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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 6, 1997

James L. Stone, MSW
Commissioner
Office of Mental Health
44 Holland Avenue
Albany, NY 12229

Re: Report 96-F-25

Dear Mr. Stone:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the Office of Mental Health (OMH), as of August 31, 1996, to implement the recommendations included in our Report 93-S-74. The report, which was issued May 18, 1994, examined OMH's central office oversight of food service operations.

Background

The Office of Mental Health (OMH) provides inpatient psychiatric care to more than 8,000 individuals in more than 20 adult psychiatric facilities. The largest non-personal service cost incurred by the facilities, next to heat and utilities, is the cost of food. Each OMH facility is primarily responsible for managing its own food service operations. OMH's Bureau of Nutrition Services (BNS) assists the facilities and monitors facility food costs. During the 1995-96 fiscal year, OMH implemented the Cook/Chill system which prepares, cooks, and packages food in one central location and then ships it to the facilities for final preparation and service. Our prior audit concentrated on OMH's monitoring of food costs and its plans to implement the Cook/Chill system.

Summary Conclusion

During our prior audit, we found that OMH needed to improve its procedures for monitoring its food service operations to better identify and correct inefficiencies. We also found that the economic benefits of implementing the Cook/Chill system may have been overstated, as the operating costs were underestimated and fewer people than expected were likely to be served by the system. In our follow-up review, we found that OMH has made progress in implementing the prior audit recommendations. However, OMH continues to have problems identifying customers for the Cook/Chill system.

Summary of Status of Prior Audit Recommendations

Of the seven recommendations in our prior audit, OMH has fully implemented three recommendations and has partially implemented four recommendations.

Follow-up Observations

Recommendation 1

Regularly compare the average daily food costs per person fed among the different facilities.

Status - Fully Implemented

Agency Action - BNS personnel have continued to provide facilities with individual food cost reports on a monthly basis. In addition, BNS has developed a summary report of all facilities' food costs, that is sent to the facilities on a quarterly basis. The summary report data is based on the cost of food issued from OMH's storehouse, as recorded on OMH's mainframe inventory control system. This information is also reviewed in periodic statewide meetings for facility staff and on individual facility consultive visits, when applicable.

Recommendation 2

Investigate why certain facilities' daily per capita costs vary significantly from the overall average.

Status - Fully Implemented

Agency Action - BNS personnel look at many sources for explanations of the daily per capita cost variances. For example, BNS personnel have identified cost differences among facilities for 11 selected locally-purchased commodities and have discussed the data at facility meetings

Recommendation 3

Propose changes to those food service practices that are inefficient.

Status - Fully Implemented

Agency Action - BNS staff have sponsored statewide and regional meetings to discuss staffing, menu, budgeting, and Cook/Chill system implementation. They have also helped institute a centralized food service planning and distribution system to reduce waste in certain facilities. BNS staff and Cook/Chill staff have made site visits to several facilities, including Willard, Manhattan and Kirby; in each case recommendations were made to make facility food service operations more efficient. BNS personnel are also working with OMH's prime vendor of

food supplies to establish an automated ordering system, similar to that which BNS formerly had with the Division of Supply Support.

Recommendation 4

Track changes in practices at the facilities to ensure corrective action is taken.

Status - Partially Implemented

Agency Action - BNS has been cut back from six staff in 1994 to two staff. Officials state that this has affected their ability to closely monitor the facilities. Although we noted several instances of inefficient practices that were addressed by BNS, staff were unable to document how these practices were tracked to ensure that the situations were resolved. BNS staff claim that practices are tracked on an ongoing basis; however, it is difficult and time consuming for them to document much of this tracking.

Recommendation 5

Act without delay to secure enough customers to enable the [Cook/Chill] Center to operate in the most efficient and cost effective manner.

Status - Partially Implemented

Agency Action - Our audit had concluded that the number of potential customers available to receive Cook/Chill products had fallen significantly since OMH originally began planning the system. We had estimated that the Cook/Chill facility would operate at only 66 percent of its designed capacity when it opened in June 1994. We found that BNS staff have made an effort to market their services to several potential customers, including correctional facilities, hospitals, and various State and county agencies. These efforts have generally been unsuccessful. At the end of 1996, the facility was significantly underutilized, operating a single shift daily and producing only about 20 percent of its potential food volume. As a result, the Empire State Development Corporation has been advertising for possible bidders interested in leasing or purchasing the facility.

Auditors' Comments - Although the sale or lease of the facility would eliminate OMH's need for identifying additional customers, OMH should continue to pursue possible customers until there is no longer a need.

Recommendation 6

Reevaluate the expected cost savings from implementing Cook/Chill by:

- *Including the entire cost of operating the Cook/Chill Center;*
- *Reanalyzing the projected reductions in food costs;*
- *Eliminating the savings for inventory reduction after the first year;*
- *Considering the costs involved in renovating facility kitchens; and*
- *Documenting savings related to the cost of equipment maintenance and replacement.*

Status - Partially Implemented

Agency Action - BNS personnel have reevaluated the methodology used to determine the cost savings from Cook/Chill. Their projected net savings to the State for the 1995/96 year were \$3.7 million.

Auditors' Comments - OMH still needs to reevaluate the amount of the food waste savings it includes in its cost savings calculation. OMH projected that Cook/Chill reduced food waste in 1995-96 by nearly \$1.35 million. This presumed that the entire feeding population used Cook/Chill products, although not all facilities were running on the program for the entire year.

Recommendation 7

Use the updated cost savings analysis to track the success of the Cook/Chill project.

Status - Partially Implemented

Agency Action - Implementation of the Cook/Chill system was phased in during the 1995-96 fiscal year, much later than originally planned. OMH has now established a process of tracking the Cook/Chill cost savings on a continual basis with projected savings to reflect actual performance and is looking forward to analyzing data for a full year of complete implementation of operations.

Major contributors to this report were John Buyce, Laurel Jolliffe, Helen Kaczor and Michael Wright.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Patricia Woodworth