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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 7, 2007

Michael F. Hogan, Ph.D
Commissioner
New York State Office of Mental Health
44 Holland Avenue
Albany, New York 12229

Re: Report 2007-F-43

Dear Dr. Hogan:

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 have followed up on the actions taken by officials of the Pilgrim Psychiatric Center (Pilgrim) to implement the recommendations contained in our audit report, *Review of Selected Financial Management Practices* (Report 2005-S-48).

Background, Scope and Objective

Pilgrim, located in West Brentwood, Suffolk County, is the largest inpatient center under the jurisdiction of the Office of Mental Health (OMH) that cares for and treats adults with significant psychiatric disabilities. It is also the only OMH-operated facility providing both inpatient and outpatient mental health services to adults from Nassau and Suffolk counties. As of March 31, 2007, Pilgrim served 566 inpatients. Pilgrim also provided outpatient services to a total of 1,533 patients during the period October 1 through December 31, 2006, the latest period for which numbers are available. Pilgrim employed 1,533 full-time equivalent staff as of March 31, 2007, and spent approximately \$198.8 million in fiscal year 2006-07.

Our initial audit report, which was issued on August 10, 2006, determined that Pilgrim's internal controls over selected payroll and purchasing practices were generally adequate. However, we identified a need to strengthen internal controls in the areas of patient funds and pharmacy inventory. We also determined that up to \$236,824 in savings could be realized through the use of the State's procurement credit card for small dollar purchases costing less than \$67. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of November 20, 2007, of the five recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We determined that Pilgrim Psychiatric Center implemented three of the recommendations contained in our initial audit report and did not implement two recommendations.

Follow-up Observations

Recommendation 1

Deleted in our initial audit report.

Recommendation 2

Make every effort to dispose of all funds remaining in the account of a deceased patient within six months of the patient's death.

Status - Implemented

Agency Action - We reviewed the accounts for 17 patients who died between May 22, 2005, and April 4, 2007. We found Pilgrim had not disposed of the funds for four of these patients within six months of the patient's death. However, based on our review, we believe Pilgrim officials have made every reasonable effort to dispose of funds remaining in deceased patient accounts within six months of death. For example, in two (\$28 and \$5) of the four cases mentioned above, unbeknownst to Pilgrim's Patient Resources Office, the funds were in a vault on the ward where the patients lived. Once those funds were identified, they were quickly and properly disposed of. Pilgrim officials indicated they would remind the wards to remit any deceased patient's funds remaining in the ward's vault to the Finance Office.

Recommendation 3

Remind family care providers to maintain documentation of purchases made on behalf of patients that cost \$50 or more.

Status - Not Implemented

Agency Action - Pilgrim officials stated that they have not issued written directives reminding the family care providers to retain receipts for purchases that cost \$50 or more made on behalf of patients. We reviewed the expenditure logs for a sample of nine patients under the care of family care providers and noted that six providers did not retain receipts for six purchases over \$50 made during 2007. These six expenditures totaled \$1,688. OMH's Central Office stated that OMH will issue a memo to all of its family care providers to maintain documentation of purchases on behalf of patients amounting to \$50 or more.

Recommendation 4

Require family care specialists to do a better job of monitoring purchases made on behalf of patients.

Status - Not Implemented

Agency Action - We reviewed the expenditure logs for August through October 2007 for our nine sampled patients. None of the logs, which are used to detail purchases made on behalf of patients, was signed by the family care specialists, as required by OMH. Also, the expenditure logs did not record the dates of several purchases. As a result, there is no assurance that these expenditures were adequately monitored by the specialists. OMH officials stated that the expenditure log will be revised to provide a place for a family care specialist's signature to document review of the form and a space for the date of review.

Recommendation 5

Perform a periodic physical inventory of non-controlled medications stored in pharmacy locations. Reconcile any differences with inventory records.

Status - Implemented

Agency Action - Pilgrim officials provided us with documentation that physical inventories were performed at its three pharmacy locations since our last audit. In addition, we performed our own physical inventory of 22 medications. No exceptions were noted.

Recommendation 6

Deleted in our initial report.

Recommendation 7

Encourage the use of a procurement credit card for small dollar purchases.

Status - Implemented

Agency Action - For the period covering fiscal year 2006 and the first six months of fiscal year 2007, we prepared an analysis of purchases costing less than \$67 that could have been paid with the State procurement credit card. We compared this with the number of such purchases cited in our initial audit report. We determined that Pilgrim is now using the procurement credit card much more than in prior periods. Therefore, we believe Pilgrim has effectively encouraged the use of a procurement credit card for small dollar purchases.

Major contributors to this report were Stuart Dolgon, Sal D'Amato, and Lisa Duke.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Agency for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Albert Kee
Audit Manager

cc: Kenneth Lawrence, OMH Office of Investigation and Audit
Lisa Ng, Division of the Budget