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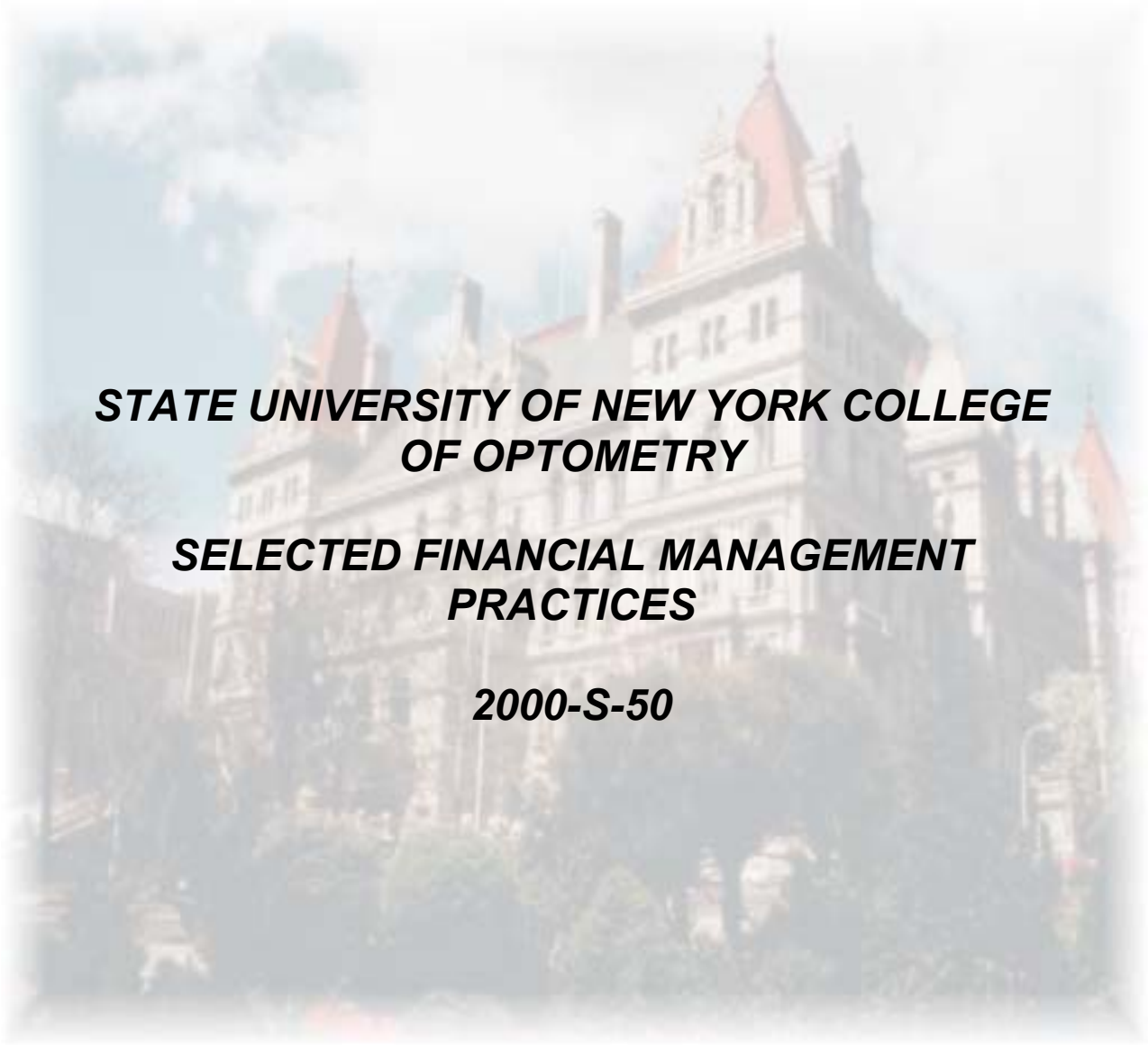
STATE COMPTROLLER



STATE UNIVERSITY OF NEW YORK COLLEGE OF OPTOMETRY

SELECTED FINANCIAL MANAGEMENT PRACTICES

2000-S-50

DIVISION OF MANAGEMENT AUDIT AND
STATE FINANCIAL SERVICES

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H. Carl McCall
STATE COMPTROLLER

Report 2000-S-50

Mr. Robert L. King
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Dear Mr. King:

The following is our audit report on selected financial management practices at the State University of New York College of Optometry.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. Major contributors to this report are listed in Appendix A.

