

H. CARL McCALL  
STATE COMPTROLLER



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

A.E. SMITH STATE OFFICE BUILDING  
ALBANY, NEW YORK 12236

September 25, 1997

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

Re: Report 97-F-24

Dear Mr. Stone:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the Office of Mental Health (OMH) and Rockland Psychiatric Center (Center), as of August 27, 1997, to implement the recommendations included in our Report 95-S-19. The report, which was issued March 29, 1996, examined selected financial management practices at the Center.

**Background**

OMH oversees programs relating to the prevention, early detection, and treatment of mental illness. The Center, one of the institutions operated by OMH, is located on a 600-acre campus in Orangeburg, in Rockland County. The Center's staff of 1,240 provides services to 475 inpatients and 2,100 outpatients. During the 1996-97 fiscal year, the Center expended about \$55 million, including \$50 million for personal services.

**Summary Conclusions**

In our prior report, we identified weaknesses in the Center's purchasing, cash management, equipment inventory control, and physicians' continuing medical education activities. While we found that Center officials have made significant progress in implementing the prior recommendations, there is still room for improvement, especially in the area of equipment inventory controls. In their response to the prior report, Center officials indicated that, in lieu of establishing a centralized inventory management system as recommended, they had established inventory control over the items in the main storehouse and a decentralized control system for computers, as well as medical and office equipment. Our follow-up review found deficiencies in these inventory systems. In addition, since the field work on the prior audit was completed, furniture and equipment worth approximately \$6 million was purchased for the Center's newly-renovated buildings without adequate controls that could account for and track this inventory.

In addition, in March 1997, the Center identified a \$10,800 shortage in its patients' cash imprest fund. OMH investigated this cash shortage, but lapses in the Center's record-keeping made it impossible to determine exactly when the losses had occurred. This matter was referred to the New York State Police, who we were told, closed their investigation due to a lack of evidence. We noted that the Center has since improved cash controls by conducting a daily cash count and reconciliation of this fund.

### **Summary of Status of Prior Audit Recommendations**

The prior audit contained 20 recommendations: one (Recommendation 1) was directed to OMH Central Office officials and the others were directed to the Center. Of the 20 recommendations, 17 have been fully implemented; 1 has been partially implemented; and 2 have not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Remind all OMH facilities about the policy regarding work hours and Continuing Medical Education activities.*

Status - Fully Implemented

Agency Action - The OMH Chief Medical Officer issued a memorandum detailing appropriate CME activity and work hours for medical staff. Officials at OMH's Bureau of Management and Fiscal Audit also advised us that they plan to conduct surveys of CME activities at selected OMH facilities during the coming year.

#### **Recommendation 2**

*Reevaluate Center medical and dental staffing against needs.*

Status - Fully Implemented

Agency Action - Officials indicated that the Center's Executive Cabinet reviews physician staffing as part of its periodic review of the Center's staffing needs. The Center has also prepared a plan delineating the planned staffing for all units. Since December 15, 1994, there are 12.5 fewer physician staff positions.

#### **Recommendation 3**

*Verify that all full-time medical and dental staff at the Center are working a 40-hour week, and that part-time staff are also working their stipulated hours.*

Status - Fully Implemented

Agency Action - The prior audit found that the Center allowed medical staff to be absent for up to five hours each week for self-directed Continuing Medical Education (CME) training. However, there was no documentation that the time not worked had, in fact, been used for CME-related activities. The Center no longer permits medical staff to engage in unapproved CME activities during their scheduled work time. We reviewed a random sample of medical staff training and attendance records, and noted that reported CME activities were authorized and attendance was documented.

**Recommendation 4**

*Require pre-approval and proper documentation for attendance at any CME-related activities.*

Status - Fully Implemented

Agency Action - The Center requires pre-approval for CME-related activities. Participants in on-site training courses are required to sign attendance sheets. For off-site courses, staff are required to submit documentation of course completion.

