New York State Office of the State Comptroller
Thomas P. DiNapoli
Division of State Government Accountability

Compliance With the Consolidated Fiscal Reporting and Claiming Manual

Office for People With Developmental Disabilities
Lifespire, Inc.

Report 2016-S-2 December 2017

Executive Summary

Purpose
To determine whether the costs claimed by Lifespire, Inc. (Lifespire) on its Consolidated Fiscal Reports (CFR) were valid and consistent with contract terms and in accordance with the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). The audit covered the two fiscal years ended June 30, 2015.

Background
The Office for People With Development Disabilities (OPWDD) is responsible for coordinating services for more than 128,000 New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, Down Syndrome, autism spectrum disorders, and other neurological impairments. It 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. One of these nonprofit service providing agencies is Lifespire.

Lifespire provides assistance to individuals with mental developmental disabilities. Formed in 1951, the organization now provides services in multiple locations throughout New York State: 82 in New York City, one in Westchester County, one in Greene County, and one in Ulster County. Lifespire operates 118 residences and offers 75 day programs in areas such as habilitation, supported employment, residential, behavioral, prevocational, mental health, and family support.

Lifespire receives funding from Medicaid, OPWDD, the Office of Mental Health, and the U.S. Social Security Administration. Lifespire's funding from OPWDD is a combination of Medicaid and State appropriations. For the fiscal year ended June 30, 2014, Lifespire claimed $91.8 million ($82.1 million Medicaid and $9.7 million State) on its CFR, while for the fiscal year ended June 30, 2015, Lifespire claimed $94.8 million ($84.6 million Medicaid and $10.2 million State). Lifespire's programs were funded 90 percent by Medicaid and other programs and 10 percent by State funds. This audit focused on the State funds for non-Medicaid costs.

Key Findings
For the two fiscal years ended June 30, 2015, we identified $167,041 in claimed costs that did not comply with the CFR Manual's requirements and recommend such costs be disallowed. The ineligible costs consisted of $70,129 in personal service costs and $96,912 in other than personal service costs.

Among the ineligible costs identified were:
- $70,129 for personal service costs. Lifespire did not provide time records to support the hours worked for 35 employees. Additionally, we identified errors in the calculation of hours worked and a lack of supervisory approval on the hardcopy documents.
- $64,051 for obligations that were created after the end of the contract year, which is not allowed per contract terms. Our conclusions are based on a review of all 408 family reimbursement transactions for fiscal years 2014 and 2015, which determined that the purchase order dates

of 137 transactions were after the end of the contract year (June 30, 2014 or June 30, 2015), making the expenses ineligible.
- $18,500 in vehicle-related expenses for vehicles assigned to individuals or programs (except for the CEO and CFO) without Board approval, as required.

Key Recommendations

To OPWDD:
- Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Lifespire's CFRs and its reimbursements.
- Review Lifespire's supporting documentation to ensure that it is following all contract/program guidelines and regulations.

To Lifespire:
- Ensure that costs reported on future CFRs comply with the requirements in the CFR Manual and contract terms.

Other Related Audits/Reports of Interest

Office for People With Developmental Disabilities: Association for the Advancement of the Blind and Retarded – Options for People Through Services Program (2011-S-11)
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)

State of New York
Office of the State Comptroller

Division of State Government Accountability

December 14, 2017

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

Mr. Mark van Voorst
Chief Executive Officer
Lifespire, Inc.
1 Whitehall Street, 9th Floor
New York, NY 10004

Dear Ms. Delaney and Mr. van Voorst:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides 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, entitled *Compliance With the Consolidated Fiscal Reporting and Claiming Manual for Non-Medicaid Costs,* of our audit of the expenses submitted by Lifespire, Inc., to the Office for People with Developmental Disabilities for reimbursement. This audit was performed pursuant to the State Comptroller's authority under 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

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

Background

The Office for People With Developmental Disabilities (OPWDD) is responsible for coordinating services for more than 128,000 New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, Down Syndrome, autism spectrum disorders, and other neurological impairments. It 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 the State. One of these nonprofit service providing agencies is Lifespire, Inc. (Lifespire).

