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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**OFFICE OF MENTAL
HEALTH
KINGSBORO PSYCHIATRIC
CENTER**

**CONTROLS OVER LATE
SEPARATIONS**

Report 2007-S-109

AUDIT OBJECTIVE

The objective of the audit was to determine whether the Kingsboro Psychiatric Center (Kingsboro) has adequate controls over late separations.

AUDIT RESULTS - SUMMARY

When employees separate from the payroll (e.g., resign, retire, are terminated, etc.) controls must be in place to ensure that their separation is processed in a timely manner. When an employee is not removed from the payroll in a timely manner, a late separation check (LSC) is generated for the employee. An LSC may result in the separated employee being paid for more than the actual number of days or hours he/she actually worked. Our audit found that Kingsboro officials had not instituted sufficient controls to prevent LSCs. As a result, 40 checks, totaling \$25,009, were inappropriately prepared for separated employees. These checks included \$23,937 in overpayments for time not worked or previously accrued.

For the period April 1, 2004 through October 31, 2007, Kingsboro's 40 LSCs were issued to 31 Kingsboro employees. Of the 31 separated employees, 21 resigned, 3 retired, and 7 were terminated. The reasons for the late separations included: the employees' failure to provide timely notification to their supervisors of their intention to resign; failure by department supervisors to promptly notify Kingsboro's Human Resources Office (HR) about employees' resignations and terminations; and delays by HR staff in entering the required data into the State's payroll system. [See page 3]

For example, Kingsboro procedures require that, at least two weeks prior to a resignation date, employees must provide a written notice to HR through their immediate supervisors

denoting their respective effective resignation dates. However, 8 of the 21 employees who resigned during the audit period, and received a LSC, notified their supervisors after the effective dates of their respective resignations. For six other employees, their supervisors delayed in notifying HR about the employees' resignations and, as a result, HR entered information into the State's payroll system after the employees' effective resignation dates. For the remaining seven employees, HR was responsible for the delays in entering the necessary data into the State's payroll system. Similar late entries occurred for retirees and terminated employees. [See page 4]

We also found that LSCs are not always caught by Kingsboro staff in time to prevent their distribution to employees nor promptly returned to the Office of the State Comptroller for adjustment. Of the 40 late separation checks during our audit period, Kingsboro returned 16 uncashed checks to the Office of the State Comptroller (OSC) within the required time frame (30 days). However, another four checks were held by Kingsboro's Business Office from 36 days to 50 days before they were returned to OSC. The remaining 20 late separation checks, mostly electronic transactions, were paid to and cashed by the employees. We determined that Kingsboro ultimately recovered the funds for 19 of these inappropriate payments. However, one check for \$121 had not been recovered. [See pages 5-6]

The Office of Mental Health (OMH) and Kingsboro officials agreed with our observations and have taken steps to implement our recommendations.

Our audit report contains six recommendations to strengthen controls over Kingsboro's LSCs.

This report, dated February 12, 2009, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The New York State Office of Mental Health (OMH) operates 26 psychiatric centers throughout the State. OMH regulates, certifies and oversees more than 2,500 programs serving more than 500,000 individuals each year. These programs include inpatient, outpatient, and emergency services, community support, and residential and family care. Kingsboro Psychiatric Center (Kingsboro), located in Brooklyn, provides mental health services to adults 18 years of age and older, and operates two community-based outpatient clinics located in the Canarsie and Williamsburg sections of Brooklyn. For the three fiscal years ended March 31, 2005, 2006 and 2007, Kingsboro's personal service costs totaled \$52.2 million, \$55.3 million, and \$57.6 million, respectively. As of October 31, 2007, Kingsboro had 684 employees.

Employees may be separated from the payroll for a variety of reasons, including resignations, terminations, and retirements. The State's Payroll System (PayServ) is maintained by the Office of the State Comptroller's (OSC's) Payroll Services Unit. All State agencies are required to promptly enter each of their payroll-related transactions (i.e., hirings, raises, resignations, etc.) into PayServ to ensure that all of their payroll transactions are processed timely. Timely processing prevents undue hardship on an employee awaiting his or her first paycheck

and conversely prevents an overpayment for time not worked or accrued. To do this, a Personnel Transaction Request Form (PTR) is required to be prepared and submitted to Kingsboro's Human Resources Office (HR) for data entry into OMH's Human Resource Management System (HRMS). Transaction data entered into HRMS is transmitted to the OMH Central Transactions Unit where it is entered into PayServ.

The date on which a transaction is entered into HRMS is called the "action" date. The date on which the personnel transaction takes effect is the "effective" date. If the action date and effective date fall within the same pay period, an on-time separation occurs. However, if the action date occurs after the pay period in which the effective date falls, a late separation check (LSC) will be generated. Such occurrences may result in the need to recover some or all of the late separation check payment if the recipient employee was not entitled to the entire payment (e.g., insufficient accrued leave.)

