State of New York
Office of the State Comptroller
Division of Management Audit

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

EQUIPMENT DISPOSAL AT DEVELOPMENTAL CENTERS

REPORT 95-S-53

H. Carl McCall
Comptroller

State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-53

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

Dear Mr. Maul:

The following is our audit report on the New York State Office of Mental Retardation and Developmental Disabilities plans and procedures for disposal of equipment at the developmental centers.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

September 11, 1995

Executive Summary

Office of Mental Retardation and Developmental Disabilities Equipment Disposal at Developmental Centers

Scope of Audit

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides community-based residential services to more than 81,000 clients, and maintains a network of eleven institutions to care for another 3,370 clients. During the 1994-95 fiscal year, OMRDD spent $12.4 million for equipment, $4.5 million of which was spent on behalf of the eleven institutions. Since 1975, OMRDD has moved away from providing services in an institutional setting toward operating more community-based programs. As a result, several of these large institutions, known as developmental centers, have been closed. Beyond relocating the institutional clients to community residences, OMRDD has needed to dispose of significant amounts of equipment. Through the end of 1994, nine developmental centers had been closed; the 11 that remained are scheduled to be closed by the year 2000.

Our audit addressed the following questions regarding OMRDD's disposition of equipment:

- Has OMRDD established an adequate plan for the disposition of equipment?
- What is the current status of equipment disposal?

Audit Observations and Conclusions

Our audit disclosed that OMRDD's central office relies on each developmental center to deal with the disposition of its own equipment as part of its locally developed closure plan. However, central office officials have not monitored the implementation of this process and, as a result, equipment disposal efforts have not been effective. For example, neither of the two closure plans we examined for facilities scheduled to close in less than one year (Wilton and O.D. Heck) addressed the issue of equipment disposal. Furthermore, we found that local staff at one closed facility (Newark) took some initial steps to make equipment available to other OMRDD facilities, but made no effort to either transfer equipment to other State agencies or sell it to the general public as required by the State Finance Law. As a result, we saw over 2,000 items of equipment still being stored at the former developmental center, which has now been closed for several years. (p. 4)

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Absent formal equipment disposal plans, the next facilities to close appear to be destined for the same situation. When we visited the Wilton Developmental Center just two months before it closed, we found a significant number of usable equipment items stored in various locations, including a complete x-ray facility and numerous seats from passenger vans that had never even been used. Not only did the facility not have an equipment disposal plan, officials had not even started the process to make these items available to other agencies or the general public. (p. 5)

Although OMRDD officials can delegate authority to local staff to dispose of equipment, they retain a responsibility to oversee the disposition and ensure that it is carried out. We recommend that central office officials take a more active role in ensuring appropriate plans are developed and implemented and that equipment is adequately safeguarded and accounted for throughout the closure process. (p. 6)

Comments of OMRDD Officials

OMRDD officials agreed with our recommendations and indicated steps are being taken to implement them.

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Introduction

Background

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides community-based residential services to more than 81,000 clients. It also operates eleven institutions called developmental centers (centers), where another 3,370 individuals reside. In fiscal year 1994-95, OMRDD's expenditures for equipment totaled $12.4 million, of which $4.5 million was spent on behalf of these eleven centers.

For the past 20 years, OMRDD has been transferring an increasing proportion of its clients from developmental centers to community residential programs. This trend began in 1975, when the State agreed to close the former Willowbrook State School, later known as the Staten Island Development Center, and transfer the individuals living there to community-based programs. The plan to close Willowbrook was announced in January 1984, and operations ceased in September 1987. This shutdown was followed by the closing of eight more developmental centers (Craig, Westchester, Rome, Newark, Manhattan, Bronx, J.N. Adams, and Long Island), with the remaining eleven scheduled to cease operations by the year 2000. All of these closures have involved both the relocation of clients and the disposition of equipment.

Disposition of surplus State equipment is governed by Section 178 of the State Finance Law, which grants most of the authority to the Commissioner of the Office of General Services (OGS). The Law does allow individual agencies to transfer unnecessary equipment items between their own operating units without OGS approval, but if such an "in-house" need is not identified agencies are required to promptly notify OGS so the items can be made available to other agencies. If OGS is unable to find a need for the items in another agency, it may decide to offer them for sale to the public. In many cases, OGS holds public auctions to dispose of equipment gathered from many different agencies and locations. In others, the OGS Commissioner grants the agency the authority to sell or otherwise dispose of surplus equipment items locally.

Audit Scope, Objectives and Methodology

We audited OMRDD's plans and procedures regarding the disposal of equipment at developmental centers for the period January 1, 1994 to December 31, 1994. The objectives of our performance audit were to determine whether OMRDD had established an adequate plan for disposal of equipment and to determine the current status of equipment disposal at the centers that were closed, or were in the process of closing, as of December 31, 1994. To accomplish these objectives, we reviewed

applicable State laws and regulations and OMRDD practices, as well as OMRDD's plans for disposing of equipment at the developmental centers scheduled for closure. We also toured the equipment storage facilities at the Rome and Newark developmental centers, which were already closed; and reviewed records and interviewed officials at the O.D. Heck and Wilton centers, which were scheduled to close in the near future. We also surveyed the equipment disposal procedures implemented by contacting the nine District Developmental Services Offices (DDSOs) that had administered the centers that were closed as of December 31, 1994. Finally, we examined OMRDD's equipment control system to determine whether it met the minimum control standards required by the New York State Accounting System User Procedure Manual issued by the Office of the State Comptroller.

