DOCUMENT RESUME

ED 356 715		HE 026 371

AUTHOR	Walsh, John T.; And Others
TITLE	SUNY Health Science Center at Syracuse: Controls over Some Hospital Expenses Could Be Improved. Report 92-S-50.
INSTITUTION	New York State Office of the Comptroller, Albany.
PUB DATE	19 Apr 93
NOTE	27p.
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Accountability; Equipment; *Financial Audits; Health Care Costs; Higher Education; Hospital Personnel; Medical Services; Overtime; Payroll Records; Purchasing; *Teaching Hospitals; Wages
IDENTIFIERS	*State University of New York

ABSTRACT

An audit was done of the Health Science Center, a teaching hospital in the State University of New York (SUNY) system at Syracuse. The audit addressed whether Syracuse has effective controls over selected payroll, equipment and inventory expenses. Syracuse reported an operating loss for 1990 of over $21 million dollars. The audit found that management's controls were not effective in ensuring that payments for certain payroll costs were reasonable and proper with the consequence that Syracuse may spend too much on staffing. To ensure that staff is available to meet patient needs, Syracuse uses an "on-call" and a "re-call" service. As a result of reviewing 499 employee timecards, the audit recommends that management implement better monitoring and control of on-call and re-call activities. Appendixes contain information on major contributors to the report, comments of SUNY officials, and State Comptroller's notes. (JB)

HE

ED356715

State of New York
Office of the State Comptroller
Division of Management Audit

SUNY HEALTH SCIENCE CENTER AT SYRACUSE

CONTROLS OVER SOME HOSPITAL EXPENSES COULD BE IMPROVED

REPORT 92-S-50

HE026 371

Edward V. Regan
Comptroller

BEST COPY AVAILABLE

State of New York
Office of the State Comptroller

Division of Management Audit

Report 92-S-50

The Honorable D. Bruce Johnstone
Chancellor
State University of New York
State University Plaza
Albany, New York 12246

Dear Chancellor Johnstone:

The following is our report on the Health Science Center at Syracuse controls over selected hospital expenditures.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

This report was prepared under the direction of John T. Walsh, Audit Director. Other major contributors are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

April 19, 1993

Executive Summary

SUNY Health Science Center At Syracuse Controls Over Some Hospital Expenses Could Be Improved

Scope Of Audit

The Health Science Center at Syracuse (Syracuse) has a 350 bed teaching hospital that provides both inpatient and outpatient services for the central New York region. During 1990, the hospital admitted nearly 11,000 inpatients and over 274,000 patients visited one of the hospital's outpatient or clinic settings for treatment. In addition, more than 40,000 patients were processed through the hospital's Emergency Department.

Syracuse spends over $60 million annually for personal services. Overtime costs, which includes on-call and re-call services, accounts for $2.5 million annually. Syracuse reported an operating loss for 1990 of over $21 million with similar losses having been reported in the preceding years. These losses are offset by subsidies from the State. Between 1988 and 1990 the State subsidized the Hospital's operations by almost $100 million.

Our audit addressed the following question:

- Does Syracuse have effective controls over selected payroll, equipment and inventory expenses?

Audit Observations and Conclusions

We found that management's controls are not effective in ensuring that payments for certain payroll costs are reasonable and proper. As a result, Syracuse may spend too much on staffing.

To ensure that staff is available to meet patient needs, Syracuse uses "on-call" and "re-call" services. For on-call service, the employee accepts a responsibility to be available to report, if called, to the worksite within a limited period of time. With re-call service, the employee actually returns to the worksite after having completed the normal workday or is called to the worksite from on-call status. Employees are paid $2.25 an hour for the time they agree to be on-call. For re-call service, employees receive time and one-half for a minimum of four hours, or the hours worked, whichever is greater. Employees are re-called for unscheduled work, whereas normal overtime is scheduled and the employees generally receive compensatory time for the first 240 hours of overtime they work before they are paid the overtime rate. In our review of 499 employee

timecards, we found that some employees had been paid for re-call when they were due only compensatory time for overtime work.

