



**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER  
AUDIT DIVISION**

**John M. Kennedy, Jr.  
Comptroller**

Special Investigative Report  
Suffolk County Department of Health Services  
Revenue Collection at the Brentwood Mental Health Clinic  
For the Period  
January 1, 2013 through June 30, 2013

**Audit Report No. 2015-05  
Date Issued: June 29, 2015**

**SUFFOLK COUNTY**  
**OFFICE OF THE COMPTROLLER**

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**LETTER OF TRANSMITTAL**

March 25, 2015

Dr. James L. Tomarken, Commissioner  
Suffolk County Department of Health Services  
PO Box 9006  
35 Sunrise Highway, Suite 124  
Great River, NY 11739

Dear Dr. Tomarken:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), and at the request of the Suffolk County Department of Health Services (the Department), an investigation was conducted of the revenue collected at the Brentwood Mental Health Clinic (the Clinic), located at 1841 Brentwood Road, Brentwood, New York. The Clinic is responsible for collecting client revenue and depositing that revenue into a Suffolk County bank account. On March 29, 2013, the Department was notified by the Clinic of a discrepancy between client payments collected by the Clinic and the cash available at the Clinic to be deposited in the County bank account.

Our investigation focused on the revenue process from the collection of revenue through the deposit of the revenue into the County bank account during the period January 1, 2013 through June 30, 2013. The objectives of our audit were limited to the following:

- To confirm the amount of client revenue reported by the Clinic as misappropriated and to determine if any additional client revenues may have been defalcated from the Clinic.
- To determine whether sufficient evidence exists to identify the individual(s) who may have been involved in the defalcation of revenue.

The investigation consisted primarily of inquiries of Clinic and Department personnel and the examination of related electronic files and documentation.

We conducted our investigation in order to satisfactorily complete our objectives. We believe that our investigative procedures provide a reasonable basis for the findings contained in this report.

Respectfully submitted,

Office of the County Comptroller  
Division of Auditing Services

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## EXECUTIVE SUMMARY

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Our investigative audit revealed that \$323 of self-pay client revenue that was purportedly collected during the period January 1, 2013 through June 30, 2013 was missing from the Clinic and was therefore not duly deposited into a County bank account. This amount includes the following:

- Client revenue in the amount of \$100 that was purportedly collected on March 26, 2013 and was reported by the Clinic as misappropriated on March 29, 2013 was not properly deposited into a County bank account (p. 6).
- Client revenue in the amount of \$40 that was purportedly collected on May 30, 2013 and was reported by the Clinic as misappropriated on June 10, 2013 was not properly deposited into a County bank account (p. 7).
- The Clinic manually recorded \$183 of client payments which were not properly recorded on the County's Anasazi system (computer program utilized to track each client's progress in the program) or deposited into a County bank account (p. 8).

We were unable to obtain sufficient evidence to identify the individuals who may have been involved in the purported defalcation of revenue since multiple employees had access to the cash payments as well as the authority to collect client payments, secure the payments in the cash box as well as record and subsequently delete the revenue in the County's Anasazi system. Furthermore, we were unable to conclusively determine if additional funds were misappropriated from the Clinic because the Clinic did not have in place an adequate system of internal control and did not maintain sufficient records with regard to client payments.

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## **BACKGROUND**

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The Brentwood Mental Health Clinic (the Clinic), located at 1841 Brentwood Road, Brentwood, New York is part of the Suffolk County Department of Health Services Division of Community Mental Hygiene Services. The Division is responsible for the coordination and oversight of all community services to persons with alcohol and substance abuse problems, mental illness, mental retardation and/or developmental disabilities. Community Mental Hygiene Services is authorized under the New York State Mental Hygiene Law. It functions in concert with New York State's Office of Mental Health; Office of Alcoholism and Substance Abuse and the Office of Mental Retardation and Developmental Disabilities to provide services that are accessible to all individuals and families that seek such care through a network of clinics located throughout the county.

Clients who do not have medical insurance coverage (self-pay clients) are charged a fee for services rendered which is determined by the Department, and is based on income level and family size. Payments are also received for services provided to eligible clients from Medicare, Medicaid, and private health insurance carriers; however once clients are accepted into the treatment program, they cannot be denied services due to an inability to pay. All fees collected and payments received by the Clinic are deposited directly into a Department of Health Services bank account.

On April 1, 2013, we were informed that the Department had recently discovered that \$100 of client revenues that were collected at the Clinic was misappropriated. We therefore initiated a special investigation to confirm the amount of revenue reported as misappropriated, to determine if any additional revenues may have been misappropriated and to identify any individuals who may have been involved in the misappropriation.

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## **SCOPE AND METHODOLOGY**

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To accomplish the audit objectives stated in the Letter of Transmittal (p. 1), we performed the following procedures:

- Interviewed Department and Clinic personnel to obtain an understanding of revenue collection and processing procedures.
- Performed analytical procedures of the County's Anasazi system (computer program utilized to track each client's progress in the program).
- Reviewed Client Fee Cards which were prepared by the Clinic's employees to record client payments.
- Reviewed client receipts which were manually prepared by Clinic employees to document client payments received when the County's Anasazi system was not functioning properly.
- Reviewed bank statements and related deposit documentation.
- Prepared schedules of client payments that were recorded on the County's Anasazi system but were not duly deposited into a County bank account.
- Prepared schedules of client payments that were not recorded on the County's Anasazi system or deposited into a County bank account.
- Reviewed the Clinics original source documentation and policies/procedures relative to the collection of self-pay client revenue to confirm the amount of revenue reported as misappropriated, to determine if any additional revenues may have been misappropriated and to identify any individuals who may have been involved in the misappropriation.

