
AUDIT REPORT

DEPARTMENT OF MENTAL HEALTH
2022-2024



APRIL 2026



OFFICE OF THE
DUTCHESS COUNTY COMPTROLLER
DAN AYMAR-BLAIR, COMPTROLLER

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Brian D. Kelly
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Dear County Officials and Taxpayers,

The Dutchess County Comptroller's Office has completed its audit report of the Dutchess County Department of Mental Health (DMH) for the period January 1, 2022, through December 31, 2024. DMH provides prevention, treatment, recovery, and support services for Dutchess County residents living with mental health issues, intellectual or developmental disabilities and substance abuse disorders. Their mission is, "to promote the mental health and wellness of our community through collaboration, outreach and effective care."

The primary objectives of this audit were to: (1) assess department oversight of state aid funding, contract adherence, and state aid close-out procedure; (2) evaluate DMH's Consolidated Fiscal Report (CFR) submittal and review process; (3) verify contract payment details to ensure the correct amount of funding was claimed, received, and reconciled, and (4) examine the Department's state aid revenue accrual procedure.

While the Comptroller's Office did not identify any major discrepancies during the period reviewed, we recommend that the Department of Mental Health endeavor to complete reconciliations (or close-outs) annually and with a greater degree of accuracy. In pursuit of timelier reconciliations, DMH should produce written policies and procedures detailing the oversight of state aid contracts, the year-end reconciliations, the revenue accrual process, and the process for handling funding disallowances.

The Comptroller's Office would like to thank the team at the Department of Mental Health for their assistance in the preparation of this audit.

Respectfully submitted,



Dan Aymar-Blair
Dutchess County Comptroller

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I. BACKGROUND

The Dutchess County Department of Mental Health (DMH or the “Department”) provides prevention, treatment, recovery and support services for Dutchess County residents living with mental health issues, intellectual or developmental disabilities and substance abuse disorders. Their mission is “To promote the mental health and wellness of our community through collaboration, outreach and effective care.” Additional information regarding the services they provide can be found on their [website](#).

The Department of Mental Health was established as its own independent County Department effective September 4, 2024. Mental Hygiene was previously a division of the Department of Behavioral and Community Health (DBCH). Resolution No. 2024135 approved the separation of DBCH into three distinct departments: the Department of Health, the Department of Mental Health and the Office of Veteran’s Affairs.

DMH offers comprehensive mental health services through direct service and through contracted services with local agencies. Funding for these services is provided by a variety of sources including County appropriations, patient fees, grants, as well as the following state aid agencies:

- Office of Alcoholism and Substance Abuse Services (OASAS)
- Office of Mental Health (OMH)
- Office for People with Developmental Disabilities (OPWDD)

II. SCOPE AND METHODOLOGY

The scope of this audit was limited to the Department of Mental Health’s (including its period of inclusion within DBCH as Mental Hygiene), direct and contracted services licensed and funded by the NYS OMH, the NYS OASAS, and the NYS OPWDD for the period January 1, 2022, through December 31, 2024.

This audit encompassed a review of:

- DMH’s policies and procedures
- State aid funding letters, revenue accruals, and cash receipts
- NYS Consolidated Fiscal Reporting (CFR) guidance
- DMH & contracted agency CFR submittals
- Contract payment provisions
- DMH’s state aid close-out process
- County budget and financial records including outstanding receivables and payables
- Interviews with key personnel

III. OBJECTIVES

The primary objectives of this audit were to:

1. Assess departmental oversight of state aid funding, contract adherence, and state aid close-out procedure.
2. Evaluate DMH's Consolidated Fiscal Report (CFR) submittal and review process.
3. Verify contract payment details to ensure the correct amount of funding was claimed, received, and reconciled.
4. Examine the Department's state aid revenue accrual procedure.

IV. SUMMARY OF FINDINGS & RECOMMENDATIONS

Summary of Findings:

1. Final close-outs or reconciliation of state funding have not been completed for each of the years audited.
2. There are no written policies and procedures detailing the oversight of state aid contracts, the year-end reconciliation or close-outs, the revenue accrual process or the process for handling funding disallowances.
3. County contribution and state aid revenue specified in contracts did not consistently match funding allocations per DMH's records.
4. DMH did not ensure documents required by contract payment provisions were received prior to issuing payment.
5. Revenue accruals did not always match state aid funding letters.

Summary of Recommendations:

1. Close-outs should be done annually as soon as the necessary information becomes available.
2. The Department should adopt a written procedure specific to state aid contract close-outs.
3. The County contribution amount and state aid revenue as specified in the contract's payment provisions should match DMH records and state aid funding allocations.
4. The Department should request and review all documents required by contract payment provisions prior to issuing payment.
5. The revenue accrual process should be consistent, and written procedures should be implemented to provide guidance on the process.

V. DMH STATE AID FUNDED SERVICES

The Department of Mental Health receives state aid funding for some of the comprehensive mental health services they offer directly to the Dutchess County community. These programs and services include the Partial Hospitalization Program, Behavioral Health Administration, Coordinated Services, the Dutchess County 988 Helpline, the Diversion Program, Alternative Outpatient Treatment (AOT) and other related services.

The financial support provided by state aid for these direct services is based on Net Deficit Funding, or the difference between operating expenses and all available revenue sources, as reported on the Department's Consolidated Fiscal Report. Total state aid claimed expenses including administrative costs as reported on the Department's CFR schedule DMH-2 can be found in the chart below.