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

May 16, 2002

EXECUTIVE SUMMARY

STATE UNIVERSITY OF NEW YORK COLLEGE OF OPTOMETRY

SELECTED FINANCIAL MANAGEMENT PRACTICES

SCOPE OF AUDIT

The College of Optometry (College) was created by an act of the New York State Legislature in 1971. The College offers a four-year program leading to the degree of Doctor of Optometry. The College also conducts vision science research and operates an outpatient clinic on campus, the University Optometric Center (UOC), that handles more than 120,000 patient visits annually. The UOC also operates 46 satellite clinics throughout the New York City metropolitan area at locations (host entities) such as nursing homes, hospitals, psychiatric centers and schools. For the 1999/2000 fiscal year the College reported that the UOC and satellite clinics earned about $6.3 million in revenue. Total College expenditures for the 1999/2000 fiscal year amounted to about $20 million, including $11 million for personal services and $9 million for other than personal services. The College has about 300 full-time students.

Our audit addressed the following question about selected financial management practices of the College for the period January 1, 2000 through April 30, 2001:

- Has College management established an effective system of internal control over clinic revenue, employee time and attendance, and equipment inventory?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found that the College needs to strengthen controls to ensure that clinic revenue is collected in a timely manner and to ensure that the write-off of accounts receivable is justified and authorized. We also noted opportunities for the College to improve controls over employee time and attendance, and equipment inventory.

We found that the College does not make sufficient efforts to collect revenue due from host entities and individual patients. For 24 of the satellite clinics, the College bills the entity hosting the satellite office on a monthly basis. As of February 1, 2001, the College had not collected $184,792 (33 percent) of the

$561,812 that was billed for the six months ended December 31, 2000. We found no documentation, other than the monthly bills, that the College had aggressively pursued the collection of the payments due. We also found that UOC patients were allowed to make repeated office visits without paying their outstanding balances due. (See pp. 5-7)

In addition, past due accounts are not routinely referred to the Attorney General for collection, and the College does not have adequate guidelines and procedures to adequately control the write-off of accounts receivable. Further, there were no written procedures explaining the methodology for the allocation of clinic revenue among the various college income fund reimbursable accounts. (See pp. 7-10)

We found that controls over employee time and attendance need improvement. For example, we reviewed the sign-in sheets of 41 of the 47 employees who worked in Clinic Administration and noted instances where these employees did not adhere to required sign-in procedures. We also compared hours worked on the sign-in sheets to hours worked on the employees' official timesheets and found discrepancies. We conclude that in many cases, Clinical Administration supervisors did not compare the sign-in sheets to the timesheets, as required. We also found the need for the College to improve controls over employee leave balances to ensure such balances are accurate. (See pp. 11-14)

In our review of controls over equipment, we found that the College did not keep its inventory records up-to-date, and did not take inventories as often as required. We also found that missing equipment items were not reported to the Office of the State Comptroller, as required. (See pp. 17-18)

Our report contains recommendations to improve controls over clinic revenue, employee time and attendance, and equipment inventory.

Comments of SUNY Officials

SUNY officials agree with all of our recommendations and indicate that actions have been or will be taken to implement them.

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INTRODUCTION

Background

The College of Optometry (College) was created by an act of the New York State Legislature in 1971. The College offers a four-year program leading to the degree of Doctor of Optometry. The College also conducts vision science research and operates an outpatient clinic on campus, the University Optometric Center (UOC), that handles more than 120,000 patient visits annually. The UOC also operates 46 satellite clinics throughout the New York City metropolitan area at locations (host entities) such as nursing homes, hospitals, psychiatric centers and schools. The UOC is both the clinical teaching arm and the community service facility of the College. The UOC, together with the satellite clinics, provide direct access and multi-disciplinary eye health care opportunities for interns, residents and students.

Total College expenditures for the 1999/2000 fiscal year amounted to about $20 million, including $11 million for personal services and $9 million for other than personal services. The College has about 300 full-time students.

Audit Scope, Objectives and Methodology

We audited selected financial management practices of the College for the period January 1, 2000 through April 30, 2001. The objectives of our financial-related audit were to evaluate whether management had established an adequate internal control environment and effective internal control procedures over clinic revenue, employee time and attendance, and equipment inventory. To accomplish these objectives, we interviewed College staff and officials; reviewed relevant policies, procedures, rules and regulations; and examined appropriate records.

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 operations of the College that are included in our audit scope.

Further, these standards require that we understand the College's internal control structure and compliance with those laws, rules and regulations that are relevant to the College's operations, which are 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 that 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 audit efforts on those operations that we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used 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.

