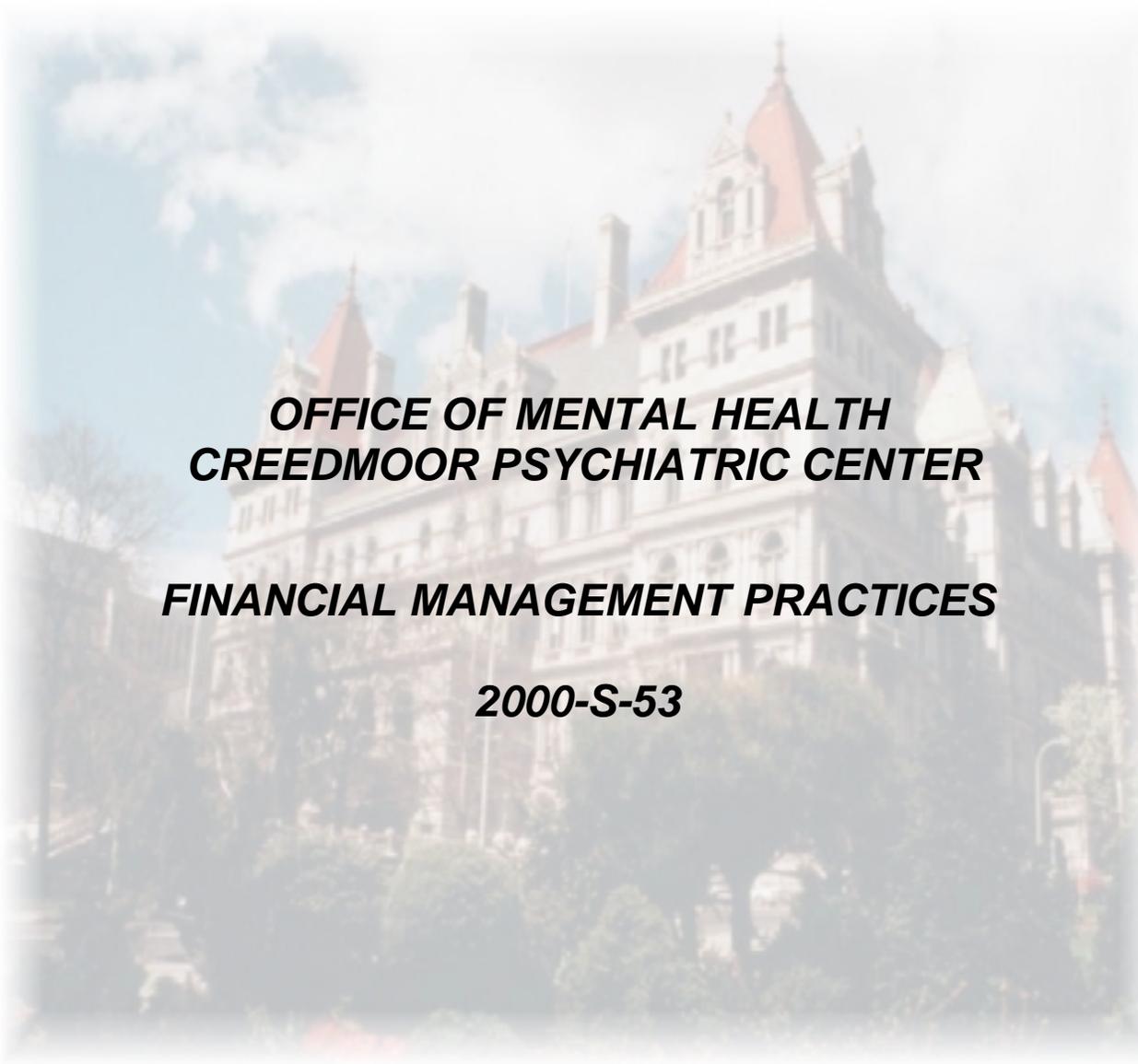


# **NEW YORK STATE OFFICE OF THE STATE COMPTROLLER**

---

**H. Carl McCall  
STATE COMPTROLLER**



**OFFICE OF MENTAL HEALTH  
CREEDMOOR PSYCHIATRIC CENTER  
FINANCIAL MANAGEMENT PRACTICES**

**2000-S-53**

---

**DIVISION OF MANAGEMENT AUDIT AND  
STATE FINANCIAL SERVICES**

OSC Management Audit reports can be accessed via the OSC Web Page:

<http://www.osc.state.ny.us>

If you wish your name to be deleted from our mailing list or if your address has  
changed,

contact the Management Audit Group at (518) 474-3271

or at the

Office of the State Comptroller

Alfred E. Smith State Office Building

13<sup>th</sup> Floor

Albany, NY 12236



**H. Carl McCall**  
**STATE COMPTROLLER**

**Report 2000-S-53**

Mr. James L. Stone, M.S.W.  
Commissioner  
Office of Mental Health  
44 Holland Avenue  
Albany, NY 12229

Dear Mr. Stone:

The following is a report on our audit of the financial management practices of Creedmoor Psychiatric Center relating to payroll, purchasing and patients' funds.

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. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller*  
*Division of Management Audit*  
*and State Financial Services*

December 6, 2001

---

***Division of Management Audit and State Financial Services***

A.E. SMITH STATE OFFICE BUILDING ♦ ALBANY, NEW YORK 12236  
123 WILLIAM STREET ♦ NEW YORK, NEW YORK 10038

---

---

# ***EXECUTIVE SUMMARY***

## ***OFFICE OF MENTAL HEALTH CREEDMOOR PSYCHIATRIC CENTER FINANCIAL MANAGEMENT PRACTICES***

---

---

### ***SCOPE OF AUDIT***

The Office of Mental Health (OMH) is responsible for assisting adults who have serious and persistent mental illness and children who suffer from serious emotional disturbances. It provides inpatient, outpatient and community support programs in 28 facilities located throughout New York State (State), including Creedmoor Psychiatric Center (the Center) in Queens, NY. For the fiscal year that ended on March 31, 2001, the Center's budget totaled \$58.4 million (\$51.9 million in Personal Services and \$6.5 million in Other than Personal Services).