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## INVESTIGATIVE RESULTS

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Our investigative audit revealed that \$323 of self-pay client revenue that was purportedly collected during the period January 1, 2013 through March 31, 2013, was missing from the Clinic and was therefore not duly deposited into a County bank account. The results of our investigation are as follows:

**We confirmed that \$100 of self-pay client revenue that was purportedly collected by an employee of the Clinic on March 26, 2013 and was reported by the Clinic on March 29, 2013 as misappropriated was not deposited into a County bank account (Schedule 1, p. 16).**

Interview and inquiry with Clinic personnel disclosed that on the afternoon of March 26, 2013, one of the Clinic's five (5) cash collectors collected \$100 from a former client who had returned to the Clinic to pay an outstanding bill. The client payment was immediately entered into the County's Anasazi system (computer program utilized to track each client's progress in the program) by the cash collector. The cash collector then placed both the payment and a copy of the client receipt generated by Anasazi into a lockbox which we observed is attached to the outside of a file cabinet located in the main office area easily accessible by both employees and clients of the clinic. In addition, we were informed by a Clinic supervisor that, subsequent to collection of the client payment, the desk was left unattended for a period of time due to a Clinic fire drill.

We interviewed the Clinic employee responsible for the preparation of the bank deposit, the deposit of the funds into the bank and the safeguarding of the key to the lockbox who stated that, on the morning of March 27, 2013, she reviewed the Anasazi revenue records and made a determination that sufficient revenue had been collected to date to justify a bank deposit. She further stated that upon her review of the cash available at the Clinic for deposit she discovered that \$100 of client revenue and the associated Anasazi receipt copy collected on March 26, 2013, was missing from the lockbox. She then deleted the payment from the Anasazi system removing any evidence that a payment occurred; however, on March 29, 2013, after consultation with the cash collector, she reported the missing payment to the Clinic Administrator.

We compared bank deposit ticket information to the corresponding Anasazi control reports for the period January 1, 2013 through June 30, 2013. All revenues identified in the control reports should have had a corresponding deposit in the County bank account. Our analysis disclosed that \$100 of recorded revenue was not deposited into the County bank account. Upon subsequent review and inquiry of clinic personnel we determined that the Clinic was instructed to enter the \$100 missing payment into Anasazi revenue records on April 3, 2013 to ensure that the client's balance was updated even though the associated cash was not available for deposit. We also determined that on April 4, 2013 the Department rescinded all of the Clinic's Anasazi users' access to the delete function.

We examined the manually prepared cash receipt copies that were retained in the cash receipt book in use by the Clinic at the time to determine if a manual receipt was prepared by the cash collector to document that the \$100 missing payment was in fact received by the Clinic; however, no such manual receipt was found. We also intended to examine the Clinic's Client Fee Cards to confirm that an entry was made to the associated Client's fee card to document that the \$100 missing payment was in fact received by the Clinic. The Client Fee Card is a manually prepared record of each Client's general information such as name, address and co-pay amount as well as the date and amount of each payment made by the Client and their current outstanding balance. A fee card for this client was not provided by the Clinic.

Based on our investigation, we were unable to conclusively verify the amount of client revenue reported by the Clinic as misappropriated since neither the cash nor the Anasazi receipt was found in the Clinic's cash box, the purported payment was deleted from Anasazi by a Clinic employee with no supporting documentation and the missing fee card prevented confirmation of payment entries during the period of audit. Furthermore, we did not find sufficient evidence to identify the individual(s) who may have been involved in the defalcation of revenue since multiple individuals had access to the missing cash between the date of its purported collection and the date on which the purported theft was reported.

**We confirmed that \$40 of self-pay client revenue that was purportedly collected on May 30, 2013 and was reported by the Clinic as misappropriated on June 10, 2013 was not properly deposited into a County bank account (Schedule 1, p. 16).**

Interview and inquiry with Clinic personnel disclosed that on May 30, 2013 one of the Clinic's five (5) cash collectors collected a \$40 payment from a self-pay client. To the best of the cash collector's knowledge, the client payment was immediately entered into the County's Anasazi system (computer program utilized to track each client's progress in the program) and was then placed with a copy of the client receipt generated by Anasazi into a lockbox which we observed is attached to the outside of a file cabinet located in the main office area, easily accessible to both employees and clients of the Clinic.

We interviewed the Clinic employee who was responsible for the preparation of the bank deposit and the deposit of the funds into the bank who stated that subsequent to the theft reported on March 29, 2013 (above), a new procedure was instituted at the Clinic whereby she, together with the Clinic Administrator, review the client revenue and prepare the bank deposit. Although this employee is still responsible for depositing the funds into the bank, the Clinic Administrator is responsible for safeguarding the key to the lockbox. Our inquiry of these two employees disclosed that on June 10, 2013, while comparing the self-pay client payments received per Anasazi revenue records to those receipts contained in the lockbox they discovered that \$40 of client revenue and the associated Anasazi receipt copy collected on May 30, 2013 were missing from the lockbox. The missing payment was reported to the Department by both Clinic employees.

