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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 18, 2004

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

Re: Report 2003-F-37

Dear Mr. King:

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 reviewed the actions taken by officials of the State University of New York College of Optometry (College), as of November 12, 2003, to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 2000-S-50). Our report, which was issued on May 16, 2002, reviewed the College's financial management practices regarding clinic revenue, employee time and attendance, and equipment inventory.

Background

The State University 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 and 27 satellite clinics throughout the New York City metropolitan area. These clinics handle more than 120,000 patient visits annually. These satellite clinics are hosted at locations such as nursing homes, hospitals, psychiatric centers and schools. For the 2002-03 fiscal year, the College reported that the clinics earned about \$6.5 million in revenue. Total College expenditures for the 2002-03 fiscal year amounted to about \$21 million, including \$16.8 million for personal and temporary services and \$4.2 million for other than personal services. The College has about 300 full-time students.

Summary Conclusions

In our prior audit, we found that the College needed to improve its efforts to collect revenue due from host entities and individual patients. In addition, past due accounts were not routinely referred to the Attorney General for collection, and the College did not have adequate guidelines and

procedures to adequately control the write-off of accounts receivable. We also found that controls over employee time and attendance needed improvement and that the College did not keep its equipment inventory records up-to-date, and did not perform physical inventory counts as often as required. Our report contained recommendations to improve controls over clinic revenue, employee time and attendance, and equipment.

In our follow-up review, we found that the College has fully implemented all but one of the recommendations and partially implemented the last recommendation.

Summary of Status of Prior Audit Recommendations

Of the 16 prior audit recommendations, College officials have implemented 15 recommendations and partially implemented one recommendation.

Follow-up Observations

Recommendation 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.

Status - Implemented

Agency Action - Effective June 1, 2002, the College issued policies and procedures for satellite billing, which include, among other things, the requirement that monthly invoices have a payment due date. We reviewed a sample of five recent bills sent to five different host entities and found that all of the five sample bills had payment due dates posted on them. Further, College officials told us that they routinely call the satellite clinics to pursue those accounts that are past due. According to officials, one satellite clinic had a 99 percent collection rate for the period July 1, 2002 through June 30, 2003.

Recommendation 2

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

Status - Implemented

Agency Action - We met with two supervisors regarding adherence to procedures for collecting past due patient accounts. Both supervisors demonstrated to us that unit procedures were being followed. For example, the supervisor in charge of clinic operations showed us daily listings that were provided to the cashiers, as required by the past due account collection procedures, which detailed the co-pays, referrals and past due balances for clinic patients seen that day. The supervisor of the unit charged with billing insurance companies, provided us with documents to support that follow up bills were submitted to the insurance companies.

Recommendation 3

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

Status - Partially Implemented

Agency Action - Subsequent to the original audit, College officials developed written procedures for referring delinquent accounts to the Attorney General's Office. These procedures require the College to refer delinquent accounts first to an outside collection agency and then to the Attorney General's office after the collection agency has exhausted all efforts. College officials believe that they can achieve higher collection rates by following these procedures rather than referring them directly to the Attorney General's Office because the dollar amounts owed are very small. We reviewed several financial reports for the month of August 2003, that indicated that the College has accounts receivable that were five months past due. College officials confirmed to us that they have not referred any delinquent accounts to the Attorney General's Office under these new procedures because they were adopted in the summer of 2003 and sufficient time had not elapsed for the collection agency to exhaust all their efforts at collection. Exhausting all collection efforts is a good requirement for a collection agency. However, a deadline after which accounts are turned over to the Attorney General's Office is also necessary.

Recommendation 4

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

Status - Implemented

Agency Action - The College has established procedures for the write-off of accounts receivables, including write-off criteria and the appropriate level of authorization. According to these procedures, write-off criteria varies according to the payment source, and all write-offs of accounts receivable must be approved by the Patient Accounts Supervisor, Managed Care Billing Manager and/or the Associate Director of Clinical Finance.

Recommendation 5

Ensure there are current contracts for all satellite office locations.

Status - Implemented

Agency Action - College officials told us that as of September 5, 2003, the College had 27 current contracts with satellite offices. We reviewed five of those contracts and found them to be current.

Recommendation 6

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

Status - Implemented

Agency Action - College officials have established written policies and procedures for IFRs including the methodology and required approval for allocating funds to the IFRs.

Recommendation 7

Ensure that employees follow required sign-in procedures.

Status - Implemented

Agency Action - We reviewed copies of sign-in sheets for three sample days (January 3, 2003, March 5, 2003 and July 3, 2003) and found that the employees followed required sign-in procedures.

Recommendation 8

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

Status - Implemented

Agency Action - College officials told us that they now routinely compare sign-in sheets to timesheets and investigate discrepancies. In order to confirm this activity, we compared a sample of sign-in sheets to timesheets, and did not find any discrepancies.

Recommendation 9

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

Status - Implemented

Agency Action - We examined copies of recent public safety officer sign-in sheets for September 2 and 3, 2003, and found that single daily log sheets are utilized for sign-in.

Recommendation 10

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

Status - Implemented

Agency Action - College officials provided us with a list of all College employees at the time of our review. From that list, we selected 15 employees to determine whether they submitted their timesheets in a timely manner. We found that 14 of the 15 timesheets had been submitted in timely manner. One other time sheet was lacking a receipt date by the Payroll Department, thus it was not possible to determine whether this timesheet had been submitted on time. We also found documentation to support that the College withheld the paycheck of one employee, not in our sample of 15, who submitted a timesheet in an untimely manner.

Recommendation 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.

Status - Implemented

Agency Action - College officials provided us with a spreadsheet used to update employee leave balances and samples of e-mails to employees notifying them of their annual leave balances.

Recommendation 12

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

Status - Implemented

Agency Action - College officials provided us with a copy of an Undeliverable Payroll Check Report, which indicated that one unclaimed check over 30 days old was returned to the Department of Taxation and Finance, Division of the Treasury. Officials informed us that this was the only such check since our last audit.

Recommendation 13

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

Status - Implemented

Agency Action - We found that the College hired an outside consultant, American Appraisal Associates, to conduct annual inventories of equipment. The consultant performed such inventories as of February 2001 and September 2002. The College has decided not to perform physical inventories throughout the year.

Recommendation 14

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

Status - Implemented

Agency Action - College officials provided us with a copy of the most recent inventory reconciliation, and a printout of the PCS as of April 2003, with handwritten notes to update the PCS. We randomly selected 19 items from the most recent inventory and verified that they had been added to the PCS.

Recommendation 15

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

Status - Implemented

Agency Action - The College has added new equipment purchases to the PCS on a weekly basis. We randomly selected nine new equipment purchases and verified that they were listed both on the asset log and on the PCS.

Recommendation 16

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

Status - Implemented

Agency Action - The College has reported lost or stolen equipment on a quarterly basis to the State Comptroller's Office, in accordance with the New York State Accounting System User Procedure Manual.

Major contributors to this report were Brian Mason, Karen Bogucki and Ken Haque.

We would appreciate your written response to this report within 30 days, indicating any actions planned or taken to address the unresolved matters discussed in this report. We thank the management and staff of the College for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Steven E. Sossei
Audit Director

cc: Dr. Alden N. Haffner
Mr. Kevin O'Donoghue
Ms. Diedre A. Taylor