This financial-related audit, which covered the period April 1, 1999 through November 30, 2000, addressed the following questions:

- Does the Center properly approve and adequately document overtime and payroll changes?
- Does the Center comply with its own purchasing guidelines and procedures, and maintain proper controls over its equipment inventory?
- Does the Center manage patients' accounts in a responsible manner?

---

---

### ***AUDIT OBSERVATIONS AND CONCLUSIONS***

We identified numerous weaknesses in the Center's financial management practices, including instances where overtime was overpaid, payroll changes were not approved or documented, competitive quotes were not obtained before purchases were made, and transactions in patients' accounts were not approved or documented. As a result of these weaknesses, there is increased risk that Center's resources are not expended in the most economical manner and patients' funds are not protected from misuse.

The Center's controls over overtime payments, which totaled \$5.1 million for the 20 months period covered by our audit, are not adequate. In our sample of \$60,800 in overtime payments, we identified seven employees who were overpaid nearly \$1,000 in overtime. We identified other instances where overtime payments totaling more than \$1,300 were not properly approved or documented. In four cases, two employees approved their own overtime. Additionally, 31 of the 340 overtime records we reviewed had not been approved on a timely basis. (See pp. 5-7)

We also found that the Personnel Department did not always approve and document payroll changes properly. Documents were missing that would have verified that hirings were justified, appointments had been approved, and a resignation had been processed without error. (See pp. 7-10)

In our review of 25 purchases, we found that the Center had not always obtained the required number of bids and quotes for purchases of supplies and materials. Consequently, the Center lacks assurance that the best price was paid. We also found that the same person had both prepared and authorized 22 of the 25 purchase orders, performing functions that should be handled by different individuals to help avoid improprieties. Furthermore, the Center is not maintaining its Equipment Inventory System, which should enable Center officials to control and locate inventory items. Further, while we were able to locate 12 computers the Center had purchased, none bore an inventory control tag. (See pp. 11-14)

We found that the Center is not properly disposing of patients' funds at the time of discharge, death or transfer. As of November 14, 2000, the Center was maintaining 482 unclaimed accounts amounting to \$100,000 for patients who were no longer present. Center officials indicated to us that they had not reviewed the unclaimed accounts since April 1997. We also found that several transactions in the patients' accounts we sampled had not been approved properly or documented adequately. Nearly one-fourth of the withdrawals we reviewed were missing one or more of the required signatures of the patient, disburser and witness to the transaction. Two checks had not been deposited until almost a year after receipt of the funds. (See pp. 15-18)

We made 11 recommendations to OMH officials to address the findings we identified in our report.

---

---

## **COMMENTS OF OMH OFFICIALS**

In response to our draft report, OMH officials expressed general agreement with most of our observations and recommendations, and stated that corrective action has been taken by Creedmoor and Queen's Children's Psychiatric Center to implement many of the recommendations. A complete copy of OMH's response is included as Appendix B to this report.

# CONTENTS

---

## ***Introduction***

---

Background	1
Audit Scope, Objectives and Methodology	1
Internal Control and Compliance Summary	3
Response of OMH Officials to Audit	4

## ***Payroll Practices***

---

Controls Over Overtime	5
Payroll Changes	7
Recommendations	10

## ***Purchasing***

---

Sample Review	11
Equipment Inventory System	13
Recommendations	14

## ***Patients' Funds***

---

Unclaimed Accounts	15
Patients' Cash Transactions	16
Recommendations	18

## ***Appendix A***

---

Major Contributors to This Report

## ***Appendix B***

---

Response of OMH Officials

---

# INTRODUCTION

---

## Background

The Office of Mental Health (OMH) is responsible for the planning and operation of an integrated system of mental health care designed to assist adults who have serious and persistent mental illness and children who suffer from serious emotional disturbances. OMH provides inpatient, outpatient and community support programs in 28 facilities located throughout New York State (State). For the fiscal years that ended on March 31, 2000 (FY 1999-2000) and March 31, 2001 (FY 2000-2001), OMH appropriated \$1.87 billion and \$2.05 billion, respectively, for all of its funds, categorized as State Operations, Aid to Localities and Capital Projects.

OMH's Creedmoor Psychiatric Center (Center), located in Queens, NY, has 19 inpatient wards with a total of 470 beds, a census of 1,800 clients in clinics and day programs, and a staff of more than 1,200 employees. For FY 1999-2000, the Center's expenditures totaled \$59.5 million (\$53.1 million in Personal Services and \$6.4 million in Other than Personal Services). For FY 2000-2001, the Center's budget totaled \$58.4 million (\$51.9 million in Personal Services and \$6.5 million in Other than Personal Services).

---

## ***Audit Scope, Objectives and Methodology***

Our audit scope covered the period April 1, 1999 through November 30, 2000. The objectives of this financial-related audit were to determine whether the Center: (1) properly approved and adequately documented overtime and payroll changes; (2) complied with its own purchasing guidelines and procedures, and maintained proper controls over its equipment inventory; and, (3) properly disposed of patients' funds after they had been discharged, transferred or died, and properly approved and adequately documented transactions in patients' accounts. To accomplish these objectives, we interviewed Center officials and reviewed applicable State laws, rules and regulations. In addition, we sampled various records as described below.

We downloaded from the New York State Payroll System (PaySR) the names of 854 Center employees who had earned overtime of \$5,156,824 during the period April 1, 1999 to November 30, 2000. Of these employees, we selected the top 25 overtime earners, whose total overtime earnings amounted to \$972,397 (19 percent of the total). To determine whether this overtime was approved and documented adequately, we selected the largest overtime check each of these employees received during our audit period and reviewed the supporting documentation. The total amount of the overtime we reviewed in this process was 2,290 overtime hours, for which the 25 sampled employees were paid \$60,837.

For our review of payroll changes, we selected a random sample of 12 bi-weekly Reports from the 44 bi-weekly Reports of Personnel Transactions generated from OMH's Human Resources Management System (HRMS) in our audit period, which provided information for 292 appointments and 288 separations. We then extracted the first appointment and last separation from each report until we had ten appointments and ten separations. To determine whether payroll changes had been approved and documented properly and had been recorded accurately onto PaySR, we traced the transactions to supporting documentation.

We selected a judgmental sample of 25 purchase orders from the Center's Purchase Order Log book. Of the total volume of 3,546 purchase orders, valued at \$6,609,053, we reviewed 25 purchase orders that had a total value of \$169,803. We took into account the dollar value of each purchase, and chose some purchases for items that could be verified physically. To determine whether the Center had followed its purchasing guidelines and procedures, we reviewed the purchase requests, purchase orders and receiving reports. We also attempted to physically verify the existence of purchased equipment items.

