



***The City of New York
Office of the Comptroller
Bureau of Management Audit***

WILLIAM C. THOMPSON, JR.
Comptroller

**Audit Report on the
North Central Bronx Hospital Auxiliary, Inc.,
of the New York City
Health and Hospitals Corporation**

MG01-187A

April 1, 2002

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EXECUTIVE SUMMARY

Background

The North Central Bronx Hospital (hospital), along with Jacobi Medical Center, is part of the North Bronx Healthcare Network (Network), which is one of the six regional health care networks of the New York City Health and Hospitals Corporation (HHC). The North Central Bronx Auxiliary, Inc. (Auxiliary) is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at North Central Bronx Hospital. Both the Network and the Auxiliary are required to follow the operating procedures established by HHC to ensure that HHC facilities follow appropriate rules, regulations, and procedures for collecting and using auxiliary funds. In addition, the Auxiliary has its own bylaws.

The Auxiliary raises funds through donations, interest earned on Auxiliary accounts, membership dues, and other revenue sources, including contracts with concessionaires. These funds may be used for purchases deemed necessary for patient-related care. The Auxiliary is also required to hold an annual fund-raising event. According to its financial statements for calendar year 2000, the Auxiliary earned \$147,682 and expended a total of \$124,844: \$52,187 for Social Services and \$72,657 for General and Administrative expenses.

Objectives

The objectives of this audit were to determine whether revenues and expenses were accurately and fairly reported, whether the internal control structure over the collection and disbursement of funds was adequate, and whether expenses were in compliance with prescribed procedures, guidelines, and bylaws.

Scope and Methodology

We reviewed the Auxiliary's books, records, and supporting documents for calendar year 2000. We included calendar year 1999 and the first three quarters of 2001 in our review of the Auxiliary's federal and state tax payments. We also reviewed the Auxiliary's bylaws and Board meeting minutes for calendar years 1995 through 2001. In addition, we interviewed the personnel responsible for the Auxiliary's day-to-day operations as well as members of the Auxiliary Board, and the internal audit division of the North Bronx Healthcare Network.

Results in Brief

The purpose of the Auxiliary is to engage in activities and projects that enhance the quality of patient care. We found that most of the Auxiliary's expenditures were used to fulfill this purpose. For example, the Auxiliary:

- Sponsors an annual health fair at the hospital each year;
- Holds a breast-cancer awareness fair each October;
- Sponsors a summer youth program that brings youths into the hospital to provide assistance to the patients; and
- Provides testing kits for diabetics who are unable to pay for such items.

However, the Auxiliary did not always adhere to its bylaws or to HHC operating procedures. There are weaknesses in internal controls relating to oversight and monitoring functions, segregation of duties, accountability, and record-keeping. Specifically:

- The Auxiliary did not make monthly deposits of federal withholding taxes and made late payments of state withholding taxes for 1999, 2000, and the first three quarters of 2001. Furthermore, the Auxiliary was late in filing related federal and state tax forms. Consequently, the Auxiliary had to pay \$7,705 in interest and penalties.
- Neither the Auxiliary nor the Network adequately monitored contracts with concessionaires. Two vendors were operating under expired contracts, one vendor was operating without a contract, and one vendor had no contract on file. Moreover, there were no written agreements with the vendors who sell merchandise in the hospital lobbies.
- Of the 270 checks issued during 2000, only seven were signed by two Board members, as required. The remaining 263 checks (97%) bore

only the signature-stamp of the Auxiliary President. Furthermore, all three Auxiliary employees had unsupervised access to the signature stamp.

- Questionable payroll practices were employed, whereby employees' payroll checks were prepared prior to review and approval of employees' time sheets. In addition, employees wrote their own payroll checks and affixed the signature stamp to their payroll checks.
- The Auxiliary did not adequately supervise its employees, and its accounting and administrative functions were not segregated.
- Errors existed in revenue ledger accounts; we were unable to trace the expense account figures from the general ledger to the financial statements because of inadequate documentation. Moreover, there was no documentation to support the \$199,845 of Fixed Assets reported in the financial statements. We were unable to locate these assets.
- The Auxiliary made improper and questionable expenditures (totaling \$3,262), and 14 disbursements (totaling \$3,027) were not approved by the Board, as required.
- The Auxiliary established a patient telephone program that consisted of purchasing disposable telephones and selling them to patients. However, there are no written procedures for this program and controls over the distribution of the telephones were inadequate.

This audit makes 20 recommendations, some of which are listed below. The Auxiliary Board of Directors and North Bronx Healthcare Network should:

- Ensure that monthly deposits of federal withholding taxes are made in a timely manner.
- Ensure that federal form 941 and state form NYS-45 are filed on time, and that withholding taxes are paid in a timely manner.
- Monitor contracts to ensure that the bidding or renewal process is initiated well before each contract's expiration date.
- Enter into signed agreements with vendors that sell merchandise in the hospital's lobby areas.
- Ensure that all checks bear the two required signatures.
- Ensure that all time sheets are approved and signed before payroll checks are prepared.

- Ensure that there is adequate supervision of Auxiliary staff members who perform the office, bookkeeping, and accounting functions.
- Ensure that the functions of processing, recording, and reviewing transactions are divided between two or more individuals, or implement other, compensating, controls.
- Ensure that its staff accurately records and documents transactions and properly retains records, receipts, and invoices.
- Cease using funds for non-patient-related expenditures, and ensure that all expenditures meet the criteria set forth in HHC guidelines and the Auxiliary by-laws.
- Ensure that all expenditures are approved by the Board and documented in its minutes.
- Ensure that operating procedures are written and implemented for the telephone program.

Agency Response

The matters covered in this report were discussed with officials from the Auxiliary and North Bronx Healthcare Network during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials February 5, 2002, and discussed at an exit conference held on February 26, 2002. On March 8, 2002, we submitted a draft report to HHC officials with a request for comments. We received a written response from HHC on March 22, 2002. In its response, HHC said that it agreed with and has implemented or will implement all 20 recommendations. In HHC's response, the President of HHC stated:

“The auditors have provided several useful recommendations and the Auxiliary had subsequently taken steps to implement additional controls that will improve the Auxiliary's operation.”

The full text of HHC's comments is included as an addendum to this report.

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INTRODUCTION

Background

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The Auxiliary raises funds through donations, interest earned on Auxiliary accounts, membership dues, and other revenue sources, including contracts with concessionaires.¹ These funds may be used for purchases deemed necessary for patient-related care. The Auxiliary is also required to hold an annual fund-raising event.

According to its financial statements for 2000, the Auxiliary earned \$147,682 and expended a total of \$124,844: \$52,187 for Social Services and \$72,657 for General and Administrative expenses.

A four-member Board of Directors governs the Auxiliary: the President, who serves as the chairman of the Board; the Vice President; the treasurer, and the secretary. The Auxiliary has ten members, as well as a Network liaison to the Auxiliary who is responsible for advising the

¹ The Network negotiates all contracts for the Auxiliary. In 2000, the Auxiliary received payments from the following concessions: vending machines, a coffee shop, and television rentals.

