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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 8, 1997

Dr. John W. Ryan
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Re: Report 96-F-30

Dear Dr. Ryan:

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 State University of New York (SUNY) Health Science Center at Brooklyn as of December 10, 1996 to implement the recommendations contained in our prior audit report 93-S-50. Our prior audit report, issued April 8, 1994, examined Health Science Center at Brooklyn controls over the maintenance of selected inventory items and controls over the contracting and expenditures related to selected contracts.

Background

The State University of New York's (SUNY's) Health Science Center at Brooklyn (HSCB) includes a hospital, three colleges and a graduate school. The hospital is a tertiary care facility providing third level care for complex medical cases. It provides inpatient beds as well as ancillary services such as laboratory, pharmacy, radiology, referred ambulatory surgery, chronic renal dialysis and routine nursery care.

Summary Conclusion

Our prior audit contained recommendations for improving the bidding, award and administration of contracts and for controlling vendor payments and supplies and equipment recordkeeping. We found that progress has been made in implementing many of the prior report recommendations.

Summary of Status of Prior Audit Recommendations

Of the 20 prior audit recommendations, the HSCB has fully implemented 15, partially implemented 2 and not implemented 3 recommendations. When we prepared the the final report for the prior audit, we determined that it was necessary to delete one recommendation, number 10, that had been made in the draft report of the prior audit.

Follow-up Observations

THE PROCESS FOR SELECTING CONTRACTORS

Recommendation 1

Ensure that future contracts are awarded to responsible bidders; document the selection and award process.

Status - Fully Implemented

HSCB Action - HSCB staff now document the selection and award process using bid sheets which rank bids in price order from lowest to highest.

Recommendation 2

Obtain vendor competition whenever feasible. When dealing with sole source transactions, ensure that the justification is reasonable and documented.

Status - Fully Implemented

HSCB Action - HSCB officials are actively seeking competition whenever feasible. Justifications for sole source transactions are required to be reasonable and fully documented.

PAYMENTS TO CONTRACTORS

Recommendation 3

Consider requiring that subsequent contracts with nursing contractors do not allow them to use Hospital employees when providing services. In the interim, establish controls to prevent simultaneous assignment of Hospital employees to work for both nursing contractors and the Hospital.

Status - Not Implemented

HSCB Action - HSCB officials disagree with this recommendation. They believe HSCB should not restrict the employment options of employees. They point out that there is no law or regulation requiring such restrictions. Consequently, HSCB nurses may continue to work for both HSCB and HSCB nursing services contractors.

Auditor Comments - We continue to believe that this recommendations should be considered because of the control problems inherent in the use of HSCB employees to fulfill contractor responsibilities.

Recommendation 4

Define the methodology that will be used to determine the number of grids and the grid order to be followed when supplementary nursing personnel are employed.

Status - Fully Implemented

HSCB Action - HSCB officials informed us that a grid methodology was developed in 1993 and has been updated and revised as appropriate each year since then.

Recommendation 5

Ensure that nursing contractors are called in grid order, and that calls are documented.

Status - Fully Implemented

HSCB Action - HSCB officials have developed a Contract Personnel Requisitioning Process which was placed in service in 1993. The process outlines the order in which calls are to be placed.

Recommendation 6

Ensure that there are reasonable and predetermined intervals between calls to nursing contractors.

Status - Fully Implemented

HSCB Action - A process for documenting calls has been developed. The HSCB records the date and time that calls are made to contractors and records an explanation when an established order for contacting contractors has been bypassed.

Recommendation 7

Compare contractor sign-in sheets and employee time sheets to prevent duplicate payments for overlapping hours, and recover any overpayments from nursing contractors.

Status - Fully Implemented

HSCB Action - HSCB officials have developed a process where the vendors' invoices and sign-in sheets are compared to the Agency's Master Plan for Advanced Scheduling of Personnel and to the employee's time sheet to determine if any discrepancies exist. All discrepancies that are discovered are to be resolved.

Recommendation 8

Review the reasonableness of food service costs in comparison to nearby hospital facilities.

Status - Not Implemented

HSCB Action - Officials of HSCB disagree with this recommendation. They see no benefits to be derived from this practice as different hospitals have varying requirements.

Auditor Comments - Comparisons of food costs incurred by other facilities will alert HSCB management to instances where food costs incurred by HSCB may be excessive.

