



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

July 30, 2012

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

Re: Report 2011-0001

Dear Dr. Hogan:

Our Office examined<sup>1</sup> payments Pilgrim Psychiatric Center (Pilgrim) made to Centennial Elevator Industries, Inc. (Centennial) for elevator maintenance services provided under contract C000189 for the period September 1, 2010 through February 28, 2011. The objectives of our examination were to determine whether: (i) payments are appropriate according to the contract terms, (ii) Centennial provided all of the services required under the contract, and (iii) Centennial paid its employees the appropriate prevailing wage and supplemental benefits.

**A. Results of Examination**

We found that the fixed monthly fees Pilgrim paid Centennial were consistent with the contract terms. However, we found that Centennial did not provide all services required under the preventive maintenance schedule of the contract, which specifies the interval (e.g. weekly, monthly, etc.) at which services are to be performed. Of the \$140,000 in invoices we examined, we estimate Pilgrim paid Centennial \$23,000 for work that was not performed and \$3,900 for services that could not be supported by work tickets. We also found that Centennial did not pay its technicians the appropriate hourly prevailing wage and could not provide support to show they paid the technicians' supplemental benefits. Based on the nature of our findings, it is likely Centennial has been providing less maintenance service than required by the contract and underpaying its employees since the beginning of the contract in November 2007.

We shared a draft report with Office of Mental Health (OMH) officials. We considered their comments (Appendix A) in preparing this final report. OMH officials generally agree with our recommendations and stated facility staff is taking steps to ensure Centennial is providing all required services under the preventive maintenance schedule of the contract.

**B. Background and Methodology**

Pilgrim entered into contract C000189 with Centennial to provide elevator maintenance and repair services on thirty elevators at Pilgrim and Kings Park, and two elevators at Sagamore Children's Psychiatric Center (Sagamore). The contract is valued at \$1.6 million and covers the period November 1, 2007 through October 31, 2012. Centennial charges Pilgrim a fixed monthly fee for routine maintenance and repair services, as specified in the contract. During the period September 1, 2010 through February 28, 2011, Pilgrim paid Centennial fixed monthly fees for these services totaling \$140,024.

To accomplish our objectives, we examined the terms and conditions of the Centennial contract, vouchers, payroll records and other relevant supporting documents. We also interviewed appropriate officials from Pilgrim, Sagamore and Centennial. We identified some matters we consider to be of lesser significance that we communicated to Pilgrim separately and did not include in this report.

**C. Details of Findings****Fixed Fee Maintenance**

Under contract C000189 Centennial is required to perform preventive maintenance on 15 hydraulic elevators and 17 traction elevators at specific intervals, including: weekly, monthly (hydraulic only), bi-monthly (traction only), quarterly, semi-annually, and annually. Centennial is also required to perform monthly fire recall tests on 30 of the 32 elevators.

Pilgrim uses a computerized preventive maintenance system to generate weekly work orders for Centennial indicating the scheduled services to be provided. Each week Centennial provides Pilgrim with completed work tickets that document the type of maintenance performed, the corresponding elevator number, the start and end times of the work, and the technician's name.

We found Pilgrim's Business Office staff do not verify that the services documented on the Centennial work tickets match the services indicated on the work orders prior to processing Centennial's invoice for payment. We also found Pilgrim does not monitor to ensure all maintenance tasks have been performed. As a result, Pilgrim has no assurance Centennial provided all of the preventive maintenance they were paid to perform.

We examined 314 Centennial work tickets for preventive maintenance services performed on Pilgrim and Sagamore elevators during our scope to determine whether Centennial performed all maintenance required under the contract. Based on the work tickets Centennial provided Pilgrim, we found Centennial was paid for 61 instances of preventive maintenance they never

performed, including: 20 weekly services, 8 monthly services, 2 bi-monthly services, 7 quarterly services, and 24 fire recall tests.

We also analyzed the 314 work tickets to determine if the Centennial technician could have completed all of the required maintenance services in the time indicated on the work ticket. Our analysis was based on the estimated time it takes to perform each type of preventive maintenance service according to the Centennial technician who regularly services these elevators.