Further, we selected a random sample of 25 patient accounts from the population of 1,392 accounts that were listed on the Patient Cash System Report dated November 8, 2000. We obtained the detailed transaction listings for each of the sampled accounts, and selected 50 transactions (41 withdrawals and 9 deposits) for review. We then determined whether the transactions had been approved properly and documented adequately. We also examined the Center's unclaimed accounts to determine whether the patients' funds

had been disposed of properly after the owners' discharge, transfer or death.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those OMH operations included within the audit scope. Further, these standards require that we understand OMH's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. We focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort reviewing operations that may be relatively efficient or effective. As a result, we prepare our audit reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

---

---

### ***Internal Control and Compliance Summary***

Our evaluation of the internal controls identified several control weaknesses relating to overtime and payroll changes, purchasing, equipment inventory and patients' funds. As a result of these control weaknesses, there is increased risk that funds for these areas may not have been used or accounted for appropriately. These matters are presented throughout the report.

---

---

## ***Response of OMH Officials to Audit***

**D**raft copies of this report were provided to OMH officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix B.

In response to the draft report, OMH officials generally agreed with our observations and recommendations. However, OMH officials disagreed with some aspects of the report. We have modified our report to recognize and respond to OMH's disagreements. For example, regarding purchasing practices, OMH officials stated that documentation was available and provided to us that justified a sole source purchase of maintenance services for the power plant. However, the documentation was not adequate because it was not original and contemporaneous with the transaction; rather, it was dated almost two years after the transaction. OMH officials disagreed with our conclusion that controls over equipment were severely compromised because certain equipment items were not recorded on the equipment inventory system or affixed with inventory controls tags. Given the compensating controls identified by OMH officials in their response to the draft report, we have modified our report to state that controls were weakened. OMH officials disagreed with our conclusion that, because transactions in patients' accounts were not approved or documented, patients' funds are not protected from misuse. However, given the nature and extent of our findings, we maintain that such a conclusion is appropriate.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Mental Health shall report to the Governor, the 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.

---

# PAYROLL PRACTICES

---

Payroll-related transactions involving the Center, such as overtime, additions, separations and other payroll changes, are processed by the Personnel Department, which responds administratively to the Queens Children's Psychiatric Center (Children's Center) rather than to Creedmoor Psychiatric Center. OMH officials explained that OMH's re-organization and staff reductions, as well as its need to utilize staff more effectively, precipitated this arrangement.

---

## *Controls Over Overtime*

Depending on the unit, the Center uses one of two forms to support the number of overtime hours earned by an employee; an OMH Daily Attendance Record, which records both the regular and overtime hours that an employee works that day; or an Overtime Authorization Roster, which supports only the overtime worked that day. For each overtime payment, PaySR generates reports called "payment inquiries," which provide a daily breakdown of the number of hours of overtime that employee earned and the pay period in which the check was issued.

According to PaySR, the Center paid 854 employees a total of \$5,156,824 in overtime during the period of April 1, 1999 through November 30, 2000. Of this amount, \$972,397 was paid to the top 25 overtime earners. Our review of \$60,837 in overtime payments found that some of the 25 top overtime earners had been overpaid for overtime, and that overtime was not always properly approved or documented. For example, we identified seven employees who had received overtime pay that was either overpaid (\$997) or not properly authorized or adequately documented (\$1,322) in various ways, such as:

- An employee received \$708 in duplicate payments for working in different departments during the same working hours, according to daily attendance records of January 21, 2000 and January 23, 2000. More significantly, this employee approved his own overtime records on both

dates. This same employee also improperly approved his own overtime of \$342 for December 31, 1999.

- An employee was paid \$442 for overtime work during a 3-day period that had not been approved, for a total of 22.5 hours (7.5 hours each on January 29, February 3 and February 5, 2000). This individual had also made a 30-minute error in calculation on his overtime sheet for January 10, 2000, that resulted in an additional overpayment of \$10 in overtime.
- The March 18, 2000 attendance record of an employee showed ten hours of overtime worked. This individual was overpaid \$254 because he received compensation for twice as many hours as he had actually earned.
- An employee was paid \$207 for eight hours of overtime that had been noted on his overtime records for September 11, 1999, even though these records did not reflect the start and finish times needed to calculate the hours. In addition, although the employee had signed in, he did not sign out.
- An employee who had approved and dated his own daily attendance record for five hours of overtime on March 15, 2000, was paid \$201.
- Center staff could not locate overtime records that would support the payment to an employee of \$130 for five hours of overtime earned on March 9, 2000.
- An employee received \$25 in excess overtime pay because errors were made in the computation of overtime hours for September 15 and 16, 2000.

We also found that 31 of the 340 overtime-support records we reviewed for the 25 employees had not been approved on a timely basis. For example, 16 of the records had not been approved until 5 – 9 days after the overtime was earned; 9 records had not been approved until 10 – 14 days after the overtime was earned; 4 records had not been approved for 15 – 19 days after the overtime was earned; the delay for 2 other records was 20 – 24 days; and 11 records had not been dated at all. The Personnel Department has no procedure for specifying the length of a reasonable time period for approval.

Personnel Department officials explained to us that the clerical staff simply enter the number of overtime hours that unit officials note on the overtime records without re-calculating the hours according to the beginning and ending times of the employees' workdays. In addition, the procedures the officials described to us do not include review or authorization steps to be taken before the overtime data is given to the clerks for entry. For example, we saw no description or evidence of procedures for reviewing completeness (i.e., beginning and ending times; arrival and departure signatures), checking for signatures representing independent approvals, or examining the approval date for evidence of a timely and meaningful review. Moreover, the Center has not established a procedure for detecting data entry errors.

When employees approve their own overtime records, or overtime records are not approved at all, there is insufficient assurance that the extra pay has actually been earned, or that the calculation of the hours is correct. When units do not approve overtime records on a timely basis, the risk of error is increased. When Personnel Department officials do not review and approve overtime records before the data is entered, management loses an important control to assure itself that overtime has been authorized and calculated properly. Without procedures for detecting data entry errors, there is little opportunity to correct errors before the payments are made.