Lifespire is a nonprofit organization that provides assistance to individuals with mental developmental disabilities. Formed in 1951, the organization now provides services in multiple locations throughout New York State: 82 in New York City, one in Westchester County, one in Greene County, and one in Ulster County. Lifespire operates 118 residences and offers 75 day programs in areas such as habilitation, supported employment, residential, behavioral, prevocational, mental health, and family support.

Lifespire receives funding from Medicaid, OPWDD, the Office of Mental Health, the U.S. Social Security Administration, and from other sources. Lifespire's funding from OPWDD is a combination of Medicaid and State funds. In its Consolidated Fiscal Report (CFR) for the fiscal year covering July 1, 2013 to June 30, 2014, Lifespire claimed gross OPWDD revenue of $91.8 million ($82.1 million Medicaid and $9.7 million State). For the fiscal year covering July 1, 2014 to June 30, 2015, Lifespire claimed gross OPWDD revenue of $94.8 million ($84.6 million Medicaid and $10.2 million State). This audit focused on the State funds for non-Medicaid costs.

Throughout the year, Lifespire submits expense vouchers for reimbursement along with a CFR at the end of the year. Lifespire had 16 State-funded contracts, three of which were for the delivery of the following services:

- Family Support Services (FSS):
    - Travel Training, In-Home Behavioral Management, Crisis Intervention, Family Reimbursement, In-Home Training, Manhattan Behavioral Management
- Individual Support Services
- Supported Employment

In addition, it also provides services to non-Medicaid eligible recipients:

- Home and Community Based Services:
    - Group Day Habilitation, Supervised Individual Residential Alternative (IRA), Supportive IRA, Other Than Freestanding (Waiver Respite)
- Assistive Support

Audit Findings and Recommendations

For the two fiscal years ended June 30, 2015, we identified $167,041 in claimed costs that did not comply with the CFR Manual's requirements and recommend such costs be disallowed. The ineligible costs consisted of $70,129 in personal service costs and $96,912 in other than personal service (OTPS) costs. (See Exhibit at the end of the report.)

Personal Service Costs

The CFR Manual provides specific instructions that state the service provider should have records to support the costs in the CFR. The instructions also state that records and worksheets supporting the reported expenses and revenues should be available. The certification statement, which provides further assurance that records and allocation worksheets support all of the information, should also be available.

Lifespire's employees are paid biweekly based on hardcopy (manual timesheets, biometric timeclock, or time cards) and electronic time records (Lifespire Online System) submitted to the payroll department by the program's manager or director. The payroll department reviews the records, verifies timesheet approvals, and checks for approval of overtime, leave, and accruals.

During fiscal year 2013-14, Lifespire had 1,973 employees who worked in the State-funded programs and who earned $21,308,924, reported as personal service costs on the CFR. For fiscal year 2014-15, Lifespire had 1,474 employees who worked in the State-funded programs, and reported personal service costs of $21,504,370 on the CFR.

We reviewed the time records for 121 judgmentally sampled employees from July 1, 2013 to June 30, 2015. The sample was selected from each of Lifespire's programs that received State funding, and from employees who worked at least three months of the year and from those who had the highest annual salaries. The personal service costs claimed on the CFR for these employees was $2,458,315. Lifespire did not provide time records to support the hours worked for 35 employees (totaling $32,014 in wages claimed for reimbursement). Additionally, we identified errors in the calculation of hours worked totaling $1,846 and a lack of supervisory approval on the hardcopy documents totaling $36,269. We recommend a disallowance of $70,129. Lifespire could not locate its time records because it does not have a uniform record keeping system.

In response to our preliminary findings, Lifespire provided some of the missing time records and acknowledged that other records are still missing. We reviewed the time records and revised the amounts disallowed. Lifespire agreed that there were calculation errors as well as time records that were not approved. However, regarding the latter, Lifespire added that while hardcopy documents were missing the supervisor/manager approval, the online time records were approved upon submission. Lifespire indicated it will review and revise policies and procedures as necessary to include our recommendations.

Other Than Personal Service Costs

Family Reimbursement Services

We reviewed the Participant Incidental Component portion of the FSS program, which had a budget of $119,859 for each of fiscal years 2014 and 2015, and served residents in the Bronx, Brooklyn, Manhattan, and Queens.