For example, some employees were paid for re-call although they did not leave the worksite. We found 27 instances in which employees reported being re-called at the end of the shift, and 33 instances in which they reported being re-called within a half-hour of the end of the work day. A supervisor at the hospital acknowledged that most of these employees knew about the assignments before the end of the shift and should have reported that they worked overtime. Many of the employees would have earned only compensatory time for these overtime hours; instead, they earned a minimum of four hours' pay at time and one-half for re-call. In another 42 cases, employees who worked scheduled shifts on weekends and holidays were paid for re-call when they should have earned only compensatory time for overtime.

Further, management paid for both on-call and re-call for the same shift. We found 26 instances in which Syracuse paid one employee to be on-call, but re-called a different employee. We question whether these on-call employees were actually available to work. To eliminate excessive payroll costs, we urge management to implement better monitoring and control of on-call and re-call activities.

Comments of SUNY Officials

SUNY officials disagree with many of our findings and observations although they agree with some of our recommendations.

Contents

Appendix A

Major Contributors to this Report

Appendix B

Comments of SUNY Officials

Appendix C

State Comptroller's Notes

Introduction

Background

The State University of New York (SUNY) operates health science centers at Stony Brook, Brooklyn and Syracuse to provide centers for professional education, patient care and biomedical research. The Health Science Center at Syracuse (Syracuse) is a 350 bed facility that serves the central New York region. During 1990, Syracuse admitted nearly 11,000 inpatients and over 274,000 patients visited one of the Hospital's outpatient or clinic settings for treatment. In addition, more than 40,000 patients were processed through Syracuse's Emergency Department.

Syracuse spends over $60 million annually on personal services. Overtime costs, which include on-call and re-call services account for $2.5 million annually. Syracuse reported an operating loss for 1990, of over $21 million with similar losses having been reported in the preceding years. These losses are offset by subsidies from the State. Between 1988 and 1990 the State subsidized the Hospital's operations by almost $100 million.

Scope, Objectives and Methodology

Our audit examined expenses for the period April 1, 1989, through February 29, 1992. The objective of our performance audit was to determine if controls over selected payroll, equipment and inventory expenses are effective. To accomplish our objective, we reviewed controls over expenses, interviewed staff, analyzed documents and reviewed records of hospital expenses.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included within our audit scope. Further, these standards require that we understand Syracuse's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk based approach to selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest possibility for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient and effective. As a result, our audit reports are prepared on an "exception basis." This report therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of Syracuse's internal control structure focused on the controls related to operating expenses. Our audit identified serious weaknesses in controls over expenses for on-call and re-call services. These weaknesses are further described in the section of this report entitled "Management Can Reduce On-call/Re-call Expenses." We also identified certain other internal control matters that should be addressed. These matters are presented in the sections of this report entitled "Support For Equipment Purchases is Not Properly Documented" and "Alternative Methods for Obtaining Goods and Services Could Reduce Costs."

Our audit identified no significant instance of noncompliance with relevant laws, rules and regulations.

Comments of SUNY Officials

A draft copy of this report was provided to SUNY officials for their review and comment. Their comments have been considered in preparing this report and are included in Appendix B.

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

Management Can Reduce On-call/Re-call Expenses

To ensure that staff is available to meet patient needs, Syracuse uses on-call and re-call services. For on-call service, the employee accepts a responsibility to be available to report, if called, to the worksite within a limited period of time. With re-call service, the employee actually returns to the worksite after having completed the normal workday, or is called to the worksite from on-call status. Employees are paid $2.25 an hour for the time they agree to be on-call. For re-call service, employees receive time and one-half for a minimum of four hours, or the hours worked, whichever is greater. Employees are re-called for unscheduled work, whereas normal overtime is scheduled and the employees generally receive compensatory time for the first 240 hours of overtime they work before they are paid the overtime rate. We found improper payments being made to employees and urge management to implement better monitoring and control of on-call and re-call activities to ensure the reasonableness and propriety of the related payments.

Unnecessary Expenses Have Been Incurred

We reviewed 499 re-call timecards for eight biweekly pay periods during the 1991 calendar year. We found 27 instances in which employees never left the worksite but were paid for re-call services performed at the end of their regular shift. In each instance, the employee's timecard showed re-call starting at exactly the same time their normal shift ended. This work should have been classified as overtime because the work was scheduled prior to their leaving the work site. In ten (37 percent) of the 27 instances, the employees worked less than the minimum four hours for which they were paid for re-call, resulting in an overpayment of 18.5 hours at time and one-half to these employees.

