

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Controls over Personnel, Payroll, and Timekeeping At Coney Island Hospital

MG03-142A

JUNE 30, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the controls over personnel, payroll, and timekeeping at Coney Island Hospital.

The results of our audit, which are presented in this report, have been discussed with Health and Hospitals Corporation and Coney Island Hospital officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that adequate internal controls are in place over personnel, payroll, and timekeeping and that policies, procedures, and other applicable regulations are complied with.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

Report: MG03-142A
Filed: **June 30, 2003**

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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on the Controls over
Personnel, Payroll, and Timekeeping at
Coney Island Hospital**

MG03-142A

AUDIT REPORT IN BRIEF

The New York City Health and Hospitals Corporation (HHC) provides City residents with comprehensive medical and mental health services as well as treatment for substance abuse. Coney Island Hospital is part of the HHC Southern Brooklyn and Staten Island Health Network and has both medical and non-medical employees who are required to follow HHC Operating Procedures and the time and leave regulations. The primary objectives of this audit were to review the internal controls of Coney Island Hospital over personnel, payroll, and timekeeping for its active, non-medical, full-time, administrative staff, and to determine whether it is in compliance with HHC policies and procedures and other applicable regulations.

Audit Findings and Conclusions

The audit found that Request for Leave forms were present and approved for all annual and sick leave taken by the 40 employees in our sample. All leave use was appropriately deducted from the employees' leave balances, and the employees were accruing the correct amount of annual and sick leave specified in the leave regulations. Payroll taxes were calculated accurately and deductions were correctly applied. In addition, personnel folders were in good condition, clearly labeled, and filed in alphabetical order.

However, some of the personnel folders were incomplete or contained inaccurate information. In addition, there were weaknesses in the controls over timesheets and paycheck distribution, and some employees were being paid above the maximum salary for their title. The audit also found that timekeeping documents were incomplete.

Audit Recommendations

The report makes nine recommendations, some of which are listed below. Coney Island Hospital should:

- Conduct periodic reviews of personnel folders to ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders.
- Ensure that records for updated annual physicals; mandated in-service training; and performance evaluations are completed and included in the personnel folders.
- Ensure that written justification is submitted when requests for merit increases are made.
- Require that, in addition to the timekeepers signing for the payroll checks, each employee should sign for his or her own paycheck.
- Ensure that undistributed checks are returned to the Payroll Department at the end of the payday.
- Ensure that employees fill in their timesheets daily.
- Ensure that all timesheets are signed and authorized.

HHC Response

The matters covered in this report were discussed with officials from Coney Island Hospital during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials on May 21, 2003 and was discussed at an exit conference on June 9, 2003. We submitted a draft report to HHC officials on June 12, 2003 with a request for comments. We received a written response from HHC officials, which included comments from Coney Island Hospital officials, on June 25, 2003. In its response, HHC officials agreed to implement six of the nine recommendations stating: “the auditors have provided some useful recommendations and the Facility has taken steps to implement additional controls that will improve the Facility’s operation.”

INTRODUCTION

Background

The New York City Health and Hospitals Corporation (HHC) provides City residents with comprehensive medical and mental health services, as well as treatment for substance abuse, regardless of ability to pay. Within its seven regional health care networks, HHC operates 11 acute-care hospitals; four long-term care facilities; six diagnostic and treatment centers; one certified home health agency; and a large number of community-based primary care and child health clinics.

Each of HHC's 11 acute-care hospitals has a large number of medical and non-medical staff to provide the services needed for patient care and for administrative functions such as staffing, payroll, and procurement.

Coney Island Hospital, the facility covered by this audit, is in Brooklyn and is part of the HHC Southern Brooklyn and Staten Island Health Network. Coney Island Hospital was founded in the late 19th century as a first-aid station to serve summer beachgoers. It was established on its current site in 1909 and has grown into a multi-site community medical center serving many neighborhoods. The mission of Coney Island Hospital is to provide high quality, cost-effective health care services.

The hospital has 364 beds and, as of March 17, 2003, had 2,428 employees. These employees consist of medical and non-medical employees who are divided into two groups: Group 11 and Group 12. Group 11 consists of 188 employees with managerial titles, and Group 12 consists of 2,240 employees with non-managerial titles. With regards to HHC Operating Procedures, all employees are required to follow the time and leave regulations.

The Coney Island Hospital budget for Fiscal Year 2003 was \$209.6 million, of which \$139.7 million was for personal services costs.

