A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

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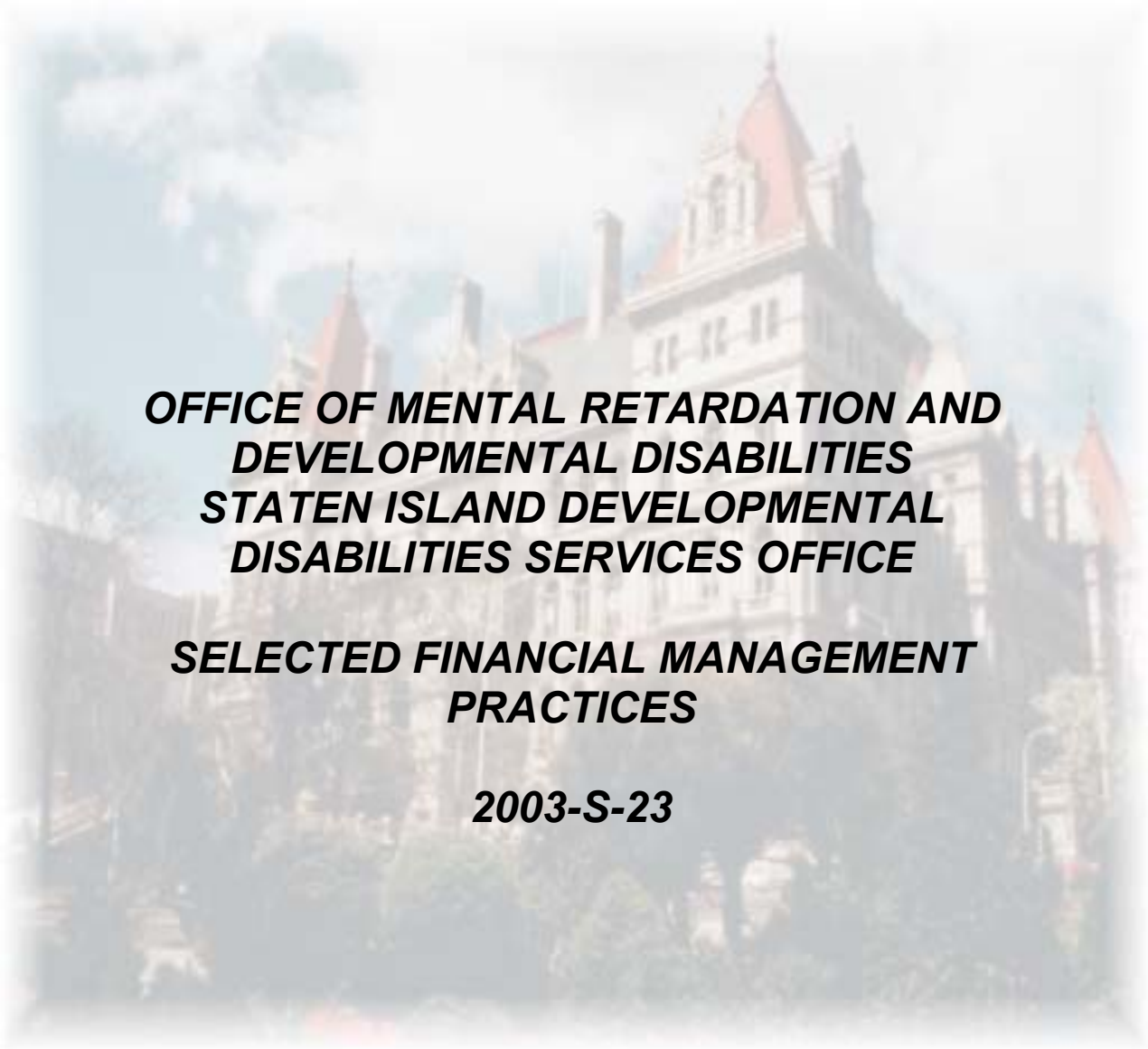

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES STATEN ISLAND DEVELOPMENTAL DISABILITIES SERVICES OFFICE

SELECTED FINANCIAL MANAGEMENT PRACTICES

2003-S-23

DIVISION OF STATE SERVICES

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Report 2003-S-23

Mr. Thomas A. Maul
Commissioner
Office of Mental Retardation and Developmental Disabilities
44 Holland Avenue
Albany, NY 12229

Dear Mr. Maul:

The following is a report of our audit that addressed selected financial management practices of the Staten Island Developmental Disabilities Services Office during the period April 1, 2002 through September 22, 2003.

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 State Services

May 10, 2004

EXECUTIVE SUMMARY

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES
STATEN ISLAND DEVELOPMENTAL DISABILITIES SERVICES OFFICE
SELECTED FINANCIAL MANAGEMENT PRACTICES

SCOPE OF AUDIT

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides a comprehensive system of care for over 120,000 individuals (consumers) with developmental disabilities and their families through 13 Developmental Disabilities Services Offices (DDSOs) and a community-based network of not-for-profit private agencies and State-operated programs. The Staten Island DDSO is responsible for coordinating and delivering services to consumers residing within the New York City borough of Staten Island. In March 2003, the Staten Island DDSO (Staten Island) served 343 consumers residing in various settings ─ at a campus on Forest Hill Road, at 23 State-operated homes, at South Beach Psychiatric Center, and with family care providers (FCPs). For the State fiscal year that ended on March 31, 2003, OMRDD officials reported that Staten Island had total expenditures of $34.3 million, including $30.8 million for personal service costs for its 783 employees.

