

# ***A MESSAGE FROM COMPTROLLER THOMAS P. DINAPOLI***

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New York State has very serious fiscal problems. To return New York to the path of fiscal stability, our priorities must include reforming ineffective and wasteful programs, identifying and eliminating fraudulent and unethical behavior by those entrusted with public responsibilities, and taking every opportunity to achieve cost savings. If citizens are to obtain the returns they deserve on their tax dollars, programs must be driven by performance and focused on results. All of these objectives and more are essential to restoring New York State to good financial health.

As Comptroller, one of my responsibilities is to oversee audits of the operations of State agencies and public authorities. My audits are designed to help assess how effectively government managers are addressing important issues, including those necessary to improving the State's fiscal condition. My auditors, through their independent audit reports and their skills as accountability experts, promote

transparency and provide findings and recommendations that the Governor, the Legislature, agency management and the public can rely upon to make informed decisions.

This annual report is a road map to help understand how well our State agencies and public authorities are doing in managing their important responsibilities. Through the report, operational results and improvement opportunities can be seen for individual agencies and for categories of State government operations. I am pleased to report that the audits represented in this annual report identified a total of more than \$385 million of cost savings.

Each year I challenge my auditors to explore new ways of auditing, including the use of advanced technology to find high-risk, high-priority problems, in order to become more efficient and effective. In this way we are assured the highest return possible on every dollar of the public's money. I believe government managers must similarly challenge themselves and the people they work with to pursue improvement opportunities, including audit recommendations, to protect New York State resources. New York must move in new directions to ensure that we truly meet the needs of the taxpayers and citizens of this great State.

Sincerely,

A handwritten signature in black ink that reads "Tom DiNapoli". The signature is written in a cursive, flowing style.

Thomas P. DiNapoli  
State Comptroller



The New York State Flag

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Under the New York State constitution, the Comptroller serves as the State Auditor.

As a statewide elected official, the Comptroller is directly accountable to the taxpayers and voters of the State. The Comptroller is assisted by more than 200 professional auditors responsible for the audits of State agencies and public authorities.

Some of these auditors have advanced degrees and many have professional certifications in the accounting and auditing field. They include Certified Internal Auditors, Certified Fraud Examiners and Certified Public Accountants, along with several other certifications.

Each of them is dedicated to protecting the public interest and promoting public accountability. This year, as shown in this annual report, these auditors found:

- State resources being stolen by unscrupulous employees and contractors;
- Students at risk in schools because required employee background checks were not done timely;
- State employees colluding with vendors to give work to these vendors;
- Schools not accurately reporting graduation and dropout rates; and
- Managers of State agencies not buying electricity from renewable sources as required, and not complying with recycling requirements.

These are just a few of the wide range of issues the auditors pursue.

The Comptroller's audits are central to the sound management of State government. By monitoring State operations and stressing opportunities to improve accountability and enhance productivity, the Comptroller not only fulfills a responsibility to oversee the fiscal concerns of the State, but provides the Legislative and Executive branches with an independent and objective view of how State government can operate more efficiently and effectively. By making audit reports available to the public, the Comptroller provides State taxpayers with the same independent and objective overview of State operations.

The Office of the State Comptroller also refers potential fraud cases to the appropriate prosecutor and works with prosecution staff to pursue convictions of wrongdoers. The Division of State Government Accountability is a component of the Office of State and Local Government Accountability, which is the office that carries out the Comptroller's function as State Auditor. The Division is responsible for performing audits of State agencies and public authorities.

In the past year, the Division issued a total of 141 audit reports addressing the operations of these entities. These reports identified more than \$385 million in cost savings (costs that can be reduced and revenues that can be increased if the audit recommendations are implemented), and an additional \$218 million in costs that were questionable because of

problems related to internal controls. Audits also result in many benefits that cannot be quantified, such as the new internal controls and management procedures that have been put into place as a result of the audits. The improvements in efficiency, accountability and security resulting from these measures are sometimes more significant than any quantifiable savings that are identified.

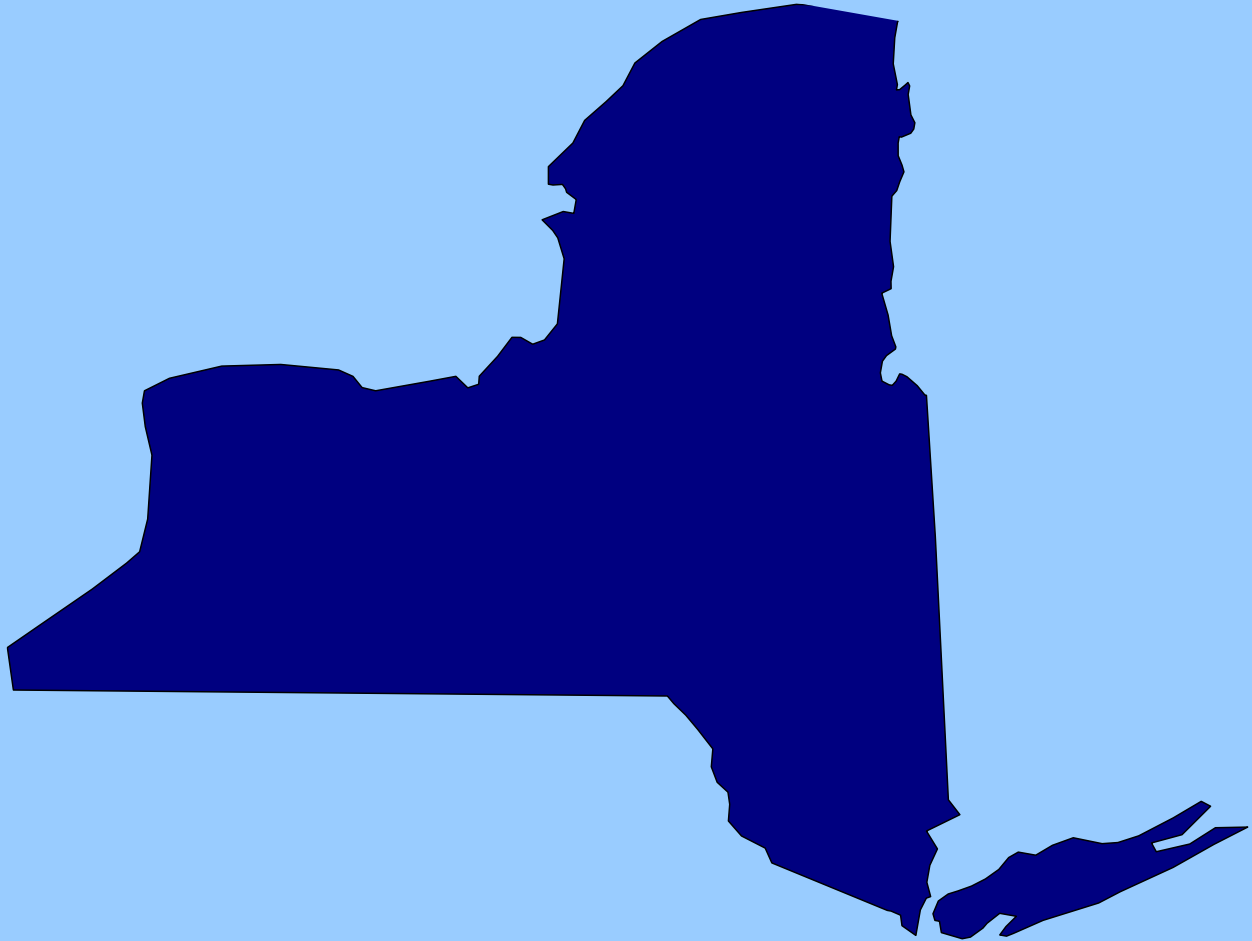
## ***ANNUAL REPORT***

As required by law, this annual report summarizes the results of all the State agency and public authority audit reports issued during the year October 1, 2008 through September 30, 2009. The audit summaries are divided into seven functional areas: Health and Human Services, Education, Transportation, Government Support, Criminal Justice and Judicial Administration, Economic Development and Housing, and Other State Agencies and Public Authorities. An accompanying volume lists, by State agency or public authority, the audit reports issued during the five-year period from October 1, 2003 through September 30, 2008.

The audit summaries in this annual report provide brief descriptions of the audit results and do not include the comments of the audited officials. If you are interested in knowing more about a particular report, you are encouraged to obtain and read the entire report, which includes many additional details as well as the full text of the audited officials' response to the findings and recommendations contained in the report. You may obtain any of the reports cited in this annual report by contacting the Comptroller's Office of Public Information at (518) 474-4015 or by visiting our website: [www.osc.state.ny.us](http://www.osc.state.ny.us).

## **AUDIT SUMMARIES**

# **HEALTH AND HUMAN SERVICES**



### ***THE RESULTS OF AUDITS AT THE:***

- ◆ ***DEPARTMENT OF HEALTH***
- ◆ ***OFFICE OF CHILDREN AND FAMILY SERVICES***
- ◆ ***OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE***
- ◆ ***OFFICE OF MENTAL HEALTH***
- ◆ ***OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES***
- ◆ ***OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES***
- ◆ ***STATE OFFICE FOR THE AGING***

The Department of Health, which was appropriated more than \$56 billion in the 2009-2010 fiscal year, administers New York's Medicaid program, promotes and supervises other public health activities, and operates facilities for health research and patient care. The Office of Children and Family Services, which was appropriated about \$3.9 billion in the 2009-2010 fiscal year, administers programs serving children, youths, vulnerable adults and families. The Office of Temporary and Disability Assistance, which was appropriated about \$5.6 billion in the 2009-2010 fiscal year, provides income support and other services to able-bodied people seeking employment and people who cannot work because of temporary or permanent disability. The Office of Mental Health, which was appropriated about \$3.8 billion in the 2009-2010 fiscal year, provides services for the mentally ill. The Office of Mental Retardation and Developmental Disabilities, which was appropriated about \$4.5 billion in the 2009-2010 fiscal year, provides services for the developmentally disabled. The Office of Alcoholism and Substance Abuse Services, which was appropriated about \$713 million in the 2009-2010 fiscal year, oversees programs for preventing and treating alcohol and substance abuse. The State Office for the Aging, which was appropriated about \$247 million in the 2009-2010 fiscal year, promotes, coordinates and administers services for New Yorkers aged 60 and older. The following summarizes the results of our audits during the past year at these State agencies.

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## DEPARTMENT OF HEALTH

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### **Controls Over eMedNY Edit Changes**

- Medicaid claims in New York State are processed and paid by the automated eMedNY system. When the claims are processed by eMedNY, they are subject to various automated edits which determine whether the claims are eligible for reimbursement at the

amounts claimed. The edits are to be programmed in accordance with instructions provided by various units in the Department of Health.

We examined the management controls over these edits and found that improvements were needed. For example, an unstructured and informal approach was often taken to the edit change process, as control responsibilities were not clearly understood and much of the process was not documented. In addition, edit changes were not always properly coordinated among the responsible Department units, were not always appropriately authorized, and were not always programmed as intended. Also, edits were not monitored after they were activated to ensure that they were functioning as intended, and they were not deactivated when they were no longer needed.

As a result of these control weaknesses, inappropriate Medicaid payments may not be prevented and Medicaid claims may be processed inefficiently. Our audits of specific Medicaid claims processing activities have identified numerous instances in which Medicaid overpayments were not prevented because of weaknesses in the edit management process. For example, in 2007 alone, our reports identified about \$54.5 million in such overpayments. We made a number of recommendations for strengthening the Department's controls over the eMedNY edit process. (2007-S-139)

### **Inappropriate Payments for Medicaid Recipients Residing and Enrolled in Other States**

- According to federal reports, during a recent four-year period, New York State made \$28.4 million in Medicaid payments on behalf of individuals who were enrolled in other states' Medicaid programs at the same time they were enrolled in New York State's program. We found that the Department of Health was not adequately overseeing the State's investigation of these payments, which are performed by local social services

districts. We also found the Department was not taking steps to recover certain inappropriate payments (i.e., managed care premiums paid on behalf of enrollees no longer residing in New York). We recommended such payments be recovered and other actions be taken to help prevent the payments from being made in the first place. (2008-S-4)

### **Medicaid Payments for Diabetic Testing Supplies**

- Diabetic individuals use certain items to monitor their blood glucose levels. In New York State's Medicaid program, pharmacies may be reimbursed for providing these items to diabetic Medicaid recipients. The reimbursements received on behalf on any single individual should be limited to a certain number of items per month. We compared the limits in New York's Medicaid program to the limits in Medicare and the limits in ten other states' Medicaid programs. We found that New York's Medicaid program allowed reimbursements for far more items per month than the other programs. We determined that, if New York had used the same limits as Medicare, its Medicaid program could have saved nearly \$13.8 million during the five-year period we examined.

We recommended the Department of Health consider lowering New York's Medicaid limits on diabetic testing supplies. We also recommended the Department investigate certain instances we identified, in which it appeared that reimbursements had been claimed for an excessive number of testing supplies per recipient. (2008-S-123)

### **Inappropriate Medicaid Payments for Dental Services Provided to Patients with Dentures**

- We audited the Medicaid claims submitted by dentists over a five-year period for services provided to patients with dentures, and found that the dentists may have been overpaid as much as \$2.9 million on these claims. For example, some dentists billed Medicaid for full dentures when only partial dentures were

provided to the patients, and other dentists billed Medicaid for dental procedures that are typically performed on patients with natural teeth. We determined that the Medicaid claims processing system, eMedNY, lacked the controls necessary to detect and prevent such overpayments. We recommended such controls be developed. We also recommended that the overpayments be investigated and recovered. (2008-S-125)

***Inappropriate Payments for Vision Care Services Claimed by Dr.***

**Horowitz** - We audited about \$370,000 in Medicaid claims submitted by Dr. Horowitz, an optometrist on Staten Island, because our ongoing analysis of Medicaid records indicated that the claims could be questionable. For example, the usual frequency for optometric examinations is once every 24 months. However, Dr. Horowitz routinely billed Medicaid more frequently for his patients, sometimes claiming he provided the patients with ten or more eye examinations in a 24-month period. When we reviewed Dr. Horowitz's medical records for these patients, we found no indication the patients needed to be examined so frequently.

Our review of the patients' medical records also showed that Dr. Horowitz may have billed Medicaid for services that were not medically necessary and might not have been performed. We further determined that Dr. Horowitz routinely overbilled Medicaid when the patients were also eligible for Medicare, and routinely overbilled for the cost of his transportation to the nursing home where most of his patients lived. We concluded that about \$239,500 of the \$370,000 in Medicaid payments (65 percent) received by Dr. Horowitz during our five-year audit period may have been inappropriate. We recommended that the Department of Health investigate these payments and make all appropriate recoveries. In addition, we referred Dr. Horowitz to the Office of the Medicaid Inspector

General for further investigation. (2008-S-166)

***Enhanced Medicaid Payments to Selected Nursing Service Agencies That Provide Care for Medically***

**Fragile Children** - In 2007, New York increased its Medicaid reimbursement rates for the nursing services provided to medically fragile children (i.e., children who are at risk of hospitalization or institutionalization because of their complex medical needs, but who can be cared for at home if provided with the appropriate nursing services). In the two years covered by our audit, New York's Medicaid program paid nursing agencies \$129 million for these services. The Department of Health is responsible for ensuring that nursing agencies pass on the funding increases to the nurses serving the children. The Department may audit the agencies to determine whether they are doing so and may recover any funds that were not used as intended.

We visited three nursing agencies that were paid a total of \$20 million by Medicaid for services provided to medically fragile children during our two-year audit period. We examined the agencies' records to determine whether they were passing on the funding increases to the nurses serving the children, as intended. We found indications that all three agencies were not passing on the funding increases to the extent intended by the law. We recommended that the Department investigate the agencies and recover any funds that were not used as intended. We also recommended that the Department increase its oversight of nursing agencies to better ensure that they were using their enhanced Medicaid reimbursements as intended. (2008-S-127)

***Inappropriate Medicaid Claims for Newborn Services***

- Newborn infants with low birth weights require higher levels of care. Accordingly, the Medicaid reimbursement rates for such

infants are higher than the rates for infants with normal birth weights. We audited selected Medicaid payments for services provided to newborn infants and identified overpayments of \$480,894. The overpayments were made because the claims submitted by the medical providers erroneously understated the infants' birth weights. We recommended the Department of Health recover the overpayments and develop controls to identify and prevent such overpayments in the future. (2008-S-152)

***Inappropriate Medicaid Billings for Dental Restorations (Follow-Up Report)***

- In audit 2007-S-71, we identified five dentists who often submitted questionable Medicaid claims. The claims were questionable because the dentists claimed to have provided Medicaid recipients with an unusually large number of dental services, either over a period of months or in a single office visit. For example, on 151 different occasions, the dentists claimed to have provided a Medicaid recipient with 25 or more fillings during a single office visit. We visited the dentists' offices and reviewed the medical records relating to their claims.

