



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

WILLIAM C. THOMPSON, JR.
Comptroller

**Audit Report on the
Lincoln Medical and Mental Health Center
Auxiliary, Inc., of the New York City
Health and Hospitals Corporation**

MG02-142A

June 21, 2002

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

**Audit Report on the
Lincoln Medical and Mental Health Center
Auxiliary, Inc., of the New York City
Health and Hospitals Corporation**

MG02-142A

EXECUTIVE SUMMARY

Background

The Lincoln Medical and Mental Health Center (hospital) is part of the Generations+/Northern Manhattan Network (Network), which includes six New York City Health and Hospital Corporation (HHC) medical facilities. The Lincoln Medical and Mental Health Center Auxiliary, Inc. (Auxiliary) is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at the hospital. Both the Auxiliary and the hospital are required to follow the operating procedures established by HHC and to 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. The Auxiliary is also required to hold an annual fund-raising event. These funds may be used for purchases deemed necessary for patient-related care. According to its financial statements for the calendar year 2000, the Auxiliary earned \$502,580 and expended a total of \$28,193, including \$26,531 for Social Services and \$1,662 for General and Administrative expenses. This resulted in a surplus of \$474,387, which increased the 1999 net assets balance of \$507,437 to \$981,824 by the end of 2000.

Objectives

The objectives of this audit were to determine whether the Auxiliary's revenues and expenses were accurately and fairly reported, its 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 the last two quarters of 1999 and the first two quarters of 2001 in our review of the parking concession commissions. In addition, we reviewed the Auxiliary bylaws and Board meeting minutes for calendar years 1998 through 2001. We also interviewed the personnel responsible for the Auxiliary's day-to-day operations as well as members of the Auxiliary Board, and members of the hospital controller's staff.

Results in Brief

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

- Purchased for the hospital more than \$200,000 worth of equipment for breast cancer detection during calendar 1999,
- Sponsors an annual health fair at the hospital each year, and
- Sponsors the breast cancer awareness program, "Viva Mujer."

The Auxiliary's financial statements fairly represent its financial condition. Its incurred expenses were reasonable and were in compliance with prescribed procedures, guidelines, and bylaws. Specifically:

- The Auxiliary properly recorded contributions, concession revenue, and investment interest, and reconciled the cash receipts to the bank statements.
- Expenditures were accurately posted to the general ledger. All canceled and voided checks were properly accounted for and kept on file.
- Transactions were properly classified.

- Adjusting entries and estimates made to revenue and expense accounts were appropriate and reasonable.

Although the Auxiliary maintained adequate accountability over its funds, during our audit we found that the internal control structure over the collection and disbursement of funds could be improved. Specifically:

- Two vendors owe the Auxiliary \$5,029 in commission payments for 2000: the parking garage operator owed \$4,310 and the vending machine operator owed \$719.
- The Auxiliary had uninsured bank deposits totaling \$741,100.
- The Auxiliary had an excessive fund balance of \$981,824 in 2000.

This audit makes four recommendations, which are listed below. The Auxiliary Board and Lincoln Medical and Mental Health Center should:

- Ensure that commission payments from all vendors are accurate.
- Collect the additional commission payments of \$4,310 and \$719 owed by the parking garage and vending machine operators, respectively, for 2000.
- Place funds in collateralized accounts.
- Reduce the Auxiliary's funds balance by identifying more patient-care-related projects.

HHC Response

The matters covered in this report were discussed with officials from the Auxiliary and Lincoln Medical and Mental Health Center during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials on May 7, 2002, and was discussed at an exit conference on May 23, 2002. On May 31, 2002, we submitted a draft report to HHC officials with a request for comments. We received a written response from HHC officials on June 14, 2002, which included a memorandum from Lincoln Hospital's staff. In its response, HHC said that it agreed with and will implement all four recommendations. The President of HHC also stated, in part:

“To improve the monitoring and tracking of concession fees/commissions, the Facility will perform quarterly reconciliations of payment and contract terms for each vendor. Notices of delinquency will be sent for any overdue payments. If

necessary, the Auxiliary will utilize escrow accounts to satisfy unpaid balances. To eliminate and/or reduce the uninsured fund balances, the Auxiliary will make every effort to place funds in collateralized accounts at other banking institutions. Also, to reduce the surplus of funds, the Facility will work closely with the Auxiliary to fund purposeful and constructive patient care-related projects.”

