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COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 31, 2003

Sharon E. Carpinello, RN, Ph.D.
Acting Commissioner
Office of Mental Health
44 Holland Avenue
Albany, New York 12229

Re: South Beach Psychiatric Center
Selected Financial Management
Practices
Report 2002-S-32

Dear Dr. Carpinello:

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, we audited selected financial management practices of the South Beach Psychiatric Center. Our audit covered the period April 1, 2001 through March 18, 2003.

A. Background

The Office of Mental Health (OMH) is responsible for planning and operating 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. The South Beach Psychiatric Center (South Beach) is one of 28 OMH-operated facilities providing inpatient, outpatient and community support programs throughout the State. South Beach provides intermediate level inpatient services to persons living in Staten Island, western Brooklyn and Manhattan south of 42nd Street. Services are provided on-site at the facility and in nine sites located in Brooklyn. South Beach has a staff of 1,041 employees.

For the fiscal year ended March 31, 2002, South Beach had total expenditures of \$55.6 million: \$49.2 million for personal services and \$6.4 million for non-personal services. For the fiscal year ended March 31, 2003, South Beach's budget totaled \$63.7 million: \$55.1 million for personal services and \$8.6 million for non-personal services.

South Beach employees were paid over \$6.6 million for overtime during the 30-month period from April 1, 2000 through September 30, 2002. As of October 17, 2002, the South Beach Business Office maintained 166 accounts for patients' personal funds totaling \$208,313 and 99 accounts for patient's unclaimed funds totaling \$20,275.

B. Audit Scope, Objective and Methodology

We audited selected financial management practices of South Beach for the period April 1, 2001 through March 18, 2003. The objective of this financial-related audit was to determine whether internal controls over employee time and attendance, overtime, purchasing, equipment inventory and patient funds were adequate to safeguard assets and ensure funds were expended appropriately. To accomplish our objective, we interviewed South Beach officials and reviewed applicable laws, rules, regulations, policies and procedures. In addition, we sampled various records as described in the following paragraphs.

We visited two of the 13 inpatient and four of the nine offsite outpatient units with at least several employees scheduled to work the shift in progress at the time of our visit to determine if South Beach management had provided the necessary oversight to ensure that employees at the units properly recorded their sign-in/out times on daily attendance records and that the employees worked the hours for which they were paid. To review controls over employee overtime, we downloaded from the State Payroll System (PaySR) the names of 636 South Beach employees who were paid \$6.6 million for claimed overtime during the 30-month period from April 1, 2000 through September 30, 2002. Of these employees, we selected a random sample of 15 employees from among the top 100 overtime payees, and a second random sample of 10 of the remaining 536 overtime payees. We judgmentally selected two pay periods for each sampled employee when at least several hours of overtime was paid and determined whether that employee's overtime was approved and documented adequately.

In addition, to review controls over purchasing, we selected a random sample of 30 purchase orders from a population of 2,095 initiated from April 1, 2001 through September 30, 2002. Since the purchase order listing from which we selected our sample did not have a description of the item purchased, we selected an additional sample of purchase orders to test controls over equipment inventory. From copies of the equipment purchase orders for the same period, we judgmentally selected an additional sample of 20 equipment purchases representing equipment bought for use on-site and at the outpatient units. For the 50 purchase orders, we determined whether there was proper justification and approval, and whether the procurements were made according to State purchasing guidelines. In addition, we performed an inspection of the sampled equipment purchases to assess controls over equipment.

Further, we reviewed the internal controls over patient accounts. We determined whether South Beach followed OMH requirements concerning the level of authorization necessary for making withdrawals from those accounts and whether the facility transmitted funds to patients or their families in a timely manner following the patients' discharge from the facility.

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

South Beach operations included within the audit scope. Further, these standards require that we understand South Beach'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 when selecting activities to be audited. This approach focuses our efforts on those operations identified through our 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. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Internal Control and Compliance Summary

Our evaluation of the internal control structure at South Beach identified control weaknesses relating to employee time and attendance, overtime, purchasing, equipment inventory and patient funds. As a result of these control weaknesses, there is an increased risk that funds for these areas may not have been used or accounted for appropriately. These matters are presented throughout this report.

D. Results of Audit

We identified weaknesses in South Beach's internal controls over employee time and attendance, overtime, purchasing, equipment inventory and patient funds. South Beach officials should implement the recommendations contained in our report to correct these weaknesses and to maintain adequate control over these important areas.

1. Employee Time and Attendance

Personal service costs constitute the majority of South Beach's annual budget. To ensure that employees are paid only for time actually worked and that they properly charge their leave accruals, adequate internal controls must be exercised over employee time and attendance. In this regard, South Beach should provide the necessary oversight to ensure that employees properly record their sign-in/out times on daily attendance records, which are important documents for the control of employee time and attendance.

We observed employee sign-in/out practices at two judgmentally selected inpatient units and four judgmentally selected outpatient clinics. As explained in the three paragraphs below, we found inadequate time and attendance controls at several of the units. Primarily, we identified instances of employees signing out before the end of their shifts. In this regard, we did not seek to determine whether the employees who had signed out before the end of their shifts had actually departed work.