We found that all the claims in our sample were inappropriate and potentially fraudulent because they either were not supported by the dentists' medical records or did not comply with the rules set forth in the Department of Health's Medicaid Dental Manual. We disallowed all \$148,341 in payments on these claims, and because of the billing patterns identified by our audit, recommended that the Department of Health review an additional \$9.9 million in Medicaid payments to the five dentists. We also recommended the Department implement controls that would prevent these kinds of overpayments in the future. When we followed up on these matters with Department officials, we found that they had made considerable progress in their implementation of our recommendations. (2008-F-56)

***Inappropriate Medicaid Billings for Dental Services (Follow-Up Report) -***

In audit 2007-S-3, we examined a sample of about \$125,000 in Medicaid claims submitted by a sole proprietor who maintained two dental facilities in Brooklyn. We initiated our audit because our analysis of Medicaid records indicated that the dentist often submitted questionable claims. We reviewed the medical records relating to the claims, and found that the claims were not supported by the medical records and did not comply with the rules set forth in the Department of Health's Medicaid Dental Manual. We disallowed all \$125,000 in claims and recommended that the Department review an additional \$771,000 in Medicaid payments to the dentist. We also recommended the Department implement controls that would prevent these kinds of overpayments in the future. When we followed up on this matter with Department officials, we found that our recommendations had been implemented, and as a result of our audit, the dentist had been convicted for Medicaid fraud and had surrendered his license to practice dentistry. (2008-F-46)

***Inappropriate Medicaid Billings for Dental Sealants (Follow-Up Report) -***

Dental sealants are applied to the biting surfaces of back teeth to prevent tooth decay. In audit 2007-S-58, we examined selected Medicaid payments for dental sealants over a four-year period and identified about \$469,300 in potentially inappropriate payments. The payments were potentially inappropriate mainly because it appeared that sealants had been applied to the same teeth more frequently than is allowed by Medicaid regulations. We recommended that the Department of Health investigate the potential overpayments, recover all actual overpayments, and develop controls to prevent such overpayments in the future. When we followed up on these matters with Department officials, we found that they had made considerable progress in their

implementation of our recommendations. (2008-F-55)

***Medicaid Payments to Clinics When the Patients Were Hospitalized (Follow-Up Report) -***

Medicaid reimbursement rates for inpatient hospital care are generally intended to cover all the costs associated with a hospital stay, including the cost of any services provided by a clinic or emergency room either during hospitalization or on the day a patient is hospitalized. However, in our prior audit 2006-S-51, we determined that as much as \$25.7 million in Medicaid payments were inappropriately made for services provided by clinics or emergency rooms to hospitalized patients either during the patient's hospital stay or on the day the patient was hospitalized. We recommended that the payments be investigated and all overpayments recovered, and certain automated claims processing controls be strengthened. When we followed up on these matters, we found that Department of Health officials had made progress in implementing our audit recommendations. (2008-F-10)

***Medicaid Payments to Home Care Providers While Recipients Were Hospitalized (Follow-Up Report) -***

Home care services can be reimbursed by Medicaid when they enable the recipient to live at home. In our prior audit 2006-S-77, we identified about \$5.7 million in payments for home care services that were potentially inappropriate because the recipients appeared to be hospitalized at the time the home care services were supposedly provided. We recommended that the Department of Health investigate the potential overpayments, recover all actual overpayments, and develop controls to prevent such overpayments in the future. We also recommended that the Department investigate the billing practices of certain home care providers, as our detailed review of medical records at one of these providers identified numerous inappropriate and otherwise

questionable billing practices. When we followed up on these matters, we found that Department officials had made progress in implementing our audit recommendations. (2008-F-23)

***Medicaid Payments to Transportation Providers While Recipients Were Hospitalized (Follow-Up Report) -***

If a Medicaid recipient needs medical services, but cannot get to those services, federal regulations require that transportation be provided to the recipient. In audit 2006-S-78, we examined Medicaid payments to transportation providers over a 55-month period and identified more than \$4 million in payments that were potentially inappropriate because the recipients appeared to be hospitalized at the time the transportation was supposedly provided. We recommended that the Department of Health investigate the potential overpayments, recover all actual overpayments, and develop controls to prevent such overpayments in the future. When we followed up on these matters, we found that Department officials had made some progress in implementing our audit recommendations, but additional actions were still needed. (2008-F-24)

***Inappropriate Medicaid Payments for Durable Medical Equipment While Recipients Resided in Nursing Homes (Follow-Up Report) -***

Charges for durable medical equipment are often included in the comprehensive Medicaid reimbursement rates for nursing homes. Accordingly, Medicaid generally should not be billed separately for these charges when such equipment is provided to nursing home residents. However, in audit 2007-S-18, we found that Medicaid sometimes was billed separately for this equipment. During our five-year audit period, we identified about \$3.1 million in potentially inappropriate payments for such equipment. We recommended that the payments be investigated, all inappropriate payments recovered, and controls improved to prevent such payments in the future. When we

followed up on these matters with Department of Health officials, we found that they had generally implemented our audit recommendations. (2009-F-12)

**Medicaid Payments to Office of Mental Health and Office of Mental Retardation and Developmental Disabilities Providers While**

**Recipients Were Hospitalized (Follow-Up Report)** - Many of the clients served by the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities receive services in community-based settings. Some of these services are eligible for Medicaid reimbursement. In audit 2006-S-89, we examined selected Medicaid payments for such services over a five-year period and identified more than \$2.4 million in inappropriate payments. The payments were inappropriate because, in some instances, the services were not eligible for reimbursement, and in other instances, the clients were hospitalized and had not been in a community-based setting for a sufficient period of time to qualify for reimbursement. We recommended that the Department of Health recover the overpayments and develop controls to prevent such overpayments in the future. When we followed up on these matters with Department officials, we found that they had made some progress in their implementation of our audit recommendations, but additional actions were still needed. (2008-F-32)

**Medicaid Payments to Referred Ambulatory and Laboratory Providers While Recipients Were Hospitalized (Follow-Up Report)** -

The daily Medicaid reimbursement rates for hospitalization generally cover the costs of all medical services provided to Medicaid recipients during their hospital stays. To determine whether ambulatory and laboratory service providers were inappropriately paid for services provided to Medicaid recipients during their hospital stays, in audit report 2006-S-90, we examined selected Medicaid payments to these

providers over a five-year period. We identified more than \$2.3 million in inappropriate payments and questioned additional payments of \$622,937. We recommended that the Department of Health recover the overpayments and develop controls to prevent such overpayments in the future. When we followed up on these matters with Department officials, we found that they had implemented most of our audit recommendations. (2008-F-25)

**Medicaid Payments for Pharmacy Services While Recipients Resided in Nursing Homes (Follow-Up Report)** -

Many pharmacy services are included in the comprehensive Medicaid reimbursement rates for nursing homes. Accordingly, Medicaid generally should not be billed separately for these services when they are provided to nursing home residents. However, in audit report 2007-S-88, we found Medicaid sometimes was billed separately for these services. During our five-year audit period, we identified about \$2.1 million in potentially inappropriate payments for such pharmacy services. We recommended that the payments be investigated, all inappropriate payments recovered, and controls improved to prevent such payments in the future. When we followed up on these matters with Department officials, we found that they had made only limited progress in implementing our audit recommendations. (2009-F-11)

**Medicaid Payments to Signature Health Center, LLC (Follow-Up Report)** -

In audit 2006-S-59, we found that Signature Health Center frequently billed Medicaid for services that were covered (and reimbursed) by Medicare, and as a result, received at least \$831,000, and as much as \$1,268,000, in Medicaid overpayments. We recommended that these payments be investigated and all overpayments recovered. We also referred the matter to the State Attorney General's Office for investigation. When we followed up on this matter, we found that the Office of the Medicaid Inspector General, on

behalf of the Department of Health, had engaged a series of audits of Signature Health Center and had collected more than \$3.5 million in Medicaid overpayments from the Center. In addition, the State Attorney General's Office was also conducting an investigation of the Center. (2008-F-44)

**Medicaid Overpayments for Mental Health Services (Follow-Up Report)** -

In audit 2006-S-53, we identified more than \$1.3 million in Medicaid overpayments for mental health services, many of which were the result of providers billing Medicaid more than once for the same service. In addition, about \$436,000 in overpayments were made to a psychiatrist who sometimes billed Medicaid for more than 24 hours of services in a single day. We recommended that the Department of Health investigate and recover the overpayments we identified, and strengthen its Medicaid claims processing controls to prevent such overpayments in the future. When we followed up on these matters with Department officials, we found they had made considerable progress in implementing our audit recommendations. (2008-F-54)

**Physical Therapy Services Provided by Clinics to Medicaid Recipients (Follow-Up Report)** -

In audit 2006-S-63, we analyzed claims paid by Medicaid for physical therapy services provided by clinics. To be eligible for reimbursement, such services should be provided by currently licensed physical therapists. However, many of the claims we reviewed did not positively affirm that the services were provided by such individuals. To reduce the risk that payments may inappropriately be made for physical therapy services not provided by such individuals, we recommended claims for such services not be paid unless it was clearly indicated that the services were provided by such individuals. When we followed up on this matter, we found that controls over payments for physical therapy services had been

strengthened as we recommended. (2008-F-21)

**Medicaid Overpayments of Coinsurance Fees for Medicare Beneficiaries**

- If an individual is eligible for both Medicare and Medicaid, the individual's eligible medical costs are to be paid by Medicare, except for a portion of the costs relating to certain services, which are to be paid by Medicaid. We examined the payments made by Medicaid over a one-year period on behalf of individuals who were eligible for both Medicare and Medicaid to determine whether any overpayments had been made because medical service providers had inaccurately reported the amounts they had been paid by Medicare. We identified an estimated \$2.7 million in such overpayments. We recommended that the overpayments be investigated and recovered. (2008-S-128)

**Medicaid Overpayments for Medicare Part B Beneficiaries**

- We examined selected payments made by Medicaid for a one-year period on behalf of individuals who were eligible for both Medicare and Medicaid. We identified an estimated \$1.8 million in overpayments to medical providers that incorrectly billed Medicaid for Medicare Part B services. In many instances, the providers either double-billed the services or did not accurately report Medicare payment information on their Medicaid claims. We recommended that the overpayments be investigated and recovered, and procedures be established for preventing such overpayments in the future. (2008-S-63)

**Medicaid Overpayments of Medicare Part B Deductibles (Follow-Up Report)**

- In audit 2006-S-122, we examined selected Medicaid payments and identified an estimated \$592,000 in overpayments to more than 2,000 medical providers that incorrectly billed Medicaid for Medicare Part B services. We recommended that the overpayments be investigated and recovered, and procedures be

established for preventing such overpayments in the future. When we followed up on this matter, we found that Department of Health officials had made progress in implementing our audit recommendations. (2008-F-45)

**Medicaid Claims Processing for the Six Months Ended September 30, 2008**

- Medicaid claims are processed and paid by an automated system that is operated by a contractor and overseen by the Department of Health. We examined selected Medicaid claims processed during the six months ended September 30, 2008 to determine whether the claims were processed in accordance with procedures. We found that the claims were processed in accordance with procedures. However, we determined that three providers who had abused the Medicaid program, and should have been removed from the automated payment system, had not been removed from the system. We also identified certain overpayments that needed to be recovered and certain security weaknesses that needed to be addressed. (2008-S-70)

**Medicaid Claims Processing for the Six Months Ended March 31, 2007 (Follow-Up Report)**

- In audit 2006-S-88, we examined the Medicaid claims processed during the six months ended March 31, 2007 to determine whether the claims were processed in accordance with requirements. We identified overpayments of \$181,187 and recommended that controls be improved to prevent such overpayments in the future. When we followed up on these matters, we found that Department of Health officials had made some progress in implementing our audit recommendations, but additional progress was still needed. (2008-F-11)

**Eligibility of Children Enrolled in Child Health Plus B (Follow-Up Report)**

- In New York State's Child Health Plus B Program, which is administered by the Department of Health, free or low-cost health insurance is provided to low-income

children who are not eligible for Medicaid. In audit 2005-S-58, we examined whether ineligible children were enrolled in the Child Health Plus B Program and identified more than 20,000 ineligible enrollments. The enrollments were ineligible because the children were either simultaneously enrolled in Medicaid, covered by other health insurance, or eligible for coverage under the State's public employee health benefits plan. We determined that, during the six-month period covered by our analysis, the premiums paid by the State on behalf of these ineligible enrollments exceeded \$2.6 million. We recommended the Department investigate the ineligible enrollments, recover all overpayments, and improve its controls to prevent such enrollments in the future. When we followed up on these matters with Department officials, we found that they had made good progress in implementing our audit recommendations. (2008-F-26)

**Immunization Program (Follow-Up Report)**

- New York State's Public Health Law requires children to be immunized against certain communicable diseases before they attend any public school, private school, nursery school, or day care facility. The Department of Health is responsible for promoting and monitoring compliance with these immunization requirements.

In audit 2005-S-41, we examined the effectiveness of the Department's efforts and found that some improvements were needed. For example, we reviewed selected immunization records at a sample of 25 elementary and secondary schools and found that the immunization requirements in the Public Health Law were not always being met. We recommended the Department take certain actions to improve the accuracy and completeness of the information provided by schools about their compliance with immunization requirements. We also recommended certain improvements be made in

Department activities for promoting compliance with the requirements. When we followed up on these matters with Department officials, we found that they had made progress in their implementation of our audit recommendations, but additional actions were still needed. (2008-F-6)

### **Food Program Payments to Selected Child Care Centers in New York City**

- The Department of Health is responsible for administering a federal program in which child care centers are reimbursed for providing meals and snacks to the children in their care. We examined whether the reimbursements to ten selected child care centers were appropriate.

We found that eight of the ten centers may not have been entitled to the reimbursements they received under the food program. For example, the centers altered documentation supporting their reimbursements and claimed reimbursements for more meals than they actually served. We determined that the Department of Health should recover \$125,400 of the \$135,317 in reimbursements paid to the eight centers. We also recommended that the Department strengthen its oversight of such reimbursements. (2007-S-75)

### **Flu Pandemic Preparedness (Follow-Up Report)**

- In audit 2007-S-9, we examined whether the Department of Health had taken steps to prepare for, and respond to, a flu pandemic. We found that the Department had taken such steps, and recommended that certain additional actions be taken to further enhance the Department's preparedness. When we followed up on these matters with Department officials, we found that they had implemented our recommendations. (2009-F-7)

### **Office of Professional Medical Conduct: Complaints and Investigations Process (Follow-Up Report)**

- The Department of Health's Office of Professional Medical Conduct

is responsible for investigating cases of suspected misconduct on the part of physicians, physician assistants and specialist assistants, and for taking disciplinary action where appropriate. In audit 2005-S-21, we examined the actions taken by the Office in identifying, tracking and investigating complaints of alleged physician medical misconduct, and identified certain opportunities for improvement. In particular, we recommended that the Office more actively coordinate with the entities reporting such complaints and reduce the delays in its investigations. When we followed up on these matters with Office officials, we found that they had implemented our audit recommendations. (2008-F-29)

### **Administration of Government Funds Awarded to Dor Yeshorim**

Dor Yeshorim is a not-for-profit organization offering genetic screening to members of the Jewish community who are considering marriage within the community and are concerned about the risks of birth defects endemic to that community. For the period January 1, 2005 through March 31, 2007, Dor Yeshorim received about \$1 million in funding from New York State and New York City. We examined whether Dor Yeshorim provided the services called for by its funding agreements, and whether it expended the funds in accordance with the agreements. We found that Dor Yeshorim provided the genetic screening services called for by its funding agreements. However, Dor Yeshorim did not fully comply with the agreements and did not fully account for its use of the funds. We recommended that the Department of Health oversee Dor Yeshorim's funding more closely and ensure that certain weaknesses in Dor Yeshorim's internal controls be corrected. (2007-R-5)

### **Montrose Veterans Home: Vendor Interest Payments (Follow-Up Report)**

- The Department of Health operates the New York State Veterans' Home at Montrose, a health care facility for veterans and their dependents. Under the Prompt Payment Law,

vendors may receive interest on their payments from the State when the payments are not timely. In audit 2007-S-69, we examined the untimely payments made by the Veterans Home at Montrose over a two-year period to determine whether the interest payments were avoidable. We found that the interest payments were avoidable, and recommended actions that could be taken by the Home to avoid such payments in the future. When we followed up on this matter with Department of Health officials, we found that our audit recommendation had been implemented. (2009-F-8)

### **Security Over Community Water Supply Systems (Follow-Up Report)**

- Most community water supply systems in New York State are required to develop plans for responding to threats to local water supplies. The plans are to be submitted to the Department of Health for review and approval. In audit 2006-S-31, we examined the Department's oversight of this planning process and found that certain improvements were needed. When we followed up on these matters with Department officials, we found that they had made considerable progress in implementing our audit recommendations. Due to the sensitivity of the information, our detailed audit findings and recommendations were not included in either our original audit report or our follow-up report. (2008-F-30)

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## **OFFICE OF CHILDREN AND FAMILY SERVICES**

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### **Oversight of Child Protective Services Outside New York City**

- In New York State, reports of possible child abuse and maltreatment are investigated by local social services districts (counties), under the supervision of the Office of Children and Family Services (OCFS). Under the Social Services Law, the districts have seven days from the receipt of a

report to determine whether intervention is required to protect the child against possible harm, and 60 days to complete the investigation.

