



Dutchess
County
Department of
Mental Hygiene

Dutchess


William R. Steinhaus
County Executive

Kenneth M. Glatt, Ph.D.
Commissioner

230 North Road
Poughkeepsie
New York
12601
(845) 485-9700
Fax(845) 485-2759

MEMORANDUM

TO: Diane Jablonski
Dutchess County Comptroller

FROM: Kenneth M. Glatt, Ph.D., ABPP
Commissioner 

DATE: January 25, 2008

RE: Department of Mental Hygiene Audit

2008 JUN 25 PM 2:53
DUTCHESS COUNTY
COMPTROLLER'S OFFICE

I am in receipt of your draft audit dated December 19, 2007, and appreciate the opportunity to respond.

In general, all deficiencies noted have been completed, corrected and/or resolved or will be by February 15, 2008, the time the 4th quarter 2007 revenue accruals are due to the Department of Finance.

Before addressing specific findings, it is important to note the context in which the Department of Mental Hygiene's (DMH) Office of Budget & Finance (OBF) operated during the years audited, 2003 through 2006:

First, during the audit period, the OBF lost two experienced and long-term accountants, one who retired during 2003, and another who departed at the end of 2005.

Second, because of retirements and civil service requirements, the Billing Unit had three different managers between 2003 and 2006--the latter two coming from outside DMH. Thus, because of these personnel issues, there was a significant loss of institutional knowledge and familiarity with longstanding policies and procedures.

Third, and most significant, in October 2003, DMH converted its computer software system from CMHC, Inc. to Anasazi, Inc. This conversion had the unintended consequence of disrupting our billing system until the Spring of 2006,

making it impossible to close out months and years and precluding the completion of the New York State (NYS) annual Consolidated Fiscal Report (CFR). Hence, the DMH's 2003 CFR was not certified by PricewaterhouseCoopers (PWC) until December 2006, and the 2004, 2005, and 2006 CFRs were not certified by PWC until December 2007.

As you point out, because of our inability to produce certified CFRs in a timely manner, all three offices of the NYS Department of Mental Hygiene (OMH, OASAS and OMRDD) withheld some state aid due to Dutchess County, and the NYS Department of Health withheld some Medicaid also due to Dutchess County. I am pleased to report that all state aid and Medicaid that had been withheld by any state agency has been released and forwarded to the Department of Finance.

It was a trying and difficult period, but it is behind us now. We are caught up and current and are committed to remain so.

Without going into each of the findings, for accuracy's sake, a few issues need to be clarified:

- 1) OBF does have a policy and procedure manual which is being updated and will be current and complete on or before February 15;
- 2) The delays in the County receiving revenue were not due to any deficiencies in internal controls or accounting practices but rather, as pointed out above, to the implementation of a new billing system which precluded the timely completion of the annual CFRs.
- 3) Two of the three major corrective actions recommended in the prior audit were implemented; namely, a contract tracking system and an accounts receivable system. The recommendation to reconcile state aid revenue with the Department of Finance on an annual basis could not be done until the CFRs were completed and certified. Consequently, the reconciliation of state aid revenue with the Department of Finance for the years 2003 through 2006 will be completed on or before February 15; the reconciliation of state aid revenue for 2007 will be conducted in a timely manner after the 2007 CFRs have been reviewed and will be done annually henceforth. We recognize that because of personnel changes, some of the files needed to be updated and they have been.

In addition, OBF has created a monthly LOGOS report which will ensure that the contract tracking system is up to date and accurate with all current

contract payment postings. OBF also modified its accounts receivable policies and procedures to capture and track accounts receivable from OMH, OASAS and OMRDD as well as other non-patient related payments due to DMH.

Furthermore, on a daily basis, we are now reviewing the Miscellaneous Billing Customer Transaction Report to ensure that payments received from NYS agencies are identified and recorded against the receivables. This report ensures that OBF can track receipts to payment notices and vice versa, so that it can monitor accurately and timely state aid receivables.

Your auditors correctly point out that some contract agency files were incomplete and correspondence from NYS regarding funding was filed in multiple places which were not duplicative or completely inclusive. Changes to the contract tracking system and the accounts receivable system, as well as the update to the policy and procedure manual will now ensure that all files are accurate, complete, and inclusive of necessary documentation including notations as to the status of the contracts and closeouts.