Auxiliary and ensuring its adherence to HHC procedures. At the beginning of 2000, the Auxiliary had three employees. One employee retired in April 2000, leaving two employees: a full-time office manager (who is also a fund-raiser) and a part-time bookkeeper.

Objectives

The objectives of this audit were to determine whether:

- Revenues and expenses were accurately and fairly reported,
- The internal control structure over the collection and disbursement of funds was adequate, and
- Expenses were in compliance with prescribed procedures, guidelines, and bylaws.

Scope and Methodology

The scope of our audit was calendar year 2000. We reviewed the Auxiliary's books, records, and supporting documents for this period. We included calendar year 1999 and the first three quarters of 2001 in our review of the Auxiliary's federal and state tax payments. In addition, we reviewed the Auxiliary bylaws and Board meeting minutes for calendar years 1995 through 2001.

To determine whether responsibilities were adequately segregated and whether the internal control structure over the processing of revenues and expenses was adequate, we interviewed the personnel responsible for the Auxiliary's day-to-day operations, members of the Auxiliary Board, and the internal audit division of the North Bronx Healthcare Network. To determine whether authorization and approval requirements were met, we reviewed minutes of Board meetings, invoices, supporting documents, and canceled checks.

To determine whether the amounts reported as revenue were accurately and fairly stated, we traced the recorded amounts from the income accounts shown in the general ledger to the bank statements, as well as cash receipts and such supporting documents as vendor checks, vendor sales statements, and other reports. We also traced entries in the general ledger to the Auxiliary's financial statements for calendar year 2000.

To determine whether the amounts reported for expenses were accurately and fairly stated, we traced the recorded amounts from the expense accounts shown in the general ledger to canceled checks, as well as with applicable payment requests and supporting documents from the various departments. However, we were unable to trace the expense accounts in the general ledger to the financial statements because of inadequate documentation.

To determine whether expenses were in compliance with prescribed guidelines and procedures, we reviewed the disbursement requests and supporting documents and compared the

expenditures with the criteria established by the Auxiliary's bylaws and HHC's operating procedures.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Agency Response

The matters covered in this report were discussed with officials from the Auxiliary and North Bronx Healthcare Network during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials February 5, 2002, and discussed at an exit conference held on February 26, 2002. On March 8, 2002, we submitted a draft report to HHC officials with a request for comments. We received a written response from HHC on March 22, 2002. In its response, HHC said that it agreed with and has implemented or will implement all 20 recommendations. In HHC's response, the President of HHC stated:

“The auditors have provided several useful recommendations and the Auxiliary had subsequently taken steps to implement additional controls that will improve the Auxiliary's operation.”

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**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: April 1, 2002

FINDINGS AND RECOMMENDATIONS

The purpose of the Auxiliary is to engage in activities and projects that enhance the quality of patient care. We found that most of the Auxiliary's expenditures were used to fulfill this purpose. For example, the Auxiliary:

- Sponsors an annual health fair at the hospital each year;
- Holds a breast-cancer awareness fair each October;
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- Provides testing kits for diabetics who are unable to pay for such items.

However, the Auxiliary did not always adhere to its bylaws or to HHC's operating procedures. There are weaknesses in internal controls relating to oversight and monitoring functions, segregation of duties, accountability, and record-keeping. Specifically:

- The Auxiliary did not make monthly deposits of federal withholding taxes and made late payments of state withholding taxes for 1999, 2000, and the first three quarters of 2001. Furthermore, the Auxiliary was late in filing related federal and state tax forms. Consequently, the Auxiliary had to pay \$7,705 in interest and penalties.
- Neither the Auxiliary nor the Network adequately monitored contracts with concessionaires. Two vendors were operating under expired contracts, one vendor was operating without a contract, and one vendor had no contract on file. Moreover, there were no written agreements with the vendors who sell merchandise in the hospital lobbies.
- Of the 270 checks issued during 2000, only seven were signed by two Board members, as required. The remaining 263 checks bore only the signature-stamp of the Auxiliary President.
- Questionable payroll practices were employed, whereby employees' payroll checks were prepared prior to review and approval of employees' time sheets.
- The Auxiliary did not adequately supervise its employees, and its accounting and administrative functions were not segregated.
- Errors existed in revenue ledger accounts; we were unable to trace the expense account figures from the general ledger to the financial statements because of inadequate documentation. Moreover, there was no documentation to support the \$199,845 of Fixed Assets reported in the financial statements. We were unable to locate these assets.

- The Auxiliary made improper and questionable expenditures (totaling \$3,262) and 14 disbursements (totaling \$3,027) were not approved by the Board, as required.
- The Auxiliary established a patient telephone program that consisted of purchasing disposable telephones, and selling them to patients. However, there are no written procedures for this program and controls over the distribution of the telephones were inadequate.

These issues are discussed in detail in the following sections of this report:

The Auxiliary Violates Federal and State Tax Regulations

The Auxiliary violated federal and state tax regulations. It did not make monthly deposits of federal taxes withheld for 1999, 2000, and the first three quarters of 2001, as required by the Internal Revenue Service. In addition, the Auxiliary was late in filing Federal Form 941². The Auxiliary was also late in filing NYS-45³ and making payments of taxes withheld for 1999, 2000, and the first three quarters of 2001. As a result, the Auxiliary paid a total of \$7,705 in interest and penalties to federal and state authorities.

According to the Internal Revenue Service *Instruction for Form 941*: “Employers who withhold income tax wages, or who must pay social security or Medicare tax, must file form 941 each calendar quarter.” However, in 2000, if the tax liability for the quarter was \$1,000 or more (increased to \$2,500 for 2001), employers were required to make monthly deposits and then file form 941 each quarter with no payment. *Publication 15 Circular E, Employer’s Tax Guide*, states: “For tax return periods beginning January 1, 2001, if your tax liability for the return period is less than \$2,500, you are not required to make deposits and may pay taxes with the return.”

The Auxiliary’s federal tax liability for periods 1999 and 2000 was more than \$1,000 and for the first three quarters of 2001 the tax liability was more than \$2,500. Therefore, the Auxiliary was required to make monthly deposits of the taxes withheld. However, the Auxiliary did not make monthly deposits for any of these years. Furthermore, forms 941 were filed late for the first, second, and third quarter of 2000.

In regard to New York State, form NYS-45, *Employer’s Guide to Unemployment Insurance, Wage Reporting, and Withholding Tax*, states that, nonprofit organizations are “liable as of the first day of the calendar quarter in which they pay cash remuneration totaling \$1,000 or more.” The New York State Department of Taxation and Finance publication states that “liable employers are required to report their payroll and pay unemployment insurance tax each calendar quarter, using form NYS-45.” However, the Auxiliary also filed NYS-45 late and made late payments.

² Federal Form 941 is used to report income tax withheld from wages, as well as social security and Medicare taxes.

³ State form NYS-45 is used to report unemployment insurance and withholding taxes.

Tables I and II, below, illustrate the number of days in calendar year 2000 that monthly deposits of federal withholding taxes were paid late, and the number of days federal and state returns were filed late.

