

Nassau County
Office of the Comptroller



Follow-up Review of
Nassau Health Care Corporation

GEORGE MARAGOS

Comptroller

March 18, 2014

NASSAU COUNTY
OFFICE OF THE COMPTROLLER

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Executive Summary

Introduction

Nassau Health Care Corporation (“NHCC”) is a public benefit corporation created in 1997 for the purpose of acquiring and operating the health facilities that were formerly part of Nassau County Government. The acquisition was funded through the issuance of NHCC bonds and any default by the NHCC of its debt service will likely result in the County having to assume its obligation to the debt holders.

NHCC operates the 530-bed Nassau University Medical Center (“NUMC”), the 589-bed A. Holly Patterson Extended Care Facility (“AHP”), and a Faculty Practice Plan (“FPP”). It operates in conjunction with the Long Island Federally Qualified Health Center, Inc. (“LIFQHC”) to administer four treatment centers and one school-based clinic.

Purpose

The major objective of the audit was to follow up on our previous audit of 2010 which had findings on hospital billing and collections, adherence to time and leave policies, NHCC adherence to their procurement policy and a lack of controls over employee usage of both NHCC automobiles and gas used in employees’ vehicles.

Key Findings

- Our prior audit noted \$6.5 million of unbilled gross charges that had not been billed to insurance providers or patients because of missing patient information and pre-billing errors. Our follow up noted a significant decrease in the unbilled patient account balance because NHCC had made some improvements in reducing pre-billing errors but mostly because NHCC wrote off a huge amount of old gross charges (\$7.9 million during the two years 2011 – 2012).

NHCC states that management has effectively controlled pre-billing errors by running the *Open Visit Report* daily (previously done weekly) and by hiring a Family Practice Plan Director to monitor billings and denials. Although the error rate dropped, NHCC did not respond to our request for a reconciliation. Therefore, the auditors were not able to determine if the errors were corrected or were removed because of their duration on the report.

- NHCC still continues to add amendments to a 2009 contract without competitive bidding. Although NHCC used competitive bidding to properly award a 2009, \$250,000 contract to Deloitte & Touche Consulting, Inc. (“D&T”), NHCC has added numerous and significant amendments changing the services of the original contract. Our prior audit found four amendments ranging from \$180,000 to \$3.2 million. Our follow up found two more, one which also covered entirely different services. D&T has been paid a total of

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\$4.5 million. The use of D&T to assess NHCC's financial and operational needs and make recommendations for additional services appears to be a conflict of interest and outside proposals should have been obtained and reviewed.

- Our prior audit found that D&T implemented a denial management system tool (“DMT”) for NHCC under a contract that also awarded contingency fees to them based upon estimated benefit formulas that were also developed by D&T. Although this agreement with D&T has now ended, during our follow-up review period, NHCC continued to pay contingency fees to D&T without evidence that benefits were realized. This amounted to an additional \$2.7 million to D&T for June 2010 – December 2012 for financial improvements not substantiated. In addition, NHCC did not obtain supporting documentation before paying out-of-pocket fees for transportation, hotel, and meals of \$35,156. It was also noted that employees handling inpatient Medicaid denials did not use the DMT to resolve denials.
- Our prior audit noted that NHCC did not comply with its procurement policy and pre-contract process, called the LD 200 process¹. We noted the files lacked support that contracts were competitively bid or that the public was notified of the bid process. We also found that contracts were not always approved before being executed. The follow-up review found continued lack of compliance with the pre-contract approval process and incomplete contract files.
- Our prior audit revealed that claim vouchers were approved and paid without adequate supporting documentation. In some cases, the vendors did not comply with contract terms. Our follow-up review found that NHCC still does not have written procedures to ensure that claim vouchers are complete, accurate and approved by department heads. Our review identified similar irregularities compared to the prior audit, including missing vouchers, lack of compliance with contract terms and an improper approval.
- The prior audit revealed that NHCC did not have written policies and procedures for the development of the NHCC Capital Budget. We also noted unsupported expenditures for two items in the Operating and Capital budget. Our follow-up review revealed that NHCC still does not have written policies and procedures for development of the Capital Budget.
- Our follow-up review found there still is a lack of management oversight of non-medical employees' overtime. Testing revealed numerous missing approval documents,

¹ The LD 200 Form informs the hospital's Board of Directors about a need and the selection of a vendor who is capable of fulfilling that need. It is prepared by the Department Head seeking to engage a vendor to provide goods or services. The requestor is required to document the goods or services that are needed, why and how the vendor was chosen, how that vendor can help fulfill the hospital's need and the vendor's fee. The LD 200 Form must be approved before a contract is executed and signed.