However, because of the weak controls we found, South Beach officials cannot be sure that employees at these locations worked the required hours for which they were paid and properly charged their leave accruals. South Beach should institute better supervisory controls to ensure employees are working the hours claimed on their daily attendance records.

We visited the Coney Island Inpatient Unit on March 13, 2003 at 3:30 p.m. to observe the change in shift from day to evening. Even though the scheduled end of the day shift was 4:30 p.m., 10 of 12 employees whose shifts ended at 4:30 p.m. had already signed out – at least one hour before the scheduled end of shift. One employee whose shift was from 11:00 a.m. to 7:30 p.m. had also signed out – at least four hours before the scheduled end of shift. We also found that one of the four employees who signed in for the evening shift had signed out at the same time. Therefore, this employee may not have worked his entire shift.

We visited South Richmond Inpatient Unit on March 18, 2003 at 3:30 p.m. to observe the change of shifts. We found that ten employees from the day shift had already signed out for the day – at least one hour before the end of their shift. We also found that one of the evening shift employees who signed in at 4:00 p.m. had already signed out for 12:00 p.m. – eight hours before the end of shift.

We found similar control weaknesses at the clinics. At the Coney Island Outpatient Clinic on March 19, 2003, seven employees had signed out prior to our arrival at 12:30 p.m. – hours before the end of their shifts. At the Baltic Street Outpatient Clinic on March 19, 2003, we noted at our 8:31 a.m. arrival that one employee had already signed out for 3:30 p.m.

2. Overtime

It is important to adequately control overtime to ensure that South Beach employees are paid correctly for time actually worked and to minimize the incurrence of overtime. OMH procedures for minimizing overtime require supervisors to carefully review their staffing and coverage needs before granting requests for vacation or personal leave. Weak supervisory controls over the planning and approval of overtime could increase overtime costs.

South Beach employees record their overtime on the Overtime Authorization Roster (OAR) forms. Unit supervisors send the OAR forms to the Business Office, which reviews them and forwards them for payment. To accomplish our objective in this audit area, we reviewed information on the PaySR Payment Inquiry screen, an online record of overtime payments to employees that includes the dates and time shifts for which they were paid. We compared this information to the supporting documentation on file at South Beach, such as OAR forms and daily sign-in/out records. We reviewed overtime payments to 25 employees for two pay periods to determine whether the employees' overtime was approved and documented adequately. We determined that overtime payments totaling \$458 for 18.25 hours were not properly documented or justified for 7 employees we sampled. In addition, we found many instances where South Beach should have pre-approved its overtime before incurring this expense.

a. Overtime Not Properly Documented or Justified

We found that six employees claimed, and were paid for, the last 15, 30, 45 or 60 minutes of their prior time shift as overtime for working through their meal breaks. The six employees were paid \$369 for 32 of these instances. However, we saw no documentation that these employees had worked through their meal breaks and had exceeded the 40-hour workweek during the time period we have questioned.

We found that one sampled employee was paid \$89 for 3.5 hours of overtime on seven occasions by claiming to have worked during the half-hour lunch breaks of her coworker. She claimed that she was unable to take a lunch break of her own while providing adequate staffing coverage. However, South Beach officials could not provide an explanation as to why these two employees could not stagger their lunch breaks to provide coverage, allow for a lunch break for each, and prevent unnecessary overtime.

b. Need to Pre-Approve Overtime

The OMH Personnel and Employee Relations Manual requires that overtime able to be scheduled in advance should be pre-approved. We analyzed the reasons that the 25 sampled employees cited for their 234 instances of overtime to determine whether any of the overtime could have been pre-planned and pre-approved. The reasons cited on the OAR forms by the sampled employees for 48 overtime instances indicate that the overtime could not have been pre-planned. For the remaining 186 instances, we found that the reason for the overtime should have allowed for pre-planning and pre-approval. However, there was no indication of pre-approval for these 186 instances. The reasons cited for overtime by employees on the OAR forms for the 186 instances were as follows: the maintenance of minimum staffing level (97 instances), scheduled absence (37 instances), other (29 instances), and completion of routine work (12 instances). No reason was provided for 11 instances of overtime. For the 29 overtime reasons cited as "other," employees are required to provide a full explanation of the work done in the space provided on the OAR form. However, no explanation was provided for 22 instances and another seven instances relate to the sampled employee described in the previous section as having worked through her coworker's lunch break and did not take a lunch break of her own. In response to our preliminary audit findings, South Beach officials stated that they use 28-day schedules to plan for the deployment of staff and to schedule overtime. However, South Beach did not provide proof that any of the 186 overtime instances were pre-planned and pre-approved on a 28-day schedule, or any time thereafter.

