

Audit Report

Hudson Valley Mental Health, Inc.

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Background

Hudson Valley Mental Health, Inc. (HVMH) is a not-for-profit organization that provides outpatient mental health services in five clinics located in Beacon, Dover Plains, Millbrook, Poughkeepsie and Rhinebeck. HVMH maintains its business and administrative offices at 230 North Road, Poughkeepsie, which houses the Administration of Dutchess County Mental Hygiene. HVMH is an affiliate of Family Services, Inc. The parent company Family Services, Inc. has the fiduciary responsibility with HVMH for the effective and efficient delivery of mental health services. In 2010 FFNY (Families First New York) and in 2011 Family Services had affiliate service agreements to provide HVMH fiscal management, human resource management, information technology and risk management services. HVMH agency financials reported expenses totaling \$5,133,339 for 2010 and \$5,249,068 for 2011. More information can be found on their website: www.hvmh.org.

Audit Scope, Objective and Methodology

An audit of HVMH was conducted for the period January 1, 2010 – December 31, 2011. Dutchess County provided contract funding totaling \$2,004,964.60 in 2010 and \$1,624,312.67 in 2011. In addition, Dutchess County Mental Hygiene required the agency to sign a memorandum of agreement (which was not signed by the County Executive and County Attorney) which provided shared staffing. Mental Hygiene staff provided to HVMH for each of the funding years 2010 and 2011 was allocated at a cost of \$249,921 and \$377,290 respectively. Additional costs which are not allocated by Mental Hygiene but are attributable to billing software maintenance and DMH Office of Information Technology staffing were not provided.* Other funding provided through Dutchess County included Medicaid contributions. HVMH reported Medicaid reimbursements on the NYS Consolidated Fiscal Report (CFR) totaling \$1,919,022 for 2010 and \$1,742,676 for 2011. *Generally, Medicaid funding is comprised of 50% federal, 25% county and 25% state tax dollars.*

*** In 2003 Dutchess County Mental Hygiene purchased the Anasazi software system, HVMH has been required to utilize the Anasazi Software in its operations of the clinics and rely on DCDMH for software support.**

Additional contracts provided annual rental income totaling \$68,330 to Dutchess County Mental Hygiene for three clinic sites located in Beacon, Millbrook, and Poughkeepsie). The Probation Department had a separate agreement with HVMH to rent office space in Dover Plains for each year as follows: 2010 - \$26,297.60 and 2011 - \$2,322.67.

The audit primarily focused on the funding of the Dutchess County Mental Health Clinics and included a review of agency financial records and internal controls regarding selected accounting activities for the time period 2010 through January 2013.

Comptroller's Summary/Findings

- ❖ The records reviewed for revenue, expenses, payroll and financial reports were generally in good order and readily available.
- ❖ Increased oversight and monitoring of the billing functions, banking, contracts, W-9s and 1099s is recommended.
- ❖ Operating procedures did not ensure the collection of W-9s and the proper issuance of 1099s.
- ❖ HVMH's continued reliance and required use of the county billing software impedes the agency's current ability to bill timely as county DMH staff has not updated software timely resulting in current cash flow issues which may incur additional county funded deficits.

Recommendations were implemented during the course of our audit as noted. *In addition, management of both FSI and HVMH were pursuing operational changes to enhance processes and procedures.*

Detailed Findings

Control Environment

Control environment is the internal control and control consciousness established and maintained by both management and employees and supports compliance with laws, rules, regulations and management directives. Management is responsible to educate employees regarding the importance of internal controls. The Board has fiduciary responsibility and as a result must provide oversight and monitoring.

HVMH fiscal management was provided by its parent company - Family Services, Inc. (formerly FFNY). The fiduciary responsibility is shared by both Family Services, Inc. and HVMH. Both agencies have separate boards. The FSI Joint Audit Committee is comprised of FSI Board members and at least one Board representative of HVMH. This committee is responsible for the review and recommendation of fiscal policy to the Board of Directors. All policies and procedures are therefore applicable to HVMH, its affiliate.