DMH Service Expenses			
	2022	2023	2024
OMH	\$7,134,994	\$7,317,269	\$7,482,144
OASAS	4,103,950	4,201,598	3,755,064
OPWDD	721,244	696,282	700,496
TOTALS	\$11,960,188	\$12,215,149	\$11,937,704

Source: Consolidated Fiscal Report Schedule DMH-2 (line 13) Total Adjusted Expenses

V. DMH STATE AID FUNDED SERVICES, CONT.

Consolidated Fiscal Report

A Consolidated Fiscal Report (CFR) is an annual report required to be completed by service providers that receive funding from the NYS Office of Alcoholism and Substance Abuse (OASAS), the NYS Office of Mental Health (OMH), the NYS Office for People with Developmental Disabilities (OPWDD) and the State Education Department (SED). The Department of Mental Health and the contracted service agencies included in the scope of this audit are among the service providers required to submit a CFR.

The type of CFR submission (Full, Article 28 Abbreviated, Abbreviated, and Mini Abbreviated) depends on the type of provider, the programs operated, and the amount of funding received by the provider for the program. The Department of Mental Health is required to file a full CFR.

The CFR schedule DMH-2 Aid to Localities/Direct Contract Summary is used to report claimed expenses, revenues, and net deficit funding amounts by program type. Details of the claimed expenses, revenues, and net deficit funding amounts for the services provided directly by the Department as reported on the CFR Schedule DMH-2 can be found in **Exhibit 1**.

The CFR must be examined and certified by a Certified Public Accountant (CPA) in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). It was confirmed during our audit review that CPA certifications were prepared for DMH's CFRs for all three years included in the scope of this audit.

The deadline to file the CFR for calendar year filers is May 1st with the option to request a 30-day extension. Late submissions of a CFR may result in sanctions or penalties against the service provider. The CFRs submitted by DMH for all three years included in this audit were reviewed to confirm timely filing. No late submissions by DMH were noted.

A state aid close-out is a year-end reconciliation of the available funding based on state aid funding letters and the amounts claimed on the Consolidated Fiscal Report. This process is done to determine how much of the state funding received is allowed or disallowed based on the program's deficit funding reported on the CFR. If disallowances are discovered during this process funding may be due back to the state, or if available, it may be reallocated to other eligible programs.

Observation:

1. State aid funding and expenditures associated with the Veteran's Peer 2 Peer program are included in the amounts reported on the Department of Mental Health's CFR. The contract for these services is administered by the Dutchess County Office of Veteran's Affairs. The Department of Mental Health prepares the revenue accrual based on the state funding letters they receive. In addition, DMH uses the claims received by the Office of Veteran's Affairs to prepare the CFR.

Finding:

1. A year-end reconciliation or close-out of the Department's CFR has not been completed since 2017.
 - *Note: Prior to this audit, DMH contracted with Coordinated Care Services, Inc. (CCSI) to assist with the reconciliation of prior year contracts. As of the writing of this report, only preliminary work has been completed on prior year close-outs.*

Recommendation:

1. Close-outs should be completed by the department as soon as possible to ensure the correct amount of funding has been received and to allow a timely recoupment of any disallowed funds.

VI. DMH CONTRACTED SERVICES

The Department of Mental Health contracts with a variety of agencies to provide mental health services and support for residents of Dutchess County. Funding for these contracted services is provided by state aid pass-through funding and County appropriations to cover the difference between approved expenditures and the agency's available revenue on a net deficit basis. A detailed summary of these agencies and their associated state aid contracts with the Department can be found in **Exhibit II**. The Department's total recorded expenses for contracted services included in the scope of this audit are listed below.

Contracted Services Expenses		
2022	2023	2024
\$16,685,836	\$18,266,059	\$19,030,880
<i>The above totals include open Accounts Payable balances.</i>		

Contract Oversight

Following the formation of the Department of Mental Health as a separate department, an initiative stated in their 2025 budget was to create policies and procedures to ensure compliance with County and State protocols. In 2025, DMH fully implemented the use of ClearPoint, a system designed to support the oversight of contract deliverables. Contract agencies upload program outcomes and updated budget requests into the ClearPoint system, which are then reviewed by the Department's contract liaison. Updated budget requests are first reviewed by the department's contract liaison, then approved by the Director of Budget and Finance with the final approval done by the Commissioner of the Department.

Observation:

1. A policy for the creation, execution, and management of contracts has been drafted but has not yet been finalized.

Recommendation:

1. DMH should finalize and implement the policy to ensure consistent oversight of contracts. In addition, the policy should include contract monitoring procedures to ensure services are provided in accordance with contract terms and that all required supporting documentation has been provided prior to payment.

Finding:

1. 43 of the 51 contracts reviewed were executed after the contract term began. Details of contract execution dates can be found in **Exhibit II**.

Recommendation:

1. DMH should collaborate with the contracted service agencies and the Dutchess County Attorney's Office to ensure timely execution of agreements and amendments.

VI. DMH CONTRACTED SERVICES, CONT.

State Aid Funding

The Department of Mental Health receives state aid funding from NYS OMH and NYS OASAS that is passed through to local agencies for their contracted services. The total budgeted state aid revenue as specified in the contracts included in our review is listed in the chart below.

	Budgeted State Aid per Contract		
	2022	2023	2024
OMH	\$10,604,248	\$11,745,976	\$12,247,564
OASAS	\$2,189,106	\$2,409,860	\$2,484,477
TOTALS	\$12,793,354	\$14,155,836	\$14,732,041

Source: Contracts listed in Exhibit II

Finding:

1. Department records of state aid allocations did not consistently match state funding as listed in the contract. The incorrect amount of state aid funding was included in one agency contract resulting in an overpayment totaling **\$12,191**. Contract # 21-0093-12/21-BCH-A3 was written as 100% state aid funded in the amount of **\$57,900**. However, only **\$45,709** in revenue was accrued in relation to the services provided by this contract. There may be an opportunity for the Department to reallocate eligible expenses to unclaimed state aid to reduce the amount of overpayment. This reallocation of eligible unclaimed state aid would be determined when the Department prepares state aid close-outs.