We also found that, in 48 instances from the 499 timecards examined, employees were re-called within an hour of the end of their scheduled shift. In 33 of the 48 instances (69 percent), the re-call occurred within 30 minutes. In most of these instances the employees either never left work or knew of the required work prior to the end of their normal shift; however, they were paid for re-call instead of overtime. A supervisor in the Radiology Department, where 36 (75 percent) of the 48 instances occurred, indicated that the employees must have known about the work prior to leaving his/her worksite. We concluded that these employees should have received overtime, some at amounts far less than the amounts paid for re-call. Twenty (42 percent) of the 48 recalls worked less than the minimum four

hours for which they were paid for re-call, resulting in an overpayment of 38.75 hours at time and one-half. We also found that in another 42 instances, employees were scheduled to work weekends or holidays but were paid for re-call. These inappropriate practices which result in excess costs occur because management has not developed an adequate mechanism for approving and monitoring re-call pay.

The purpose of paying an employee to be on-call is to ensure they are available for return to work. However, we found that some employees received on-call pay but were not re-called; other employees were re-called instead. From our sample of 499 re-call timecards, we found 26 instances in which management paid one employee to be on-call, but re-called another employee. Thus, Syracuse is simultaneously paying for on-call and re-call for the same shift. We question whether the person in on-call status was even available for re-call in these situations.

We found that some units could not always provide proper documentation to support the need for the re-call service even though Syracuse policy requires written justification for payment. We reviewed 83 re-call occasions from eight units and found that supervisors could not support 17 (20 percent) of the 83 re-calls. There was no documentation to justify the need for the re-call service.

Oversight of Documents Supporting Payments Needs Improvement

Syracuse has a multilevel approach for ensuring that employees are paid only for actual, justified on-call or re-call. Each employee submits an on-call/re-call timecard biweekly to a supervisor who verifies the actual time scheduled on-call and actual time worked as re-call to ensure the employee is paid only for time worked. The supervisor signs the timecard attesting to the accuracy of the requested payment and submits it to payroll where it is audited before payment is made. However, we found that the system is deficient at every level, resulting in a reduced level of control over on-call or re-call payments.

Although supervisors are responsible for the accuracy of the requested payment for on-call or re-call, they apparently do not assert proper control. As discussed in the previous section of this report, supervisors allow employees to earn re-call pay when the employee has not left work, allow employees to earn re-call even when another employee is scheduled for on-call and should be available to work the re-call assignment, and allow employees to earn re-call for scheduled weekend work. In addition, we found that timecards were routinely missing necessary information and contained many errors. For example, we found 36 occasions in the sample of

timecards where the calculation of re-call or on-call payments was in error. None of these errors were caught by the supervisor attesting to the accuracy of the information.

Although Syracuse's payroll unit is supposed to audit the on-call/re-call timecards, we found the audit process was severely restricted because available timecard information was not properly utilized. For example, Syracuse policies and procedures for auditing on-call and re-call timecards are designed to check only for mathematical errors in the timesheets, not for the legitimacy of the payments themselves. Audit procedures do not test whether re-call occurs at shift end or shortly after the end of a shift, whether the work was scheduled and should be paid as overtime, or whether on-call and re-call are paid for the same shift. During our audit of on-call and re-call payments, we detected all of these errors.

Recommendations

1. Discontinue the practice of allowing employees to receive re-call pay for work continuing past the end of their normal shift.

2. Review the justification and need for re-call which occurs within one hour of the claimed need for the service; determine if these employees should be paid for overtime instead of re-call.

3. Verify that re-call services were performed before approving payments.

4. Discontinue the practice of paying employees re-call pay for scheduled weekend work.

5. Improve the monitoring of on-call and re-call payments.

6. Instruct unit supervisors in the rules, policies and procedures for initiating on-call or re-call; ensure that they monitor the services performed.