In response to our draft report, OMH officials generally agreed with our recommendations relating to the controls over overtime. Children's Center officials stated that they are in the process of recovering overpayments in overtime mistakenly paid to employees. In addition, the employee responsible for inputting overtime will recalculate the actual hours worked until an automated system officials are developing becomes operational. The Personnel Department has also instructed both Creedmoor and the Children's Center supervisory staff that overtime records must be properly authorized (signed and dated), completely filled out and submitted within a week of the date the overtime is performed.

---

## ***Payroll Changes***

**C**hange transactions (i.e., additions and separations) for the Center payroll are processed by the Personnel Department. A typical payroll change transaction originates when one of the Center's departments needs to hire someone or one of its

employees resigns, retires or transfers. To hire someone, the department prepares a Request to Fill processing form, listing the item number, title, purpose and justification for filling the position, and sends it to the Personnel Department. The Personnel Department reviews the form and enters it into HRMS. Canvassing lists are used to identify eligible candidates so that staff can mail letters, conduct the interviews, make offers of appointments and report appointments to the Department of Civil Service.

After a candidate accepts an appointment, the department doing the hiring prepares either a Request for Personnel Action form or a List of Acceptors/Interview Data form, depending upon the job titles. In the case of a separation, a typical transaction originates with a letter of resignation, a request to transfer, a stipulation agreement or a poor evaluation.

One Associate Personnel Administrator (supervisor) in the Personnel Department is responsible for supervising additions; the other supervises separations. For both additions and separations, the responsible supervisor prepares a Transaction Worksheet, which is data entered by staff into the HRMS, which is linked to PaySR. A Notice of Appointment or Status Change form (the output from entering the transaction worksheet) is used to notify the candidate, program departments and the Personnel Department of payroll change transactions. Every two weeks, the Personnel Department also generates a Bi-weekly Report of Personnel Transactions (Report) for review by administrative staff. During our audit period, 44 such Reports noted a total of 292 appointments and 288 separations.

To determine whether payroll changes had been approved and documented properly, and whether they had been entered accurately into PaySR, we selected a random sample of 12 bi-weekly reports from the 44 bi-weekly Reports of Personnel Transactions and selected the first appointment and last separation from each Report until we had ten appointments and ten separations. We then traced the transactions to supporting documentation. Our review showed that Center staff did not always approve or document payroll changes properly. For example, among the ten appointments in our sample, we found that:

- Center staff could not locate Two Requests to fill forms (one for a cleaner and one for an Intensive Case

Manager). Without this form, which should contain a detailed description of the need to hire, we were unable to verify that the hiring had been justified.

- Six of the ten appointments in our sample were for job titles that are supposed to be documented by Requests for Personnel Action forms. Although all six forms were available for review, we noted that they were not signed by anyone on the “Approved” line in the “For Personnel Office Use Section.” Personnel Department officials told us that it is not their practice to complete that section. However, without evidence of review and approval by Personnel Department supervisors, there is reduced assurance that only approved transactions are recorded on Transaction Worksheets for data entry by staff. The other four appointments required a List of Acceptors/Interview Data form to document the decision to hire an eligible candidate. Two of these four forms were missing. These source documents are also necessary to demonstrate that these payroll changes had been approved properly and entered into PaySR both accurately and timely.

Our review of the ten separations in our sample revealed that one separation was a resignation for which the Notice of Appointment or Status Change could not be found. Without properly prepared and approved source documents, management has no way to verify that payroll changes have been approved properly and entered into PaySR both accurately and timely. Personnel Department management needs access to Notice of Appointment or Status Change forms so they can review transactions and determine whether they were processed as intended and without error.

We also observed that the Personnel Department uses a Transaction Worksheet that has no provision for an authorized signature. Since data on the Transaction Worksheet is entered by staff into the HRMS, the lack of a signature poses the risk that unauthorized payroll changes may be entered.

In response to our draft report, OMH officials generally agreed with our recommendations relating to the controls over payroll changes. Children’s Center officials explained that supporting documents will be filed and retained so they can be produced to verify the accuracy of payroll change transactions. Also, the

Personnel Department will institute an additional procedure to require the Personnel Administrator to sign or initial Transaction Worksheets (rather than the Request for Personnel Action Forms) for evidence that the transactions are appropriate and authorized before they are data entered.

### **Recommendations**

To Creedmoor Psychiatric Center:

1. For the employees in our sample, verify that employees were paid for the amount of overtime they actually worked and recoup any excess payments.
2. For the employees in our sample, verify that overtime records were authorized properly in a timely manner and adequately documented.
3. Implement procedures to verify that the calculation of the number of overtime hours earned is correct before data is entered into HRMS and to detect any data entry errors.

To Queens Children's Center:

4. Verify that payroll changes relating to additions and separations are approved and documented properly.
5. Require that information on the Transaction Worksheet be authorized before staff members update OMH's HRMS.

---

## PURCHASING

---

Beginning in April 1999, the vouchering functions of the Center's purchasing process were assumed by OMH's Consolidated Business Office in Albany. However, purchase requests, purchase orders and receiving reports are still handled at the Center. The Center's *Business Office Policy and Procedure Manual* and *Purchasing Guidelines* specify the preferred practices that are to be applied at various purchasing dollar thresholds. According to these procedures, the individual unit requesting the purchase is supposed to solicit any required verbal or written quotes and suggest a recommended vendor. The Business Office approves the purchase request, then generates and approves a purchase order on the Purchase Order System (POS). When items are received or services are provided, Center staff enter into POS the fact that they were received or the services were performed. A Center official stated that it is the Center's policy to affix an inventory control tag to any equipment item valued at more than \$250 and record the item in its computerized Equipment Inventory System. Vendor invoices are sent to the Consolidated Business Office for processing.

Based on our review of purchase orders, we found that the Center was not following proper purchasing policies and procedures, did not maintain an equipment inventory system or adequately segregate employees' duties. As a result, there is reduced assurance that the Center is obtaining the most reasonable prices and the best-possible quality for the goods and services it purchases.

---

### **Sample Review**

Our review of the 25 sampled purchases revealed the following exceptions:

- Four of the six purchases, with a total value of \$9,953, required three verbal quotes but did not have them (\$1,620 for 20 sandwiches delivered on 12 days, \$2,222 for crafts in the Rehabilitation Services Department, \$2,294 for 23 musical equipment items and \$3,817 for a Tri-track printer).