Objectives

The primary objectives of the audit were to review the internal controls of Coney Island Hospital over personnel, payroll, and timekeeping for its active, non-medical, full-time, administrative staff, and to determine whether it is in compliance with HHC policies and procedures and other applicable regulations.

Scope and Methodology

The scope of the audit was Fiscal Year 2003.

We interviewed officials from both the personnel and payroll departments of Coney Island Hospital. We reviewed HHC Operating Procedures 20-2, *Tardiness*; 20-10, *Employee*

Performance and Conduct; 20-26, Time & Leave Regulations Governing Group 11 Employees; 20-31, Individual Personnel Record File; 20-39, Managerial Decisions Affecting Group 11 Employees' Employment Status or Salary; and 20-41, Health and Hospitals Corporation Salary Policy. In addition, we reviewed the Coney Island Hospital Policy and Procedure Manual and the time and leave regulations governing Group 12 employees.

We randomly selected a preliminary sample of 40 (6%) employees from a population of 643 active, non-medical, full-time, administrative employees.¹ We stratified the population by salary ranges into four strata and randomly selected 10 employees from each stratum. Table I shows how the sample was stratified.

TABLE I

Salary Range Strata for Sample Selection

Strata	Salary Range	# of Employees	Sample Size	Percentage of Sample Size to # of Employee in Range
1	\$14,000 - \$29,999	272	10	4%
2	\$30,000 - \$45,999	235	10	4%
3	\$46,000 - \$61,999	66	10	15%
4	\$62,000 and Over	70	10	14%
		643	40	6%

We reviewed the personnel files for these 40 sampled employees for completeness and to determine whether all appropriate forms were submitted and completed in a timely manner.

We reviewed the timekeeping records for the four-week period December 29, 2002 through January 25, 2003. We reviewed the timesheets for completeness and appropriate supervisory authorization. We determined whether Request for Leave of Absence forms were present and approved for all annual and sick leave use and whether overtime authorization was present for all overtime worked. In addition, we reviewed the Timesheet Profile to determine whether leave use was appropriately deducted from the employees' leave balances. We compared employees accrual rates with the Cumulative Accrual Report to determine whether employees were accruing annual and sick leave at the rates specified in the leave regulations.

We met with supervisors and timekeepers in eight departments within Coney Island Hospital to discuss the timekeeping process in their department and observe the location of the timesheets.

We reviewed the payroll transaction reports to determine whether the payroll process was complete. We also analyzed the payroll register to determine whether the employees' taxes were

¹ Based on test results, the sample size of 40 was not increased.

calculated accurately and the deductions were correctly applied. We compared the employee salary listing, received from the personnel department at Coney Island, with the payroll registers and Personnel Action Forms in the personnel files to determine whether the employees were being paid within the appropriate salary range for their titles.

To assess the hospital's internal controls, we interviewed officials responsible for personnel, payroll, and timekeeping. We also conducted in-depth reviews of applicable personnel, payroll and timekeeping procedures. We then prepared schedules analyzing the timekeeping and payroll transactions.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials from Coney Island Hospital during and at the conclusion of this audit. A preliminary draft report was sent to HHC officials on May 21, 2003 and was discussed at an exit conference on June 9, 2003. We submitted a draft report to HHC officials on June 12, 2003 with a request for comments. We received a written response from HHC officials, which included comments from Coney Island Hospital officials, on June 25, 2003. In its response, HHC officials agreed to implement six of the nine recommendations stating: "the auditors have provided some useful recommendations and the Facility has taken steps to implement additional controls that will improve the Facility's operation."

The full text of the HHC comments is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The audit found that Request for Leave forms were present and approved for all annual and sick leave taken by the 40 employees in our sample. All leave use was appropriately deducted from the employees' leave balances, and the employees were accruing the correct amount of annual and sick leave specified in the leave regulations. Payroll taxes were calculated accurately and deductions were correctly applied. In addition, personnel folders were in good condition, clearly labeled, and filed in alphabetical order.

However, some of the personnel folders were incomplete or contained inaccurate information. In addition, there were weaknesses in the controls over timesheets and paycheck distribution, and some employees were being paid above the maximum salary for their title. The audit also found that timekeeping documents were incomplete.

Inaccurate and Incomplete Personnel Folders

We reviewed the contents of the personnel folders for all 40 employees and found that some of the personnel folders were incomplete or contained inaccurate information.