7. Implement improved procedures for the payroll unit audit of on-call/recall timecards.

Support for Equipment Purchases is Not Properly Documented

The rapidly rising cost of medical care has been fueled to a large extent by advances in technology and the cost of new equipment. For the period April 1, 1987 through March 31, 1991 Syracuse expended over $25.2 million on equipment items. Equipment expenditures rose dramatically during the period, from $1.8 million in fiscal year 1987-88 to over $8.4 million in 1990-91. We found that Syracuse has a system for reviewing and approving equipment purchases. This system includes performing needs analysis and cost-benefit studies before purchasing equipment items. However, we found that not all appropriate equipment purchases had adequate documentation to support that the necessary review process was performed and that the item was needed. It is important that all equipment purchases be thoroughly reviewed and requests prioritized before making significant investments in equipment.

We reviewed a sample of equipment items purchased during the fiscal periods 1989-90 and 1990-91, and found inconsistencies in the amount of written justification and planning documentation for the equipment purchases. Some of the equipment purchases had narratives explaining the type and age of the equipment needing replacement and also detailing why the new equipment was necessary. Other purchases were supported only by a justification code such as needed for patient care. In some cases, there was no supporting documentation. For example, Syracuse purchased a dictation system which costs almost $100,000. We were told by a hospital administrator, that management had concluded that the dictation system would reduce the time it took to get test results to physicians from one week to one day. By providing test results sooner management hoped to induce more physicians to use the hospital services, thus increasing hospital revenues. Syracuse was unable, however, to provide us with documentation to support their claims or to justify the expense.

It is not our intention to question the importance of new technology in providing the most up-to-date care possible. We only ask that management's decision to invest in expensive technologies reflect the ability to recover its costs and the needs of the public it serves. Sound fiscal planning and need assessment are critical as the cost of medical treatment continues to rise.

Recommendation

8. Ensure that equipment expenditures and other capital improvements are necessary and justified and meet the goals and mission of New York State and the SUNY hospital system.

Alternative Methods for Obtaining Goods and Services Could Reduce Costs

The hospital purchasing unit is responsible for making decisions that affect operating costs. This responsibility includes suggesting money-saving alternatives that could result in lower costs. We found, however, that no one had examined whether the processing forms used by the hospital could be changed to a format that the duplicating unit could make. We determined that as a result, many forms are purchased from outside vendors that could be reproduced by the duplicating unit at a significant savings.

During the twelve month period from July 1, 1990 to June 30, 1991, Syracuse reported spending over $190,000 to purchase the forms used to record various types of data, from patient history to billing information. We asked the hospital's duplicating unit if it could reproduce a sample of 20 forms which Syracuse presently purchases from outside vendors. We determined that from July 1, 1990 to June 31, 1991 Syracuse spent over $36,800 for these 20 forms. The duplicating unit said it could reproduce 13 of the 20 forms with little or no modification. Using the duplicating unit's reproduction rate of 1.5 cents per copy, we calculated that Syracuse could have saved about $9,700 if ten of the forms had been reproduced in-house. This is a 26 percent savings to Syracuse for the 20 forms reviewed.

Recommendation

9. Determine which forms can be produced by the duplicating unit and produce these forms in-house. Review the forms used in the hospital and determine which forms could be changed to allow in-house reproduction.

Major Contributors to This Report

Marvin Loewy, Audit Manager
Martin Chauvin, Audit Supervisor
Donald Wilson, Auditor-in-Charge
Todd Seeberger, Lead Auditor
David Pleeter, Staff Auditor
Nancy Varley, Report Editor

Comments of SUNY Officials

SUNY officials disagree with many of our observations. They respond that based on the value of the issues raised in the report, the Hospital has effective controls over expenses. They also disagree with some of the recommendations in the audit.

We believe that this report shows that the hospital needs to improve controls over some of it's expenses. Our audit focused on issues where improvements can be made. Our conclusions are based on a review of controls over these expenses. Given the weaknesses in controls stated in the report, the extent of problems at the Hospital could be more significant as the audit conclusions are based only on a sample of transactions. Also, our audit did not address, nor do we express an opinion, on expenses other than those identified in the scope of this report.

The full text of SUNY's official response to our draft is included on the following pages. Our detailed notes of clarification to these comments are included as Appendix C.

State University of New York
State University Plaza
Albany, New York 12246
Office of the Senior Vice Chancellor
Division of Administrative Affairs

January 21, 1993

Mr. John T. Walsh
Audit Director
Office of the State Comptroller
The State Office Building
Albany, New York 12236

Dear Mr. Walsh:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of SUNY Health Science Center at Syracuse and SUNY Central Administration regarding the draft audit report on Controls Over Hospital Expenses Could Be Improved, SUNY Health Science Center at Syracuse (92-S-50).

