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Lynn Canton
Deputy Comptroller

New York State
Office of Mental Health

Sharon E. Carpinello, RN, Ph.D.
Commissioner

44 Holland Avenue
Albany, New York 12229

October 31, 2006

William P. Challice
Audit Director
Office of the State Comptroller
Division of State Services
State Audit Bureau - 21st Floor
123 William Street
New York, NY 10038

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OFFICE OF THE STATE COMPTROLLER
COMPTROLLER ALAN G. HEVESI
EXECUTIVE CORRESPONDENCE UNIT

Dear Mr. Challice:

The Office of Mental Health has reviewed the final audit report entitled, *Pilgrim Psychiatric Center, Review of Selected Financial Management Practices (2005-S-48)*. Our comments to the findings and recommendations contained in the report are enclosed.

The Office of Mental Health appreciates the Office of the State Comptroller's efforts to recommend improvements to the operation of Pilgrim Psychiatric Center. Many thanks for your continued help and cooperation.

This response is submitted in accordance with Section 170 of the Executive Law.

Sincerely yours,

Sharon E. Carpinello, RN, Ph.D.
Commissioner

Enclosure
cc: Governor – George E. Pataki
Comptroller – Alan G. Hevesi
Lieutenant Governor – Mary Donohue
Senate Majority Leader – Joseph L. Bruno
Senate Minority Leader – David A. Paterson
Assembly Speaker – Sheldon Silver
Assembly Majority Leader – Paul A. Tokasz
Assembly Minority Leader – James N. Tedisco
Chair, Senate Finance Committee – Owen H. Johnson
Ranking Minority Member, Senate Finance Committee – Neil D. Breslin
Chair, Assembly Ways and Means Committee – Herman D. Farrell, Jr.
Ranking Minority Member, Assembly Ways & Means Comm. – Jim Hayes
Chair, Senate Mental Health & Devel. Disabilities Comm. – Thomas P. Morahan
Chair, Assembly Mental Health Committee – Peter M. Rivera
Exec. Dir., Assembly Committee on Oversight, Analysis & Invest –Andrea Zaretzki
Director, Division of the Budget – John F. Cape

OFFICE OF MENTAL HEALTH
RESPONSE TO OFFICE OF THE STATE COMPTROLLER
FINAL AUDIT REPORT 2005-S-48
PILGRIM PSYCHIATRIC CENTER
REVIEW OF SELECTED FINANCIAL MANAGEMENT PRACTICES

Overall OMH Comments

The Office of Mental Health (OMH) has reviewed the final audit report entitled, Pilgrim Psychiatric Center, Review of Selected Financial Management Practices. OMH is appreciative of OSC's efforts to identify areas where improvements can be made to strengthen Pilgim PC's operations and is pleased that OSC found that "internal controls over selected payroll and purchasing were generally adequate". OMH also agrees with OSC's recommendations; however, we have provided comments to OSC recommendation seven in response to OSC's calculations of potential savings.

OMH Response to OSC Recommendations:

OSC Recommendation No. 1: **Recommendation deleted.**

OSC Recommendation No. 2: Make every effort to dispose of all funds remaining in the account of a deceased patient within six months of the patient's death.

OMH Response:

OMH staff will continue to work diligently to properly dispense funds from a patient's account within six months of the patient's death as prescribed by OMH policy. OMH is pleased to report that all of the patient accounts cited in this audit have been resolved with the exception of one, which is pending resolution of legal proceedings.

OSC Recommendation No. 3: Remind family care providers to maintain documentation for purchases made on behalf of patients that cost $50 or more.

OMH Response:

Pilgrim's Family Care Coordinator has directed Family Care Specialists to obtain receipts for purchases of $50 or more. Although it may not be feasible to obtain receipts in every instance, Family Care Specialists will continue to pursue this end.

OSC Recommendation No. 4: Require family care specialists to do a better job of monitoring purchases made on behalf of patients.

OMH Response:

Pilgrim's Family Care Coordinator has directed Family Care Specialists to more closely monitor and maintain records of purchases made on behalf of Family Care patients. Pilgrim's Family Care Coordinator will conduct spot checks and random samplings periodically to ensure compliance with OSC's recommendation.

OSC Recommendation No. 5: Perform a periodic physical inventory of non-controlled medications stored in pharmacy locations. Reconcile any differences with inventory records.

OMH Response:

Pilgrim PC representatives will perform an annual physical inventory of pharmaceuticals for non-controlled substances in the pharmacy locations at the facility.

OSC Recommendation No. 6: Recommendation deleted.

OSC Recommendation No. 7: Encourage the use of a procurement credit card for small dollar purchases.

OMH Response:

Pilgrim PC will continue to encourage increased use of procurement cards for small dollar purchases. An example of this was the successful expansion of card use by the maintenance department where small purchases are made.

With respect to the specific findings concerning the use of procurement credit cards, OMH was not provided with the details of OSC's findings that payments could have been made with a card for 4,229 purchases made between April 1, 2002 and December 31, 2005 by voucher. Without this detail, OMH is unable to verify and comment on whether the purchases cited by OSC "which potentially could have been paid with the State procurement credit card" could have in fact been paid with a card. Despite this, OMH agrees with OSC on the need to continue to encourage use of procurement credit cards.

An assertion made by OSC concerning the use of procurement cards needs clarification. OSC's statement that "Pilgrim PC could have saved up to $236,824 . . . if small dollar purchases were paid with the procurement card" is not correct. Using credit cards for small dollar purchases rather than following the standard voucher process does not result in any direct cost savings. A more accurate statement would be that OMH and OSC employee resources could be freed-up and more efficiently utilized to perform other necessary activities if more small dollar purchases were paid for with the procurement cards.