Table I

Number of Days Late that Monthly Deposits Were Made

| Payment Period Calendar Year 2000 | Month in which Taxes were Withheld | Due Date for making Deposits | Date of Payment | Number of Days Late |
|--|---|---|----------------------------|--------------------------------|
| Federal Tax Form 941 1 st Quarter 2000 | January | 2/15/00 | 5/4/00 | 79 |
| | February | 3/15/00 | " | 50 |
| | March | 4/15/00 | " | 19 |
| Federal Tax Form 941 2nd Quarter 2000 | April | 5/15/00 | 1/28/01 | 258 |
| | May | 6/15/00 | " | 227 |
| | June | 7/15/00 | " | 197 |
| Federal Tax Form 941 3rd Quarter 2000 | July | 8/15/00 | 1/28/01 | 166 |
| | August | 9/15/00 | " | 135 |
| | September | 10/15/00 | " | 105 |
| Federal Tax Form 941 4 th Quarter 2000 | October | 11/15/00 | 1/28/01 | 74 |
| | November | 12/15/00 | " | 44 |
| | December | 1/15/01 | " | 13 |
| Average: | | | | 114 |

Table II

Number of Days Late that Returns Were Filed

| Payment Period Calendar Year 2000 | Due Date for Filing Return | Date of Filing and Payments | Number of days Late |
|---|---------------------------------------|--|--------------------------------|
| Federal Tax Form 941 and NYS-45 1st Quarter 2000 | 4/30/00 | 5/4/00 | 4 |
| Federal Tax Form 941and NYS-45 2nd Quarter 2000 | 7/31/00 | 1/28/01 | 181 |
| Federal Tax Form 941 and NYS-45 3rd Quarter 2000 | 10/31/00 | 1/28/01 | 89 |
| Federal Tax Form 941 and NYS-45 4th Quarter 2000 | 1/31/01 | 1/28/01 | -3 |
| Average: | | | 68 |

Table I shows that the Auxiliary did not make monthly federal withholding deposits as required. Instead, the range of days late varied from a minimum of 19 days to a maximum of

258, with an average of 114 days past the due date specified in the Internal Revenue Code. Table II shows that Forms 941 and NYS-45 were filed, on average, 68 days past the due date specified in the Internal Revenue Code and state tax regulations.

As a result of filing both the Federal and State forms late and making late payments, the Auxiliary was liable for and paid a total of \$7,705 in interest and penalties as shown in Table III, below.

Table III

Schedule of Interest and Penalties Assessed by the Federal and State
For Late Payments and Late Filings

| Period Assessed | Federal Form 941 Interest and Penalties | New York State Form NYS-45 Interest and Penalties | Total |
|------------------------------------|--|--|--------------|
| 1999 | \$1,049 | \$ 16 | \$1,065 |
| 2000 | \$4,648 | \$734 | \$5,382 |
| 1 st 2 Quarters of 2001 | \$1,123 | \$135 | \$1,258 |
| Totals | \$6,820 | \$885 | \$7,705 |

Note: Records did not indicate amounts of penalties and of interest

Gutierrez & Estabillo, LLP, the Certified Public Accountant firm that performed the 2000 audit of the Auxiliary's records, stated in their schedule of findings that: "The Auxiliary was late in the payment of payroll taxes. . . . Taxes should be paid every pay period to avoid payment of interest and penalties." However, the Auxiliary did not make monthly deposits of withholding taxes for 2001, and it continued filing returns Form 941 and NYS-45 late. Consequently, the Auxiliary has already paid \$1,258 in penalties and interest for the first two quarters of 2001.

The fact that the Auxiliary continued to file the returns late and make late payments after being cited by the CPA firm indicates that there is a lack of oversight as to timely filing of returns and payment of taxes. We informed the Auxiliary and Network officials of the situation during the fieldwork phase of this audit. They told us that corrective actions would be taken to ensure that federal and state forms would be filed on time and related tax payments made on time.

Recommendations

The Auxiliary Board of Directors and North Bronx Healthcare Network should ensure that:

1. Monthly deposits of federal withholding taxes are made in a timely manner.

HHC Response: "North Central Bronx Auxiliary hired, on a consulting basis, the accountant used by the Jacobi Auxiliary. There is now reliable personnel performing the

accounting functions for the Auxiliary. As a result, all taxes are being filed on a timely basis.”

2. Federal form 941 and state form NYS-45 are filed on time, and withholding taxes are paid in a timely manner.

HHC Response: “North Central Bronx Auxiliary hired, on a consulting basis, the accountant used by the Jacobi Auxiliary. There is now reliable personnel performing the accounting functions for the Auxiliary. As a result, all taxes are being filed on a timely basis.”

Inadequate Oversight and Enforcement of Concession Contracts

There was inadequate oversight and enforcement of contracts with the four concessionaires operating in the hospital. The vending machine company and the coffee shop were operating under expired contracts; the flower vending machine company was operating without a contract; and there was no copy of the contract between HHC and the television rental company. There were no written agreements between the hospital and the vendors who sell merchandise in its lobbies.

In calendar year 2000, the concessionaires, who made total payments of \$111,077 to the Auxiliary, either had no contract on file or operated under expired contracts. The vending machine company’s contract had expired in March 1993, and the coffee shop’s contract had expired in May 1994. In the case of the coffee shop, we received only a portion of the contract that expired in 1993, which lacked the signatures of the parties involved. An accompanying letter extended the contract until May 1994.

HHC’s Operating Procedures 10-16 states that it is the Network’s responsibility to ensure that all vendors are operating under valid concession contracts and that the Network and Auxiliary must maintain copies of these contracts. Both the Network and the Auxiliary have been negligent in following HHC’s operating procedures regarding concession contracts.

The Auxiliary received an additional \$18,752 in fees from vendors who sell merchandise at the hospital. Those vendors operate under the Lobby Vendor Program, but there are no written agreements that stipulate how the program should operate or how much each vendor should pay. The Auxiliary receives fees from the vendors informally.

All commission payments, except those from the coffee shop, are submitted to the Network’s Finance Department, at Jacobi Hospital, which in turn submits the checks to the Auxiliary for deposit. The coffee shop submits its checks directly to the Auxiliary. Based on our review of the two expired contracts (the only ones available), commission payments from the concessions were due no later than the 15th day of each month.

Neither the Network Finance Department nor the Auxiliary date-stamped the checks upon receipt. Therefore, we were unable to determine if commission checks from vendors were

received on time, or how long it took the Auxiliary to deposit checks. We compared the date on the checks to the date of the deposits and found time lags of up to 83 days between the check dates and the deposit dates.

Comptroller's Directive #11 - *Cash Accountability and Control*, states: "Since cash is the asset most susceptible to misappropriation, agencies must exercise utmost care when handling cash." Directive #11 also states that: "deposits must be made on a daily basis." Since the checks were not date-stamped upon receipt, we cannot definitely state who is at fault for the late deposit (e.g., the vendor, the Network Finance Department, or the Auxiliary). Nevertheless, payments were not deposited into the bank in timely fashion. The Auxiliary and Network officials should ensure that commission checks are date-stamped when they are received, and that all cash and checks received by the Auxiliary are deposited daily.