Recommendation:

1. The state aid revenue in the contract should match DMH records and state aid funding allocations. In addition, DMH should promptly prepare close-outs in order to recoup any overpayment resulting from contract errors.

VI. DMH CONTRACTED SERVICES, CONT.

State Aid Close-outs

For the agency contracts receiving state aid pass-through funding, the Department of Mental Health prepares a year-end reconciliation or a year-end close-out to determine which funding is allowed or disallowed based on the agency's reporting. The documents used to prepare year-end close-outs are the agency's completed Consolidated Fiscal Report (CFR), the agency's state aid allocation, and the invoices or other payment information from the County's financial management system. DMH will first prepare the close-out with the agency and will then submit it to the funding state agency for approval.

DMH has contracted with Coordinated Care Services, Inc. (CCSI) for the period March 1, 2025, through December 31, 2025, to provide various management and technical assistance to the Department. Per contract # 25-0190-12/25-DMH, CCSI will assist the Department with the reconciliation of claims submitted by contracted providers and support the preparation and completion of prior year close-outs, for the contracted amount not to exceed **\$19,920**, payable at a rate of **\$120** per hour. CCSI will review agency CFRs and as a part of their review, offer recommendations on how contract agencies amend their reporting in order to maximize funding. As of the draft of this report, only preliminary work has been conducted, and no prior year close-outs have been completed.

Findings:

1. Final close-outs or reconciliation of amounts due to/from contracted agencies were not completed for any of the years audited.
2. There are no written policies and procedures detailing the oversight of state aid contracts and the year-end reconciliation or close-out process.

Recommendations:

1. Close-outs should be completed annually as soon as the necessary information becomes available. Timely year-end reconciliation is essential to ensure corrections are made when contracts are over/underpaid based on available funding.
2. The Department should adopt written procedures detailing the state aid contract close-out process. This procedure should include expected timelines, required documentation, reconciliation process, and the process for addressing funding disallowances.

VI. DMH CONTRACTED SERVICES, CONT.

County Funded Portion

Twenty-one of the agency contracts reviewed in the scope of this audit received County funding or a County contribution. One of the agency contracts for services licensed by OMH received only County funding and did not receive any state aid in all three years reviewed. The total available county funding as specified in the contracts included in our review is listed in the chart below.

Budgeted County Contribution per Contract		
2022	2023	2024
\$4,030,045	\$4,258,148	\$4,410,991
<i>Source: Contracts listed in Exhibit II</i>		

Observation:

1. One of the vendor's contracts in all three years reviewed includes a paragraph detailing how the County's portion of net deficit funding is computed. It specifies that net operating costs are first reduced by the available state aid, followed by the Agency's contribution, prior to any County contribution of funding. This paragraph is not included in 18 of the 21 contracts that provide a County contribution.

Recommendation:

1. A paragraph specifying how the net deficit funding is computed should be included in all state aid contracts that also receive County funding. This will ensure agency costs are reduced by available funding in the appropriate order.

Finding:

1. In 9 of the contracts reviewed the County contribution of funding per the contract did not match funding allocations per DMH's records.
 - *Note: In the above-mentioned contracts the total contract amount was correct, however, the state aid and County contribution detailed in the contract were allocated incorrectly.*

Recommendation:

1. The County contribution amount detailed in the contract should match DMH records and state aid funding allocations. Current procedures include an additional review of contract budgets by the Director of Budget and Finance prior to finalization. State aid funding allocations should be verified as part of this review.

VI. DMH CONTRACTED SERVICES, CONT.

Contract Payment Provisions

State aid contracts are paid on an advance payment schedule. One-fourth of the contract amount is paid upon execution of the agreement on the first day of April and again on the first day of July. Fifteen percent of the contract amount is paid on the first day of October and the remaining balance of the contract is payable upon receipt of an estimate of contract expenses submitted by the vendor. Invoice payment dates were reviewed, and it was noted that invoices were generally paid timely according to the payment schedule and an estimate of contract expenses was received from vendors for their year-end payments.

Contract payment provisions also require each agency to submit to DMH monthly budget status reports, a copy of the IRS form 990 upon its submission to the IRS, and a copy of the agency's prior year CFR by May 15th of the current year. In addition, the contract states that if the CFR is not submitted timely, advances on subsequent years' contracts will be withheld until the CFR is received.

Observation:

1. The only document received by the Department that is reviewed to validate amounts claimed by contractors is the Consolidated Fiscal Report. These contracts are paid on an advanced payment schedule. As such DMH does not require contract agencies to submit payment request documentation for reimbursement. While the CFR does provide totals of claimed expenses, it does not provide general ledger detail of what has been claimed, personnel summary of wages claimed or receipts for transactions exceeding **\$1,000** as generally required in the contracted services policy.

Recommendation:

1. DMH should require contract agencies that receive County funding provide payment request documentation in accordance with the Contracted Services Policy. This detail is necessary to confirm only allowable expenditures are claimed to Dutchess County and to ensure adequate oversight of the disposition of County funds. If there is an exception to this requirement for contracts that receive pass-through funding, then the exception should be noted in the Contracted Services Policy.

Findings:

1. Monthly Budget reports are not received by the Department as required by contract payment provisions.
2. IRS Form 990 was not received by the Department from any of the contracted vendors for all three audited years.
3. At least 2 agencies did not submit their 2024 CFR to the Department of Mental Health on time in accordance with contract provisions. Per contract payment provisions, if the contract agency's CFR has not been received by DMH by the 15th of May, the Department will withhold advances on subsequent year's contracts until they are received. In all three years audited, no payment was withheld for late CFR submissions.

VI. DMH CONTRACTED SERVICES, CONT.

Contract Payment Provisions, Cont.

