemented one recommendation.

Recommendation 1

Recover the \$40,352 in unrestricted undistributed revenues from the Odyssey House Foundation.

Status - Not Implemented

Agency Action - OMH disagreed with this recommendation, indicating that there is no OMH requirement that providers must offset unrestricted donations against costs in determining eligible expenditures. It maintained that unrestricted donations were being used for program purposes. OMH indicated that Federal regulations specifically state that unrestricted contributions should not be deducted from costs when allowable costs are computed. However, we noted that the contract between OMH and Odyssey House is "deficit funded," meaning that State funds should only be used to meet expenses after all available funds have been exhausted by the contractor. Therefore, we believe our original recommendation has merit, and OMH should reconsider its position.

Recommendation 2

Specify in the employee job descriptions and policy manuals the need and circumstances under which employees may eat free meals with the residents.

Status - Implemented

Agency Action - The Clinical Policy Manual now includes descriptions that explain the circumstances under which the employee may eat free meals with the residents.

Recommendation 3

Segregate the incompatible duties of the facility manager in accordance with proper internal control requirements.

Status - Implemented

Agency Action - Odyssey House officials provided us with documentation indicating that internal controls have been strengthened. The incompatible duties of the facility manager have been redistributed. In addition, procedures regarding purchasing and receiving responsibilities have been revised. For example, receiving tickets are now being signed by the respective departments and then countersigned by either the facility manager or program director.

Recommendation 4

Ensure that all Program assets are safeguarded against theft and misuse.

Status - Implemented

Agency Action - Odyssey House officials indicated that accounting and finance staff review internal controls, and conduct periodic audits at all facilities and report deficiencies, if any, to senior management. This combination of internal control reviews and audits strengthens the safeguarding of Program assets.

Recommendation 5

Maintain up-to-date equipment inventory listings, and identify all equipment with inventory tags.

Status - Implemented

Agency Action - Odyssey House's Central Office now maintains an up-to-date inventory system, as well as an equipment management and control policy and procedures manual. As part of our review, we obtained a listing of inventory items and physically verified, by tag number, the location of 15 sampled items.

Recommendation 6

Regularly evaluate the reasons why residents are staying beyond the 24-month Program expectation and, as appropriate, take steps either to revise their goals or to help relocate these residents.

Status - Implemented

Agency Action - Odyssey House officials closely track their residents' length of stay and provided us with a copy of the statistics for the current 60 residents. They were familiar with the reasons for the extended stays of all nine applicable residents, most of whom had serious physical, psychological, or substance abuse problems. Odyssey House now employs a full-time discharge coordinator to help place such residents, and OMH is providing training in resident placement. As a result, the percentage of residents whose stays exceeded the 24-month limit was reduced to 15 percent in January 2003, down from 46 percent at the time of our previous audit.

Major contributors to this report were Roseline David and Barry Mordowitz.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the staff of OMH and Odyssey House for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre A. Taylor