

TO: THE COMMON COUNCIL

DATE: May 20, 2010

FROM: THE DEPARTMENT OF
AUDIT & CONTROL

SUBJECT: Audit Report – Substance Abuse
Services Financial Procedures

In July 2009, the Department of Audit and Control was anonymously notified of thefts that occurred within the Division of Substance Abuse Services. The first incident occurred on December 19, 2008, which reported \$834 missing. A second incident occurred on June 17, 2009, of which \$585 was reported stolen from the Clinic's front desk. A police report was filed and statements from the staff were taken; however, it is undetermined whether the theft was caused internally or externally.

As a result of the above incidents, on October 7, 2009, the Division of Audit reviewed collection procedures, recordkeeping and safekeeping of cash receipts at the following (2) locations: Fillmore/Leroy Clinic and North Street Clinic.

We found that the Division of Substance Abuse Services cash collections policies as written address many of the issues we discovered, however consistent enforcement of these policies has been problematic. At the clinics we visited the first time, improvements were made, but the changes did not appear to filter to the Genesee/Moselle Clinic which we did not visit during our first round of review. Cash collected from the clinics and deposits for the City Treasury must be made in a regular and timely manner. Emphasis on consistent procedures and monitoring of these procedures needs to be implemented by management. In the future, any cash shortages or financial concerns that arise, the Division of Audit should be contacted immediately and asked to verify funds on hand.

An exit conference was held with the Commissioner of Community Services and Recreational Programming on April 22, 2010. We then heard in greater detail of some of the operational problems that seem to hamper the effective implementation of some solutions. The full utilization of computerized systems and procedural changes are being challenged by the staff. It is an unfortunate circumstance that unnecessarily hinders efficiency and practicality.

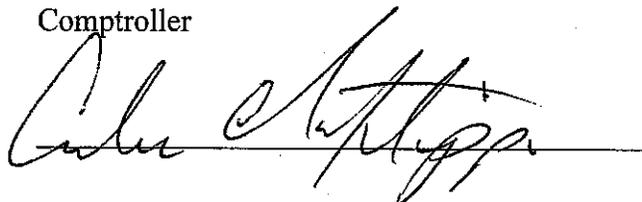
The Commissioner prepared a written response, which is appended to the report. She did not disagree with the findings of the report, and was receptive to the recommendations contained therein. We would like to thank the Commissioner and her staff for their cooperation and receptiveness.

If you have any further questions on this matter, please feel free to contact the Department of Audit and Control.

DEPARTMENT HEAD: Andrew A. SanFilippo

TITLE: Comptroller

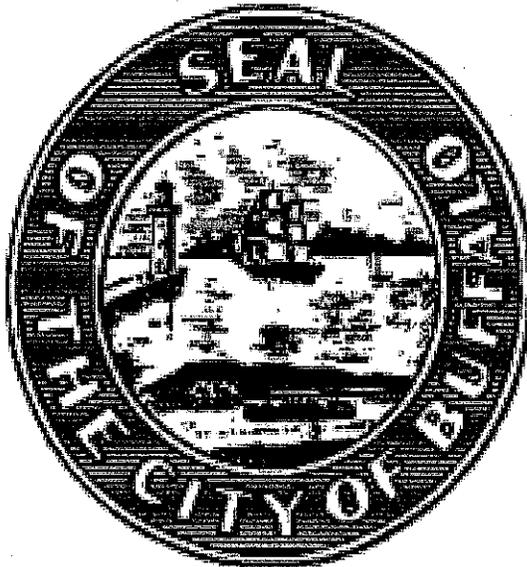
SIGNATURE:



CITY OF BUFFALO
DEPARTMENT OF AUDIT & CONTROL

AUDIT OF FINANCIAL PROCEDURES OF
THE DIVISION OF SUBSTANCE ABUSE SERVICES

ANDREW A. SANFILIPPO
COMPTROLLER



For the Fiscal Year 2009 – 2010

DARRYL McPHERSON

CITY AUDITOR

MAY 2010

The Division of Substance Abuse Services

In July 2009, the Department of Audit and Control was anonymously notified of thefts that occurred within the Division of Substance Abuse Services. As a result, further information was requested from the Commissioner of Community Services and Recreational Programming. A reply was received on August 5, 2009. There were two incidents reported, both occurring at the North Street Clinic. The first incident occurred on December 19, 2008, which reported \$834 missing. An envelope of cash was left over the weekend at the clinic site "underneath the kitchen sink"; the next business day an employee discovered the cash missing. A police report was filed and indicated "no sign of any forced entry". A second incident occurred on June 17, 2009, of which \$585 was reported stolen from the Clinic's front desk. A police report was filed and statements from the staff were taken; however, it is undetermined whether the theft was caused internally or externally.