Sincerely,

Harry K. Spindler
Senior Vice Chancellor
Division of Administrative Affairs

Enc.

Health Science Center at Syracuse Comments

The Health Science Center at Syracuse (HSC) provides medical care to 1.5 million people of a 15-county region in Central New York. The 350-bed University Hospital at Syracuse is a referral center with a full range of academic clinical programs. It has nearly 11,000 patient admissions, 100,000 clinic visits, 40,000 Emergency Room visits, and over 150,000 other occasions of service annually. University Hospital serves as the training site for 200 medical residents, 700 medical students, 300 allied health professionals, and over 1,000 nursing students yearly.

While academic medicine is its primary mission, University Hospital also fulfills an important community mission for the population of Central New York. University Hospital at Syracuse is the only major public hospital in this region. As such, it provides a substantial amount of indigent care and acts as the regional safety net.

The Hospital receives State support in recognition of these multiple diverse missions. In recent years the level of direct State support has declined by $19 million while programs and community services have expanded.

The audit addressed the following question "Does Syracuse have effective controls over selected payroll, equipment and inventory expenses?" The answer is yes.

Expenses for the period April 1, 1989 through February 29, 1992 were reviewed. The audit focused on those operations identified through a preliminary survey as having the greatest possibility for needing improvement. Consequently, operations that are relatively efficient and effective were not reviewed.

During the identified period, April 1989 - February 1992, Hospital expenditures totaled over $345 million. The audit's risk based approach identified on-call/re-call, forms and capital equipment as areas needing improvement. Based on the value of the issues raised, the Hospital has effective controls over expenses.

The on-call/re-call issue is related to policy and interpretation by the Health Science Center management of Federal regulations and bargaining unit agreements. Even considering these issues, the financial impact of salary expenditures questioned is small.

Capital expenditures totaled $17.8 million during the period. The audit report raises one specific documentation issue for a $100,000 acquisition, which is addressed later. Essentially, the Hospital complies with the audit's recommendation. Finally, forms expenses total less than $200,000 on an annual basis. Potential savings represent five percent of this expenditure.

A detailed response to the audit and specific recommendations follow.

Management Can Reduce On-call/re-call Expenses

Our response to the on-call/re-call recommendations are included below. The major issue raised by the audit deals with Health Science Center policies and interpretation of the UUP Bargaining Unit Agreement and the Fair Labor Standards Act. The Fair Labor Standards Act, UUP Bargaining Unit Agreement and personnel/payroll policies of the Health Science Center at Syracuse must be reviewed in conjunction with the Office of State Comptroller's Guidelines and Civil Service Rules and Regulations regarding on-call/re-call payments. These rules and regulations conflict and create several significant policy issues.

* Note 1

In order to clarify the financial impact of the on-call/re-call issue, the auditor's report must be supplemented by additional information. Of the $195 million in salary payments during the period, approximately $263,000 was paid out in re-call and $241,000 in on-call annually. Only a fraction of these latter costs has come into dispute with the Comptroller's Office.

* Note 2

Paying for on-call/re-call services allows the Hospital to meet patient care needs of the community and provide coverage on a 24-hour a day, 365 days a year basis. To staff these areas with full-time employees would add significantly to University Hospital's expenditures.

* Note 3

The Health Science Center takes exception to the Comptroller's Office definition of re-call, specifically in stating that re-call, unlike overtime, is based on unscheduled, emergency situations. The bargaining unit agreement does not speak to emergency situations. Employees are eligible for re-call when directed to return to work after completing their professional obligation. The Health Science Center interprets this to mean that employees are entitled to re-call when required to work unscheduled time. This is consistent with definitions found in the Fair Labor Standards Act where an employee may demand immediate payment of overtime in lieu of compensatory time off. Payment for overtime would also be consistent with other professional hospital personnel including registered nurses.

* Note 4

Whether an employee earns compensatory time or overtime, the expenditure is paid at one and a half times and is an expense when it is earned. When employees utilize earned compensatory time, it requires the scheduling of overtime by other staff and, therefore, there is no monetary savings between the two.