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employees paid for more overtime hours than what was shown in the timekeeping system and certain engineering staff overtime amounts equal to 80-124% of their regular pay. NHCC has centralized timekeeping functions to ensure uniformity.

- NHCC continues to overbill Nassau County for termination pay. The overcharges result from duplicate billing, termination pay not related to County employment and the incorrect accrual of time.
- Our current review found severed employees were still being underpaid in vacation and sick payments. We found that the majority of the processes remained manual and were not being adequately reviewed. NHCC also failed to repay underpaid employees noted in the previous audit.
- Our prior review revealed that NHCC management did not enforce its fueling procedures allowing unauthorized vehicles and drivers to fuel vehicles, including the personal vehicle belonging to a Vice President. The follow-up review found that the V.P. no longer fuels his personal vehicle; however, we did find other instances of non-compliance. These were numerous entries on the fuel log that did not align with vehicle specifications and capacities. Gallons of gas were being attributed to a vehicle in an amount greater than its capacity and gas was being logged to a diesel vehicle. These were explained as gas can fill-ups for groundskeepers. At the time of our review, NHCC did not check motor vehicle records for employees who drive a hospital vehicle.
- Our prior review found that AHP's fuel inventory was not monitored to safeguard against theft or ground contamination which may result from leaking tanks. Our follow-up review found that NHCC implemented a fuel monitoring tool, to capture monthly pump meter readings, gallons pumped and total gallons used as per the fuel usage logs. However, auditors reviewed these fuel inventory reconciliations and found them incomplete.

Key Recommendations:

- We recommend that NHCC management improve managerial oversight of pre-billing errors and outpatient registrations to ensure more timely resolution of open visits and unbilled accounts thereby increasing collections.
- We recommend that NHCC comply with its procurement policy to ensure that all contracts greater than \$50,000 are procured through a competitive bidding process and cease its practice of amending existing contracts when entering into agreements for new services.

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- We recommend that NHCC management develop and disseminate written procedures to ensure that all claim vouchers are complete and accurate prior to payment. All vendor claims should be reviewed and approved by department heads prior to being forwarded to Accounts Payable for processing. Invoices should be compared to contract terms and the receipt of goods and services should be verified.
- We recommend that NHCC management ensure that the NHCC Finance Department maintains supporting documentation for all Operating and Capital Budget line items and promulgates a written Capital Budget policy.
- We recommend that NHCC ensure that adequate staffing levels exist in order to minimize the need for excessive overtime; employees take mealtimes in accordance with New York State Labor Law and NHCC adhere to the timekeeping procedures contained in the Human Resource Bulletin.
- We recommend that NHCC management develop controls to reduce overbilling errors to ensure that the County is billed correctly for termination pay in accordance with the Acquisition Agreement.
- We recommend that NHCC management develop adequate procedures to ensure that severed employees are paid correctly for unused vacation and sick leave.
- We recommend that NHCC management ensure adherence to its Fuel and Motor Vehicle Policy.
- We recommend that NHCC management ensure proper oversight of the fuel inventory, including performing a complete fuel reconciliation process and report; to adequately safeguard fuel supplies and to prevent ground contamination resulting from leaking tanks.

The matters in this report have been discussed with the management of NHCC. A draft of this report was sent to NHCC for their response. Their comments and our follow-up to their comments are included at the end of this report.

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Introduction

Background

Nassau Health Care Corporation (“NHCC”) is a public benefit corporation created in 1997 by an act of the New York State Legislature for the purpose of acquiring and operating the health facilities of Nassau County. The acquisition was funded through the issuance of NHCC bonds, which are insured and guaranteed by the County. Consequently, any default by the NHCC of its debt service will likely result in the County having to assume its obligation to the debt holders.

