



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

**Joseph Sawicki, Jr.  
Comptroller**

Special Investigative Report  
Suffolk County Department of Health Services  
Revenue Collection at the Kraus Family Health Center at Southampton  
For the Period  
January 1, 2012 through August 31, 2012

**Report No.: 2014-01  
Date Issued: February 6, 2014**

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

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Comptroller

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**LETTER OF TRANSMITTAL**

October 28, 2013

Hon. Joseph Sawicki, Jr.  
Suffolk County Comptroller  
Suffolk County Department of  
Audit and Control  
H. Lee Dennison Executive Office Building  
100 Veterans Memorial Highway  
Hauppauge, N.Y. 11788-0099

Dear Mr. Sawicki:

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 (“Department”), an investigation was conducted of the revenue collected at the Kraus Family Health Center at Southampton (“Health Center”), located on Meetinghouse Lane in Southampton, New York. The Health Center is responsible for collecting patient revenue and depositing that revenue into a Suffolk County bank account. The Department has stated that there are discrepancies between revenue amounts received, as reported in the Department’s Health Center Information System (HCIS), and revenue 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, 2012 through August 31, 2012. The objectives of our audit were limited to the following:

- To investigate the discrepancies noted by the Department and to determine the amount of funds defalcated by a Health Center employee.
- To determine whether sufficient evidence exists to identify additional individuals who may have been involved in the defalcation of revenue.

The investigation consisted primarily of inquiries of Health Center 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,

A handwritten signature in black ink that reads "Frank Bayer". The signature is written in a cursive style with a large initial "F" and "B".

Frank Bayer, CPA  
Executive Director of  
Auditing Services

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## **EXECUTIVE SUMMARY**

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Our investigative audit revealed that \$1,065 of self-pay patient revenue collected during the period March 1 2012 through July 6, 2012 was misappropriated by a Health Center employee. This amount is comprised as follows:

Revenues totaling \$175 were recorded in the County's Health Center Information System ("HCIS") but were not properly deposited into a County bank account (Schedule 1, p. 9).

Self-pay patient revenues totaling \$890 were misappropriated by a Health Center employee and subsequently repaid to the County (Schedule 2, p.10).

The Department's Employee Relations Director met with the employee who admitted to misappropriating Health Center funds totaling \$890 on September 14, 2012. The employee, at that time requested vacation leave and tendered her resignation effective September 24, 2012 as a result of the theft. The employee did not admit to stealing any additional County funds and has repaid \$890 as of August 10, 2012.

We did not find sufficient evidence to identify additional individuals who may have been involved in the defalcation of revenue.

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## **BACKGROUND**

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The Kraus Family Health Center at Southampton (“Health Center”), located on Meetinghouse Lane in Southampton, New York, is part of the Suffolk County Department of Health Services Division of Patient Care. The Division provides comprehensive health care services that are accessible to all individuals and families who seek such care through a network of health centers located throughout the County. The Health Center provides primary care services to east-end patients. Patients requiring services not available at the Health Center are referred to the Riverhead Health Center.

Patients who do not have medical insurance coverage are charged a fee for services rendered, which is determined by the Department based upon income level and family size. Payments are also received for services provided to eligible patients from Medicare, Medicaid, the Suffolk Health Plan and private health insurance carriers; however, no individual is denied services due to the inability to pay. All fees collected and payments received by the Health Center are deposited into a Department of Health Services bank account.

On September 7, 2012, we were informed that the Department had recently discovered that an employee had misappropriated revenues collected at the Health Center. We therefore initiated a special investigation to determine the amount of revenue misappropriated by the Health Center employee.

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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:

- Interviews of Department and Health Center personnel were conducted to obtain an understanding of revenue collection and processing procedures.
- Analytical procedures of the County's HCIS system were performed.
- Bank statements and related deposit documentation were reviewed.
- Schedules of revenue not deposited in a County bank account were prepared.
- Schedules of revenue repaid by the Health Center employee were prepared.
- Through the review of deposit documentation retained by the Health Center, the employee associated with the misappropriated batches of revenue was identified.

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## INVESTIGATIVE RESULTS

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### County Revenue

**As a result of our investigation, we determined that \$175 of self-pay patient revenue was recorded in the County's HCIS system, but not properly deposited into a County bank.** The \$175 (Schedule 1, p. 9) consists of funds collected during the period March 7, 2012 through June 21, 2012.