Recommendations:

1. Monthly Budget reports should be requested by DMH. DMH should work with contractors to determine what financial information can be reasonably provided to the Department to satisfy this requirement. When DMH submits an invoice for payment they should include either the documents required by contract payment provisions or other verification that those documents have been received and reviewed.
2. IRS Form 990 should be requested by DMH per contract payment provisions. The invoices submitted for payment should include verification and date that IRS Form 990 was received.
 - *Note: Upon discovery by the Comptroller's Office that IRS Form 990 were not received from the contractors, the Department requested the documentation from vendors for all three audited years.*
3. DMH should monitor agency CFR submission to ensure that the CFR is filed timely and submitted to the Department for review. The Department should withhold advance payments for subsequent years when CFRs are not submitted timely to ensure adequate contract oversight. If the timeline for submission as set forth in contract payment provisions does not align with state guidelines, then contract language should be amended. Invoices submitted for payment should include verification and date the CFR was received.

Program Outcome Progress Reports

Program Outcome Progress Reports, or outcome reports, are provided in each contract's scope of services. These outcome reports offer details of program deliverables and are to be completed by the vendor quarterly and submitted to the Department of Mental Health. Per the Dutchess County Contracted Services Policy, the Department reserves the right to withhold payment if any payment request documentation including Program Outcome Reports are not included with the payment request documentation.

A sample of 8 contracts or 16% of the contracts included in this audit were selected to confirm that program outcome reports were received by the Department.

Finding:

1. One of the eight outcome reports sampled was not available upon request.

Recommendation:

1. Outcome reports should be kept on file and included with each contract payment request upon receipt to ensure adequate departmental oversight. Invoices should include either the documents required by contract payment provisions or other verification confirming those documents have been received and reviewed.

Cost of Living (COLA) Adjustments

County contracts that are funded by New York State aid may receive a cost-of-living adjustment (COLA) based on the percentage increase in the Consumer Price Index prepared by the United States Bureau of Labor Statistics. Per the contract payment provisions, the payment paragraph's "not to exceed" amount may be adjusted without the necessity of further amendment to the agreement. A letter from the Department, provided to the contractor with copies provided to the Dutchess County Commissioner of Finance, the Dutchess County Comptroller, and the Dutchess County Attorney, is sufficient to authorize the annual adjustment. COLA adjustment letters were reviewed for accuracy. No material discrepancies were noted.

VI. DMH CONTRACTED SERVICES, CONT.

Contract Budgets

All contracts reviewed in this audit require contract agencies to provide services in strict compliance with the approved budget. In addition, these state aid contracts specify that *“Any change or modification of the budget must be in writing and must be approved in advance by the County.”*

A sample of 9 or about 18% of the agency contracts were reviewed to confirm adherence to the contract’s budget. The total budgeted County funding in the sample reviewed was **\$1,606,388** and total budgeted state pass-through funding was **\$6,358,642**.

Findings:

1. The Department does not verify whether program expenses are within the contracted budget. The documentation provided by the agencies in all 9 of the contracts sampled did not provide the details necessary to confirm adherence to specific budget line items in the contract’s budget.
2. In 8 of the 9 contracts sampled, a budget adjustment was not completed after a COLA adjustment resulted in a change of the original contract amount.

Recommendations:

1. DMH should ensure program expenses align with contract budgets to support proper oversight of County funding. If the contractor is not required to provide services in strict compliance with the budget because of the nature of deficit funding, then the contract language should be updated.
2. A budget adjustment should be completed when a change to the original contract budget is needed as a result of a COLA increase. If the contractor is not required to provide services in strict compliance and a budget adjustment is not required when there is a change in the contract amount, then contract language should be updated to specify that.

VII. STATE AID REVENUE

The Department of Mental Health enters quarterly claims into the County's financial management system for OMH, OASAS and OPWDD based on the amounts provided on the state aid Funding Letters received from those agencies during the year. These amounts are then reviewed and once verified, posted by the Dutchess County Finance Department. The total state aid revenue accrued by agency for each of the audited years can be found charted below.

State Agency	DMH Services/Contracted Services	2022 Revenue Accrual	2023 Revenue Accrual	2024 Revenue Accrual
OMH	DMH State Aid Funded Services	\$2,839,708	\$3,666,469	\$3,812,423
OMH	Contracted Services (Pass-through)	10,657,393	11,739,551	12,654,581
TOTAL OMH		\$13,497,101	\$15,406,020	\$16,467,004
OASAS	DMH State Aid Funded Services	\$346,381	\$360,067	\$363,562
OASAS	Contracted Services (Pass-through)	2,169,639	2,390,393	2,465,010
TOTAL OASAS		\$2,516,020	\$2,750,460	\$2,828,572
OPWDD	DMH State Aid Funded Services	\$149,413	\$160,652	\$262,882
OPWDD	Contracted Services (Pass-through)	-	-	-
TOTAL OPWDD		\$149,413	\$160,652	\$262,882
TOTAL State Aid Revenue		\$16,162,534	\$18,317,132	\$19,558,458

DMH's state aid accrual was compared against the state aid funding letters received during each of the audited years 2022-2024.

Findings:

1. There are no formal written policies and procedures detailing the revenue accrual process and the procedure to determine the amount to accrue.
2. The amount of revenue accrued or recorded was not always consistent with the amount provided on the state aid funding letters.

Recommendations:

1. A formal written policy detailing the revenue accrual procedure should be adopted and implemented.
2. In order to be consistent, the amount of state aid revenue accrued should match the state aid allocation as shown on the most recent funding letter received for the year. If there is another method used to determine the accrual amount, then that method should be included in written policies and procedures. A formal written procedure will promote consistency and provide guidance on how accrual amounts are determined.
 - *Note: Any discrepancy between what was accrued and the amount of available funding will be reconciled when state aid close-outs are prepared.*

VII. STATE AID REVENUE, CONT.

State Aid Receivable/Deferred Revenue

The Dutchess County Finance Department prepares a summary of the open receivable balances using a schedule of cash receipts and revenue. If cash advances are greater than the amount claimed, the difference is recorded as deferred revenue or a liability and if claims are greater than the cash advances, the difference is recorded as state aid receivable. This summary prepared by the Finance Department is periodically provided to the Department of Mental Health.