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 which are included within our 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 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 agency 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 have been 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, little audit effort is devoted 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 in detail activities that may be functioning properly.

Response of OMRDD Officials to Audit

Draft copies of this report were provided to OMRDD officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B.

In addition to the issues discussed in this report, we have provided these officials with detailed comments concerning other related matters. Although these matters are of lesser significance, our recommendations relating to them should be implemented to improve controls.

Within 90 days after the 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.

Status of Equipment Disposal

Disposal Plan

Prompt disposal of surplus equipment helps reduce the costs of storing unnecessary items, keeping them secure, and preventing deterioration. Furthermore, prompt disposition can eliminate the cost of unnecessary procurements by other State organizations. Timeliness is critical if these unnecessary expenses are to be avoided. Other agencies might be purchasing new, more-expensive items because they don't know comparable surplus items are already available. In addition, surplus equipment will be less valuable for re-sale as it gets older.

We found that OMRDD's central office has made a policy decision that equipment disposal should be a decentralized process. The central office authorized administrative staff at the developmental centers to develop their own closure plans, which are supposed to address the disposition of equipment as well as the placement of clients. Our audit disclosed that this decentralized approach to equipment disposal has not been effective. While OMRDD central office officials can delegate preparation of the plans to the developmental centers, they are still responsible for ensuring that the plans are actually developed and implemented. We found that the central office has not monitored the equipment disposal activities at the individual centers and, as a result, little has been done to either liquidate or utilize surplus equipment.

As of January 1995, OMRDD had closed 9 of the 20 developmental centers it formerly operated. We found that none of these nine had developed a formal closure plan that addressed equipment disposal. We sent questionnaires to the nine DDSOs that had administered the closed centers requesting information about equipment that might have remained after the closings. Officials at four locations (Bronx, J.N. Adams, Manhattan and Newark) responded that much of their equipment is still on hand, even though their centers have each been closed for almost three years or more.

We visited two closed centers (Rome and Newark) to observe equipment still in storage. At the Rome center, which was closed in November 1989 and converted to a correctional facility, we found that the equipment in storage was generally old and in disrepair, appearing to have little value for re-use. Newark Developmental Center closed in July 1991; yet when we visited the center we found a significant quantity of apparently usable equipment in storage. We toured four buildings at this center that housed almost 2,100 surplus items. We observed plumbing supplies in new condition, as well as furniture, refrigerators

and stoves, some of which was still apparently in usable condition. Our audit revealed that, almost four years after closure, officials at the Newark center had still not notified OGS which items should be made available to other State agencies. Furthermore, for individual items that were not operative, center officials should have disposed them as salvage.

In late 1994, we also visited two of the developmental centers scheduled to be closed soon: the Wilton center, which subsequently closed in April 1995; and the O.D. Heck center, which at the time was expected to shut down in the following December. We reviewed the closure plans for both of these centers and found that neither plan addressed the issue of equipment disposal. We also found potentially valuable equipment on hand at both centers. We believe that some of the surplus items in storage at these centers could be used at other facilities. They included a complete x-ray laboratory that had not been utilized for years because the center did not employ an x-ray technician; a medical examination room with examination table, related lighting and peripheral equipment; steel cribs for infants and toddlers; various items of household furniture; and unused bench seats that had been removed from vans used to transport wheelchair-bound clients.

Based on our observations at the centers we visited, it appears that officials only complied with the first step in the equipment disposal process: attempting to transfer items to other units within the same agency. In contrast, although Wilton officials had notified OGS that their center would be closing, they did not identify the surplus equipment that would be available as a result of that shutdown. In fact, OMRDD officials only provided OGS with a brief message about the impending closure on January 30, 1995, just two months before it was scheduled. This did not allow OGS sufficient time to make arrangements for disposal.

OMRDD's central office and DDSOs/developmental centers need to combine resources with OGS to arrange for disposal of surplus items. For example, it may be possible to recycle the van seats by returning them to the original manufacturer or an auto parts distributor. The medical equipment may be needed by another State agency or could be made available for sale to the health care industry, thereby generating revenue for the State. The cribs might be useful in a State-funded day care center or in an infant care program supported by a non-profit provider, or they might be disposed of as scrap metal. It is possible that OMRDD's own community residences could use many of the other items, such as household furniture.

As more of OMRDD's developmental centers close, there will be fewer opportunities to dispose of their surplus equipment internally within OMRDD. Thus, the development of comprehensive disposal plans becomes more essential with each closing, and the role of the central office will be critical to the successful implementation of those plans.

Recommendations

1. Ensure the development of a comprehensive plan for the disposal of equipment as developmental centers are closed. This plan should encompass disposal of the furniture and equipment still housed at the centers that have already been closed.