The need for pre-planning and pre-approval of overtime is demonstrated by the following instance we identified during our review. We found one sampled employee had worked continuously for 48 hours during July 20 and July 21, 2002 except for one one-hour meal break. The 47 hours worked consisted of 16 hours of her regular shifts and 31 hours of overtime. The four eight-hour overtime shifts were not pre-approved by the supervisor, as required, and the reason provided was to maintain minimum staffing. This situation raises concerns, as we believe that any employee working nonstop for two days with only one one-hour meal break cannot effectively discharge his or her duties. In addition, OMH procedures require supervisors to take reasonable steps to provide for an equitable distribution of scheduled overtime opportunities among qualified staff. In the response to our preliminary audit findings, South Beach officials stated that the example

cited represents an atypical situation, as in general the facility does not utilize employees to work more than two consecutive shifts other than on an emergency basis. They stated that this employee accompanied a patient to the hospital and remained with that patient during the hospital stay. However, South Beach officials did not provide documentation that this was an emergency and no other member of the South Beach staff was available to provide relief. In addition, there is a separate code on the OAR for instances where an employee works overtime due to “general hospital or coverage.” This code is defined as “overtime incurred due to providing supervision of a patient in a general hospital.” However, the code actually used by the employee, and signed off by the supervisor, was for maintenance of minimum staffing because of staff shortage or retirement.

3. Purchasing Practices

South Beach is required to purchase goods and services in accordance with guidelines promulgated by the Office of General Services (OGS). These guidelines were established to ensure that State agencies make purchases at reasonable prices. Different requirements apply to different purchases, depending on the dollar value of the goods or services involved. OGS guidelines require agencies to first review the list of preferred source offerings to determine if the desired commodity or service is available from a preferred source in the form, function and utility which meets its needs. The guidelines further require agencies to review OGS centralized contracts to determine if the desired commodity is available on a centralized commodity, service or technology contract. If procurement cannot be made from these two sources, the purchase must adhere to OGS requirements for discretionary purchases. Such requirements vary, depending on the dollar amount of the purchase.

The individual South Beach department/unit initiates purchase requisitions and documents the justification for the purchases. The Business Office is responsible for preparing purchase orders and selecting the vendors. The Business Office then submits the required documentation to OMH’s Consolidated Business Office, which prepares payment vouchers and issues checks to vendors.

In our review of purchasing controls, we reviewed a sample of 50 purchases consisting of 28 discretionary purchases and 22 purchases from OGS contracts. We determined that South Beach purchasing practices did not comply with OGS purchasing requirements, particularly in regard to discretionary purchases, as follows.

South Beach purchasing practices did not comply with OGS discretionary purchasing requirements for all 28 sampled discretionary purchases. At least one of the specific requirements was not followed for each purchase. Consequently, there is an increased risk that South Beach is making purchases that are unjustified or unauthorized and that the facility is not obtaining the most reasonable price. We noted the following:

- The vendor selection and the reasonableness of the price paid was not justified and documented for 25 of 28 discretionary purchases reviewed. It is important that vendors are appropriately selected to ensure that the facility is expending its funds in the most efficient and economical manner. However, in our review of one purchase, we found that the vendor that submitted the second highest bid was awarded the contract to sell South Beach a camcorder. Three vendors were solicited for bids. One bid came in at \$1,999, a second bid

came in at \$1,999 with a \$100 discount coupon that effectively lowered the price to \$1,899, while a third bidder provided a price of \$2,185. The following day, the third bidder submitted a revised bid at \$1,998 and was selected as the seller of the camcorder for that price, although it was higher than the \$1,899 price submitted (including discount coupon) by another bidder. Therefore, there was no justification in South Beach files for the decision to purchase the camcorder from the vendor that had not furnished the lowest price. In response to our preliminary audit findings, South Beach officials stated that the third vendor had offered the same \$100 coupon, which would have lowered the price to \$1,898, one dollar less than the second vendor. In addition, the officials said that South Beach regularly does business with this vendor, finds the vendor reliable, and wanted to give the vendor a chance to match the other vendors' bids. We requested documentation from South Beach that the selected vendor provided the \$100 coupon and that South Beach took advantage of the rebate. South Beach officials did not provide that documentation. In addition, we question South Beach's favorable treatment of this vendor. It gives the appearance of favoritism and impropriety.

- Five purchase requisitions, totaling \$25,298, were not dated as to when they were prepared, thereby raising a question as to whether they were related to the sampled purchase orders.
- The justification for two purchase requisitions was not indicated in the appropriate space on the requisition. Therefore, there is no proof that these purchases were necessary prior to the preparation of the purchase order.

Our review of 22 sampled purchases from State contracts found that South Beach sometimes did not follow OGS requirements. We noted that purchase requisitions for two sampled purchases were not dated, one purchase requisition was missing the name of the ordering unit/department, and the stated justification for two purchase requisitions was not adequate. The justification provided for these purchases was "first place award" and "challenge funds purchase."

4. Equipment Inventory Controls

South Beach equipment inventory policy and procedures state that all moveable equipment with a monetary value of \$500 or more should be entered on the South Beach equipment inventory system. In addition, even though their value may be under \$500, all televisions, computer equipment and medical equipment should be entered on the system. The policy also requires that all equipment on the system will be assigned an inventory control number and information pertinent to each piece of equipment will be logged onto the system. We found that South Beach does not tag equipment, maintain inventory records, or take physical inventories for equipment other than computer equipment. Other equipment such as television sets, fax machines, photocopiers, refrigerators, camcorders, videocassette recorders and printers are not under inventory control even though their value may be over \$500.