Recommendations

The Auxiliary Board of Directors and North Bronx Healthcare Network should:

3. Monitor contracts to ensure that the bidding or renewal process is initiated well before each contract's expiration date.

HHC Response: "NCB is in the process of reviewing all contracts to prepare Requests for Proposal (RFP) as part of the bidding process. The Finance Division of the Hospital will periodically review and evaluate all contracts to determine the appropriate time for rebidding or renewing any contract. The Auxiliary and NCB will cooperate in the reviewing process and jointly prepare the RFP. The Senior Vice President, or his representative, will sign off on all contracts."

4. Enter into signed contracts with the coffee shop, the television rental company, and the vending machine companies.

HHC Response: "The facility is in the process of reviewing the agreement with the Coffee Shop. We are in the process of finalizing the contract with TV Rental. The vending machine concession has been negotiated in a corporate-wide HHC contract."

5. Enter into signed agreements with vendors that sell merchandise in the hospital's lobby areas.

HHC Response: "Since July 2001, all vendors that sell merchandise in the hospital lobby have signed agreements with the hospital."

6. Ensure that commission payments from all vendors are accurate and are received within the time frame stipulated in contracts.

HHC Response: "The office manager of the Auxiliary monitors the commission payments from all vendors. On a monthly basis the Department of Internal Audits performs a review of this process."

7. Ensure that original and copies of contracts are maintained and kept in a secure place.

HHC Response: “When the Hospital Business Office has completed any contract negotiations a copy will be maintained in the Business Office as well as the Auxiliary.”

8. Ensure that commission checks are date-stamped when they are received and that all cash received (i.e., checks) is deposited on a daily basis.

HHC Response: “The Auxiliary Office Manager date stamps all commission checks. Cash is deposited on the day received and checks are deposited on a weekly basis due to low volume.

Internal Control Weaknesses

Weaknesses in the Auxiliary’s internal controls reduced accountability and supervision and may have affected the accuracy of the Auxiliary’s records. Specifically, the Auxiliary:

- Used a signature stamp in place of the required two signatures for checks;
- Did not approve time sheets prior to writing and signature-stamping payroll checks;
- Had inadequate supervision and lack of segregation of duties;
- Did not properly record all financial transactions;
- Made improper and questionable expenditures; and
- Had inadequate inventory controls over patient telephones.

Internal controls are designed to encourage adherence to managerial policies. Such controls consist of procedures an agency uses to safeguard resources; provide accurate information; and assure adherence to applicable laws, regulations, and policies. Controls include adequate segregation of duties, ongoing reviews and monitoring functions, and adequate security over assets.

A Signature Stamp Was Used on Checks Issued Instead of the Required Two Signatures

According to a signed agreement between the Auxiliary and the bank, two signatures are required for all checks; the Auxiliary President, Vice-President, Treasurer, and Secretary are the authorized signatories. However, a stamp of the Auxiliary’s President signature was used as the only signature for 263 (97%) of the checks written in 2000. Furthermore, three Auxiliary employees had unsupervised access to the signature stamp.

The signature stamp and checks were kept in a safe to which all three employees had access, and they were used by all employees. For example, the office manager, who performs most of the steps in the purchasing process, prepares the checks and stamps signatures on them to pay for purchases. Although most expenditures are approved by the Board, there is no supervision or monitoring of checks issued.

Comptroller's Directive #1 - Internal Controls states that "because of the many steps involved in the procurement process and the sums of monies that are often expended, the review, authorization and inspection controls are the most important." Directive #1 further states that "ongoing monitoring reduces the risk of improper actions and misappropriation. . . ." The Auxiliary Board of Directors should ensure that all checks have the required two signatures on them.

We interviewed the President and other members of the Auxiliary Board to find out if there was any Board supervision over the use of the signature stamp. They did not recall a discussion or approval by the Board regarding this matter, nor did any of the minutes we reviewed for 1998, 1999, and 2000 address this issue. In October 2001, we requested written documentation from the Auxiliary indicating that the Board had approved the use of the signature stamp. We did not receive documentation. Instead we received a memorandum, dated November 15, 2001, from the Director of Internal Audits of the North Bronx Healthcare Network stating, "The President of the Auxiliary authorized the usage of the signature stamp."

According to HHC's procedure 10-20, and the Auxiliary's bylaws, the President performs all duties incidental to the office and has such powers and duties as may be assigned by the Auxiliary and the hospital's chief executive officer. Therefore, decisions on use of the signature stamp should have been discussed and approved by board members and the Network's official liaison to the Auxiliary, and should have been documented.

Payroll Checks Were Issued Before Time Sheets Were Signed and Approved

Auxiliary's officials do not have adequate internal controls over payroll and personnel management practices. They did not ensure that the responsibilities for timekeeping, payroll processing, and supervision were performed by different individuals, and that there were accurate records to support payroll disbursements.

For the first three months of 2000, the Auxiliary had three employees. In April 2000, the part-time office manager left. The fund-raiser on the staff then took on the additional function of office manager. The third employee was the part-time bookkeeper, who performed the bookkeeping and accounting functions.

We reviewed all 64 payroll checks and time sheets for those employees and found that 45 (70%) payroll checks had time sheets, and 19 (30%) did not. In any case, none of the time sheets were signed and approved prior to the payroll checks being stamped for issuance. In addition, the entire payroll process was performed by each individual employee without any supervision from a board member.

For example, the fund-raiser/office manager arrived and left work without recording his time worked. Subsequently, he prepared a time sheet, wrote his payroll check, and affixed the signature stamp (with the President's name) to his payroll check. This was done without any

approval or supervision from a board member. Without previously approved time sheets, there is no assurance that the payroll check issued to each employee accurately reflects hours worked.

We subsequently determined that although the fund-raiser/office manager's work hours are 9 to 5, he is paid for 40 hours, rather than 35 hours, although he takes a lunch hour. Furthermore, in April 2000, the fund-raiser/office manager received a 70 percent increase in his hourly wages (from \$10 per hour to \$17 per hour) but there was no documentation to support the increase. It may be that he received the increase because his duties increased, but there is no documentation regarding his new job, his responsibilities, or his compensation.

We brought this issue to the attention of the Auxiliary and Network officials. The Director of Internal Audits for the Network stated in a written response: "The Auxiliary hired a part-time fund-raiser for 20 hours a week. When the previous office manager retired in April of 2000, her responsibilities were given to the fundraiser manager who assumed both responsibilities at 40 hours a week." In fact, the employee in question was already being paid for 40 hours a week during the months of January, March, and part of April⁴ while the office manager was still an Auxiliary employee.

Specifically, the time sheets for January and March of 2000, indicated that the fund-raiser/office manager was originally paid \$400 for 40 hours a week (\$10 per hour). Starting in April 2000 his pay increased from \$400 a week to \$680 for the same number of hours a week (\$17 per hour). Therefore, since the fund-raiser/office manager was already being paid 40 hours a week when the former office manager retired, he did, in fact, receive a 70 percent increase in his hourly salary.