We confirmed these estimates with an independent engineering company Pilgrim uses to ensure the elevators are safe. To be conservative and for consistency, we used 75 percent of the technicians' estimates in our analysis. We reduced the technicians' estimates by 25 percent to account for efficiencies the technician gained through experience.

We found that the Centennial technician could not have completed the service on 127 of the 314 work tickets, based on the type of maintenance performed and the start and end times entered by the technician. We calculated that these services would have taken 222 hours more than the technician indicated was spent. Since Centennial is paid for these services on a fixed-fee basis, Pilgrim overpaid for these services. In addition, Pilgrim and Sagamore residents, staff, and visitors may be put at risk.

The contract doesn't specify an hourly rate for technicians' services. However, by dividing Centennial's fixed monthly fee by the number of hours it would take to perform the services required by the contract each month, we calculated Centennial was paid, on average, \$104 per hour under the contract. This estimate does not include time technicians spent on other repairs or emergency maintenance. Based on this calculation, we estimate Pilgrim overpaid Centennial at least \$26,900. This includes \$23,000 for 222 hours of work that could not have been completed in the time claimed by the technician and \$3,900 for 37.5 hours of services that were not performed.

In response to our draft audit report, OMH officials indicated they have made progress toward establishing procedures that ensure Centennial performs all contractually required maintenance. In addition, OMH officials agree to perform a review to determine if Centennial was overpaid for maintenance that was not performed, and recover money as appropriate.

### **Prevailing Wage Rates**

In accordance with Article 8 of the New York State Labor Law and Appendices A and D of the contract, Centennial is required to pay technicians no less than the prevailing hourly wage rate, plus supplemental benefits, for regular and overtime hours worked. Centennial must also pay their technicians for specific holidays as outlined by the New York State Department of Labor. Centennial is required to complete and submit certified payroll records (records) to Pilgrim on a

monthly basis. Pursuant to Labor Law, Pilgrim must designate, in writing, an employee responsible to collect, review, and maintain the records in order to ensure technicians are being paid in accordance with prevailing wage guidelines.

We analyzed records obtained from Centennial and found that Centennial underpaid its technicians \$6,438 during our scope period. In addition, while Centennial officials were able to show an aggregate amount of supplemental benefits paid on behalf of all employees, they were unable to provide proof of supplemental benefit amounts or rates specific to the two technicians who performed work under this contract. As a result, we have no evidence that Centennial paid these technicians supplemental benefits totaling \$25,601 during our scope period.

This happened because Centennial paid its technicians according to the local union rates rather than prevailing wage rates. We found the underpayment went undetected because Pilgrim did not designate an employee to collect, review and maintain records as part of its normal course of business.

We have referred this matter to the Department of Labor's Bureau of Public Work for its determination of possible action.

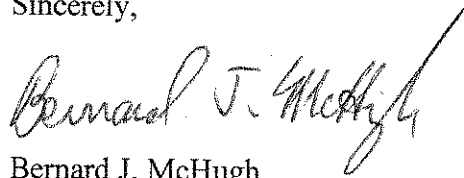
In response to our draft audit report, OMH officials indicated they have developed a system to effectively monitor Centennial's compliance with prevailing wage supplement requirements. In addition, OMH officials have designated an individual responsible for the collection, review, and maintenance of prevailing wage supplements from Centennial.

#### Recommendations

- 1) *Establish procedures to ensure Centennial performs all contractually required maintenance tasks on the elevators at Pilgrim and Sagamore each month prior to payment.*
- 2) *Recover any money paid to Centennial for maintenance that was not performed.*
- 3) *Develop and implement a system to effectively monitor Centennial's compliance with the prevailing wage supplements requirements applicable to this contract, including designating an employee to collect, review, and maintain records from Centennial.*

We thank the management and staff of the Office of Mental Health for the courtesies and cooperation extended to our auditors. Since your response to the draft report is in agreement with this report, there is no need for further response unless you feel otherwise. If you choose to provide a response, we would appreciate it by August 30, 2012.