As a result of the above incidents, on October 7, 2009, the Division of Audit reviewed collection procedures, recordkeeping and safekeeping of cash receipts at the following (2) locations: Fillmore/Leroy Clinic and North Street Clinic. A follow-up visit was made on November 18, 2009 to the Fillmore/Leroy Clinic and initial visit was made on the same day to Genesee/Moselle Clinic.

Background

The City of Buffalo Division of Substance Abuse Services (DSAS) was instituted in 1975 to provide services to citizens for substance abuse, alcohol treatment, education and case management services. The Division of Substance Abuse Services receives funding from the City of Buffalo as well as Medicaid reimbursement from New York State. A Medicaid Escrow account is available for the purchase of office equipment *i.e.*, laptops, furniture. These purchases require prior approval from New York State and the City of Buffalo.

The Division of Substance Abuse Services consists of twenty-one employees assigned to the three counseling clinics as follows:

North Street Clinic located at 191 North Street/Suite 110 has ten staff members: (2) Counselor III, (1) Senior Counselor, (1) Clinical Support Nurse, (2) Reimbursement Specialist, (2) Account Clerk-Typists, (1) Director of Counseling and (1) Director of Substance Abuse Services. This site also serves as the Central Administrative Office.

Fillmore/Leroy Clinic located at 60 Central Park Plaza has five staff members: (1) Stenographer, (1) Clinical Counselor, (1) Senior Counselor I and (2) Counselor III.

Genesee/Moselle Clinic located at 1531 Genesee Street has four staff members: (1) Typist, (1) Senior Counselor and (2) Counselor III.

The Division also employs a (1) Medical Director and a (1) Vocational Counselor.

Audit Scope

An evaluation of the financial procedures and observation of security measures was reviewed for each clinic site. Our evaluation included:

- Fee collection procedures and recordkeeping,
- Reconciliation of fees and past due collections,
- Timeliness of pick-up/delivery of the fees collected and deposits with the City Treasury,
- Client referrals to the Clinics,
- External/Internal security & safekeeping of funds,
- Invoice processing procedures,
- Work and Revenue Statistics
- Petty Cash.

Audit Findings & Recommendations:

I. Fee Collection Procedures and Recordkeeping

A written policy for collecting client fees was established by the Division of Substance Abuse Services, however based on onsite visits it is not consistently followed. Cash payments are collected by an employee assigned to the front desk. In their absence, any available employee may be utilized for this function. Medicaid clients must present a valid New York State Medicaid card which is verified by the employee.

The employee records the client fees collected in a pre-numbered 3-copy receipt book. One receipt is given to the client, a 2nd copy is kept by the clinic and 3rd copy is submitted with the deposit. Notice of Medicaid clients treated is forwarded to the Reimbursement Specialist for payment submission.

We recommend that all three clinics start matching the original receipt book to the Daily Fees for Uninsured Clients Form to actual cash on hand on a daily basis. The cash receipts at the end of the day should be placed in its own separate envelope, sealed and initialed by two different individuals (the counter and the collector) and locked in a safe. By establishing a consistent procedure at all three clinics, any shortages/overages can be identified and resolved quickly.

We recommend Administration staff make more unannounced site visits to the clinics to verify cash counts, review receipt books and client past due records to ensure that policy and procedures are being followed. The results (e.g. reconciled worksheets) of site visits should be documented, filed and reported to the Director of Substance Abuse Services.

We recommend management review established collection policies and procedures with staff and provide cross-training to all staff involved in collecting cash receipts from clients.