Internal Control and Compliance Summary

Our consideration of the College's internal control structure focused on clinic revenue, employee time and attendance practices, and equipment inventory. We identified certain weaknesses in these controls, which we identify in the sections of this report entitled Clinic Revenue, Employee Time and Attendance, and Equipment Inventory.

Response of Officials to Audit

A draft copy of this report was provided to College and SUNY System Administration officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B.

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

CLINIC REVENUE

The College's Clinical Finance Department is responsible for the financial activities of the UOC and satellite clinics, including maintenance of patient accounts, billings, accounts receivable, credit and collection, and financial data for internal and external reporting requirements. For the 1999/2000 fiscal year the College reported that the UOC and satellite clinics earned about $6.3 million in revenue. Accounts receivable for the UOC and satellite clinics totaled about $1.7 million as of June 30, 2000. We found that the College needs to improve clinic revenue controls and practices including those relating to the collection of amounts owed, and those relating to the write-off of accounts receivable.

Collection Efforts

Controls should be in place to ensure that revenue is collected in a timely manner. For 24 of the 46 satellite clinics, the Finance Department directly bills the host entity on a monthly basis for the clinical services provided. For the campus UOC and for the other 22 clinics, the Finance Department bills patients directly for the clinical services provided.

The Finance Department maintains billing and payment schedules for the 24 satellite clinics where the host entity is billed directly. We reviewed these schedules to determine the timeliness of collections. We found that, as of February 1, 2001, the College had not collected $184,792 (33 percent) of the $561,812 that was billed for the period from July 1, 2000 through December 31, 2000. We found that for 16 satellite clinics, the host entities were two or more months behind in making payments. One host entity did not make any payments for the $25,269 billed to it for the period from July through December 2000. We also noted that the monthly billing statements did not specify a payment due date. We believe that due dates may result in a more timely remittance of payments due. We were provided with no documentation, other than the monthly bills, to support that the College had pursued the collection of payments due.

For the campus UOC and 22 satellite clinics where patients are directly billed, the UOC procedures manual requires patients to pay for services on the day that services are rendered. The Finance Department requests patients with an outstanding balance to remit the payment due, or risk having subsequent services denied. If a patient cannot pay the balance owed before receiving further services, the patient should be referred to a supervisor in the Patient Accounts Office or the Director of Clinical Finance for resolution of the problem.

College records indicate that $413,714 in past due accounts were written off in January 2001. To determine whether the College's collection policy was adhered to, we selected and reviewed a judgmental sample of ten patients who had made three or more visits and whose past due accounts of $1,000 or more were written off, out of the 4,012 patients with past due accounts written off. We found that these ten patients made 203 visits from 1993 through March 2000 and owed $16,640 in total. These ten patients were allowed to make repeated visits without paying their outstanding balances. For example, one patient was seen 36 times at the campus UOC between March 8, 1994 and September 23, 1997. During this time, the amount the patient owed increased to $3,100. College officials could not provide any documentation of collection efforts made by supervisors as the ten patients returned for continued medical services. The Director of Clinical Finance stated that since July 2000 his office has taken the necessary steps to prevent patients from being treated repeatedly without paying outstanding balances. To review the procedures followed since July 2000, we selected a judgmental sample of 10 patients who made at least one visit between August and December 2000 and owed more than $800 each for services provided, out of 7,909 patients who owed money to UOC. The Director of Clinical Finance could not provide any documentation that the 10 patients had been referred to a supervisor as the amounts they owed continued to grow during this period. For example, we found no written payment plans agreed to by the patients.

The College depends on the UOC to provide practical training to the school's students. For this reason and in the interest of supporting community needs, College officials are reluctant to take aggressive collection steps that may discourage patients from coming to the UOC for eye care treatment. However, if payment plans and arrangements are not discussed with patients who have outstanding balances, the chances of those

medical fees being collected are greatly reduced. Moreover, diminished revenue makes it more difficult for the College to provide services.

(In response to a draft copy of this report, SUNY officials note that the health care system has changed over the last seven years due to the entry of managed care, making the billing of patients extremely complex with primary, secondary and tertiary insurance. The officials point out that the move to their new facility has allowed them to implement better financial controls and they are investigating with their software vendor the feasibility of a program allowing them to capture on the registration side those patients who have been previously sent to collection. Officials further note that the complex billing environment also affects many of their satellite sites; each of which periodically has a unique set of budgeting restrictions. The officials point out that even though some payments are late, they have always received payment in full for services rendered at the satellites.)

Uncollectible Accounts

The Director of Clinical Finance said that all patients with outstanding balances are billed monthly for the first four months, and then they are referred to a collection agency. In addition, after the accounts are deemed uncollectible by the collection agency and are written off by the Finance Department, accounts over $250 should go to the Attorney General's Office for collection.