We examined whether the local districts outside New York City were meeting the seven-day and 60-day requirements. We found that improvements were needed in the computerized tracking system used by OCFS to monitor the local districts' compliance with the requirements. According to the data on the system, the districts often were not meeting the requirements. However, when we reviewed the detailed case records for a sample of cases, we found the districts' performance was much better. We recommended that OCFS improve the accuracy and reliability of the tracking system. (2007-S-129)

**Sibling Placement in Foster Care in New York City (Follow-Up Report) -** New York State's foster care programs are administered by 58 local social services districts (57 counties and New York City) that are overseen by OCFS. According to State law and regulations, siblings placed in foster care should be kept together unless it is impossible or inadvisable to do so. If siblings in foster care are separated, provisions should be made for them to see one another regularly. In addition, the reason for their separation must be appropriately documented, as must each of their visits with one another.

In audit 2007-S-10, we examined whether these requirements were being met in New York City and found that they generally were. However, in some instances, there was no documentation indicating that separated siblings had visited with one another as often as required. We recommended such documentation be maintained and certain other administrative improvements be made. When we followed up on these matters with OCFS officials, we found that they had made progress in implementing our recommendations. (2008-F-48)

**Tryon Limited Secure Residential Center: Selected Facility Costs -** OCFS operates residential facilities for youths referred to its custody by family and criminal courts. We examined the controls over certain costs at Tryon Limited Secure Residential Center. We found that the controls were adequate and the costs were supported by appropriate documentation. (2007-S-105)

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## OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

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**National Directory of New Hires: Data Security (Follow-Up Report) -** The Office of Temporary and Disability Assistance (OTDA) regularly accesses the federally maintained National Directory of New Hires, which provides a national database of employment and unemployment insurance information. To be allowed access to the Directory, OTDA had to agree to comply with certain security requirements for the data it extracted from the Directory. In audit 2008-S-49, we examined OTDA's compliance with these requirements and found that certain improvements were needed. For example, only five individuals were authorized by OTDA to have access to the data; however, we determined that more than 100 individuals actually had such access. We recommended certain actions be taken to strengthen OTDA's security over this data. When we followed up on these matters with OTDA officials, we found that they had made significant progress in implementing our audit recommendations. (2009-F-29)

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## OFFICE OF MENTAL HEALTH

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**Oversight of Criminal History Record Checks for Service Provider Employees -** The Office of Mental Health (OMH) provides inpatient and

outpatient services to approximately 500,000 New Yorkers annually. OMH may be assisted by not-for-profit service providers, and at the time of our audit, 474 such providers were certified by OMH. All prospective employees of these providers who would have close or unsupervised contact with patients are required by law to undergo a background check as a condition of their employment. We audited OMH's oversight of the service providers' compliance with this requirement and found that the oversight provided reasonable assurance the providers were complying with the requirement. (2008-S-87)

**Creedmoor Psychiatric Center: Continuing Medical Education Credits -** Physicians at Creedmoor Psychiatric Center are re-appointed every two years, and consistent with guidelines issued by the American Medical Association, they are required to earn at least 40 hours of Continuing Medical Education (CME) credits in the two-year period before they are re-appointed. However, 14 of the physicians re-appointed during our audit period did not meet this requirement. We recommended that certain improvements be made in the Center's practices for monitoring its physicians' compliance with its CME requirements. (2008-S-99)

**South Beach Psychiatric Center: Facility Security (Follow-Up Report) -** South Beach Psychiatric Center, which is located on Staten Island, houses about 300 patients. In audit report 2006-S-36, we examined security practices at the Center and found that improvements were needed. In particular, security personnel at the facility's front gate were not performing their duties as required. For example, on several instances, we observed taxis exiting the facility without being stopped to verify that the passengers were authorized to leave. We also determined that several patients were able to leave the grounds, even though they did not have permission to do so. Our observations of the grounds also

identified other security weaknesses. When we followed up on these matters with facility officials, we found that they had made progress in implementing our audit recommendations, but additional improvements were still needed. (2008-F-28)

**Kingsboro Psychiatric Center: Controls Over Late Separations -**

When employees resign, retire or are terminated, controls must be in place to ensure that their separation is processed in a timely manner. However, we identified weaknesses in these controls at Kingsboro Psychiatric Center, and as a result, in their final paychecks, a number of employees were paid for time they did not actually work. We recommended that certain actions be taken to strengthen the controls over employee separations at Kingsboro Psychiatric Center. (2007-S-109)

**Mid-Hudson Forensic Psychiatric Center: Internal Controls Over Overtime Practices (Follow-Up Report) -**

Mid-Hudson Forensic Psychiatric Center is one of three forensic psychiatric centers operated by OMH. In audit 2007-S-63, we examined the controls over overtime at the Center and found that certain improvements were needed. In particular, payments were sometimes made for overtime that was not adequately documented, and proper time and attendance practices were not always followed. When we followed up on these matters with OMH officials, we found that they had made progress in implementing our audit recommendations. (2009-F-15)

**Rockland Psychiatric Center: Internal Controls Over Overtime Practices (Follow-Up Report) -**

Rockland Psychiatric Center provides community-based and hospital-based mental health services. In audit 2006-S-103, we examined the controls over overtime at the Center and identified a number of weaknesses. For example, payments were sometimes made for overtime that was not properly

documented and employees sometimes worked excessive stretches of overtime without the minimum eight-hour break required by Center policy. We recommended that a number of improvements be made in the Center's controls over overtime, and when we followed up on these matters with Center officials, we found that they had made progress in implementing our recommendations. (2009-F-14)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources -**

Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). OMH operates 26 psychiatric centers and two research centers. We found that OMH was in compliance with the Executive Order, as it was purchasing more than 10 percent of its electricity from renewable sources and had a plan in place for meeting the 20 percent target by 2010. (2008-S-80)

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**OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES**

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**Central New York Developmental Disabilities Services Office: Physical Plant Procurement Practices -**

The Central New York Developmental Disabilities Services Office (DDSO) oversees the care provided to about 3,850 persons with mental retardation and developmental disabilities. This care is provided in community-based group homes and other program sites. The DDSO's Physical Plant Services Office hires vendors to provide home maintenance and repair services at the group homes. We examined the hiring practices of the Physical Plant Services Office and found that employees were

colluding with favored vendors to steer work to the vendors and deny other vendors a fair opportunity to perform the work. We identified 167 home maintenance and repair contracts totaling more than \$1 million that were awarded through collusion and bid rigging.

At our request, officials from the New York State Office of General Services examined the prices paid by the DDSO on a sample of these contracts. They determined that an excessive price was paid on 19 of the 31 contracts in the sample, and estimated that the 19 contracts were inflated by a total of 40 percent. We determined that the head of the Physical Plant Services Office hired favored vendors that were clients and suppliers of his personal business. We further determined that this individual secured discounts and other benefits from vendors. We referred our findings to local law enforcement officials for investigation, and recommended that certain improvements be made in the DDSO's procurement practices. (2007-S-136)

**Oversight of Criminal History Record Checks for Employees of Voluntary Agencies and Registered Providers -**

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides residential, day and family support services to approximately 140,000 New Yorkers with developmental disabilities. At the time of our audit, there were reportedly 675 voluntary agencies that assisted the developmentally disabled with a variety of activities and 278 registered providers delivering services such as transportation and staffing to the voluntary agencies.

All prospective employees, volunteers and operators of the voluntary agencies and registered providers, who have regular and substantial unsupervised or unrestricted physical contact with the developmentally disabled, are required by law to undergo a background check as a condition of their employment. We audited the voluntary agencies' and

registered providers' compliance with this requirement and found that, in general, they were in compliance with the requirement. We also found that OMRDD's oversight procedures appeared adequate to detect instances of noncompliance. However, we also determined that certain improvements were needed in OMRDD's oversight procedures to minimize the length of time instances of noncompliance remained undetected in the agencies and to provide greater oversight to the providers. (2007-S-112)

**Hudson Valley Developmental Disabilities Services Office: Administration of Preservation Funds** - Hudson Valley DDSO

oversees the care that is provided to persons with mental retardation and developmental disabilities in Orange, Rockland, Sullivan and Westchester Counties. This care is provided in group homes, family care homes and other program sites, many of which are operated by not-for-profit (voluntary) agencies. The voluntary agencies may receive Preservation Funds from Hudson Valley DDSO for maintenance and renovation projects at these sites. We examined the DDSO's oversight of the funding process for these projects and found that certain improvements were needed.

For example, for projects to be eligible for Preservation Funding, the contractors must be selected through an open competitive bidding process. Hudson Valley DDSO is supposed to take certain steps to ensure that such a process is used, but we found that the DDSO did not always take these steps. In addition, when we reviewed the procurement records at selected voluntary agencies for a sample of completed projects, we found little or no evidence the contractors were, in fact, selected through an open competitive process. We recommended that a number of improvements be made in the DDSO's oversight of funding for Preservation Fund projects. (2008-S-7)

**Bernard Fineson Developmental Disabilities Services Office: Internal Controls Over Employee Separations**

- State-funded services to individuals with developmental disabilities in the New York City borough of Queens are delivered or overseen by OMRDD's Bernard Fineson DDSO. We examined the DDSO's internal controls over employee separations (i.e., resignations, retirements and terminations). We found that some employees were overpaid in their last paychecks, because they did not have sufficient leave credits to cover the payments. We recommended certain controls be strengthened to prevent such overpayments in the future. (2007-S-116)

**OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES**

**Network Security Controls (Follow-Up Report)** - The Office of Alcoholism and Substance Abuse Services (OASAS) oversees programs for preventing and treating alcohol and substance abuse. OASAS has created a computer network that helps it perform its various duties. In audit 2006-S-98, we examined selected aspects of the security controls in place over this network and found that certain improvements were needed in these controls. When we followed up on these matters, we found that progress had been made by OASAS officials in implementing our audit recommendations, but additional actions were still needed. Due to the sensitivity of the information, our detailed audit findings and recommendations were not included in either our original audit report or our follow-up report. (2008-F-35)

**Recycling Program** - OASAS is required to comply with certain

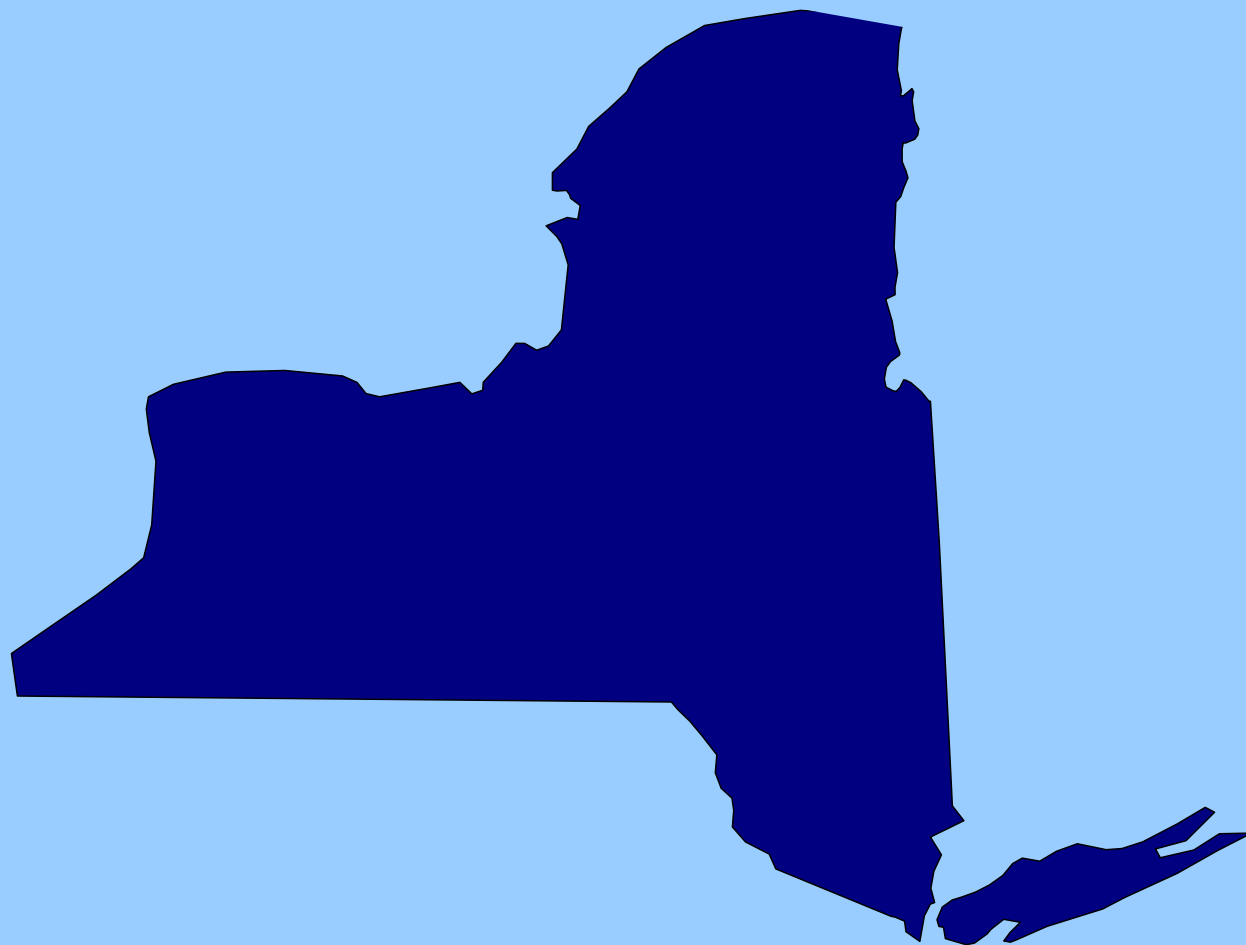
recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that OASAS was not in compliance with these requirements, as it had yet to establish an organization-wide recycling program and was not fully meeting certain recycling reporting requirements. We recommended that OASAS fully comply with all applicable recycling requirements. (2008-S-139)

**STATE OFFICE FOR THE AGING**

**Ombudsman Program (Follow-Up Report)** - The State Office for the Aging (SOFA) administers the Long Term Care Ombudsman Program, in which volunteers are trained and certified to investigate and resolve complaints made by, and on behalf of, residents in long-term care facilities such as nursing homes. In audit 2006-S-76, we examined the expenditures made under the Program by SOFA's Central Office and two localities (New York City and Suffolk County). We found that the two localities were expending Program funds for their authorized purposes, but the Central Office was expending some of its Program funds for purposes that were not related to the Ombudsman Program. We recommended that Program funds be expended only for authorized purposes. When we followed up on this matter with SOFA officials, we found that our audit recommendation had been implemented. (2009-F-4)

***AUDIT SUMMARIES***

***EDUCATION***



***THE RESULTS OF AUDITS AT THE:***

◆ ***STATE EDUCATION DEPARTMENT***

◆ ***STATE UNIVERSITY OF NEW YORK***

◆ ***HIGHER EDUCATION SERVICES CORPORATION***

The State Education Department, which was appropriated more than \$32 billion in the 2009-2010 fiscal year, oversees all educational institutions that operate in New York State. In particular, the Department sets education policies and provides overall direction for local public schools. The State University of New York (SUNY) consists of 29 campuses operated directly by SUNY as well as 30 community colleges and five statutory colleges that receive State funds through SUNY. During the 2009-2010 fiscal year, SUNY was appropriated about \$8.5 billion. Grant and scholarship programs for students attending colleges in New York State are administered by the Higher Education Services Corporation, which was appropriated about \$1.1 billion in the 2009-2010 fiscal year. The following summarizes the results of our audits during the past year at these State agencies.

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## STATE EDUCATION DEPARTMENT

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**Accuracy of Graduation and Dropout Data in Annual Report Cards for Selected High Schools** - The State Education Department is responsible for reporting high school graduation and dropout rates to the public. To do this, the Department publishes an annual report card for each public high school in the State. To determine whether the graduation and dropout rates in the report cards were accurate, we audited the rates published in the 2007 report cards of 12 selected high schools.