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

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INTRODUCTION

Background

The Lincoln Medical and Mental Health Center (hospital) is part of the Generations+/Northern Manhattan Network (Network), which includes six New York City Health and Hospital Corporation (HHC) medical facilities. The Lincoln Medical and Mental Health Center Auxiliary, Inc. (Auxiliary) is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at the hospital. Both the Auxiliary and the hospital are required to follow the operating procedures established by HHC to ensure that its 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.¹ The Auxiliary is also required to hold an annual fund-raising event. These funds may be used for purchases deemed necessary for patient-related care.

According to its financial statements for the calendar year 2000, the Auxiliary earned \$502,580 and expended a total of \$28,193: \$26,531 for Social Services and \$1,662 for General and Administrative expenses. This resulted in a surplus of \$474,387, which increased the 1999 net assets balance of \$507,437 to \$981,824 by the end of 2000².

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

² The significant surplus in relation to expenditures is discussed in the last section of this report.

A four-member Board of Directors governs the Auxiliary: the President, who serves as the chairperson of the Board; the Vice President; the Treasurer, and the Secretary. The Auxiliary has three other members, as well as a hospital liaison to the Auxiliary who is responsible for advising the Auxiliary and ensuring its adherence to HHC procedures. The Auxiliary has no employees. Hospital employees perform the daily operations, bookkeeping, and accounting functions.

Objectives

The objectives of this audit were to determine whether the Auxiliary's:

- Revenues and expenses were accurately and fairly reported,
- 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 the last two quarters of 1999 and the first two quarters of 2001 in our review of the parking concession commissions. In addition, we reviewed the Auxiliary bylaws and Board meeting minutes for calendar years 1998 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 members of the hospital controller's staff. To determine whether authorization and approval requirements were met, we reviewed minutes of Board meetings, requisitions, 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. We also looked at cash receipts and such supporting documents as vendor checks, vendor sales statements, and other reports. In addition, we traced entries in the general ledger to the Auxiliary's financial statements for calendar year 2000.

To determine whether the amounts reported as 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 applicable payment requests and supporting documents from the various departments. We also traced the expense accounts from the general ledger to the financial statements for calendar year 2000.

To determine whether expenses were in compliance with prescribed guidelines and procedures, we reviewed the disbursement request 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.

HHC Response

The matters covered in this report were discussed with officials from the Auxiliary and Lincoln Medical and Mental Health Center during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials on May 7, 2002 and was discussed at an exit conference on May 23, 2002. On May 31, 2002, we submitted a draft report to HHC officials with a request for comments. We received a written response from HHC officials on June 14, 2002, which included a memorandum from Lincoln Hospital's staff. In its response, HHC said that it agreed with and will implement all four recommendations. The President of HHC also stated in part:

“To improve the monitoring and tracking of concession fees/commissions, the Facility will perform quarterly reconciliations of payments and contract terms for each vendor. Notices of delinquency will be sent for any overdue payments. If necessary, the Auxiliary will utilize escrow accounts to satisfy unpaid balances. To eliminate and/or reduce the uninsured fund balances, the Auxiliary will make every effort to place funds in collateralized accounts at other banking institutions. Also, to reduce the surplus of funds, the Facility will work closely with the Auxiliary to fund purposeful and constructive patient care-related projects.”

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

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: June 21, 2002

FINDINGS AND RECOMMENDATIONS

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

- Purchased for the hospital more than \$200,000 worth of equipment for breast cancer detection during calendar 1999,
- Sponsors an annual health fair at the hospital each year, and
- Sponsors the breast cancer awareness program, "Viva Mujer."

The Auxiliary's financial statements fairly represent its financial condition. Its incurred expenses were reasonable and were in compliance with prescribed procedures, guidelines, and bylaws. Specifically:

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- Expenditures were accurately posted to the general ledger. All canceled and voided checks were properly accounted for and kept on file.
- Transactions were properly classified.
- Adjusting entries and estimates made to revenue and expense accounts were appropriate and reasonable.