Incomplete Folders

Documents required by HHC and Coney Island Hospital were not present in all of the folders that we reviewed. HHC operating procedure 20-31 requires that an official Personnel Record File (Personnel Folder) should be created for each employee at the start of employment. The folder should contain forms that should be completed at the time of appointment, including: applications, authorization to hire, the employee's withholding form W-4, reference check, fingerprint card, and non-resident agreement. It should also include other relevant documents that are added during the period of employment, such as annual physicals, hospital-wide orientations, personnel action forms, and health insurance forms. In addition, Coney Island Hospital has developed a checklist of items that should be in the folders, which includes the documents required by HHC as well as other forms that are specific to Coney Island Hospital.

After reviewing the 40 personnel folders, we found that only 16 folders contained all the documents required by HHC.

None of the 40 folders contained all the required documents that Coney Island Hospital specifies on its checklist. Some of the missing documents included the pre-employment assessment, appointment letter, terms and condition of employment, employment eligibility, confidentiality statement, and department orientation.

HHC Response: "This [Coney Island Hospital] check list is not utilized to identify all documents to be maintained in an employee folder. It does not apply to all employees and the maintenance of certain documents depends on the date of employment and existing operating procedures at the relevant point in time."

Auditor Comment: As stated in the report, the documents listed on the Coney Island Hospital checklist include appointment letters, terms and conditions of employment, confidentiality statements, and department orientations. These are some of the documents that were missing from the employees' personnel folders. It appears that these documents were required for employees hired between 1977 and 2003, since most of their personnel folders contained these documents. There was no indication why these essential personnel documents would not be applicable to those employees.

Misplaced Personnel Documents

In four instances, documents were incorrectly filed in the wrong folders. Therefore, the personnel department may not be able to find important documents when they are needed. For example, when an individual is up for a promotion, past evaluations are usually reviewed. However, if an evaluation is misfiled, the promotion process could be delayed or postponed. In addition, if employees ask to review their own personnel folders, sensitive and private information about another person that is filed incorrectly in the employee's folder could be exposed.

Missing Documentation

As required by the New York State Health Code, Coney Island Hospital must insure that the health status of each employee is reassessed annually to assure that each employee is free from health impairment that might pose a potential risk to a patient or that might interfere with the performance of the employee's duties. The procedure also states that a copy of the medical clearance must be retained in the employee's personnel folder.

After reviewing the personnel folders of the 40 sampled employees, we were not able to find copies of updated annual physicals for 11 employees. We found evidence of their last physical that was performed over a year ago; however, records of current physicals were not in the folders. After bringing this to the attention of hospital officials, they acknowledged that records for the updated physicals were not present in the personnel folders because of filing errors. Subsequently, they had the Employee Health Division of the hospital provide them with duplicate copies of the employees' updated annual physicals.

Additionally, there were two rollover employees (previously working for Coney Island Hospital's affiliate but now working for Coney Island Hospital) who had no evidence of having had any annual physicals.

In addition, the Coney Island Hospital Policy and Procedure Manual states that all employees are required to complete annual, mandated, in-service training; a copy of the validation form, confirming that the employee completed the training, should be in the employee's folder. However, the validation forms for six employees were not in their personnel folders.

Moreover, five employees were missing updated performance evaluations. The performance evaluation system was developed to assess each employee's ability to meet the performance expectations stated in the job description. To effectively evaluate a managerial employee's performance, the manual states that the employee and the respective supervisor or manager should complete a Managerial Performance Appraisal form. The original copy of the signed appraisal should be sent to the Human Resources Department to be included in the employee's personnel folder. However, there were no appraisals for these five employees. These performance evaluations are an integral part of an employee's personnel record and should be available to managers requiring information for personnel decisions.

Inaccurate Personnel Forms

The Personnel Action Forms (PAF) for four of the employees we reviewed did not reflect their current salaries. PAFs are used to record all personnel actions, most of which affect an employee's status or pay. According to Coney Island Hospitals Policy & Procedure 20-11 regarding PAFs, the PAF is used any time an employee is appointed, transferred, promoted, given a change in salary rate, or separated from employment. Furthermore, it provides recording changes in name or address, leaves of absence, or other actions.

If the personnel folders are incomplete because of a lack of periodic review and updated documents, it will be difficult to obtain accurate information about a particular employee at any given time. Periodic reviews and updates of required documentation will ensure complete and updated personnel folders for the employees of Coney Island Hospital.

Recommendations

Coney Island Hospital should conduct periodic review of personnel folders to:

1. Ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders.

HHC Response: Regarding the Coney Island Hospital checklist, HHC stated "the related recommendation will not be implemented." HHC also stated: "The HR [Human Resources] Department reviews all folders prior to the employee's appointment to work. Please note, not all items on the check list apply to all employees."

