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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 11, 1997

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

Re: Report 96-F-42

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 Creedmoor and Kingsboro psychiatric centers, as of December 31, 1996, to implement the recommendations included in our Report 94-S-57. The report, which was issued March 29, 1995, examined the use of quick-pay vouchers at the Bronx, Creedmoor, and Kingsboro psychiatric centers. However, since none of the recommendations were addressed to Bronx, we excluded this facility from our follow-up review.

Background

The Office of Mental Health (OMH) oversees programs relating to the prevention, early detection, and treatment of mental illness. OMH operates psychiatric centers for inpatients and clinics and other programs for its outpatients. All payments made on behalf of New York State agencies must be approved by the State Comptroller's Office (OSC) before the checks can be issued. Quick-pay vouchers are vouchers that are submitted electronically to OSC for payment. Such vouchers may not exceed a certain dollar amount. During our prior audit period, this dollar amount was \$500; since that time, the amount has been increased to \$1,000. During the period July 1, 1995 through December 31, 1996, Creedmoor processed 5,714 quick-pay vouchers totaling \$1.7 million, and Kingsboro processed 4,748 vouchers amounting to \$1.6 million.

Summary Conclusions

During our prior audit, we found that quick-pay vouchers at the Bronx, Creedmoor, and Kingsboro psychiatric centers were generally processed in compliance with relevant purchasing guidelines. However, certain improvements were needed at Creedmoor and Kingsboro to ensure full compliance and to provide stronger assurance that the goods and services paid for were actually received. In our follow-up review, we found that both these facilities have made progress in implementing the prior audit recommendations.

Summary of Status of Prior Audit Recommendations

The prior audit contained six recommendations: two (Recommendations 1 and 2) were directed to both centers, three (Recommendations 3, 5, and 6) were directed only to Kingsboro, and one (Recommendation 4) was directed only to Creedmoor. Of the six recommendations, three have been fully implemented; one has been partially implemented; and two have not been implemented.

Follow-up Observations

Recommendation 1

Do not authorize quick-pay vouchers for payment without written documentation that the goods or services have been received.

Status - Partially Implemented

Agency Action - Our prior audit had found that the Creedmoor and Kingsboro business offices routinely authorized quick-pay payment vouchers for outside medical services without any assurance that the services had been provided. Both Creedmoor and Kingsboro have initiated the use of a new form called "Verification of Outside Medical Services." This form is to be prepared by a facility doctor before a patient receives outside medical services, and then is to be signed by the doctor verifying that the outside medical service had been received. A copy of the form is to be submitted to the business office as support to pay the voucher. Our review of a sample of these vouchers at both centers revealed several instances in which the verification form had not been prepared properly or had not been submitted to the business office. However, we did review the patients' records and verified that the outside services had been provided. Our review of a sample of other quick-pay vouchers processed at both Creedmoor and Kingsboro found adequate documentation. Officials from both facilities informed us that, as a result of our follow-up review, they have taken actions to ensure that there is adequate documentation before outside medical service payments are authorized.

Recommendation 2

Investigate the potential overpayments identified by our audit and recover funds as appropriate.

Status - Fully Implemented

Agency Action - Creedmoor and Kingsboro officials provided information indicating that they had investigated the potential overpayments and determined that all payments were appropriate.

Recommendation 3

Do not divide purchases among different quick-pay vouchers.

Status - Not Implemented

Agency Action - We reviewed purchases made by Kingsboro during the period July 1, 1995 through December 31, 1996, and identified several instances in which purchases of more than \$1,000 had been “split” into smaller amounts to qualify for quick-pay procedures. For example, two \$789 purchase orders for ice cream were issued on the same day, to the same vendor, and processed as quick-pay vouchers. Kingsboro officials explained that the split ordering had been inadvertent, and that they did not intend to circumvent bidding procedures. They added that they are now monitoring purchase requests more closely and have entered into a contract for the ice cream commodity cited above.

Recommendation 4

Ensure that competitive bidding procedures are used for purchases in excess of \$5,000.

Status - Fully Implemented

Agency Action - Our review of a sample of Creedmoor purchases that exceeded \$5,000 found that competitive bidding procedures were followed.

Recommendation 5

Ensure that employee access codes are used by the designated employees only.

Status - Not Implemented

Agency Action - During our review, we observed one Kingsboro employee using the access code and password of another employee. Kingsboro officials explained to us that the employee was new, and was awaiting State Comptroller’s Office approval of his own access code, a process that can take from one to three weeks. They agreed that this incident should not have occurred and have counseled both of the employees involved.

Auditors' Comments - Access codes are only for the designated employee and must not be shared. This breach represents a serious internal control violation that could lead to unauthorized transactions. Kingsboro officials should request a new access code for the employee who shared hers with the new employee.

Recommendation 6

Change the acting Kingsboro business officer's access code.

Status - Fully Implemented

Agency Action - We verified that the prior business officer's access code had been canceled when he left the Kingsboro position.

Major contributors to this report were Albert Kee and Gennaro John Petillo.

We would appreciate your written response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report. We also would like to take the opportunity to thank the management and staffs of Creedmoor and Kingsboro psychiatric centers for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Patricia Woodworth
Ray Harris