Good internal controls in payroll and personnel management ensure that each paycheck represents the correct amount of money that each person is entitled to, and that payroll amounts have been properly authorized. They also ensure that leave balances are accrued and recorded accurately. It appears that the Auxiliary has no personnel management policies and procedures to ensure that this occurs. Furthermore, with no supervision from the Auxiliary Board, hospital, or Network officials, employees may arrive late, leave early or even be absent without anyone's knowledge. Auxiliary and Network officials need to develop procedures relating to employees' working hours, compensation, vacation and sick days, etc. Once established, these procedures should be documented. Then oversight should be established to ensure that procedures are being followed.

Inadequate Supervision and Lack of Segregation of Duties

During 2000, the Auxiliary did not adequately supervise its two employees, although there was limited segregation of duties. The office manager performed the daily operations and the bookkeeper performed bookkeeping and accounting functions. Lack of oversight may have resulted in some record-keeping errors that went undetected. Furthermore, during 2000, the employees were allowed to write and signature-stamp their own paychecks.

⁴ This employee did not work in February.

The bookkeeper was responsible for maintaining the Auxiliary's financial records. This included recording cash receipts, disbursements, revenues and expenditures in the general ledger and preparing monthly and quarterly financial reports.

The Auxiliary office manager was responsible for collecting cash and checks, preparing receipts for the cash collected, securing the cash and checks until deposited, and making the bank deposits. The office manager also paid bills, handled petty cash funds, and wrote and stamped checks with the Auxiliary President signature stamp. In addition, he coordinated the lobby vendor program. This included scheduling the lobby shows, informing hospital police and housekeeping of coming events, and making sure that vendors did not create fire hazards.

Comptroller's Directive #1- *Internal Controls* states that "To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons." Furthermore, the Directive states that, "in essence, key duties and responsibilities in authorizing, processing, recording, reviewing transactions and safeguarding assets should be separated among individuals."

Since the accounting functions were only segregated between the Auxiliary's two employees, each one was responsible for performing a sequence of related operations for the same transaction. For example, the office manager collected cash, prepared receipts, and prepared cash for deposit. He also wrote and signature-stamped checks for payments. When segregation of duties is so limited, it is even more important that management conduct supervisory reviews. There is no evidence that the Auxiliary has performed such reviews.

Errors and Omissions in Financial Records

Review of the financial records revealed a number of minor errors in ledger accounts, some of which were carried over to the financial statements. Specifically:

- Revenues from the Flower Connection vending company for \$228 were wrongly classified in the financial statements as revenue from the lobby vendor program;
- Revenues of \$930 from patient telephones were wrongly classified in the financial statements as television rental commissions;
- Two different revenue accounts were used in the general ledger to record television rental commissions; and
- Revenue from Tri-County vending machines was overstated in the financial statements by \$55, and was recorded in 2000. The correct amount should have been recorded for 1999.

Furthermore, we were not provided with documentation showing the adjustments made and criteria used by the independent accountants who audited the Auxiliary's 2000 records. Therefore, we were unable to trace expenditure accounts from the general ledger to the financial statements. In addition, there was no documentation to support \$199,845 recorded as Fixed Assets in the 2000 financial statements. Without documentation on what these items were, or where they were, we could not verify their existence. Nor were we able to determine whether those items should even have been recorded in the Auxiliary's financial statements as fixed assets. According to Network officials, these items were donated to North Central Bronx

Hospital for the hospital's use, and not for the Auxiliary's use. If the items were not for the Auxiliary's use and were not maintained by the Auxiliary, they should not have been listed as fixed assets of the Auxiliary.

To ensure the accuracy of financial records, the Auxiliary should adequately supervise its staff and ensure that adjustments to financial records are properly documented. The Auxiliary should also document its review of records.

Questionable Expenditures

In 2000, the Auxiliary purchased items that are not allowed under the Auxiliary by-laws and HHC guidelines. HHC Operating Procedures 10-20 states: "The goal of the Auxiliaries shall be to enhance patient care." Nevertheless, the Auxiliary spent \$3,262 on items that do not enhance patient care and therefore neither meet HHC guidelines nor fulfill the purpose of the Auxiliary. These expenditures included:

- \$3,029 for 48 tickets to an Auxiliary Board Christmas celebration at Westchester Broadway theater, which included a cocktail party, dinner, and admittance to a play;
- \$141 for two tickets to a Westchester Broadway Theater play, given to an employee who was retiring; and
- \$92 for flowers for an employee who was retiring.

Although the expenditures were not large, failure to follow established procedures might result in greater misuse of funds in the future. The Auxiliary should follow Operating Procedures 10-20 and use funds only to enhance patient care.

The Auxiliary Board does not Authorize All Expenditures

According to Auxiliary Board members, all expenditures, except for taxes, must be approved by the Board. However, 14 expenditures totaling \$3,027 were not approved by the Auxiliary Board; nor were these checks signed by any of the authorized signatories. The office manager, without prior approval from the Board, stamped the 14 checks using the Auxiliary President's signature stamp. Table IV, lists the expenditures that were not properly authorized.

Table IV

Expenditures not Properly Authorized

| Check Number | Date of the Check | Payee | Amount |
|---------------------|--------------------------|--------------------------|---------------|
| 4717 | 1/7/00 | Staples | \$ 649.93 |
| 4758 | 3/20/00 | Staples | \$ 332.79 |
| 4764 | 3/28/00 | Petty Cash Replenishment | \$ 75.92 |
| 4775 | 4/10/00 | Petty Cash Replenishment | \$ 144.21 |
| 4795 | 4/26/00 | Staples | \$ 112.54 |
| 4817 | 5/18/00 | Staples | \$ 77.23 |
| 4837 | 5/31/00 | Petty Cash Replenishment | \$ 175.17 |
| 4849 | 6/16/00 | Staples | \$ 348.50 |
| 4904 | 8/29/00 | Petty Cash Replenishment | \$ 109.19 |
| 4912 | 9/8/00 | Staples | \$ 214.66 |
| 4938 | 10/30/00 | Petty Cash Replenishment | \$ 99.70 |
| 4962 | 12/4/00 | Staples Credit Plan | \$ 67.83 |
| 4982 | 12/27/00 | Staples Credit Plan | \$ 509.81 |
| 4985 | 12/29/00 | Petty Cash Replenishment | \$ 109.62 |
| 14 | | | \$ 3,027.10 |

The office manager handles a petty cash account of \$200, which is used for expenses for stamps, carfare for Board members, Board meeting activities, and refreshments. According to the office manager, petty cash replenishments are not reviewed or approved by the Board. Comptroller's Directive #1- *Internal Control* states that "Although large sums of money are not usually involved, and this is a cash disbursement function, this [petty cash] fund requires similar controls as those needed for the management of cash receipts, since funds may be easily misappropriated or stolen." Therefore, the Auxiliary should ensure that petty cash replenishments are reviewed and approved by the Board prior to the check's being signed.

