
**Thomas P. DiNapoli
COMPTROLLER**



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**OFFICE OF MENTAL
RETARDATION AND
DEVELOPMENTAL
DISABILITIES**

**HUDSON VALLEY DDSO
ADMINISTRATION OF
PRESERVATION FUNDS**

Report 2008-S-7

AUDIT OBJECTIVE

The objective of our audit was to determine whether the Hudson Valley Developmental Disabilities Services Office (Hudson Valley) provides effective oversight to ensure that Preservation Funds awarded to not-for-profit agencies are disbursed in accordance with OMRDD policies and procedures.

AUDIT RESULTS - SUMMARY

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides a comprehensive system of care for persons with mental retardation and developmental Disabilities. Hudson Valley, one of 14 OMRDD regional services offices, oversees the care provided to persons with developmental disabilities in Orange, Rockland, Sullivan and Westchester Counties. This care is provided in group homes, family care homes and other program sites, many of which are operated by not-for-profit voluntary agencies (agencies). These agencies receive Preservation Funds from OMRDD for maintenance and renovation projects at these sites to ensure a safe environment for the persons served. For the three years ended March 31, 2008, agencies contracting with Hudson Valley received \$5.1 million in such funding.

Hudson Valley officials are responsible for reviewing and approving agency requests for these funds. Hudson Valley officials are also responsible for ensuring that the Preservation Funds they authorize for agencies are used appropriately and restricted to program purposes. Agencies are not to receive Preservation Funds without the prior approval of OMRDD's Central Office in an annual budgeting process that is intended to ensure the best possible use of the available funds. We found that Hudson Valley officials are not effectively overseeing agency use of

Preservation Funds to ensure that they are disbursed in accordance with OMRDD policies and procedures.

We selected a sample of 71 funded projects at four agencies to determine whether the proper approvals had been issued before funding was disbursed, and whether the funds were used appropriately. Although the sampled projects appear to meet program guidelines, we found that 12 of the 19 sampled projects at one of the agencies we reviewed received funding approvals from OMRDD long after the projects had been completed - thus circumventing the established budgetary controls.

The actual work on maintenance and renovation projects for which Preservation Funds are requested is performed by contractors who are selected by the agencies. For the projects to be eligible for Preservation Funding, the contractors must be selected through an open and competitive bidding process. If contractors are not selected through an open and competitive process, there is a risk that contract prices may be higher than necessary, and contractors may be chosen on the basis of favoritism rather than their qualifications for the job. Hudson Valley officials are to ensure that such a process is used.

Hudson Valley officials do not appear to be executing their responsibilities in this area. When we reviewed the procurement records for the above-noted sampled projects, we found little or no evidence the contractors were selected through an open and competitive bidding process. In fact, at two of the four agencies in our sample, certain contracts were awarded to individuals with ties to the awarding agency (e.g., employment) without the benefit of competitive bidding.

A similar absence of open and competitive bidding procedures was identified in our recently issued audit of OMRDD's Central New York DDSO (Report 2007-S-136, issued January 6, 2009). Upon investigation, it was determined that certain vendors had received favored treatment resulting in the DDSO paying significantly more than it should have for selected procured services. We recommend OMRDD officials perform a similar investigation of the competitive bidding practices of Hudson Valley agencies receiving preservation funds. If appropriate, OMRDD officials should refer their investigative results to law enforcement.

We also note that Hudson Valley officials do not always ensure that project work is satisfactorily completed before Preservation Funds are disbursed, and that increases in project costs are justified.

Our audit report makes eight recommendations addressing OMRDD's and Hudson Valley's oversight of agency use of Preservation Funds.

OMRDD officials agree with our recommendations and informed us that they have already begun to implement them.

This report, dated August 13, 2009, is available on our website at: <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or
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Division of State Government Accountability
110 State Street, 11th Floor
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BACKGROUND

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides a comprehensive system of care for

more than 140,000 persons with mental retardation and developmental disabilities and their families. OMRDD provides this care through 14 regional Developmental Disabilities Services Offices (DDSOs) and a network of community-based not-for-profit voluntary agencies (agencies).