We compared bank deposit ticket information, to the corresponding Anasazi control reports for the period January 1, 2013 through June 30, 2013. All revenues identified in the control reports should have had a corresponding deposit in the County bank account. Our analysis disclosed that \$40 of recorded revenue was not deposited into the County bank account.

We examined the manually prepared cash receipt copies that were retained in the cash receipt book in use by the Clinic at the time to determine if a manual receipt was prepared by the cash collector to document that the \$40 missing payment was in fact received by the Clinic; however, no such manual receipt was found. We also examined the Clinic's Client Fee Cards and confirmed that an entry was made to the associated Client's fee card to document that the \$40 missing payment was in fact received by the Clinic. The Client Fee Card is a manually prepared record of each Client's general information such as name, address and co-pay amount as well as the date and amount of each payment made by the Client and their current outstanding balance.

Based on statements made by the Clinic's pertinent employees, the entry posted to Anasazi revenue records at the time of the cash collection as well as the entry made on the Client's fee card at the time of the cash collection, we believe that the amount of self-pay client revenue reported by the Clinic as misappropriated was collected by the Clinic but was not duly deposited into the County's bank account. However, we did not find sufficient evidence to identify the individual(s) who may have been involved in the defalcation of revenue since multiple individuals had access to the missing cash between the date of its purported collection and the date on which the purported theft was reported.

**The Clinic manually recorded \$183 of client payments which were not properly recorded on the County's Anasazi system (computer program utilized to track each client's progress in the program) or deposited into a County bank account (Schedule 2, p. 17).**

Interview and inquiry with Clinic personnel disclosed that in addition to the County's Anasazi system, as well as the three-part manually prepared cash receipts which are prepared for self-pay clients when a payment is made but Anasazi is not functioning properly, the Clinic also maintains Client Fee Cards. The Client Fee Card is a manually prepared record maintained for each Client which reflects general information such as name, address and co-pay amount as well as the date and amount of each payment made by the Client and their current outstanding balance.

We compared bank deposit ticket information to the corresponding Anasazi control reports for the period January 1, 2013 through June 30, 2013, and confirmed that with the exception of the \$140 of missing funds described above, all revenues identified in the Anasazi control reports were duly deposited in a County bank account. We also performed the following:

- We compared the Client Fee Cards in use during this time frame to the corresponding Anasazi control reports, reviewing the amount and deposit date and determined that client payments in the amount of \$149 may have been misappropriated, since the Clinic manually recorded the payments on the Client Fee Cards but did not properly record them in the Anasazi control report or deposit them in a County bank account.
- We compared the cash receipt copies that were retained in the cash receipt book in use during this time frame to the corresponding Anasazi control reports, reviewing the receipt number sequence, amount and deposit date and determined that client payments in the amount of \$34 may have been misappropriated, since the Clinic manually prepared two cash receipts, but did not properly record them in the Anasazi control report or deposit them in a County bank account.

We were unable to conclusively determine if additional funds were missing from the Clinic since the Clinic did not have in place an adequate system of internal control and did not maintain sufficient records with regard to client payments. We also were unable to obtain sufficient evidence to identify the individual(s) who may have misappropriated the client payments since multiple employees had access to the cash payments as well as the authority to collect client payments, secure the payments in the cash box and record and subsequently delete the revenue in the County's Anasazi system.

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## CONCLUSIONS

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Our investigative audit revealed that \$100 of self-pay client revenue collected by the Clinic on March 26, 2013 and reported by the Clinic on March 29, 2013 as misappropriated, as well as \$40 of self-pay client revenue collected by the Clinic on May 30, 2013 and reported by the Clinic on June 10, 2013 as misappropriated, was not deposited into a County bank account. We also found that \$183 of client payments collected during the period January 1, 2013 through June 30, 2013 were not properly recorded in the County's Anasazi system or deposited into a County bank account.

Although we determined that \$323 of client payments were missing from the Clinic, we were unable to obtain sufficient evidence to identify the individual(s) who may have misappropriated the client payments due to internal control weaknesses such as the following:

- Cash collected during the day is maintained in a lockbox which is attached to the outside of a file cabinet located in a common area where all employees have access.
- There is a severe lack of segregation of duties related to the Clinic's receipt, recording and depositing of self-pay client revenue. Each of the five cash collectors had the authority to collect client payments, secure the payments in the cash box and both record and subsequently delete the revenue in the County's Anasazi system.
- The Clinic does not make daily deposits as dictated by Suffolk County Standard Operating Procedure D-08. We found that client payments are deposited into the bank only when the primary cash collector feels that sufficient client payments have been collected to warrant a bank deposit.

Furthermore, we were unable to conclusively determine if additional funds were missing from the Clinic because the Clinic did not have in place an adequate system of internal control and did not maintain sufficient records with regard to client payments. We found the following:

- When verifying the Clinic's bank deposits, the Department does not compare deposit totals reflected on the Clinic's Anasazi control reports directly to the Anasazi system to ensure that all self-pay client payments entered by the Clinic into the Anasazi system have been duly reported to the Department and deposited.
- Neither the Department nor the Clinic maintains an accurate, up-to-date inventory of the cash receipt books utilized by the Clinic.