The office manager also purchases office supplies with a Staples credit card. As with the petty cash account, these purchases are not reviewed or approved by the Board, nor are the checks signed by an authorized signatory. Staples purchases included a color copier, a shredder, and office supplies. The Auxiliary should ensure that all expenditures are approved by the Board and documented in the Board meeting minutes.

Inadequate Inventory Control Over Patient Telephones

The Auxiliary receives revenue from a patient-telephone program. The Auxiliary purchases disposable telephones, which are sold to patients.⁵ Patients are charged either \$10 or \$20, based on the number of days they stay in the hospital. However, there are inadequate

⁵ Free telephones are given to patients who cannot afford to pay, patients in isolation, and in some cases, as a courtesy to certain patients (i.e., police officers, and firefighters).

controls over the inventory of the telephones and there is no written procedures for the operation of this program.

We reviewed all purchases and sales of telephones for 2000, and January to September 2001. In 2000, the Auxiliary purchased 1,300 disposable telephones, costing \$8,025, and sold 759 to patients for a total of \$12,377. Neither the Auxiliary nor the hospital maintained inventory records of the telephones on hand. Nor were records kept of the free telephones given to needy or isolated patients, or as courtesies. Therefore, we could not determine how many telephones should have been in stock.

The supervisor of the Telecommunication department told us that she did not know how the program worked. She referred us to the Telecommunication Technician, who receives and installs the telephones. The technician told us that he installed the telephones based on a cashier's listing of patients who paid for telephones and the rooms they were in. He said he also installed free telephones based on requests from the hospital patient relations department. No inventory records were maintained by the technician, who had sole responsibility for the storage and distribution of the telephones.

The Auxiliary Board meeting minutes for April 29, 1997, state that "the Auxiliary would fund these telephones and would then receive the funds that the hospital collected for the phones." There was no indication in the minutes that the Board discussed how the program was going to operate or who from the hospital and the Auxiliary would be responsible for managing it. We requested any written procedures for the program but were unable to obtain any.

Without adequate controls over the telephones, there is a possibility that thefts may go unnoticed. The Auxiliary should prepare written procedures identifying the role of persons responsible for the program and require an inventory system that accounts for the receipts and disbursements of the telephones.

Recommendations

The Auxiliary Board and North Bronx Healthcare Network should:

9. Ensure that all checks bear the two required signatures.

HHC Response: "Rather than the two signature requirement, Auxiliary officials will sign checks on a rotating basis. In addition, all requisitions and purchase orders will be signed by a Hospital senior administrator and an Auxiliary member. All purchases or expenditures over \$300 will be reviewed by the Auxiliary Board and documented in the minutes."

10. Ensure that all time sheets are approved and signed before payroll checks are prepared.

HHC Response: "The one remaining Auxiliary employee has his time sheet approved by the Site Administrator on a weekly basis."

11. Develop procedures relating to employees' working hours, compensation, vacation and sick days, etc. Once established, these procedures should be documented.

HHC Response: "A policy on employee compensation has been developed and documented for the NCB Auxiliary."

12. Ensure that there is adequate supervision of Auxiliary staff members who perform the office, bookkeeping, and accounting functions. This includes appropriately documenting its review of the staff's work.

HHC Response: "The Auxiliary staff person reports on a weekly basis to the Site Administrator. The Site Administrator signs time sheets, approves annual and sick leave, reviews invoices, (including petty cash reimbursement). On a monthly basis the Department of Internal Audits reviews the Auxiliary activity for compliance with the procedures."

13. Ensure that the functions of processing, recording, and reviewing of transactions are divided between two or more individuals, or implement other, compensating, controls.

HHC Response: "The Office Manager receives, stamps and deposits all funds received. He prepares the checks for payment. The Site Administrator reviews all Auxiliary transactions during the weekly meeting with the Office Manager. The accountant then records and summarizes all these transactions into the Auxiliary General Ledger."

14. Ensure that its staff accurately records and documents transactions and properly retains records, receipts, and invoices.

HHC Response: "The Department of Internal Audits will audit monthly to ensure that all transactions are properly recorded and supporting documents are retained."

15. Ensure that items listed as fixed assets are for the use of and maintained by the Auxiliary. If items are purchased by the Auxiliary and donated to the hospital, the Auxiliary should expense these items in the year they were purchased and the hospital should include them in its fixed assets.

HHC Response: "On a monthly basis the Department of Internal Audits reviews the Auxiliary books. Any item classified as a fixed asset that was donated to the hospital will be brought to the attention of the accountant and the appropriate adjustment will be made. A schedule listing all fixed assets purchased for the hospital will be forwarded to the facility's Controller to be added to the hospital's fixed asset system."

16. Cease using funds for non-patient related expenditures, and ensure that all expenditures meet the criteria set forth in HHC guidelines and the Auxiliary by-laws.

HHC Response: “The Site Administrator’s review of all invoices prior to payment will provide supervision as to the proper use of Auxiliary funds.”

17. Ensure that petty cash replenishments are reviewed and approved by the Board before a check is written.

HHC Response: “All petty cash replenishments will be reviewed by the Site Administrator as well as by the Auxiliary Board at their monthly meetings before a check is written.”

18. Ensure that all expenditures are approved by the Board and documented in its minutes.

HHC Response: “All expenditures requested by the hospital for patient care will be reviewed by the Auxiliary Board and documented in the minutes. General expenditures or purchases over \$300 will be reviewed by the Auxiliary Board and documented in the minutes.”

19. Ensure that operating procedures are written and implemented for the telephone program.

HHC Response: “The facility is in the process of writing operating procedures for the disbursement of telephones to the patients.”

20. Ensure that an inventory is maintained of the telephones on hand.

HHC Response: “The Department of Internal Audits is working with the Auxiliary to take a physical inventory of the phones and to develop procedures to monitor the inventory as it is purchased and disbursed throughout the hospital.”



NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
125 Worth Street • New York • New York • 10013
212-295-5810 Fax: 212-295-5645 E-mail: CHUBMD@NYCHHC.ORG

Benjamin K. Chu, M.D.
President

Control No. OIA 02-04

March 22, 2002

Mr. Roger Liwer
Assistant Comptroller for Audits
The City of New York
Office of Comptroller
1 Centre Street, Room 1100 North
New York, New York 10007-2341

**RE: AUDIT REPORT ON THE NORTH CENTRAL BRONX AUXILIARY, INC.
OF THE NYC HEALTH AND HOSPITALS CORPORATION (AUDIT NO.
MGOI-187A)**

Dear Mr. Liwer:

Thank you for the opportunity to respond to the draft audit report concerning the North Bronx Auxiliary, Inc. The auditors have provided several useful recommendations and the Auxiliary has subsequently taken steps to implement additional controls that will improve the Auxiliary's operation.

For instance, the Facility will expedite the execution of contracts with concessionaires that will clearly delineate the terms of each agreement and specify the concessionaire's responsibility for the timely submission of required documents and commission payments.