As of 12/31/2024 the state aid receivable balance was **\$1,505,273** and the deferred revenue balance was **\$648,022**. These balances included amounts due to/from the County from periods prior to the scope of this audit. For the audited years 2022-2024, the total state aid receivable recorded was **\$321,764** and the total deferred revenue was **\$405,085**. These amounts are detailed by funding source in the charts below.

OMH Funding							
Revenue Accrued	Received in Prior Year	Received in 2022	Received in 2023	Received in 2024	Total Receipt	Total Receivable	Total Deferred Revenue
Beginning Balance						\$890,009	\$(41,844)
2022	\$13,497,101	\$2,930,565	\$10,672,855	\$-	\$-	\$13,603,420	-
2023	\$15,406,020	\$-	\$2,794,760	\$12,619,100	\$-	\$15,413,860	-
2024	\$16,467,004	\$-	\$-	\$3,872,215	\$12,630,668	\$16,502,883	-
Ending Balance 12/31/24						\$890,009	\$(191,882)
OASAS Funding							
Revenue Accrued	Received in Prior Year	Received in 2022	Received in 2023	Received in 2024	Total Receipt	Total Receivable	Total Deferred Revenue
Beginning Balance						\$50,000	\$-
2022	\$2,516,020	\$580,493	\$1,425,383	\$542,409	\$-	\$2,548,285	-
2023	\$2,750,460	\$-	\$667,586	\$1,485,276	\$651,391	\$2,804,253	-
2024	\$2,828,572	\$-	\$-	\$694,290	\$1,823,519	\$2,517,809	310,763
Ending Balance 12/31/24						\$360,763	\$(86,058)
OPWDD Funding							
Revenue Accrued	Received in Prior Year	Received in 2022	Received in 2023	Received in 2024	Total Receipt	Total Receivable	Total Deferred Revenue
Beginning Balance						\$243,500	(201,093)
2022	\$149,413	\$-	\$224,472	\$-	\$-	\$224,472	-
2023	\$160,652	\$-	\$-	\$254,582	\$-	\$254,582	-
2024	\$262,882	\$-	\$-	\$-	\$251,881	\$251,881	11,001
Ending Balance 12/31/24						\$254,501	\$(370,082)

VII. STATE AID REVENUE, CONT.

State Aid Receivable/Deferred Revenue, Cont.

Observation:

1. **\$1,183,509** of the balance of state aid receivable as of 12/31/2024 was for amounts accrued for years prior to the scope of this audit, indicating that close-outs for those years have not been completed or necessary adjusting entries were not made.

Recommendation:

1. DMH should work to promptly reconcile prior year contracts to ensure all available funding has been received and correct amounts have been paid to contract agencies.

Finding:

1. Two receipts for grant funding were incorrectly applied to state aid claims, resulting in deferred revenue being overstated by **\$86,058**.

Recommendation:

1. The Department of Mental Health should periodically review the summary of open receivable balances prepared by Finance to ensure receipts are applied to the correct open claims.

VIII. DEPARTMENT RESPONSE

SUE SERINO
COUNTY EXECUTIVE



JEAN-MARIE NIEBUHR, LCSW-R
COMMISSIONER

DUTCHESS COUNTY GOVERNMENT **DEPARTMENT OF MENTAL HEALTH**

DATE: April 9, 2026
TO: Dan Aymar-Blair, Comptroller
FROM: Jean-Marie Niebuhr, Commissioner
RE: DMH Response to Audit Findings

A handwritten signature in black ink, appearing to read "J. Niebuhr", written over the "FROM" line of the letterhead.

Thank you for the opportunity to review and respond to the audit of the Dutchess County Department of Mental Health (DMH) covering the period 2022–2024. We appreciate the time, detail, and collaborative approach taken by your team throughout this review.

After careful evaluation of the report, the Department finds the audit’s findings and recommendations to be fair, well-supported, and aligned with areas in which we have already been working to strengthen internal controls, improve financial oversight, and formalize departmental procedures. We recognize the value of this audit in helping us further enhance consistency, accountability, and clarity in the administration of state aid, contract oversight, and departmental financial processes.

As a newly established standalone department, effective September 2024, we continue to build and refine our operational, fiscal, and administrative infrastructure. While many foundational processes were inherited following the separation from the Department of Behavioral and Community Health, we recognize that the transition has required the development of new systems, documentation practices, and oversight mechanisms. The Department is working diligently to ensure full compliance with all applicable rules, regulations, contract requirements, and County expectations. The audit’s insights provide valuable guidance as we strengthen and formalize these emerging systems.

We particularly appreciate the audit’s focus on the need for formalized policies and procedures governing close-outs, revenue accrual processes, contract monitoring, and required documentation from contracted providers. These recommendations are consistent with improvements identified internally over the past year, and DMH is committed to implementing the corrective actions outlined. We would also like to consider the possibility of having our state aid contract agencies submit budgets that are program based to more closely align with those expectations.

The Department is committed to using this audit as a roadmap for strengthening fiscal oversight and enhancing operational consistency.

Thank you again for your thorough review and constructive recommendations.