Through the FSS, Lifespire provides a reimbursement for purchases of necessities (including respite) for qualifying members once per fiscal year. In certain cases, Lifespire makes the actual purchases on behalf of the member. According to the program contract, all obligations must be incurred prior to the end date of the contract. Applications for reimbursements are processed by the borough coordinator, who reviews the application for completeness and eligibility, and presents the requests to the parent/caregiver committee on a quarterly basis for final approval. When Lifespire makes the purchase, purchase orders are generated for each cost after final approval.

We reviewed all 408 family reimbursement or purchase transactions for fiscal years 2014 and 2015, which totaled $180,136. If the date on the purchase order was after the end of the contract (June 30, 2014 or June 30, 2015), then the expense was ineligible for that year. We found that 137 of the 408 (34 percent) purchases made by Lifespire, totaling $64,051, were for obligations ranging from 1.5 months to 4 months after the end of 2013-14, and 1.5 months to 9 months after the end of 2014-15. We recommend a disallowance of $64,051.

Lifespire officials stated the purchase orders were dated after the end of the contract year because the parent/caregiver committee purchases were approved on the last day of the contract.

In response to our preliminary findings, Lifespire maintained its position that these expenses were claimed in the correct fiscal years. As support for its position, Lifespire restated the approval process of each cost and asserted that it had undergone many fiscal reviews and annual audits without this issue being raised. However, the contract language clearly states that the obligations must be before the end of the contract. As a result, Lifespire has to revise its practices to ensure that its purchase obligations are made within the contract year, as required.

OPWDD officials disagreed that these expenses were not eligible for reimbursement. We provided OPWDD with additional information regarding the disallowances; however, we have not received a response.

Unsupported and Ineligible Expenses

All of these programs are billed by units of service. According to OPWDD's Front Door Procedures Manual, OPWDD guidelines, and OPWDD Administrative Memorandums, for each of these services, there are documents that Lifespire must maintain in order to receive reimbursement. These documents include the Development Disabilities Registration/Movement Form (DDP1), which is the principal document granting authorization for Lifespire to provide services and be reimbursed.

We selected a judgmental sample of 87 of the 938 individuals who received services from Lifespire. They included at least five individuals from each of the 13 programs. Our review revealed that five lacked the supporting documentation listed in the programs' criteria. These unsupported units of service occurred in 2 of the 13 programs: the Manhattan Behavioral Management program and the Group Day Habilitation program.

The Manhattan Behavioral Management program requires a DDP1, Individual Service Plan/Family Reimbursement Plan, Agency Quarterly Summary, and Individual Quarterly Summary Notes (case notes) for each individual for the agency to be reimbursed for services. Case notes detail the services provided to the individual during the service period. For this program, one hour is the equivalent of one unit of service. We found that three individuals were missing 88 case notes, which represented 88.75 units and $5,241.

The Group Day Habilitation program requires narrative notes (case notes), Individualized Service Plans, and a Group Day Habilitation Plan for the agency to be reimbursed for service. In this program, two or more hours (less than four hours) are considered a half unit of service; and four to six hours are considered a full unit of service. We found that two clients were missing case notes to support four full units and six half units of service, valued at $1,316.

In the absence of the required supporting documentation for these claims on the CFR, Lifespire was overpaid for the services in the total amount of $6,557, which was due to OPWDD not reviewing the supporting documentation for its State-funded programs. Similarly, Lifespire's main office was not actively verifying the information received from the program sites. This lack of oversight and monitoring on the part of both OPWDD and Lifespire was the prime contributor to these issues.

Lifespire acknowledged and agreed with these findings. It asserted that the unsupported units of service for the FSS program and Group Day Habilitation program were due to clerical errors. It further stated that there are clients who travel to the Group Day Habilitation program on their own and are asked to sign in on arrival and sign out prior to departing the program. However, these instructions were not always followed.

OPWDD strongly disagreed with our conclusion that it did not provide sufficient oversight or monitoring of the programs. OPWDD stated that it monitors the programs and has appropriate safeguards in place. As proof of its oversight, on March 22, 2016 it provided an internal audit report dated February 24, 2014. In addition, it mentioned annual site visits and the requirement for the submission of quarterly program and fiscal reports. While we acknowledge these efforts, we find that OPWDD's site visits focus on the programmatic aspects and do not substantiate the information provided in quarterly program and fiscal reports. Furthermore, the periodic audits are neither timely (last audit covered 2012) nor representative of a broad enough cross section of the funded programs.