Recommendation 9

Designate contract managers for each service contract. Require contract managers verify that vendors comply with the terms of their contracts, and that amounts billed are for services actually received.

Status - Fully Implemented

HSCB Action - Managers were designated to review invoices for the food and nursing contracts. The contract for vascular laboratory services has been discontinued and in-house staff now performs this function.

Recommendation 10

Recommendation deleted

ACCOUNTS PAYABLE CONTROLS

Recommendation 11

Develop written guidelines that require user departments to review vendor invoices, and document approvals. Distribute these guidelines to all persons authorized to approve payment of vendor invoices.

Status - Fully Implemented

HSCB Action - A new policy to ensure proper processing of vendor invoices has been put in place and is now in use.

Recommendation 12

Obtain supporting documentation (such as time sheets of contract therapists, receiving reports or packing slips) to ensure that goods and services have been received.

Status - Fully Implemented

HSCB Action - A new procedure was instituted to ensure that goods and services have been received. The Accounts Payable Office obtains supporting documentation such as time sheets of contract therapists, receiving reports or packing slips prior to processing vouchers for payment.

Recommendation 13

Recover the \$174 overpayment from the contract therapy vendor.

Status - Fully Implemented

HSCB Action - The overpayment of \$174 was recovered from the vendor.

Recommendation 14

Do not process payments based upon facsimiles or photocopies of vendors' invoices. Mark all paid invoices to prevent their reuse.

Status - Fully Implemented

HSCB Action - To prevent duplicate payments, the Accounts Payable Office prepares payment vouchers upon receipt of original invoices. On rare occasions, facsimiles and photocopies of vendor invoices are accepted, provided they are stamped "Accepted as Original" and are authorized by the Accounts Payable Director or Assistant Director. All invoices are stamped to prevent their reuse.

SUPPLIES INVENTORIES

Recommendation 15

Record all receipts and issuances of supplies from inventory.

Status - Fully Implemented

HSCB Action - The HSCB utilizes the Central Supply Receiving Receipt Form and the vendors' shipping documents to record the receipt of supplies into the computerized inventory system. Two forms have been designed to record the issuance of supplies placed on perineal/dialysis trays and isolation carts. The data recorded on these forms is entered into the inventory system to record an issuance of supplies.

Recommendation 16

Investigate all differences between perpetual inventory records and physical inventory counts. Retain documentation supporting any required adjustments to perpetual inventory records.

Status - Partially Implemented

HSCB Action - HSCB has designed a computerized system to implement this recommendation. The system is to become fully operational in the Spring of 1997.

Recommendation 17

Do not issue supplies until requisition forms are received.

Status - Fully Implemented

HSCB Action - HSCB's procedures were changed and now no supplies are issued until the ~~appropriate~~ requisition forms are received.

Recommendation 18

Verify the accuracy of data entered on the computerized inventory system.

Status - Partially Implemented

HSCB Action - HSCB has designed a new computer system which is to be fully operational in the Spring of 1997. Specific steps to implement this recommendation are being designed to accompany the new system.

Recommendation 19

Develop standard order quantities and reorder points for all items in inventory.

Status - Fully Implemented

HSCB Action - Standard order quantities and reorder points for all items in inventory have been established.

EQUIPMENT CONTROLS

Recommendation 20

Property Control Unit: Develop a tracking system to ensure that all PCS-eligible equipment recorded in the asset register is also given an identification tag and recorded on the PCS.

Status - Fully Implemented

HSCB Action - HSCB officials stated that they have strengthened controls in this area by comparing the Property Control Run to the Consolidated Expenditure Report to determine that all PCS-eligible equipment is registered and tagged properly.

Recommendation 21

Public Safety Office: Forward a copy of all equipment removal forms to the Property Control Unit daily. Review these forms on a monthly basis and notify the property control unit of items that have not been returned within one month of the expected date of return.

Status - Not Implemented

HSCB Action - While HSCB has revised certain procedures, the Property Control Unit is still not involved in the process as required by SUNY's Property Control User Manual and as suggested by our recommendation.

Auditor Comments - HSCB procedures should be brought into full conformance with SUNY's Property Control User Manual to achieve specified level of control.

Major contributors to this report were Tom Trypuc, Lesley Padmore and Claude Volcy.

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 wish to thank the management and staff of SUNY and HSCB for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber
Audit Director

cc: Patricia A. Woodworth