

agency, at prices up to 74 percent above retail value.

The agency receives a \$275 Medicaid grant to cover the annual cost of each patient's clothing. But computerized financial records showed money from the patients' personal bank accounts was frequently used to buy clothing from the boutique.

United Cerebral Palsy officials declined comment on the death during dental surgery. They said subcontracts were consistently awarded to the lowest bidder. While acknowledging the use of personal funds to buy clothing, agency offi-

cials said the boutique generally marked up prices no higher than 22 percent above the cost to the agency.

An independent audit of United Cerebral Palsy was ordered earlier this year by the Office for Mental Retardation, and officials said the auditors have been instructed to focus on questions raised by the articles.

"We're not going to treat these reports casually, we are going to get to the bottom of this," said Deputy Commissioner Kevin Travis. "If the charges are true, they could be considered serious. We're dealing

with the public trust and public money."

Mrs. Connelly said she planned to propose a hearing involving both chambers of the Legislature. "I'll be on the phone with Frank Padavan tomorrow, to see what he thinks," she said. Sen. Padavan, R-Queens, chairs the state Senate Committee on Mental Hygiene.

Padavan was in Washington, D.C., yesterday, where he could not be reached for comment.

James E. Introne, the state's commissioner of mental retardation, said even without the articles the state eventually would have

caught up with any possible imperfections in United Cerebral Palsy operations.

"Our regulators usually find things after the fact," he said yesterday. "We just don't have the kind of manpower or processing that allows ongoing auditing."

Introne conceded that under the current system it is possible for private agencies serving the mentally retarded to overbill for Medicaid funds. He said the state has hired an outside consultant, Alexander Grant & Co., to devise a method of improving fiscal accountability until an audit can take place.

copy 2 of 2