We found that the College had not referred any past due accounts to the Attorney General's Office during calendar year 2000. The Director of Clinical Finance stated that outstanding accounts are supposed to be referred monthly to the Attorney General. Based on our analysis of the accounts receivable as of December 31, 2000, about $153,000 in patient accounts exceeding the $250 threshold should have been referred to the Attorney General. The Director of Clinical Finance said that he had not sent overdue accounts to the Attorney General because he did not have the resources to file the necessary paper work.

In addition, we found a lack of control over the write-off of accounts receivable. For example, the UOC manual does not contain any procedures regarding the write-off of receivables. However, it is the practice of the College to write off accounts

that have been outstanding six months or more. According to College records, from July 1, 1998 through January 31, 2001, almost $1.4 million was written off.

The Director of Clinical Finance stated that he and six UOC patient accounts analysts have the authority to recommend the write-off of overdue patient accounts. The Director said he reviews and approves the write-offs recommended by the analysts. He also said the analysts do not have to follow any strict criteria but may make judgment calls at any point in time. We found the College did not have written documentation to support the authorization of the write-off of receivables for the 1999/2000 and 2000/2001 fiscal years. According to the College accountant responsible for making the financial adjustments, the Director of Clinical Finance did not provide written documentation to support the write-offs, but instead provided only verbal authorization. Without proper guidelines, procedures and documentation requirements for justifying and authorizing write-offs, there is greater risk that employees may make inappropriate write-offs.

Contracts Between the UOC and Satellite Clinics

The UOC procedures manual states that the UOC has current contracts with the host entities where services are provided. Contracts are important because they provide the details of the relationship between the UOC and the satellite clinics, i.e., what type staff and services the UOC will provide, how often services will be provided, who is responsible for equipment, supplies and support services, and relevant financial and billing arrangements. Up-to-date contracts clarify the responsibilities of each party. When contracts are renewed, management has the opportunity to assess whether billing rates, or other contract terms, need to be revised. Without current contracts, the responsibilities of each party could be misinterpreted.

We found that the UOC did not have current contracts for 29 (63 percent) of the 46 satellite clinics. College officials responded that contracts are not needed for the 22 clinics where patients are billed directly by the Finance Department. Nevertheless, we believe that having up-to-date contracts with all 46 satellite clinics would help ensure that the responsibilities of each party are clearly set forth.

Income Fund Reimbursable Accounts

Income Fund Reimbursable accounts (IFRs) are established to manage and account for school operations, such as a dormitory, where revenues are generated and used to fund the related operating expenses. IFR revenues and expenses are accounted for separately from the College's regular operating budget. Each IFR is intended to support all costs reasonably attributable to its operation. However, SUNY's general income fund reimbursable guidelines also state that campuses may, without restriction, transfer revenue or fund balances between individual IFRs. According to SUNY guidelines, each campus is expected to develop and maintain its own guidelines and procedures that address both accountability and programmatic uniqueness within a campus. They should address such areas as budgeting, accounting, financial management and reporting, financial and internal controls, and fees and charges.

For the 1999/2000 fiscal year, clinic revenue totaled about $6.3 million. This revenue was allocated among ten IFRs and one account called the Clinic Pledge. The UOC uses the Clinic Pledge to subsidize the College's operating budget, in accordance with an agreement between the College, the UOC and the State. We found that the College needs to develop its own guidelines and procedures for managing its IFRs to ensure proper accountability over funds.

In total, clinic revenue was recorded and reported from 84 different sources. According to College officials, revenue from 71 sources is to be allocated in a specific manner to 6 of the 10 IFRs. Revenue from 13 sources is not specifically allocated to any particular IFR. Instead, the Director of Clinical Finance is to allocate the revenue from these sources to the remaining four IFRs and the Clinic Pledge. When we asked the Director of Clinical Finance how he allocated this revenue, he said that he does not have a written policy or procedure explaining his methodology. He explained that his top priorities are to fund the Clinic Pledge and two of the IFRs - Ophthalmic Materials and Clinic Improvements. If the revenue derived from the 13 sources is insufficient, he stated that he may have to re-allocate funds from one of the other IFRs.

We attempted to trace the revenue collected for December 2000 to the various accounts to confirm the explanations provided by the Director of Clinical Finance. We found that $52,869 of

revenue from 21 sources had been allocated to four IFRs consistent with the explanations provided to us. However, $362,708 of revenue from 63 sources was allocated at the discretion of the Director of Clinical Finance, to the remaining six IFRs and the Clinic Pledge.