Auditor Comment: Although in its response, HHC stated that it would not implement this recommendation, we believe that HHC did not understand the intent of our recommendation. As stated above, we recommend that Coney Island Hospital ensure that all documents required by HHC and Coney Island Hospital should be present in the appropriate personnel folder.

2. Ensure that records for updated annual physicals; mandated in-service training; and performance evaluations are completed and included in the personnel folder.

HHC Response: “The HR Director will ensure that all employee folders will be reviewed for annual physicals, mandated in-service training and performance evaluations commencing June 25, 2003. All 2400 folders will be completed by September 15, 2003.”

Inadequate Controls over Payroll

We reviewed the payroll register for the pay periods January 17, 2003 and January 31, 2003. We found that the gross earnings and taxes were calculated accurately and the deductions were correctly applied. However, there were weaknesses in the controls over timesheets and paycheck distribution in various departments and units. Additionally, we found that some employees were being paid above the maximum salary for their titles.

Employees Paid Above the Maximum Salary

Coney Island Hospital officials supplied us with a HHC Corporate Plan of Titles, dated September 2002, that lists the corporate titles, title codes, and salary ranges for Group 11 and Group 12 employees. We compared the salaries of 40 employees with the amounts shown on the Plan of Titles and found instances where managerial employees were being paid above the maximum salary listed. We expanded our sample to include all 183 managerial employees and found a total of 22 (12%) managerial employees are being paid above the maximum salary by a total of \$234,050.

HHC Operating Procedure 20-41, *Health and Hospitals Corporation Salary Policy* discusses the establishment of salary ranges for HHC employees and other related topics. At the exit conference the officials supplied us with documentation which stated that, with regards to operating procedure 20-41, salary exceptions could be made as long as there is documented justification. The officials then stated that justifications were present in the employees' personnel folders.

After the exit conference, when we went to Coney Island Hospital to review the personnel folders, hospital officials stated that the managerial employees were being paid above the maximum due to a July 2001 eight percent managerial increase promulgated by HHC. The hospital officials provided us with an HHC memorandum justifying this increase, although a copy was not present in the personnel folders. However, the salaries of 12 of the 22 employees were above the maximum prior to this increase. The officials informed us that the prior salary increases resulted from merit increases. The Personnel Requisition Form that is filled out in order for the merit increases to be approved states that written justification must be submitted. However, we only found written justification in the folders for six of the 12 employees.

In addition, our review indicated that the salary ranges appearing in the Plan of Titles are outdated. Therefore, HHC should update the salaries in the HHC Corporate Plan of Titles to reflect managerial increases.

Inadequate Controls over Timesheets and Paycheck Distribution

According to the officials at Coney Island Hospital, the payroll checks are delivered from HHC Central to the Payroll Department at Coney Island Hospital each payday. These paychecks are sorted by department or unit, and the timekeepers of the departments review the list of checks received and sign the distribution list acknowledging receipt of the checks. According to Payroll officials, paychecks that are not distributed on payday should be returned to the Payroll Department at the end of the day to be locked in the safe until the employee picks it up.

During our fieldwork, we found that when the paychecks are distributed to the employees within the various departments and units, the employees are not required to sign for them. Requiring employees to sign for their paychecks ensures that only the appropriate employee receives the paycheck and the sensitive information that the paycheck contains. Furthermore, obtaining signatures when checks are distributed would prevent employees from claiming that they did not receive their paychecks when in fact they did.

Additionally, the undistributed paychecks are not returned to the Payroll Department, as required, but are kept in the timekeeper or supervisor's desk drawer until the employee returns to work. This weakness in procedure presents a potential for theft or loss of paychecks that are not secured in a locked safe in the Payroll Department.

The Payroll Department officials also stated that the employees should fill in their timesheets daily. We reviewed the locations of the employees' timesheets in the various departments and found that the timesheets are not always within view of the timekeeper or supervisor. This is of concern to us because we were told that the employees do not fill in their timesheets daily and the timesheets generally require only an "X" to indicate the employee's work presence. For example, if an employee's designated shift is 8:00 a.m. to 4:00 p.m. every day and the employee follows that schedule, then the timesheet requires an "X" on arrival and another "X" when leaving. If the employee works different hours or arrives late or leaves early, then the time worked is to be written in. This procedure lacks controls, since anyone can place an "X" in a box at any time and since there is no one to verify that the employee completed his or her own timesheet or that the employee arrived at work or left at the scheduled time.

Recommendations

HHC should:

3. Update the HHC Corporate Plan of Titles to reflect the current salary ranges.

HHC Response: "Regarding the Corporate Plan of Titles, it is not HHC's intent to increase salary maximums for the small number of employees that may have exceeded the salary caps during your review. Generally employees may exceed the caps for various reasons including justifiable exceptions, collective bargaining, longevity, merit, contractual and managerial increases."