Our financial related audit addressed the following question relating to selected financial management practices of Staten Island for the period April 1, 2002 through September 22, 2003:

- Has Staten Island implemented adequate internal controls over consumer funds, employee overtime, employee time and attendance, and equipment inventory that provide reasonable assurance that assets are safeguarded and funds are expended appropriately?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found internal control weaknesses over consumer funds, employee overtime, employee time and attendance, and equipment inventory. As a result, there is an increased risk that funds for these areas may not have been accounted for properly or used for their intended purposes.

Staten Island is responsible for maintaining an adequate system of control over the personal funds of consumers. Staten Island's campus, State-operated homes, and FCP homes are required to maintain personal allowance accounts to meet the personal and recreational needs of the consumers in their care. They must keep a ledger card showing all deposits, balances, dates, and descriptions of transactions; and retain the original receipts for purchases that were made on behalf of low-functioning consumers who are not capable of making their own purchases. Supporting documents are required to ensure that withdrawals have been authorized and that purchases have actually been made with the funds. Our review found that Staten Island had conflicting information about the ability of consumers at FCPs to manage their own funds. Consequently, these FCPs did not keep personal allowance ledger cards or purchase receipts for the consumers in their care; and Staten Island's Family Care Home Liaisons, who monitor the care and maintenance of consumers in FCP homes, could not account for the purchases made with the consumers' funds. We also found that account balances for some consumers exceeded the maximum allowed, FCPs had commingled consumer funds with their own funds, and required receipts were missing at both FCP and State-operated residences. As a result, we could not be assured that consumer funds were being used for the benefit of the consumers. (See pp. 11-16)

We determined that controls relating to the documentation of employee overtime, as well as controls over employees signing in and out at the State-operated residential homes, need improvement. Consequently, there is an increased risk that employees are not receiving the correct compensation for the time they actually work. (See pp. 17-20)

Staten Island's business officer is accountable for the maintenance and utilization of all furniture, equipment, stores, and other articles provided for each facility; and is required to monitor and review inventory levels and controls by performing periodic physical inventories. Instead, inventories are performed by facility supervisors or team leaders — the same individuals responsible for safeguarding the assets — through participation in biennial surveys at their locations, without adequate oversight from the Business Office or accountability for missing items. (See pp. 21-24)

Our report contains 11 recommendations to improve the financial practices of the Staten Island DDSO.

COMMENTS OF OMRDD OFFICIALS

OMRDD officials agreed with the report's recommendations and indicated that Staten Island has already taken steps to implement some of them and has developed plans to implement the remainder. A complete copy of OMRDD's response is included as Appendix B.

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INTRODUCTION

Background

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides a comprehensive system of care for more than 120,000 individuals with developmental disabilities (consumers) and their families through 13 Developmental Disabilities Services Offices (DDSOs) and a network of not-for-profit private agencies and State-operated programs based in the communities. The Staten Island DDSO (Staten Island) is responsible for coordinating and delivering services to consumers residing within the New York City borough of Staten Island. In March 2003, Staten Island served 343 consumers residing in various settings — 113 on campus at 14 residences, 115 at 23 State-operated homes throughout the borough, 62 at South Beach Psychiatric Center, and 53 with family care providers. Family care providers (FCPs) are private individuals living on Staten Island whose homes have been certified by the DDSO as Family Care Homes where consumers can be placed.

For the State fiscal year that ended on March 31, 2003, OMRDD officials reported that Staten Island had total expenditures of $34.3 million, including $30.8 million for personal service costs. Staten Island has 783 employees working at the State-operated residential homes located on campus at 1150 Forest Hill Road, as well as at South Beach Psychiatric Center and other locations throughout Staten Island.

Audit Scope, Objective and Methodology

We audited Staten Island's controls over selected financial management practices for the period April 1, 2002 through September 22, 2003. The objective of this financial related audit was to determine whether internal controls over consumer funds, overtime, employee time and attendance, and equipment inventory provide reasonable assurance that assets were safeguarded and funds were expended appropriately. To accomplish our objective, we interviewed Staten Island officials and reviewed applicable laws, rules, regulations, policies, and procedures.

To test controls over consumer funds, we randomly sampled 25 of the 361 consumer accounts listed on the Client Cash System as of April 25, 2003, and sought to determine whether all required documentation related to selected withdrawals from those accounts had been retained at the appropriate location. This sample included 8 consumers who resided with 7 different FCPs (out of 53 total FCP homes under Staten Island's jurisdiction), 12 consumers residing in 8 of the 14 residences on the Staten Island campus, 4 consumers residing in 2 of 23 State-operated homes throughout Staten Island, and 1 consumer residing at South Beach Psychiatric Center. We also reviewed the records of five additional consumers who lived in the same FCP homes as the eight selected as part of our sample. Therefore, we reviewed the records of 13 consumers in residence with FCPs, and 30 consumers in total.

To determine the adequacy of controls relating to employee overtime and other employee time and attendance practices, we randomly selected 25 of the 100 top overtime payees from a download of the State's PaySR payroll system for the period of April 1, 2002 through April 9, 2003. We judgmentally selected two pay periods for the sampled employees, and reviewed supporting documentation for evidence that the employees had worked the overtime for which they were paid. We also observed employees' sign-in/sign-out procedures at five judgmentally-selected residential homes.