Hudson Valley DDSO (Hudson Valley) oversees the care that is provided to about 4,500 persons with developmental disabilities in Orange, Rockland, Sullivan and Westchester Counties. This care is provided via 130 community-based group homes, 52 family care homes, and other program sites. Hudson Valley is assisted by about 180 agencies which operate many of the group homes, family care homes and other program sites.

OMRDD makes funding available to agencies for the maintenance and renovation of such sites (Preservation Funds). This funding can be used to renovate kitchens and bathrooms; replace boilers, furnaces and hot water heaters; replace roofs; repair chimneys; pave driveways; and perform other types of repairs and maintenance. To qualify for this funding, a project must cost at least \$1,000 but no more than \$30,000.

Each DDSO receives an annual allocation of Preservation Funds from the OMRDD Central Office. The agencies are to submit formal funding applications for each proposed project, and the DDSOs are to approve or deny project funding on the basis of program needs, available funding and other factors. The expenses for the approved projects are to be reimbursed to agencies when the projects are completed.

DDSO officials (e.g., Hudson Valley) are responsible for overseeing the use of Preservation Funds in their respective regions. Oversight responsibilities include

recommending project approval to OMRDD, ensuring the projects for which funds are requested comply with program eligibility requirements, and ensuring that approved projects are satisfactorily completed before authorizing the disbursement of funds. The DDSOs assign each agency a Preservation Fund Coordinator for this purpose.

For the three fiscal years ended March 31, 2008, Hudson Valley approved the disbursement of \$5.1 million in Preservation Funds to 32 agencies for 744 projects, an average of about \$6,855 per project.

AUDIT FINDINGS AND RECOMMENDATIONS

Oversight of Project Funds

Of the 32 agencies that received Preservation Funds during the audit period, we selected a judgmental sample of four agencies for further review. We selected these agencies so that we would review at least one agency in each of the four counties Hudson Valley is responsible for overseeing. Of the 207 projects funded at these agencies, we selected 71 projects for our detailed review based on indications of noncompliance with OMRDD bidding requirements.

We identified a number of weaknesses in Hudson Valley's oversight of the funding for these projects. For example, at one sampled agency, funding applications for 12 of the 19 sampled projects were submitted to OMRDD for approval after the work on these projects was completed. Although the funded projects appear to comply with project eligibility requirements, approving and funding projects after completion of work circumvents internal control. In all 12 instances, project reimbursement was approved by Hudson Valley and OMRDD.

We also found that the contractors hired by agencies to perform work were not always selected through an open and competitive bidding process as required by OMRDD. Further, for all 71 projects, there was no documentation that Hudson Valley officials ensured that project work was satisfactorily completed before project costs were reimbursed.

Hudson Valley officials informed us that they were either unaware of the problems we identified or, in the case of the funding projects without prior approvals, they were aware of the problem but had chosen not to address it. We therefore conclude that Hudson Valley officials are not effectively overseeing agencies' use of Preservation Funds. OMRDD officials agreed that they can do a better job of overseeing agencies' use of these funds.

Prior Approval

To obtain project funding, an agency must submit an annual funding application to its local DDSO. All the projects for which funding is being requested are to be included on the application and listed in priority order. A cost estimate and a description of the scope of work are to be included for each project. The priority list is to be used by the DDSO to ensure that agency priorities are addressed in the event sufficient funding is not available to fund the entire agency request.

Each DDSO is to review the applications in its region and recommend projects for funding on the basis of project priorities, program needs and funding availability. The DDSO then forwards its recommendations to the OMRDD Central Office for final approval. Once the projects are approved for funding, the DDSO is to instruct the agencies to begin seeking contractors for the projects.

We found that 12 of the 19 sampled projects for one of the agencies reviewed were not properly approved for funding, as their funding applications were submitted for approval after the projects had been completed. For two of these projects, the work was completed more than a year before the project was approved for funding. These 12 projects received a total of \$84,231 in Preservation Funds.