- Seven of the ten purchases, with a total value of \$28,489, required three written quotes but did not have them (\$2,622 for refrigerator repair parts, \$3,185 for 70 industrial grade fluorescent light fixtures, \$3,900 for bowling alley maintenance, \$4,335 for 15 drum and toner sets, \$4,680 for weekly maintenance on 2 fish tanks for one year, \$4,772 for crafts in the Rehabilitation Services Department and \$4,995 for maintenance services in the power plant.) In response to our draft report, OMH officials replied that they did not obtain the required three written quotes, but did obtain three verbal quotes for the refrigerator repair parts. They explained that the purchase of refrigeration repair parts was an emergency, but did not document this. They also stated that the procurement of maintenance services in the power plant was a sole source purchase. However, Center officials provided us with documentation that was dated almost two years after the purchase order was issued, explaining that the original support could not be found. We find that the recreation of documentation after the purchase was made to be unacceptable for audit reliance purposes. For three purchases with multiple items that were cited for not having the required verbal or written quotes, OMH officials replied that the amount of staff time involved in obtaining multiple quotations for such purchases is excessive and not an efficient or effective use of limited State resources. We do not agree with OMH's position. Obtaining at least three verbal or written quotes serves to ensure that the Center obtains the best price for the goods and services purchased.

Twenty-two of the 25 sampled purchase orders we reviewed were both prepared and authorized by the same person in the Business Office. We also observed that, in 5 of the 22 instances, the same person had authorized both the purchase orders and the purchase requests. In addition, three purchase requests had been prepared and authorized by the same person.

When the functions of preparing and authorizing transactions are not segregated properly, a key control for detecting errors and irregularities is lost. Without proper documentation or authorization, there is increased risk that a purchase was not justified. In response to our preliminary audit findings, OMH officials replied that during our audit period, the Center's

Business Office underwent some extraordinary staffing difficulties that resulted in an inability to adequately segregate purchasing functions. They further stated that the Business Office staffing has been strengthened, and as of July 23, 2001, the Center had revised its purchasing procedures to ensure that the duties of available staff are adequately segregated.

---

---

### ***Equipment Inventory System***

Of the 25 purchases we reviewed, 8 were for equipment items that should have been entered in the Center's Equipment Inventory System and marked with inventory control tags. Center officials acknowledged that the Business Office has not been maintaining the Equipment Inventory System, as required. Therefore, there is less assurance that the Center is able to control and account for all of its inventory items. In addition, we were unable to determine independently where the sampled items were located so that we could physically verify their existence.

To determine the locations of 38 computers obtained under two of the sampled purchase orders, we asked the Center's Management Information Systems Department to provide us with the serial numbers that had appeared on the computers' packing slips, as well as the installation records of each machine. We judgmentally selected 12 of the computers and attempted to physically verify their existence. Although we were able to locate all 12 machines, we observed that the Center had not placed inventory control tags on them. When inventory control tags are not affixed to equipment and equipment is not recorded into an equipment inventory system, security over assets is weakened. Therefore, there is reduced assurance that the Center's assets are being safeguarded adequately.

In response to our draft report, OMH officials replied, "Creedmoor PC believes that it is adequately controlling most of its high risk and more costly equipment items. Creedmoor PC identifies the most at risk items (i.e., computers, medical equipment on the wards, etc.), maintains a control list, and does periodic physical checks to ensure the items are in the listed location. In addition, copiers are being brought under inventory control so that management can better plan its contractual services. Further, as with all OMH campuses, security has been upgraded over the past few years, which provides additional assurance that State resources are adequately

protected.” However, we maintain that in order to provide proper controls and accountability, the Center should establish and maintain an equipment inventory system for all of its equipment items rather than just for a few selected types of items. Also, OMH officials stated incorrectly that the State Comptroller’s office established a \$250 threshold for including items in an equipment inventory system. In fact, this threshold was established by the Center’s Business Office. As cited above, except for a few selected items, the Center chose not to maintain an inventory system for other items.

### **Recommendations**

To Creedmoor Psychiatric Center:

6. Ensure that employees’ duties relating to purchase requests and purchase orders are properly segregated. Also, ensure that purchasing procedures and guidelines for various dollar thresholds are complied with.
7. Maintain an Equipment Inventory System that provides for proper control and accountability of all equipment items that meet the threshold requirement, including the recording and tagging of such items.

---

## PATIENTS' FUNDS

---

The Center's Business Office maintains accounts for all of the facility's inpatients and some outpatients. As of November 8, 2000, the Business Office maintained accounts for 1,392 patients amounting to \$877,501. The Cashier's Office deposits patients' funds in accounts maintained for them by the facility, and makes withdrawals on their behalf, posting the transactions on the Patient Cash System. Any transactions, such as Social Security deposits and withdrawals for personal needs, are posted to the patient's account. Patients' funds are actually consolidated and deposited in local bank accounts. When a patient is discharged, transferred or dies, the Center's Discharge Planning Unit and a Treatment Teams/Social Worker are supposed to assist in the handling and disposition of the patient's funds. If this is not done and the patient's funds remain in the Center's charge, the patient's account later appears on the Patient Cash System's Basic Patient Report, which lists accounts for patients who have left the facility. The Center refers to these accounts as unclaimed accounts.

Our review found that the Center does not approve or document patients' cash transactions appropriately. Nor does it dispose of patients' funds properly after patients leave the facility. When such accounts are not handled properly, patients are not able to fully access their funds for their own benefit. In addition, unclaimed patients' funds for which the Center is responsible for long periods of time are at significant risk of being misappropriated.

---

### ***Unclaimed Accounts***

OMH's *Administrative Support Procedure Manual* requires the Business Office to prepare a Basic Patient Report for the OMH Patient Resources Office that lists the patient accounts that have not been claimed 90 days after the owner died, was discharged or transferred. The Patient Resources Office then indicates to the Business Office how much of the patient's funds, if any, should be applied to his or her monthly maintenance, returned to the Social Security Administration or

Veteran's Administration, forwarded to the patient or successor payee, or turned over to the State's Office of Unclaimed Funds.