II. Reconciliation of Fees and Past Due Collections

The Division of Substance Abuse Services created a Daily Fees for Uninsured Clients form to reconcile client fees to cash receipts. The form is filled out by the Stenographer/Typist and includes; the date, client number, Medicaid Yes/No, balance due, amount paid and receipt number. The form is copied and placed with the deposit envelope that is sent to the North Street Administration Office, the original is filed into a binder that is held at the clinic site.

We found no evidence that the Daily Fees for Uninsured Clients form was being matched against the original receipt book. **We found** an inconsistency in the procedure of filling out the form at the Fillmore/Leroy clinic. However, it was corrected on our follow-up visit to the clinic site.

We recommend that the Administration staff review the form against the original receipt book for any missing information and errors made in recording.

If clients are not able to provide payment for their visit, a payment plan is arranged by a Senior Counselor. **We found** an internal manual log was being maintained to track amounts past due from the clients. The responsibility of recording and reconciling past due collections was left with the person collecting the fees at two of the clinics visited. **We also found** after examining documents at the Genesee/Moselle Clinic, several clients had past due balances; for example one client had a past-due balance of \$300. We found no evidence of any established procedure for verification of revenue or accounts receivable due with actual clients treated.

We recommend the Division of Substance Abuse Services enforce the policy and procedures for client past due fees as presented in the "Policy and Procedures for the Collection of Patient Fees". The policy states "if the patient falls behind in payments, the Clinic secretary will inform the counselor who will address the past due fees with the patient to prevent the patient from getting to the place where the fees become unmanageable. The patient should not be allowed to get more than \$28.00 behind in payments...If there is no change in patient's financial situation, then a payment plan will be arranged and approved by the Division Director and/or the Director of Counseling".

Recognizing that most of the clients of these clinics are likely to be considered "low income", accruing large balances represents a risk for the clinic and a hardship for the client. DSAS staff should have the appropriate means to track what a patient owes at the time of service. **We also recommend** that Counselors consider using log books to track clients treated which would enhance the daily reconciliation process by providing a third verification source of the client's information.

We recommend the Division of Substance Abuse Services work with the Department of Management Information Systems to develop a computerized system of tracking receipts, payments, client ID numbers and past due fees or purchase a commercial software package. A

computerized system reduces human error caused by manual recording and allows for segregation of recording, reconciliation and custody of cash assets.

III. Timeliness of Pick-Up/Delivery of Fees and Deposits to City Treasury

Cash is collected from the clinics by the Reimbursement Specialist or Account-Clerk Typist from North Clinic Administration who in turn signs a receipt for the cash given by the individual clinics. The cash deposit is then prepared by the Reimbursement Specialist and taken to the City Treasury. At the end of the day, each employee at the individual clinic reconciles the accumulated cash receipts to the Daily Fees for Uninsured Clients Report and transfers the envelope into a secured area.

We found prior to our cash count at the Fillmore/Leroy Clinic, the last pick-up was from 10/9/09 to 10/21/09 for \$478.50; this money was deposited on 11/5/09. Prior to this, another deposit was made for the time period of 9/8/09 to 10/8/09 for \$962. **We found** during a follow-up visit that approximately more than \$100 was left at the clinic sites for more than 15 days. **We found** at the Fillmore/Leroy Clinic an envelope containing multiple days' worth of un-deposited cash receipts. On our follow-up visit, there was \$438 dollars, from 10/23/09 through 11/18/09. At the Genesee/Moselle Clinic **we found** that some cash receipts were kept loosely, some in unsealed envelopes and some money was without receipts. A cash count revealed that \$1,117 was kept at the Clinic site, from 10/23/09 through 11/18/09. The cash accumulated at both clinics and non-deposit of cash receipts violates the (Amended) Substance Abuse Collection of Client Fees Policy. The policy states "when collection reaches \$100, staff will submit monies to the Reimbursement Specialist".

We recommend the Administration enforce the departmental policy of collecting cash when the threshold has been reached. Timely deposits of cash should be made and immediate deposit should be made by the Reimbursement Specialist once the \$100 threshold has been met. **We also recommend** collecting money orders from clients for visits due to the incidents of thefts. By collecting money orders, the chance of internal/external theft can be reduced and employee safety is enhanced.