Accordingly, there does not appear to be any objective criteria in writing or otherwise, guiding the allocation of clinic revenue. The process is judgmental and unchecked. The monthly allocation process should be formalized in writing, and the actual allocations should be reviewed and approved each month by an independent manager.

Recommendations

1. Include a payment due date on the bills sent to the entities hosting the satellite clinics, and aggressively pursue those accounts that are past due.

2. Follow established procedures for collecting past due accounts from patients and document collection efforts.

3. Refer delinquent accounts to the Attorney General's Office on a timely basis.

4. Establish procedures for the write-off of accounts receivable, including write-off criteria and the appropriate level of authorization.

5. Ensure there are current contracts for all satellite office locations.

6 Establish written policies and procedures for IFRs, including the methodology and required approval for allocating funds to the IFRs.

(SUNY officials agree with recommendations number 1 through number 6.)

EMPLOYEE TIME AND ATTENDANCE

The College's personal services expenditures for the 1999/2000 fiscal year totaled $11.1 million. The New York State Accounting System User Procedure Manual (Manual) specifies the requirements relating to employee time and attendance and related record keeping. According to the Manual, agencies must maintain complete and accurate records of employee attendance and leave balances, and employees' supervisors are responsible for certifying their accuracy. The agency's time and attendance section should verify the clerical accuracy of the information submitted for each employee, and maintain the official leave balance for each employee. Annually, employees should be formally advised of their official leave balances. We found that controls over the accuracy of employee timesheets and leave balances, as well as controls over undistributed paychecks, need improvement.

Clinical Administration Department

The College's Clinical Administration Department (Clinical Administration) requires hourly employees and employees who are members of the Civil Service Employees Association to sign in and out each workday. Employees who are members of the Public Employees Federation are required to sign their names and indicate the total hours worked. Before signing employee timesheets, employees' supervisors are expected to compare the sign-in sheets to the employees' timesheets to ensure that time worked and time charges match on the two sheets, and to investigate any discrepancies.

For the four-week period from December 7, 2000 through January 3, 2001, preceding the date of our test, we reviewed the sign-in sheets of 41 of the 47 employees who worked in Clinic Administration to determine whether they followed these requirements. We identified 26 instances where employees did not sign out, 7 instances where employees did not sign in or out, and 12 instances where employees did not record their total hours worked for the day, as required. For example, one employee signed in but did not indicate the total number of hours worked on 8 of 13 days over the period we reviewed.

In addition, we compared hours worked on the sign-in sheets to hours worked on the timesheets of these 41 employees and found 20 instances where the time worked as recorded on the employee's timesheet exceeded the time worked as shown on the sign-in sheets. We were unable to compare the timesheets to the sign-in sheets for one of these 41 employees because the Payroll Unit had not received a timesheet for this employee since June 2000.

Overall, our test showed that 30 of the 41 employees either did not properly record their hours and/or time worked on the sign-in sheets and/or had differences between the work hours recorded on their timesheets and on the sign-in sheets. We conclude that in many cases, Clinical Administration supervisors did not compare the sign-in sheets to the timesheets, as required. College officials indicated that they would review the discrepancies we identified, and have instructed Clinic Administration supervisors to compare timesheets to sign-in sheets and to investigate and resolve any discrepancies before approving the timesheets.

Public Safety Office

The College's Public Safety Office Procedures require that before starting a shift, each Public Safety employee must sign in on a form provided by the Office. These employees must also indicate the time that they leave. The purpose of this procedure is to ensure that employees are present, and begin and end their work shifts as scheduled. We found that the Office provided each public safety officer with an individual sign-in sheet that covered a two-week period, instead of providing one sheet to be signed in and out by all employees each day. The use of individual sign-in sheets does not provide for the control whereby employees must sign in chronologically, in the order of their arrival and departure. Such a control helps ensure that employees accurately record their arrival and departure times. In addition, we found that the Office did not adequately control employee access to individual sign-in sheets. Some employees had the ability to complete their sign-in sheets at any time prior to the end of the two-week period.

We reviewed the sign-in sheets for the 12 public safety officers working on January 26, 2001. We noted that two employees had not yet signed out at the time of our audit test, even though their shift had ended, another two employees had signed out

before the end of their shifts, and another two employees had not signed in at all. One of these two employees had not signed in or out on the previous day as well.

When we informed College officials of the control weaknesses over the sign-in sheets at the Public Safety Office, they informed us that a new sign-in procedure was instituted whereby all Public Safety Office employees must sign a single daily log sheet and supervisors must monitor the sheets to ensure that they are complete and accurate.