According to a report dated November 14, 2000, the Center was holding 482 such unclaimed accounts amounting to \$100,000. Of these 482 accounts, 431 with a total value of \$77,673 were 90 days old or older, including 275 accounts totaling \$27,759 that had been unclaimed for more than a year beyond the 90-day requirement. In fact, six of these accounts, with balances ranging from \$8 to \$206, have been unclaimed for as long as five years. One account, with a balance of \$.18, has been on the list since May 1990.

OMH has established policies and procedures that are supposed to govern the manner in which the Discharge Planning Unit and a Treatment Teams/Social Worker should assist a patient with his/her funds at the time of discharge, as well as the subsequent disposal of the patient's funds by the Business Office. However, no monitoring procedures are in place to make sure the required steps and any corrective actions are taken after a patient leaves the Center.

---

### ***Patients' Cash Transactions***

**D**eposits into patients' accounts include funds individuals receive from the Social Security Administration, the Veteran's Administration, the State (indigent patients receive a Personal Needs Allowance of \$35 a month), pay earned by working at the Center, and gifts or loans from friends or relatives. Patients can have funds withdrawn by completing and signing a form (Form 73A) and presenting it to the Cashier in the Center's Business Office. For patients on the wards who are either unable or unwilling to come to the Cashier's Office to make withdrawals, a social worker prepares and signs a "Patient's Cash Withdrawal/Store Card Listing" form. This form authorizes a Group Disbursement (Form 174), which lists the names of the patients and the amounts of money each has requested. A representative from the ward picks up the cash for all the patients and distributes it to the patients. Patients can receive as much as \$25 in cash; larger withdrawals must be made in the form of a cashier's check.

Patients do not need cash to purchase food from the patients' store; instead, they can use a "store card" that has a cash value. The Center also uses Form 174 to authorize issuance of these

cards to patients and to deduct their value from patients' accounts. The store records the sale on the storecards and receives payment from the Business Office, which provides a check covering the cost of the purchase. Patients can also authorize the Center to purchase cigarettes for them from a store in the community without using cash. Again, Form 174 is used to deduct the amount of the purchase from the patient's account and authorize the Business Office to issue a check to the store.

We found that patient cash transactions at the Center had not been approved properly or documented adequately for 14 of the 50 sampled transactions, as follows:

- Two sampled checks, one for \$259.50 dated November 1999 and a second for \$342 dated December 1999, had not been deposited until October 19, 2000, almost a year later. To exercise proper control over patients' funds, deposits need to be made promptly. If they are not, and there is no system for detecting that funds have been received but not deposited, there is no way to know when patients do not receive funds to which they are entitled.
- The Form 174 authorizing three of the withdrawals made on behalf of patients on the ward were missing the patients' signatures. Such a signature is necessary to document that the patient actually received the cash.
- Five of the withdrawals for cigarette purchases were missing the signatures of the patient, the witness and the disburser. All are necessary to maintain proper controls, document that the patient actually purchased the cigarettes and minimize the risk that persons other than the patient might receive the cash improperly.
- Two of the withdrawals we reviewed involved patient use of a store card to purchase food items from the patients' store. In both cases, the signatures of both the witness and disburser were missing on the Form 174. Such signatures are necessary to document that the patient actually received the store card and to minimize the risk that persons other than the patient might receive cash improperly. Without the signatures, nobody can be held responsible or accountable for the transaction.

- Two of the nine deposits of \$30 each were compensation for work patients had performed. For both of these transactions, the payroll sheets had not been approved before the patients were paid. Without proper review and approval, there is no assurance that the patient actually worked the number of hours for which he/she was paid.

In response to our draft report, OMH officials generally agreed with our recommendations relating to the controls over unclaimed accounts. They stated that the long-term absence and vacancy of critical Business Office positions caused delays in the disposal of some of these funds. They added that Creedmoor staff continue their efforts to periodically review the Basic Patient Report of unclaimed accounts to verify that patients' funds have been properly disposed. Regarding patient cash transactions, OMH officials indicated that the Creedmoor Business Officer is developing revised forms and procedures to be utilized for purchases of cigarettes and/or storecards to ensure that there is prior approval. Also, they stated that checks are deposited promptly and that the delayed deposit of two checks cited in our report was an isolated instance. In addition, staff have been reminded to approve work for pay before the issuance of any check.

### **Recommendations**

To Creedmoor Psychiatric Center:

8. Perform periodic reviews of the Basic Patient Report of unclaimed accounts, verifying that patients' funds are properly disposed of when patients have been discharged or transferred or have died.
9. Ensure that disbursements from patients' accounts are properly authorized by the patient, disburser and witness.
10. For our sampled patients, verify that patients' funds were being deposited promptly upon receipt.
11. For our sampled patients, ascertain whether any hours worked were approved before payment was made to the patient.

---

# MAJOR CONTRIBUTORS TO THIS REPORT

---

Kevin McClune  
Albert Kee  
Peter Blanchett  
Ron Gerstein  
Marticia Madory



James L. Stone, MSW, CSW, Commissioner

44 Holland Avenue  
Albany, New York 12229

November 8, 2001

Kevin McClune  
Audit Director  
Management Audit  
Office of the State Comptroller  
A.E. Smith Office Building  
Albany, NY 12236

Dear Mr. McClune:

The Office of Mental Health has reviewed the draft audit report entitled, Creedmoor Psychiatric Center, Financial Management Practices (2000-S-53). 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 in our operations.

Many thanks for your continued help and cooperation.

Sincerely yours,

A handwritten signature in cursive script that reads "James L. Stone".

James L. Stone

Enclosure



**OFFICE OF MENTAL HEALTH  
RESPONSE TO OFFICE OF THE STATE COMPTROLLER'S  
DRAFT AUDIT REPORT 2000-S-53  
CREEDMOOR PSYCHIATRIC CENTER  
FINANCIAL MANAGEMENT PRACTICES**

**Overall Comments**

Creedmoor Psychiatric Center has control systems in place to ensure that State resources are expended in an economical manner, patient funds are protected from misuse, and assets are secure. While the Office of Mental Health acknowledges there are some areas which require improvement, we are pleased that the Office of the State Comptroller found no evidence of wrongdoing or mismanagement at Creedmoor PC.

OMH is in general agreement with most of the OSC observations and recommendations. Corrective action has already been taken by Creedmoor and Queens Children's Psychiatric Center to implement many of the recommendations.