According to South Beach officials, each department is expected to maintain its own equipment inventory. We requested, but South Beach officials were unable to provide, inventory records to account for equipment on hand at the departments. The Business Office provided us with a list that it claimed to be the inventory of the other assets in the various departments at South

Beach. However, there were only 26 items listed, and the asset location and tag numbers were not indicated. Our on-site observations noted that South Beach has more than 26 items that should be under inventory control.

We judgmentally selected a sample of 20 purchase orders for equipment items (ten for delivery on-site at South Beach and ten for delivery to outpatient facilities) for the period April 1, 2001 through September 30, 2002. We attempted to determine the location of the sampled assets from the purchase orders and computer printouts of receiving reports. We found that none of the South Beach departments maintained inventory records or knew the precise location of the sampled assets. We were able to locate all 20 of the sampled assets through alternative means. For example, the location indicated on the purchase order for three sampled 27-inch television sets was Baltic Street. We visited the Baltic Street location and were unable to locate the television sets. It was several days later that South Beach officials located the sets, one at each of three other locations. We verified that the sets were at these locations.

5. Authorization of Patients' Cash Withdrawals

Both inpatients and outpatients are allowed to maintain cash accounts at South Beach for their personal funds. Many of the patients at South Beach are unable to handle their own funds and/or withdraw them when needed. OMH's Administrative Support Procedure Manual provides for the safeguarding of these patients' funds by requiring authorization of patient cash withdrawals by South Beach staff at a certain grade level. We found that South Beach's controls over patients' cash needed strengthening because, contrary to the OMH procedures, South Beach allowed staff below the specified grade levels to authorize cash withdrawals.

OMH procedures require cash withdrawals under \$50 to be approved by a staff member at or above the level of a Nurse Administrator (grade 20), cash withdrawals from \$50 to \$500 to be approved by a staff member at or above the level of a Chief of Service/Team Leader (grade 25), and cash withdrawals over \$500 to be approved by a Deputy Director or Director. We reviewed South Beach's authorized signature list for patient cash withdrawals and determined that 34 of the 86 listed employees were in job titles below the minimum grade level required by OMH for the specific dollar amounts of withdrawals. We reviewed 25 selected patient accounts and determined that 16 of 54 withdrawals were made without the authorization of a staff member meeting the OMH requirements. Since not all patients are capable of managing their own finances, it is important that all withdrawals be properly authorized.

6. Cash Refunds to Discharged Patients

When a patient is discharged, transferred or dies, South Beach's Discharge Planning Unit and the Business Office handle the disposition of the patient's funds. If the patient's funds are not released and remain in South Beach's charge, the patient's account later appears on what is referred to by South Beach as the Abandoned Cash Report, which is a listing of accounts for patients who have left the facility. OMH internal policy requires that cash refunds be made to discharged and transferred patients within 90 days of discharge or transfer. It is important for South Beach to transfer these funds to the discharged patients or their families in a timely manner, since these funds belong to the patients, not South Beach.

We reviewed the timeliness of cash refunds to patients who were discharged from South Beach from June 3, 2002 through August 29, 2002. We found that 59 of the 139 patients discharged during this period had accounts at South Beach. Our review of the account statements for the 59 discharged patients indicated that three patients were subsequently transferred to other facilities while four were readmitted to South Beach after discharge. Of the remaining 52 patients, 40 were mailed or received their funds within the 90-day time requirement, but five were mailed their cash refunds between 91 to 180 days after discharge. South Beach had not yet mailed cash refunds to seven discharged patients as of the date of our review – January 28, 2003. The average time elapsed for the seven discharged patients whose refunds had not been mailed was 190 days, ranging from 153 days to 231 days.

Recommendations

1. *Strengthen time and attendance controls at South Beach units to provide reasonable assurance that employees are paid for the hours actually worked.*
2. *Enforce existing time and attendance policies to ensure that overtime is properly documented and approved. Overtime able to be scheduled in advance should be pre-planned/pre-approved to the extent practical.*
3. *For the employees in our sample, determine whether correct overtime payments were made and make adjustments to such payments if appropriate.*
4. *Comply with OGS purchasing requirements relating to discretionary and contract purchases.*
5. *Strengthen controls over equipment by establishing inventory control over, and tagging, all required equipment, and performing periodic physical inventories.*
6. *Improve controls over patient cash accounts by:*
 - *Requiring that patients' cash withdrawals be authorized in accordance with the OMH Administrative Support Procedure Manual.*
 - *Promptly processing cash refunds to patients in accordance with OMH guidelines.*

We provided draft copies of this report to OMH officials for their review and comment. We considered their comments in preparing this report. OMH officials generally agreed with the report's recommendations and indicated actions planned or taken to implement them. A complete copy of OMH's response is included as Appendix A. Appendix B contains State Comptroller's Notes, which address matters contained in OMH's response.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the New York State 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.

Major contributors to this report were Stuart Dolgon, Robert Tabi, Charles Johnson, Raymond Louie, Adrian Wiseman and Paul Bachman.

We wish to thank the management and staff of the South Beach Psychiatric Center for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Kevin M. McClune
Audit Director

cc: W. Henri
J. Einbond
S. Lockwood



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

44 Holland Avenue
Albany, New York 12229

October 15, 2003

Kevin McClune
Audit Director
State Audit Bureau
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McClune:

The Office of Mental Health has reviewed the draft audit report entitled, Selected Financial Management Practices of South Beach Psychiatric Center (2002-S-32). 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 black ink, appearing to read "Sharon E. Carpinello".