Reimbursing agencies for projects which did not receive prior approval negates the benefits of the controls established by OMRDD. In the absence of prior approvals, agencies run the risk of paying for projects with their own funds which may not be reimbursed by OMRDD.

In fact, the Hudson Valley Preservation Fund Coordinator for this agency stated that, due to the agency's unwillingness to submit funding applications timely, DDSO staff could not estimate project costs for the agency or determine whether its projects were, in fact, addressing priorities. Yet, despite these concerns, Hudson Valley officials have not taken steps to enforce agency compliance with this OMRDD requirement. Instead, they routinely approve the reimbursements for the agency's projects. We recommend Hudson Valley officials take corrective action and stop reimbursing this agency for projects that have not obtained prior approval.

Competitive Bidding

According to OMRDD's procedures, the contractors for approved Preservation Fund projects are to be selected by agencies through an open and competitive bidding process. The purpose of open and competitive bidding is to ensure that qualified contractors are selected for each project at the best available price, and that government-

funded projects do not unfairly exclude interested potential contractors.

To facilitate competitive bidding, the agency is to prepare written specifications for each project and ask prospective vendors to submit bids on the basis of these specifications. If a project is expected to cost less than \$15,000, the agency is required to obtain bids from at least three vendors (the bids may be written or they may be documented telephone quotes). If a project is expected to cost \$15,000 or more, written bids must be obtained from at least three vendors. Agencies must retain a record of these bids on a bid tab sheet noting relevant information for each bidder solicited including the vendor's name, and address, as well as the date and amount of their bid. This documentation is also to be maintained by the DDSO.

If the lowest bidder is not chosen for a project, the agency must document the reason(s) and justify the choice of the selected bidder. In the event of an emergency repair, the agency can proceed to select a contractor without competitive bidding; however, the agency must document the emergency.

To determine whether the required bidding procedures were being followed for the projects approved for Hudson Valley agencies, we reviewed procurement documentation for the 71 projects in our sample.

We found that for 58 of the sampled projects, there was no evidence that written specifications were prepared and distributed to vendors. In the absence of such specifications, there is no assurance all prospective bidders were provided with the same information about the project and all bids received were based on the same expected costs.

Further, for 65 of the sampled projects, there was no documentation that the required numbers of bids or quotes were received; and if an emergency or sole source award was claimed, there was no documentation to support the emergency. For 18 of the 65 projects there was evidence of only two bids, for 11 of the 65 projects only one bid, and for 36 of the 65, there was no evidence of bidding at all. In these cases, there was no assurance that an open and competitive bidding process was used to select contractors for the noted projects.

We found that Hudson Valley officials were not always obtaining the bidding documentation from their agencies. For example, the Hudson Valley official who was responsible for processing Preservation Fund reimbursement requests in one of the four counties in the region told us that bidding documentation generally was not obtained from one of the voluntary agencies in our sample. Thus, this Hudson Valley official could not effectively monitor how this agency was complying with program requirements.

Hudson Valley officials stated that they rely on the agencies' bid tally sheets as evidence that the requisite bidding took place. However, the tally sheets do not, by themselves, provide adequate documentation that the required number of bids were solicited and received.

For example:

- At one agency, where we sampled 19 projects, the bid tally sheets for 6 of the projects listed only one "bidder." Agency officials admitted that there was no actual bidding on any of these projects, and the bid tally sheets were prepared as a "formality" for reimbursement purposes. They further stated that the contractors for these six

projects were selected on either a sole source or an emergency basis, and thus bidding was not required. However, there was no documentation to support these assertions. The six contractors were hired to replace doors, install a water softening system, replace a hot water boiler, clean air ducts, and replace a sewer pump.

- Another agency where we sampled 15 projects did not have bid tally sheets, or any other evidence of bidding, for 5 of the 15 projects in our sample.
- A third agency, where we sampled 17 projects, did not include all the required information on 3 of the sampled tally sheets, as they only noted the month and year of the bids, and not the day.