In regard to contract agency closeouts, as you can see from Appendix 1, with the exception of Gateway Community Industries, Inc., Mid-Hudson Library System, Inc., PEOPLE, Inc., Hudson River Housing, Inc., and Lexington Center for Recovery, Inc., all of which need their 2006 contracts amended---a process which has already begun---all other contract agency closeouts for all years have been completed through 2006 or are currently being worked on and will be completed by February 15. (It should be noted that the aforementioned closeouts are not "final" until the closeouts have been received from NYS. Now that the CFRs for the years in question have been certified, the State can finalize its closeouts and submit them to DMH which will review them for any necessary revisions to the preliminary contract agency closeouts.)

Finally, with regard to the Family Support Respite and Crisis Intervention contracts with OMRDD, after the State (not DMH) rescinded the original contract, OBF's paperwork was inadvertently misfiled. The changes in OBF's accounts receivable tracking system will preclude this from occurring again by identifying mistakes and human errors should they occur in the future. The 2004 Family Support Respite and Crisis Intervention contracts have been executed; the final reconciliation and payment from OMRDD on these contracts is pending budget modifications which now can be completed as they will now match the CFRs. The contracts for 2005 and 2006, as well as 2007, have been initialed and forwarded to the County Attorney's Office for execution.

In conclusion, the vast majority of the findings had to do with the conversion from one computer software system to another and the DMH's subsequent inability to close out

*Memo To: Diane Jablonski, Comptroller
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years and complete the annual CFR. Nonetheless, your audit has given us an opportunity to review, refine, and improve our existing systems and processes.

If you have any additional suggestions as to how we can make further improvements, they would be most welcome.

KMG/san

Attachment (Appendix 1)

cc William R. Steinhaus
Betsy Brockway
Valerie Sommerville

APPENDIX 1

SUMMARY OF AMOUNTS OWED TO AGENCY/(COUNTY) FOR CONTRACT AGENCY CONTRACTS

Revised 1/25/08

Agency/Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	TOTAL
ARC **				\$ 251,021.00	\$ (137,986.24)	\$ (67,024.00)	\$ 357,321.00	\$ 30,938.00	\$ 161,371.87	\$ 595,641.63	
ASTOR					\$ 567.00		\$ 133,583.36		\$ 79,649.00	\$ 213,799.36	
COUNCIL							\$ (14,164.00)		\$ (2,542.00)	\$ (16,706.00)	
FAMILY SERVICES						\$ (27,619.00)		\$ (6,313.00)	\$ (9,897.52)	\$ (43,829.52)	
GATEWAY***					\$ (15,733.81)	\$ 29,975.85		\$ (88,394.00)	\$ 53,843.00	\$ (20,308.96)	
GREYSTONE					\$ (1,847.66)	\$ 2,142.50				\$ 294.84	
HUDSON RIVER HOUSING *							\$ (373.00)		\$ 36,778.50	\$ 36,405.50	
LEXINGTON CTR FOR RECOVERY *							\$ 80,032.76		\$ 7,036.00	\$ 87,068.76	
MHA	\$ 73,475.23	\$ 33.74	\$ 28,418.36	\$ (47,532.87)	\$ (79,693.21)				\$ 26,434.00	\$ 1,135.25	
MID-HUDSON LIBRARY SYSTEM *									\$ 5,280.99	\$ 5,280.99	
PEOPLE *									\$ 15,217.24	\$ 15,217.24	
REHAB PROGRAMS	\$ 66,950.41	\$ 179,529.64	\$ (18,341.75)	\$ (210,075.75)	\$ 53,414.00	\$ (25,692.00)	\$ 80,045.50	\$ 766,507.00	\$ (61,867.00)	\$ (69,870.00)	\$ 760,600.05
RSS						\$ 30,146.77				\$ 30,146.77	
SFH						\$ (32,053.00)				\$ (32,053.00)	
TACONIC RESOURCES										\$ -	
TOTAL	\$ 66,950.41	\$ 253,004.87	\$ (18,308.01)	\$ (181,657.39)	\$ 256,902.13	\$ (230,239.15)	\$ (14,532.15)	\$ 1,322,907.12	\$ (125,636.00)	\$ 303,301.08	\$ 1,632,692.91

* Contracts for 2006 require modification and are in process.

** Closeouts have been submitted to the Comptroller's Office and we expect to swap check with agency next week for the amount owed for 2003.

*** The 2003 closeout was submitted to the Comptroller's Office and the 2006 contract needs to be amended.