2. Monitor the implementation of the disposal plan.

3. Coordinate disposal of surplus equipment with all appropriate agencies on a timely basis.

Internal Control Requirements

OMRDD maintains a central computerized equipment inventory system which can be accessed by each DDSO and center. DDSO/center officials are responsible for using the system to accurately manage equipment inventory records for the locations under their control. The Office of the State Comptroller has issued guidelines concerning the internal controls over equipment. Volume XI, Section 3.0400 of the New York State Accounting System User Procedure Manual (Manual) sets forth basic requirements by which State agencies are to maintain control over equipment. We observed some areas in which OMRDD's equipment-control system did not meet these basic requirements.

For example, the Manual recommends that an annual physical inventory of equipment be taken and that the information generated by such an inventory be reconciled with the items on hand. This procedure becomes more significant when a State facility is being closed. However, five of the nine closed centers responding to our survey (Bronx, Long Island, Staten Island, Rome, and Newark) indicated that they had not performed such a reconciliation. Furthermore, neither of the two centers that were scheduled for closure in the near future—O.D. Heck and Wilton—had performed reconciliations. When facilities fail to reconcile their perpetual inventory records of equipment with the list of items on hand or disposed of, it is possible neither to determine what equipment items were available for disposal, nor to account for each item.

Recommendation

4. Ensure that developmental centers undergoing closure reconcile their equipment inventory records both to account for surplus items and to ensure proper disposition of these assets.

Major Contributors to This Report

David DeStefano
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THOMAS A. MAUL
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Executive Deputy Commissioner

August 18, 1995

OFFICE OF THE STATE COMPTROLLER
ROBERT H. ATTMORE
DEPUTY COMPTROLLER

AUG 22 1995

MGMT. AUDIT &
FINANCIAL REPORTING

Mr. Robert H. Attmore
Deputy Comptroller
Office of the State Comptroller
A.E. Smith State Office Building
Albany, New York 12236

Dear Mr. Attmore:

The Office of Mental Retardation and Developmental Disabilities has reviewed the Office of the State Comptroller's Draft Audit Report No. 95-S-53 entitled: "OMRDD Equipment Disposal At Developmental Centers." Our responses to the recommendations contained in this report are attached for your consideration.

Thank you for the opportunity to comment.

Sincerely,

Peter F. Pezzolla BCW

Peter F. Pezzolla
Director of Management Audits
Office of Internal Audits/Controls

Attachment

cc: Mr. Catchpole
Mr. Hopkins
Mr. Kaplan
Mr. Maresca
Mr. Maul
Ms. O'Reilly
Mr. Wallace
Mr. Walsh

Appendix B

Office of Mental Retardation and Developmental Disabilities' (OMRDD)
Response to the Office of the State Comptroller's (OSC)
Draft Audit Report (No. 95-S-53) Entitled:
"OMRDD Equipment Disposal At Developmental Centers"

Recommendation No.1:

"Ensure the development of a comprehensive plan for the disposal of equipment as developmental centers are closed. This plan should encompass disposal of the furniture and equipment still housed at the centers that have already been closed."

Response:

While the further closing of developmental centers is currently under review, OMRDD will implement this recommendation for all existing developmental centers and those that have previously closed. The Commissioner is sending a memorandum to all facility directors the week of August 14, 1995 directing them to develop comprehensive equipment disposal plans and insure that all their equipment inventory records are accurate and complete. These equipment disposal plans are to be incorporated in any overall closure or "downsizing" plans that are being, or may subsequently be, developed. The disposal plans are due to the Commissioner by September 15, 1995.

The Commissioner is further directing the facility directors to immediately discontinue stockpiling surplus equipment and storing equipment for the express purpose of maintaining a cache of spare parts.

Recommendation No. 2:

"Monitor the implementation of the disposal plan."

Response:

Upon receipt of the equipment disposal plans discussed in the response to Recommendation No. 1, the Commissioner will assign a Central Office unit to evaluate and monitor the plans to insure full compliance. The facilities will conduct periodic audits of the effectiveness of their equipment disposal plans and revise them as necessary to further insure implementation.

Recommendation No. 3:

"Coordinate disposal of surplus equipment with all appropriate agencies on a timely basis."

Response:

OMRDD will meet with the Office of General Services (OGS) to explore ways to improve the surplus equipment disposal process and make it more timely. Additionally, OMRDD will pursue with OGS revisions to vehicle contract bid specifications to prevent the unnecessary and costly purchase of van seats in vehicles that are modified for wheelchair use. OMRDD's Central Office will examine its equipment inventory, use and disposal procedures; and take the necessary action to insure that timely referrals are made to appropriate agencies. It will also examine the Equipment Inventory System and make improvements where necessary, including providing adequate support to the field.

Recommendation No. 4:

"Ensure that developmental centers undergoing closure reconcile their equipment inventory records both to account for surplus items and to ensure proper disposition of these assets."

Response:

If further developmental centers are closed, they will have to include a surplus equipment disposal plan in their closure plans. This equipment disposal plan will require a reconciliation of equipment inventory records to account for surplus items and insure their proper disposition. The disposal plan will be monitored by both Central Office and DDSO staff to insure implementation.