We also identified three projects in which the lowest bidder was not awarded the contract, and there was no documentation explaining why. All three projects were awarded at one of the four agencies sampled. One contract was awarded to the second highest bidder for \$8,750, rather than the low bidder for \$5,000. The other two contracts were awarded to vendors who did not even submit bids on the projects (one contract was awarded for \$16,600 when the low bid was \$16,000, and the other contract was awarded for \$8,000, which was also the amount bid by the lowest bidder). The Hudson Valley Coordinator for these projects told us that, when he approved the agency's reimbursement requests, he did not notice that the contracts were awarded to vendors who had not submitted bids or were not the lowest bidder.

As a result of our findings and the responses we received from Hudson Valley officials, we conclude that Hudson Valley officials are not effectively overseeing agency use of

Preservation Funds. As such, as with Central New York DDSO, the risk exists that contracts are being awarded in a fraudulent manner as detailed below.

Questionable Contract Awards

Our review of the 71 sampled projects also identified agencies awarding project work to contractors with ties to those agencies - leaving us to further question their compliance with open competitive bidding requirements.

At one agency, ten contracts, totaling \$43,722, were awarded to a plumbing firm that was owned and operated by an individual who was also an employee of that agency at the time of the awards. (The individual is no longer employed by the voluntary agency.) The individual's job duties at the agency included reviewing bids for contracts on Preservation Fund projects. Although we did not see this individual's name as approving these specific ten contracts, he was in a position to have inside information on these projects and may have had influence over his coworkers who did approve the contracts.

We reviewed documentation relating to all ten of these projects. Seven of the projects were for bathroom renovations at program sites operated by the voluntary agency. All seven projects had the same three bidders listed on the bid tally sheet. For each project, there was documentation of the bids from the two losing bidders, but there was no documentation of the bid from the winning bidder (the employee's plumbing firm), which was awarded all seven contracts for a total of \$24,255. We attempted to verify the validity of the bids from the two losing bidders, but were unable to do so. We were unable to verify the existence of one bidder, and when we contacted the owner of the second company, he told us his company did not

retain bid records. For two of the remaining three contracts awarded to this former agency employee, bidding was done for the cost of the materials, but not for the cost of labor. The labor costs for these two contracts totaled \$10,900. For the one remaining contract, which totaled \$8,567, only one verbal bid was documented in the file.

Officials at this agency did not believe these awards posed a conflict of interest. However, Hudson Valley officials, who were not aware of the plumbing contractor's prior employment at the agency, agree there was a potential conflict of interest and noted individuals who could benefit from a contract award should not be involved in the contract award process.

At another of the agencies, the comptroller awarded a Preservation Fund contract, totaling \$8,500, to a company that was owned by her fiancé. Although the bids from the two losing vendors were documented, there was no documentation of a bid from the fiancé's company. When the agency's Chief Operating Officer became aware of this occurrence, the comptroller was terminated.

We recommend Hudson Valley officials remind their agencies of the need to prevent conflicts of interest in the contract award process. To help the agencies prevent such conflicts, we recommend they provide detailed guidance describing the nature of such conflicts and the steps that should be taken when such conflicts arise. In addition, considering the findings at Central Office DDSO, we recommend OMRDD and Hudson Valley officials investigate each of the contract awards by these agencies for possible fraud and, if warranted, refer these matters to law enforcement.

Project Reimbursements

To obtain reimbursement for project expenses, the agency is to submit a voucher to its DDSO with the bid tally sheet, documentation that the work was done, and, the vendor's invoice and proof of payment. The DDSO is to review each reimbursement request for completeness and fiscal accuracy before forwarding it to the OMRDD Central Office for processing.

We reviewed the reimbursement requests for the 71 sampled projects and found that Hudson Valley officials did not always obtain the required documentation prior to approving payment.

None of the project files contained documentation that steps were taken to ensure project work was satisfactorily completed before payment was made. As a result, there is no assurance that the work paid for was satisfactorily completed. We recommend project expenses not be reimbursed until the required documentation is provided.