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

Enclosure



**OFFICE OF MENTAL HEALTH
RESPONSE TO OFFICE OF THE STATE COMPTROLLER'S
DRAFT REPORT 2002-S-32
SELECTED FINANCIAL MANAGEMENT PRACTICES OF
SOUTH BEACH PSYCHIATRIC CENTER**

OMH Overall Comments

The Office of Mental Health has reviewed the findings and recommendations in the draft report on OSC's audit of Selected Financial Management Practices of South Beach Psychiatric Center. The audit discussed certain areas requiring improvement and, for those recommendations with which we agree, appropriate corrective action will be taken.

However, OMH cannot fully respond to some of the issues included in the Overtime Section of the draft report until OSC provides details on the exceptions noted in the draft report. Further, some of the exceptions relating to overtime in the draft report differ from the exceptions noted in the preliminary findings which OSC previously presented. Until OMH has an opportunity to review the specific exceptions (employee names, dates questioned and amounts), we cannot fully respond to the findings regarding overtime nor can South Beach recover overpayments, if any are due.

(Just prior to the issuance of this response, OSC provided most of the details for the findings related to overtime. South Beach is now reviewing these details and will provide OMH Central Office with its comments concerning the OSC specific exceptions, along with a corrective action plan. Based on their initial review of the two OSC instances of "Undocumented Overtime" totaling \$908 for 38.5 hours, South Beach representatives reported that the facility does, indeed, have documentation supporting the overtime paid to each of these two employees for the dates and times questioned by OSC.)

* Note 1

* Note 2

The remainder of our response includes OMH comments, keyed to the OSC findings and six resulting recommendations.

OMH Comments to Specific OSC Report Sections

Overtime

a. Overtime Not Properly Documented or Justified

OMH Comments - Meal Breaks

An employee can properly be paid overtime for the first or last half hour of a regular 8-hour shift when the clinical operating needs of the individual inpatient unit result in an employee being directed to work through a meal break. Section 20.1 of the NYS Department of Civil Service, Attendance

and Leave Manual, entitled Attendance Basic Work Week provides the authority to require that employees remain on duty during meal periods. When this authority is invoked, the affected employee: is required to be on active duty through a meal period; is deemed to be working; may exceed the 40-hour workweek; and becomes eligible for overtime pay for this period if it results in exceeding the 40-hour workweek. In each such case, the employee attests to working through a meal break by signing the daily time and attendance sheet. The employee’s supervisor then reviews and attests to the accuracy of the employee’s statement by signing the daily time and attendance sheet.

Subsequent to receiving OSC’s preliminary findings, South Beach put in place an additional control procedure, requiring that overtime for employee meal periods be recorded on a separate Overtime Authorization Roster (OAR), stating the reason for the overtime and a detailed justification. The OAR is then reviewed and approved by a Chief of Service, or Department Head. This new procedure has been discussed at various facility and Labor-Management meetings.

Even before implementing this new procedure, South Beach’s internal control system provided for the recording and approval of each instance when an employee worked through a meal break, as a basis for generating overtime pay. We will review the specifics of OSC’s assertion that 6 employees were paid for working through meal breaks on 32 occasions with “no documentation” once the requested details of these instances have been provided.

*
Note
1

OSC Finding – Undocumented Overtime:

OSC’s preliminary findings specified that \$826.33 was paid to a part-time employee for 34.5 hours of undocumented overtime. OSC’s draft report cites two instances of undocumented overtime being paid to two employees, (i.e., \$731 for 30.5 hours and \$177 for 8 hours) totaling \$908 for 38.5 hours.

*
Note
2

OMH Comments:

It is unclear whether one of the employees cited in the draft report is the same part-time employee discussed in the preliminary findings. In response to the preliminary finding, South Beach explained that part-time employees may be asked to work overtime when operating conditions require. OMH’s standardized “Extra Time Voucher” forms are used to record regular, extra and overtime worked by part-time employees on a bi-weekly basis. These forms are used for part-time employees instead of time and attendance sheets and overtime authorization rosters; they are signed by supervisors and forwarded to South Beach’s Human Resources staff to be reviewed and processed for payment. To enhance this process, South Beach plans to expand the use of the Automated Time and Attendance System’s sign-in sheets to document hours worked and supervisory review of overtime for part-time employees.

*
Note
2

We will review the specifics of OSC’s assertion that 2 employees were paid \$908 for 38.5 hours of undocumented overtime once the requested details of these instances have been provided (names, dates questioned and amounts).

*
Note
2

b. Need to Pre-Approve Overtime

OSC Finding:

“We analyzed the reasons . . . for . . . 234 instances of overtime to determine whether any of the overtime could have been pre-planned and pre-approved [and determined that] 186 instances . . . should have allowed for pre-planning and pre-approval. . . . South Beach did not provide proof that any of the 186 overtime instances were pre-planned and pre-approved on a 28-day schedule, or any time there after.”