**Comments to OSC Report Section on Payroll Practices and Related Recommendations**

**Payroll Practices**

The personnel function for Creedmoor Psychiatric Center has been assigned to Queens Children's Psychiatric Center. The comments related to payroll practices were prepared with input from Queens Children's PC and OMH's Bureau of Facility Personnel Services.

OMH is developing an automated time and attendance system which will improve the accuracy of the overtime transactions. Until this system becomes operational, the employee responsible for inputting overtime hours will recalculate the actual hours worked. This should help to eliminate clerical errors. The Director of Institution Human Resources Management will also periodically check the records to ensure that they contain the supervisor's signature and actual hours worked, and are being submitted timely.

**OSC Recommendation No. 1**

For the employees in our sample, verify that employees were paid for the amount of overtime they actually worked and recoup any excess payments.

**OMH Response**

Queens Children's PC is in the process of recovering excess overtime payments totaling \$997 made to the seven employees identified in the report. Also, Personnel Office staff will verify the calculation of overtime hours to the sign-in, sign-out sheets.

**OSC Recommendation No. 2**

For the employees in our sample, verify that overtime records were authorized properly in a timely manner and adequately documented.

**OSC Recommendation No. 3**

Implement procedures to verify that the calculation of the number of overtime hours earned is correct before data is entered into HRMS and to detect any data entry errors.

**OMH Response to Recommendation Nos. 2 and 3**

The Personnel Office has instructed both Creedmoor and Queens Children's PC supervisory staff, as follows:

- ▶ Overtime records must be signed and dated by the appropriate supervisor in the unit or department where the overtime is performed.
- ▶ Overtime records must be submitted within one week of the date that the overtime is performed.
- ▶ Any supervisor who works overtime must have his/her supervisor sign the overtime record (i.e., supervisors cannot sign authorizing their own overtime).
- ▶ Supervisors who sign overtime records must ensure the number of hours of overtime listed for each employee accurately reflects the hours actually worked.
- ▶ Supervisors must ensure that sign-in, sign-out times and signatures for all employees working overtime appear in the appropriate places on the overtime record.

**OSC Recommendation No. 4**

Verify that payroll changes relating to additions and separations are approved and documented properly.

**OSC Recommendation No. 5**

Require that information on the Transaction Worksheet be authorized before staff members update OMH's HRMS.

**OMH Response to Recommendation Nos. 4 and 5**

OMH agrees that the appropriate internal form should be completed as support for each RTF. If the need to fill a position is the result of a phone call or an e-mail, the Personnel Administrator will complete the form and attach the e-mail or note documenting the phone call.

Personnel Transaction forms are completed by Personnel Administrators after reviewing all documentation for appointments, separations and payroll changes. These forms are then submitted to staff responsible for inputting information into the HRMS system.

Documentation of all transactions, both verbal and written are shared with and reviewed by administrative staff within the Personnel Office, and with facility management staff of both Creedmoor and Queens Children's Psychiatric Centers. This is done via the bi-weekly Report of Personnel Transactions from HRMS and reports generated by the Automated Request-to-Fill System. Reports generated by this system are shared with facility management on a weekly basis. Management also has access to this automated system and is able to access information independently of the Personnel Office.

The Director of Human Resources reviews on a weekly basis all additions and separations from the payroll that Personnel Office staff enter into HRMS. However, the Personnel Office will institute an additional procedure to require the Personnel Administrator to sign or initial all transaction forms as evidence that they have been reviewed for appropriateness.

## **OMH Comments to OSC Report Section on Purchasing, Inventory and Patients' Funds and Related Recommendations**

### **Purchasing Practices**

Creedmoor PC makes it a practice to comply with OGS purchasing requirements. In instances where emergency purchases must be made, procedures are modified out of necessity, but historical purchases or verbal quotations are utilized to ensure reasonableness of price. Financial duties are separated among Business Office staff whenever appropriate and possible. During a significant portion of the time period audited, staffing in the Business Office was particularly low due to long-term illness and the vacancy of critical positions. While it was not possible to segregate all of the purchasing functions, there was no evidence of improprieties. Moreover, audits conducted by OMH Bureau of Investigation and Audit staff and internal control reviews by Creedmoor staff ensure that resources were expended in an economical manner and accounted for appropriately. As further evidence of Creedmoor PC's compliance with purchasing requirements, more than half of the purchase orders selected for audit by OSC were contract purchases or resulted from a formal bidding process.

- ◆ One of the purchases cited by OSC for not having three written quotes was from a vendor (Keyspan) that provides energy to Creedmoor PC. The Maintenance Department noted on the purchase order (#900813) that this was a sole source purchase and the plant superintendent would provide documentation. Such documentation was available and was provided to OSC. Creedmoor maintains the sole source purchase was adequately documented. Keyspan, the supplier of gas, completed a critical and highly technical repair of a boiler in the campus power plant. OSC was advised that deterioration of the burner throat and refractory wall had been previously repaired through an Office of General Services emergency project, but failed shortly after the work was completed. Because the

repair had been designed by one vendor and completed by another, OGS was unable to hold either vendor responsible for the failure. It should be emphasized that this system is critical as it provides heat and hot water not only for Creedmoor PC, but the entire campus. After consultation with OGS, OMH Capital Operations and OMH energy consultants it was determined that the utility provider, Keyspan, should complete the repair. The utility provider, whose staff designed the repair, would be responsible for any failure and/or interruption of service. The system has worked well since the repair was completed.

- ◆ Purchase Order # 900327 was for refrigerator repair parts and did not have three written quotes, but there were three verbal quotes. This was due to the emergency nature of the purchase. The refrigerators are located in the kitchen, which Creedmoor PC utilizes to prepare food for its inpatients, and timeliness was important due to the risk of food spoilage.
- ◆ Three purchases (Purchase Order #'s 901010, 900549 and 901012) OSC cited for not having multiple verbal or written quotes were for rehabilitation supplies. The first two purchases would generally require verbal quotes. One purchase was for \$2,222 which included over 40 different types of items, such as construction paper, markers, stickers, paint-by-number kits, etc. The second requisition was for \$2,294 to purchase 23 different musical items. The final purchase amounted to \$4,772 and was for 71 craft items. A purchase for such an amount normally requires three written quotes. Creedmoor did obtain two written quotations for this purchase. The amount of staff time involved in obtaining multiple quotations for such purchases, whether in writing or verbal, is excessive and OMH believes that it is not an efficient or effective use of limited State resources. Further, Creedmoor PC based these purchases on historical purchases with this vendor who had provided the facility with similar items at a reasonable price. Such reasoning has been acceptable to OSC's Bureau of State Expenditures based on past practices.

