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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE  
COMPTROLLER

September 30, 1998

Ms. Jean Somers Miller  
Commissioner  
Office of Alcoholism  
& Substance Abuse Services  
1450 Western Avenue  
Albany, NY 12203

Mr. Brion D. Travis  
Chairman  
Division of Parole  
97 Central Avenue  
Albany, NY 12206

Barbara A. DeBuono, M.D., M.P.H.  
Commissioner  
Department of Health  
Corning Tower Building, Empire State Plaza  
Albany, NY 12237

Re: Samaritan Village, Inc.  
Report 96-R-4

Dear Ms. Miller, Dr. DeBuono, and Mr. Travis:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we audited the books and records of Samaritan Village, Inc. (Samaritan), for the period of July 1, 1995 through September 29, 1996. Our audit related to reimbursements claimed by Samaritan under the following five contracts awarded by the Office of Alcoholism and Substance Abuse Services (OASAS), the Department of Health (DOH), and the Division of Parole (DOP):

<u>Contract</u>	<u>Agency</u>	<u>Period</u>	<u>Contract Payments</u>
C-001719	OASAS	7/1/95 - 6/30/96	\$5,881,616
C-001766	OASAS	9/30/95 - 9/29/96	402,060
C-002053	OASAS	10/1/95 - 6/30/96	30,722
C-010818	DOH	7/1/95 - 6/30/96	244,622
C-000285	DOP	1/1/96 - 6/30/96	155,078

The objectives of our financial-related audit were to determine whether costs claimed by Samaritan were allowable, had been documented adequately, and had been incurred for services

funded under the contractual agreements we were auditing. To accomplish these objectives, we reviewed the contractual agreements, Samaritan's books and records of expenditures, internal controls over charges to the contracts, and the level of Samaritan's compliance with contractual terms.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Samaritan that are included within our audit scope. Further, these standards require that we review and report on Samaritan's internal control structure and its compliance with those laws, rules and regulations that are relevant to Samaritan's operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting 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 that our audit provides a reasonable basis for our findings and conclusions.

In planning and performing our audit procedures, we considered Samaritan's internal control structure. Our consideration was limited to a preliminary review of this structure that would enable us to understand the control environment and the way in which transactions flowed through the systems supporting Samaritan's claims. Because we did not intend to rely on the internal control structure in performing our work, our assessment did not extend beyond the preliminary review phase. Instead, we appropriately extended our substantive audit tests.

In conducting our audit, we performed tests of Samaritan's compliance with certain provisions of the contracts. Our objective in performing these tests was to obtain reasonable assurance about the allowability of amounts that Samaritan received from the State, not to provide an opinion on Samaritan's overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Samaritan complied in all material respects with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Samaritan had not complied, in all material respects, with those provisions.

**A. Background and Contract Terms**

Established in 1959 as a substance abuse treatment agency, Samaritan is a not-for-profit corporation that provides ambulatory and residential Methadone-to-Abstinence services, GED preparation, and adult basic education. Serving clients that range from individuals involved with the criminal justice system to women, veterans, the homeless, and addicts with AIDS, it operates several facilities in Queens, Manhattan, the Bronx, and Upstate New York, including two residential treatment centers.

For the fiscal year that ended on June 30, 1996, Samaritan received more than

\$17.9 million in revenues, of which State contracts provided \$7 million, or approximately 39 percent. It also received revenue from several other sources, including Medicaid, New York City agencies, food stamps, client fees, and public donations.

In 1979, Samaritan created a not-for-profit corporation known as Samaritan Foundation, Inc. (Foundation), to solicit and administer the funds, grants-in-aid, and donations it received from governmental agencies, research foundations, and other sources; to make capital acquisitions and capital improvements; and to use the funds obtained to support needy individuals, organizations, agencies, and institutions that are organized and operated exclusively for charitable, scientific, and educational purposes. In 1996, the Foundation raised \$141,848 and received \$10,518 in contributions, interest income, and other donations; of the total amount, \$26,597 was donated to Samaritan.

The OASAS-funded contract programs we audited offered outreach services and residential drug treatment programs designed to provide long-term residential treatment for clients with multiple problems that involved psychological, family, and educational difficulties, as well as criminal behavior related to substance abuse. The DOH contract funded Samaritan's participation in an HIV Care Network established by the State under Title II of the Ryan White Care Act, and Samaritan's establishment of an HIV Advisory Committee. The DOP contract funded Samaritan's efforts to reintegrate inmates who had been released on parole or who were on conditional release into society, and to prevent them from relapsing into chemical dependency.

**B. Results of Audit**

We tested and allowed the entire \$6,314,398 claimed under OASAS contracts C-001719, C-001766, and C-002053. We also tested the expenditures claimed under the DOH and DOP contracts and allowed the \$244,622 and \$155,078 paid by those agencies to Samaritan.

Major contributors to this report were Kenneth Spitzer, Anthony Carbonelli, Lesley Padmore, Claude Volcy, and Leota Bernard.

We wish to thank the management and staff of Samaritan Village, Inc, the Office of Alcoholism and Substance Abuse Services, the Department of Health, and the Division of Parole for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston  
Audit Director

cc: Richard L. King

Richard Pruss