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dutchessny.gov

EXHIBIT I: DMH STATE AID DEFICIT FUNDING BY SOURCE

	OMH		
	Amount Reported on CFR Schedule DMH-2 1/1/22-12/31/22	Amount Reported on CFR Schedule DMH-2 1/1/23-12/31/23	Amount Reported on CFR Schedule DMH-2 1/1/24-12/31/24
Net Operating Costs - OMH			
Total Adjusted Expenses (line 13)	\$7,134,994	\$7,317,269	\$7,482,144
Less: Revenue i.e.; Participant fees, Grants, etc. (Not including state aid)	(322,623)	(363,059)	(1,029,127)
Net Operating Cost - OMH (line 43)	\$6,812,371	\$6,954,210	\$6,453,017
OMH Deficit Funding			
State Share (line 44)	\$2,510,890	\$3,651,325	\$3,925,822
Local Government Share (line 45)	125,800	176,685	182,200
Service Provider Share (line 46)	-	-	-
Total Approved Deficit Funding 44+45+46 (line 47)	\$2,636,690	\$3,828,010	\$4,108,022
Non-Funded (line 48)	4,175,681	3,126,200	2,344,995
Total OMH Deficit Funding 47+48 (line 49)	\$6,812,371	\$6,954,210	\$6,453,017
<i>Source: 2022, 2023, 2024 CFR Schedule DMH-2</i>			
OASAS			
	Amount Reported on CFR Schedule DMH-2 1/1/22-12/31/22	Amount Reported on CFR Schedule DMH-2 1/1/23-12/31/23	Amount Reported on CFR Schedule DMH-2 1/1/24-12/31/24
Net Operating Costs - OASAS			
Total Adjusted Expenses (line 13)	\$4,103,950	\$4,201,598	\$3,755,064
Less: Revenue i.e.; Participant fees, Grants, etc. (Not including state aid)	(666,781)	(816,098)	(660,558)
Net Operating Cost - OASAS (line 43)	\$3,437,169	\$3,385,500	\$3,094,506
OASAS Deficit Funding			
State Share (line 44)	\$239,153	\$238,576	\$300,414
Local Government Share (line 45)	94,463	94,463	-
Service Provider Share (line 46)	-	-	-
Total Approved Deficit Funding 44+45+46 (line 47)	\$333,616	\$333,039	\$300,414
Non-Funded (line 48)	3,103,553	3,052,461	2,794,092
Total OASAS Deficit Funding 47+48 (line 49)	\$3,437,169	\$3,385,500	\$3,094,506
<i>Source: 2022, 2023, 2024 CFR Schedule DMH-2</i>			

EXHIBIT I: DMH STATE AID DEFICIT FUNDING BY SOURCE, CONT.

	OPWDD		
	Amount Reported on CFR Schedule DMH-2 1/1/22-12/31/22	Amount Reported on CFR Schedule DMH-2 1/1/23-12/31/23	Amount Reported on CFR Schedule DMH-2 1/1/24-12/31/24
Net Operating Costs - OPWDD			
Total Adjusted Expenses (line 13)	\$721,244	\$696,282	\$700,496
Less: Revenue i.e.; Participant fees, Grants, etc. (Not including state aid)	(63,426)	(10,187)	(6,429)
Net Operating Cost - OPWDD (line 43)	\$657,818	\$686,095	\$694,067
OPWDD Deficit Funding			
State Share (line 44)	\$249,413	\$262,882	\$273,397
Local Government Share (line 45)	-	-	-
Service Provider Share (line 46)	-	-	-
Total Approved Deficit Funding 44+45+46 (line 47)	\$249,413	\$262,882	\$273,397
Non-Funded (line 48)	408,405	423,213	420,670
Total OPWDD Deficit Funding 47+48 (line 49)	\$657,818	\$686,095	\$694,067
<i>Source: 2022, 2023, 2024 CFR Schedule DMH-2</i>			

EXHIBIT II: CONTRACT SUMMARY

Contract Summary									
Vendor	Program Description	Contract	Term	Executed	Budget	2022 Expended	2023 Expended	2024 Expended	
Abilities First, Inc.	Employment Services	21-0325-12/21-BCH-A2	1/1/2022-12/31/2022	12/29/2021	\$254,998	\$231,444	\$-	\$-	
Abilities First, Inc.	Employment Services	21-0325-12/21-BCH-A3	1/1/2023-12/31/2023	2/1/2023	\$263,700	\$-	\$263,700	\$-	
Abilities First, Inc.	Employment Services	21-0325-12/21-BCH-A4	1/1/2024-12/31/2024	2/8/2024	\$266,923	\$-	\$-	\$266,923	
ACCESS: Supports for Living	Personalized Recovery Oriented Services (PROS)	21-0072-12/21-BCH-A2	1/1/2022-12/31/2022	2/2/2022	\$1,038,196	\$879,201	\$-	\$-	
ACCESS: Supports for Living	Personalized Recovery Oriented Services (PROS)	21-0072-12/21-BCH-A3	1/1/2023-12/31/2023	2/1/2023	\$1,126,160	\$-	\$1,126,160	\$-	
ACCESS: Supports for Living	Personalized Recovery Oriented Services (PROS)	21-0072-12/21-BCH-A4/5	1/1/2024-12/31/2024	12/22/2023	\$1,149,220	\$-	\$-	\$1,037,068	
Astor Services for Children & Families, Inc.	Mental Health and Community Support Programs	21-0137-12/21-BCH-A2	1/1/2022-12/31/2022	3/7/2022	\$1,318,529	\$1,318,529	\$-	\$-	
Astor Services for Children & Families, Inc.	Mental Health and Community Support Programs	21-0137-12/21-BCH-A3	1/1/2023-12/31/2023	1/23/2023	\$1,522,908	\$-	\$1,522,908	\$-	
Astor Services for Children & Families, Inc.	Mental Health and Community Support Programs	21-0137-12/21-BCH-A4	1/1/2024-12/31/2024	2/9/2024	\$1,651,361	\$-	\$-	\$1,651,361	
Careers Support Solutions, Inc.	Ongoing Integrated Supported Employment (OISE) Program	20-0283-12/20-BCH-A3/4	1/1/2022-12/31/2022	12/20/2021	\$5,276	\$5,276	\$-	\$-	
Careers Support Solutions, Inc.	Ongoing Integrated Supported Employment (OISE) Program	20-0283-12/20-BCH-A5	1/1/2023-12/31/2023	1/13/2023	\$5,649	\$-	\$5,649	\$-	
Careers Support Solutions, Inc.	Ongoing Integrated Supported Employment (OISE) Program	20-0283-12/20-BCH-A6	1/1/2024-12/31/2024	12/13/2023	\$5,751	\$-	\$-	\$5,751	
Council on Addiction Prevention & Education of Dutchess County, Inc.	Chemical Prevention and Educational Services	21-0103-12/21-BCH-A2	1/1/2022-12/31/2022	2/2/2022	\$620,563	\$558,507	\$-	\$-	
Council on Addiction Prevention & Education of Dutchess County, Inc.	Chemical Prevention and Educational Services	21-0103-12/21-BCH-A3	1/1/2023-12/31/2023	4/21/2023	\$645,762	\$-	\$596,000	\$-	
Council on Addiction Prevention & Education of Dutchess County, Inc.	Chemical Prevention and Educational Services	21-0103-12/21-BCH-A4	1/1/2024-12/31/2024	1/11/2024	\$664,687	\$-	\$-	\$598,218	