To determine whether controls over equipment inventory had been maintained properly, we obtained a printed listing of Staten Island's equipment from the Equipment Inventory System and attempted to physically locate and identify equipment inventory items that were listed, as of September 22, 2003, at the five judgmentally-selected residential homes housing the most consumers (from among all 38 residential homes). We judgmentally selected a sample of 67 items from this printout that were described as being located at the five sampled residential homes to verify that the items were actually at those locations. We selected the 67 items because they were considered high-theft items such as computers, computer monitors and printers, televisions, DVD players and video cameras.

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 OMRDD

operations included within the audit scope. Further, these standards require that we understand OMRDD's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations 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 our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. We focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort reviewing operations that may be relatively efficient or effective. As a result, we prepare our audit reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Internal Control and Compliance Summary

Our evaluation of the internal controls over consumer funds, employee overtime and attendance, and equipment inventory identified several control weaknesses. As a result of these control weaknesses, there is an increased risk that funds

for these areas may not have been used for their intended purposes or accounted for properly. Details of these matters are discussed in the appropriate sections of this report.

Response of OMRDD Officials to Audit

Draft copies of this report were provided to OMRDD officials for their review and comment. Their comments were 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 Commissioner of the Office of Mental Retardation and Developmental Disabilities 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.

CONSUMER FUNDS

The Staten Island Business Office, centrally-located on site at the Forest Hill Road campus, maintains on its Client Cash System a cash account for every consumer. This system records every deposit and withdrawal for each account. Typical transactions include deposits of Social Security checks and withdrawals for items consumers need or want, such as clothing, televisions, movie tickets, or meals at restaurants. The campus, State-operated, and FCP homes are required to maintain these personal allowance accounts to meet the consumers' personal and recreational needs. They must keep a ledger card showing all deposits, balances, dates, and descriptions of transactions; and retain the original receipts for purchases that were made on behalf of low-functioning consumers who are not capable of making their own purchases. Supporting documents are required to ensure that withdrawals have been authorized and that purchases have actually been made with the funds. We reviewed cash withdrawals and the receipts for purchases made by social workers and FCPs for low-functioning consumers, as well as payments to consumers placed with FCPs. We took surprise counts of cash on hand and sought to reconcile them to the recorded consumer cash balance being maintained at the consumers' residences.

Our review found that Staten Island had conflicting information about the ability of consumers at FCPs to manage their own funds. Consequently, these FCPs did not keep personal allowance ledger cards or purchase receipts for the consumers in their care; and Staten Island's Family Care Home Liaisons (FCHLs), who monitor the care and maintenance of consumers in FCP homes, could not account for the purchases made with the consumers' funds. We also found that account balances for some consumers exceeded the maximum allowed, FCPs had commingled consumer funds with their own funds, and receipts were missing for purchases made on behalf of low-functioning consumers at both FCP and State-operated residences. As a result, we could not be assured that consumer funds were being used for the benefit of the consumers.

Controls over Funds of Consumers Residing in FCP Homes

OMRDD's Users Guide to Personal Allowance (Users Guide) states that each residential agency must document the decision about who should manage a consumer's "personal allowance" — that portion of his/her income that every resident of an OMRDD-certified or -operated facility is free to spend each month. The Users Guide states that, if a consumer is not capable of spending his/her money, the payee or the residential agency/facility staff may give guidance and assistance. The payee is ultimately responsible and accountable for the use of money deemed as personal allowance. Ideally, the individual would spend this money at will; but if he/she is not capable of doing so independently, guidance and assistance may be given. The DDSO is considered the payee for such personal allowances that are provided to all consumers under the care of either a DDSO or an FCP. Therefore, it is the responsibility of a DDSO to determine who may make use of the funds. Staten Island's FCHLs use this information to help them assess the FCP's performance in safeguarding the consumers' funds. If consumers are not capable of managing their own funds, the FCPs make purchases for them, which they are required to list on a personal allowance account ledger. The FCP must obtain and retain purchase receipts and submit them to the FCHL as proof that the purchase was made for the benefit of the consumer.

Although the Client Cash System indicated that all 13 of the consumers residing in the 7 FCP homes whose records we examined were not able to manage their personal allowance accounts, the Family Care Supervisor told us that, in fact, 9 of the 13 had that capacity. We requested the documentation Staten Island should have maintained about its most current assessment of each consumer's money-management ability, but it was not provided. With such conflicts between the information maintained in the Client Cash System and the undocumented information provided by the Family Care Supervisor, Staten Island cannot know which consumers are capable of managing and spending their own funds, who needs assistance in doing so, and on whose behalf the FCP must manage and spend the funds. These unanswered questions weaken the controls that protect the money of consumers living in Family Care Homes.

In its response to our draft report, OMRDD officials stated that all consumers residing in the family care program will be assessed on an annual basis on their abilities to manage personal funds. The status of the consumers' abilities will be provided to the FCHLs. If a consumer is able to handle his/her own funds, a notation to that effect will be made on the personal allowance ledger. There will be one entry on the ledger to identify when the funds came to the FCP and one entry to identify when the funds are transferred to the consumer. The FCHL will monitor the personal allowance ledgers on a monthly basis to ensure compliance. In addition, the response stated that all providers have been retrained on this issue during the annual training session that began on September 22, 2003.