We found that the graduation rates reported by two schools, and the dropout rates reported by four, were inaccurate by more than 5 percentage points. For example, one high school reported a graduation rate of 50 percent, when the actual graduation rate was 41 percent. Similarly, another high school reported a dropout rate of 24 percent, when the actual dropout

rate was 44 percent. The rates reported by the schools were incorrect because they incorrectly excluded certain students, such as students who had supposedly transferred to GED programs when there was no evidence that the students had actually enrolled in such programs. We also determined that, while the Department had some controls in place to ensure the accuracy of the information in the report cards, these controls were not sufficient. We recommended that certain actions be taken to improve the accuracy of the graduation and dropout rates published in high schools' annual report cards. (2008-S-45)

**Criminal History Background Checks for School Employees** - Applicants for teaching and most other positions in New York's public schools must be checked for criminal histories by the Division of Criminal Justice Services (DCJS) and the FBI. Outside New York City, these criminal history background checks are coordinated and overseen by the State Education Department. We examined the Department's oversight of this process and found that improvements were needed, as the background checks were sometimes subject to long delays. Since individuals could be hired, conditionally, before their background checks were completed, there was a risk that individuals with inappropriate criminal backgrounds could have extended contact with students while their background checks were still pending.

When we initiated our audit, we identified more than 400 background checks that had been in process for an average of at least eight months. Since the Department was not monitoring the background checks, it did not know that the checks were still in process and many could not be completed because of data transmission failures or blurred fingerprint images. These background checks were only completed because we intervened and asked the Department to follow up with the FBI and DCJS. When the background checks were finally completed, we

determined that at least 157 of the 469 applicants had been hired before their background checks were completed, 30 of the 157 had some kind of criminal history, and one of the 30 would not have been cleared to work in schools if the background check had been completed before the applicant was hired.

We recommended that the Department actively monitor whether background checks were being completed in a timely manner and take appropriate action when they were not. In addition, since schools were sometimes inappropriately hiring applicants before requesting background checks, we recommended that the Department remind the schools of their obligation to request background checks promptly. (2007-S-119)

**School District Compliance with RESCUE Act Provisions for Building Assessment and Planning (Follow-Up Report)** - School districts are required by the 1998 RESCUE Act to perform periodic inspections of their school buildings, develop maintenance and capital plans for the buildings, and prepare an annual report card for district residents about building conditions. In audit 2007-S-24, we examined district compliance with these requirements at 50 selected school districts across the State and found that many of the districts did not fully comply with the requirements. For example, in 2005, 12 of the districts had no inspection documentation for some or all of their occupied buildings and 11 districts had not prepared the required capital plan. We recommended that the State Education Department strengthen its monitoring of district compliance with RESCUE Act requirements. When we followed up on these matters with Department officials, we found they had made some progress in their implementation of our audit recommendations. (2009-F-19)

**Assessment of Selected Financial Management Practices (Follow-Up Report)** - In audit 2006-S-99, we

identified weaknesses in the State Education Department's controls over equipment, as inventory records were inaccurate, incomplete, and unreliable. We also found that the Department paid its vendors late 35 percent of the time, and did not always update its payroll records in a timely manner. In some instances, the inaccurate payroll records led to salary payments the employees were not entitled to. We made several recommendations for improving controls over the Department's financial management practices, and when we followed up on these matters with Department officials, we found actions had been taken to improve these controls. (2008-F-41)

**St. Francis de Sales School for the Deaf: Selected Financial**

**Management Practices** - St. Francis de Sales School for the Deaf, which is located in Brooklyn, is one of 11 private schools in the State that receives operating aid directly from the State to provide educational services to disabled students. We identified a number of internal control weaknesses at the School in the areas of procurement, cash disbursements and payroll. For example, the School routinely failed to use a competitive procurement process when purchasing goods and services, and did not document the reasons for salary increases and other payroll expenditures. We also found that the School's Board of Trustees was not providing effective oversight of the School's financial operations. We recommended that certain actions be taken to strengthen the School's controls over its financial operations. (2008-S-160)

**St. Mary's School for the Deaf: Procurement and Contracting**

**Practices** - St. Mary's School for the Deaf, which is located in Buffalo, is one of 11 private schools in the State that receives operating aid directly from the State while providing educational services to disabled students. We examined the School's procurement and contracting practices and found

widespread noncompliance with the State's requirements. For example, only one of the 20 procurement transactions (totaling \$1.9 million) in our sample was in full compliance with applicable competitive bidding requirements. Similarly, 16 of 21 transactions in a sample of smaller-dollar purchases did not comply with the School's own procurement requirements. As a result of this noncompliance, there was little assurance the School was obtaining goods and services at the lowest available prices. We noted that the School's Board of Trustees was not providing effective oversight in this area, and recommended that its oversight be strengthened. (2008-S-126)

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## STATE UNIVERSITY OF NEW YORK

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**Compliance with the Clery Act** - Colleges are required by the federal Clery Act to publish certain crime statistics and other safety-related information. We examined the information published by SUNY campuses and found that it often was not accurate or in full compliance with the Clery Act. For example, 16 campuses lacked four or more of the required disclosures in their annual security reports, and three of the four campuses we visited often underreported or misclassified their crime statistics. We recommended SUNY's System Administration more closely oversee campus compliance with Clery Act requirements and improve its formal guidance and training in this area. (2007-S-121)

**Space Leasing Practices at Selected Campuses** - We examined space leasing practices at the four campuses that accounted for most of SUNY's leases for space: the University at Buffalo, the University at Stony Brook, Upstate Medical University in Syracuse,

and Downstate Medical Center in Brooklyn. We found that there was a need to develop or enhance formal leasing policies at three of the campuses, and a need to document the reasons for space leases at all four campuses. Also, at two of the campuses, we identified leased space that was unoccupied for several months at a cost of nearly \$800,000. We recommended that certain improvements be made in the campuses' space leasing practices. (2007-S-81)

**Assessments of Academic Majors for Undergraduate Programs at Selected Campuses** - SUNY

Campuses are expected to formally assess their academic undergraduate majors every five to seven years. We examined whether this was being done at six selected campuses and found that it was. However, we identified the need for improvement in certain aspects of SUNY System Administration's monitoring of the assessment process. For example, System Administration lacked a current listing of the majors offered by the campuses, and as a result, was unable to ensure that all majors were accounted for. We recommended that certain actions be taken by System Administration. (2008-S-131)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which

was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). SUNY operates 34 campuses that are subject to the Executive Order. We found that SUNY was purchasing some of its power from renewable sources, but not enough to meet the 10 percent target. Moreover, while SUNY had developed plans for meeting both the 10 and 20 percent targets, the plans had not been enacted due to a lack of resources. We also identified several inaccuracies in SUNY's reported

purchases of renewable energy. (2008-S-76)

**Procurement of Electricity (Follow-Up Report)** - Each of SUNY's 64 campuses is responsible for its own electricity purchases. Several of these campuses have joined together, as the SUNY Energy Buying Group, to purchase their power at a lower cost directly on the State's wholesale electricity market. In audit 2007-S-22, we examined whether SUNY was maximizing its opportunity to make wholesale purchases of electricity. We found that SUNY had made significant progress in this area, but we also recommended certain actions that could be taken by SUNY to increase campus membership in the Energy Buying Group. When we followed up on these matters with SUNY officials, we found that they had implemented all our audit recommendations. (2008-F-42)

**Equipment Controls and Compliance with Reporting Requirements** - We examined the controls over equipment inventories at five selected SUNY campuses. We found that the equipment inventory controls at the campuses were generally adequate, to the extent we were able to account for nearly all of the equipment items we selected for verification. These campuses should be acknowledged for these results. However, we also identified the need for improvements in certain controls. For example, physical inventories were not always performed annually or by staff who were sufficiently independent of the items being inventoried. (2008-S-46)

**Downstate Medical Center: Practices Related to Payroll Overpayments** - Downstate Medical Center, which is located in Brooklyn, comprises various medical colleges and a 376-bed University Hospital. We examined the controls established by the Center for removing employees from the payroll and recovering payroll overpayments. We identified significant weaknesses in these controls, as employees often

remained on the payroll after they were no longer employed by the Center. For example, during a period of approximately one year, 118 employees remained on the payroll after they were no longer employed by the Center and received more than \$490,000 in paychecks they were not entitled to. Seven of the former employees received these inappropriate payments for three or more months before the payments were finally detected and stopped by the Center. We further determined that the Center was not always effective in its efforts to recover such payments. We recommended certain improvements be made in the Center's controls over such payroll activities. (2008-S-110)

**Health Science Center at Stony Brook: Contract with Cannon Design (Follow-Up Report)** - In audit 2005-R-4, we found certain improvements were needed in the Health Science Center at Stony Brook's administration of construction-related contracts. In particular, more effective planning was needed to prevent unnecessary redesign costs. We recommended that planning efforts be enhanced in future construction projects. When we followed up on these matters with Center officials, we found that some of our recommendations had been implemented and others had not. (2008-F-53)

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## HIGHER EDUCATION SERVICES CORPORATION

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### TUITION ASSISTANCE PROGRAM

The Tuition Assistance Program (TAP) is the largest of the student grant and scholarship programs administered by the Higher Education Services Corporation. The program provides grants to State residents attending postsecondary institutions in New York State. Most of our audits of TAP are designed to determine whether the institutions comply with program

requirements in certifying students as eligible for TAP awards.

**Globe Institute of Technology, New York City** - During the 2003-2004 through 2005-2006 academic years, Globe Institute of Technology certified \$18.7 million in TAP awards. We disallowed \$1.55 million of these awards as well as \$8,379 for awards that related to other academic years. The total \$1.56 million was disallowed because students were incorrectly certified as eligible for the awards. For example, several students received awards even though they did not meet matriculation requirements. (2007-T-5)

**Baruch College, New York City** - During the 2003-2004 through 2005-2006 academic years, Baruch College certified \$47.8 million in TAP awards. We disallowed \$1,340,496 of these awards as well as \$3,950 for awards that related to other academic years. The total \$1.3 million was disallowed because students were incorrectly certified as eligible for the awards. For example, some students received awards even though they did not maintain good academic standing. (2008-T-1)

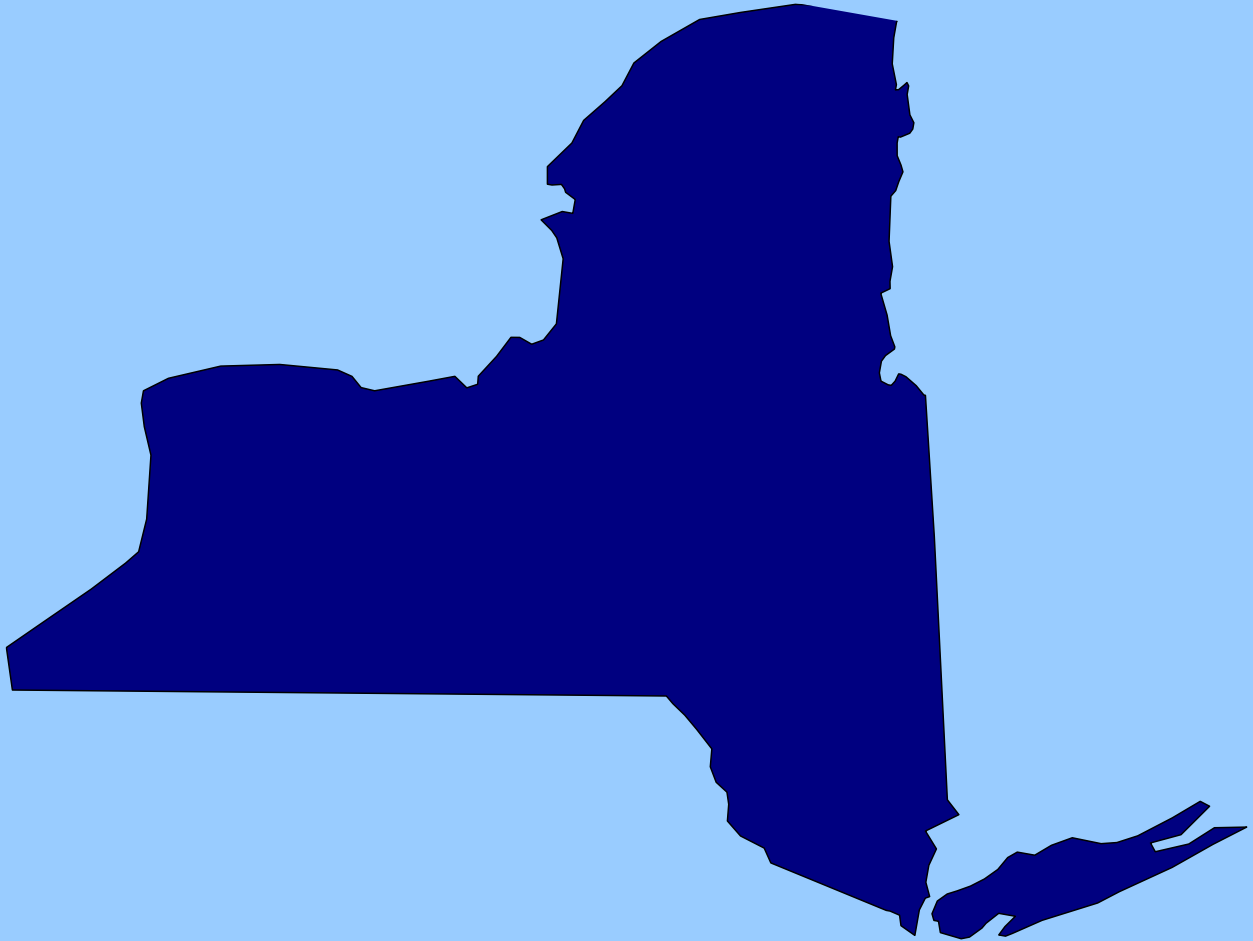
**Molloy College, Long Island** - During the 2003-2004 through 2005-2006 academic years, Molloy College certified \$7.6 million in TAP awards. We disallowed \$434,363 of these awards as well as \$32,268 for awards that related to other academic years. The total \$466,631 was disallowed because students were incorrectly certified as eligible for the awards. For example, some students received awards even though they were not in full-time attendance or did not maintain good academic standing. (2007-T-4)

**Mandl School, New York City** - During the 2004-2005 through 2006-2007 academic years, Mandl School certified \$2.1 million in TAP awards. We disallowed \$108,755 of these awards as well as \$12,576 for awards that related to other academic years. The total \$121,331 was disallowed because

students were incorrectly certified as eligible for the awards. For example, some students received awards even though they did not meet matriculation requirements. (2008-T-2)

# **AUDIT SUMMARIES**

# **TRANSPORTATION**



## ***THE RESULTS OF AUDITS AT THE:***

- ◆ *NEW YORK STATE THRUWAY AUTHORITY*
- ◆ *METROPOLITAN TRANSPORTATION AUTHORITY*
- ◆ *ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY*
- ◆ *NIAGARA FRONTIER TRANSPORTATION AUTHORITY*
- ◆ *CAPITAL DISTRICT TRANSPORTATION AUTHORITY*
- ◆ *DEPARTMENT OF MOTOR VEHICLES*
- ◆ *DEPARTMENT OF TRANSPORTATION*

The Department of Transportation, which was appropriated more than \$10.7 billion in the 2009-2010 fiscal year, plans, maintains and regulates various types of transportation systems in the State. The Department of Motor Vehicles, which was appropriated nearly \$360 million in the 2009-2010 fiscal year, registers motor vehicles and licenses vehicle operators. Public authorities in each of the State's major urban areas operate mass transit systems that are financed by State, federal and local support as well as by user fees. The New York State Thruway Authority operates a superhighway that crosses the State. These authorities spend hundreds of millions of dollars annually for operating expenses and capital construction. The following summarizes the results of our audits during the past year at State agencies and public authorities involved in activities related to transportation.

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## **NEW YORK STATE THRUWAY AUTHORITY**

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**Status of the Board-Approved Capital Plan for 2005-2011** - We found that there was limited accountability and transparency in the New York State Thruway Authority's \$2.7 billion capital plan, because information about specific capital projects and their expected costs was not fully published for the Authority's Board of Directors, State policymakers, or the public to review. In particular, the Authority did not report whether the individual projects were starting and finishing on time or remaining within their originally budgeted costs. We noted that other public authorities in New York State published their capital plans and reported on the progress of individual capital projects. We recommended the Authority adopt some of these reporting practices.