We also identified 12 projects at three agencies where the amounts paid to the vendors exceeded the amounts noted in the respective bids awards. The excess payments totaled \$18,558.

According to officials at these three agencies, the additional amounts were paid for unforeseen extra work that was needed to satisfactorily complete the projects. However, there was no documentation to support the need for the additional work. As a result, there was no assurance the additional costs were valid or necessary. We recommend such documentation be required before approving any similar requests for payment on future projects.

A Hudson Valley official told us that when contractors incur additional costs, the agencies phone him and explain why the additional costs were necessary. The official then authorizes the additional costs and notes the authorization in his files. However, he does not require documentation from the agencies showing they have verified the need for, and reasonableness of, the additional costs.

Recommendations

To OMRDD:

1. Provide guidance and assistance to responsible Hudson Valley officials regarding the importance of and the need for consistent enforcement of controls over Preservation Funding.
2. Investigate the circumstances surrounding contract awards to Hudson Valley agencies. If possible fraud is identified, take appropriate action including referrals to law enforcement.

To Hudson Valley:

3. Redistribute Preservation Funding procurement policies and procedures to all pertinent staff and take the steps necessary to ensure that the policy and procedures are fully understood and consistently enforced.
4. Stop reimbursing agencies for projects that did not have prior approval for Preservation Funding. Take corrective action with those agencies that have repeatedly sought such reimbursements to make certain they comply with funding requirements.
5. When reviewing agency requests for reimbursements on Preservation Fund

projects, ensure that all required documentation (such as copies of bids) has been submitted by the agencies and all bidding and related requirements (e.g. comprehensive bid specifications) have been met.

6. Periodically review the procurement controls and contract award practices at agencies to ensure that they comply with OMRDD's requirements, and take corrective action when inappropriate practices are identified.
7. Remind the agencies of the need to prevent conflicts of interest in the contract award process, and the steps that should be taken when such conflicts arise.
8. Require Preservation Fund reimbursement requests from voluntary agencies to include documentation showing (a) steps were taken to ensure project work was satisfactorily completed before payment was made and (b) any additional project costs were valid, reasonable and necessary.

AUDIT SCOPE AND METHODOLOGY

We audited Hudson Valley's oversight of Preservation Funds for the period April 1, 2005 through July 17, 2008. To accomplish our objective, we reviewed applicable OMRDD and Hudson Valley policies and procedures, and interviewed officials at OMRDD Central Office, Hudson Valley, and four selected agencies. We judgmentally selected the four agencies based on their locations (we selected one agency from each of the four counties served by Hudson Valley).

We selected a sample of 71 Preservation Fund projects at the four sampled agencies, selecting 15 projects from one agency, 17

from the second agency, 19 from the third agency, and 20 from the fourth agency. We selected these projects based on indications of noncompliance with required bidding procedures. To determine whether these projects were funded in accordance with OMRDD requirements, we reviewed related documentation maintained by Hudson Valley and the four agencies.

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

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 as set forth in

Article V, Section 1 of the State Constitution, and Article II, Section 8 of the State Finance Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to OMRDD officials for their review and comment. Their comments were considered in preparing this final report and are attached as Appendix A of this report.

OMRDD officials agree with our report recommendations and note that they have already begun to implement them.

Within 90 days of the final release of this report, as required by section 170 of the

Executive Law, the Commissioner of OMRDD shall report to the Governor, 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 therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include William Challice, Frank Patone, Al Kee, Ed Durocher, Peter Blanchett, Richard Canfield, Anthony Calabrese, Andrew Davis and Dana Newhouse.

APPENDIX A - AUDITEE RESPONSE



NYS Office of Mental Retardation and Developmental Disabilities

Putting People First



David A. Paterson, Governor
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July 24, 2009

Mr. Frank Patone, CPA
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street - 21st Floor
New York, NY 10038

Dear Mr. Patone:

The Office of Mental Retardation and Developmental Disabilities (OMRDD) has reviewed the Office of the State Comptroller's draft report (Report No: 2008-S-7) regarding Hudson Valley DDSO's Administration of Preservation Funds.