OMH Comments:

As OSC indicates, the majority of overtime (57.3 percent) is to maintain minimum staffing and cover for scheduled absences. Overtime is used to provide adequate staffing levels to maintain a safe and therapeutic environment. Inpatient unit managers incorporate the use of overtime for these purposes in the development of the 28-day schedules. The schedules are prepared before the start of the 28-day cycle, and account for scheduled approved absences and vacations. Furthermore, overtime and staffing information is recorded in unit records and logs and is used by unit managers for planning and pre-approval purposes.

South Beach management will review the specifics of OSC’s assertion that 186 instances of overtime should have allowed for pre-planning and pre-approval once the requested details of these instances have been provided, including names of employees and dates and times cited in their analysis. Subsequently, facility staff will review their records to provide documentation of pre-approval of overtime on 28-day schedules.

* Note 3

OSC Finding:

“We found one sampled employee had worked continuously for 48 hours during July 20 and July 21, 2002 except for one meal break.”

OMH Comments:

The example cited in the audit was an atypical situation. In general, the facility does not authorize employees to work more than two consecutive shifts, other than on an emergency basis in accordance with OMH policy. South Beach acknowledges that working successive shifts can be detrimental. The facility employs Nurse Administrators who, as part of their responsibilities, review clinical staffing needs and assess staff fitness to provide continued service.

To manage the number of consecutive shifts an employee may volunteer to work, South Beach will ensure that Nurse Administrators review staffing on a shift-to-shift basis. A report is being generated daily, containing data on employees working overtime, and tracking the number of consecutive shifts that they are working. Employees who have worked two consecutive shifts are now prevented from

working a third shift in a row. Necessary overtime is then reassigned, on either a voluntary or mandatory basis, to another employee. In any extraordinary situation where a staff member receives direction to work any more than two consecutive shifts, documentation and review protocols will ensure that such an assignment was necessary.

Purchasing Practices

OSC Finding:

“In our review of purchasing controls, we reviewed 50 purchases consisting of 28 discretionary purchases and 22 purchases from OGS contracts. We determined that South Beach purchasing practices did not comply with OGS requirements, particularly in regard to discretionary purchases.”

OMH Comments:

To provide some perspective on OSC’s methodology, the auditors requested a total of 140 purchase orders, from which they chose 50 which, we understand, they felt were the most likely to be out of compliance with some aspect of OGS requirements. Accordingly, OSC’s exceptions amount to a much smaller percentage of selected documents than is apparent in the draft report, since OSC did not report any deficiencies for the majority of the requested purchase orders. South Beach strives to comply with OGS purchasing requirements and separates various financial duties among Business Office staff to maintain internal controls.

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Note
4

OSC Finding – Discretionary Purchases:

“The vendor selection and the reasonableness of the price paid was not justified and documented for 25 of 28 discretionary purchases reviewed.”

OMH Comments:

Of the 25 discretionary purchases, 18 (72%) were small purchases which either did not require documentary proof that three vendors were solicited, or where South Beach’s extensive purchasing history with a reliable vendor ensured that reasonable prices were being secured. For these 18 purchases:

*
Note
5

- ▶ 13 were for items costing less than \$1,000, and two others were for amounts between \$1,000 and \$1,500 - none of which require solicited quotes. Additionally, these items were purchased from vendors with which the facility had an extensive purchasing history. Basing new purchases on past experience with vendors has proven to be an effective method of securing reasonable and competitive prices.
- ▶ 1 order was cancelled.
- ▶ 1 purchase was for an emergency.

*
Note
5

- ▶ 1 purchase was from a vendor who has state contracts for other items. This is another vendor with which the facility had an extensive purchasing history.

*
Note
5

In the future, South Beach will strive to more thoroughly document both vendor selection and the reasonableness of the price, and to maintain such justification in its files in a more readily accessible form. For purchases under \$1,500, justification will include a statement indicating when vendor selection was based on the facility's extensive purchasing history with a reliable supplier of goods or service.

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Note
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OSC Finding – Dating of Requisitions:

“Five purchase requisitions totaling \$25,298 were not dated as to when they were prepared, thereby raising a question as to whether they were related to the sampled purchase orders.”

OMH Response:

South Beach disagrees with this finding. A facility review of each purchase requisition in the OSC sample showed that they all were dated. OMH believes that this item needs to be removed from OSC's report.

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Note
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OSC Finding – Requisitions, Ordering Department:

“Three purchase requisitions were missing the name of the ordering department. Therefore, South Beach cannot readily determine which department needed the ordered items, or whether the items were in fact, necessary.”

OMH Response:

South Beach disagrees with this finding. While OSC is correct in stating that three purchase requisitions did not include the name of the ordering department, the assertion that South Beach cannot readily determine which department needed the ordered items is incorrect. Each of the three cited requisitions specifies the Uniform Reporting Code, which uniquely identifies the department or operating unit. Therefore, identifying information *was* contained on the purchase requisition. Additionally, a justification was included on each of the three specified purchase requisitions. This item should be removed from the OSC report.

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Note
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OSC Finding – Requisitions, Justification for Purchase:

“The justification for two purchase requisitions was not indicated in the appropriate space on the requisition. Therefore, there is no proof that the purchases were necessary prior to preparation of the purchase order.”