The Users Guide and the New York State Official Compilation of Codes, Rules and Regulations (NYCRR) state that the FCP is required to maintain a personal allowance account ledger card for each consumer, noting all deposits and cash withdrawals, including the date of each transaction. The Users Guide limits the amount of cash that can be kept on hand for each consumer at FCP residences to $150. In addition, it requires that personal allowance money kept at an individual's residence must be kept under conditions that assure accountability and protection and make it available immediately upon request of the consumer. An accounting for the receipt and use of this money must be documented at the residential site. NYCRR requires such an accounting process for these funds so that personal allowance money can be identified clearly as separate from any funds belonging to the FCP. The Users Guide requires, in most instances, that a receipt be obtained to document any disbursement made from personal allowance moneys. The receipt should clearly indicate the item, the amount, the date of purchase, and the vendor. The receipt amount should correspond with the entry for the expenditure on the ledger card. When a receipt is not necessary — for instance, when the funds are used for group purchases or routine recreational expenditures such as tickets to movies, ball games, amusement parks and occasional meals in restaurants — the purchase must be described on the ledger card.

We determined that physical and record-keeping controls over consumers' personal allowance money at the FCP homes need improvement. We found that personal allowance account ledger cards for six consumers were not maintained and receipts for six other consumers were not maintained, while three FCPs

commingled their own funds with the funds of consumers in their care. Consequently, there is an increased risk that funds may be misappropriated or misused by those responsible for safeguarding them.

We also found that:

- For two consumers in the same FCP home, who were verbally described by the Family Care Supervisor as not capable of managing their own money, personal allowance account ledgers were not maintained; there was no record of the dates monthly personal allowance funds were received or withdrawals were made from those funds. Neither the FCHL nor the Family Care Supervisor provided any explanation for this lack of documentation.

- Because personal allowance account ledger cards were not maintained for six consumers described as capable of managing their own money, we could not determine when the FCP provided them with personal allowance funds or how much was given. Neither the FCHL nor the Family Care Supervisor could provide any explanation for this lack of required documentation.

- Dates had not been entered on the ledger cards for 33 of 40 withdrawals totaling $745 that were made in December 2002 on behalf of 5 sampled consumers, 3 of whom were described as not capable of managing their own funds.

- Cash on hand for two consumers at one FCP residence exceeded the $150 limit ($342 and $420).

- Two FCPs had commingled their own funds with the funds of consumers in their care. At one FCP's home, one of the two consumers was described as not capable of managing her money. The receipts provided for this consumer in support of three purchases the FCP made on December 12, 2002, for a total of $359, showed that they had been made with a credit card along with the FCP's own personal purchases of $150. In addition, the same FCP provided two purchase receipts, totaling $17, that were not entered on the ledger card.

- Neither purchase receipts nor descriptions of the purchases that could substitute for receipts were provided for 30 of 39 purchases that had been made in December 2002 on behalf of six consumers, four of whom were described as incapable of managing their own funds.

In its response to our draft report, OMRDD officials stated that actions were taken, including:

- To ensure that a personal allowance ledger is maintained in a current and accurate manner, the FCPs have been trained on the requirements beginning September 22, 2003 and this will continue on an annual basis;

- All providers were notified on September 24, 2003 that the cash on hand may not exceed $150;

- All providers were notified during the annual training, beginning September 22, 2003, that they could not commingle provider and consumer funds; and

- All providers were notified during the annual training that they must have receipts for purchases over $10.

Controls over Funds of Consumers Residing on Campus and at State-Operated Homes

The Users Guide requires that cash maintained at the consumer's residence be furnished immediately upon request. It also states that personal allowance funds maintained in an account shall be made available within three business days after the individual's documented request is received. We reviewed the consumer cash accounts of 17 sampled consumers who resided on campus or at a State-operated facility. We noted that between 7 and 43 days had elapsed from the time cash withdrawals for 7 sampled consumers were entered on the Client Cash System to the dates those amounts were posted to the consumers' personal allowance ledger cards at their homes. For 6 of the 7 withdrawals, the cash remained at the Business Office and was not available to the consumers until the dates the transactions were posted to the ledger cards. Four of the consumers with 43 days of elapsed time were residents of the same home. A range of 7 to 43 days of elapsed

time would appear to be excessive; the Business Office and the residences of all 6 are located on the same campus. For the remaining cash withdrawal, the funds were transferred to the residential home five days before the transaction was posted to the ledger card. Until the transaction is posted, no evidence exists that the cash was on hand at the home, risking the possible misuse of the cash.

In response to our draft report, OMRDD officials stated that Staten Island program mangers and team leaders received in-service training in October 2003, where they were issued guidelines (dated October 7, 2003) outlining the requirement to pick up consumer funds requested from the business office in a timely manner and deposit the funds promptly on the consumer's personal allowance ledger card.

Recommendations

1. Document and update the Client Cash System with the latest assessment of the consumers' capability to manage their personal allowance money.

2. Ensure that requirements in OMRDD's *Users Guide to Personal Allowance* and the *New York State Official Compilation of Codes, Rules and Regulations* are followed, including:

   - Maintain the personal allowance ledger card properly.
   - Keep a maximum of $150 on hand for each consumer.
   - Keep a separate accounting and physical custody of each consumer's funds.
   - Obtain and retain receipts for all purchases requiring them.
   - Document the reasons for missing purchase receipts.

3. Ensure timely accounting of withdrawals from consumer accounts when funds are to be transferred to the consumer's residence. A withdrawal listed on the Client Cash System should be mirrored by a receipt of cash at the consumer's residence.