In addition, Medicaid reimbursement checks are physically received by the Administrative Office. **We found** on our site visit to the North Clinic on October 7, 2009, a check of \$14,667.66 had been received. The check was deposited to the City Treasury on October 15, 2009. It is expected that all checks received be deposited within a reasonable time period, (generally within 24 hours) to the City Treasury.

IV. External/Internal Security & Safekeeping of non-deposited funds

The auditors did observe some weak areas of security at all three clinics sites; e.g. lack of safes, unlocked doors, and a lack of internal camera system.

We recommend purchasing a combination safe for all the clinics. *We recommend* all doors to the reception area, desks, and filing cabinets be locked at all times. Also, a safety review should be conducted for all three clinic locations and improvements should be made based on those results.

V. Client Referrals

We found that all three clinics receive referrals from the Courts, probation officers, lawyers and other community-based diversionary programs, such as Back to Basics. There are, however, many no-shows. *We found* that only one clinic (Genesee/Moselle) documented the referral source at the time appointments were made. Lacking that information makes it difficult to verify the effectiveness of monies spent on referral contracts with outside sources.

We recommend that all clinics begin recording referrals at the time appointments are made. By recording referral sources, no-show clients can be linked to their specific source and a determination can be made whether these services are effective and should be discontinued, particularly with external agencies funded by contract.

VI. Invoicing Procedures

Upon review, various accounts payable invoices submitted by the Division of Substance Abuse Services to the Division of Audit and the Department of Audit and Control's Accounts Payable Section were found to be reproduced through the use of an Excel template. They were clearly not original invoices as produced by the vendor. DSAS Staff presented them for payment in violation of the City's Accounts Payable payment procedures. The Division of Audit brought this to the attention of the Commissioner of Community Services and Recreational Programming. After a brief investigation, it was determined that there was no intentional wrongdoing. All future invoices will be original vendor invoices (or properly authorized duplicates) or payment will be denied.

We recommend that all invoices be originals; otherwise any duplicates should be signed by the Division or Department head and be submitted in a timely manner to the Department of Audit and Control for payment.

VII. Petty Cash

There is no petty cash fund at the Fillmore Leroy or at the Genesee/Moselle Clinic. Purchases of supplies are made through the Administrative Office.

The auditors did count the petty cash at the North Administration Office and found it was in balance for \$500. The petty cash was properly handled by the petty cash custodian (Account-Clerk Typist); it was placed in a locked metal box and locked in a fireproof safe, located within the Administration office.

VIII. Program Analysis

For the fiscal year July 1, 2008 - June 30, 2009 a total of 17,272 clients were seen at the clinics. Based on 312 actual days open, approximately a total of 55 clients are seen per day or an average of 18 clients per site.

July 1, 2008 to June 30, 2009*

Clinics	North	Fillmore	Genesee	Totals
Clients	6806	4590	5876	17272
Clients Per Site (312 Days)	22	15	19	55
% Clients per site	39%	27%	34%	100%

18 Avg Clients per site

Clinics	North	Fillmore	Genesee
# of Counselors Per Site	3	3	3
# of Clients seen per Counselor	7	5	6

July 1, 2007 to June 30, 2008*

Clinics	North	Fillmore	Genesee	Total
Clients	5938	4419	5568	15925
Clients Per Site (312 Days)	19	14	18	51
% Clients per site	37%	28%	35%	100%

17 Avg Clients per site

*Based on the Consolidated Fiscal Reports prepared by Drescher & Malecki, CPA 2008-2009 & 2007-2008

For the fiscal year July 1, 2008 thru June 30, 2009 net revenues totaled \$768,076; \$29,707 from participant fees, \$618,369 Medicaid reimbursement and \$120,000 from other sources. Total net expenses of \$1,284,538; personal services \$563,371; fringe benefits \$181,406; supplies \$9,811; telephone \$10,796; other \$96,068; lease/rental equipment \$30,771; lease rental property \$34,602; agency administration cost of \$357,713; and net operating deficit of \$516,462.