Accounting

Fiscal Management Services listed in the FSI service agreement with HVMH include: payroll processing, accounts payable and purchasing, accounts receivable, billing and cash receipts posting, budget preparation (including budget preparation, modifications & forecasts), financial statement preparation, maintenance of general ledger, maintenance of fixed asset details, revenue and allowance for doubtful account analysis thru anasazi (software), banking and cash flow management, management of inter-company borrowing and lending between affiliated organizations, compliance with various regulatory filings -IRS Forms 990, 1096 & 1099 and 500, audit compliance and administration -financial, contract, consolidated fiscal report and financial consulting/meetings.

The 2011 memorandum of understanding between HVMH and FSI's stated their common objective is for the effective and efficient delivery of mental health services in need throughout Dutchess County and provided for the following distribution of functions:

- < *HVMH will provide and manage the day to day programmatic components of direct services and operational compliance with regulatory agencies.*
- < *FSI will provide and manage the administrative components of HVMH operations, inclusive of finance and grants management, human resources, information technology and risk management. FSI will also be responsible for policy development and implementation in these areas.*

Banking

Bank statements, deposits and reconciliations were reviewed for 2010 and 2011. County payments were deposited in a timely manner. The Agency's policy & procedures requires dual signatures for checks written for \$25,000 or more.

Findings

- Board review of bank account activity or reconciliations was not evidenced.
- Two checks, each written in the amount of \$27,146.67 for the monthly FSI management fees, were signed by the President of HVMH only.

Recommendations

- A representative of the board should periodically and randomly review bank account activity and attest to the review as an additional internal control.
- The policy requiring dual signatures should be adhered to.

Note: Family Services, adopted amendments to their Fiscal Policies and Procedures regarding Bank Reconciliation processes December 2012. As previously noted, all policies and procedures are applicable to Hudson Valley Mental Health, Inc. These policies and procedures were reviewed and acknowledged by HVMH finance committee and board.

Contracted Services

Contracts for a sample of fourteen HVMH vendors for 2010 and 2011 were requested.

Findings

- Contract documents were not consistently filed with the various accounting and oversight entity, FSI, resulting in several requests to obtain contract documents. In addition, we noted insurance provider contracts were not maintained at the FSI finance department and were also not maintained in the HVMH patient billing department.
- Contracts were not found for a psychiatrist and a laboratory that provided services during 2010 and 2011.

Recommendations

- Contract policies and procedures should be strengthened. HVMH and FSI should coordinate the maintenance of all contracts.
- Contracts should be in place for all years that vendors provide services.

W-9s and 1099s

A sample of vendors from whom services were purchased was reviewed for collection of IRS W-9s and issuance of IRS Form Misc 1099. *The IRS requires Form 1099-MISC be issued to individuals and certain businesses that receive payment of \$600 or more in a calendar year for services provided. The form W-9 (Request for Taxpayer Identification Number and Certification) is completed by a vendor and identifies a vendor's business status and allows the 1099 to be properly completed.*

Findings

- IRS Form W-9s were not available for many vendors sampled: However, the agency did obtain them during our review.
- Three vendors that should have received 1099s were identified for 2010 and again for 2011.
- Oversight and monitoring procedures were not in place to identify the above findings.

Recommendations

- W9s should be requested, and retained on file, for each vendor conducting business with the agency to ensure proper 1099 identification and completion.
- All eligible vendors should be issued 1099s in accordance with IRS guidelines.
- Policies and procedures including review and oversight were recommended.

Note: Family Services addressed the above findings through adoption of amendments to their Fiscal Policies and Procedures regarding W-9 and 1099 processes December 2012. These policies and procedures were reviewed and acknowledged by HVMH finance committee and board.

Mental Hygiene Contract Review

Contract #06-0467 was written for the period January 1, 2010 to December 31, 2010 in the amount of \$2,083,243 and Contract #11-0089 was written for the period January 1, 2011 to December 31, 2011 in the amount of \$1,621,990 to operate the five Mental Health clinics.