We also examined whether the Authority was on track to complete its

\$2.7 billion capital plan at the cost that was announced in 2005. We found that completing the plan as approved would take much longer and cost significantly more than was forecast in 2005. To cope with the likely budget constraints resulting from these higher costs, we noted that it was more important than ever for the Authority to improve its process for prioritizing capital projects, as we had previously recommended. (2008-S-48)

### **Gas Prices at Thruway Travel Plazas**

- The New York State Thruway has 27 travel plazas that offer gas, food and other amenities for travelers. These services are provided by vendors under concession contracts awarded by the New York State Thruway Authority. We audited the gas prices at eight selected travel plazas to determine whether they were higher than the prices allowed under the contracts with the concessionaires. We found that gas prices at these travel plazas were not always in compliance with contractual limits. Specifically, three of the eight stations exceeded their approved prices, and thus overcharged for their gas, on at least three days and as many as 44 days, during the 123-day period we examined. The amounts overcharged ranged from two cents to 26 cents a gallon. In total, motorists were overcharged about \$2,870 for 93,177 gallons of fuel. We recommended that a number of improvements be made in the Thruway Authority's oversight of the gas concessionaires. (2008-S-159)

### **Debt Issuance Costs and Services (Follow-Up Report)**

- The New York State Thruway Authority issues bonds and notes to finance capital projects. The sale of such debt instruments requires various financial and legal services. In audit 2004-S-36, we examined the practices used by the Authority in obtaining these services and identified the need for certain improvements. In particular, we identified the need for the Authority to document why firms were selected to provide the services. When we

followed up on these matters with Authority officials, we found that they had implemented some of our audit recommendations, but had not implemented others. (2008-F-22)

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## **METROPOLITAN TRANSPORTATION AUTHORITY**

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### **Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources**

- The Metropolitan Transportation Authority (MTA) is a public benefit corporation providing transportation services in and around the New York City metropolitan area. Executive Order 111, which was issued in June 2001, requires all State agencies and some public authorities to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The MTA reported that it had met the 10 percent target. However, we determined that the MTA incorrectly excluded certain buildings from its energy calculations, and as a result, it may not have met the target. We further determined that the MTA might not meet the 20 percent target for the same reason. We recommended that the MTA include all applicable buildings when measuring its compliance with the renewable energy targets. (2008-S-85)

### **Contracts for Personal and Miscellaneous Services**

- We examined the MTA's use of contracts for personal and miscellaneous services. We determined that the MTA was awarding about 700 such contracts annually at an average cost of about \$1.5 billion a year. We examined whether the MTA was adequately evaluating the need to contract for such services, and in particular, whether it was feasible for in-house staff to perform the services rather than outside contractors. We found the need for

outside contractors often was not documented, and as a result, the MTA often lacked assurance the contracts were the most cost-effective option.

We further determined that the MTA did not have a requirement to periodically examine whether existing personal and miscellaneous services contracts were still necessary or could be suspended or scaled-back to help manage fiscal constraints. We noted that reducing the costs of these contracts by just 10 percent would save the MTA about \$176 million a year, which would help close its budget gaps and reduce the need for fare increases. Soon after the start of our audit, the MTA established a committee to evaluate its use of personal and miscellaneous services contracts. (2008-S-158)

**New York City Transit: Access-A-Ride Safety Issues** - Paratransit is a flexible transportation service that is generally provided to disabled persons. New York City Transit (Transit) provides paratransit services through its Access-A-Ride program. The services are provided by 14 private carriers under contracts with Transit. The carriers generally use mini-buses equipped with wheelchair lifts.

We audited selected aspects of the Access-A-Ride program relating to vehicle maintenance and safety. We found that safety defects on the paratransit vehicles were not always properly reported and promptly repaired by the contracted carriers, and as a result, vehicles could be put into passenger service with safety defects. For example, drivers of paratransit vehicles are supposed to inspect their vehicles prior to their dispatch and again at the end of the work day. However, we found indications these daily inspections might not always be performed. The carriers are also supposed to review the drivers' inspection reports daily, address any defects noted in the reports, and provide written confirmation that the defects have been addressed before the vehicles are put back into service.

However, when we reviewed a sample of inspection reports at four carriers, we found no indication that actions were taken to address 27 of the 61 potential safety defects listed on the reports.

We also examined whether the mechanics who worked on the vehicles were properly qualified. The contracts with the eight larger carriers require that their mechanics be "trade certified." However, we found documentation supporting trade certification in the personnel files of only 15 of the 79 mechanics at the three larger carriers in our sample. We made a number of recommendations for strengthening Transit's oversight of its paratransit carriers' vehicle maintenance and safety practices. (2007-S-127)

**Bridges and Tunnels: Capital Project Planning and Cost Estimation (Follow-Up Report)** - Metropolitan Transportation Authority Bridges and Tunnels (B&T) operates seven bridges and two traffic tunnels in New York City. In audit 2003-S-58, we examined selected aspects of B&T's capital program and found that certain improvements could be made in B&T's cost estimation practices and controls over change orders. When we followed up on these matters with B&T officials, we found that they had implemented some of our audit recommendations, but had not implemented others. (2008-F-27)

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## **ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY**

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies and certain public authorities, such as the Rochester-Genesee Regional Transportation Authority, to purchase a certain portion

of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). We found that the Authority was not in compliance with the Order. It had not met the 10 percent target and had not addressed how to meet the 20 percent target. We recommended that the Authority take certain steps to comply with the Executive Order. (2008-S-84)

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## **NIAGARA FRONTIER TRANSPORTATION AUTHORITY**

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies and certain public authorities, such as the Niagara Frontier Transportation Authority, to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Authority owns several transportation facilities in Erie and Niagara Counties. We found that the Authority was slow to begin purchasing power from renewable sources, but once it started purchasing such power, it quickly exceeded the 10 percent target and has even exceeded the 20 percent target. (2008-S-82)

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## **CAPITAL DISTRICT TRANSPORTATION AUTHORITY**

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**Recycling Program** - The Capital District Transportation Authority (CDTA) is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that CDTA was not fully complying with

these requirements. We recommended actions that would enable CDTA to achieve full compliance. (2008-S-144)

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## **DEPARTMENT OF MOTOR VEHICLES**

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**Issuance of Commercial Driver's Licenses** - The Department of Motor Vehicles is responsible for issuing driver's licenses in New York State. Individuals must meet certain requirements before they can be licensed to drive commercial motor vehicles, such as trucks and buses, and certain additional requirements before they can be allowed to transport hazardous materials. We examined whether these requirements were always met, and found that they were not. For example, we found that some drivers were inappropriately issued licenses because their written driver's examinations were incorrectly graded. We also found that licenses had been issued to individuals who had not provided all the required medical information. We recommended that certain improvements be made in the Department of Motor Vehicles' licensing process. (2007-S-96)

**Contract with the Motorcycle Association of New York State, Inc.** - The contractor is responsible for administering a statewide motorcycle operator and instructor training program, and for promoting public awareness of the program. We found that the contractor was not complying with all contract requirements. For example, the contractor was supposed to establish a certain number of training facilities. At the time of our audit, 30 such facilities should have been established; however, we found that only 20 had been established.

The contractor was also supposed to visit these facilities to ensure that the training was being provided in accordance with requirements.

However, we found no evidence many of the facilities had been visited. We also determined that many of the instructors may not have possessed all the required qualifications, and some of the expenses claimed by the contractor were not adequately documented. We recommended that the Department of Motor Vehicles more closely oversee the contractor's performance. (2007-R-3)

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## **DEPARTMENT OF TRANSPORTATION**

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Department of Transportation operates more than 300 facilities throughout New York State. We found that the Department was purchasing some of its power from renewable sources, but not enough to meet the 10 percent target. We also found that the Department had not developed a way to meet the 20 percent target. We recommended that certain improvements be made in the Department's efforts to comply with the Executive Order. (2008-S-83)

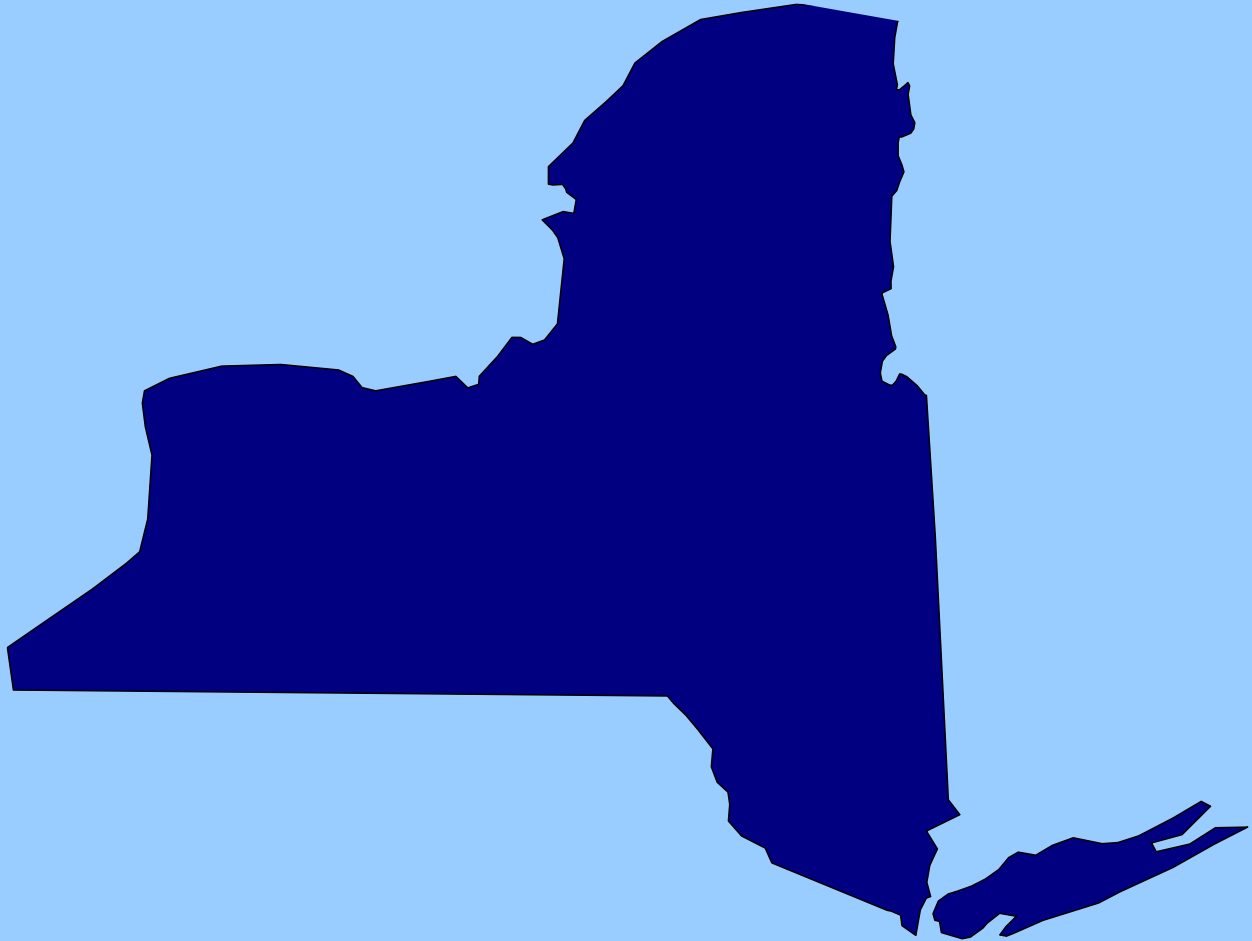
**Recycling Program** - The Department of Transportation is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. The Department also has unique recycling responsibilities for old tires and other discarded materials found along the State's roadways. We found that the Department was not in compliance with its recycling requirements, as it had yet to establish an organization-wide recycling program and was not fully meeting certain recycling reporting requirements. In

addition, when we visited selected Department facilities, we found that some of the facilities were not meeting certain recycling requirements. We recommended that the Department fully comply with all applicable recycling requirements. (2008-S-138)

**Quality of Internal Control Certification** - State agencies and public authorities must annually certify their compliance with important provisions of internal control. We examined the quality of the Department of Transportation's certification of compliance for the year ended March 31, 2008 and found that the Department did not submit a quality certification. For example, although the Department outlined a risk assessment process in its certification, the documentation provided did not support that the risk factors identified by the Department were assessed by each of its divisions. Also, the Department could not provide adequate documentation to show that it was monitoring its corrective action plans as outlined in its certification. In addition, we found that the Department's internal audit function was not sufficiently independent of its internal control function. (2008-S-116)

**AUDIT SUMMARIES**

# **GOVERNMENT SUPPORT**



***THE RESULTS OF AUDITS AT THE:***

◆ ***DEPARTMENT OF CIVIL SERVICE***

◆ ***OFFICE OF GENERAL SERVICES***

◆ ***DORMITORY AUTHORITY OF THE STATE OF NEW YORK***

Some State agencies and public authorities provide services that support the operations of State and local governments. These services include assessing and collecting taxes, designing and constructing buildings, maintaining and cleaning buildings, negotiating and administering procurement contracts, and administering employee health insurance programs. These activities involve billions of dollars annually. The following summarizes the results of our audits during the past year at such State agencies and public authorities.

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**DEPARTMENT OF CIVIL SERVICE**

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**NEW YORK STATE HEALTH INSURANCE PROGRAM**

In the New York State Health Insurance Program (NYSHIP), the Department of Civil Service administers health insurance programs for active and retired State, local government and school district employees and their dependents. The primary such program is the Empire Plan, which provides services costing more than \$5 billion a year.

**Management of the Health Insurance Fund Balance** - The State and local government employers that participate in the Empire Plan pay monthly premiums based on the Plan's estimated costs for the year. At the end of the year, the Department of Civil Service compares the costs actually incurred by the Plan's insurance carriers against the estimates on which the premiums were based, and settles the differences with the carriers. In most years, the premium payments exceed the actual costs, and the carriers return the surplus payments to the Department. The Department keeps these surplus funds in its Health

Insurance Fund, and uses them to reduce future years' premiums.

We analyzed the year-end balance in the Fund to determine whether it had been maintained at an appropriate level by the Department. The year-end balance needs to be high enough to enable the Department to cover any carrier costs not covered by the prior year's premiums, but not excessively high, because that would mean public employers (and, by extension, taxpayers) were paying higher premiums than necessary. We found that the balance had become excessively high, rising from about \$142 million at the end of 2004 to an expected \$711 million at the end of 2009, an increase of nearly 400 percent. On the basis of our analysis, we concluded that the balance had risen to a level that was about \$600 million higher than it needed to be.

We recommended that the Department return this \$600 million in premium overpayments to State and local government employers in the form of reduced monthly premiums, commencing as soon as possible. In addition, to keep the Fund balance at an appropriate level, we recommended that the Department work with the carriers to ensure that their annual cost estimates were reasonable. One of the reasons the Fund balance became so high was that the carriers were consistently overestimating their costs by significant margins and the Department accepted the large overestimates. (2009-S-48)

**United HealthCare: Calculation of Risk Charge Costs** - A private contractor, United HealthCare, pays medical service providers for certain of the services provided under the Empire Plan, and the Department of Civil Service reimburses United HealthCare for these payments. In addition, the Department pays United HealthCare an administrative fee and a fee for its insurance risk. We examined the method used by United HealthCare in charging the State for its insurance risk.

We found that the method was not consistent with the method that was used by the other three insurance carriers in the Empire Plan, and this inconsistency resulted in higher payments by the State. Specifically, the other three insurance carriers based their risk fees on the medical and administrative expenses that were actually incurred during the year; however, United HealthCare based its risk fee on its estimate of the year's medical and administrative expenses, and these estimates were always higher than the actual expenses.

We determined that, if United HealthCare's risk fee had been based on actual expenses during the four years covered by our audit, the State would have saved a total of \$3.9 million during this period. We recommended that the fee be based on actual expenses. (2007-S-134)

**A Summary Report on Auditing NYSHIP: New Focus and Future Directions** - If an Empire Plan member is treated by a medical service provider that does not participate in the Empire Plan, the Empire Plan will not reimburse the member for the full charges. Rather, it will only reimburse a portion of these charges (generally 80 percent), and the member will have to pay the balance (the "out-of-pocket expenses"). However, some non-participating providers routinely waive Empire Plan members' out-of-pocket expenses. Such a practice may constitute billing fraud, as the Empire Plan is reimbursing 80 percent of what it understands to be the provider's actual charges.