Auditor Comment: As stated in the report, 12 percent of the managerial employees in Coney Island Hospital are being paid above the maximum salary for their titles. Many of these employees received a managerial increase as part of an HHC-wide managerial increase. Therefore, the salaries for many HHC employees may have been affected by this managerial increase. Since the salaries for many managerial employees may be above the maximum, HHC should reconsider our recommendation and update its Corporate Plan of Titles.

Coney Island Hospital should:

4. Ensure that written justification is submitted when requests for merit increases are made.

HHC Response: “Commencing immediately, the HR Director will ensure that all requests for merit salary increase will require appropriate justification, including increased responsibilities which will be filed in the HR folder.”

5. Require that, in addition to the timekeepers signing for the payroll checks, each employee should sign for his or her own paycheck.

HHC Response: “There is no policy and procedure requiring employees to sign for their paychecks. Coney Island Hospital has not encountered any problems with their current procedure. Checks that are lost are for the most part the fault of the employee losing the paycheck after received. The payroll department accounts for each check and advice that leaves the payroll office before it is given to the designated representative for distribution. The large volume of employees now on direct deposit also curtails checks being lost.”

Auditor Comment: Comptroller’s Directive #13 requires “Every transfer of payroll checks. . . must be evidenced by the recipient’s signature.” Although HHC does not adhere to this directive, requiring signatures for paychecks would enhance the internal controls over payroll distribution and is a good business practice.

6. Ensure that undistributed checks are returned to the Payroll Department at the end of the payday.

HHC Response: “A memo was issued dated 6/19/03 to reinforce this practice. At the end of each payday, the department supervisor or designee will return undistributed paychecks/advice to the Payroll Department. *Please see Exhibit 1.*”

7. Ensure that employees fill in their timesheets daily.

HHC Response: “A memo was issued dated 6/19/03 to reinforce this practice. The Department Directors will ensure all timesheets are signed by the employees and approved by their supervisors before they are delivered to the Payroll Department. *Please see Exhibit 1.*”

8. Ensure that timesheets are kept where the timekeeper or a supervisor can view employees signing in and out.

HHC Response: “A memo was issued dated 6/19/03 to reinforce this practice. The Department Director will ensure the timesheets are within view of the timekeeper or designee. *Please see Exhibit 1.*”

Incomplete Timekeeping Documents

All employees must fill out timesheets daily. The timesheet is used to record the time employees’ start and end work, their leave use, overtime worked, and compensatory time accrued. This information is used to calculate the employee leave balances and to generate paychecks. An employee is also required to complete a Request for Leave of Absence form when leave is requested. The employee’s supervisor must approve the Request for Leave of Absence form, and the Payroll Department should receive these slips before payday.

We reviewed the timekeeping documents for the 40 sampled employees for the pay periods January 17, 2003 and January 31, 2003. We found that the information on the timesheets accurately reflected the use of annual and sick leave. However, some of the timesheets were not signed.

Lack of Signatures on Timesheets

According to the Coney Island Hospital policies and procedures, the supervisor’s signature on the weekly timesheet constitutes authorization and approval of the work schedule, the days and hours actually worked, and the employee’s actual reporting time.

During our review of 160 timesheets for the period December 29, 2002 to January 25, 2003, there were four instances in which the employees did not sign their timesheets but the supervisor approved the timesheets anyway. We also found one instance in which the employee and the supervisor did not sign the timesheet. Although there were no signatures on these timesheets, the employees received their paychecks. Although these occurrences are infrequent, the fact that someone would approve an unsigned timesheet or that a timesheet would contain no signatures, and these timesheets would still be processed is of concern. As a result of this practice, employees may be compensated for time not worked, or inaccurate information may be reported on the timesheets.

Recommendation

Coney Island Hospital should:

9. Ensure that all timesheets are signed and authorized.

HHC Response: “A memo was issued dated 6/19/03 to reinforce this practice. The Department Directors will ensure all timesheets are signed by the employees and approved by their supervisors before they are delivered to the Payroll Department. *Please see Exhibit 1.*”



Benjamin Chu, M.D., M.P.H.
President

Control No. OIA 03-73

June 26, 2003

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy and Contracts
The City of New York Office of Comptroller
1 Centre Street, Room 1100 North
New York, New York 10007-2341

**RE: DRAFT AUDIT REPORT ON THE CONTROLS OVER PERSONNEL, PAYROLL, AND
TIMEKEEPING AT CONEY ISLAND HOSPITAL (Audit # MG03-142A)**

Dear Mr. Brooks:

Thank you for the opportunity to respond to the draft audit report concerning the Corporation's controls over Personnel, Payroll and Timekeeping at Coney Island Hospital. I was pleased to read that appropriate practices and procedures are maintained at Coney Island Hospital to correctly calculate, accrue, document and approve employees' leave balances as specified in HHC's leave regulations, and payroll taxes were calculated accurately and deductions were correctly applied.