A separate agreement was written and signed by DCDMH and HVMH on October 6, 2010, to provide for the sharing of DCDMH staff with Hudson Valley Mental Health. The shared staffing costs reduced HVMH's contract funding in 2010 and 2011.

County and New York State Aid

| | Contract #06-0467 | Contract #11-0089 |
|---------------------------------------|--------------------|--------------------|
| | 2010 Payments | 2011 Payments |
| Dutchess County Contract Funding | \$1,898,243 | \$1,621,990 |
| Dutchess County Shared Staffing Costs | \$249,921 | \$377,290 |
| New York State Aid | \$80,424 | \$0 |
| Totals | \$2,228,588 | \$1,999,280 |

Observations:

- < The 2009 Closeout resulted in the amount of \$105,249 due to Dutchess County which was reimbursed to the County in September 2010.
- < The HVMH CFR did not report shared staffing costs in 2010.

Finding

- The HVMH 2010 CFR did not account for the shared staff.

Recommendation

- The agency's 2010 CFR should reflect the shared staff funding.

Observation regarding Dutchess County Mental Hygiene

The shared staffing agreement, although signed by DCDMH and HVMH, was not signed by the Dutchess County Attorney or the Dutchess County Executive as is required for all county contractual agreements.

Expenses

Expenses claimed on the respective CFRs were traced to the general ledger and no discrepancies were noted. *Exhibit I and Exhibit II detail HVMH's expenses for the respective years as prepared by their Independent Auditor.*

Personal Services

HVMH's CFRs claimed personal services in the amounts of \$3,362,810 in 2010 and \$3,056,927 in 2011. Payroll records were reviewed for the clinic sites and compared to the W2's and traced to the agency's financial statements for the respective years. No discrepancies were noted.

Management Agreement

HVMH paid its parent company FSI/formerly FFNY a total of \$325,760 for 2010 and \$325,760 for 2011 contracted management fees. The payments were recorded in the agency's cash disbursements, banking records and financials for the respective years.

Contract #06-0275 A4 & A5, Contract #06-0276 A6 & A7, and Contract #06-0278 A4 & A5

HVMH leased space from Dutchess County's Department of Mental Hygiene at the Beacon, Millbrook, and Poughkeepsie clinics sites in 2010 and 2011. Rent payments made to the County totaled \$68,330 for 2010 for the three sites and \$68,330 was paid by HVMH for 2011. The rent payments were traced in the agency's cash disbursements journals, bank account, and general ledgers for each year. No discrepancies were noted.

Revenues

HVMH's selected revenues for 2010 and 2011 and billing procedures were reviewed. DMH and Probation payments were traced to the agency's cash receipts, bank deposit slips, bank account and general ledger. No discrepancies were noted.

Addendum I summarizes Revenues claimed on the agency's CFRs for 2007 and 2011.

HVMH Patient Billing

HVMH (since 2003) has been required to utilize the Anasazi Software system in its operation and billing for clinics. This dependency on DMH results in a reliance on the maintenance of the billing system by Dutchess County which is counterproductive to HVMH's independent status as an agency from which the county purchases services. There is a lack of internal control due to the required reliance.

Observation/Recommendation regarding DMH and HVMH billing relationship

- The current billing relationship does not provide a proper business relationship as HVMH is not totally responsible for the patient billing revenue. We recommend HVMH pursue the purchase and maintenance of billing software. A cost-benefit analysis is recommended.

The written intake and billing procedures for the HVMH clinic sites, provided by FSI, were observed and compared to the day-to-day activities/ processes at the Poughkeepsie clinic site. In addition, samples of

billing transactions to Medicare, Medicaid and third party insurances were observed, samples of acknowledgements of transmittals and samples of payments from the insurers billed for services were reviewed.

Processes for intake and billing were traced to written procedures. Duties were delegated and there was cross training of jobs in the reception and billings offices.