The Auxiliary has also hired an accountant whose responsibilities will include submission of all State and Federal tax forms and quarterly payroll taxes, in accordance with IRS deadlines.

Most of our Auxiliaries have very small staffs and rely heavily on volunteers. Therefore, complete separation of all business functions is difficult and not always practical. However, the Network will incorporate compensating controls and utilize hospital staff and the Network's Internal Audit Department to provide adequate oversight of Auxiliary operations to ensure timely and accurate recording and processing of all transactions including the classification of fixed assets and timekeeping and payroll functions.

The Network and Facility have agreed that rather than require two signatures on Auxiliary checks, as a compensating control, the Auxiliary will require requisitions and purchase orders be signed by a hospital Administrator and an Auxiliary member. This will assure that the purchase has been reviewed and approved by all appropriate parties. In addition, all purchases or expenditures over \$300 will be reviewed by the Auxiliary Board and documented in the minutes.

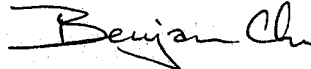
Mr. Roger Liwer
Assistant Comptroller for Audits
March 22, 2002

Over the past several years, we have made significant progress in the improvement and accountability of our Auxiliary operations through HHC's Office of Internal Audits and the management of our contracted external audit process. We continue to work toward further improvements and perform follow-ups on the Comptroller's recommendations through our routine annual audit process to ensure full compliance with the Corporation's operating procedures and relevant Auxiliary guidelines.

Attachment I is the Corporation's response and Attachment II is the Audit Implementation Plan which addresses all the recommendations in your report.

Should you have any questions concerning this response, please contact Mr. Alex Scoufaras, Corporate Director, Internal Audits at (212) 730-3123.

Sincerely,



Benjamin K. Chu, M.D.

Enclosures

CC: F.J. Cirillo, Senior Vice President, Operations
J.S. Orlando, Senior Vice President, North Bronx Network
N. Guzman, Network Chief Financial Officer, North Bronx Network
D. Cates, Chief of Staff, Office of the President
A. Scoufaras, Corporate Director, Office of Internal Audits
L. Brown, Senior Vice President, Corporate Planning, Community Health & Intergovernmental Relations
N. Stent, Executive Assistant, Corporate Planning, Community Health & Intergovernmental Relations
A. Caballero, Auxiliary President of North Central Bronx Auxiliary, Inc.
M. Delaney, Director of Internal Audits, North Bronx Network
N. Johnson, Director of Public Relations, North Bronx Network
V. Storey, Associate Director, North Bronx Network
D. Baines, Audit Manager, City of New York Office of the Comptroller
B. Bernstein, Senior Auditor, Mayor's Office of Operations
W. Otero, Assistant Director, Office of Internal Audits

NEW YORK CITY HEALTH & HOSPITALS CORPORATION

Attachment

North Bronx Healthcare Network

1400 Pelham Parkway South - Room 320 Staff House, Bronx, New York 10461 - Tel. (718) 918-3685 - Fax (718) 918-7113

Mary O. Delaney
Director of Internal Audits

TO: Alex Scoufaras
Corporate Director of Internal Audits

FROM: Mary O. Delaney MDO

RE: Office of the Comptroller
Audit on HHC's North Central Bronx Hospital Auxiliary, Inc.

DATE: March 13, 2002

FILE COPY

As a follow up to my telephone conversation with Walter Otero, please find attached a hard copy of the Audit Implementation Plan (AIP) for the above referenced audit. The AIP was emailed to your office on Monday, March 11, 2002.

We accept the recommendations suggested by the Office of the Comptroller and have been working to correct these issues in the Auxiliary.

If you have any questions please contact me at (718) 918-3685.

Thank you.

CC: Joseph S. Orlando
Arthur Wagner
Nancy McPartlin
Nancy Guzman

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II
PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Agency: NYCHHC Audit Date: Year 2000 Audit No: MG91-187A Date: March 22, 2002 Audit Agency: Office of the Comptroller
Bureau of Management Audit OMB Control No: _____

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|--|---|----------------------------|--|
| Recommendation # 1 Monthly deposits of federal withholdings taxes are made in a timely manner. | North Central Bronx Auxiliary hired, on a consulting basis, the accountant used by the Jacoby Auxiliary. There is now reliable personnel performing the accounting functions for the Auxiliary. As a result, all taxes are being filed on a timely basis. | <u>December 2001</u> | The Auxiliary will not be subject to any interest or penalties by the IRS. |
| Recommendation # 2 Federal form 941 and state form NYS-45 are filed on time, and withholding taxes are paid in a timely manner. | North Central Bronx Auxiliary hired, on a consulting basis, the accountant used by the Jacoby Auxiliary. There is now reliable personnel performing the accounting functions for the Auxiliary. As a result, all taxes are being filed on a timely basis. | <u>December 2001</u> | The Auxiliary will not be subject to any interest or penalties by the IRS or by NYS tax authorities. |
| Recommendation # 3 Monitor contracts to ensure that the bidding or renewal process is initiated well before each contract's expiration date. | NCB is in the process of reviewing all contracts to prepare Requests for Proposal (RFP) as part of the bidding process. The Finance Division of the Hospital will periodically review and evaluate all contracts to determine the appropriate time for rebidding or renewing any contract. The Auxiliary and NCB will cooperate in the reviewing process and jointly prepare the RFP. The Senior Vice President, or his representative, will sign off on all contracts. | <u>June 2002</u> | Increased monitoring efforts will ensure timely and efficient contract management to ensure that the bidding and renewal process is initiated well before each contract expiration date. |

**MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN**

ATTACHMENT II

PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Date: March 22, 2002

Audit Agency: Office of the Comptroller
Bureau of Management Audit

Audit Date: Year 2000

OMB Control No: _____

Audit No: MG01-187A

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|--|--|-------------------------------|---|
| Recommendation # 4 Enter into signed contracts with the coffee shop, the television rental company, and the vending machine companies. | The facility is in the process of reviewing the agreement with the Coffee Shop. We are in the process of finalizing the contract with TV Rental. The vending machine concession has been negotiated in a corporate-wide HHC contract. The Hospital's Business Office will monitor contracts to ensure timely issuance of an RFP prior to the expiration of contracts. | <u>June 2002</u> | Signed agreements ensure accountability and protection against potential liability. |
| Recommendation # 5 Enter into signed agreements with vendors that sell merchandise in the hospital's lobby areas. | Since July 2001, all vendors that sell merchandise in the hospital lobby have signed agreements with the hospital. | <u>July 2001</u> | This will ensure stronger internal controls on the procedures involved with recording and collecting revenues due the facility from the hospital's lobby vendors. |
| Recommendation # 6 Ensure that commission payments from all vendors are accurate and are received within the time frame stipulated in contracts. | The office manager of the Auxiliary monitors the commission payments from all vendors. On a monthly basis the Department of Internal Audits performs a review of this process. | <u>January 2002</u> | Designated responsibilities for monitoring contracts will ensure accuracy of vendor commission payments. |
| Recommendation # 7 Ensure that original and copies of contracts are maintained and kept in a secure place. | When the Hospital Business Office has completed any contract negotiations a copy will be maintained in the Business Office as well as the Auxiliary. | <u>March 2002</u> | Having documentation in two distinct areas will provide checks and balances to ensure contracts are obtainable and monitored on a timely basis. |