Although the Auxiliary maintained adequate accountability over its funds, during our audit we found that the internal control structure over the collection and disbursement of funds could be improved. Specifically:

- Two vendors owe the Auxiliary \$5,029 in commission payments for 2000
- The Auxiliary had uninsured bank deposits totaling \$741,100
- The Auxiliary had an excessive fund balance of \$981,824 at the end of 2000

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

Concession Contracts

We reviewed the concessionaires' payments of \$498,134 to the Auxiliary. We also reviewed the related contract stipulations and found that:

- All concession contracts were current
- Revenues were accurately recorded in the general ledger
- Payments were received in a timely manner
- Since April 2000, a log has been used to record the date when concession payments are received
- There are written policies and procedures for the sale of telephones to patients

Although concession revenues were accurately recorded, we found that the parking garage owed the Auxiliary an additional \$4,310 in commissions related to the contract period ending April 30, 2000. In addition, the vending machines company owes the auxiliary an additional \$719 in commission payments.

Moneys Owed by the Garage Concession in 2000

The contract between the parking garage and the hospital for the period March 1999 to April 2002 stipulates:

“Each month, the contractor shall forward a check to the hospital’s comptroller, or its written designee representing a commission based upon a percentage of gross receipts from operation of the Parking Spaces for the preceding month. The monthly commission shall be equal to (a) \$20,833.33 (one twelfth of the annual guarantee of \$250,000) **plus** a percentage of the monthly gross receipts received from operation of the Parking Spaces, net of sales tax, in accordance with the following schedule:” [Emphasis in original]

“50%	from	\$540,000	to	\$599,999.99
“85%	from	\$600,000	to	\$849,999.99
“95%	from	\$850,000	to	\$1,000,000”

The parking garage paid the monthly fees of \$20,833.33, for a total of \$250,000 for the contract year ending April 30, 2000. However the garage’s total income for the contract year was \$644,279, which exceeded the \$540,000 threshold. Therefore, the parking garage had to pay additional commissions in accordance with the contract stipulations. While the parking garage did pay additional commissions, the amount paid to the Auxiliary was short by \$4,310.01, as illustrated in Table I, below.

Table I

Commission Payments that the Parking Garage Owes to the Auxiliary
For the Period May 1999 through April 2000

	Parking Garage Gross Receipts	Commission parking garage had to pay	Commission paid by parking garage	Commission owed to the Auxiliary
2000 Sales	\$ 644,279.11			
Annual Minimum	\$ 540,000.00	\$ 250,000.00	\$ 250,000.00	\$0.00
Sales > minimum	\$ 104,279.11			
at 50% rate	\$ 59,999.99	\$ 29,999.99	\$ 25,689.98	\$4,310.01
at 85% rate	\$ 44,279.12	\$ 37,637.24	\$ 37,637.24	\$0.00
Total		\$ 317,637.23	\$ 313,327.22	\$ 4,310.01

As stipulated in the contract, the parking garage is supposed to pay one twelfth of the annual guarantee of \$250,000 or \$20,833.33 each month plus a percentage of monthly gross receipts that exceed \$540,000. The parking garage submitted a total of \$25,689.98, relating to the 50 percent threshold, instead of the \$29,999.99 that should have been paid. Therefore, the parking garage owes the Auxiliary \$4,310 in commission payments for April 2000. When we mentioned this underpayment to the Network Contract Liaison, he agreed that a payment error had been made.

Moneys Owed by the Vending Machines Concession in 2000

We also found that the vending machines company owes the Auxiliary \$719 in commissions, because the payments made for the months of May, July, and September 2000 were insufficient. The contract between the vending machines company and the hospital stipulates:

“Each month, the contractor shall forward a check made payable to the hospital... representing a commission equal to the greater of 38% of the monthly gross sales or \$3,800 a month; whichever is higher.”

However, for the months of May, July, and September of 2000 the vending machines company paid less than the \$3,800 minimum amount required, as shown in Table IV, below.

Table IV

Commission Payment that the Vending Machines Company Owes the Auxiliary

Commission Month	Minimum Commission Amount	Payment Received for Commission	Amount Owed to the Auxiliary
May 2000	\$3,800	\$3,797	\$ 3
July 2000	\$3,800	\$3,446	\$354
September 2000	\$3,800	\$3,437	\$362
Total			\$719

The Auxiliary and hospital officials should ensure that commission payments are accurate and in accordance with contract stipulations.

Recommendations

The Auxiliary Board and Lincoln Medical and Mental Health Center should:

1. Ensure that commission payments from all vendors are accurate.

HHC Response: HHC agreed and stated that it will: “Perform quarterly reviews of Auxiliary commissions and compare to contract terms. [We will also send invoices to] concessionaires for any outstanding balances.”