Clinics	North	Fillmore-Leroy	Genesee-Moselle	Totals
Revenue				
Participant Fees	\$ 10,397.00	\$ 9,506.00	\$ 9,804.00	\$ 29,707.00
Medicaid	\$ 216,429.00	\$ 197,878.00	\$ 204,062.00	\$ 618,369.00
Other Revenues	\$ 42,000.00	\$ 38,400.00	\$ 39,600.00	\$ 120,000.00
Total Net Revenues	\$ 268,826.00	\$ 245,784.00	\$ 253,466.00	\$ 768,076.00
Total Adjusted Expenses	\$ 451,833.00	\$ 429,280.00	\$ 403,425.00	\$ 1,284,538.00
Net Operating Cost (Deficit)	\$ (183,007.00)	\$ (183,496.00)	\$ (149,959.00)	\$ (516,462.00)

*Based on the Consolidated Fiscal Reports prepared by Drescher & Malecki, CPA 2008-2009

The above figures are from the from Annual Audit report of the Substance Abuse Services Division as compiled by their Auditors (Drescher and Malecki CPA), for the year 2008-2009. As reported there was an operating deficit of \$516,462.00. The cause was explained by the Department as a condition related to grants issued by the NYS OASAS (New York State Office of Alcohol and Substance Abuse Services). Revenue from grants in prior years were received in excess above expenditures, thus NYS OASAS had offset the advances in 2008-2009 fiscal year.

On an annual basis, DSAS must submit a "Compliance Plan" with the New York State Office of the Medicaid Inspector General, for Medicaid certification. A Compliance Officer (Reimbursement Specialist, Account-Clerk Typist or the Director of Substance Abuse Services) selects a committee to investigate, evaluate, report and make recommendations to the Director of Substance Abuse Services, who in turn reports to the Commissioner of Community Services and Recreational Programming.

The Compliance Committee, consisting of administrative staff and service staff, is tasked with overseeing and monitoring the implementation of the compliance plan. The Compliance Committee reviews billing and employee records. The Committee meets four times a year with the Compliance Officer to review adherence to the policies and procedures established and complete a corrective action plan.

We recommend considering the possibility of using external committee members rather than having employees review themselves. This should assist in gaining additional insight and recommendations and in obtaining an objective and unbiased review. **We also recommend** removing the selection of committee members from employees of the Division to the Commissioner and other Division Directors not directly involved in the day to day operations of DSAS. The functions of selecting and supervising the Committee should be segregated in order to maintain the integrity and unbiasedness of the Committee.

Conclusion

We conclude that the Division of Substance Abuse Services cash collections policies as written address many of the problems we have outlined, however enforcement of these policies have been inconsistent at best. At the clinics we visited the first time, improvements were made, but the changes did not appear to filter to the Genesee/Moselle Clinic which we did not visit during our first round of review. This appears to indicate a lack of urgency in applying the needed changes outlined by the auditors or the Department's own cash receiving policies. Cash collected from the clinics and deposits for the City Treasury must be made in a regular and timely manner. Emphasis on consistent procedures and monitoring of these procedures needs to be implemented by management. The Director of Substance Abuse Services is responsible to insure proper and timely cash receipt and deposit procedures are followed, without exception. **In the future, any cash shortages or financial concerns that arise, the Division of Audit should be contacted immediately and asked to verify funds on hand.**

AFTER WORD

An exit conference was held with the Commissioner of Community Services and Recreational Programming on April 22, 2010. There was a general discussion of the circumstances which led to the audit and other operational problems. The Commissioner prepared a written response, which is appended to this document. She did not disagree with the findings of the report, and was receptive to the recommendations contained therein.



Byron W. Brown
Mayor

**CITY OF BUFFALO
DEPARTMENT OF COMMUNITY SERVICES
DIVISION OF SUBSTANCE ABUSE SERVICES
191 NORTH STREET
BUFFALO, NEW YORK 14201
(716) 886-2137 FAX 886-3758**



Tanya Perrin-Johnson
Commissioner

Yvonne James-Corley
Division Director

TO: Darryl McPherson, City Auditor
FR: Tanya Perrin-Johnson, Commissioner
RE: April 6, 2010 Audit Report
DT: May 4, 2010

I have received and reviewed the audit report dated April 6, 2010. The Division of Substance Abuse Services strives to improve its performance and service delivery to meet our regulatory obligations and treatment services for the residents of the City of Buffalo.