OVERTIME AND EMPLOYEE ATTENDANCE

Controls over employee overtime and attendance are important tools that can provide reasonable assurance that employees are receiving the correct amount of reimbursement for the time they actually work. According to the New York State Payroll System (PaySR), Staten Island's overtime costs totaled $1.73 million for the fiscal year that ended on March 31, 2003, with payments made to 582 employees. To determine the adequacy of controls relating to overtime and employee time and attendance, we obtained a PaySR database of all overtime payments made to Staten Island employees for the period April 1, 2002 through April 9, 2003. We randomly selected 25 of the 100 top overtime payees from the database. These 100 payees received a total of $932,453 in overtime payments for the time period. We judgmentally selected two pay periods for the sampled employees and reviewed supporting documentation, such as properly-completed time records and proper approvals, for evidence that the employees worked the overtime for which they were paid. The pay periods selected were chosen from the PaySR database. We selected periods where we saw that overtime payments were made to the sampled overtime payees. We also judgmentally selected 5 of the 38 on-campus or State-operated residential homes throughout the borough housing the most consumers to observe employees signing in and out during a shift change to determine the strength of internal controls over that process.

We determined that controls relating to the documentation of overtime, as well as controls over employees signing in and out at the State-operated residential homes, need improvement. Consequently, there is an increased risk that employees are not receiving the correct compensation for the time they actually work.

Overtime

Staten Island uses three official forms to track and document time worked by its employees. Those forms are a Daily Attendance Record used by employees to sign in and out, a 28-day Time and Accrual Record that employees use to summarize their time and attendance over the period, and an Overtime

Authorization Roster used by the Payroll Office to process the number of hours of overtime worked. All three forms should be prepared properly and reconciled before an overtime payment is processed. An employee's regular work shift and overtime at Staten Island is initially captured on the Daily Attendance Record. This form is designed to record the employee's identification number, signature and actual time-in when reporting for duty; his/her signature and actual time-out upon completing the work shift; any hours of overtime earned; and other information.

Civil Service law and Staten Island time and attendance procedures define overtime as hours worked in excess of 40 hours in the Thursday-through-Wednesday workweek by an officer or employee who is eligible to earn overtime. Staten Island procedures require all unionized employees, except for supervisors, to record their attendance daily by signing the Daily Attendance Record.

Supervisors prepare an Overtime Authorization Roster (OAR) form for any overtime worked by their employees for a given pay period. Entries on the form include identification of the building or department where the work took place, the employee's Social Security number, the number of overtime hours worked, the reason for the additional work, and the day and date the hours were worked. Although the OAR must be approved by "Authorized Business Office Personnel" before the employees can be paid for the number of overtime hours it is intended to document, as a matter of practice, the completed form is forwarded directly from the homes to the Payroll Office and entered for payment. Payroll staff does not check the accuracy of the overtime claim.

We found that Staten Island's controls relating to the documentation of overtime need improvement. To determine whether the overtime had been approved and calculated accurately for our sampled employees, we reviewed 203 instances, or 1,041 hours, of overtime paid amounting to $30,291. We concluded that 4.4 percent of overtime paid to the employees we sampled during the pay periods we reviewed — or $1,317 — was unsupported or had been miscalculated. We based our conclusion on the lack of documentation that the overtime was actually worked. Our review identified the following types of problems:

- Three sampled employees were paid $557 for 13.25 hours of overtime in 3 of the 35 instances we reviewed, even though these employees had not signed in or out when they reported to or completed work for the overtime shift, contrary to Staten Island time and attendance procedures. Therefore, we could not determine, and Staten Island could not support, that they had actually worked the overtime for which they were paid. The same was true for 2 other employees who were paid $513 for 23.25 hours of overtime without documentation for the time they completed their overtime shifts.

- Staten Island miscalculated the overtime payments made to 8 sampled employees, resulting in an overpayment of $247 for 7 hours. We based our conclusion on the overtime hours documented on the Daily Attendance Sheet.

In response to our draft report, OMRDD officials stated that the Personnel Department developed and issued a policy memo in January 2004, to be updated as appropriate and issued annually, that included information on sign-in procedures, overtime, lateness, etc. In addition, to insure that these policies are carried out, the Personnel Department would conduct a random audit of 10 percent of the employees at each work location once each year. The audit will review the time records for accuracy and completeness. A report will be issued on each audit to the employee's supervisor, advising him or her of the necessary corrections or adjustments. The officials also stated that OMRDD is in the process of implementing a new time information management electronic system, which will automatically calculate hours worked once employees record sign in and sign out values. This system is estimated to be completed in 2004. Regarding the possible overpayment of overtime described in the draft report, OMRDD officials stated that Staten Island expects to complete, by March 2004, an analysis of the overtime payments in question, and implement a process to recoup any excess payments.

Time and Attendance

We also reviewed the controls over regular time and attendance for the sampled employees and found the following:

- There was neither a record of attendance nor a charge to leave credits for one day during the two pay periods we reviewed for each of four employees. We calculated that the four employees earned $757 on these days when they did not document their attendance at work. In addition, two employees did not record sign-out times at the end of their regularly-scheduled shift on one day. Consequently, we could not determine whether these employees had worked the entire shift. We calculated that the two employees earned $300 for these shifts where there was no documentation of the actual time at work.

- One sampled employee signed in 1 hour and 15 minutes late on January 29, 2003, and signed out 45 minutes early on February 18, 2003, without any charge to her accrued leave credits.

In response to our draft report, OMRDD officials stated that the Personnel Department's policy memo, issued in January 2004 and to be updated as appropriate and issued annually, included information on sign-in procedures. This memo was in addition to the supervisory training classes and to the employee handbook that is given to all employees.

Recommendations

4. Enforce procedures that require employees to sign in at the start and sign out at the completion of their work shifts.