Administrative Expenses

Duplicate Claim of Administrative Expenses

Lifespire claimed $1.1 million in fringe benefits for administrative staff for the fiscal year ended June 30, 2015. When we reconciled the CFR amounts to the general ledger, we identified a difference of $67,832. According to the CFR breakdown for that fiscal year, the difference represented the post-retirement health insurance for a retired Lifespire employee.

When we inquired about the support for this amount, we were directed to the general ledger item, "department 7310," which contains the health insurance for the agency. Our review of the support revealed that this amount was already included in the total health insurance claimed of $494,678.

Lifespire stated that this duplication was an oversight. As a result, we recommend a disallowance of $67,832 for health insurance ($61,049 Medicaid and $6,783 State).

Agency-Provided Vehicles

Agency-wide, there were 117 vehicles owned or leased as company vehicles for all of Lifespire's programs. We selected a judgmental sample of 17 vehicles that Lifespire claimed during the two fiscal years ended June 30, 2015 (ten and seven vehicles for fiscal years 2013-14 and 2014-15, respectively). Five of these vehicles were assigned to specific administrative titles; the others were assigned to the administrative department. The CEO and CFO have Board approval of their assigned vehicles. The other vehicles, however, were assigned to the titles and the department before the current management's tenure, with no indication of how or why this benefit was assigned. The Board of Directors approves financing agreements for the acquisition or lease of vehicles during Board meetings.

According to the CFR Manual, "Vehicle Costs associated with the acquisition or lease, operation, and maintenance of an agency owned vehicle used for agency related business, or costs associated with the personal use of an agency owned vehicle which are reported on the employee's IRS W-2 form as compensation, and determined by the board in written agency policy, are eligible for reimbursement. Vehicles considered lavish or extravagant when compared to the prudent buyer concept are not eligible for reimbursement."

Only the CEO and CFO have Board approval for their assigned vehicles. The current management team stated that Lifespire had vehicles dating back before its tenure and has continued to carry the vehicles throughout the years as its unofficial unwritten policy. The CFO explained that the company has had these cars assigned to the job titles and programs since before his tenure (of more than 30 years).

We found that Lifespire claimed $18,500 in vehicle-related expenses for reimbursement on the CFR for vehicles assigned to individuals or programs other than the CEO or the CFO.

In response to our preliminary findings, Lifespire agreed, stating that it is aware of written Board approval for the assigned vehicles, however, that approval occurred many years ago and the documentation could not be located. The Board of Directors subsequently created a written policy for the approval and assignment of all agency vehicles.

Food

Lifespire provided coffee and related items, such as creamers, in the pantry at its main office for employees and visitors. Lifespire also provided food and drinks for internal staff meetings and staff trainings. According to the CFR Manual, these expenses are not eligible for reimbursement.

We found that Lifespire claimed $1,021 in food and related expenses, which is not reimbursable according to the CFR Manual. These costs were related to food items for Lifespire's pantry and internal staff meetings (coffee, dairy products, etc.).

Lifespire officials stated that they did not know the costs related to coffee and food items for the pantry or for meetings and trainings were not reimbursable through the CFR.

Recommendations

To OPWDD:

1. Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Lifespire's CFRs and its reimbursements.

2. Review Lifespire's supporting documentation to ensure that it is following all contract/program guidelines and regulations.

To Lifespire:

3. Ensure that costs reported on future CFRs comply with the requirements in the CFR Manual and the contracts, including, but not limited to:

    - Obligations are made before the last day of the contract year.
    - Payroll documents are prepared, filed, and maintained in a manner that they can be retrieved.
    - Written procedures for processing payroll are established and monitored for compliance.
    - Verify that claims made on the CFR are in compliance with OPWDD's policies and procedures.
    - Complete and retain the supporting documents as outlined in contracts, program regulations, and guidelines.
    - Verify the amounts claimed on the CFR to ensure there are no duplicates prior to submission.