With the exception of several minor issues the Facility generally maintains good control over these payroll and timekeeping functions. However, the auditors have provided some useful recommendations and the Facility has taken steps to implement additional controls that will improve the Facility's operation and the maintenance of the voluminous paperwork filed by our Human Resources Department.

Regarding the Corporate Plan of Titles, it is not HHC's intent to increase salary maximums for the small number of employees that may have exceeded the salary caps during your review. Generally employees may exceed the caps for various reasons including justifiable exceptions, collective bargaining, longevity, merit, contractual and managerial increases.

Your audit also stated that none of the 40 folders contained all the required documents that Coney Island Hospital specified on its [check] list. As explained at the exit conference this check list is not utilized to identify all documents to be maintained in an employee folder. It does not apply to all employees and the maintenance of certain documents depends on the date of employment and existing operating procedures at the relevant point in time. Therefore, the related recommendation will not be implemented.

In addition, the recommendation to require all employees to sign for their check or advice is an unnecessary additional administrative step. There are enough compensating controls within the Facility's processes and the banking system that would prevent an employee from claiming they did not receive their check. Moreover,

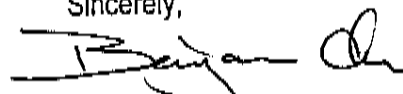
most employees are now on direct deposit and the Facility has not encountered any problems with their current procedure.

We have also included with our response, documentation for annual physicals for two employees mentioned in your report that transferred from the affiliate to the hospital. Their documentation was not in their respective folders but was maintained in the Employee Health Services Department (**Attachment III**).

Attachment I is the Facility's detailed response. **Attachment II** is the Audit Implementation Plan, which addresses all the recommendations cited in the report.

Should you have any questions concerning this response, please contact Mr. Alex Scoufaras, Assistant Vice President, Internal Audits at (212) 730-3123.

Sincerely,



Benjamin K. Chu, M.D.

Enclosures

CC: F. J. Cirillo, Senior Vice President, Operations
W. Walsh, Senior Vice President, Southern Brooklyn/Staten Island Network
P. Wolf, Chief Operating Officer/CFO, Coney Island Hospital
D. Cates, Chief of Staff, Office of the President
A. Scoufaras, Assistant Vice President, Office of Internal Audits
K. McGrath, Corporate Director, Communications and Marketing
D. Frimer, Controller, Coney Island Hospital
J. Cammarata, Associate Executive Director, Human Resources
D. Baines, Audit Manager, NYC Office of the Comptroller
T. Leary, Audit Supervisor, NYC Office of the Comptroller
R. Bernstein, Audit Liaison, Mayor's Office of Operations



ATTACHMENT I

CONEY ISLAND HOSPITAL

PETER N. WOLF
Chief Operating Officer

2601 OCEAN PARKWAY
BROOKLYN, NEW YORK, 11235
TEL. 718.616.4100

June 23, 2003

MEMORANDUM

TO: Alex Scoufaras
Assistant Vice President

FROM: Peter N. Wolf *Peter N. Wolf*

SUBJECT: **NEW YORK CITY COMPTROLLER'S
AUDIT OF CONEY ISLAND HOSPITAL
HR/PAYROLL**

Concerning recommendation #3, Coney Island Hospital cannot change a corporate policy reflecting the corporate plan of titles and current salaries. I would appreciate you forwarding this recommendation to the appropriate central office staff.

In addition, there is no HHC policy regulating employees to sign for their checks. Coney Island Hospital does follow a procedure to ensure paychecks are picked up, signed for and distributed by the same individual and we maintain proper controls on this system.

Further, the two (2) PC rollovers which did not demonstrate evidence of a physical in the HHC personnel folder did, in fact, have evidence of such in the employees' folders in the Employee Health Service Department; personnel folders have extension folders residing in EHS, staff development, and, in some cases, in the departments where employees work because of the type of data kept.

All other recommendations are attached with backup data.

Thank you.