Employee Leave Balances

The College's Payroll Unit uses the timesheets to update employee leave balances and maintain a record of all employee leave balances. It is important to maintain a current record of leave balances to ensure that employees have adequate time accruals to cover their absences and to calculate proper pay deductions when employees use more leave than they have accrued. We found that the Payroll Unit is not updating the record of employee leave balances in a timely manner from information indicated on employee timesheets, and College employees are not submitting timesheets in a timely manner.

We reviewed the College's record of employee leave balances as of December 7, 2000 to determine whether each employee's leave balance was maintained on a current basis. We found leave balances were current for only 32 (or about 10 percent) of the College's 325 employees. Furthermore, we found that the College does not send an official statement of their leave balances to employees once a year as required by the Manual.

On December 7, 2000 we reviewed the employee timesheets due for the month of October 2000 and for the two weeks ended November 22, 2000, to determine whether employees were submitting their timesheets on schedule. We found that 130 employees (40 percent) of the 325 employees on the College's payroll were late in submitting their timesheets. We judgmentally selected 11 employees from the group of 293 employees whose leave balance records were not current to determine when they last submitted their timesheets. Our judgmental sample included employees with old or unknown leave balances. We found that one employee had not submitted monthly timesheets since February 2000. Another

employee submitted monthly timesheets for June, July, August and September 2000 on November 8, 2000. In order for the College to ensure that its employees submit their timesheets on schedule, the College should consider withholding paychecks from employees who do not comply. Untimely submission of timesheets can cause leave accrual balances to be inaccurate and can result in employees receiving payments that they are not entitled to.

After we advised College officials of these findings, they told us that supervisors and staff, as well as the payroll officer, have been notified about the importance of submitting timesheets on schedule and maintaining current balances for leave accruals. Also, the College will send out an annual statement with leave balance information to individual employees.

Undistributed Paychecks

The Manual requires that undelivered paychecks remaining unclaimed at the end of 30 days must be returned to the Department of Taxation and Finance, Division of the Treasury. The purpose of this requirement is to prevent loss or theft of these checks before they can be delivered to the proper recipient.

We determined there were 57 paychecks in the College's safe on February 1, 2001 that had been held over 30 days. We further noted that 8 of the 57 checks were over one year old, and the oldest check dated back to March 1999. Having checks available for extended periods increases the risk of loss or theft of these assets.

College officials explained that they were holding the paychecks in case the employees came to claim them, but that they would comply with the requirement. The officials also indicated that they plan to intensify their efforts to have paychecks picked up by employees in a timely manner.

Recommendations

7. Ensure that employees follow required sign-in procedures.

8. Compare sign-in sheets to timesheets and investigate any discrepancies.

9. Utilize a single daily log sheet to be signed by public safety officers.

10. Ensure that employees submit their timesheets in a timely manner. Consider withholding paychecks from employees who do not comply.

11. Ensure the Payroll Unit updates the record of employee leave balances from information on employee timesheets, and annually notifies all employees of their leave balances.

12. Send all unclaimed payroll checks that are over 30 days old to the Department of Taxation and Finance, Division of the Treasury.

(SUNY officials agree with recommendations number 7 through number 12.)

EQUIPMENT INVENTORY

SUNY Property Management Procedures require that items costing $1,500 or more be recorded on SUNY's Property Control System (PCS), which is a statewide computerized database system designed to account for assets. In addition, the College maintains an asset log to track campus property valued above $500.

According to the Manual, a physical inventory should be taken annually. Lost or stolen equipment must be reported to the Office of the State Comptroller. When we began our review of the College's equipment assets, we found that the College had not performed a physical inventory of the College's assets since August 1999. Furthermore, College officials could not provide us with a summary report of the results of the August 1999 inventory. College officials provided us with a copy of its asset log as of December 2000, and told us this report listed the items that were inventoried in August 1999. However, when we reviewed this asset log, we noted that it included items purchased in 2000, after the August 1999 inventory had taken place. Furthermore, the asset log did not identify the items that were not found during the 1999 inventory.

The College's Property Manager did provide us with a list of 147 computer and medical equipment items costing over $565,000 that could not be located as of January 2000, and were deleted from the PCS as of that date. A note attached to the list stated that the equipment was "unaccountable and probably disposed of as obsolete." College officials advised us that this unfound equipment was deemed scrap considering its age, and thus wrote it off of their inventory records. College officials contend that items considered to be scrap do not have to be reported to the State Comptroller's Office. However, if these items could not be found, as the officials state, we believe it is more correct to classify them as lost or missing rather than to presume they have been scrapped. Therefore, these items should have been reported to the State Comptroller's Office as missing equipment. The Property Manager told us that there were other equipment items that could not be found, but was unable to provide us with a list of those items.