5. Determine whether correct overtime payments were made to the employees in our sample, and recoup any excess payments.

6. Enforce procedures that require employees to charge leave accruals for lateness or early departure from work.

EQUIPMENT INVENTORY

The Staten Island Business Office follows the *OMRDD Business Office Manual* (Manual) to control inventory. According to the Manual, a facility's business officer is accountable for the careful maintenance and utilization of all furniture, equipment, stores, and other articles provided for the facility. The Manual also makes the business officer responsible for effectively monitoring and reviewing the levels of, and controls over inventory through periodic physical inventory. Staten Island uses OMRDD's automated Equipment Inventory System to record the acquisition, movement, and disposal of items, not only within a given facility but also between facilities. The fundamental objectives of this system of equipment control are: to provide Staten Island's management with an effective system for monitoring, controlling, and recording all equipment utilized at the center; to provide a safeguard against loss; and to facilitate effective utilization, i.e., the determination of need and identification of surplus.

The Manual states that each DDSO's business office is responsible for maintaining accurate and complete equipment inventory records and an effective equipment control system. The Manual requires all equipment purchases with a value of $200 or more to be recorded on the Equipment Inventory System and labeled with a "Property of SIDDSO" inventory control tag. It also requires the number-tagging of equipment purchases valued at $500 or more with the name of the agency and an inventory number. Equipment items include furniture, appliances, electronic equipment, and medical devices. In addition, all high-theft equipment, regardless of purchase price, must be recorded on the system and tagged in the same manner as items valued at $500 or more. When an item is permanently transferred to another location, the unit supervisor is to prepare documentation about the new location and enter it on the system, and each item is to be assigned to a specific location.

Equipment control procedures also require that a physical inventory be conducted annually for all equipment and that a record of lost or unaccounted items be submitted by the Property Manager to the Business Officer, who must approve

the removal of items from the records. We observed the following at the Staten Island facility:

- With the assistance of team leaders or supervisors, we searched for 67 equipment items they were responsible for safeguarding at the 5 residential homes. Seventeen of the items (12 computers and computer accessories, 4 high-theft electronic equipment items, and 1 loveseat) could not be found. In its response to the draft report, OMRDD officials stated that 7 of the 17 items were identified as being condemned or surplussed, but the equipment inventory system was not updated to reflect this information. They also stated that three of the other missing items had apparently been stolen and a report was filed with the appropriate authorities and Staten Island is continuing to investigate the other seven items. OMRDD officials stated that the Business Office will update policy procedures as necessary and provide the corresponding training to ensure that the equipment inventory system is accurate. The procedures will include the requirement of appropriate supervisory approvals and documentation for equipment that will be surplussed or condemned

- When we visited the residence at South Beach Psychiatric Center, we found five computer monitors, one computer and one printer that were tagged but were not listed on the official printout of equipment inventory items that were Staten Island's responsibility.

- Staten Island's Business Office does not perform the required periodic physical inventory of equipment items. Instead, twice a year, it sends a computer printout, or survey, to each of Staten Island's administrative offices and residential homes. Based on the OMRDD automated Equipment Inventory System, this survey lists the equipment items that are supposedly present at those locations. To verify the accuracy of the survey, supervisors or team leaders are required to perform a physical inventory at their locations and indicate on the printout, by virtue of a "yes," equipment confirmed as present and, with a "no," equipment that was not present. A memo accompanying the survey instructs supervisors to attach a "condemning slip" (i.e., retirement/disposition form) for each item that was missing, but the supervisor

is not asked to explain why an item was not found and the slip does not provide space for such an explanation.

This process allows the same individuals who are directly responsible for maintaining custody of and safeguarding the assets to complete the inventory survey as well, without adequate oversight from the Business Office or accountability for missing items. To ensure that independent searches are conducted and the results reported completely, we believe the Business Office should be performing the periodic inventories at each location. According to OMRDD's response to our draft report, the Business Office, working with the Information Services Office, started full equipment audits to update the equipment inventory system. When completed, the equipment inventory system will be current, and include all necessary identifying information. OMRDD officials estimate that this update will be completed by March 2004.

- Staten Island does not have a policy for retiring or deleting equipment assets from inventory. Supervisors or team leaders use the condemning slip to document the reasons equipment items are declared retired or obsolete. Since the decision to retire an asset can be made by a single team leader or supervisor, there is a risk that essentially-new or usable assets might be retired and misappropriated. According to OMRDD's response to our draft report, the Staten Island Business Office will update the policy on when and how to surplus, retire or delete an equipment asset from the inventory.

Recommendations

7. Account for the 17 equipment items that were missing from the 5 locations visited. Ensure that any retired items were disposed of properly, with adequate documentation and supervisory approval.

8. Update the OMRDD automated Equipment Inventory System accurately, including the current locations of all items being safeguarded by the facility.

Recommendations (Cont'd)

9. Enforce requirements to list certain types of items on the OMRDD automated equipment inventory system, including those we found at the DDSO residence at South Beach Psychiatric Center.

10. Ensure that an independent annual periodic physical inventory is performed.

11. Adhere to OMRDD policy on transfers and retirements of assets.

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February 6, 2004

Mr. Kevin M. McClune
Audit Director
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. McClune:

The Office of Mental Retardation and Developmental Disabilities has reviewed the Office of the State Comptroller's draft audit report No. 2003-S-23 entitled: Staten Island Developmental Disabilities Services Office selected Financial Management Practices.

Our responses to the recommendations contained in this report are attached for your consideration. Included in our responses are corrective actions that we have implemented.

Thank you for the opportunity to comment.