This report summarizes the results of 22 audits addressing this type of inappropriate billing practice (the results of the 22 audits are summarized in our 2007-08 Annual Report of Audit Results). In 20 of the audits, we found the medical service providers were routinely waiving Empire Plan members' out-of-pocket expenses, and as a result, were inappropriately inflating the bills that were reimbursed

by the Empire Plan. We recommended that the Empire Plan recover the inflated portion of these providers' bills, an amount we estimated to be about \$13.8 million (about 17 percent of the total \$80.7 million the providers billed to Empire Plan members during the periods we audited). The Empire Plan initiated recovery efforts and had recovered nearly \$10 million to date. In addition, seven of the largest providers were persuaded to join the Empire Plan's network of providers, a change that will result in additional savings of more than \$4 million a year, as these providers will now be reimbursed at the discounted in-network rates.

These 22 audits exemplify our new approach to auditing NYSHIP, in which we are focusing on individual medical service providers rather than program-wide claims processing activities. This type of audit has considerable cost-recovery potential, because it can focus on providers that are more likely to submit incorrect, invalid or even fraudulent claims. Such claims can drive up the cost of health insurance for State and local government employers, and ultimately, State and local taxpayers. Accordingly, our new audit focus can do much to help contain these costs. (2008-S-130)

**Overpayments for Services Provided by South Island Orthopaedic Group, PC** - The South Island Orthopaedic Group (South Island) is a medical practice located in Cedarhurst, New York. South Island does not participate in the Empire Plan. Accordingly, if an Empire Plan member is treated by South Island, the Empire Plan will not reimburse South Island for its full charges. Rather, it will only reimburse a portion of these charges (generally 80 percent), and the member will have to pay the balance. However, we found that South Island was routinely waiving Empire Plan members' out-of-pocket expenses. Such a practice may constitute billing fraud, as the Empire Plan was reimbursing 80 percent of what it understood to be South Island's actual charges. We recommended the

Empire Plan recover the inflated portion of South Island's bills, an amount we calculated to be \$787,134 for the eight-year period we audited (about 10 percent of the total \$7.8 million that South Island billed to Empire Plan members during this period). We also referred the matter to the Department of Civil Service for appropriate follow-up action. (2008-S-173)

**Overpayments for Claims Submitted by Nanuet Medical Services** - Nanuet Medical Services (Nanuet), which is located in Rockland County, is a group medical practice specializing in physical medicine services. During the five-year period covered by our audit, the Empire Plan paid \$637,091 on claims submitted by Nanuet for a certain medical procedure that is intended to control pain (transcutaneous electrical nerve stimulation or TENS). We audited these claims and found that they were frequently miscoded, as routine physical therapy services should have been claimed instead of TENS. Since routine physical therapy services are reimbursed at a much lower rate than TENS, Nanuet was overpaid by a total of \$601,604 (94 percent) on its TENS claims. We recommended that these overpayments be recovered and controls be developed to prevent such overpayments in the future. (2009-S-1)

**Overpayments for Claims Submitted by Albany Multi-Medicine Group** - Albany Multi-Medicine Group (Albany Multi-Med) is a group medical practice specializing in physical medicine services. During the five-year period covered by our audit, the Empire Plan paid \$491,438 on claims submitted by Albany Multi-Med for transcutaneous electrical nerve stimulation (TENS). We audited these claims and found that they were frequently miscoded, as routine physical therapy services should have been claimed instead of TENS. Since routine physical therapy services are reimbursed at a much lower rate than TENS, Albany Multi-Med was overpaid by a total of \$448,883 (91 percent) on its TENS

claims. We recommended that these overpayments be recovered and controls be developed to prevent such overpayments in the future. (2008-S-177)

**Overpayments for Claims Submitted by TotalCare Medical PC** - TotalCare Medical PC (TotalCare), which is located in Queensbury, is a group medical practice specializing in physical medicine services. During the three-year period covered by our audit, the Empire Plan paid \$285,658 on claims submitted by TotalCare for transcutaneous electrical nerve stimulation (TENS). We audited these claims and found that they were frequently miscoded, as routine physical therapy services should have been claimed instead of TENS. Since routine physical therapy services are reimbursed at a much lower rate than TENS, TotalCare was overpaid by a total of \$248,202 (87 percent) on its TENS claims. We recommended that these overpayments be recovered and controls be developed to prevent such overpayments in the future. (2008-S-178)

**Inappropriate Reimbursement Claims From Island Medical Associates (Follow-Up Report)** - Island Medical Associates operated a clinic where most of the physicians participated in the Empire Plan. When these physicians provided services to Empire Plan members, the services should have been reimbursed at the agreed upon rates for participating providers. However, in audit 2007-S-54, we found the services were inappropriately reimbursed at the non-participating rates, which were five times higher. The higher rates were paid because of questionable billing practices by Island Medical Associates. During the six years we examined, Island Medical Associates was paid a total of \$3.9 million for these services. We recommended these payments be recovered and all further payments suspended until questions about Island Medical Associates' billing practices were resolved. When we followed up

on these matters, we found that our audit recommendations had been partly implemented and Island Medical Associates' billing practices were being investigated by the State Attorney General's Office. (2008-F-34)

**Payments for Mental Health and Substance Abuse Services (Follow-Up Report)** - At the time of our prior audit, a private contractor, Group Health Incorporated (GHI), paid medical service providers for the mental health and substance abuse services provided under the Empire Plan, and the State reimbursed GHI for these payments. In audit 2007-S-12, we reviewed about \$1.4 million in payments that had reportedly been made by GHI and reimbursed by the State. We determined that \$96,178 of this amount should be refunded to the State, either because the payments were inappropriate (i.e., duplicates) and should not have been made in the first place or because the payments were either voided or recovered by GHI and thus should not have been reimbursed by the State. When we followed up on our audit findings with GHI officials, we found that the payments had been refunded to the State, but certain other recommended improvements had not been made. (2008-F-43)

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## OFFICE OF GENERAL SERVICES

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Office of General Services (OGS) provides various support services to State agencies, public authorities, municipalities and other political subdivisions of New York State. OGS

owns, or leases space in, more than 600 buildings. We found that OGS was in compliance with the Executive Order, as it was purchasing more than 10 percent of its electricity from renewable sources and had a plan in place for meeting the 20 percent target by 2010. However, OGS did not reach the 10 percent target until 2008, and we determined that OGS might not reach the 20 percent target by 2010 unless actions were taken to either reduce its energy consumption or increase its electricity purchases from renewable sources. (2008-S-72)

**Recycling Program** - OGS is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. In addition, because OGS owns and operates a number of State office buildings, it is responsible for implementing a recycling program that covers both its own employees and employees of other State agencies. We found that OGS was in general compliance with these requirements. (2008-S-134)

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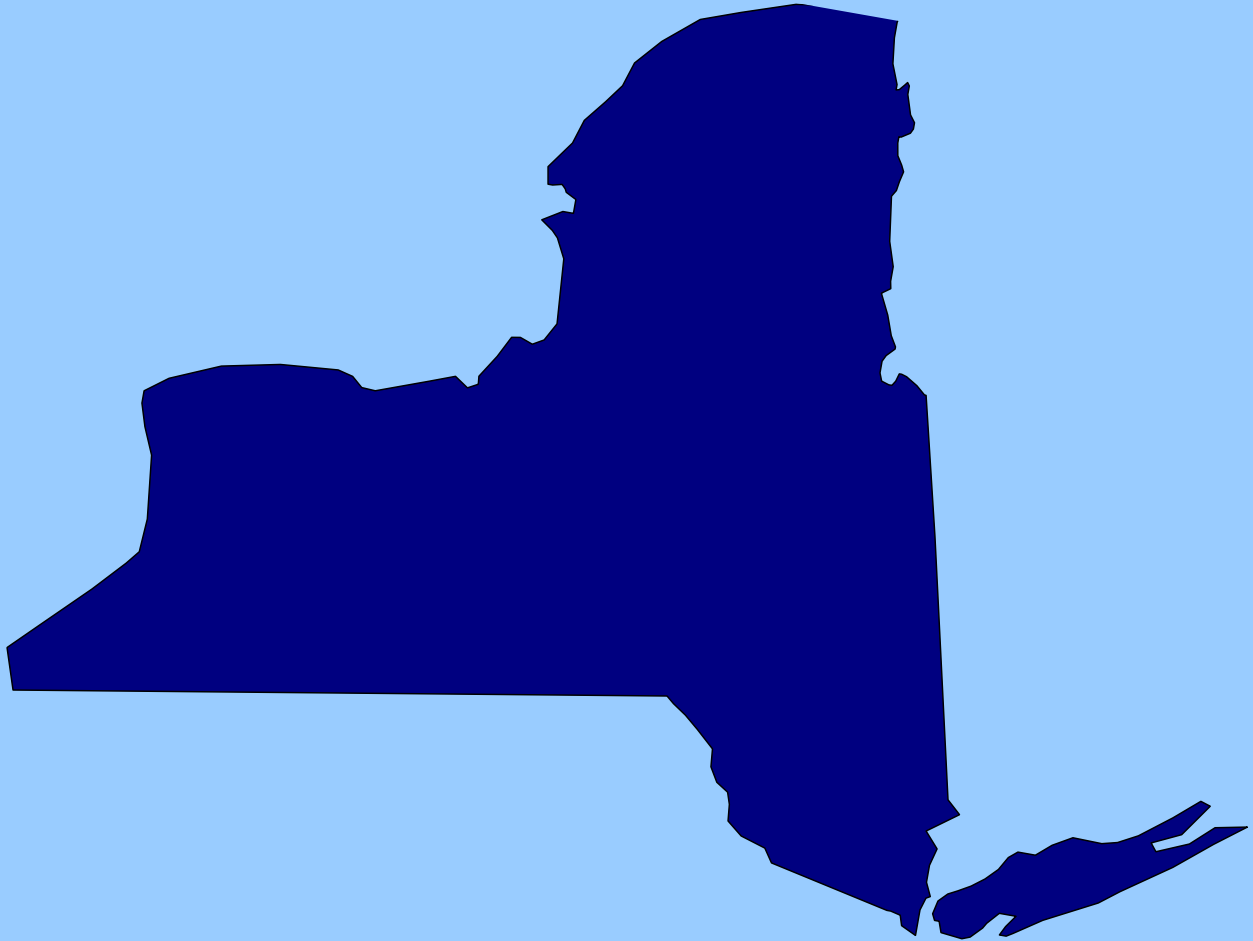
## DORMITORY AUTHORITY OF THE STATE OF NEW YORK

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies and certain public authorities, such as the Dormitory Authority of the State of New York (DASNY), to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). DASNY owns three buildings and leases space in another building. We found that DASNY was in compliance with the Executive Order, as it had already substantially exceeded the 20 percent target. (2008-S-77)

## **AUDIT SUMMARIES**

# **CRIMINAL JUSTICE AND JUDICIAL ADMINISTRATION**



### ***THE RESULTS OF AUDITS AT THE:***

- ◆ ***DEPARTMENT OF CORRECTIONAL SERVICES***
- ◆ ***DIVISION OF STATE POLICE***
- ◆ ***DIVISION OF PAROLE***
- ◆ ***DIVISION OF CRIMINAL JUSTICE SERVICES***
- ◆ ***DIVISION OF PROBATION AND CORRECTIONAL  
ALTERNATIVES***

Several State agencies are responsible for the administration and support of New York State's criminal justice system and its unified court system. The following summarizes the results of our audits during the past year at these State agencies.

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## DEPARTMENT OF CORRECTIONAL SERVICES

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**Unemployment Insurance Benefits to Inmates** - To determine whether any inmates in State prisons were receiving unemployment insurance benefits while they were in prison, we compared the file of unemployment insurance benefit payments for June 2008 to the file of prison inmates for that period. We found that eleven prisoners inappropriately collected more than \$29,000 in unemployment insurance benefits while they were in prison and identified as many as 14 additional prisoners who may have collected such benefits. We recommended that the Department of Labor and the Department of Correctional Services investigate the payments, recover all inappropriate payments, and work together to prevent such inappropriate payments in the future. (2008-BSE-3A-002)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Department of Correctional Services operates 70 facilities and uses several other buildings for administrative and support functions. We found that the Department was close to meeting the 10 percent target and had developed a plan for meeting the 20 percent target. However, we determined the plan might not be effective because it appeared

that the Department had not accurately estimated its future energy needs. We recommended that certain improvements be made in the Department's efforts to comply with the Executive Order. (2008-S-86)

**Otisville Correctional Facility: Selected Fiscal Operations** - We examined the adequacy of the internal controls established by Otisville Correctional Facility over certain of its fiscal operations. We found that improvements were needed in the controls over payroll and procurement. For example, some employees were swapping work shifts without authorization to do so and other employees, who were actually working at other facilities, were not submitting time cards documenting their attendance. In addition, we identified a number of instances in which a formal competitive process was not used for procurements, as required by State law. (2007-S-2)

**Green Haven Correctional Facility: Selected Payroll Practices** - We identified significant weaknesses in the controls over employee time and attendance practices at Green Haven Correctional Facility. For example, correction officers at State correctional facilities are allowed to swap shifts with one another, as long as the swaps are approved at least 48 hours in advance and certain other prescribed procedures are followed. However, we found correction officers at Green Haven often did not follow these prescribed procedures when they swapped shifts, and as a result, officers could have been paid for shifts that were never worked. We also identified weaknesses in the Facility's controls over undelivered paychecks, and found that the Facility did not always recover overpayments from its employees. (2007-S-61)

**Green Haven Correctional Facility: Selected Late Vendor Payments** - Under the Prompt Payment Law, vendors may receive interest on their payments from New York State when

the payments are not timely. We examined a sample of untimely vendor payments made by Green Haven Correctional Facility over a 28-month period to determine whether the delays were avoidable. We found that the delays were avoidable, and recommended actions that could be taken by the Facility to avoid such delays in the future. (2007-S-132)

**Mid-Orange Correctional Facility: Selected Late Vendor Payments** - We examined a sample of untimely vendor payments made by Mid-Orange Correctional Facility over a three-year period to determine whether the delays were avoidable. We found that the delays were avoidable, and recommended actions that could be taken by the Facility to avoid such delays in the future. (2008-S-71)

**Edgecombe Correctional Facility: Selected Late Vendor Payments** - We examined a sample of untimely vendor payments made by Edgecombe Correctional Facility over a two-year period to determine whether the delays were avoidable. We found that the delays were avoidable, and recommended actions that could be taken by the Facility to avoid such delays in the future. (2007-S-94)

**Arthur Kill Correctional Facility: Selected Late Vendor Payments** - We examined a sample of untimely vendor payments made by Arthur Kill Correctional Facility over a period of more than two years to determine whether the delays were avoidable. We found that the delays were avoidable, and recommended actions that could be taken by the Facility to avoid such delays in the future. (2007-S-141)

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## DIVISION OF STATE POLICE

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**Contract with Crown Communications, New York** - The contractor manages State-owned

towers and other communication structures, licensing them to private carriers for a fee. The revenues generated from these licensing agreements are to be shared by the contractor and the State. We audited the revenue distributions and found that revenue had been distributed in accordance with the agreements. However, the Division of State Police maintains records relating to these distributions, and we found that these records were not accurate and reliable. We recommended that certain improvements be made in the Division's recordkeeping practices. (2007-R-8)

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## ***DIVISION OF PAROLE***

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***Recycling Program*** - The Division of Parole is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that the Division was not in compliance with these requirements, as most of its offices, which are leased, had not instituted such programs. In addition, the Division had not submitted the required annual reports about its recycling efforts since 1996. We recommended that the Division comply with all applicable recycling requirements. (2008-S-136)

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## ***DIVISION OF CRIMINAL JUSTICE SERVICES***

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***Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources*** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Division of Criminal Justice Services

leases three buildings in the Albany area. We found that the Division attempted to comply with the Executive Order and did so in the 2006-07 fiscal year, purchasing 11 percent of its power from renewable sources. However, the Division did not meet the 10 percent level in the 2005-06 fiscal year, because its renewable energy supplier changed its mix of energy to include a much greater portion of hydroelectric power, which does not qualify as renewable. Division officials were not aware of this change until we conducted our audit; they told us they thought they were buying much more renewable power than they actually were. The Division immediately changed its energy supplier so that it was, in fact, purchasing the amount of renewable power that it intended. (2008-S-78)