HVMH procedures for writing off Accounts Receivables were updated by FSI in December 2012. Oversight and review processes by HVMH and FSI were formalized.

Observations

A request for additional funding in 2012 from HVMH to Dutchess County resulted in an action plan for the 2013 budget forwarded to the county by HVMH which included objectives to increase productivity, increase efficiency, increase revenue generation and reduce bad debt. This assessment by HVMH of its practices should effectuate increased revenues and reduce reliance on county funding.

Findings

- The HVMH billing department, which is responsible for the day-today fiscal billing, is not provided direct oversight by FSI.
- The action plan as noted above shows HVMH's assessment of their practices which required improvements.

Recommendations

- FSI should provide oversight and monitoring procedures over the day to day Billing.
- Periodic risk assessment.

Additional information regarding Patient Revenue

The following is a *Summary of Patient Revenues for 2009-2011* based on charts prepared by FSI for HVMH's independent auditors and provided by FSI for our review.

| HVMH Revenue | 2009 | 2010 | 2011 | |
|---------------------------------------------------|--------------------|--------------------|--------------------|----|
| Participant Fees | \$167,727 | \$160,639 | \$182,919 | |
| Medicaid | \$754,166 | \$685,973 | \$1,919,217 | * |
| Medicare | \$188,396 | \$266,115 | \$253,046 | |
| Other Third Parties | \$507,001 | \$546,205 | \$566,283 | |
| Other (Comprehensive Outpatient Program Services) | | | | |
| COPS | \$1,442,272 | \$1,338,335 | | ** |
| Revenue | \$3,059,562 | \$2,997,267 | \$2,921,465 | |

| HVMH Cash Collected | 2009 | 2010 | 2011 | |
|-----------------------|--------------------|--------------------|--------------------|----|
| Participant Fees | \$114,817 | \$100,372 | \$109,412 | |
| Medicaid | \$703,716 | \$589,502 | \$1,644,195 | * |
| Medicare | \$141,706 | \$185,064 | \$208,501 | |
| Other Third Parties | \$410,392 | \$433,170 | \$470,672 | |
| Other(COPS) | \$1,319,284 | \$1,236,855 | | ** |
| Cash Collected | \$2,689,915 | \$2,544,963 | \$2,432,780 | |

| HVMH Summary | 2009 | 2010 | 2011 | |
|---------------------------------------|------------------|------------------|------------------|--|
| Revenue | \$3,059,562 | \$2,997,267 | \$2,921,465 | |
| Cash Collected | \$2,689,915 | \$2,544,963 | \$2,432,780 | |
| Revenue less Cash Collected | \$369,647 | \$452,304 | \$488,685 | |
| Claimed Bad Debt | \$315,520 | \$252,278 | \$309,178 | |
| Adjustments (Prior Years Recoup, etc) | \$54,127 | \$200,026 | \$179,507 | |
| Ratio Bad Debt to Revenue | 10.31% | 8.42% | 10.58% | |

* No longer COPS funded.

COPS was a Medicaid supplement plan. In 2011 funding was made a part of Medicaid as shown.

2011 NYS provided supplemental funding to Article 31 clinic operations from an **Uncompensated Care Pool as part of the Medicaid restructuring package. HVMH received **\$237,640** from this NYS funding pool in 2011 to replace Patient Revenue from Medicaid / COPS.

Observations

The figures show HVMH Cash Collected *decreased \$144,952* from 2009 to 2010 and *decreased another \$112,183.00* from 2010 to 2011. The claimed Bad Debt write off *increased from \$252,278 to \$309,178, a difference of \$56,900, approximately 23%* from 2010 to 2011.