NHCC operates the 530-bed Nassau University Medical Center (“NUMC”), the 589-bed A. Holly Patterson Extended Care Facility (“AHP”), and a Faculty Practice Plan (“FPP”). It operates in conjunction with the Long Island Federally Qualified Health Center, Inc. (“LIFQHC”) to administrate four treatment centers and one school-based clinic.

NHCC is included as a discreetly presented component unit in the general-purpose financial statements of the County Comprehensive Annual Financial Report (“CAFR”). Exhibit 1 summarizes key financial data for 2010, 2011 and 2012. The Board of Directors of NHCC consists of fifteen voting and three nonvoting directors. Of the 15 voting directors, 8 are appointed by the New York State Governor, 4 by the County Legislature, and 3 by the County Executive. The County Executive appoints one of the voting directors as Chairman of the Board.

Exhibit 1

NHCC Key Financial Data 2010-2012

	<u>In Thousands (000's)</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenue	\$ 517,545	\$ 491,240	\$ 520,108
Operating Expenses	<u>520,071</u>	<u>536,735</u>	<u>519,462</u>
(Deficiency) Excess of Revenue over Expenses	\$ (2,526)	\$ (45,495)	\$ 646
Other Operating Items	\$ (44,821)	\$ (101,218)	\$ (52,644)
Grants - Capital Acquisitions & Retired Long-Term Debt	<u>2,735</u>	<u>944</u>	<u>13,794</u>
Subtotal	\$ (42,086)	\$ (100,274)	\$ (38,850)
Operating (Loss) Gain	<u>\$ (44,612)</u>	<u>\$ (145,769)</u>	<u>\$ (38,204)</u>
Total Assets	\$ 395,988	\$ 384,560	\$ 461,741
Total Liabilities	\$ 749,610	\$ 693,570	\$ 624,982
Debt	\$ 251,832	\$ 256,647	\$ 259,085

Total transactions with the County in 2012, 2011 and 2010 amounted to \$42 million, \$52 million and \$62 million, respectively, as illustrated in Exhibit 2.

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Exhibit 2

Revenue Earned from Nassau County *

	<u>(In Thousands)</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Patient Care	\$ 2,190	\$ 5,525	\$ 7,626
Space Charges	1,156	1,325	1,857
Non-patient Care	6,957	14,282	22,089
Health Insurance for Retiree Charges	10,241	9,263	8,237
Intergovernmental Transfer – County	13,000	13,000	13,000
Article VI Health Center Subsidies	5,000	5,000	5,000
Subtotal	<u>\$ 38,544</u>	<u>\$ 48,395</u>	<u>\$ 57,809</u>
<u>County Pass-Through Transactions:</u>			
Amounts Paid on Behalf of the County	\$ 2,522	\$ 2,193	\$ 2,949
Amounts Collected by the County (State Aid & Other)	1,329	1,370	1,541
Subtotal	<u>\$ 3,851</u>	<u>\$ 3,563</u>	<u>\$ 4,490</u>
Total Transactions with the County	<u>\$ 42,395</u>	<u>\$ 51,958</u>	<u>\$ 62,299</u>

* Source: Notes to NHCC Consolidated Financial Statements

A prior report of the Comptroller's Office² issued in March 2011 found the following:

- NHCC lost revenue due to billing errors and missing patient registration information.
- Contracts were awarded without competitive bidding and with a possible conflict of interest.
- Contingency fees were paid to a consultant without proper support and NHCC failed to adhere to policies covering time and leave.

Audit Scope, Objectives, and Methodology

The objective of this audit was to follow up on the actions taken by Nassau Health Care Corporation to address the prior audit recommendations.

The audit covers the period 2010 through 2012 and includes the review and/or testing of:

- patient billing records for timely submissions and write-offs;
- time and leave records for compliance with policy;
- current contracts and compliance with procurement policies;
- use of fuel by employees and compliance with fuel procedures; and
- severance payments for terminated employees and compliance with the Acquisition Agreement.

² Nassau County Office of the Comptroller, Limited Review of Nassau Health Care Corporation, March 2011.
http://www.nassaucountyny.gov/agencies/Comptroller/Audits/documents/NHCCFINALreport_3_29_11.pdf.