2. Collect the additional commission payments of \$4,310 and \$719 owed by the parking garage and vending machine operators, respectively, for 2000.

HHC Response: HHC agreed and stated that it will: “Write letters to concessionaires requesting payment of additional commissions due Auxiliary [and recoup] payment for vending machine operator from Escrow Account closeout.”

Uninsured Deposits

The Auxiliary maintains its funds at four financial institutions. It has seven accounts at the Chase Manhattan Bank, two accounts at the New York National Bank, one account at Emigrant Savings Bank, and one account at Citibank. At the end of January 2002, the Auxiliary had total deposits of \$1,139,618 at these banks. However \$741,100 (65%) of its funds were not insured by the Federal Deposit Insurance Corporation (FDIC) because that amount exceeded the \$100,000 maximum insured by the FDIC at each banking institution.

The funds that exceeded the \$100,000 insurance limit were divided between three of the four banks as shown in table VI, below:

Table VI

Lincoln Medical and Mental Health Center Auxiliary
Uninsured Bank Deposits - As of 1/31/02

Bank	Type of Account	Amount as of 1/31/02	Amount Insured by FDIC	Amount Uninsured
Chase Manhattan	Checking	\$ 308,268.75		
Chase Manhattan	Checking	\$ 4,908.17		
Chase Manhattan	Savings	\$ 84,558.41		
Chase Manhattan	Savings	\$ 7,717.13		
Chase Manhattan	Savings	\$ 9,522.13		
Chase Manhattan	CD	\$ 19,286.25		
Chase Manhattan	CD	\$ 3,643.83		
		\$ 437,904.67	\$ 100,000.00	\$ 337,904.67
National Bank	Checking	\$ 349,774.75		
National Bank	Savings	\$ 150,000.00		
		\$ 499,774.75	\$ 100,000.00	\$ 399,774.75
Emigrant Savings Bank	Money Market	\$ 103,420.49	\$ 100,000.00	\$ 3,420.49
Citibank	Money Market	\$ 98,517.75	\$ 98,517.75	
Total		\$1,139,617.66	\$ 398,517.75	\$ 741,099.91

Note: There were no uninsured deposits at Citibank

When funds are uninsured, there is a risk that moneys could be lost. When deposits of public money exceed the recognized deposit insurance limit, a request can be made that the depository pledge eligible collateral to secure the uninsured amount. Therefore, the Auxiliary should consider placing its deposits that exceed \$100,000 in collateralized accounts.

Recommendation

The Auxiliary Board and Lincoln Medical and Mental Health Center should:

3. Place its funds in collateralized accounts.

HHC Response: “The Auxiliary will review its current banking relationships and move towards spending down of assets on Hospital Programs and Initiatives or placing funds in collateralized accounts.”

Surplus of Funds

At the end of calendar year 2000, the Auxiliary had a fund balance of nearly a million dollars—\$981,824. In that same year, it earned \$502,580 in revenue while expending only

\$28,193. Because of the large fund balance and the small expenditure in that year, we checked the financial statements for the previous four years to determine if this pattern existed in prior years.

Table VII, below, shows the result of this analysis:

Table VII

Lincoln Medical and Mental Health Center Auxiliary
Analysis of Revenues and Expenditures for 1996 to 2000

Years	Revenue	Expenses	Change in Fund Balance	End of Year Fund Balance
2000	\$502,580	\$ 28,193	\$474,387	\$981,824
1999	\$397,184	\$421,821	(\$ 24,637)	\$507,437
1998	\$263,911	\$257,627	\$ 6,284	\$532,074
1997	\$426,341	\$672,325	(\$245,984)	\$525,790
1996	\$359,045	\$ 11,667	\$347,378	\$771,774

Table VII shows that there was no pattern of a large revenue intake with expenses being minimal. However, it does show that the Auxiliary consistently had a fund balance that exceeded a half million dollars.

In reviewing the Auxiliary's financial statements for 2000, we noted that the CPA who audited the statements made several comments about the Auxiliary's unrestricted fund balance. The CPA firm stated in part: "The Auxiliary, as a charitable organization, was supposed to spend or earmark its resources for the purposes it was established. This high surplus position could jeopardize the Auxiliary's tax exempt status."

The Auxiliary response to the CPA firm's comments was that it planned to spend at least \$400,000 in 2001, and would work with the hospital administration to fund more patient-care-related projects in that year. We were unable to verify whether those expenditures occurred, because the 2001 financial statements were not yet prepared as of April 30, 2002.