Medicaid and Non-Medicaid Clinic Visits 2009-2011 Summary

The following charts are based on the statistics for Clinic Visits compiled from HVMH's 2009, 2010 and 2011 CFRs (OMH 1, 2&4).

| HVMH Clinic Visits | 2009 CFR | 2010 CFR | Percent Change 2009-2010 | 2010 CFR | 2011 CFR | Percent Change 2010-2011 |
|-------------------------------------------------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|
| Medicaid Units of Service/Visits | 18,529 | 18,121 | -2.20% | 18,121 | 18,746 | 3.45% |
| Non-Medicaid Clinic Visits | <u>20,447</u> | <u>18,954</u> | -7.30% | <u>18,954</u> | <u>16,479</u> | -13.06% |
| Total Clinic Visits | <u>38,976</u> | <u>37,075</u> | -4.88% | <u>37,075</u> | <u>35,225</u> | -4.99% |
| HVMH Non-Medicaid Clinic Visits - Third Party, Medicare, Self Pay | 2009 CFR | 2010 CFR | Percent Change 2009-2010 | 2010 CFR | 2011 CFR | Percent Change 2010-2011 |
| Uncompensated Care (Unpaid) | 8,129 | 7,824 | -3.75% | 7,824 | 7,014 | -10.35% |
| Compensated (Paid) | <u>12,318</u> | <u>11,130</u> | -9.64% | <u>11,130</u> | <u>9,465</u> | -14.96% |
| Total Non-Medicaid Clinic Visits | <u>20,447</u> | <u>18,954</u> | -7.30% | <u>18,954</u> | <u>16,479</u> | -13.06% |

Observations

Non-Medicaid Compensated visits paid by Third Party, Medicare, or Self Pay declined by almost 10% in 2010 and declined another 15% in 2011, although Total Clinic Visits were down by approximately 5% in 2010 and 2011.

Dutchess County Department of Probation and Community Corrections

Contract #09-0298-7/14 provided for the Dutchess County Department of Probation and Community Corrections to sublease space at the Dover Plains clinic from HVMH in 2010 and 2011. A total of \$26,297.60 was paid to HVMH for 2010 rent. A total of \$2,322.67 was paid for 2011 rent – January only; Probation moved out of the site and discontinued the sublease. Dutchess County payments were traced to the agency's cash receipts, bank deposits slips, bank account and general ledger.

Exhibit I 2010 Expenses

The Statement of Functional Expenses for 2010 as prepared by HVMH's Independent Auditor follows:

| Statement of Functional Expenses | Program Services | Supporting Services | Totals |
|-------------------------------------------|--------------------|---------------------|--------------------|
| Year Ended December 31, 2010 | Case Mgt | Mgt & General | |
| Personnel | | | |
| Salaries | \$3,348,880 | \$13,930 | \$3,362,810 |
| Fringe Benefits | 698,746 | 2,925 | 701,671 |
| Total Personnel Costs | \$4,047,626 | \$16,855 | \$4,064,481 |
| Other Than Personnel Costs | | | |
| Contractual Services | \$44,781 | | \$44,781 |
| Professional Fees | 32,698 | \$23,564 | 56,262 |
| Advertising | 2,879 | | 2,879 |
| Supplies and Office expenses | 52,036 | | 52,036 |
| Dues and Subscriptions | 2,937 | | 2,937 |
| Telephone | 28,920 | 3 | 28,923 |
| Postage | 6,106 | | 6,106 |
| Printing | 116 | | \$116 |
| Rent & Occupancy | 186,658 | | \$186,658 |
| Travel & meetings | 10,854 | | \$10,854 |
| Interest | 6,507 | | \$6,507 |
| Management Fees | | 325,760 | 325,760 |
| Insurance | 27,890 | 922 | 28,812 |
| Bad Debt Expense | 252,278 | | 252,278 |
| Medication Expense | 29,030 | | 29,030 |
| Building and Equipment Repairs | 30,251 | | 30,251 |
| Events and Fieldtrips | 1,839 | 0 | 1,839 |
| Total OTPS | \$715,780 | \$350,249 | \$1,066,029 |
| Total Expenses before Depreciation | \$4,763,406 | \$367,104 | \$5,130,510 |
| Depreciation | 2,829 | 0 | 2,829 |
| Total Expenses | \$4,766,235 | \$367,104 | \$5,133,339 |