EXHIBIT II: CONTRACT SUMMARY, CONT.

Contract Summary									
Vendor	Program Description	Contract	Term	Executed	Budget	2022 Expended	2023 Expended	2024 Expended	
Family Services, Inc.	Outpatient Clinics	21-0096-12/21-BCH-A1	1/1/2022-12/31/2022	3/22/2022	\$2,422,347	\$2,422,347	\$-	\$-	
Family Services, Inc.	Outpatient Clinics	21-0096-12/21-BCH-A2	1/1/2023-12/31/2023	1/24/2023	\$2,596,015	\$-	\$2,596,015	\$-	
Family Services, Inc.	Outpatient Clinics	21-0096-12/21-BCH-A3	1/1/2024-12/31/2024	12/22/2023	\$2,700,673	\$-	\$-	\$2,700,673	
Gateway Community Industries, Inc.	Vocational, Housing and Community Support Programs	21-0126-12/21-BCH-A1	1/1/2022-12/31/2022	2/2/2022	\$923,286	\$915,127	\$-	\$-	
Gateway Community Industries, Inc.	Vocational, Housing and Community Support Programs	21-0126-12/21-BCH-A2	1/1/2023-12/31/2023	2/7/2023	\$1,025,323	\$-	\$935,000	\$-	
Gateway Community Industries, Inc.	Vocational, Housing and Community Support Programs	21-0126-12/21-BCH-A3	1/1/2024-12/31/2024	1/30/2024	\$1,081,813	\$-	\$-	\$1,008,000	
Hudson River Housing, Inc.	Vocational, Respite and Supported Housing Programs	21-0371-12/21-BCH-A2	1/1/2022-12/31/2022	2/2/2022	\$764,844	\$764,844	\$-	\$-	
Hudson River Housing, Inc.	Vocational, Respite and Supported Housing Programs	21-0371-12/21-BCH-A3	1/1/2023-12/31/2023	2/7/2023	\$831,696	\$-	\$764,844	\$-	
Hudson River Housing, Inc.	Vocational, Respite and Supported Housing Programs	21-0371-12/21-BCH-A4	1/1/2024-12/31/2024	1/11/2024	\$886,701	\$-	\$-	\$886,701	
Lexington Center for Recovery, Inc.	Chemical Dependency Clinics	21-0091-12/21-BCH-A2	1/1/2022-12/31/2022	2/2/2022	\$2,217,073	\$2,217,073	\$-	\$-	
Lexington Center for Recovery, Inc.	Chemical Dependency Clinics	21-0091-12/21-BCH-A3	1/1/2023-12/31/2023	1/12/2023	\$2,410,198	\$-	\$2,410,198	\$-	
Lexington Center for Recovery, Inc.	Chemical Dependency Clinics	21-0091-12/21-BCH-A4	1/1/2024-12/31/2024	2/22/2024	\$2,464,064	\$-	\$-	\$2,464,064	
Mental Health America of Dutchess County, Inc.	Community Support Programs	21-0125-12/21-BCH-A1	1/1/2022-12/31/2022	3/7/2022	\$2,901,592	\$2,954,738	\$-	\$-	
Mental Health America of Dutchess County, Inc.	Community Support Programs	21-0125-12/21-BCH-A2	1/1/2023-12/31/2023	1/12/2023	\$3,131,649	\$-	\$3,131,649	\$-	
Mental Health America of Dutchess County, Inc.	Community Support Programs	21-0125-12/21-BCH-A3	1/1/2024-12/31/2024	1/11/2024	\$3,218,682	\$-	\$-	\$3,218,682	
Mental Health America of Dutchess County, Inc.	MARC Sober Supportive Housing	21-0109-12/21-BCH-A2	1/1/2022-12/31/2022	2/2/2022	\$56,034	\$56,034	\$-	\$-	

EXHIBIT II: CONTRACT SUMMARY, CONT.