Audit Scope, Objective, and Methodology

To determine whether the costs claimed by Lifespire, Inc., on its Consolidated Fiscal Reports (CFR) were valid and consistent with contract terms and in accordance with the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). This audit focused on non-Medicaid costs, and covered the two fiscal years ended June 30, 2015.

To accomplish our objective, we reviewed the CFR Manual, Lifespire's CFRs, and relevant financial records for the audit period. We also interviewed both OPWDD and Lifespire officials and staff to obtain an understanding of Lifespire's financial and business practices. To complete our audit work, we selected three judgmental samples of costs reported by Lifespire for review. Our sample took into account the relative materiality and risk of the various costs reported by Lifespire. We assessed the sampled costs to determine their reasonableness and whether they were generally recognized as ordinary and necessary for the operation of the organization and complied with the requirements imposed by State regulations and contract terms. Our assessment of Lifespire's internal controls focused on its controls over the CFR preparation process.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

We provided a draft copy of this report to both OPWDD and Lifespire officials for their review and formal comment. Their comments were considered in preparing this final report and we have attached them in their entirety to the end of this report.

OPWDD officials disagreed with our findings and conclusions, but did not provide documentation to support their position. However, OPWDD agreed to review our recommended disallowances and Lifespire's response, and request additional documentation from OSC, as needed. Lifespire officials agreed with our recommendations except for the Family Reimbursement Services. They added they have taken action to implement our recommendations regarding improved controls. Our rejoinder to certain OPWDD and Lifespire comments that pertain to the recommended disallowances is included in the report's State Comptroller's Comments.

Within 90 days after 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

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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.

Exhibit

Lifespire, Inc.
Summary of Reported, Disallowed, and Allowed Non-Medicaid Costs
for the two Fiscal Years Ended June 30, 2015

Nature of Disallowed Cost	Amount per CFR	Amount Disallowed	Amount Allowed	Notes to Exhibit
Personal Service Costs	$7,332,776	$70,129	$7,262,647	A
Family Reimbursement Claims	214,274	64,051	150,223	A
Manhattan Behavior Management (FSS)	129,579	5,241	124,338	A
Group Day Habilitation Claims	2,959,455	1,316	2,958,139	A
Administrative Expenses*	1,113,777	26,304	1,087,473	A,C,D

*Administrative Expenses broken out in table below.

Administrative Expense Breakdown

Agency-Provided Vehicles		$18,500		D
Duplicate Claim of Administrative Expenses**		$6,783		A,B
Food		$1,021		C

**State share of 10 percent of the duplicate amount claimed on the CFR.

Notes to Exhibit

The following Notes refer to specific sections of the CFR Manual used to develop our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to OPWDD and Lifespire officials during the course of our audit.

A. Appendix X: A cost must be reasonable and/or necessary for providing services in both its nature and amount. In determining the reasonableness of a given cost, consideration will be given to whether the cost is generally recognized as ordinary and necessary for the operation of the organization and the restraints or requirements imposed by federal and State laws and regulations. Unreasonable and or unnecessary costs are not allowable.
B. Appendix X: Except where otherwise indicated in the CFR Manual, costs determined not to be in accordance with U.S. generally accepted accounting principles are not allowable.
C. Appendix EE - Meals: The cost of meals is eligible for reimbursement when staff and/or board members are in business related travel status, meeting with outside parties, or when engaged in board related business. The cost of staff meals for those staff being honored at employee recognition events is eligible for reimbursement. In all cases, the expense of a meal includes the amount spent for food, non-alcoholic beverages, taxes, and tip only.
D. Appendix EE - Agency Provided Vehicle: Costs associated with the acquisition or lease, operation, and maintenance of an agency owned vehicle used for agency related business, or costs associated with the personal use of an agency owned vehicle which are reported on the employee's IRS W-2 form as compensation, and determined by the board in written agency policy, are eligible for reimbursement. Vehicles considered lavish or extravagant when compared to the prudent buyer concept are not eligible for reimbursement.

Agency Comments - Office for People With Developmental Disabilities

NEW YORK STATE OF OPPORTUNITY. | Office for People With Developmental Disabilities

ANDREW M. CUOMO
Governor

KERRY A. DELANEY
Acting Commissioner

November 10, 2017

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Draft Report 2016-S-2

Dear Ms. Maldonado:

The Office for People With Developmental Disabilities has reviewed the Office of the State Comptroller's (OSC) draft audit report, 2016-S-2, entitled: "Compliance With the Consolidated Fiscal Reporting and Claiming Manual Office for People With Developmental Disabilities/Lifespire, Inc."