Exhibit II 2011 Expenses

The Statement of Functional Expenses for 2011 as prepared by HVMH's Independent Auditor follows:

| Statement of Functional Expenses | Program Services | Supporting Services | Total |
|-------------------------------------------|--------------------|---------------------|--------------------|
| Year Ended December 31, 2011 | Case Mgt | Mgt & General | |
| Personnel | | | |
| Salaries | \$3,042,508 | \$14,419 | \$3,056,927 |
| Fringe Benefits | 697,837 | 3,316 | 701,153 |
| Total Personnel Costs | \$3,740,345 | \$17,735 | \$3,758,080 |
| Other Than Personnel Costs | | | |
| Contractual Services | \$36,313 | | \$36,313 |
| Professional Fees | 75,777 | \$29,784 | 105,561 |
| Supplies and Office expenses | 37,920 | | 37,920 |
| Dues and Subscriptions | 1,887 | | 1,887 |
| Telephone | 27,306 | | 27,306 |
| Postage | 4,899 | | 4,899 |
| Rent & Occupancy | 184,666 | | 184,666 |
| Non-capital equipment | 11,743 | | 11,743 |
| Travel & meetings | 9,396 | | 9,396 |
| Interest | 26,557 | | 26,557 |
| Advertising | 1,160 | | 1,160 |
| Management Fees | | 325,760 | 325,760 |
| Insurance | 27,943 | 1,036 | 28,979 |
| Bad Debt Expense | 309,178 | | 309,178 |
| In-kind Services* | 377,290 | 0 | 377,290 |
| Total OTPS | \$1,132,035 | \$356,580 | \$1,488,615 |
| | | | |
| Total Expenses before Depreciation | \$4,872,380 | \$374,315 | \$5,246,695 |
| Depreciation | 2,373 | 0 | 2,373 |
| Total Expenses | \$4,874,753 | \$374,315 | \$5,249,068 |

* Shared Staffing

Addendum I - HVMH CFR Revenues Claimed 2007-2011

| Hudson Valley Mental Health Inc. | | | | | | |
|------------------------------------------|---------------------------|---------------------------|---------------------------|---|---------------------------|---------------------------|
| CFR | 2007 | 2008 | 2009 | | 2010 | 2011 |
| Revenue | | | | | | |
| Participant Fees | \$90,335 | \$101,723 | \$122,629 | | \$123,849 | \$136,414 |
| Medicaid | 1,960,719 | 1,935,865 | 2,048,403 | | 1,919,022 | 1,742,676 |
| Medicare | 215,590 | 159,158 | 148,549 | | 220,515 | 224,865 |
| Other Third Parties | 299,043 | 360,670 | 424,551 | | 478,471 | 505,793 |
| Other | <u>107,513</u> | <u>108,938</u> | <u>109,236</u> | | <u>111,266</u> | <u>325,990</u> |
| Shared Staffing | | | | | | <u>377,290</u> |
| Gross Revenue | <u>\$2,673,200</u> | <u>\$2,666,354</u> | <u>\$2,853,368</u> | | <u>\$2,853,123</u> | <u>\$3,313,028</u> |
| Net Deficit Funding /Net Operating Costs | <u>\$2,024,599</u> | <u>\$2,203,243</u> | <u>\$2,053,447</u> | | <u>\$2,025,728</u> | <u>\$1,621,990</u> |
| Dutchess County Tax Levy | \$1,919,999 | \$2,018,243 | \$2,018,243 | | \$1,898,243 | \$1,621,990 |
| New York State Aid (DMH Closeout) | <u>\$104,600</u> | <u>\$185,000</u> | <u>\$35,204</u> | 1 | <u>\$80,424</u> | <u>\$0</u> |
| Total Net Deficit Funding | \$2,024,599 | \$2,203,243 | \$2,053,447 | | \$1,978,667 | \$1,621,990 |
| Total Gross Revenue | <u>\$4,697,799</u> | <u>\$4,869,597</u> | <u>\$4,906,815</u> | | <u>\$4,878,851</u> | <u>\$4,935,018</u> |
| | | | | | | |
| 1-State Aid Reduced from \$185,000 | | | | | | |