Contract Summary								
Vendor	Program Description	Contract	Term	Executed	Budget	2022 Expended	2023 Expended	2024 Expended
Mental Health America of Dutchess County, Inc.	MARC Sober Supportive Housing	21-0109-12/21-BCH-A3	1/1/2023-12/31/2023	1/26/2023	\$58,464	\$-	\$58,464	\$-
Mental Health America of Dutchess County, Inc.	MARC Sober Supportive Housing	21-0109-12/21-BCH-A4/5	1/1/2024-12/31/2024	5/10/2024	\$60,290	\$-	\$-	\$60,290
PEOPLE: Projects to Empower and Organize the Psychiatrically Labeled, Inc.	Community Support Programs	21-0054-12/21-BCH-A3/4/5	1/1/2022-12/31/2022	2/1/2022	\$1,578,097	\$1,578,097	\$-	\$-
PEOPLE: Projects to Empower and Organize the Psychiatrically Labeled, Inc.	Community Support Programs	21-0054-12/21-BCH-A6	1/1/2023-12/31/2023	1/24/2023	\$1,797,263	\$-	\$1,797,263	\$-
PEOPLE: Projects to Empower and Organize the Psychiatrically Labeled, Inc.	Community Support Programs	21-0054-12/21-BCH-A7	1/1/2024-12/31/2024	12/22/2023	\$1,828,152	\$-	\$-	\$1,797,263
Rehabilitation Support Services, Inc.	Transformation Supportive Housing	22-0051-12/22-BCH	1/1/2022-12/31/2022	2/2/2022	\$247,073	\$247,073	\$-	\$-
Rehabilitation Support Services, Inc.	Transformation Supportive Housing	22-0051-12/22-BCH-A1	1/1/2023-12/31/2023	2/21/2023	\$247,073	\$-	\$247,073	\$-
Rehabilitation Support Services, Inc.	Transformation Supportive Housing	22-0051-12/22-BCH-A2	1/1/2024-12/31/2024	1/12/2024	\$247,073	\$-	\$-	\$247,073
Rehabilitation Support Services, Inc.	Supported Housing Programs	22-0057-12/22-BCH	1/1/2022-12/31/2022	2/2/2022	\$2,121,132	\$2,121,132	\$-	\$-
Rehabilitation Support Services, Inc.	Supported Housing Programs	22-0057-12/22-BCH-A1	1/1/2023-12/31/2023	2/21/2023	\$2,381,824	\$-	\$2,381,824	\$-
Rehabilitation Support Services, Inc.	Supported Housing Programs	22-0057-12/22-BCH-A2	1/1/2024-12/31/2024	1/12/2024	\$2,525,061	\$-	\$-	\$2,525,061
Rehabilitation Support Services, Inc.	Outreach Team Services (Psychiatric Center Discharges)	22-0058-12/22-BCH	1/1/2022-12/31/2022	2/2/2022	\$237,280	\$237,280	\$-	\$-
Rehabilitation Support Services, Inc.	Outreach Team Services (Psychiatric Center Discharges)	22-0058-12/22-BCH-A1	1/1/2023-12/31/2023	2/21/2023	\$247,570	\$-	\$247,570	\$-
Rehabilitation Support Services, Inc.	Outreach Team Services (Psychiatric Center Discharges)	22-0058-12/22-BCH-A2	1/1/2024-12/31/2024	1/12/2024	\$255,298	\$-	\$-	\$255,298

EXHIBIT II: CONTRACT SUMMARY, CONT.

Contract Summary								
Vendor	Program Description	Contract	Term	Executed	Budget	2022 Expended	2023 Expended	2024 Expended
Taconic Resources for Independence, Inc.	Benefits Advisement & Advocacy	21-0093-12/21-BCH-A1	1/1/2022-12/31/2022	2/2/2022	\$42,283	\$42,283	\$-	\$-
Taconic Resources for Independence, Inc.	Benefits Advisement & Advocacy	21-0093-12/21-BCH-A2	1/1/2023-12/31/2023	2/1/2023	\$44,330	\$-	\$44,330	\$-
Taconic Resources for Independence, Inc.	Benefits Advisement & Advocacy	21-0093-12/21-BCH-A3	1/1/2024-12/31/2024	1/11/2024	\$57,900	\$-	\$-	\$57,900
The Arc of the Greater Hudson Valley, NY (NYSARC INC)	Ongoing Integrated Supported Employment	21-0053-12/21-BCH-A3	1/1/2022-12/31/2022	2/2/2022	\$74,795	\$67,316	\$-	\$-
The Arc of the Greater Hudson Valley, NY (NYSARC INC)	Ongoing Integrated Supported Employment	21-0053-12/21-BCH-A4	1/1/2023-12/31/2023	1/26/2023	\$78,400	\$-	\$70,560	\$-
The Arc of the Greater Hudson Valley, NY (NYSARC INC)	Ongoing Integrated Supported Employment	21-0053-12/21-BCH-A5	1/1/2024-12/31/2024	12/22/2023	\$79,383	\$-	\$-	\$71,445
						\$16,616,300	\$18,199,207	\$18,851,771
<i>Note: The above chart only includes the amount DMH paid for contracted services and does not include any accounts payable balances.</i>								

APPENDIX I: GLOSSARY OF TERMS

Accrual: An accounting method used to record revenue when the revenue is earned but before receiving payment for goods or services sold.

Allocate: The assignment of funds set aside for a particular purpose.

Appropriations: A legal authorization granted by a legislative body to make expenditures and to incur obligations for a specific purpose.

Budget: A plan for the financial operation of an individual, organization, or entity including an estimate of proposed income and expenditures for a given period of time.

Budget Adjustment: The act of changing or modifying an existing budget to reflect new information or unforeseen circumstances.

Consumer Price Index: A measure of the overall change over time in prices paid by consumers for goods and services.

Contract Amendment: A formal written document used to change the terms of an existing contract.

Deferred Revenue: Money received in advance, prior to the delivery of goods or services. Recorded as a liability on the balance sheet.

Deficit Funding: Deficit funding refers to financial support provided to cover losses when program expenses exceed program revenue.

Liability: A present financial obligation or debt owed resulting from past transactions or events.

Pass-Through Funding: Funding is received from a primary source (NYS OMH or NYS OASAS), by an intermediary (DMH) who then distributes the funding to the final recipient (Contract Agencies).

Receivable: An asset account reflecting amounts due from organizations for goods and services.

Reconciliation: The act or process of comparing multiple accounts or financial records in order to verify accuracy and consistency.

Revenue: Income earned from selling goods or services.

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