* Note 5

The statement that payments of re-call were made to employees scheduled to work weekends and holidays does not constitute a finding because this practice does not circumvent established payroll rules. The employees were required to work outside their scheduled obligation. Again, the Hospital is adhering to the bargaining unit agreement. The financial implication is overstated as the compensatory overtime earned should be expensed when earned, not when paid.

The audit states that some employees received on-call pay but were not re-called; other

* See State Comptroller's Notes, Appendix C

employees were re-called instead. This finding fails to take into consideration the on-call/re-call policies of the Burn Unit. The unique requirements of this unit require staffing patterns which would not be the norm under other circumstances. * Note 6

The Health Science Center also takes exception to the Comptroller's statement that the multilevel approach to verifying time is "Deficient at every level." Departments administered the personnel and payroll policies of the Health Science Center. On-call and re-call is monitored by the supervisor who certifies, on the employee's time sheet, that the employee was assigned on-call shifts and or worked on a re-call basis. This time sheet serves as the documentation and control for the use of on-call and re-call. In addition, the Hospital also provides documentation identifying patients, cases, work orders, etc. * Note 7

The documentation that the Hospital provides is in addition to documentation required for re-call payments. There are no areas where Hospital staff received re-call pay for services not performed.

The statement that the payroll audit process was severely restricted because available timecard information is not utilized is misleading. The Payroll Department is responsible for calculating the payroll and the supervisor is responsible for approving the payment for on-call and re-call and its legitimacy.

<u>Recommendations (Pg. 5)</u>

(OSC) 1. Discontinue the practice of allowing employees to receive re-call pay for work continuing past the end of their normal shift.

(HSCS) 1. Disagree. The UUP Agreement defines re-call earning eligibility for the professional employee who is "directed to return to work after having completed the professional obligation (i.e., regular shift) and left the scheduled work station (no reference to work site). Therefore, the payments are not in conflict with our interpretation of the binding Contractual Agreement. * Note 8

(OSC) 2. Review the justification and need for re-call which occurs within one hour of the claimed need for the service; determine if these employees should be paid for overtime instead of re-call.

(HSCS) 2. Agree. The rules for justification will be reviewed. However, clarification and coordination from the agencies issuing rules, policies and procedures is required.

(OSC) 3. Verify that re-call services were performed before approving payments.

(HSCS) 3. Agree. The Health Science Center requires verification of all work

* See State Comptroller's Notes, Appendix C

performed and the Hospital has recently increased documentation.

(OSC) 4. Discontinue the practice of paying employees re-call pay for scheduled weekend work.

(HSCS) 4. Disagree. Payments of re-call for employees scheduled to work weekends and holidays does not circumvent established payroll rules. The employees were required to work outside their scheduled obligation. Again, the Hospital is adhering to the bargaining unit agreement. The financial implication is overstated as the compensatory overtime earned should be expensed when earned not when paid.

* Note 5

(OSC) 5. Improve the monitoring of on-call and re-call payments.

(HSCS) 5. Disagree. University Hospital employs adequate practices for approving and monitoring re-call pay. Supervisors approve time sheets submitted by staff and attest that the employee was assigned on-call shift and/or worked on a re-call basis according to Health Science Center policies. Monitoring of on-call/re-call pay is done through the accounting system.

* Note 7

(OSC) 6. Instruct unit supervisors in the rules, policies and procedures for initiating on-call or re-call; ensure that they monitor the services performed.

(HSCS) 6. Agree. The supervisors have historically and continue to administer the rules based on the Health Science Center's interpretation of the bargaining unit agreement and the Fair Labor Standards Act. Also, on-call/re-call is monitored by the supervisor who signs the time card attesting to the hours reported and submits it to payroll.

(OSC) 7. Implement improved procedures for the payroll unit audit of on-call/re-call timecards.

(HSCS) 7. Agree. The Health Science Center Payroll Office is in the process of improving its procedures for managing time reporting. In the interim, the Payroll Office has been instructed to combine and match all time sheets in order to minimize mathematical and clerical errors. Expending the payroll audit process to review the legitimacy of payments, however, is inappropriate. The Payroll Department is responsible for calculating the payroll and the department supervisor is responsible for approving the payment for on-call and re-call and its legitimacy.