Our responses to the findings contained in the draft report are attached for your consideration. Again, I want to thank you and your team for their professionalism. Please remain assured that OMRDD and Hudson Valley DDSO are committed to addressing and resolving all of the issues identified in your audit.

If you have any questions or concerns, please do not hesitate to contact me directly at 518.474.4376 or Mary.E.Peck@omr.state.ny.us.

Sincerely,

Mary E. Peck
Director, Office of Internal Control

Attachment

cc: Commissioner Ritter
Mr. Chmura
Ms. Gentile
Ms. McBain
Mr. Moran
Mr. Nellegar
Mr. Sleasman
Mr. Smits

We help people with developmental disabilities live richer lives.

Office of Mental Retardation and Developmental Disabilities (OMRDD)
Response to the Office of the State Comptroller's (OSC)
Draft Audit Report (2008-S-7)
Hudson Valley DDSO Administration of Preservation Funds

TO OMRDD

Recommendation #1:

Provide guidance and assistance to responsible Hudson Valley officials regarding the importance of and the need for consistent enforcement of controls over Preservation Funding.

Response:

OMRDD and the Hudson Valley Developmental Disabilities Services Office (HVDDSO) are fully committed to comprehensively addressing all of the serious monitoring and oversight issues cited in this report.

- OMRDD's Division of Fiscal and Administrative Solutions (DFAS) is revising its Voluntary Preservation Fund Guidelines to provide stronger and more consistent guidance and oversight regarding the use and monitoring of Preservation Funds.
- Once the revisions are completed and approved, DFAS will be conducting an interactive conference call with Hudson Valley DDSO senior management and program staff to discuss the changes to the guidelines, the issues raised in this draft report, and our expectations going forward. Once completed (late July/early August 2009), this initiative will be continued at the remaining DDSOs.
- The DDSO Deputy Directors will coordinate oversight at the local level and provide regular updates to the Director. DFAS will provide central oversight and monitoring.

Recommendation #2:

Investigate the circumstances surrounding contract awards to Hudson Valley agencies. If possible fraud is identified, take appropriate action including referrals to law enforcement.

Response:

Regarding the two agencies specifically identified in the draft report, a CPA firm under contract with OMRDD conducted an investigation at one of the agencies, the findings of which were shared with your office. It was determined that the bids in question were created as a matter of convenience, and not to benefit agency staff or the contractor.

While unacceptable, we do not believe that their actions were done with the intent to commit fraud. As such, we will not be referring the matter to a law enforcement agency. OMRDD's BCM has scheduled a review for the second agency to start in July 2009.

Accountability and governance are integral elements of our culture here at OMRDD and we have a zero tolerance for fraud and/or fiscal mismanagement. Our responsible stewardship of State resources is intrinsically linked to the quality of services that we provide to the individuals in our care. As such, we continually strive to create a culture that supports not only doing the right things, but doing things right. To that end, we have also taken the following steps:

- OMRDD's Bureau of Compliance Management (BCM) has scheduled training for all the DDSOs regarding effective bidding and procurement procedures.
- The Public Officers Law is posted on the intranet for all employees. Additionally, the Office of Counsel has developed a Code of Conduct for all employees. This will be incorporated in to our new Employee Handbook, which is being developed by the Division of Workforce and Talent Development.
- In February 2009, the DDSO Directors, OMRDD's Internal Control Officer and Ethics Officer partnered with the Commission of Public Integrity (CPI) to hold Ethics and Integrity training at all 16 of our Business Office locations. This training covered the Public Officers Law, OMRDD's outside activity policy, and the responsibilities of all State employees. Additionally, due to the recent opinion issued by CPI related to gifts, the Division of Workforce and Talent Management is in the process of providing this training to all OMRDD staff.

We believe that the actions discussed above, in concert with our response to the first recommendation, will increase our employees' understanding of the importance of following established procurement guidelines, and their individual roles in ensuring a fair, open, and competitive bidding process, both in fact and appearance.