PNW/sab

cc: Walter Otero, Assistant Director - Internal Audit

INFORMATION BULLETIN

CONEY ISLAND HOSPITAL
2601 Ocean Parkway
Brooklyn, New York 11235

EXHIBIT I

Issue Date: 6/19/03	Eff. Date: 6/19/03
------------------------	-----------------------

APPROVED BY: Geraldine Jerahyn, Payroll Mgr.

SUBJECT: Paychecks and Timekeeping Procedures

Process for distribution of paychecks and timekeeping procedures are as follows:

- 1) Paychecks are to be signed for and released from the Payroll Department to an authorized representative from each department on payday. These checks and/or direct deposit advices are to be hand delivered to each employee. All undistributed paychecks/advices **MUST** be returned to the Payroll Department at the end of each payday together with the paycheck listing. Employees picking up checks in payroll must bring proper ID and sign for his/her check acknowledging receipt.
- 2) All timesheets should be within view of a Timekeeper or Supervisor.
- 3) Employees are required to fill in timesheets **DAILY** completing each week with his/her signature and attaching to the timesheet and HHC-1900 request for leave of absence (AKA SR-70) if applicable.
- 4) The supervisor's signature on the weekly timesheet constitutes authorization and approval of the work schedule, the days and hours actually worked, and the employee's actual reporting time.

It is requested to have all completed timesheets with appropriate documentation in payroll by **MONDAY** of each week.

DISTRIBUTION

- CODE A - Administration
- CODE B - Chairmen of Departments
- CODE D - Directors of Service
- CODE F - Deputy, Associate & Assistant Directors of Nursing
- CODE G - Department Heads and Coordinators

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II
PART A

Audit Title: Audit Report on the Controls over Personnel, Payroll and Timekeeping at Coney Island Hospital Date: June 13, 2003 Audit Agency: Office of the Comptroller
Bureau of Management Audit
Agency: NYCHHC (OIA 03-73) Audit Date: _____ Audit No: MG03-142A OMB Control No: _____

RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT	METHODS/PROCEDURES	IMPLEMENTATION TARGET DATE	PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE
Recommendation # 1 Coney Island Hospital should ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders. Pg. 8	See page 4		
Recommendation # 2 Coney Island Hospital should ensure that records for updated annual physicals, mandated in-service trainings and performance evaluations are completed and included in the personnel folder. Pg. 8	The HR Director will ensure that all employee folders will be reviewed for annual physicals, mandated in-service training and performance evaluations commencing June 25, 2003. All 2400 folders will be completed by September 15, 2003.	9/15/2003	Enhanced Control
Recommendation # 3 HHC should update the Corporate Plan of Titles to reflect the current salary ranges. Pg. 10	See page 3		
Recommendation # 4 Coney Island Hospital should ensure that written justification is submitted when requests for merit increases are made. Pg. 10	Commencing immediately, the HR Director will ensure that all requests for merit salary increase will require appropriate justification, including increased responsibilities which will be filed in the HR folder.	7/1/2003	Enhanced Accountability
Recommendation # 5 Coney Island Hospital should require that, in addition to the timekeepers signing for the payroll checks, each employee should sign for his or her own paycheck. Pg. 10	See page 4		

ATTACHMENT II
PART A

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

Audit Title: Audit Report on the Controls over Personnel, Payroll and Timekeeping at Coney Island Hospital Date: June 13, 2003 Audit Agency: Office of the Comptroller
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RECOMMENDATION WITH WHICH THE AGENCY AGREES AND INTENDS TO IMPLEMENT	METHODS/PROCEDURES	IMPLEMENTATION TARGET DATE	PROGRAM IMPROVEMENTS/DOLLARS SAVINGS INCREASED REVENUE WITH TIME TABLE
<p>Recommendation # 6 Coney Island Hospital should ensure that undistributed checks are returned to the Payroll Department at the end of the payday. Pg. 10</p>	<p>A memo was issued dated 6/19/03 to reinforce this practice. At the end of each payday, the department supervisor or designee will return undistributed paychecks/advice to the Payroll Department. <i>Please see Exhibit 1</i></p>	<p>Completed</p>	<p>Enhanced Control</p>
<p>Recommendation # 7 Coney Island Hospital should ensure that employees fill in their timesheets daily. Pg. 10</p>	<p>A memo was issued dated 6/19/03 to reinforce this practice. The Department Directors will ensure all timesheets are signed by the employees and approved by their supervisors before they are delivered to the Payroll Department. <i>Please see Exhibit 1</i></p>	<p>Completed</p>	<p>Enhanced Control</p>
<p>Recommendation # 8 Coney Island Hospital should ensure that timesheets are kept where the timekeeper or a supervisor can view employees signing in and out. Pg. 10</p>	<p>A memo was issued dated 6/19/03 to reinforce this practice. The Department Director will ensure the timesheets are within view of the timekeeper or designee. <i>Please see Exhibit 1</i></p>	<p>Completed</p>	<p>Enhanced Control</p>
<p>Recommendation # 9 Coney Island Hospital should ensure that all timesheets are signed and authorized. Pg. 11</p>	<p>A memo was issued dated 6/19/03 to reinforce this practice. The Department Directors will ensure all timesheets are signed by the employees and approved by their supervisors before they are delivered to the Payroll Department. <i>Please see Exhibit 1</i></p>	<p>Completed</p>	<p>Enhanced Control</p>