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 518-474-4376 or Mary.E.Peck@opwdd.ny.gov.

Sincerely,

MEPeck

Mary E. Peck
Director, Office of Internal Control

cc: Vince Sleasman

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: 2016-S-2): "Compliance with the
Consolidated Fiscal Reporting and Claiming Manual
Office for People With Developmental Disabilities/Lifespire, Inc."

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 (2016-S-2) entitled, "Compliance with the Consolidated Fiscal Reporting and Claiming Manual, Office for People With Developmental Disabilities/Lifespire, Inc."

In this audit, OSC reviewed costs claimed for a variety of state-funded services by the voluntary agency Lifespire, Inc. ("Lifespire") on its Consolidated Fiscal Report ("CFR"). This audit covers the period of July 1, 2013 through June 30, 2015. As a result of this review, OSC recommended certain costs claimed by Lifespire be disallowed, and that OPWDD make any appropriate adjustments to Lifespire's reimbursements based upon those disallowances.

OSC also erroneously concluded that certain of these disallowances were the result of a lack of oversight and monitoring by OPWDD. As described in more detail below, OPWDD strongly disagrees with those conclusions, as OPWDD has proper monitoring and appropriate safeguards in place.

I. <u>OPWDD Comments to OSC Audit Statements</u>

<u>Family Reimbursement Services:</u> On page seven of the draft report, OSC describes recommended disallowances of costs claimed by Lifespire pursuant to a Family Support Services ("FSS") Contract, totaling $64,051. Under that program, Lifespire uses monies supplied by OPWDD to reimburse certain expenditures of persons caring for family members with developmental disabilities. Reimbursable expenditures include certain goods, equipment, or services (e.g. respite care). OSC claimed that OPWDD disagreed with the disallowances, but did not respond to additional information supplied by OSC about the disallowances.

OPWDD Comments: It should be clarified that OPWDD's disagreement with OSC's preliminary conclusion on this issue was based upon OSC's incorrect application of accounting rules in its preliminary report. There, OSC erroneously claimed that Lifespire's FSS expenditures should be disallowed under the accrual method of accounting because Lifespire had issued payment checks to vendors for FSS items and services after the fiscal year which they were incurred. In its preliminary response, OPWDD cited CFR manual language refuting OSC's interpretation of the accounting method.

* Comment 1

In the current draft report, however, OSC describes a different basis for disallowance than was initially addressed by OPWDD: that Lifespire did not timely generate the purchase orders for the FSS services in the first place. While OPWDD disputes that OSC provided additional material information

* Comment 2

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*See State Comptroller's Comments, page 21.

that necessitated a response to this issue, OPWDD is evaluating Lifespire's argument that it timely incurred its payment obligations for the disputed transactions under the contract, as its Family Care Committee approved these expense requests of the participating families on the final day of the contract period, therefore creating an obligation to obtain those items and services for those families as of that date.

Unsupported and Ineligible Expenses: On page eight of the report, OSC claims that Lifespire did not have adequate supporting documentation of services under the Manhattan Behavior Management program and its Group Day Habilitation program in order to substantiate CFR cost reports. OSC claimed that these findings, out of 87 individuals sampled, led to unsupported units of service totaling $6,557. OSC also found that "the reason for the overpayments was that OPWDD was not reviewing the supporting documentation for its State-funded programs" and that "the lack of oversight and monitoring on the part of both OPWDD and Lifespire was the prime contributor to these issues." While OSC acknowledged several different OPWDD monitoring and oversight activities, it nonetheless claimed that OPWDD oversight was ineffective because site visits only focused on programmatic aspects and that audits were untimely or unrepresentative of the breadth of Lifespire's programming.