OMH Response:

South Beach agrees that, in the two cited cases, the justification was missing. However, each purchase requisition did contain a description of the article to be purchased and was signed by an authorized employee of the requesting unit/department. South Beach believes that this combination of factors provides sufficient “proof” that the purchase was necessary.

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Note
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Equipment Inventory Controls

OSC states: “South Beach equipment inventory policy and procedures state that all moveable equipment with a monetary value of \$500 or more should be entered on the South Beach equipment inventory system. In addition, even though their value may be under \$500, all televisions, computer equipment and medical equipment should be entered on the system. The policy also requires that all equipment on the system be assigned an inventory control number and information pertinent to each piece of equipment will be logged onto the system. We found that South Beach does not tag equipment, maintain inventory records, or take physical inventories for equipment other than computer equipment. Other equipment such as television sets, fax machines, photocopiers, refrigerators, camcorders, videocassette recorders and printers are not under inventory control even though their value may be over \$500.”

OMH Comments:

The *current* South Beach Business Office Manual **does not** specify that: “*All moveable equipment with a monetary value of \$500 or more should be entered into the South Beach inventory system.*” The cited policy is in a section of a 1991 South Beach Business Office Manual. That section is no longer in effect. Instead of utilizing a dollar threshold as its primary criteria for establishing control over equipment items, South Beach now uses a combination of criteria, including cost, risk of theft, risk of causing injury to patients and/or staff, and the need to provide preventive maintenance and service agreements. South Beach’s Information Management Department maintains a centralized inventory for computer equipment. Moreover, the facility’s security alarm and access control systems provide physical security which help ensure that assets are protected. In addition, as part of South Beach’s overall Security Management Program, incidents of theft of State property are investigated and monitored.

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Note
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OSC Finding – Location of Equipment:

“We judgmentally selected a sample of 20 purchase orders for equipment . . .” We attempted to determine the location of the sampled assets. . . We found that none of the South Beach Departments maintained inventory records or knew the precise location of the sampled assets. We were able to locate all 20 of the sampled assets through alternative means.”

OMH Comments:

OMH is pleased that 100 percent of the sampled equipment items were located, but believes that OSC’s finding requires some clarification. South Beach *was* able to identify the location of sampled items from

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Note
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* See State Comptroller's Notes, page 21 & 22

the purchase orders, which contained the location where the ordered item was to be delivered, with only one exception. Regarding the three television sets referenced in the draft report, South Beach quickly located two (on Inpatient Units) from information on the purchase orders. The third took an extra day to locate (on the Baltic Street Inpatient Unit) because, in this one instance, the purchase order did not specify whether the set was for the Baltic Street Inpatient or Outpatient Unit.

Authorization of Patient’s Cash Withdrawals

OSC Finding:

“OMH procedures require cash withdrawals under \$50 to be approved by a staff member at or above the level of a Nurse Administrator (grade 20)...” We reviewed 25 selected patient accounts and determined that 16 of 54 withdrawals were made without the authorization of a staff member meeting the OMH requirements.”

OMH Comments:

We were pleased to note that cash withdrawals were authorized in all cases reviewed, and OSC’s sample only resulted in a minor issue regarding the grade levels of staff approving low dollar-value transactions. While 38 of the withdrawals were made in compliance with the ASPM procedure cited by OSC, the remaining 16 were approved by South Beach staff in accordance with *current* facility policy. This discrepancy between ASPM guidance and current policy was necessitated by the many changes in facility resource levels. As a result, the ASPM is now used as a guideline, with each facility responsible to tailor procedures based on their own staffing. South Beach adheres to the ASPM procedure for all transactions of \$50 or more but, for cash withdrawals of less than \$50, each Inpatient Unit has designated a staff person as Assistant Team Leader. Staff with this designation are authorized to approve small withdrawals, of \$50 or less.

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Note
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Cash Refunds to Discharged Patients

OSC Finding:

“Of the remaining 52 patients, 40 were mailed or received their funds within the 90-day time requirement, but five were mailed their cash refunds between 91 to 180 days after discharge. South Beach had not mailed cash refunds to seven discharged patients as of the date of our review – January 28, 2003.”

OMH Comments:

South Beach was able to process 77 percent of sampled patient cash refunds (40 of 52) within the 90-day time requirement. As specified in the report, five additional refunds were made within 91 to 180 days of discharge. For the remaining seven accounts, the facility used due diligence in attempting to locate each former patient. However, in some cases, patients relocate after discharge without notifying the facility. The Business Office will continue its efforts to locate these discharged patients and return their remaining

funds but, to date, has been unable to determine their current addresses. Each of the seven accounts contains small amounts of cash, averaging \$35. If necessary, these funds will be forwarded to OSC for deposit into the Abandoned Property Fund in April 2004.

OMH Responses to OSC Recommendations

OSC Recommendation No. 1

Strengthen time and attendance controls at South Beach units to provide reasonable assurance that employees are paid for the hours actually worked.

OMH Response

Facility management will review sign-in, sign-out procedures with Inpatient Team Leaders and Outpatient Program Directors, to strengthen attendance controls and emphasize the need to accurately record start and end times for all employees. Systems will be monitored to ensure that employees sign in when they arrive, and sign out when leaving work.