**Recommendation 5**

*Evaluate the need for new products, and solicit assistance from OGS in determining whether similar items are available on State contract or through OGS' Division of Supply Support.*

**Recommendation 6**

*Purchase items through State contracts, Supply Support or preferred sources, whenever possible. When comparable goods are purchased from other sources, obtain the necessary prior approvals from OGS and/or OSC.*

Status - Fully Implemented

Agency Action - The Center now accesses the Internet web site of the Office of General Services (OGS) to obtain information about commodities available on State contract (the OGS Division of Supply Support is no longer in operation). Our review of purchases made from other sources showed that the Center had obtained Office of the State Comptroller approval before making them.

**Recommendation 7**

*Advertise bid specifications that list salient product features that must be present for the product to be considered acceptable, and document the specific way in which disqualified bids failed to meet specifications.*

Status - Fully Implemented

Agency Action - Our review of selected bids found that the Center includes salient features in the bid specifications and documents the reasons specific bids do not meet specifications.

**Recommendation 8**

*Contact nonresponsive bidders whenever a large number of potential bidders do not respond, and document their reasons for not responding.*

Status - Fully Implemented

Agency Action - Our review found that the Center contacts nonresponsive bidders to determine why they did not respond.

**Recommendation 9**

*Do not issue blanket purchase orders unless prices for items to be purchased are fixed by contract.*

Status - Not Implemented

Agency Action - The Center continues to issue blanket purchase orders for certain items such as plumbing supplies, auto parts, and window repairs. Officials explained that they need to maintain these orders for items and services that are needed immediately, and for which they cannot wait to go through the normal purchasing process. They further explained that the vendors are paid only when the goods are delivered or services provided.

Auditors' Comments - Center officials should not issue blanket purchase orders unless prices for the items to be purchased are competitively bid. For items that are needed immediately, agencies can use emergency purchase orders. (Center officials agreed to revise their purchasing procedures for such items by following applicable OGS purchasing guidelines.)

**Recommendation 10**

*Prepare specific purchase requests to fill Residence food and household goods requirements. Ensure that requests for food are reviewed by the Director of Institutional Food to identify the best supplier, and that the Purchasing Unit reviews all other purchase requests.*

Status - Fully Implemented

Agency Action - The State-operated Community Residence staff now requisition food through the Center's Director of Institutional Food.

**Recommendation 11**

*Estimate annual purchases for specific items, and adhere to purchasing guidelines appropriate for that volume of purchases.*

Status - Fully Implemented

Agency Action - The Center uses the OMH inventory control system to estimate annual purchases of commodity items. Once the annual purchases for the year are determined, the Center follows the appropriate purchasing guidelines.

**Recommendation 12**

*Count and deposit vending machine revenue immediately after collection.*

Status - Fully Implemented

Agency Action - Center officials issued a memorandum to staff in June 1997, instructing them to ensure the deposit of vending machine revenues within four working days of the removal of cash from the vending machines.

**Recommendation 13**

*Deposit receipts for the "Rockland Children's Advance" account promptly.*

Status - Fully Implemented

Agency Action - Our review of the cash receipt book and bank deposit slips confirmed that receipts from the account are being deposited on the same day they are received.

**Recommendation 14**

*Strengthen controls over petty cash funds by:*

- *instructing custodians in the proper use of and accounting for petty cash funds;*
- *requiring periodic reconciliations and cash counts of each fund;*
- *establishing procedures for withholding an employee's last paycheck until petty cash funds are returned to the Cash Office or transferred to another custodian (with Business Office approval);*
- *instructing custodians to obtain Business Office approval when petty cash funds are transferred to another custodian or physical location; and*
- *closing any underutilized funds.*

Status - Partially Implemented

Agency Actions - The Center has taken actions on this recommendation as follows:

- the Center has issued petty cash procedures that instruct custodians in the proper use and accounting for petty cash accounts;
- petty cash funds are counted and reconciled by the custodians when replenished; however, no independent cash counts or reconciliations are performed;
- petty cash custodians are required to sign an affidavit promising to return the funds if they leave the unit and authorizing the Payroll Unit to withhold from their paychecks any amount they fail to return; and
- the Center has analyzed the activity in all the petty cash funds, and closed or reduced the balances of funds that showed low activity.