AUDIT FINDINGS AND RECOMMENDATIONS

Controls over Late Separations

Section 3.0100 of the New York State Accounting System User Procedures Manual (Manual) designates an agency's Human Resources Office (HR) as responsible for initiating and documenting all payroll changes, including separations from the payroll. HR should establish procedures to process and document such changes to ensure timely separation of employees from the payroll to ensure no salary overpayments are made to employees which are separated from the payroll.

According to OSC's Payroll Services Unit, 249 separation checks were issued for

Kingsboro employees from April 1, 2004 through October 31, 2007. Of these, we found that Kingsboro entered information late into PayServ for 31 employees, resulting in 40 LSCs totaling \$25,009 including \$23,937 inappropriately paid to employees for time not worked or accrued. Of the 31 affected employees, 21 resigned, 3 retired, and 7 were terminated.

To determine the reasons for these 40 LCSs, we reviewed the PTRs and other available documentation supporting these separations.

We determined that late separations from Kingsboro's payroll were caused by a number of reasons such as the employee's failure to provide timely notification to their supervisors of their intention to resign; failure by department supervisors to notify HR promptly about employees' resignations and recommended terminations; and delays by HR in entering the required data into the HRMS system for resignations, terminations, and retirements.

Resignations

Kingsboro procedures require that, at least two weeks prior to their effective resignation date, employees must provide written notice to HR through their immediate supervisor. The supervisor should immediately prepare and submit a completed Personnel PTR to HR so that HR can enter the information into HRMS prior to the effective date.

For the 21 employees who resigned from Kingsboro during the audit period and received a late separation check, PTR data was not entered into HRMS in a timely manner, resulting in the issuance of LSCs totaling \$21,545. The input delays ranged from 2 to 65 days after the effective dates of the employees' respective resignations. Eight of the 21 employees did not provide prior

notice of their intention to resign. For another six employees, their supervisors delayed in notifying HR about the employees' resignations, and as a result, HR entered the necessary information into HRMS after the employees' effective resignation dates. For the remaining seven employees, HR was responsible for the data input delays.

Retirements

An employee that decides to retire must file a retirement application with the New York State and Local Retirement System (Retirement System) 30 to 90 days before their effective date of retirement. Once received, Retirement System staff will notify the respective agency's HR unit of the employee's effective retirement date. Upon receiving such notification from the Retirement System, HR should enter the information into HRMS for the pay period it is effective.

During the audit period, four LSCs, totaling \$1,799, were issued to three Kingsboro retirees.

We determined that HR received the notices of retirement from the Retirement System timely for the three employees. However, for two of the retirees, HR did not input the effective dates of retirement into Payserv until 6 and 14 days after the respective notices were received. For the remaining retiree, although prompt, HR entered an incorrect effective date causing the LSC to be issued.

Terminations

OMH employees may be terminated for several reasons, including failure to pass probation and incurring excessive unauthorized absences. The process used to terminate a probationary employee is initiated by his/her supervisor who submits a

completed PTR to HR. For unauthorized absences, Kingsboro's procedures require department supervisors to notify HR about employees who have been absent without prior authorization for five consecutive days. HR is to prepare a PTR to remove the employee from the payroll after a decision is reached by senior management to terminate the employee.

During the audit period, Kingsboro issued seven LSCs to terminated employees totaling \$1,627. We determined that here too the effective dates of termination were not entered by HR into HRMS in a timely manner. The input delays ranged from 2 to 10 days.

In response to our findings, Kingsboro officials explained that the causes for some of the LSCs were due to poor communication between employees, department supervisors and HR. They also stated that our audit scope covered a period during which a new person was hired to process payroll-related transactions and attributed processing delays to the time it took the new employee to learn his new responsibilities.

Recommendations

1. Remind employees to provide two weeks written notice prior to the effective dates of their resignation.
2. Instruct supervisors to complete and submit the PTR promptly to HR for any employee who should be removed from the payroll.
3. Remind HR to promptly enter all employee separation information into HRMS.

Accountability over Late Separation Checks

Section 3.0100 of the Manual requires that the Business Office should withhold the salary check of any employee who is not entitled to the entire check. Furthermore, the Manual states that any undelivered payroll checks should be returned to OSC within 30 days of issuance. The New York State Finance Law, Section 200(3) and OSC Payroll Bulletin 470 require recovery of any salary overpayments to a New York State employee.

Kingsboro returned 16 of the 40 LSCs, totaling \$10,292, in less than 30 days to OSC's Payroll Services Unit for cancellation, and where appropriate, correction. Another four LSCs, totaling \$4,055, were held by the Kingsboro's Business Office from 36 days to 50 days before they were returned to OSC. Hanging on to these checks unnecessarily increases the risk that they can be lost, stolen or issued in error.