We compared the PCS database of College equipment as of January 19, 2001 to the asset log and found discrepancies. For example, the PCS did not include any items purchased by the College in the 2000 calendar year, even though the College's asset log listed 16 items (costing $1,500 or more each) that the College indicated as purchased in 2000. Our observations indicate that the College has not kept the PCS database current and therefore this record may not be sufficiently reliable as a management tool.

College officials told us that they were unable to perform an inventory count in 2000 and update the PCS because of the planning and execution of the College's July 2000 move to a new location. They further explained that the College does not have enough manpower to monitor equipment inventory activities. The College should consider performing physical inventory activities throughout the year to minimize the resource impacts of taking a single annual physical inventory.

During our audit, the College contracted with an outside consultant to perform a physical inventory that was completed in February 2001. College officials indicated that the results of this inventory would be used to update the PCS and any discrepancies would be investigated.

(In response to a draft copy of this report, SUNY officials reiterate that the magnitude of the College's relocation in the summer of 2000 prevented the completion of an annual physical inventory until the latter half of 2000. Assets identified as missing may have been packed or stored and not yet placed in their new locations. SUNY officials advise that items totaling $565,000 identified as unaccountable were done so because of a coding error. These items were considered to be obsolete and included equipment previously identified as scrap and should have been so coded in the Property Control System. Officials state that the error has been corrected.)

Recommendations

13. Perform annual inventories of equipment, as required. Consider performing physical inventory activities periodically throughout the year.

Recommendations (Cont'd)

14. Reconcile the results of consultant's inventory with the PCS and update the PCS.

15. Add new equipment purchases to the PCS, and ensure that the PCS and asset log contain accurate, consistent data.

16. Report missing equipment to the State Comptroller's Office, as required.

(SUNY officials agree with recommendations number 13 through number 16.)

MAJOR CONTRIBUTORS TO THIS REPORT

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THE STATE UNIVERSITY *of* NEW YORK

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April 17, 2002

Mr. Jerry Barber
Audit Director
Office of the State Comptroller
Management Audit
110 State Street
Albany, New York 12236

Dear Mr. Barber:

In accordance with Section 170 of the Executive Law, attached are the comments of State University College of Optometry regarding the draft audit on selected financial management practices, (2000-S-50). We anticipate this response will be included in its entirety as an appendix in your final report.

Sincerely,

Enclosure

Appendix B

STATE COLLEGE OF OPTOMETRY
STATE UNIVERSITY OF NEW YORK

Office of the President

RECEIVED
APR 15 2002
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STATE UNIVERSITY OF NEW YORK

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Office of the
Chief Operating Officer

April 9, 2002

Mr. Richard P. Miller, Jr.
Vice Chancellor and Chief Operating Officer
State University of New York
State University Plaza
Albany, New York 12246

Dear Dick:

In reply to your March 15, 2002 letter requesting campus comments on the State Comptroller's draft report on selected financial and management practices of State University of New York College of Optometry (2000-S-50), I am sending you the following responses.

Clinic Revenue:

While we agree that many of the recommendations have merit, it should be noted that the health care delivery system has changed over the last seven years due to the entry of managed care, making the billing of patients extremely complex with primary, secondary and tertiary insurance. The move to our new facility has allowed us to implement better financial controls with a patient accounts window on each clinical floor to capture financial reimbursement from patients and to monitor newly implemented contractual arrangements with patients. We are also presently investigating with the vendor for our software (IDX) the feasibility of a program that will allow us to capture on the registration side those patients who have been previously sent to collection.

As noted above regarding the complexity of the health care delivery system and its inherent financial billing complications, the same set of circumstances that affect our ability to collect also face many of our satellite sites. Each of these sites periodically has a unique set of budgeting restrictions; some are cash strapped hospitals in ghetto areas, some are city hospitals which have funding delays caused by the City of New York, others are New York State Agencies which have delays in either their budgeting or processing procedures, and others are social agencies that have delays in their funding. It should be noted, that, even though some payments are late, we have always received payment in full for our services rendered at the satellites.

1. *We agree.* Payment due dates on monthly satellite invoices have been implemented. In addition, a phone log indicating follow-up calls to each

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delinquent entity has been established to clearly indicate stepped-up collection activities, notwithstanding the fact that many of these satellite invoices are with public entities which have their own timetables for payments.