However, we reviewed the bank balances of the Auxiliary as of January 31, 2002, and determined that the Auxiliary had a balance of \$1,139,618 in its bank accounts. Therefore, even if the Auxiliary spent the \$400,000 as planned, it would still have a significant amount of funds in the bank.

As the CPA firm pointed out, such large fund balances could jeopardize the Auxiliary's tax-exempt status. More important, the Auxiliary's purpose is to raise funds to support services that enhance the quality of patient care at the hospital; maintaining a large surplus of funds in bank accounts fails to achieve that purpose. The Auxiliary should make a greater effort to reduce its surplus by identifying areas in the hospital that need additional resources, and spend funds from its surplus for such projects.

Recommendation

The Auxiliary Board and Lincoln Medical and Mental Health Center should:

4. Reduce the Auxiliary's fund balance by identifying more patient-care-related projects.

HHC Response: "We concur with the finding and will work closely with the Lincoln Auxiliary to identify projects that could be funded. Based on average revenues over the past three years, a budget will be prepared to assist the Auxiliary in finding worthwhile patient-care-related projects to reduce the fund balance."



NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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Benjamin Chu, M.D., M.P.H.
President

Control No. OIA 02-17

June 14, 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 LINCOLN MEDICAL AND MENTAL HEALTH
CENTER AUXILIARY, INC. OF THE NYC HEALTH AND HOSPITALS
CORPORATION FOR CALENDAR YEAR 2000 (AUDIT NUMBER MG02-
142A)

Dear Mr. Liwer:

Thank you for the opportunity to respond to the draft audit report concerning the Lincoln Medical and Mental Health Center Auxiliary, Inc. (Auxiliary). I was pleased to read, as our audit report also indicated, that the Auxiliary's financial statements fairly represent its financial condition, expenses were accurately recorded and in compliance with prescribed procedures, guidelines and by-laws, and revenues and investment interest was accurately posted and accounted for.

To improve the monitoring and tracking of concession fees/commissions, the Facility will perform quarterly reconciliations of payments and contract terms for each vendor. Notices of delinquency will be sent for any overdue payments. If necessary, the Auxiliary will utilize escrow accounts to satisfy unpaid balances.

To eliminate and/or reduce the uninsured fund balances, the Auxiliary will make every effort to place funds in collateralized accounts at other banking institutions. Also, to reduce the surplus of funds, the Facility will work closely with the Auxiliary to fund purposeful and constructive patient care-related projects. Based on a three-year moving average of revenues earned by the Auxiliary, a reasonable budget will be developed to gauge the type and size of the projects to be initiated. It should be noted that the Auxiliary has spent over \$365,000 on projects in calendar year 2001 and over \$780,000 was committed for projects that will be paid in calendar year 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-up reviews on the Comptroller's recommendations through our

Mr. Roger Liwer
Assistant Comptroller for Audits
June 14, 2002

routine annual audit process to ensure full compliance with the Corporation's operating procedures and relevant Auxiliary guidelines.

Attachment I is the Facility's detailed response. Attachment II is the Audit Implementation Plan, which addresses all the recommendations cited in the 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.R. Sanchez, Senior Vice President, Generations+ Health Network
V. Bekker, Network Chief Financial Officer, Generations+ Health Network
D. Cates, Chief of Staff, Office of the President
L. Brown, Senior Vice President, Corporate Planning, Community Health & Intergovernmental Relations
A. Scoufaras, Corporate Director, Office of Internal Audits
K. McGrath, Corporate Director, Communications and Marketing
N. Stent, Executive Assistant, Corporate Planning, Community Health & Intergovernmental Relations
M. Bocachica, Controller, Lincoln Hospital and Mental Health Center
M. Levine, Senior Associate Executive Director, Network Contract Liaison, Generations + Northern Manhattan Health Network
A. Randall, Chairperson, Lincoln Hospital Auxiliary
C. Provenzano, Senior Assoc. Director, Internal Audit, Generations + Health Network
D. Baines, Audit Manager, NYC Office of the Comptroller
B. Bernstein, Senior Auditor, Mayor's Office of Operations
W. Otero, Assistant Director, Office of Internal Audits