The audit report provided an external view of areas which required corrective action strategies to be developed, implemented and monitored. There were areas noted in the audit report that the Division had begun to address; fiscal integrity and policy and procedures.

Attached is an itemized response that addresses the audit findings. Thank you for partnering with the Division of Substance Abuse Services to further enhance our ability to meet the requirements of our stakeholders.

Cc: Byron Brown, Mayor
Steven Casey, Deputy Mayor
Janet Penska, Commissioner
Donna Estrich, Director
Yvonne James, Director

Fee Collection Procedures and Recordkeeping

The Substance Abuse clinics are responsible for collecting fees from the clients. The locations (Fillmore, Genesee and North Street) have been given a three-part receipt book and a safe that has both a combination lock and a key. A Policy has been created that staff will not provide change for payments. Exact change is required to prevent additional handling of money. The process is; The *yellow copy* of the three-part receipt is given to the client for their records, the *pink copy* stays in the receipt book to be stored for later auditing purposes and the *white copy* stays with the money given for reconciliation and deposit. The money is verified against the receipts by both the *secretary* and *senior counselor* at each location at the end of each work day and kept in the safe until time of deposit.

The administrative staff will monitor the clinics to verify the above procedures are being followed. Non-compliance will be immediately reported to the Director of the Division and handled appropriately.

Staff will be trained on the policies and procedures for fee collection and record keeping. The training will be done on an annual basis.

Reconciliation of Fees and Past Due Collections

The Reimbursement Specialist is responsible for the collection and auditing of client fees. The receipts, money collected, and the daily client attendance (i.e. daily toxicology form) will be submitted to the Reimbursement Specialist for invoicing and reconciliation. Discrepancies will be reported the Division Director immediately.

The Division of Substance Abuse services is currently working with the TenEleven Group to enhance the Electronic Clinical Records software to include monitoring alerts for outstanding balances.

This software will track each client's individual service and maintain a cumulative total for the staff. When the threshold of \$28.00 is reached, the staff will address the situation in a timely manner.

Timeliness of Pick-Up/Delivery of Fees and Deposits to the City Treasury

The Division of Substance Abuse Services instituted a policy, that the maximum amount of fees collected and maintained at a clinic is \$100.00. If this threshold is reached, it is the responsibility of the Senior staff member to contact either the Reimbursement Specialist or the Account Clerk-Typist for immediate pick-up/drop-off of the money.

External /Internal Security & Safekeeping of non-deposited funds

As previously stated in Section 1, The Division of Substance Abuse Services has a combination/key safe at each clinic and in the administrative office. On going monitoring of the processes will be conducted by the Director or designated staff.

Client Referrals

The Electronic Clinical Records system allows the referral source to be entered immediately when client appointments are made. This links each client directly to their referral source, thereby capturing accurate data.

Invoicing Procedures

The recommendations provided to the Division of Substance Abuse Services regarding the processing of invoices are being followed according to the Audit & Control report. The Reimbursement Specialist will submit original invoices for payment.

Petty Cash

Petty Cash is only handled by the Account Clerk-Typist and is maintained according to outlined procedures.

Program Analysis

The operating deficit found by the Auditors (Dresher and Malecki CPA) of 516,416.00 resulted in the Division of Substance Abuse Services not receiving anticipated advance payments from New York State Office of Alcoholism and Substance Abuse. According to NYSOASAS, for fiscal years 2006, 2007 and 2008, the advance payments exceeded the amount of the expenses. This situation occurred due to staff vacancies, increase in Medicaid reimbursement and decrease in client intakes.

This situation has been corrected and the Division of Substance Abuse services received the advance payment based on the NYS OASAS submitted budget figure.

Advisory Committee

The Division of Substance Abuse Services is recruiting members for the advisory board to serve as a quality assurance team, identify best practice models and provide strategic direction.

Conclusion

The Division of Substance Abuse Services has made tremendous strides to enhance fiscal integrity. Staff training and development will become a cornerstone as we continue to address the needs of this vulnerable population. We look forward to continuing to develop a positive working relationship with the Division of Audit and Control.