- The Department does not receive a copy of the 3-part receipt used by the Clinic to initially record revenues received nor does it receive the completed receipt books in order to verify the Agency's Anasazi control reports and the associated bank deposit.
- Since the Department issues receipt books to all Department locations upon request, the receipt books are rarely issued to an individual clinic sequentially from a prior issue.
- The Clinic's record retention controls are inadequate. The Clinic did not provide us with one Client Fee Card.
- Neither the Department nor the Clinic review cash collections recorded on the Clinic's Client Fee Cards to ensure that all collected revenue has been recorded in Anasazi and deposited into the County's bank account.

Consequently, additional client revenues may have been misappropriated by the Clinic's employees and not detected by our investigation as a result of:

- Recording collected client revenue on a Client Fee Card or a manual cash receipt for which we have no record and not entering the receipt totals into Anasazi or depositing the proceeds into the County's bank account.
- Recording collected client revenue on the appropriate Client Fee Card or manual cash receipt, entering the payment into the Anasazi system, issuing the corresponding Anasazi receipt to the patient and subsequently deleting the recorded payment from the Anasazi system.
- Collecting a client payment and not recording it on either the Client Fee Card or in the Anasazi System and misappropriating the funds.

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## RECOMMENDATIONS

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### *Recommendation 1*

We believe that permitting the same employee to collect cash as well as record revenues provides that employee with the opportunity to both misappropriate cash and conceal the misappropriation. This opportunity is dramatically increased since the cash collections are retained at the Clinic for an extended period of time in a lockbox that is accessible to numerous individuals. To ensure that self-pay client revenue is adequately safeguarded at the Clinic, internal controls must be strengthened as follows:

- Segregate the duties of the receipt, recording and depositing of client payments. Individuals responsible for the recording of program revenue in the accounting records must not have access to the funds.
- Establish a system of documented second-party verification which is performed by a Clinic employee independent of the related processing functions.
- The Clinic's lockbox should be moved to a more secure location. The Clinic has multiple offices where cash could be stored and would be inaccessible to most Clinic employees.
- All client fees received must be deposited into a County bank account on a daily basis as required by Suffolk County Standard Operating Procedure D-08.

### *Recommendation 2*

We believe that relying solely on the Anasazi control report to verify the completeness and accuracy of the deposit of self-pay client revenue increases the risk that the funds will be misappropriated. The risk is dramatically increased since the inventory of receipt books at the clinic is not closely monitored by the Department and since the client fee cards are not regularly reviewed by the Department or the Clinic's management for accuracy. It should be noted that on July 18, 2013, the Department agreed to implement a procedure whereby the amounts deposited per the Clinic's Anasazi control reports will be compared by the Department directly to the Anasazi revenue records. However, to provide additional assurance that self-pay client payments received are duly deposited in a County bank account and recorded in the County's Anasazi system, internal controls must be further strengthened as follows:

- The Department must ensure that the receipt books are adequately safeguarded at the Clinic. They should be retained in a lockable box or safe which is only accessible by an employee that does not collect cash payments at the Clinic. This employee must maintain an inventory of receipt books received from the Department, adjusted to reflect completed receipt books returned to the Department, and a record of all receipt books issued to the cash collectors.

- The Department's inventory of receipt books provided to the Clinic must be adjusted to reflect completed receipt books returned by the Clinic and must be periodically reconciled by the Department to both the receipt books on hand at the Clinic and the Clinic's inventory. All receipt books currently on hand at the Clinic that predated the start of the inventory should be retrieved and reviewed by the Department to ensure that all receipts used and unused, are accounted for.
- The copy of the 3-part receipt utilized by the Clinic to record client payments when the Anasazi system is not functioning properly must be forwarded to the Department along with the bank deposit slip and associated Anasazi control report. The receipt copies must be reconciled to the Anasazi control report and bank statement. In addition, upon completion the Clinic's receipt books must be returned to the Department and compared to the receipt copies on hand to ensure that each receipt within the book is accounted for.
- Both the Department and Clinic management should regularly compare the Clinic's client fee cards to the Anasazi revenue records to ensure that all revenue collected by the Clinic was duly deposited in the County's bank account and recorded in Anasazi.
- The Clinic should establish a system of documented second-party verification of the bank deposits and the related Anasazi control reports which is performed by a management employee independent of the related processing functions.
- The Clinic should ensure that all accounts, books, records and other documents relevant to the collection of self-pay client revenue, is secured and retained for a period of seven years.

### ***Recommendation 3***

To maximize self-pay client revenue, the Department must strengthen the Clinic's control environment by instituting the following policies/procedures:

- The Department must provide proper oversight to the Clinic and ensure that all recommendations regarding improvements to revenue collections and recording are implemented.
- Prior to receiving treatment, the employee designated to collect client payments should provide each client with a statement reflecting the client's outstanding balance. The statement should be reviewed with the client and the importance of payment be stressed.
- The Department should periodically review on a test basis, outstanding client balances with respect to client visits and co-payments to detect possible unreported client payments and unusual outstanding balances.

- The Department should consider accepting credit card payments at the Clinic which will potentially increase revenues received and simultaneously reduce cash on hand at the Clinic.
- The Clinic should mount signs in areas that are visible to the public notifying the clients that the Clinic must provide them with a receipt when a payment is made.