MAPLE
HOSPITAL CENTER

LINCOLN MEDICAL AND
MENTAL HEALTH CENTER

METROPOLITAN
HOSPITAL CENTER

ROOSEVELT UNIVERSITY
AND TREATMENT CENTER

ADVANCED
HEALTH CARE NETWORK

ROOSEVELT TRUST BUILDING
DIAGNOSTIC & TREATMENT CENTER

Attachment

ADDENDUM
Page 3 of 5

LINCOLN MEDICAL AND MENTAL HEALTH CENTER

234 Eugenio Maria De Hostos Blvd. (149th Street), Bronx NY 10451 TEL (718) 579-8000

Victor Bekker, Chief Financial Officer
Telephone: (718) 579-5758
Fax: (718) 579-4710

MEMORANDUM

TO: Alex Scoufaras
Corporate Director
Internal Audits

FROM: Victor Bekker

DATE: June 4, 2002

SUBJECT: DRAFT - Audit Report on Lincoln Medical & Mental Health
Center Auxiliary, Inc. of the New York City Health & Hospitals
Corporation - Audit Number: MG02-142A

Pursuant to your request, below please find Lincoln Hospital's response to the
Auxiliary audit findings presented in the report issued by Roger D. Liwer, Assistant
Comptroller for Audits of the NYC Comptrollers Office.

Findings and Recommendations

Concession Contracts: (Pages 4-7 of attached report)

We concur with the finding. Quarterly reviews will be conducted of
concession contracts to ensure that payments are being made in
accordance with contract terms. A letter requesting the remittance of the
underpayment will be issued to the G&R Parking to recover the \$4,310.01
due for Contract Year 2000. The concession contract with Rockland
Vending has been terminated. The escrow account will be closed and
under payment of commission for Contract Year 2000 will be deducted
from refund to vendor of escrow.

C:\My Documents\Lincoln Hospital\Lincoln Auxiliary\NYC controllers\Auxiliary audit 2001.doc

Alex Scoufaras
June 4, 2002
Page 2 of 2

Uninsured Deposits: (Page 7-8 of attached report)

We concur with the finding. The Auxiliary will review its current banking relationships and move towards spending down of assets on Hospital Programs and Initiatives or placing funds in collateralized accounts.

Surplus Funds: (Page 9 & 10 of attached report)

We concur with the finding and will work closely with the Lincoln Auxiliary to identify projects that could be funded. Based on average revenues over the past three years, a budget will be prepared to assist the Auxiliary in finding worthwhile patient-care-related projects to reduce the fund balance. In calendar year 2001 over \$365 thousand was spent on projects and over \$780 thousand was made in commitments for projects to be paid in calendar year 2002.

Should you have any questions please call me or Mr. Mike Bocachica at (718) 579-5347

Attachment

C: J. R. Sanchez
M. Bocachica
M. Gandy
A. Randall
W. Otero

AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

Page 5 of 5

Audit Title: Audit of the Lincoln Medical and Mental Health Center Auxiliary, Inc. of the NYC HHC
Agency: NYC HHC
Control No. CMA 02-17

Date: May 21, 2002
Audit Date: Calendar Year 2002
Audit Agency: City of New York Office of the Comptroller
Audit No.: M4-02-13A

PART A

RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT	METHOD/PROcedures	IMPLEMENTATION TARGET DATE	PROGRAM IMPROVEMENTS/STAFF SAVINGS INCREASED REVENUE WITH TARGET DATE
1) Ensure that commission payments from all vendors are accurate.	Perform quarterly reviews of Auxiliary commissions and compare to contract terms. Invoice commissions for any outstanding balances.	June 2002	Quarterly reporting
2) Collect the additional commission payments of \$4,341 and \$719 owed by the parking garage and vending machine operators, respectively, by 2/02.	Write letters to contractors requesting payment of additional commissions due Auxiliary. Receive payment for vending machine operator from Beacon Account checkbook.	June 2002	\$5,029
3) Place the funds in collectivized accounts.	The Auxiliary will review its contract bank for relationships and move towards spending share of assets on Hospital Programs and Initiatives or placing funds in collectivized accounts.	December 2002	N/A
4) Reduce the Auxiliary's fund balance by identifying more patient-care-related projects.	We concur with the finding and will work closely with the Lincoln Auxiliary to identify projects that could be funded. Based on average revenues over the past three years, a budget will be prepared to assist the Auxiliary in finding worthwhile patient-care-related projects to reduce the fund balance.	December 2002	Spent approximately \$700,000 to \$800,000 per year on patient-care-related projects.