**Office of the Comptroller
Dutchess County**

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James L. Coughlan
Comptroller

Peter J. Stalteri
Deputy Comptroller

February 14, 2013

Mr. Kevin Hazucha, LCSW-R, President
Hudson Valley Mental Health, Inc.
230 North Road
Poughkeepsie, New York 12601

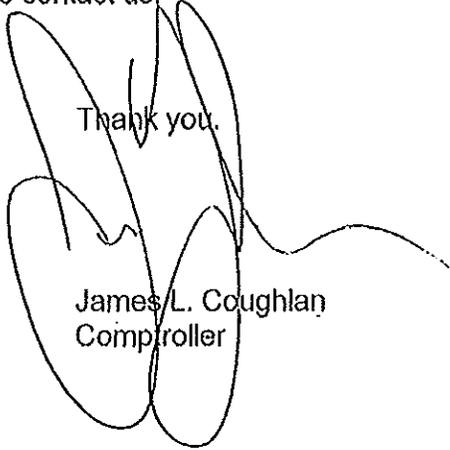
Dear Mr. Hazucha:

We have conducted an audit of Hudson Valley Mental Health, Inc. for the period January 1, 2010 through December 31, 2011. A draft copy of our report is enclosed for your review and comment.

The audit is scheduled for release February 27, 2013. Please provide your response by that date so we can include it in the report.

If you have any questions, please feel free to contact us.

Thank you.


James L. Coughlan
Comptroller



HUDSON VALLEY MENTAL HEALTH

□ BEACON CLINIC
223 Main Street
Beacon, New York
12508-2770
845/838-4900
Fax: 845/838-4915

□ EASTERN DUTCHESS
CLINIC
7 Market Street
Dover Plains, New York
12522-5136
845/877-4100
Fax: 845/877-4112

□ MILLBROOK CLINIC
131 County House Road
Millbrook, New York
12540-5118
845/677-4050
Fax: 845/677-4056

MAIN OFFICE

□ POUGHKEEPSIE CLINIC
230 North Road
Poughkeepsie, New York
12601-1386
845/486-2703
TTY: 845/486-2767
Fax: 845/486-2865

□ RHINEBECK CLINIC
47 W. Market Street, Ste. 2
Rhinebeck, New York
12572-3709
845/876-2006
Fax: 845/876-5641

March 1, 2013

Mr. James L. Coughlan, Comptroller
Dutchess County
Office Of Comptroller
22 Market Street
Poughkeepsie, NY 12601

Dear Mr. Coughlan,

This is in response to the final draft Audit Report in connection with your department's review of Hudson Valley Mental Health Inc. (HVMH). On behalf of HVMH, I extend our appreciation to you and your staff for a thoughtful and thorough review of our agency. As we endeavor to provide the best quality services and to do so as efficiently as possible, we find the feedback and the recommendations to be helpful. During the course of the audit, HVMH and FSI have been proactive in addressing and implementing many of the recommendations prior to the release of the Audit Report. It is appreciated that this is acknowledged throughout the document.

Concerning issues noted that are in the process of being addressed please see below:

- Contracted Services (pg. 5) & Billing Oversight (pg. 7)- HVMH adopted a budget for 2013 that includes a new administrative position which will have responsibility of contract management and strengthening/monitoring of internal administrative functions of the agency. This position will report directly to the HVMH President and will work closely with and have some reporting responsibilities to the CFO of FSI in relation to fiscal operations.
- 2010 CFR/Shared Staffing (pg. 5)- HVMH will seek guidance from DMH with regards to changing the 2010 CFR to reflect shared staffing costs.
- HVMH Patient Billing (pg. 6)- HVMH acknowledges that the present HVMH/DMH shared billing system model (including use of current billing software) is challenging and is outside of standard contract arrangements. HVMH also acknowledges and appreciates the considerable supports and assistance that DMH provides through the contract without which it could not provide its current service offerings. It should be noted that a serious challenge to HVMH and DMH is the practice of regulatory agencies to release far reaching, significant and complex reimbursement and operational restructuring strategies with insufficient time and inadequate resources in place for thoughtful and well planned implementation.