Sincerely,



Bernard J. McHugh  
Director of State Expenditures

cc: Kathy O'Keefe  
Florence Corwin  
Kenneth Lawrence  
James Russo



State of New York  
Andrew M. Cuomo  
Governor



Office of Mental Health  
44 Holland Avenue  
Albany, New York 12229  
www.omh.ny.gov

April 10, 2012

Bernard J. McHugh  
Director of State Expenditures  
Office of the State Comptroller  
Bureau of State Expenditures  
110 State Street  
Albany, New York 12236

Dear Mr. McHugh:

The Office of Mental Health has reviewed the draft audit report 2011-0001 of payments made to Centennial Elevator Industries, Inc. for the period September 1, 2010 through February 28, 2011 under contract C000189. 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,

Kristin M. Riley, RN, MPA  
Executive Deputy Commissioner

Enclosure



**OFFICE OF MENTAL HEALTH  
RESPONSE TO OFFICE OF THE STATE COMPTROLLER  
DRAFT REPORT 2011-001  
PAYMENTS MADE BY PILGRIM PC TO  
CENTENNIAL ELEVATOR INDUSTRIES C000189**

**Overall Pilgrim and Sagamore Comments**

Pilgrim PC (PPC) and Sagamore Children's PC (SCPC) officials have reviewed the findings and recommendations in OSC's draft audit report 2011-001 regarding payments made to Centennial Elevator Industries (Centennial). Both facilities are appreciative of OSC's efforts to identify areas where improvements can be made in monitoring this contract.

OMH noted OSC's concern that Centennial may not have provided all required services under the preventative maintenance schedule of the contract. Facility staff are carefully reviewing this issue. Please also be aware that all of the elevators at Pilgrim and Sagamore have excellent evaluation records for quality control and maintenance. In addition to routine inspections by facility staff, Pilgrim and Sagamore managers use consultants to independently inspect their elevators. One such elevator consultant surveys the equipment on a semi-annual basis with consistently good results. In the latest report issued, among the dozens of systems and components checked for the 32 elevators, only a minimal number of issues were identified. These will be addressed and remedied.

**OMH Responses to OSC Recommendations**

**OSC Recommendation No. 1**

Establish procedures to ensure Centennial performs all contractually required maintenance tasks on the elevators at PPC and SCPC each month prior to payment.

**OMH Response**

PPC and SCPC have taken steps to both strengthen existing procedures and to ensure that all procedures are followed. These steps include the generation of reports to track work, direct oversight and monitoring by Plant Superintendents/Maintenance Supervisors of work performed by Centennial and regular communication with the Business Office. The Facility Business Officer will ensure that invoices are not processed until all document requirements are verified by the Plant Superintendent of PPC and the Maintenance Supervisor of SCPC.

**OSC Recommendation No. 2**

Recover any money paid to Centennial for maintenance that was not performed.

**OMH Response**

A review will be performed to determine if any money was paid Centennial for maintenance that was not performed. OMH's Consolidated Business Office (CBO) and PPC will work to recover any overpayments that are identified.

**OSC Recommendation No. 3**

Develop and implement a system to effectively monitor Centennial's compliance with the prevailing wage requirements applicable to this contract, including designating an employee to collect, review and maintain records from Centennial.

**OMH Response**

The following system has been developed to effectively monitor Centennial's compliance with the prevailing wage supplements requirements applicable to this contract and will be implemented by PPC, SCPC and the CBO:

- a. Annually, on or about July 1 (the date NYSDOL proposes to release new Prevailing Wage Schedules), the CBO will obtain the relevant prevailing wage information for PPC's elevator contract, and supply it to the designated PPC Business Officer.
- b. The PPC Business Officer will compare the certified payroll records supplied by Centennial with their invoices to the prevailing wage schedules from the NYSDOL.
- c. If the PPC Business Officer makes a determination that Centennial is paying its employees less than existing prevailing wage/supplements, then the Business Officer will advise the CBO. The CBO will review the information, and if it confirms the determination, will advise OSC.

The PPC Business Officer has been designated as the individual responsible to collect, review and maintain records from Centennial.