TO HVDDSO

Recommendation #3:

Redistribute Preservation Funding procurement policies and procedures to all pertinent staff and take the steps necessary to ensure that the policy and procedures are fully understood and consistently enforced.

Response

As discussed in our response to the first recommendation, the Preservation Funds Guidelines are currently being revised and will be issued in July 2009. Once completed, they will be redistributed to all DDSOs and the appropriate training will occur.

In addition to the staff training that will be provided by DFAS, Hudson Valley DDSO's Community Supports team will provide training to all of the voluntary agencies within its district. This training, scheduled to occur in July/August 2009, will incorporate OMRDD's expectations regarding the appropriate use and documentation of all Preservation Funds. Once completed at Hudson Valley, OMRDD will work with the remaining DDSOs to conduct similar outreach training within their local districts.

Recommendation #4:

Stop reimbursing agencies for projects that did not have prior approval for Preservation Funding. Take corrective action with those agencies that have repeatedly sought such reimbursements to make certain they comply with funding requirements.

Response

The DDSO staff will ensure that all projects have the appropriate approvals prior to processing any reimbursements. Furthermore, the DDSO will meet with those voluntary agencies that have repeatedly violated this policy in order to advise them of our expectations and ensure their future compliance.

The Hudson Valley DDSO Deputy Director will monitor oversight activities at the local level and provide regular updates to the Director

Recommendation #5:

When reviewing agency requests for reimbursements on Preservation Fund projects, ensure that all required documentation (such as copies of bids) has been submitted by the agencies and all bidding and related requirements (e.g. comprehensive bid specifications) have been met.

Response

The DDSO will ensure that all required documentation has been submitted by the voluntary agencies prior to issuing any approvals for reimbursement. A comprehensive checklist, reviewed by the Hudson Valley DDSO Community Supports Team Leader and the Deputy Director or designee, will be developed to ensure consistency in this process across the four counties.

The Hudson Valley DDSO Deputy Director will monitor oversight activities at the local level and provide regular updates to the Director

Recommendation #6:

Periodically review the procurement controls and contract award practices at agencies to ensure that they comply with OMRDD's requirements, and take corrective action when inappropriate practices are identified.

Response

As part of the Hudson Valley DDSO's internal control process, the Community Supports team will annually review a percentage of the contracts awarded and the related procurement documentation to audit compliance with OMRDD's policies and procedures. When deficiencies are noted in these reviews, corrective actions will be taken.

Also, please see our response to Recommendations #3 and #5 for related information on training and monitoring of the voluntary agencies.

Recommendation #7:

Remind the agencies of the need to prevent conflicts of interest in the contract award process, and the steps that should be taken when such conflicts arise.

Response

The training to be given to the voluntary agencies will include the subject of conflicts of interest during the award process, and the actions that the DDSO will take when such conflicts arise. In an ongoing effort to reinforce both the significance of this issue and our commitment to enforcing compliance, the Community Supports team will include voluntary preservation projects in the regular development meetings and discussions.

Also, please see our response to Recommendation #3 for related information on training for the voluntary agencies.

Recommendation #8:

Require Preservation Fund reimbursement requests from voluntary agencies to include documentation showing (a) steps were taken to ensure project work was satisfactorily completed before payment was made and (b) any additional project costs were valid, reasonable and necessary.

Response

The DDSO has established procedures to document that projects have been satisfactorily completed. Providers are now required to submit photos to document the completed work and DDSO staff will make onsite visits to a sample of projects awarded each fiscal year.

Any work that requires additional funding will require written documentation that the costs were valid, reasonable and necessary (e.g., the scope of work including costs), and will not be reimbursed unless the DDSO staff, after review of the documentation, provides written authorization to the provider.

Also, please see our response to Recommendations #3 and #5 for related information on training and monitoring of the voluntary agencies.

We would like to take this opportunity to thank your audit team for their professionalism, and also for the opportunity to respond to the findings contained in this draft report. Should you have any questions, please don't hesitate to contact Mary Peck, Director of Internal Control, at 518.474.4376 or Mary.E.Peck@omr.state.ny.us.