Auditors' Comments - At our closing conference on August 27, 1997, Center officials agreed to perform independent cash counts and reconciliations of the petty cash funds.

#### **Recommendation 15**

*Separate the duties of handling cash receipts, disbursements, deposits, bookkeeping, and making bank reconciliations.*

Status - Fully Implemented

Agency Action - The Center has divided the functions of cash receipts, disbursements, deposits, bookkeeping, and bank reconciliations among several individuals.

#### **Recommendation 16**

*Inform the bank immediately about any changes to the check signature cards.*

Status - Fully Implemented

Agency Action - We verified that the approved signatories are appropriate.

#### **Recommendation 17**

*Change the safe combination immediately when an employee who had access leaves the Center's employment.*

Status - Fully Implemented

Agency Action - The Center changed the safe combination in April and October 1996, when employees left the Center's employment.

**Recommendation 18**

*Expand efforts to identify the four remaining recipients of electronic fund transfers from the Social Security Administration.*

Status - Fully Implemented

Agency Action - Center officials advised us that neither they nor Social Security Administration representatives have been able to identify the recipients. They will remit the funds to the State Comptroller's Office Bureau of Unclaimed Funds.

**Recommendation 19**

*Establish a centralized inventory management system at the Rockland Psychiatric Center that will:*

- *ensure that equipment is purchased only as needed;*
- *ensure independent verification of delivery of all goods;*
- *affix identification tags to all equipment;*
- *maintain centralized inventory records of all equipment; and*
- *include the performance of an annual physical count of all equipment and reconciliation of any discrepancies.*

Status - Not Implemented

Agency Action - The Center does not have a centralized inventory management system in place. It has an inventory of the items stored in the main storehouse and maintains decentralized inventory records for both computer hardware and office and medical equipment. We found these decentralized systems to be insufficient. Staff tag items received at the main storehouse with an identification number, and record the location where the equipment is assigned. However, they do not track subsequent transfers of equipment; nor do they take periodic physical inventories of Center items. In addition, we were unable to trace tagged items we observed in the Center's offices and wards to the storehouse inventory records. The Center's Information Services Office (ISO) affixes a tag with a bar code on computer equipment. The bar code numbers are different from the identification numbers assigned by the storehouse, and these two identification numbers are not referenced to each other. ISO maintains a listing of all the computer hardware with the bar code numbers; however, the listing does not indicate the user to whom the equipment is assigned, or the date and cost of the purchase. ISO also does not take a physical inventory of the

computer hardware, or maintain any inventory of computer software.

In May 1995, the Center moved most of its operations to a newly-renovated 718-bed, four-building complex on the same grounds. Approximately \$6 million of new equipment and furniture was purchased by OMH and delivered to the facility without going through the Center's receiving process. None of this equipment has either been tagged or inventoried. Center officials indicated that OGS, which managed the renovation project, did not allocate funds for tagging and inventorying these items.

Auditor's Comment - The Center needs to establish a centralized equipment inventory system. (Center officials advised us at the closing conference that they have designated a staff member who will be responsible for the maintenance of a central inventory system.)

**Recommendation 20**

*Identify and dispose of surplus equipment.*

Status - Fully Implemented

Agency Action - As part of its move to the newly-renovated buildings, the Center surplused excess equipment. It first offered the items to other OMH centers and other State agencies, and then it held a public auction for the remaining items.

Major contributors to this report were Albert Kee and Abe Fish.

We would appreciate your written response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report. We also would like to take the opportunity to thank the management and staff of the Office of Mental Health and Rockland Psychiatric Center for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston  
Audit Director

cc: Patricia A. Woodworth  
James Bopp  
Raymond Harris