## **SCHEDULES**

Note: The accompanying schedules are an integral part of this report and should be read in conjunction with the Letter of Transmittal (p. 1).

Schedule 1

Brentwood Mental Health Clinic  
Schedule of Revenue Recorded in the County's Anasazi System  
Not Deposited in the County Bank Account  
For the Audit Period January 1, 2013 through June 30, 2013

(1)	(2)	(3)	(4)
<u>Payment Date</u>	<u>Date the Theft Was Reported</u>	<u>Payment Amount Per Anasazi</u>	<u>Total Revenue Not Deposited</u>
3/26/2013	3/29/2013	\$ 100	\$ 100
5/30/2013	6/10/2013	40	<u>40</u>
Total			<u><u>\$ 140</u></u>

See Notes to Schedules (p. 18)

Schedule 2

Brentwood Mental Health Clinic  
 Schedule of Revenue Received by the Clinic, Not Properly Recorded in the County's Anasazi System  
 Not Deposited in the County Bank Account  
 For the Audit Period January 1, 2013 through June 30, 2013

(5) Collection Date	(6) Revenue per Client Fee Card	(7) Revenue per Three-Part Manual Receipt	(8) Revenue Reported per Anasazi and Deposited	(9) Revenue not Reported per Anasazi or Deposited
2/5/2013	\$ 40	\$ -	-	\$ 40
3/1/2013	10	-	-	10
6/25/2013	25	-	-	25
3/5/2013	50	-	-	50
3/7/2013	14	-	-	14
4/30/2013	10	-	-	10
Not Properly Reported and Deposited	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>
1/22/2013	-	24	-	24
6/25/2013	-	20	10	10
Total Revenue per Three-Part Manual Receipt Not Properly Reported and Deposited	<u>-</u>	<u>44</u>	<u>10</u>	<u>34</u>
Total Revenue Not Properly Reported and Deposited	<u><u>149</u></u>	<u><u>44</u></u>	<u><u>10</u></u>	<u><u>183</u></u>

See Notes to Schedules (p. 18)

## NOTES TO SCHEDULE

- (1) The Payment Date is the date on which the self-pay client revenue, which was reported by the Clinic as misappropriated, was purportedly collected at the Clinic.
- (2) The Date the Theft Was Reported is the date on which the Payment Amount was reported by the Clinic to the Department as stolen. The Clinic does not make daily deposits as dictated by Suffolk County Standard Operating Procedure D-08. Self-pay client revenue is retained in a lockbox attached to the outside of a file cabinet located in the main office until the employee responsible for preparing the bank deposit feels that sufficient revenues have been collected to warrant a bank deposit. This practice resulted in an undue delay in the reporting of the theft which was discovered upon preparation of the bank deposit.
- (3) The Payment Amount per Anasazi is the amount of self-pay client revenue, which was reported by the Clinic as misappropriated, but was recorded as collected on the Department's Anasazi system (computer program utilized to track each client's progress in the program).
- (4) The Total Revenue Not Deposited is the total amount of self-pay client revenue recorded in the County's Anasazi system but not deposited into the County bank account. These totals agree with the amounts reported by the Clinic as stolen.
- (5) The Collection Date is the date on which the self-pay client revenue was collected by the Clinic as evidenced by either a manually written three-part cash receipt or by the individual's Client Fee Card maintained by the Clinic.
- (6) Revenue per Client Fee Card is the amount of self-pay client revenue collected by the Clinic as evidenced by the individual's Client's Fee Card maintained by the Clinic. The Client Fee Card is a manually prepared record of each Client's general information such as name, address and co-pay amount as well as the date and amount of each payment made by the Client and their current outstanding balance.
- (7) Revenue per Three-Part Manual Receipt is the amount of self-pay client revenue collected by the Clinic as evidenced by the manually written cash receipt which is submitted to the client in those instances when the Anasazi system is not functioning properly.
- (8) Revenue Reported per Anasazi and Deposited refers to the portion of self-pay client revenue collected by the Clinic, as evidenced by the manually written three-part cash receipt or the Client Fee Card, which was recorded in the Department's Anasazi system and deposited into the County's bank account.
- (9) Revenue not Reported per Anasazi or Deposited refers to self-pay client payments that were collected at the Clinic, as evidenced by the manually written three-part cash receipt or the Client Fee Card, but were not properly recorded on the County's Anasazi system or deposited in a County bank account. We found \$183 of such payments.

## APPENDICES

**APPENDIX A**  
**Departmental Response to Report**

**COUNTY OF SUFFOLK**



**STEVEN BELLONE**  
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF HEALTH SERVICES

**JAMES L. TOMARKEN, MD, MPH, MBA, MSW**  
Commissioner

May 8, 2015

Frank Bayer, CPA  
Executive Director of Auditing Services  
Office of the Comptroller  
H. Lee Dennison Building  
100 Veterans Memorial Highway  
Hauppauge, NY 11788-0099

RE: Special Investigative Report  
Revenue Collection at the  
Brentwood Mental Health Clinic  
For the Period January 1, 2013 through June 30, 2013

Dear Mr. Bayer,

Thank you for conducting the special investigation referenced above at the request of the Department. In response to your draft report, the Department welcomes the opportunity to strengthen internal controls and offers comments for each of your recommendations as detailed below.