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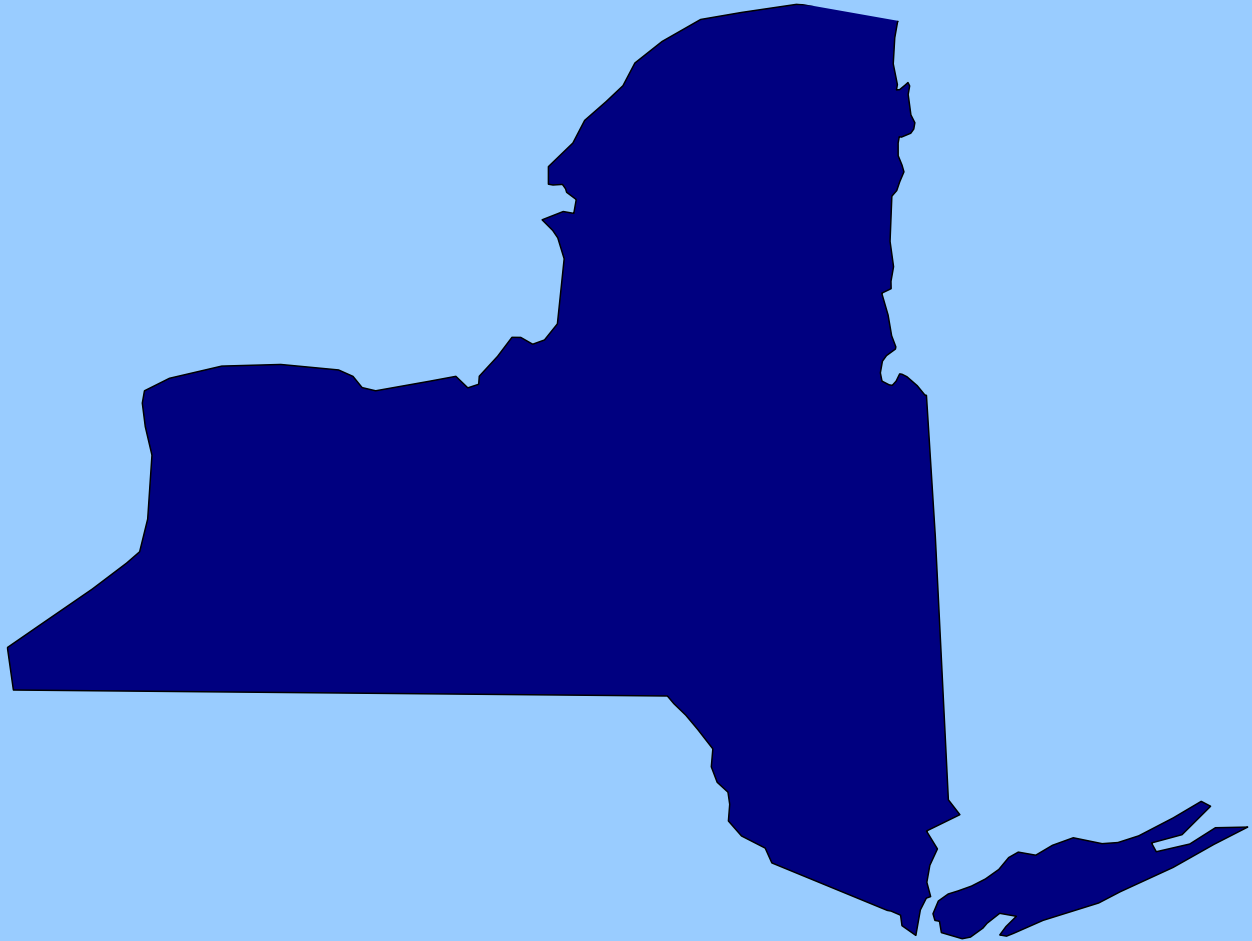
## ***DIVISION OF PROBATION AND CORRECTIONAL ALTERNATIVES***

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***Quality of Internal Control Certification*** - The Division of Probation and Correctional Alternatives oversees the State's probation programs and helps fund alternative-to-incarceration programs that are intended to reduce reliance on detention and incarceration. State agencies and public authorities must annually certify their compliance with important provisions of internal control. We examined the quality of the Division's certification of compliance for the year ended March 31, 2008 and found that the Division did not submit a quality certification. For example, the Division stated in the certification that it had a comprehensive risk assessment process. However, our review of the supporting documentation found that the process was not followed, as many of the forms used to support the risk assessment process were left blank or not completed in their entirety. (2008-S-105)

## ***AUDIT SUMMARIES***

# ***ECONOMIC DEVELOPMENT AND HOUSING***



### ***THE RESULTS OF AUDITS AT THE:***

- ◆ *EMPIRE STATE DEVELOPMENT CORPORATION*
- ◆ *DEPARTMENT OF ECONOMIC DEVELOPMENT*
- ◆ *NEW YORK CONVENTION CENTER OPERATING CORPORATION*
- ◆ *OLYMPIC REGIONAL DEVELOPMENT AUTHORITY*
- ◆ *ROOSEVELT ISLAND OPERATING CORPORATION*
- ◆ *DIVISION OF HOUSING AND COMMUNITY RENEWAL*
- ◆ *NEW YORK STATE AFFORDABLE HOUSING CORPORATION*

Several public authorities and State agencies seek to promote commerce, economic development and job creation. Other public authorities and State agencies promote home ownership and finance, and maintain and oversee public housing projects. The following summarizes the results of our audits during the past year at such public authorities and State agencies.

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### **EMPIRE STATE DEVELOPMENT CORPORATION**

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**Recycling Program** - The Empire State Development Corporation (ESDC) is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that ESDC was generally in compliance with these requirements, although it was not recycling glass products. We recommended that the Division revise its recycling program to ensure glass was included and made other recommendations to ensure compliance. (2008-S-137)

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### **DEPARTMENT OF ECONOMIC DEVELOPMENT**

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**Recycling Program** - The Department of Economic Development is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that the Department was not in compliance with these requirements. In addition, the Department had not submitted the required annual reports about its recycling efforts. We recommended that the Department comply with all

applicable recycling requirements. (2008-S-168)

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### **NEW YORK CONVENTION CENTER OPERATING CORPORATION**

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**Recycling Program** - The New York Convention Center Operating Corporation operates and maintains the Jacob K. Javits Convention Center in New York City. The Corporation is required to comply with certain recycling requirements specified in State and City law, and Executive Order 4, which was issued in April 2008. We found that the Corporation was not fully complying with these requirements. We recommended that a number of improvements be made in the Corporation's recycling activities. (2008-S-143)

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### **OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**

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**Accuracy of Employee Retirement Reporting** - The Olympic Regional Development Authority (ORDA) operates and maintains certain sports facilities in Lake Placid and elsewhere. ORDA enrolls many of its employees in the New York State and Local Employees' Retirement System. We examined ORDA's enrollment practices and found that certain improvements were needed, as some employees who should have been enrolled in the Retirement System had not been enrolled and an employee who was functioning as an independent contractor had inappropriately been enrolled as a full-time employee. We recommended certain actions be taken to correct these enrollment errors. (2008-S-60)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies and certain public authorities, such as ORDA, to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). We found that ORDA was purchasing some of its power from renewable sources, but not enough to meet the 10 percent target. Moreover, while ORDA had developed a plan for meeting the 20 percent target, the plan could not be effective because ORDA had not accurately estimated its future energy needs. We recommended that certain improvements be made in ORDA's efforts to comply with the Executive Order. (2008-S-75)

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### **ROOSEVELT ISLAND OPERATING CORPORATION**

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**Recycling Program** - Roosevelt Island Operating Corporation supports the operation and maintenance of the residential community on Roosevelt Island, which is located in the East River in New York City. The Corporation is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that the Corporation was generally in compliance with these requirements. However, because the Corporation had yet to begin compiling data on certain recycling activities, we found it was unlikely the Corporation would be able to comply with certain new reporting requirements. We recommended that the Corporation begin compiling the data as required. (2008-S-140)

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***DIVISION OF HOUSING AND  
COMMUNITY RENEWAL***

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***Section 8 Program Participant***

***Eligibility (Follow-Up Report)*** - The federal Housing Choice Voucher Program, more commonly known as the Section 8 Program, helps low-income families, the elderly and the disabled afford housing in the private market by making monthly payments to their landlords to partly subsidize their rent. The Section 8 Program in New York State is administered by the Division of Housing and Community Renewal (DHCR).

In audit 2006-S-69, we examined whether DHCR was taking adequate steps to verify that Program participants with invalid social security numbers were, in fact, eligible for the Program. We found that DHCR often was not taking adequate steps in such circumstances, and as a result, sometimes made monthly housing payments on behalf of individuals who were not eligible for the Program. In many instances, these individuals were no longer eligible for the Program because they had died, but their deaths had not been reported to DHCR. We identified \$93,619 in such payments that were made on behalf of 50 deceased individuals. We recommended DHCR take certain steps to provide better assurance participants were, in fact, eligible for the Section 8 Program, and when we followed up on these matters with DHCR officials, we found that they had implemented our recommendations. (2009-F-20)

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***NEW YORK STATE  
AFFORDABLE HOUSING  
CORPORATION***

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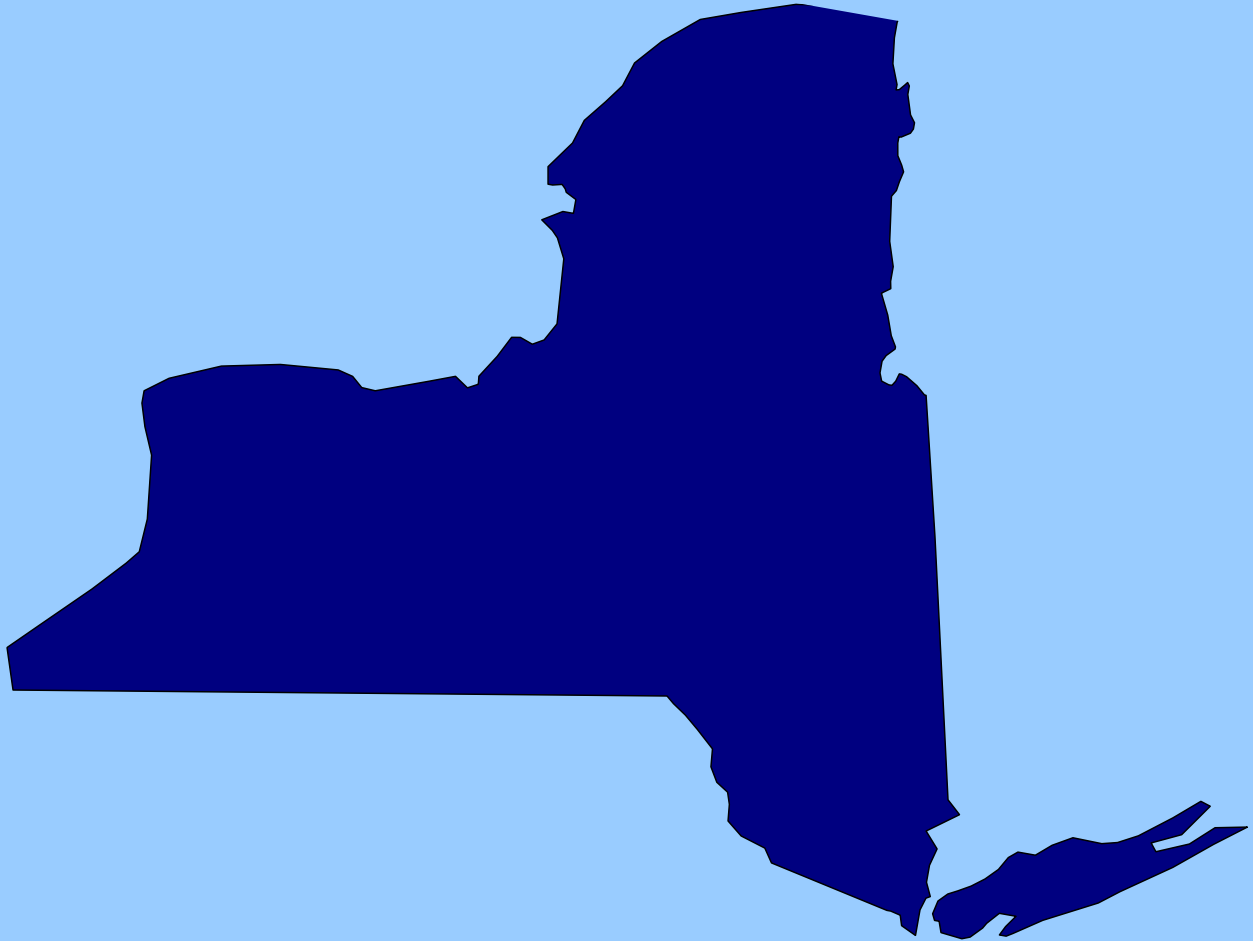
***Homebuyer Selection and Approval***

- In the Affordable Home Ownership Development Program, persons of low or moderate income can receive a grant to help with the purchase of a home. The grants are awarded by municipalities and not-for-profit entities under formal agreements with the New York State Affordable Housing Corporation, a State-funded public benefit corporation. The Corporation provides the funding for the grants and oversees the grant award process.

We audited a sample of 70 grants and found that three were awarded to applicants with incomes or assets above the maximum allowable amounts and as many as 12 others may have been awarded to such applicants, as these applicants' reported incomes and assets were not fully documented and there were indications that at least 2 of the 12 had underreported their assets. We also identified other opportunities for improvement in the grant award process. For example, a random selection method was to be used to determine the order in which applicants were considered for the grants in our sample. However, when applicants with low selection numbers were passed over and not awarded grants, there was no documentation explaining why. We recommended certain actions be taken by the Corporation to improve its oversight of the grant award process. (2008-S-100)

## **AUDIT SUMMARIES**

# **OTHER STATE AGENCIES AND PUBLIC AUTHORITIES**



### **THE RESULTS OF AUDITS AT THE:**

- ◆ DEPARTMENT OF ENVIRONMENTAL CONSERVATION
- ◆ OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION
- ◆ HUDSON RIVER PARK TRUST
- ◆ DEPARTMENT OF AGRICULTURE AND MARKETS
- ◆ INDUSTRIAL EXHIBIT AUTHORITY
- ◆ DEPARTMENT OF STATE
- ◆ DEPARTMENT OF LABOR
- ◆ INSURANCE DEPARTMENT
- ◆ NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
- ◆ LONG ISLAND POWER AUTHORITY
- ◆ NEW YORK CITY OFF-TRACK BETTING CORPORATION
- ◆ NEW YORK STATE RACING AND WAGERING BOARD
- ◆ STATE LIQUOR AUTHORITY
- ◆ STATE BOARD OF ELECTIONS
- ◆ DIVISION OF VETERANS' AFFAIRS
- ◆ DIVISION OF MILITARY AND NAVAL AFFAIRS
- ◆ MULTI-AGENCY

Various State agencies and public authorities perform such functions as protecting natural resources, managing parks, providing electricity, promoting energy efficiency, overseeing job training programs, supervising the State's organized militia, supporting the State's horse racing industry, administering and enforcing election laws, and regulating and licensing certain activities. The following summarizes the results of our audits during the past year at such State agencies and public authorities.

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## DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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**State Forest Timber Sales (Follow-Up Report)** - The Department of Environmental Conservation regularly cuts down trees in State-owned forests to promote forest health and biodiversity, ensure forest sustainability, provide for recreational opportunities, and accomplish other important forest management goals. The Department then sells the harvested timber to the highest bidder in publicly advertised sales.

The Department has determined the optimal amount of sustainable harvesting that can be done in State forests each year. However, in audit 2006-S-9, we found that the Department was harvesting only about half that amount. As a result, important forest management goals were not being fully achieved and about \$4.85 million a year in potential timber sale revenue was being lost. We determined that the main reason for the low harvest rate was a lack of available staff. We recommended the Department formally evaluate the costs and benefits of hiring additional foresters. We also recommended that certain improvements be made in the Department's administration of its publicly advertised timber sales. When

we followed up on these matters with Department officials, we found that they had made some progress in implementing our audit recommendations. However, additional actions were still needed and, based on increasing timber values, we determined that an additional \$5.2 million in annual revenue could be generated if our recommendations were fully implemented. (2009-F-25)

**Lease of State Land for Gas and Oil Exploration and Production (Follow-Up Report)** - The Department of Environmental Conservation leases State lands for oil and gas exploration and production. The Department is also responsible for monitoring gas and oil well operations on both public and private lands. In audit 2005-S-54, we examined the Department's leasing process and identified certain actions that could be taken by the Department to provide additional assurance lease revenue was being maximized. We also examined the Department's monitoring practices and identified the need for improvements in certain administrative and recordkeeping practices. When we followed up on these matters with Department officials, we found that they had at least partially implemented all our audit recommendations. (2009-F-1)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Department of Environmental Conservation operates a central office and various regional offices. We found that the Department was in compliance with the Executive Order, as it had already substantially exceeded the 20 percent target. (2008-S-81)

**Selected Practices Regarding Payroll Overtime** - During the year we audited, the Department of Environmental

Conservation spent about \$7.3 million for 207,000 hours of overtime. We audited a sample of overtime payments to 50 selected employees. We found that, for about 30 percent of the payments in our sample, the Department could not provide documentation showing that the overtime was approved at the time it was worked. However, we determined that the overtime that was documented was consistent with the Department's necessary uses of overtime, and we verified that the employees who were scheduled to work overtime were present. We recommended that certain steps be taken by the Department to strengthen its controls over overtime. (2007-S-64)

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## OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

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**Internal Controls Over Park Use Permits at the Long Island Region** - The Office of Parks, Recreation and Historic Preservation is responsible for the operation of the State's parks. Park Use Permits are required for many of the recreational, promotional, and other types of activities commonly conducted at these parks. Each Park Region is responsible for developing a comprehensive fee schedule for these permits, and is expected to charge fees in accordance with the schedule. However, we found the Long Island Region's fee schedule was not comprehensive, as no fee was specified for many of the activities needing permits. As a result, varying fees (and in some cases, no fees) were charged for these activities. We recommended that a comprehensive fee schedule be established and the fees on the schedule be applied uniformly throughout the Region.