Sincerely,

Jan Abelseth

Jan Abelseth
Deputy Commissioner
Division of Quality Assurance

Attachment
cc: Mr. Maul
Mr. Booth

bcc: Ms. DeSanto
Ms. Broderick
Mr. Moran
Mr. Tierney
Ms. Winston
Mr. Sleasman

The Office of Mental Retardation and Developmental Disabilities (OMRDD)
Response to the Office of the State Comptroller's (OSC) Draft Audit Report
Entitled: Staten Island Developmental Disabilities Services Office
Selected Financial Management Practices
2003-S-23

CONSUMER FUNDS

Recommendation #1

All consumers residing in the family care program will be assessed on an annual basis on their abilities to manage personal allowance funds. The results of this assessment will be incorporated into the Individual Profile section of the Individual Service Plan (ISP) on an annual basis, and reviewed semi-annually thereafter. The Medicaid Service Coordinator (MSC) will complete this. The MSC supervisor retrained the MSCs on October 3, 2003 to ensure compliance.

The status of the consumers' abilities will be provided to the Family Care Home Liaison/s(FCHL). If a consumer is able to handle their funds, a notation to that effect will be made on the personal allowance ledger. There will be one entry on the ledger to identify when the funds came to the Family Care Provider (Provider) and one entry to identify when the funds are transferred to the consumer. The FCHL will monitor the personal allowance ledgers on a monthly basis to ensure compliance by the consumers and the Providers. On October 3, 2003 the Family Care Supervisor retrained the FCHL on the responsibility to monitor the status of the consumers' personal allowance funds.

All Providers have been retrained on this issue during the annual training session that began on September 22, 2003 and they will be sent a notice outlining this requirement. Also, during the re-certification of the family care home, the QA unit staff will review the ledgers to ensure compliance.

On October 3, 2003, the client cash system was up-dated to show family care consumers who are capable of managing their own personal allowance money. Any further updates, either adding or removing names of consumers will be forthcoming as assessments reflect change.

Recommendation #2

(a) To ensure that a personal allowance ledger is maintained in a current and accurate manner, the Providers have been trained on the requirements beginning September 22, 2003 and this will continue on an annual basis. In addition, all Providers will be sent a notice outlining their responsibilities in maintaining current and accurate personal allowance ledgers. The FCHL will monitor the ledgers on a monthly basis and when necessary secure corrections to the ledgers immediately. If the Provider is not compliant, the family care supervisor will be informed to ensure corrective actions.

For consumers who are capable of handling their personal allowance funds, the ledgers will identify (one entry) when a Provider receives the personal allowance funds and when

(additional entry) the consumer receives the funds from the Provider. During the re-certification of the family care home, the QA unit staff will review the ledgers to ensure compliance.

(b) All Providers were notified on September 24, 2003 that the cash on hand may not exceed $150. In addition, this topic will be addressed during the annual training of the Providers, and they will be sent a notice outlining limitations on cash-on-hand.

The FCHL will reconcile the ledgers with the cash on hand for each consumer on a monthly basis. When cash on hand exceeds $150, the excess funds will be removed, a receipt given to the Provider and the funds returned to the Business Office for deposit into the consumer's accounts, for those consumers who do not have a bank account in the community. In the event a consumer has a bank account in the community, the FCHL will direct the Provider to deposit the excess funds into the account and ensure that he/she completes this in a timely manner. Any non-compliance on the part of the Provider will be shared with the family care supervisor for resolution and compliance. The FCHL was trained on these issues on October 2, 2003. During the re-certification of the family care home, the QA unit staff will review the ledgers and cash on hand to ensure compliance.

(c) All Providers were notified during the annual training, beginning September 22, 2003 that they could not commingle Provider and consumer funds. This will be addressed during subsequent annual trainings. A notice will also be sent to the Providers instructing them that the commingling of funds is not permissible.

The FCHL will review the ledgers and funds for consumers on a monthly basis to ensure that funds are not commingled. The family care supervisor retrained the FCHL on this issue on October 3, 2003. When a problem is identified, the FCHL will ensure immediate resolution from the Provider. If a Provider is not compliant, the family care supervisor will be informed and ensure compliance. During the re-certification of the family care home, the QA unit staff will review the funds to ensure that there is no commingling of monies.

(d) All Providers were notified during the annual training beginning September 22, 2003 that they must have receipts for purchases over $10. This will be addressed during subsequent annual trainings. A notice will also be sent to the Providers instructing them that they must have receipts for purchases over $10.

The FCHL will review the ledgers on a monthly basis to ensure that there are receipts for any purchases over $10. If there is none, the FCHL will instruct the Provider to resolve the situation immediately. The family care supervisor retrained the FCHL on this issue on October 3, 2003. When a problem persists, the FCHL will inform the family care supervisor for resolution and compliance. During the re-certification of the family care home, the QA unit staff will review the ledgers and receipts to ensure that there is compliance with this issue.

Recommendation #3

The Business Office will provide training to the program managers with regard to the importance of documenting movement of consumer funds onto the personal allowance ledger in a timely

manner. The Business Office will continue to institute a best practice policy of having withdrawals of consumer funds picked up and the deposit indicated on the personal allowance ledger in a timely manner. It will also periodically review the funds awaiting pick-up and notify managers who have not picked up the funds in a timely fashion; if the manager is not available, the team leader will be notified.

The program manager will review the personal allowance ledger to ensure that all entries are made in a timely manner. The team leader will review the personal allowance ledger on quarterly basis to ensure compliance. In addition, the Business Office will conduct random consumer cash audits to ensure compliance.