HUDSON VALLEY MENTAL HEALTH

March 1, 2013

□ BEACON CLINIC
223 Main Street
Beacon, New York
12508-2770
845/838-4900
Fax: 845/838-4915

□ EASTERN DUTCHESS
CLINIC
7 Market Street
Dover Plains, New York
12522-5136
845/877-4100
Fax: 845/877-4112

□ MILLBROOK CLINIC
131 County House Road
Millbrook, New York
12540-5118
845/677-4050
Fax: 845/677-4056

MAIN OFFICE

□ POUGHKEEPSIE CLINIC
230 North Road
Poughkeepsie, New York
12601-1386
845/486-2703
TTY: 845/486-2767
Fax: 845/486-2865

□ RHINEBECK CLINIC
47 W. Market Street, Ste. 2
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12572-3709
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Mr. James L. Coughlan, Comptroller
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Office Of Comptroller
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Poughkeepsie, NY 12601

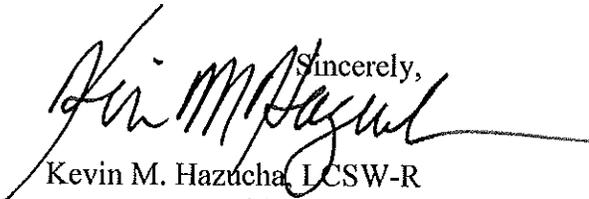
Dear Mr. Coughlan,

This is in response to the final draft Audit Report in connection with your department's review of Hudson Valley Mental Health Inc. (HVMH). On behalf of HVMH, I extend our appreciation to you and your staff for a thoughtful and thorough review of our agency. As we endeavor to provide the best quality services and to do so as efficiently as possible, we find the feedback and the recommendations to be helpful. During the course of the audit, HVMH and FSI have been proactive in addressing and implementing many of the recommendations prior to the release of the Audit Report. It is appreciated that this is acknowledged throughout the document.

Concerning issues noted that are in the process of being addressed please see below:

- Contracted Services (pg. 5) & Billing Oversight (pg. 7)- HVMH adopted a budget for 2013 that includes a new administrative position which will have responsibility of contract management and strengthening/monitoring of internal administrative functions of the agency. This position will report directly to the HVMH President and will work closely with and have some reporting responsibilities to the CFO of FSI in relation to fiscal operations.
- 2010 CFR/Shared Staffing (pg. 5)- HVMH will seek guidance from DMH with regards to changing the 2010 CFR to reflect shared staffing costs.
- HVMH Patient Billing (pg. 6)- HVMH acknowledges that the present HVMH/DMH shared billing system model (including use of current billing software) is challenging and is outside of standard contract arrangements. HVMH also acknowledges and appreciates the considerable supports and assistance that DMH provides through the contract without which it could not provide its current service offerings. It should be noted that a serious challenge to HVMH and DMH is the practice of regulatory agencies to release far reaching, significant and complex reimbursement and operational restructuring strategies with insufficient time and inadequate resources in place for thoughtful and well planned implementation.

In summation, HVMH maintains its commitment to providing comprehensive, integrated and collaborative outpatient mental health treatment services to residents of our community. All supports and feedback which will assist us in this endeavor are greatly appreciated.

Sincerely,

Kevin M. Hazucha, LCSW-R
President, HVMH

CC : James Regan Ph.D. HVMH Board President
Natalie Borquist, CNAP, CFO, FSI
Brian Doyle, CEO FSI
Mark Sasvary, LCSW, Director - QA/RM