We also identified certain weaknesses in the Region's controls over fee collections. In particular, much of the

Region's fee revenue was inappropriately being deposited into the accounts of a related public benefit corporation (Natural Heritage Trust). According to officials from the Office of Parks, Recreation and Historic Preservation, the funds deposited with Natural Heritage Trust were used for the same purposes as the funds deposited in State accounts. However, the practice circumvented the State's normal budgetary controls, because the funds were not appropriated, reported on and accounted for like other State funds. We therefore recommended that all State revenue collected by the Region be deposited into authorized State accounts, as is required by law. (2007-S-80)

**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). We found that the Office of Parks, Recreation and Historic Preservation was purchasing some of its power from renewable sources, but not enough to meet the 10 percent target. Moreover, while the Office had developed a plan for meeting the 20 percent target, we determined that the plan might not be effective because it appeared that the Office had not accurately estimated its future energy needs. We also identified significant weaknesses in the Office's reporting of its renewable energy purchases, as internal reports were often inaccurate and external reports had not been submitted to the New York State Energy Research and Development Authority, as required by the Executive Order. We recommended that a number of improvements be made in the Office's efforts to comply with the Executive Order. (2008-S-73)

**Recycling Program** - The Office of Parks, Recreation and Historic

Preservation is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that the Office was not in compliance with these requirements, as it had yet to establish an organization-wide recycling program and was not fully meeting certain recycling reporting requirements. We recommended that the Office fully comply with all applicable recycling requirements. (2008-S-133)

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### **HUDSON RIVER PARK TRUST**

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**West 30<sup>th</sup> Street Heliport: Safety and Security (Follow-Up Report)** - Hudson River Park Trust is a public benefit corporation responsible for planning, developing, constructing, operating and maintaining a planned 550-acre park in New York City. The West 30<sup>th</sup> Street Heliport is located in the park. The Heliport, which is managed by a private company pursuant to a lease agreement with Hudson River Park Trust, is used by sightseeing, corporate and charter helicopter carriers.

The New York State Anti-Terrorism Preparedness Act of 2004 requires general aviation airports and heliports to file a security plan with the State Department of Transportation. In audit 2006-S-23, we examined the Heliport's compliance with this plan as well as other safety and security-related practices, and found that certain improvements were needed. When we followed up on these matters with Hudson River Park Trust officials, we found that some progress had been made in the implementation of our audit recommendations, but additional actions were still needed. Due to the sensitivity of the information, our detailed audit findings and recommendations were not included in either our original audit report or our follow-up report. (2009-F-10)

**West 30<sup>th</sup> Street Heliport: Revenue Operations (Follow-Up Report)** - The West 30<sup>th</sup> Street Heliport is managed by a private company pursuant to a lease agreement with Hudson River Park Trust. Under this agreement, Hudson River Park Trust is to receive a portion of the revenue earned by the company. In audit 2006-S-75, we examined the controls over revenue collections and found certain improvements were needed if Hudson River Park Trust was to be assured it was receiving all the revenue it was due. When we followed up on these matters with Hudson River Park Trust officials, we found that they had made only limited progress in implementing our audit recommendations. (2009-F-9)

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### **DEPARTMENT OF AGRICULTURE AND MARKETS**

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**Environmental Protection Fund** - The Department of Agriculture and Markets receives annual allocations from the State's Environmental Protection Fund. It uses these allocations to award grants to local governments for certain types of environmental projects. We examined whether these grants were awarded in a timely manner and in accordance with valid and objective criteria, and found that they generally were. However, we recommended that certain improvements be made in the grant award process to reduce delays in re-awarding returned funds and better ensure that all grant applicants were given the same opportunities to receive funding. (2008-S-150)

**Recycling Program** - The Department of Agriculture and Markets is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that the Department was not in full compliance with these requirements, mainly because three of its four offices did not

have a program for source-separating plastic, glass and metals. We recommended that the Department fully comply with all applicable recycling requirements. (2008-S-132)

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## **INDUSTRIAL EXHIBIT AUTHORITY**

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### **Controls Over Trade Agreements -**

The Industrial Exhibit Authority works with the Department of Agriculture and Markets in presenting the annual New York State Fair. Sponsors of the Fair purchase space to display and advertise their products. In some cases, the sponsors purchase this space by providing goods and services to the Authority. We examined the Authority's controls over these trade agreements and found improvements were needed if the goods and services were to be accurately valued. We identified significant inconsistencies in the valuation process and concluded that, in general, the goods and services were overvalued. We also identified instances in which there was little or no evidence the goods or services were actually received from the sponsors. (2008-S-91)

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## **DEPARTMENT OF STATE**

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### **Oversight of the Enhanced Wireless 911 Program (Follow-Up Report) -**

Each county has an emergency call center to receive 911 calls made in that county. If the center is not equipped with an enhanced wireless 911 system, it cannot automatically identify the location of callers using cellular phones, making it difficult to send help to such callers when they are unable to identify their location. To encourage the counties to develop enhanced wireless 911 systems, State legislation in 2002 made certain funding available to the counties and created the New York

State 911 Board within the Department of State to facilitate and oversee the implementation of such systems.

In audit 2005-S-68, we examined the progress made by the counties in developing enhanced wireless 911 systems and found that 15 of the 58 counties had yet to complete their systems and 10 of these 15 counties had made little or no progress on their systems. We found that the Department of State did not actively track the counties' implementation efforts, and consequently, was in no position to provide assistance to counties not making adequate progress. We recommended that the Department actively oversee the remaining implementation efforts and work closely with any counties that were encountering difficulties. We also identified weaknesses in the practices used by the Department and the New York State 911 Board in awarding State funding to the counties, and recommended certain changes in the State's funding practices. When we followed up on these matters, we found that all counties had completed their systems and Department officials had implemented some, but not all, of our audit recommendations. (2008-F-19)

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## **DEPARTMENT OF LABOR**

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### **Unemployment Insurance Benefits to**

**Inmates** - To determine whether any inmates in State prisons were receiving unemployment insurance benefits while they were in prison, we compared the file of unemployment insurance benefit payments for June 2008 to the file of prison inmates for that period. We found that eleven prisoners inappropriately collected more than \$29,000 in unemployment insurance benefits while they were in prison, and identified as many as 14 additional prisoners who may have collected such benefits. We recommended that the Department of Labor and the

Department of Correctional Services investigate the payments, recover all inappropriate payments, and work together to prevent such inappropriate payments in the future. (2008-BSE-3A-002)

**Use of New Hires Database (Follow-Up Report)** - Employers in New York State are required to report their new hires to the State. The Department of Labor regularly compares the names in this new hires database to the names of those receiving unemployment insurance. If the Department determines that anyone is receiving benefits while employed, it recovers the unemployment insurance overpayments from the individuals. In audit 2006-S-86, we examined the Department's use of the new hires database and found that it was effective. However, we identified certain actions that could be taken by the Department to further enhance the effectiveness of the database. When we followed up on these matters with Department officials, we found that they had implemented our audit recommendations. (2008-F-50)

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## **INSURANCE DEPARTMENT**

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**Administration of the Individual Direct Payment Health Insurance Program** - The New York State Health Care Reform Act of 2000 (HCRA) provides for an Individual Direct Payment Health Insurance Program that makes it possible for individual consumers to have access to comprehensive health insurance. The Program provides health insurance for those who do not have coverage through their employer or other means. All New York State HMOs are required to offer standardized individual enrollee contracts to members of the Program on an open enrollment basis. To offset the premiums that individuals are required to pay for coverage under the Program, HCRA required the State Insurance Department to establish

certain stop-loss funds to enable the HMOs to be reimbursed for high-cost claims with savings being passed on in the form of reduced premiums. We examined whether the stop-loss funds that were provided to participating HMOs were correctly used in setting their premium rates, and found that they were. (2008-S-167)

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## **NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY**

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### **System Benefits Charge**

**Achievements** - The System Benefits Charge is a surcharge that is added to customers' electricity bills in New York State. The revenue raised by the surcharge is used to fund programs for energy efficiency, low-income assistance, and research and development. Most of these programs are administered by the New York State Energy Research and Development Authority (NYSERDA). We audited the program achievements reported by NYSEDA, and in particular, the energy savings that have been claimed. We found that the achievements were well documented, verifiable and based on data that had already been independently verified. We recommended that certain actions be taken by NYSEDA to further improve its administration of the programs and its reporting of program achievements. (2008-S-92)

### **Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy**

**Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies and certain public authorities, including NYSEDA, to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Order also directs NYSEDA to coordinate and

assist State agencies and public authorities in their efforts to meet these purchasing requirements. We found that NYSEDA was in compliance with the Order, as it had already substantially exceeded the 20 percent target. We also found that NYSEDA had taken appropriate actions in assisting and coordinating the compliance efforts of others. However, we noted that certain other actions could also be taken that would provide additional assistance. (2008-S-74)

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## **LONG ISLAND POWER AUTHORITY**

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### **Internal Controls Over Fiscal**

**Operations** - The Long Island Power Authority (LIPA) is the primary supplier of electricity on Long Island. We examined LIPA's internal controls over its core fiscal operations and found that certain improvements were needed. For example, LIPA's annual procurement report for 2007 was not complete, as a number of important contracts were not included in the report. We also determined that several members of LIPA's Board of Trustees were not always attending Board meetings and others had not received training that was required by law. We recommended that certain actions be taken by LIPA to strengthen its internal controls. (2008-S-93)

**Recycling Program** - LIPA is required to comply with certain recycling requirements specified in State law and Executive Order 4, which was issued in April 2008. We found that LIPA was generally in compliance with these requirements. However, because LIPA had yet to begin compiling data on certain recycling activities, we found it was unlikely LIPA would be able to comply with certain new reporting requirements. We recommended that LIPA begin compiling the data as required. (2008-S-135)

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## **NEW YORK CITY OFF-TRACK BETTING CORPORATION**

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### **Financial Condition and Governance**

- The New York City Off-Track Betting Corporation is a public benefit corporation that was created in 1970 pursuant to State legislation which allowed local governments to begin operating systems of off-track pari-mutuel betting. Under the legislation, the Corporation is required to distribute certain portions of its betting revenue to New York City and other local governments, to the State's horse racing industry, and to New York State. The remaining revenue is to be used to cover the Corporation's operating expenses. However, in recent years, the Corporation has been unable to cover its operating expenses. It has avoided bankruptcy by spending its cash reserves and deferring payments on certain of its obligations. The Corporation was on the verge of being shut down in June 2008, when it was taken over by the State.

We assessed the Corporation's financial condition upon its acquisition by the State. We found that the Corporation was unlikely to avoid financial insolvency if its current financial trends continued. We further found that, while management had attempted to contain the Corporation's operating expenses, additional cost-saving opportunities needed to be pursued. For example, the Corporation had not conducted a staffing study since 1981, prior to its initiation of telephone and Internet betting and prior to the installation of automated betting terminals at its branch locations. We recommended that such a study be conducted and staffing levels be adjusted accordingly. We also identified opportunities for possible cost reductions in the areas of administrative staffing, consultant contracts and simulcast contracts, and questioned whether the Corporation needed all 87 of its sedans, vans and sports utility

vehicles for business purposes. (2008-S-147)

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## **NEW YORK STATE RACING AND WAGERING BOARD**

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### **Questionable Payroll Transactions Involving the Executive Director -**

The New York State Racing and Wagering Board regulates horse racing and pari-mutuel betting activities in the State. We audited certain payroll transactions involving the Board's Executive Director. The transactions covered periods when the Executive Director was also being compensated by another State entity (the Olympic Regional Development Authority, or ORDA) for services he was providing to that entity as its General Counsel. At the time of our audit, the Executive Director was a full-time employee of the Board, with an annual salary of \$146,699, and a part-time employee of ORDA, where he was paid an annual fee of \$24,000 for his services.

We identified a number of questionable practices on the part of the Executive Director. We concluded that the Board needed to review the Executive Director's arrangement with ORDA and ensure that he properly accounted for the hours he worked for both entities, and in particular, that he charged appropriate leave accruals when these hours overlapped or he attended functions at ORDA during his regularly scheduled Board work hours. We also recommended that the Board discontinue the practice of allowing the Executive Director free use of his Board-assigned vehicle to pursue non-Board activities such as trips to ORDA facilities. In addition, because of the apparently purposeful nature of inaccurate time records filed by the Executive Director, we recommended that the Board determine whether the matters should be referred to appropriate investigative and/or law enforcement agencies. Board officials responded that they had referred the

matters to an outside agency for further investigation. (2008-S-174)

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## **STATE LIQUOR AUTHORITY**

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### **Division of Alcoholic Beverage Control: Network Security Controls -**

In New York State, the sale and distribution of alcoholic beverages is regulated by the State Liquor Authority, a three-member Board of Commissioners that is supported by the Division of Alcoholic Beverage Control. The Division has a computer network that helps it perform its duties. We examined selected aspects of the security controls in place over this network. We found that certain improvements were needed in these controls. So as not to compromise the security of the network, our detailed findings and recommendations were not included in our report, but were presented separately to Division officials. (2008-S-111)

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## **STATE BOARD OF ELECTIONS**

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**Absentee Voting** - The State Board of Elections is responsible for administering and enforcing all election laws in New York State, and for overseeing 62 County Boards of Elections. We examined whether the absentee voting process was adequately overseen by the State Board of Elections and concluded that the Board had not provided adequate oversight. For example, when we examined absentee voting practices in seven selected counties, we found that the practices were not always properly administered. In particular, six of the seven counties accepted applications that should have been rejected, either because they were incomplete or because the voter was not registered to vote in that county. In addition, the voter databases in five of the seven

counties were not always promptly updated to reflect changes. We recommended certain improvements be made in the Board's oversight of the absentee voting process. (2007-S-65)

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## **DIVISION OF VETERANS' AFFAIRS**

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**Quality of Internal Control Certification** - The Division of Veterans' Affairs was created to coordinate programs and activities that aid members of the armed forces, veterans, and their families. State agencies and public authorities must annually certify their compliance with important provisions of internal control. We set out to examine the quality of the Division's certification of compliance for the year ended March 31, 2008 and found that the Division did not submit a certification until the end of our audit – more than three months later than required. Our audit made recommendations for improving the quality of the Division's certification. (2008-S-115)

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## **DIVISION OF MILITARY AND NAVAL AFFAIRS**

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**Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Energy Sources** - Executive Order 111, which was issued in June 2001, requires all State agencies to purchase a certain portion of their electricity from renewable sources (at least 10 percent by 2005 and 20 percent by 2010). The Division of Military and Naval Affairs owns 58 armories across New York State, is responsible for the operation and maintenance of an additional 216 buildings, and pays the utility bills for two United States military facilities. We found that the Division was purchasing some of its power from renewable

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sources, but not enough to meet the 10 percent target. However, the Division increased its purchases of such power after we commenced our audit, and was on track to meet the 10 percent target in the 2008-09 fiscal year and the 20 percent target in the 2010-11 fiscal year. (2008-S-79)

**Late Vendor Payments** - Under the Prompt Payment Law, vendors may receive interest on their payments from New York State when the payments are not timely. We examined a sample of untimely vendor payments made by the Division of Military and Naval Affairs over a 32-month period to determine whether the delays were avoidable. We found that the delays were avoidable, and recommended actions that could be taken by the Division to avoid such delays in the future. (2007-S-117)

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## **MULTI-AGENCY**

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**State Agency Compliance with the Prompt Contracting Law** - Many State agencies routinely enter into contracts with not-for-profit entities. Under the State's Prompt Contracting Law, these entities are to receive interest on their contract payments if the payments are late because of delays in the processing of their contracts. We examined contract payments at 20 selected State agencies and found that they were often late. We also examined whether the not-for-profit entities received the interest they were due when their payments were late, and found that they did not. We determined that contract payments were late because of delays on the part of both State agencies and not-for-profit entities. We determined that interest was not added to the late payments because of ambiguities in the Prompt Contracting Law, and noted that the Office of the State Comptroller planned to develop new regulations to address these ambiguities. (Report 2008-BSE-16-003)