#### OSC Recommendation No. 6

Ensure that employees' duties relating to purchase requests and purchase orders are properly segregated. Also, ensure that purchasing procedures and guidelines for various dollar thresholds are complied with.

#### OMH Response

As previously described, for a period of time, which coincided with the OSC audit scope period during 1999-00, the Creedmoor PC Business Office underwent some extraordinary staffing issues. This resulted in an inability to adequately segregate the purchasing functions. However, Business Office staffing has been strengthened, and most recently Creedmoor hired an Assistant Business Officer to continue with this effort. Creedmoor PC has reviewed its purchasing procedures to ensure that the duties of available staff are adequately segregated.

As previously stated in *Purchasing Practices*, Creedmoor PC strives to comply with OGS purchasing requirements. In situations where emergency purchases must be made, procedures are modified, but historical purchases or verbal quotations are utilized to ensure reasonableness of price.

### **Equipment Inventory**

Creedmoor maintains a decentralized equipment inventory system and is able to control and account for items inventoried. The security alarm and access control systems of the facility provide physical security and ensure that controls over assets are not compromised. In addition, as part of Creedmoor PC's overall Security Management Program, incidents of theft of State property are monitored. The very low rate provides assurance that Creedmoor's assets are being safeguarded adequately. The threshold established by the facility for the inventory system ensures the inclusion of computer equipment, copiers and patient care equipment. These items are tracked by the manufacturer's serial number. Manufacturers' serial numbers are etched into the equipment and are more durable than tags. We believe the systems in place meet Creedmoor PC's needs and are consistent with OSC rules and regulations since the system provides for tracking equipment, maintenance of warranties and repair information. Therefore, we disagree with the OSC statement that Creedmoor PC's "security over assets is severely compromised." (*Second Paragraph on Page 13 of Report*)

OSC was able to physically locate and inspect all 12 computer equipment items they selected for verification. However, OSC did not ask to physically locate or review the other equipment items included in their sample. In the report, OSC identified a \$250 threshold for including items in an equipment inventory program. We recommend that OSC consider amending this outdated threshold level for equipment.

### **OSC Recommendation No. 7**

Maintain an Equipment Inventory System that provides for proper control and accountability of all equipment items that meet the threshold requirement, including the recording and tagging of such items.

### **OMH Response**

Creedmoor PC believes that it is adequately controlling its high risk and more costly equipment items. Creedmoor PC identifies the most "at risk" items (e.g., computers, Medical equipment on the wards, etc.), maintains a control list using manufacturers' serial numbers, and does periodic physical checks to ensure the items are in the listed location. In addition, copiers have been brought under inventory control so that management can better plan its contractual services. Further, as with all OMH campuses, security has been significantly upgraded over the past few years, which provides additional assurance that State resources are adequately protected.

### **Patients' Funds, Unclaimed Accounts**

Creedmoor adheres to OMH's policies and procedures governing patient funds at the time of discharge. The long-term absence and vacancy of critical Business Office positions, referenced previously in response to Purchasing Practices, caused delays in the disposal of some of these funds. As key positions were filled immediately prior to and during the time OSC was on site, monitoring procedures were reemphasized to ensure that requirements were met and necessary corrective actions

were taken promptly. The report of unclaimed property is now produced quarterly. It should be noted that many of the patients listed on the Basic Patient Report referenced by OSC continue to receive services through Creedmoor's family care, State-operated community residence, crisis residence, transitional housing and intensive case management programs. In those cases, it is appropriate for the Business Office to maintain patient funds beyond inpatient discharge.

**OSC Recommendation No. 8**

Perform periodic reviews of the Basic Patient Report of unclaimed accounts, verifying that patients' funds are properly disposed of when patients have been discharged, transferred or have died.

**OMH Response**

Creedmoor PC staff continue their efforts to periodically review the Basic Patient Report of unclaimed accounts to verify that patients' funds have been properly disposed. Funds for some patients continue to be appropriately maintained after discharge when clients are enrolled in family care, State-operated community residences, crisis residences, transitional housing and intensive case management programs.

**Patients's Cash Transactions**

The majority of transactions in the OSC patients' accounts sample deemed not properly approved or documented were purchases of cigarettes or storecards. The facility was utilizing the cash withdrawal document for this purpose. In accordance with the OSC recommendation, Creedmoor PC is developing revised documents which will more clearly reflect the process to be followed.

Checks are deposited promptly upon receipt. The delayed deposit of the two checks referenced in the audit report was an isolated instance. OMH does not agree with the OSC statement, "that there is increased risk that . . . patient funds are not protected from misuse." (*Last Sentence on Page 1 of Executive Summary*)

**OSC Recommendation No. 9**

Ensure that disbursements from patients' accounts are properly authorized by the patient, disburser and witness.

**OMH Response**

Disbursements from patients' accounts are authorized by the patient and/or disburser and witness. In cases where the patient is unable to sign, the disburser and witness will sign accordingly. Reminders have been sent to staff to ensure adherence to this policy.

The Creedmoor Business Officer is developing revised forms and procedures to be utilized for purchases of cigarettes and/or storecards. The form will ensure that there is prior approval to

withdraw the funds from the patients' accounts for both storecard and cigarette purchases with the understanding that the patients will be given the cigarettes, upon request. The revised form and procedures will be reviewed with both Business Office and clinical staff to ensure compliance.

**OSC Recommendation No. 10**

For our sampled patients, verify that patients' funds were being deposited promptly upon receipt.

**OMH Response**

Facility procedures are to deposit patient funds promptly upon receipt. A log of all checks received is maintained with a space to record the date of deposit. The receipt log is reviewed weekly by an employee independent of the cash receipt process to ensure that all deposits are proper and timely deposited.

**OSC Recommendation No. 11**

For our sampled patients, ascertain whether any hours worked were approved before payment was made to the patient.

**OMH Response**

Staff have been reminded to comply with the requirements of having the necessary approvals in place before the issuance of any check. The Business Officer and the Director of Rehabilitation Services are monitoring systems in place to ensure ongoing compliance.