At the in-service conducted in October 2003, program managers and team leaders were issued guidelines (dated October 7, 2003) outlining the requirement to pick up consumer funds requested from the business office in a timely manner, and to deposit the funds promptly on the consumer's personal allowance ledger card. Every effort will be made to mirror the withdrawal listed on the client cash system by the deposit of funds in the residence. In all cases though, funds are maintained in a secure location prior to being picked up and posted to the consumers personal allowance ledger.

OVERTIME AND EMPLOYEE ATTENDANCE

Recommendation #4

The DDSO informs all employees of the requirement to sign in at the start and to sign out at the end of their work shifts. This is done through supervisory training classes and through the employee handbook that is given to all employees. In addition to this, the Personnel Department will develop an additional policy memo to include the information on sign in procedures, overtime, lateness, etc. This memo was issued in January 2004 and will be updated as appropriate and issued annually.

In order to insure that policies are properly carried out, the Personnel Department will conduct a random audit of ten percent of the employees in each work location once each year. The audit will review the following material for a sample Time and Attendance Record (two pay periods):

- verify that the employee signed in at the start and signed out at the end of each work shift
- the sign-in/sign-out sheet and the T&A sheet will be verified to insure that both are complete and are in agreement
- the T&A sheet will be checked to insure that any lateness or absences are properly noted and charged to leave accruals, if appropriate
- check that all overtime hours are accounted for on the sign-in/sign-out sheets and are properly reflected on the T&A sheet
- audit the Overtime Authorization Roster for completeness – including appropriate signatures, dates, reason for the overtime; overtime payments and dates will also be confirmed in the payroll system.

A report will be issued on each audit to the employee's supervisor, advising him/her of the necessary corrections or adjustments. A follow-up review will be conducted to ensure that all corrections or adjustments are made; supervisors will also be required to indicate the steps they will take to prevent the problems from reoccurring. Those areas that have significant problems will be monitored to insure compliance with the time and attendance policies. A copy of the report will go to the team leader/department head, the residential coordinator and the deputy director as appropriate. Failure to comply will result in appropriate administrative action. Audit forms are being developed, and it is estimated that the audit process will implemented by March 2004.

In addition, OMRDD is in the process of implementing a new Time Information Management Electronic (TIME) system. The new TIME system requires all employees except M/C overtime ineligible employees to record sign-in/sign-out values on their timesheets. The TIME system will do the math to determine hours worked. In addition, if hours are worked in excess of their normal workday/workweek the employee will have to identify the category (overtime, extra time etc.). They will have to indicate the reason, the URC, and other related information. If the hours recorded do not match the sign-in/sign-out sheet, an error message will appear and will have to be corrected, before any extra payments (overtime, extra time etc.) will be made. This is estimated to be completed in 2004.

Recommendation #5
The DDSO will complete the analysis of the overtime payments in question, and implement a process to recoup any excess payments. This process is estimated to be completed by March 2004.

Recommendation #6
See response to recommendation #4.

EQUIPMENT INVENTORY

Recommendation #7
Of the 17 items identified as missing, the response to the preliminary findings stated that seven of these items were identified as being condemned or surplussed; the equipment inventory system was not updated to reflect this information. For three other items identified as missing, apparently they were stolen recently, and a report was filed with the appropriate authorities for investigation. The DDSO is continuing to investigate the other seven items, and it is anticipated that this will be completed by March 2004.

The Business Office will update policy procedures as necessary and provide the corresponding training, to ensure that the equipment inventory system is accurate; the procedures will include the requirement of appropriate supervisory approvals and documentation for equipment that will be surplussed/condemned (see response to recommendation #8 for more information).

Recommendation #8
The Business Office working with the Information Services Office (ISO), who maintains an independent inventory of its equipment, started full equipment audits to update the equipment

inventory system. When completed, the equipment inventory system will be current, and include all necessary identifying information. This is estimated to be completed by March 2004.
The Business Office working with the ISO and other offices, will also update the equipment inventory system policy and procedures as necessary, to ensure that the accuracy of the system is maintained. The policy and procedures will address requirements for equipment that will be transferred or retired, and the criteria for items that should be included in the equipment inventory system. The Business Office will in-service all appropriate DDSO staff regarding their responsibilities to ensure the accuracy of the data contained in the equipment inventory system; this is estimated to be completed by April 2004. The Business Office will also send to each unit and department (on a semi annual basis) a printout of their inventories to verify and update, including an explanation of any discrepancies. The inventory will be given out with the in-service and should be completed by April 2004.

Recommendation #9
The items found at the MDU (on the grounds of the South Beach Psychiatric Center) but not listed on the equipment inventory system have now been entered in the system; as indicated in the response to recommendation #8, in-service is scheduled to be given to appropriate staff by April 2004.

Recommendation #10
The Business Office will verify the equipment inventory in each area once each year with a 10% sample of the items listed on the equipment inventory system. The Business Office will verify that the equipment is properly accounted for and tagged.

If an area has a significant number of problems a more complete review of the inventory will be undertaken. The results of each audit will be reported to the business officer, team leader/department head, residential coordinator, and the deputy director to ensure that appropriate corrective action is taken. For all areas that have a significant number of problems, the Business Office will re-audit the area once the corrective actions are completed to ensure compliance.

Recommendation #11
The Business Office will update the policy as necessary and provide training regarding transfer and retirement of assets (see response to recommendation #8). The Business Office will verify compliance in the annual physical inventory identified in response to recommendation #10.