Introduction

We reviewed written policies, procedures, applicable laws and interviewed NHCC personnel. We examined documents and other available evidence to substantiate the accuracy of the information reviewed, including all relevant records and contracts. We tested compliance with applicable policies and procedures and performed other procedures necessary to complete the review.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

Findings and Recommendations

Audit Finding (1):

Patient Billing Requires Additional Improvement – Write-offs Due to Late Billing Totaled \$7.9 Million During the Audit Period

Summary of Prior Audit Finding (1)

As of December 31, 2009, Accumulated Pre-Billing Errors and Missing Patient Registration Information Resulted in NHCC having Unbilled Patient Services and Lost Gross Charges of \$3.5 to \$6.5 Million

Our prior audit found that NHCC's accounts receivable balance as of December 31, 2009 included unbilled inpatient and outpatient gross charges of \$6.5 million. These unbilled gross charges had not been billed to insurance providers or patients because of missing patient information and pre-billing errors. In many cases, untimely billing (classified as more than 90 days) resulted in insurance reimbursement denials. We estimated that \$3.5 million (\$2.5 million inpatient, \$1 million outpatient) of the \$6.5 million of unbilled patient gross charges at December 31, 2009 were no longer recoverable due to untimely billing.

Follow up - Current Status:

We reviewed NHCC's accounts receivable, cash receipts and adjustments as of December 31, 2011 and December 31, 2012. Our follow up noted a significant decrease in unbilled patient accounts on the accounts receivable aging. Although total unbilled patient gross charges decreased from \$6.5 million in 2009 to \$1.2 million in 2012, (see Exhibit 3) we noted from the cash receipts and adjustment file that NHCC wrote off \$3.9 million and \$4.0 million of patient charges in 2011 and 2012, respectively because of untimely billing. Of the \$1.2 million of unbilled charges noted in 2012 on the accounts receivable aging, we estimated \$593,000 to be unrecoverable.

Exhibit 3

Unbilled Patient Gross Charges

	<u>(In Thousands)</u>		
	<u>2012</u>	<u>2011</u>	<u>2009</u>
Inpatient	\$ 861	\$ 2,350	\$ 3,202
Outpatient	\$ 363	\$ 4,319	\$ 3,366
Unbilled Gross Charges	<u>\$ 1,224</u>	<u>\$ 6,669</u>	<u>\$ 6,568</u>
Unrecoverable in \$	<u>\$ 593</u>	<u>\$ 2,648</u>	<u>\$ 3,486</u>
% Unrecoverable	<u>48%</u>	<u>40%</u>	<u>53%</u>

Findings and Recommendations

Summary of Prior Audit Finding 1 (a)

Inpatient Pre-Billing Errors Were Not Effectively Corrected on a Timely Basis Resulting in Accumulated Gross Charges Loss of At Least \$2.5 million by 2009 Year End

In our prior audit report, we determined that management did not effectively utilize the controls in place to reduce and correct inpatient errors. We estimated that \$2.5 million of accounts receivable represented unrecoverable inpatient billing dollars as of December 31, 2009. In its proposed corrective action, the Hospital stated that many of the errors would be eliminated upon the implementation of full electronic medical records. The transition to electronic health records in the Ambulatory and Emergency Departments was expected to be completed before the end of 2011.

Follow up - Current Status:

Our review of a sample of *Inpatient Billing Delay Listing Reports* between July 2011 and December 2012 (four months in each year) revealed a significant reduction in pre-billing errors when compared to 2009. For example, as shown in Exhibit 4, our follow-up testing noted that errors for 35 visits with gross charges of \$522,212 were not corrected in a timely manner; whereas in 2009, we found errors for 108 visits with gross charges of \$1.5 million.

Exhibit 4

<u>PreBilling Errors</u>			
<u>Type of Error</u>	<u>Error Count</u>	<u>Estimated Charges</u>	<u>Age of Error</u>
Financial Class not Valid (Note 1)	11	\$110,303	3 Months
	1	\$8,913	8 Months
	2	\$27,944	9 Months
Principal Diagnosis Code Missing	11	\$165,602	4 Months
	1	\$14,274	6 Months
	1	\$12,449	11 Months
	1	\$33,917	13 Months
	1	\$21,424	16 Months
Required Medical Records Data Not Available	1	\$12,840	4 Months
CDC Charge Code (Note 2)	2	\$16,148	4 Months
Psych Room & Board Financial Class not Valid	2	\$27,821	4 Months
MCA Error- Managed Care Account (Note 3)	1	\$70,577	4 Months
Total	35	\$522,212	3-16 Months

Note 1 - The financial classes include all the health insurance providers and self-pays.