Regarding your finding of \$351 of client revenue purportedly collected but not duly deposited into a County bank account, the Division refutes five (5) items included on Schedule 2 of your report totaling \$103. Please see the attached memorandum and documentation prepared by the Division to support the recording in the Anasazi system and deposit of this revenue.

**Department Response to Recommendation 1**

- (1) • The Department recognizes the importance of segregation of duties and second-party verification. While staffing constraints limit the ability to fully segregate responsibility for the receipt and recording of client payments, the Department has revised its procedures whereby an employee independent of the receipt and recording functions now makes the deposits. To compensate for the lack of segregation of duties between the receipt and recording of client payments and further reduce the risk of defalcation, the Clinic Administrator or his designee will verify that the funds collected, receipts issued and payments entered into Anasazi are in agreement at the end of each day. Once the money has been counted and reconciled with receipts and payments each day, it will be sealed with tape in an envelope, the amount and date will be written over the tape and the envelope will be initialed by both the clerical employee and the Clinic Administrator or his designee. The clerical employee will place the envelope into the cash box.



OFFICE OF THE COMMISSIONER  
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## APPENDIX A Departmental Response to Report

- (1) • The Department has taken action to more adequately safeguard revenue. Lockable cash boxes have been purchased and put in place for all of the Mental Health and Methadone Clinics. These lockable cash boxes are made of cast iron with a non-fishing slot for cash and receipts to be deposited without unlocking the box. The two accompanying keys which cannot be copied will be kept by the Clinic Administrator or his/her designee and one other staff member chosen by the Clinic Administrator at each clinic. Envelopes deposited into the cash box will be verified and initialed as detailed above. The cash box will only be opened in the presence of the two employees and the cash will be reconciled with the bank deposit and brought to the bank by the independent clerical worker. All payments will be deposited.
- (2) • Staffing limitations have impeded upon the ability of the Department maintain compliance with Suffolk County Standard Operating Procedure D-08. However, the Department will make a conscious effort to make bank deposits within 24 hours as staff levels permit.

### Department Response to Recommendation 2

Anasazi, a stand-alone system which includes scheduling, clinician notes, treatment plans, billing and claiming for the Division of Community Mental Hygiene Services, was implemented in 2005 to replace the prior manual fee card system. Upon implementation of the Anasazi system, the use of fee cards was continued as both a side-by-side control as well as the down time process. However, it is the Department's belief that the current use of fee cards is an unnecessary duplication of efforts and therefore will be discontinued. Both log books and three-part receipt books will be maintained as the down time process going forward. Internal controls have been strengthened as follows:

- (3) • The Department will continue to distribute receipt books to the clinics as needed; however their use, along with the use of log books, will be during computer down time only. Receipt books will be issued to one designated employee in each clinic, safeguarded within each clinic and distributed to the clerical employees collecting payments as required and returned to the Department when complete. An inventory of receipt books will be kept by both the Department and the designated clinic employee. The three-part receipts will be utilized as follows: the white copy will be given to the client upon payment; the yellow copy will be sent to the Department along with the Print/Post Deposit Control Report (the Department will reconcile the deposit with the monthly bank statement) and the blue copy will remain in the receipt book which will be returned to the Department upon completion of the book for reconciliation. All receipt books currently on hand in all clinics which predate the start of the inventory will be retrieved and reviewed by the Department to ensure that all receipts used and unused, are accounted for.
- All payments will be entered into Anasazi at the time of payment. Printed receipts directly from the Anasazi system will be provided to each client upon payment. Both log books and receipt books will be utilized during computer down time. Log books will be used to record all patient visits and payments received; when the system is back online, all information from the log books will be entered into Anasazi.
- The Department will use the Print/Post Deposit Control Report to ensure that all revenue collected by the Clinic was duly deposited in the County's bank account and properly recorded.



## APPENDIX A Departmental Response to Report

### Department Response to Recommendation 3

(4)

The Department will maximize self-pay client revenue by implementing the following controls:

- The employee designated to collect client payments will check in the clients, access the Anasazi scheduler, view the drop down menu which provides the prepayment option and provide the client with the total client balance as well as the charge for the current visit.
- The Department does and will continue to periodically run the Client Aged Accounts Receivable Reports to review outstanding client balances and notify the Clinic Administrator of any unusual outstanding balances.
- The Department will re-visit the possibility of accepting credit card payments. In the past it was determined that this practice would not be cost effective as the monthly rental and per item fees for the acceptance of credit card payments was projected to be more than the possible revenue associated.
- The Clinic has posted signs in areas that are visible to the public notifying the clients that the Clinic must provide them with a receipt when a payment is made.
- The Department will make unannounced visits to all clinics on a periodic basis to ensure that all recommendations regarding improvements to revenue collections and recording are implemented.

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Should you have any questions, please contact Barbara Marano, CPA, Executive Assistant for Finance and Administration at (631) 854-0097.