We compared bank deposit ticket information including identifying batch numbers to batch revenue data in the County's HCIS system. Each batch of revenue identified in the County's HCIS system should have had a corresponding deposit in the County bank account. However, we noted a few instances in which batch revenue was recorded in the County's HCIS data system with no corresponding bank deposit record in the proper bank account. Upon examination, we determined that \$175 of recorded revenue was not deposited into the County bank account. We performed similar investigative procedures on revenues recorded during the period January 1, 2012 through March 6, 2012 and revenues recorded during the period June 22, 2012 through August 31, 2012 and did not find any revenues recorded on the HCIS system that were not deposited into a County bank account. It is possible, however, that additional revenues may have been received and misappropriated at the Health Center if the revenues were not recorded in HCIS.

**A Health Center employee admitted to misappropriating \$890 in self-pay patient revenue.** This employee repaid the \$890 (Schedule 2, p. 10) in two installments during August 2012. The first payment was delivered to the Health Center by a fellow Health Center employee on the employee's behalf on August 6, 2012 and the second payment was delivered to the Health Center by the employee on August 10, 2012. The employee used accrued leave time until she resigned from the County effective September 24, 2012.

We did not find sufficient evidence to identify additional individuals who may have been involved in the defalcation of revenue.

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## CONCLUSIONS

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We cannot conclusively identify the exact amount of revenue that was misappropriated during the period January 1, 2012 through August 31, 2012 since cash could have been stolen and the receipt not entered into the HCIS system (unrecorded transaction). However, we believe that at a minimum, \$1,065 of County revenue was misappropriated by the identified Health Center employee.

On September 14, 2012, the Department's Employee Relations Director met with the Health Center employee. The employee admitted that she misappropriated the identified County funds and agreed that she would be liable to the County for these funds as well as any additional funds that were found to be misappropriated as a result of our investigative audit. The employee did not admit to stealing any additional County funds and has repaid \$890 as of August 10, 2012. The employee, at that time requested vacation leave and tendered her resignation effective September 24, 2012 as a result of the theft.

Although this report identifies very serious concerns regarding the Health Center during our audit period, specific recommendations are not contained herein. The Audit Division issued a separate management letter, Management Letter No. 2014-01, addressing internal control weaknesses and presented recommendations designed to improve the Health Center's internal controls. The Department indicated this investigative report was a fair assessment of the issues existing at the Southampton Health Center and agreed with the findings and recommendations as contained in a separate management letter issued to the Commissioner. The Department indicated that corrective measures would be instituted to address the internal control weaknesses identified in the management letter.

## **SCHEDULES**

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

Schedule 1

Schedule of Revenue Recorded in the County's HCIS System  
Not Deposited in the County Bank Account  
For the Period January 1, 2012 through August 31, 2012

(1)	(2)	(3)	(4)	(5)
<u>Batch</u> <u>Opening Date</u>	<u>Batch Number</u>	<u>Batch Amount</u>	<u>Amount Deposited</u>	<u>Total Revenue</u> <u>Not Deposited</u>
3/7/2012	200952	\$ 586	\$ 511	\$ 75
4/25/2012	203186	680	670	10
6/19/2012	205340	60	-	60
6/21/2012	205438	30	-	30
Total		<u>\$ 1,356</u>	<u>\$ 1,181</u>	<u>\$ 175</u>

See Notes to Schedules (p.11)

Schedule 2

Schedule of Repayments of County Funds Misappropriated by a Health Center Employee  
For the Period January 1, 2012 through August 31, 2012

(6)	(7)
<u>Repayment Date</u>	<u>Repayment Amount</u>
8/6/2012	\$ 450
8/10/2012	440
Total	<u>\$ 890</u>

See Notes to Schedules (p.11)

## NOTES TO SCHEDULES

- ( 1 ) Batch Opening Date – The date the batch was actually opened per the HCIS system.
- ( 2 ) Batch Number – The independent number assigned by the HCIS system to all batches in all the existing Health Centers.
- ( 3 ) Batch Amount – The total amount of money recorded in a particular batch.
- ( 4 ) Amount Deposited – Includes payments received via cash, check and/or credit card.
- ( 5 ) Total Revenue Not Deposited – The total amount of revenue recorded in the HCIS system but not deposited into County bank account.
- ( 6 ) Repayment Date – The date that the perpetrator or her designee returned misappropriated funds to the Health Center.
- ( 7 ) Repayment Amount – All funds received directly from or on behalf of the perpetrator.