The remaining 20 LSCs, totaling \$10,662, were electronic and were actually issued to the separated employees. We determined that Kingsboro recovered 19 of these 20 inappropriate payments equaling \$10,541. However, one check totaling \$121 had not been recovered.

In response to our draft report, OMH and Kingsboro officials acknowledged the need for improved communication between their various operating departments and HR to prevent the issuance of LSCs to employees who are not entitled to them.

Recommendations

4. Remind the Business Office to return late separation checks to the OSC Payroll Unit at the end of 30 days.

5. Improve communication between the Departments and HR to prevent the payment of late separation checks to employees who are not entitled to them.
6. Recover the overpayment of \$121.

AUDIT SCOPE AND METHODOLOGY

We audited Kingsboro's controls over late separations for the period April 1, 2004 through October 31, 2007. To accomplish our objective, we reviewed the governing criteria and interviewed Kingsboro, OSC Payroll Services Unit and Retirement System officials. We also reviewed selected personnel history folders, PTR forms, employee resignation letters, and PayServ information relating to the 40 late separation checks issued to 31 former employees from April 1, 2004 through October 31, 2007. We also determined whether the LSCs included inappropriate (unearned) payments.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public

authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The audit was performed according to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8, of the State Finance Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to OMH and Kingsboro officials for their review and comment. Their comments were considered in preparing this final report and are included in their entirety as Appendix A.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Mental Health shall report to the governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Patone, Albert Kee, Santo Rendon, Robert Tabi, Ira Lipper, Lisa Duke, Abe Fish, and Paul Bachman.

APPENDIX A - AUDITEE RESPONSE



State of New York
David A. Paterson
Governor



Office of Mental Health
44 Holland Avenue
Albany, New York 12229
www.omh.state.ny.us

September 10, 2008

Albert Kee
Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Dear Mr. Kee:

The Office of Mental Health has reviewed the draft audit report entitled, Kingsboro Psychiatric Center Controls Over Late Separations (2007-S-109). Our comments to the findings and recommendations contained in the report are enclosed.

The Office of Mental Health appreciates the Office of the State Comptroller's efforts to recommend improvements in our operations.

Many thanks for your continued help and cooperation.

Sincerely yours,

Bruce E. Feig
Executive Deputy Commissioner

Enclosure

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER



OMH 28-01 (4/06)

**OFFICE OF MENTAL HEALTH
RESPONSE TO OFFICE OF THE STATE COMPTROLLER
DRAFT REPORT 2007-S-109
KINGSBORO PSYCHIATRIC CENTER
CONTROLS OVER LATE SEPARATIONS**

OMH Overall Comments

Kingsboro Psychiatric Center (KPC) officials have reviewed the findings and recommendations in the Office of the State Comptroller's draft report entitled, Kingsboro Psychiatric Center Controls Over Late Separations. KPC is appreciative of OSC's efforts to identify areas where improvements can be made to KPC's controls over late separations and has already taken steps to implement OSC's recommendations.

KPC is also appreciative of OSC's acknowledgment that previous improvements made by KPC "resulted in a decrease in the number of late separation checks issued during fiscal years 2007 and 2008" and that all but \$121 of late separation payments have been recovered.

OMH Responses to OSC Recommendations

OSC Recommendation No. 1

Remind employees to provide two weeks written notice prior to the effective dates of their resignation.

OMH Response

KPC will remind all current employees to provide two weeks written notice prior to the effective dates of their resignation. New employees are now required to sign a statement upon hire that they are aware of the two week requirement.

OSC Recommendation No. 2

Instruct supervisors to complete and submit the PTR promptly to HR for any employee who should be removed from the payroll.

OMH Response

A memorandum dated August 1, 2008 was sent to all facility supervisors instructing them to submit an email notice to the HR Director as soon as they are advised that an employee is resigning and to also immediately submit a PTR to HR.

OSC Recommendation No. 3

Remind HR to promptly enter all employee separation information into HRMS.

OMH Response

HR staff was advised by email to promptly enter all employee separation transactions in HRMS.

OSC Recommendation No. 4

Remind the Business Office to return late separation checks to the OSC Payroll Unit at the end of 30 days.

OMH Response

A memorandum dated August 1, 2008 was given to the Business Officer to institute a review every 24 days of withheld separation checks to ensure their timely return to OSC.

OSC Recommendation No. 5

Improve communication between the Departments and HR to prevent the payment of late separation checks to employees who are not entitled to them.

OMH Response

A memorandum dated August 1, 2008 was sent to Department Heads reminding them of KPC's requirement that staff absent from work, except for approved vacation, must be reported to HR on the 5th day of absence. This process will be closely monitored by HR staff.

OSC Recommendation No. 6

Recover the overpayment of \$121.

OMH Response

The facility is pursuing recovery of the \$121.