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II

PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Date: March 22, 2002 Audit Agency: Office of the Comptroller
Bureau of Management Audit

Agency: NYCHHC

Audit Date: Year 2000

Audit No: MG01-187A

OMB Control No: _____

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|--|---|-------------------------------|---|
| Recommendation # 8 Ensure that commission checks are date-stamped when they are received and that all cash received (i.e., checks) are deposited on a daily basis. | The Auxiliary Office Manager date stamps all commission checks. Cash is deposited on the day received and checks are deposited on a weekly basis due to low volume. | <u>January 2002</u> | This internal control procedure ensures that all funds received are recorded in the bank account and cash is not at risk for loss or theft. |
| Recommendation # 9 Ensure that all checks bear two signatures. | Rather than the two signature requirement, Auxiliary officials will sign checks on a rotating basis. In addition, all requisitions and purchase orders will be signed by a Hospital senior administrator and an Auxiliary member. All purchases or expenditures over \$300 will be reviewed by the Auxiliary Board and documented in the minutes. | <u>February 2002</u> | This procedure helps to expedite the timeliness of payments. |

**MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN**

ATTACHMENT II

PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Date: March 22, 2002

Audit Agency: Office of the Comptroller
Bureau of Management Audit

Audit Date: Year 2000

Audit No: MG01-187A

OMB Control No: _____

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|---|---|-------------------------------|---|
| Recommendation # 10 Ensure that all timesheets are approved and signed before payroll checks are prepared. | The one remaining Auxiliary employee has his time sheet approved by the Site Administrator on a weekly basis. | <u>February 2002</u> | This adds to the internal controls of the Auxiliary to prevent errors in payment or recording of payroll. |
| Recommendation # 11 Develop procedures relating to employees' working hours, compensation, vacation and sick days, etc. Once established, these procedures should be documented. | A policy on employee compensation has been developed and documented for the NCB Auxiliary. (See Schedule A) | <u>February 2002</u> | This standardization will help monitor and track employee benefits. |
| Recommendation # 12 Ensure that there is adequate supervision of the Auxiliary staff members who perform the office, bookkeeping, and accounting functions. This includes appropriately documenting its review of the staff's work. | The Auxiliary staff person reports on a weekly basis to the Site Administrator. The Site Administrator signs time sheets, approves annual and sick leave, reviews invoices, (including petty cash reimbursement). On a monthly basis the Department of Internal Audits reviews the Auxiliary activity for compliance with the procedures. | <u>January 2002</u> | Proper supervision will help ensure that the Auxiliary runs more efficiently. |
| Recommendation # 13 Ensure that the functions of processing, recording, and reviewing of transactions are divided between two or more individuals, or implement other compensating controls. | The Office Manager receives, stamps and deposits all funds received. He prepares the checks for payment. The Site Administrator reviews all Auxiliary transactions during the weekly meeting with the Office Manager. The accountant then records and summarizes all these transactions into the Auxiliary General Ledger. | <u>February 2002</u> | This separation of duties provides checks and balances for the Auxiliary to run more efficiently. |

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II

PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Date: March 22, 2002 Audit Agency: Office of the Comptroller
Bureau of Management Audit

Agency: NYCHHC Audit Date: Year 2000

Audit No: MG01-187A OMB Control No: _____

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|--|---|--|---|
| <p>Recommendation # 14 Ensure that its staff accurately records and documents transactions and properly retains records, receipts, and invoices.</p> <p>Recommendation # 15 Ensure that items listed as fixed assets are for the use of and maintained by the Auxiliary. If items are purchased by the Auxiliary and donated to the hospital, the Auxiliary should expense these items in the year they were purchased and the hospital should include them in its fixed assets.</p> <p>Recommendation # 16 Cease using funds for non-patient related expenditures, and ensure that all expenditures meet the criteria set forth in HHC guidelines and the Auxiliary by-laws.</p> | <p>The Office Manager receives, stamps and deposits all funds received. He prepares the checks for payment. The Site Administrator reviews all Auxiliary transactions during the weekly meeting with the Office Manager. The accountant then records and summarizes all these transactions into the Auxiliary General Ledger.</p> <p>The Department of Internal Audits will audit monthly to ensure that all transactions are properly recorded and supporting documents are retained.</p> <p>On a monthly basis the Department of Internal Audits reviews the Auxiliary books. Any item classified as a fixed asset that was donated to the hospital will be brought to the attention of the accountant and the appropriate adjustment will be made. A schedule listing all fixed assets purchased for the hospital will be forwarded to the facility's Controller to be added to the hospital's fixed asset system.</p> <p>The Site Administrator's review of all invoices prior to payment will provide supervision as to the proper use of Auxiliary funds.</p> | <p><u>February 2002</u></p> <p><u>January 2002</u></p> <p><u>February 2002</u></p> | <p>This separation of duties provides checks and balances for the Auxiliary to run more efficiently.</p> <p>This will prevent any duplication of entries on the Auxiliary and hospitals books.</p> <p>This will help ensure that Auxiliary funds are used for patient care.</p> |

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II

PART A

Audit Title: Audit Report on HHC's North Central Bronx Hospital Auxiliary, Inc.

Agency: NYCHHC

Audit Date: Year 2000

Audit No: MC01-187A

Date: March 22, 2002

Audit Agency: Office of the Comptroller
Bureau of Management Audit

OMB Control No: _____

| RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT | METHODS/PROCEDURES | IMPLEMENTATION TARGET DATE | PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE |
|---|--|-------------------------------|--|
| Recommendation # 17 Ensure that petty cash replenishments are reviewed and approved by the Board before a check is written. | All petty cash replenishments will be reviewed by the Site Administrator as well as by the Auxiliary Board at their monthly meetings before a check is written. | <u>March 2002</u> | This will help ensure that the Auxiliary and the facility are aware of petty cash expenditures. |
| Recommendation # 18 Ensure that all expenditures are approved by the Board and documented in its minutes. | All expenditures requested by the hospital for patient care will be reviewed by the Auxiliary Board and documented in the minutes. General expenditures or purchases over \$300 will be reviewed by the Auxiliary Board and documented in the minutes. | <u>March 2002</u> | This will help ensure that the Board is aware of how the Auxiliary funds are being used. |
| Recommendation # 19 Ensure that operating procedures are written and implemented for the telephone program. | The facility is in the process of writing operating procedures for the disbursement of telephones to the patients. | <u>June 2002</u> | The documentation of procedures will ensure all departments will comply with the policies. |
| Recommendation # 20 Ensure that an inventory is maintained of the telephones on hand. | The Department of Internal Audits is working with the Auxiliary to take a physical inventory of the phones and to develop procedures to monitor the inventory as it is purchased and disbursed throughout the hospital. | <u>May 2002</u> | This will provide internal controls to monitor the use of the telephones and help prevent possible loss/theft. |