Sincerely,



James L. Tomarken, MD, MPH, MBA, MSW  
Commissioner

#### Attachments

cc: Hon. John M. Kennedy, Jr., County Comptroller  
Louis A. Necroto, CPA, Chief Deputy Comptroller  
Stephen McMaster, Senior Investigative Auditor  
Thomas Macholz, CPA, Investigative Auditor  
Christina Capobianco, CPA, Deputy Commissioner  
Jennifer Culp, MPA, Assistant to the Commissioner  
Arthur Flescher, LCSW, Director, Division of Community Mental Hygiene Services  
Barbara Marano, CPA, Executive Assistant for Finance and Administration  
Susan Hodosky, Principal Financial Analyst  
Barbara Russo, Principal Financial Analyst



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**APPENDIX A**  
**Departmental Response to Report**

**COUNTY OF SUFFOLK**



**STEVEN BELLONE**  
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF HEALTH SERVICES

**JAMES L. TOMARKEN, MD, MPH, MBA, MSW**  
Commissioner

**M E M O R A N D U M**

**To:** Barbara Marano, CPA, Executive Assistant for Finance and Administration  
**From:** Colleen Truocchio, Health Program Analyst and Barbara J. Russo, Principal Financial Analyst  
**Date:** May 05, 2015  
**Subject:** Special Investigative Report  
Revenue Collection at the Brentwood Mental Health Clinic  
For the period of January 1, 2013 through June 30, 2013

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The Division refutes the following misappropriations listed on Schedule 2 of the Special Investigative Report:

- (5) Collection Date 2/5/13: Client B.C. was not seen by BMHC on 2/5/13. Client was seen by prescriber L.M. for a medication appointment on 2/15/13 as indicated by the electronic medical record system, Anasazi. The wrong date was written on the fee card. \$40 in cash (batch #13258) was collected by the clinic on 2/15/13, the date of client's appointment as reflected on the Client Payments Report as well as the receipt printed from the electronic medical record (#99558). The Client Payments Report indicates a history of client only paying co-payments at the time of his appointments at the clinic. (Please see attached documentation).
- (6) Collection Date 3/1/13: Client V.F. was not seen at BMHC on 3/1/13. Client was seen at BMHC on 3/6/13 by Laura Hill for Individual Therapy (See Client Services Report). Payment of \$10 was not collected on date of appointment 3/6/13. Client mailed money order to the Revenue Department in Great River as indicated by electronic medical records receipt (#0). This payment was received by, Marianne Pfister, who only works in our Revenue Department in Great River, not at the BMHC. Also on the receipt the check number is listed as #MO643909 indicating that the payment is a money order and the number which is specific to the payment. Ms. Pfister then informed the clinic of the payment which they then recorded on the fee card under the date of appointment 3/6/13 along with the money order # that matches the receipt. (Please see attached documentation).

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**APPENDIX A**  
**Departmental Response to Report**

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Special Investigative Report Response

- (7) Collection 6/25/13: \$25 payment was not collected on 6/25/13 for client E.F. Clinic staff recall mother of client thought co-payment for insurance was \$50 and did not want to carry a balance, therefore paid the \$50 co-payment for 4 visits (3/19/13,4/5/13,4/23/13 and 5/14/13). When the clinic staff verified co-payment with insurance company, it was \$25 and a \$25 co-payment was set on 5/22/13, as indicated on fee card and applied to future appointments at the clinic. Client had an appointment on 6/25/13 and clinic staff wrote "\$25" in paid column on fee card and then "\$25 credit" in Adjusted Balance column on fee card as well. Therefore, \$25 was not collected but applied from previous overpayment. Client Payments Report from the electronic medical record indicates on 6/11/13 an Adjusted Co-Payment of this client's account. ( Please see attached documentation.)
- (8) Collection 3/28/13: Client M.H. was not seen on 3/28/13. Client was seen on 3/29/13 as indicated on fee card as well as the electronic medical records report. When client was seen on 3/29/13 a \$20 co-payment was collected as indicated by electronic medical records receipt (#100901). (See attached documentation).
- (8) Collection 6/11/13: Client A.S. was seen in clinic on 6/11/13, but electronic medical records system was not working and a hand receipt was issued for \$8. Client appointment of 6/11/13 is indicated on the Client Services Report printed from the electronic medical records. The payment of \$8 was entered in the electronic medical record on 6/13/13 and printed out (receipt # 103242) and posted to the account as indicated by the Client Payments Report in the electronic medical record. The receipt in the electronic medical record matches the receipt # on the fee card. Client A.S did not have another appointment on 6/13/13 as indicated on the Client Services Report printed from the electronic medical record. (See attached documentation).

## APPENDIX B

### **Audit and Control's Assessment of the Department's Response to the Report**

The Department did not request a formal entrance conference; however, it did submit a formal response to the Investigative Audit Report (Appendix A, p. 20). Audit and Control's Assessment of the Department's response is as follows:

- (1) Although we are pleased that the Department has installed lockable cash boxes and, as recommended, has instituted a system of second-party verification which is performed by the Clinic Administrator; we do not believe that these changes alone will compensate for the comingling of the revenue collection and recording functions and therefore will not adequately safeguard revenue. The proposed system may ensure that all revenues recorded on Anasazi are eventually deposited in a County bank account; however, it will not prevent an unscrupulous employee from accepting a cash payment, not recording the revenue in Anasazi and misappropriating the proceeds. The Clinic Administrator would not detect a missing cash receipt if the receipt is never recorded into Anasazi.
- (2) All client fees received must be deposited into a County bank account on a daily basis as required by Suffolk County Standard Operating Procedure (SOP) D-08. We firmly believe that retaining cash at the Clinic for an extended period of time increases the risk that the funds will be misappropriated and therefore staffing limitations cannot hinder the Department's ability to comply with this SOP. Although the Department contends that it will make a conscious effort to deposit revenues within 24 hours of receipt provided that staff levels permit, our audit is not the Clinic's first notice of this noncompliance. It should be noted that this material instance of non-compliance was first cited in the Department's review of the Clinic's collection and deposit of client fees, which was performed by the Department's Revenue Unit on February 7, 2012 but has still not been corrected by the Clinic.
- (3) We are pleased that the Department has agreed to implement the requested internal controls relative to the cash receipt books and does not object to the elimination of the client fee cards. However, we strongly believe that permitting the same employee to collect a client payment, enter the payment into Anasazi, print the receipt and provide the receipt to the client is a significant deficiency in the Clinic's internal controls. If the patient does not demand a receipt at the time of payment, the cash collector can neglect to record the revenue into Anasazi, misappropriate the funds and the misappropriation will not be detected in a timely manner. As an alternative to an increase in staffing, we believe that this weakness can be strengthened by requiring the client to sign the log book, enter the appointment time and the payment made upon entry into the Clinic. Once payment is received the cash collector should enter the payment into Anasazi and instruct the client that the receipt will be provided at the end of therapy. At the end of the therapy session, the therapist should walk the client out, print the receipt and provide the receipt to the client for their review. In those instances whereby a client does not make a payment, a zero payment should be entered into Anasazi and a receipt bearing a zero payment should be provided to the client at the end of the session. The Print/Post Deposit Control Report must include all clients who received a service regardless of whether a payment was made.

## APPENDIX B

### **Audit and Control's Assessment of the Department's Response to the Report**

- (4) We are pleased the Department has instituted new internal controls which should help maximize self-pay client revenues.
- (5) The Department contends that the wrong date was inadvertently written on the client fee card. The Department further asserts that, based on the Anasazi Client Services Report and the Client Payments Report, the client was seen by a prescriber and paid for the associated service on February 15, 2013, not February 5, 2013 as indicated on the client fee card. Although the Department's response is feasible, we believe that it is also feasible that the funds were collected on both February 5, 2013 and February 15, 2013; however, the February 5 collection was not reported on Anasazi and was misappropriated. It should be noted that the client fee card revealed that the client was making a conscious effort to pay down an outstanding balance. As a result, since the Department did not provide any definitive documentation to support that this irregularity was merely a clerical error; no revision of the audit adjustment is deemed warranted.
- (6) The Department contends that a money order dated March 1, 2013 was for a service provided to a client on March 6, 2013 and that the money order was mailed to the Department on March 11, 2013. The Department asserts that once received, the money order was reported to clinic staff who recorded the money order as received on March 6, 2013. Our review of the client fee card revealed that although the money order date was noted as March 1, 2013, the corresponding service date appeared to have been altered from March 1 to March 6. Furthermore, we believe that it is doubtful that a money order dated March 1 is not received by the Department via mail until March 11 especially when taking into consideration that the related service was provided at the Clinic on March 6, at which time the money order could have been provided directly to clinic staff. As a result, since the Department did not provide any definitive documentation to support the viability of the sequence of these purported events; no revision of the audit adjustment is deemed warranted.
- (7) The Department asserts that, based on the clinic staff's recollection, a client's fee was set at \$50 based on what the client thought the fee should be. The Department further stated that after contacting the insurance company on May 22, 2013, approximately two months after the fee was established, clinic staff determined that the client co-pay should have been \$25 and notified the client of the change at their next session. As a result, the \$25 reflected as paid on the client fee card on June 25, 2013, as well as the \$25 credit reflected in the adjusted balance column of the fee card, was not the result of an actual payment but was the result of the amortization of \$100 of overpayments made by the client during prior visits.

We believe that it is a questionable business practice to set a client fee based on what the client thinks their insurance company requires and for it to take such an unusually lengthy period of time for the Clinic to verify whether or not the co-payment was correct. Furthermore, the recollection of the Clinic staff is not a viable source of evidence to support the collection of client payments or to support a change in the client's rate of payment. Acceptable evidence includes, but is not limited to, written third party documentation such as dated correspondence between the insurance carrier and the Department supporting client contribution information, as

## **APPENDIX B**

### **Audit and Control's Assessment of the Department's Response to the Report**

well as dated written documentation supporting notification of the client regarding the change in the contribution rate, none of which was provided to us by the Clinic. Although the Department provided an Explanation of Benefits (EOB) from the insurance carrier supporting a rate of \$25, the EOB was dated July 1, 2013, which was subsequent to the appointment date when the alleged \$25 entry was posted.

Furthermore, our investigative audit cannot rely solely on hand written notes made by Clinic staff on the client fee cards purportedly at the time when the entry was made. It should be noted that the manner in which these entries were recorded on the client fee card supports that a payment was received by the Clinic which resulted in a \$25 credit balance due to the client, since the client had no outstanding balance at the time. As a result, since the Department did not provide any definitive documentation to support its contention; no revision of the audit adjustment is deemed warranted.

- (8) As a result of the additional information given by the Department, we have removed two findings from our report. We believe these revenues were properly recorded on Anazasi and deposited into a County bank account.