2. *We agree.* Established procedures for collecting past due accounts from patients will be followed assisted by either utilizing a new integrated software package or redeploying existing resources.
3. *We agree.* Delinquent accounts will be referred to the Attorney General's Office on a semi-annual basis. The inherent nature of 3rd party health care billing with explanation of benefits (EOBs) required before billing secondary insurance and then finally the patient after insurance rejections, creates delays negating more frequent than semi-annual referrals.
4. *We agree.* We have established procedures in place for the write-off of accounts receivable, including a management review and authorization process. A formal written procedure outlining the criteria for write-offs will be added to the policy manual. We are in the process of developing the specific policy for each clinical section with a target date for complete implementation within three to four months.
5. *We agree.* We are in the process of ensuring that we have current contracts between entities. We have researched the files on the contractual satellite relationships and all of them are current but two. Both of them are in the process of being renegotiated. One satellite is being terminated. For the eleven (11) extramural clinical programs (fee for service where the patient's insurance is billed rather than the entity) that had no agreements, we are in the process of either sending Memorandums of Understanding setting forth the responsibilities of both parties, or terminating our relationship. We expect the process to be completed within a three to four month period.
6. *We agree.* The current protocol is administered by the Associate Director of Clinical Finance in concert with the Executive Director and other senior management. Formal written policies governing the methodology for distributing revenue will be established and will be added to the policy manual, which is at present being updated.

Employee Time and Attendance:

7. *We agree.* Any employee who is identified as failing to follow procedure in a consistent manner is referred to their respective supervisor for disciplinary action as needed and appropriate.
8. *We agree.* The clinic managers have been informed that they are consistently to verify the sign-in sheets with the time sheets and to reconcile the two.

Discrepancies are brought to the employees' attention by the clinic manager and the time sheet is revised to reflect the correct time as verified via the sign-in sheet. Employees who are identified as not indicating the correct hours on their time sheet as compared to the sign-in sheet are counseled as necessary by the respective clinic manager.

9. *We agree.* The University Police Department (previously Public Safety) has since implemented a single daily log sheet.
10. *We agree.* Employees should submit time sheets in a timely manner. We have considered withholding paychecks from employees who do not comply. Also, we have expanded our efforts to request time sheets from employees, using electronic mail reminders and appealing to supervisors.
11. *We agree.* The Payroll Unit is now updating records of leave balances from time sheets and is notifying employees of leave balances on an annual basis. (Last done in September 2001.)
12. *We agree.* Though, since the audit, we have not had any unclaimed payroll check over 30 days old, because we have intensified efforts in distributing paychecks. If, in the future, that is the case, those checks will be returned to the Department of Taxation and Finance.

Equipment Inventory:

In July of 2000, the College of Optometry in its entirety moved from East 24th Street to West 42nd Street in Manhattan. Because this move was the culmination of a contract-of-lease settlement between New York State and the private partnership that owned the 24th Street building, the College was required without exception to be gone from 24th Street by July 31, 2000. Given that the College's new home on 42nd Street was neither finished nor fully ready for the College's occupancy as of July 31, 2000, much of the equipment that was moved remained unpacked or stored for some months.

Because of the magnitude of this move, an annual physical inventory was not completed in the latter half of 2000. Assets identified in the audit as "missing" were not necessarily missing but were packed or stored and not yet placed in their home locations. These items were subsequently unpacked and located appropriately. As is noted in the audit, in early 2001, the College engaged an outside professional firm to do a complete property control inventory in order to provide a reliable base of information for the future. We have reconciled the consultant's inventory with the Property Control System.

Items in the amount of $565,000 identified as "unaccountable" were done so because of a coding error. These items were considered to be obsolete and included

equipment previously identified as scrap and should have been so coded in the Property Control System. In our investigation of this matter following the audit findings, we discovered that a coding error was made that created the problem. Acting on incorrect advice, we coded these items with an "F" thinking this meant "obsolete." In fact, the proper code should have been "E" and had that designation been properly applied, the items would not have shown up as "unaccountable." This error has been corrected.

13. *We agree*. Inventories of equipment will continue to be performed annually by in-house staff. We will also investigate the feasibility and cost effectiveness of performing periodic inventories during the course of the year.
14. *We agree*. We have reconciled the consultant's inventory with the Property Control System.
15. *We agree*. New equipment purchases have been added to the PCS and we will ensure that both the PCS and the asset log contain accurate data. The data will differ, however, since the threshold for the asset log is $500 and the threshold for the Property Control System is $1500.
16. *We agree*. We will continue to file required reports to the Office of the State Comptroller.

If you have any questions or require additional information, please let me know.

Sincerely,

Alden N. Haffner, O.D., Ph.D.
President

C: Mr. David A. Bowers