Support for Equipment Purchases Is Not Properly Documented

When evaluating capital expenditures, it is important to review the state of the Hospital's

* See State Comptroller's Notes, Appendix C

development and appropriate industry standards including average age of plant and capital expenditures per admission. In 1986, the core programs at University Hospital at Syracuse were within a 26-year old building which had not been substantially updated and lacked an infrastructure consistent with industry standards. The age of the plant at University Hospital was 14 years in 1987 or double the industry norm. Hospital management, recognized the capital shortfall, embarked on a planned hospital capital renewal through hospital generated funds. The $25 million of equipment purchases over five years should be considered in this context.

The audit report focused on one specific acquisition, the Radiology dictation system. The audit states that the Hospital was unable to justify the expense for this piece of equipment.

The Department of Radiology recognized the need to replace its antiquated dictation/transcript system with a more efficient system providing improved patient care. The previous dictation system had several problems including substantial turnaround time. The new dictation system addressed these issues and improved the turnaround time for dictated reports. The ability to improve service, replace an obsolete piece of equipment, while integrating the service with the Radiology Information System were factors in the decision making process. This additional documentation was previously provided.

Regardless, we concur with the audit report's recommendation which is consistent with the Hospital's capital planning and budget process.

<u>Recommendation (Pg. 8)</u>

(OSC) 8. Ensure that equipment expenditures and other capital improvements are necessary and justified and meet the goals and mission of New York State and the SUNY hospital system.

(HSCS) 8. Agree. We concur with the essence of the audit recommendation which is consistent with the Hospital's capital planning process.

<u>Alternative Methods for Obtaining Goods and Services Could Reduce Costs</u>

<u>Recommendation (Pg. 9)</u>

(OSC) 9. Determine which forms can be produced by the duplicating unit and produce these forms in-house. Review the forms used in the hospital and determine which forms could be changed to allow in-house reproduction.

(HSCS) 9. Agree. We concur with the recommendation of the audit report and will consider Duplicating Department services as a source for hospital forms.

The Duplicating unit will be utilized where quality forms meeting hospital standards can be purchased at the best price.

The full reproduction rate including additional materials, labor, equipment and other indirect costs will be considered in the evaluation.

State University of New York Comments

We agree with the Center's responses to the on-call/re-call issue. We agree with the recommendations and the Center's responses regarding equipment purchases and hospital forms.

State Comptroller's Notes

1. Syracuse spends over $2.5 million annually for overtime expenses. Part of this amount included expenditures for re-call and on-call. Syracuse's accounting system does not segregate re-call and on-call expenses and therefore we could not determine how much of the $2.5 million in overtime was related to re-call and on-call. We do not believe that Syracuse's approximation of re-call and on-call expenditures is accurate. SUNY Brooklyn Hospital, which is similar in size and nature to Syracuse, spends $700,000 annually for re-call and on-call services. Furthermore, our sample of re-call and on-call timesheets shows that the amount of re-call and on-call expenses would be higher than Syracuse's approximation.

2. The audit report did not state or imply that Syracuse should discontinue the use of re-call or on-call. The report does identify that Syracuse needs to improve controls over these expenses.

3. The word emergency has been deleted from the report. Re-call is the return of a person to the worksite to perform job related duties. Although not specifically stated as an emergency, there must be a critical need to have someone re-called or the Hospital would not ask someone to return to work.

4. When employees use compensatory time or any other time off, the Hospital has the opportunity to rearrange schedules of existing staff to cover for this time off, thus precluding the use and cost of overtime.

5. As Syracuse officials indicate, employees are re-called when required to work unscheduled time. In contrast, we found that employees were scheduled to work weekends but were inappropriately paid re-call instead of overtime.

6. Syracuse officials have not addressed the problem identified in the report. A person on-call must be available to return to work when re-called. The fact that someone other than the person on-call was re-called raises question as to whether the person on-call was available to return to work. Also, why is Syracuse paying these people for on-call if they are re-calling someone else.

7. As evidenced by the control weaknesses identified in the report there is a need for improvement. If controls were adequate as Syracuse officials claim then employees would not have been paid re-call for scheduled work at the end of a shift, on-call and re-call

would not be paid for the same shift and on-call and re-call payments would be accurate.

8. As the report states the employees knew in advance that they were required to work and never left the work site. These employees should not be paid for re-call.