Note 2 - A payment was received on an unbilled account.

Note 3 - The patients were not linked together in the billing system.

Findings and Recommendations

We were unable to confirm whether, or to what extent, the transition to electronic records was implemented because NHCC did not respond to our request with regard to the status.

Although the correction of inpatient pre-billing errors improved, more work is necessary to ensure account errors are resolved and eliminated on a regular basis.

Summary of Prior Audit Findings 1(b) and 1(c)

1 (b) Outpatient Pre-Billing Errors from Incorrect Systems Implementation and Usage Resulted in Accumulated Gross Charges of \$934,280 through Year End 2009

1 (c) Management's Effectiveness to Control Pre-Billing Errors Worsened from 2009 to 2010

Our prior audit revealed a significant increase in outpatient pre-billing errors which contributed to the large number of unbilled patient visits as follows:

- The *Open Visit Report* was not fully compatible with the newly implemented MedAptus system.
- Physicians did not enter the required data into MedAptus in a timely fashion.
- The total dollar value of open visits and unbilled charges before the implementation of MedAptus went from \$707,000 for the periods January 2009 – April 2009 to \$7.2 million for the period of January 2010 – April 2010.
- The weekly *Missing Data/Element Report*, which identified prebilling errors, was not used effectively to reduce the number of registration errors.

In response to our prior audit, NHCC stated that work was being done to make the *Open Visit Report* compatible with MedAptus. NHCC also explained that MedAptus' real-time dashboard tracks the date patient billing information is entered and provides the Department Chairs with the ability to monitor compliance with billing requirements, including being notified when a physician does not enter charges in MedAptus on a timely basis. With respect to the *Missing Data/Element Report*, NHCC stated that it was modified and updated as needed and would continue to be used to identify areas where mistakes occur most frequently so that focused training could help to eliminate common and potentially costly errors.

Follow-up - Current Status:

NHCC did not respond to our request for an update on its effort to correct the flaws in the *Open Visit Report*. As a result, we could not determine the level of progress made, if any, or that the flaws were corrected. Furthermore, we requested that NHCC provide us with reports produced by MedAptus used to track the exact times of physician code entry, and reports obtained by the Department Chairs containing real-time dashboard data used to assess timely billing and monitor staff billing compliance. NHCC did not respond.

Findings and Recommendations

Our follow-up review also found that NHCC now runs the *Missing Data/Element Report* daily and the registration staff met frequently and corrected prebilling errors quickly. Our analysis of *Missing Data Element Reports* revealed that the percentage of errors to total visits fell from 2.4% as of May 14, 2012 to 0.1% as of November 26, 2012. In addition, we noted a large drop in missing data errors from patient visits. Errors declined from 5,856 as of May 14, 2012 to 259 as of November 26, 2012.

Although error rates dropped, we were unable to determine that the errors were resolved properly. For example, there was no control mechanism to ensure that errors did not accidentally drop off the report or were deleted or removed because of their duration on the report. NHCC did not respond to our request for a reconciliation showing how the visits on the *Missing Data Element Reports* were resolved.

Audit Recommendation(s):

We recommend that NHCC management:

- a) improve managerial oversight of pre-billing errors and outpatient registrations to ensure more timely resolution of open visits and unbilled accounts (*repeat recommendation*);
- b) establish procedures to make sure that physicians enter all outpatient visits and required information into MedAptus at the end of each visit. This will allow all patient visits to be captured and subsequently billed. In addition, all charge master codes in Eagle need to be updated regularly to ensure compatibility with the MedAptus codes (*repeat recommendation*);
- c) develop a reconciliation to track and determine how the missing data errors from the patient visits are resolved; and
- d) respond to the Office of the Comptroller's request for:
 - i. a status of the corrective action taken to ensure that the *Open Visit report* contains accurate information; and
 - ii. evidence to illustrate the use of the real-time dashboard and its effectiveness in monitoring billing compliance and timely billing.