MAYOR'S OFFICE OF OPERATIONS
AUDIT COORDINATION AND REVIEW
AUDIT IMPLEMENTATION PLAN

ATTACHMENT II
PART B

Audit Title: Audit Report on the Controls over Personnel, Payroll and Timekeeping at Coney Island Hospital Date: June 13, 2003 Audit Agency: Office of the Comptroller
Bureau of Management Audit
Agency: NYCHRC (DIA 03-73) Audit Date: _____ Audit No: MG03-147A OMB Control No: _____

RECOMMENDATIONS WITH WHICH THE AGENCY AGREES BUT IS UNABLE TO IMPLEMENT	REASONS FOR INABILITY TO IMPLEMENT	WHAT IS NEEDED TO ALLOW FOR IMPLEMENTATION (RESOURCES, PERSONNEL, LEGISLATION, LEGAL OPINION, ETC.)
<p>Recommendation # 3 HHC should update the Corporate Plan of Titles to reflect the current salary ranges. Pg. 10</p>	<p>This is not a local function.</p>	<p>It is the responsibility of HHC to amend its policy of salary ranges and corporate titles as they are reflected at Coney Island Hospital.</p>

MAYOR'S OFFICE OF OPERATIONS
 AUDIT COORDINATION AND REVIEW
 AUDIT IMPLEMENTATION PLAN

ATTACHMENT II
 PART C

Audit Title: Audit Report on the Controls over Personnel, Payroll and Timekeeping at Coney Island Hospital Date: June 13, 2003 Audit Agency: Office of the Comptroller
 Bureau of Management Audit
 Agency: NYCHHC (OIA 03-73) Audit Date: _____ Audit No: MG03-142A OMB Control No: _____

RECOMMENDATIONS WITH WHICH THE AGENCY DISAGREES AND DOES NOT INTEND TO IMPLEMENT	REASONS FOR DISAGREEMENT AND REFUSAL TO IMPLEMENT
<p>Recommendation # 1 Coney Island Hospital should ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders. Pg. 8</p>	<p>The HR Department reviews all folders prior to the employee's appointment to work. Please note, not all items on the check list apply to all employees.</p>
<p>Recommendation # 5 Coney Island Hospital should require that, in addition to the timekeepers signing for the payroll checks, each employee should sign for his or her own paycheck. Pg. 10</p>	<p>There is no policy and procedure requiring employees to sign for their paychecks. Coney Island Hospital has not encountered any problems with their current procedure. Checks that are lost are for the most part the fault of the employee losing the paycheck after received. The payroll department accounts for each check and advice that leaves the payroll office before it is given to the designated representative for distribution. The large volume of employees now on direct deposit also curtails checks being lost.</p>

ATTACHMENT III



CONEY ISLAND HOSPITAL

2601 Ocean Parkway
Brooklyn, New York 11235
Tel.718.616.3000

EMPLOYEES HEALTH SERVICE

Dr. /Mr. /Ms. [redacted] has completed
his /her Annual Health Review on 8/18/02. He/She
is free of active communicable diseases and is medically
and physically fit to perform his/her duties.

A. TAL, M.D. EHS
#010140

Signature: _____ M.D.

Date: 4/10/03

H.H.C. Personnel Copy -White P.C. Human Resources Copy-Yellow Medical Board Copy-Blue



CONEY ISLAND HOSPITAL

2601 Ocean Parkway
Brooklyn, New York 11235
Tel.718.616.3000

EMPLOYEES HEALTH SERVICE

Dr. /Mr. /Ms. [redacted] has completed
his /her Annual Health Review on 3/12/03. He/She
is free of active communicable diseases and is medically
and physically fit to perform his/her duties.

Signature: A. TAL, M.D. EHS M.D.

Date: 3/13/03

H.H.C. Personnel Copy -White P.C. Human Resources Copy-Yellow Medical Board Copy-Blue