

Board member's firm given award

UCP security contract raises conflict of interest specter

By ANEMONA HARTOCOLLIS

United Cerebral Palsy Association of New York State, a charitable agency serving the mentally retarded, has awarded a \$260,000 subcontract paid for by Medicaid to a business owned by a member of the agency's board of directors, the Advance has learned.

The agency concealed the possible conflict of interest involved in the subcontract when it submitted a required financial report in March to

the state Office for Mental Retardation and Developmental Disabilities.

J. Kevin Meneilley, the vice president for finance of the United Cerebral Palsy board of directors, owns and operates a firm based in Jericho, L.I., that was hired by the agency to provide security guards at an institution the agency runs in Willowbrook.

Meneilley's firm, L&M Security Services Inc., has held the subcontract every year since 1978.

"Certainly we will pressure United Cerebral Palsy to terminate that arrangement," Kevin Travis, deputy commissioner of quality assurance in the state Office for Mental Retardation, said after an inquiry by the Advance brought Meneilley's dual role in the security firm and the agency to his attention.

United Cerebral Palsy supplies more than one-quarter of the income reported by L&M Security. But employees of both the agency and the security firm said L&M Se-

curity functions as little more than a bureaucratic front, neither selecting nor training the guards assigned to the agency.

Medicaid, a program of funding derived in equal parts from state and federal taxpayer revenues, reimburses United Cerebral Palsy for the expense of the subcontract.

The security service primarily covers the agency's largest facility, the Karl D. Warner Center in Willowbrook. Located on an isolated woodland tract, the facility houses

and treats 450 mentally retarded children and adults in seven buildings connected by winding passageways.

A private, non-profit agency, United Cerebral Palsy administers a \$31-million budget, consisting almost entirely of government grants authorized by the state Office for Mental Retardation.

During a two-month investigation by the Advance, parents of the mentally retarded, agency employees and internal documents have raised

serious questions about the accountability and fiscal management of United Cerebral Palsy Association of New York State.

United Cerebral Palsy failed to disclose Meneilley's dual responsibilities as a member of the agency's board of directors and the head of L&M Security when it filed an annual Medicaid cost report with the state March 11.

The report required United Cerebral Palsy to declare whether it was

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engaging in any "non-arm's length arrangements" with subcontractors — meaning any overlapping ownership or control of services. The agency wrote "No," according to state investigative sources.

In addition, the agency omitted Meneilley's name both from a list of its officers included in the report and from the section of the bulky financial forms detailing security services, the investigators said.

The financial report contains a clause warning that "misrepresentation of any information is punishable by fine and/or imprisonment under the New York State Law."

"On the surface, it seems to be a less than completely honest approach," Travis, the deputy state commissioner, said of the annual report.

Submitted by Joseph F. Tyrian, the agency's comptroller, to the Medicaid Program Bureau of the Office for Mental Retardation, the report covered the agency's expenses from September 1979 to August 1980.

Walter Rosenthal, a spokesman for United Cerebral Palsy, said he "could not explain" why the agency did not reveal its business link with Meneilley when it filed the annual cost report.

Meneilley failed to respond to repeated telephone messages asking for comment, left with his secretary. A practicing attorney, Meneilley has his law office at the same



J. Kevin Meneilley

address as the security firm.

Federal regulations governing the Medicaid program do not flatly forbid business transactions between related parties. Earning a profit

from such transaction, however, does constitute a violation.

Travis said the state has retained a private auditor, Deloitte, Haskins & Sells, to scrutinize the agency's ledgers. He said the auditors, who are just starting the job, will include transactions with L&M Security in their probe.

If a profit were confirmed, the security firm would be obliged to make restitution to the Medicaid program, he said.

"Generally, you would like to stay away from any type of incestuous relationship," Travis said. "Whether or not there's actual benefit being derived for an individual in doing this I don't think is the issue. I think the public would expect in the public sector for people not to be caught in that type of situation. It doesn't look good."

Schornhorn expressed nonchalance about doing business with Meneilley, saying, "We have a thing about board members and contracts, but only if they're competitive." He said L&M Security quoted the lowest of three bids on security services, although he said his office had not kept a record of the bids.

One of 40 accounts held by the security company, United Cerebral Palsy generates a disproportionately high fraction — more than one-quarter — of the company's total sales. L&M Security reports annual sales of \$1.2 million, according to Dun & Bradstreet, the corporate data center.



Robert Schonhorn

Employees of the Karl D. Warner Center say whole crates of toothpaste, deodorant, linen, appliances and other supplies disappear

through theft from the institution. A state investigator says, only half-joking, that motel-style towels belonging to the institution mop up at carwashes all over Staten Island.

Rosenthal, the agency spokesman, declined to estimate the value of goods lost to theft. Security guards are responsible for personal safety as well as property at the institution, which has 1,200 employees.

In August 1980, an agency employee was arrested by police from the 122nd Precinct on charges of stealing Colgate toothpaste and Johnson's baby powder worth \$304, including the value of the handcart belonging to United Cerebral Palsy, with which he tried to trundle the goods away in.

While employees reportedly are responsible for some theft, Bob Young, the Warner Center chief of security, adds that strangers "are walking in and out of here like they own the frigging thing, and they got hundreds of doors to get out of, and all of them got keys."

Agency employees and administrators question the commitment of L&M Security to the facility. Theresa Rafferty, former director of the Warner Center, said she had recommended the use of free-lance guards as a cheaper and equally effective alternative to the security firm.

Medicaid reimburses L&M Security at a rate 51 percent higher than the cost of salaries for the guards, a margin intended to allow for administrative overhead.

But Young, the security chief, said he was hired as a private operator by United Cerebral Palsy, and L&M subsequently added him to its payroll. He said he went on to interview, recommend and train 17 guards, solicited through newspaper ads and word of mouth, while L&M supplied the remaining two men in the force.

The guards receive the federal minimum wage of \$3.35 an hour, while Medicaid reimburses \$5.05 per hour, Young said. The job does not pay fringe benefits. L&M Security bonds the guards, who are unarmed, and equips them with simple uniforms.

Schonhorn said Young gave an exaggerated account of his duties and that an officer of L&M Security did the actual hiring of guards for the Warner Center. He said he had "forgotten" the officer's name, and he failed to respond to a subsequent request for the name.

United Cerebral Palsy apparently owes \$264,421 to L&M Security for 1980, according to Al Vandelloo, associate auditor of medical facilities in the Office for Mental Retardation. But Vandelloo said the dollar figure, while labeled as security services, was not explicitly attributed to L&M Security in the agency's annual report, so it was "impossible" to be sure it represented the subcontract.

(Third article in a six-part series.)

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