OPWDD Comments: OPWDD disagrees with these findings. OSC's disallowance of under $7,000 across 87 sampled individuals in 13 programs over a two-year period demonstrates that OPWDD has exercised appropriate oversight of these programs. These protections include audits, annual site visits, required quarterly program reporting, requiring audited fiscal reports, and a rigorous pre-approval process for the Assistive Supports program. OSC's claims that OPWDD's audits are untimely or that the agency does not address fiscal reporting in its oversight are inaccurate. OPWDD's most recent audit of Lifespire was dated February 2014, less than 2 years prior to OSC's commencement of this audit, and involved fiscal oversight of Lifespire's FSS program.

*
Comment
3

II. **RESPONSE TO THE RECOMMENDATIONS:**

Recommendation #1:
Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Lifespire' s CFRs and its reimbursements.

Response:
OPWDD will review OSC's recommended disallowances. OPWDD will take into consideration Lifespire's responses, as well as obtaining additional information from OSC, which will be necessary to determine whether Lifespire was in compliance with applicable program standards, and whether the CFRs for the particular years at issue had any effect on Lifespire's payments and reimbursements.

Recommendation #2:
Review Lifespire' s supporting documentation to ensure that it is following all contract/program guidelines and regulations.

Response:

OPWDD disagrees with this recommendation because, as described above, it already appropriately monitors and oversees its contracting entities for both programmatic and fiscal compliance. To the extent that OSC is recommending that all supporting documentation be reviewed, on top of the measures OPWDD already has in place, would be outside the scope of programmatic and contractual requirements and impose an unnecessary administrative burden on contracting entities and OPWDD.

* Comment 4

Agency Comments - Lifespire, Inc.

Lifespire

Helping Individuals Reach Life's Aspirations

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October 16, 2017

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Report 2016-S-2

Dear Ms. Maldonado:

Lifespire is in receipt of draft report dated October, 2017, and would like to respond to the audit recommendations as required.

We agree with the overall audit findings except under Other Than Personal Service Costs for Family Reimbursement Services. We would like to point out that the 137 of the 408 purchases were for obligations for the 2013-14 and 2014-15 fiscal years as claimed, since they were approved by OPWDD the Family Reimbursement Committee prior to the end of the fiscal years.

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Comment
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Lifespire has already reviewed, revised and reinforced our policies and procedures as necessary to make sure the audit recommendations are included.

Lifespire will ensure that costs reported on future CFR comply with the requirements in the CFR Manual and the contracts.

Please contact me or Keith Lee at (212) 741-0100, if you have any questions or if we can provide any additional information. Our email addresses are, mvanvoorst@lifespire.org and klee@lifespire.org.

Thank you for your consideration in this matter.

Sincerely,

Mark van Voorst
CEO/President
Lifespire, Inc.

State Comptroller's Comments

1. This statement is incorrect. Our preliminary findings disallowed the expenses because the purchases were made after the contract year. We revised the wording in the draft report to provide further clarification that the date of the purchase order, and not Family Reimbursement Committee approval date, established the obligation.
2. During the exit conference, it was discussed with OPWDD that the finding was based on the fact that the purchase order date was outside the fiscal year, therefore it would not be eligible to be claimed on the CFR for that fiscal year. We recommended that OPWDD review the supporting documentation for reimbursement. OPWDD officials stated that this was not feasible as the agency does not have sufficient staff to complete this task.
3. We concluded that OPWDD needed to increase its monitoring and oversight based on the totality of our audit findings and not just the unsupported and ineligible expenses described by OPWDD. As part of our audit, we received copies of the forms OPWDD employees used during their visits to the program sites and noted it contained very few items related to the fiscal operations. Moreover, OPWDD has limited audit resources and the audit report that OPWDD refers to, while dated February 2014, had a scope that covered 2012, four years prior to the commencement of the audit.
4. The audit does not suggest that OPWDD review all of Lifespire's supporting documentation, as that would not be appropriate. Instead, the audit recommends that OPWDD, as part of its visits, review sufficient supporting documentation to ensure that Lifespire is following contract/programmatic guidelines and regulations. In its response, OPWDD does not seem to fully comprehend what constitutes an appropriate risk and control structure. A risk and compliance function helps ensure that operating controls are properly designed, in place, and operating as intended. This "second line of defense" is not the same as an organization's audit function.
5. The Family Reimbursement Committee is a Lifespire-appointed committee. OPWDD does not approve individual reimbursements; rather, OPWDD sets a budget for Family Reimbursement for the fiscal year.