OSC Recommendation No. 2

Enforce existing time and attendance policies to ensure that overtime is properly documented and approved. Overtime able to be scheduled in advance should be pre-planned/pre-approved to the extent practical.

OMH Response

South Beach utilizes a 28-day schedule to pre-approve and plan for necessary overtime, which has worked well over the years. However, the facility has developed a separate authorization process, using the Overtime Authorization Roster, for overtime worked through meal periods. Once sufficient details are provided regarding OSC exceptions in this area, South Beach will review its procedures and the specific exceptions to determine whether additional corrective action is needed.

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Note
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OSC Recommendation No. 3

For the employees in our sample, determine whether correct overtime payments were made and make adjustments to such payments, if appropriate.

OMH Response

South Beach awaits sufficient specific information from OSC regarding the particular dates and times employee overtime was incurred, so that individual instances can be reviewed. After reviewing this data, South Beach will make appropriate adjustments to overtime payments, where warranted.

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Note
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OSC Recommendation No. 4

Comply with OGS purchasing requirements relating to discretionary and contract purchases.

OMH Response

South Beach has complied with OGS purchasing requirements related to both discretionary and contract purchases. Verbal and written quotes are requested and received depending on the value of the purchase. In the future for discretionary purchases of less than \$2,500, South Beach will strive to more thoroughly document both the selection of the vendor and the reasonableness of the price, and to maintain such justification in its files in a more readily accessible form. South Beach will also review its purchasing policies and procedures with the OMH Consolidated Business Office and make any necessary enhancements.

OSC Recommendation No. 5

Strengthen controls over equipment by establishing inventory control over, and tagging all required equipment, and performing periodic physical inventories.

OMH Response

South Beach currently maintains a detailed, well-organized and managed centralized database for computer equipment, and the facility's security alarm and access control systems provide physical security of State assets. South Beach staff will periodically perform a physical inventory of high-risk and expensive items purchased for facility inpatient and outpatient units.

OSC Recommendation No. 6

Improve controls over patient cash accounts by:

- Requiring that cash withdrawals be authorized in accordance with the OMH Administrative Support Procedure Manual.
- Promptly processing cash refunds to patients in accordance with OMH guidelines.

OMH Response

South Beach follows current facility policy regarding all patient cash withdrawals. For cash withdrawals of \$50 or less, each Inpatient Unit has designated a staff person as Assistant Team Leader. These staff members are authorized to approve small withdrawals, consistent with OMH Central Office expectations, and procedures designed to ensure adequate controls within existing resource levels. South Beach agrees with the need to promptly process cash refunds to patients in accordance with OMH guidelines and will continue to do so, including efforts to locate patients who change their address after discharge.

State Comptroller's Notes

1. In addition to providing details of our findings related to overtime during the course of our audit, we also provided OMH officials with the specific details of our findings related to overtime on October 7, 2003, more than a week prior to the date of OMH's response to our draft report.
2. Based on documentation provided by South Beach officials subsequent to our receipt of OMH's October 15, 2003 response to our draft report, we removed our findings with respect to two instances of undocumented overtime totaling \$908 for 38.5 hours.
3. During the course of our audit, we provided OMH officials with the names of the employees and the dates and times of overtime that should have been pre-planned and pre-approved. Subsequent to our receipt of OMH's October 15, 2003 response to our draft report, South Beach officials acknowledged they had received this information.
4. As stated in the Audit Scope, Objective and Methodology section of our report, we selected a random sample of 30 purchase orders from a population of 2,095 initiated from April 1, 2001 through September 30, 2002. We judgmentally selected an additional sample of 20 equipment purchases representing equipment bought for use on-site and at the outpatient units. Hence, our sample of purchases was not selected because the purchases were likely to be out of compliance with OGS requirements.
5. We applied New York State Office of General Services Discretionary Purchasing Guidelines as our criteria for assessing the controls over the purchasing process. According to these guidelines, for procurements under \$15,000, agencies must maintain justification to support both the selection of the vendor and the reasonableness of the prices to be paid. Methods for determining reasonableness of price include informal quotes, cost to other governmental agencies and historical cost or price comparisons. The OGS guidelines do not require three vendors to be solicited and do not include extensive purchasing history with a reliable vendor as criteria for determining reasonableness of price. Further, we note that, in the future, South Beach officials will strive to more thoroughly document both vendor selection and the reasonableness of the price, and to maintain justification in its files.
6. Subsequent to our receipt of OMH's October 15, 2003 response to our draft report, we confirmed with a South Beach official that the five purchase orders were not dated as of when they were prepared. The South Beach official confirmed that the dates referred to in OMH's response are the requisition approval dates.
7. We modified our report accordingly.
8. Purchase requisitions should contain justification for the purchase. It should not be necessary to infer the justification from a description of the articles purchased and the signature of an authorized employee.

9. At the beginning of our audit, we requested copies of current procedures and were provided with the 1991 South Beach Business Office Manual and the OMH Administrative Support Procedure Manual (ASPM). During the course of our audit, neither OMH nor South Beach officials informed us that any of these procedures had changed.

10. Although we were able to locate all of the sampled equipment items, we did so with the assistance of a South Beach official and it was necessary to search multiple locations before the items could be located. Hence, it is clear that improvements are needed in South Beach's equipment inventory control system.