Findings and Recommendations

Audit Finding (2):

Contracts Continue to Be Awarded Without Competitive Bidding

Summary of Prior Audit Finding (2)

Contract Awards without Competitive Bidding and with a Possible Conflict of Interest

Our prior audit commented on a \$250,000 contract that NHCC management entered into with Deloitte & Touche Consulting, Inc. (“D&T”) for the term May 2009 through August 2009. D&T was to provide a comprehensive assessment and analysis of NHCC’s financial and operational performance. This contract was procured through the competitive bidding process and was amended with D&T four times. The amendments were not procured through the competitive bidding process in accordance with NHCC’s policy for contracts above \$50,000. The cost of the four amendments ranged from \$180,000 to \$3.2 million and significantly changed the services of the original contract.

The prior finding focused on the amendment which covered the need for and implementation of D&T’s denial management system tool (“DMT”). In addition to these new services being outside the scope of the original contract, we noted the appearance of a possible conflict of interest. We commented that the same consultant should not recommend the need for services and also provide the service without an independent corroboration of the need for the services and a request for proposal (“RFP”) to ensure the best service is obtained. Further, NHCC management did not provide any evidence that an independent analysis was performed.

We recommended that NHCC comply with its procurement policy and cease its practice of amending existing contracts when entering into agreements for new services. NHCC disagreed with our findings and stated in its response that a conflict of interest did not exist.

Follow-up - Current Status:

Our follow-up review revealed that two more amendments (#5 and #6) were added to the D&T Consulting Contract without any competitive bidding. We determined that Amendment #6 covered entirely different services and the competitive bidding process was not followed. As of December 2012, NHCC has paid D&T a total of \$4.5 million.

“One of the goals of Competitive bidding requirements is to foster honest competition so that quality commodities and services are obtained at the lowest possible price. Competitive bidding also guards against favoritism, extravagance and fraud, while allowing interested vendors a fair

Findings and Recommendations

and equal opportunity to compete.”³

The two new amendments are as follows:

Amendment #5 - This amendment is to provide support services for the Revenue Cycle Application software, with fees not to exceed \$35,000. It is dated June 7, 2010 for the term May 2009 through August 2012. We determined that these services are within the scope of the original contract.

Amendment #6 - This amendment is to provide support services for the Clinical Documentation Excellence Program Assessment (“CDE Assessment”), with fees not to exceed \$70,000. It is dated November 1, 2010 for the term May 2009 through August 2012. These services are new and required D&T to do the following:

1. gather an understanding of NHCC's current environment through data analyses, chart reviews and interviews;
2. design and recommend an implementation strategy, including change management, for deploying a Clinical Documentation Excellence Program (“CDE”) specific to NHCC's needs; and
3. determine the financial, quality profiling and clinical impact of implementing a CDE program at NHCC.

Audit Recommendation(s):

We recommend that NHCC:

- a) comply with its procurement policy to ensure that all contracts greater than \$50,000 are procured through a competitive bidding process (*repeat recommendation*); and
- b) cease its practice of amending existing contracts when entering into agreements for new services (*repeat recommendation*).

Audit Finding (3):

NHCC Made Additional Payments Totaling \$ 2.7 Million to Consultant Without Support and the Substantiation of Actual Benefits Realized

Summary of Prior Audit Finding (3)

Contingency Fees Paid to Consultant Without Required Support

³ Section 5-5-1, Office of the New York State Comptroller, Local Government Management Guide; The Practice of Internal Controls.

Findings and Recommendations

Our prior audit noted that the contract with D&T to implement the DMT included contingency fees. We commented that NHCC pre-paid \$550,000 in contingency fees⁴ to D&T without evidence that financial improvement was achieved from the use of the DMT. The contingency fees were calculated based upon estimated benefit formulas that were also developed by D&T. Further, the DMT did not provide the data necessary for NHCC to quantify the financial improvement attributable to its use. We also noted that the NHCC employees responsible for overseeing its use were not aware of the method used by D&T to calculate the contingency fees. NHCC disagreed with our prior findings and did not agree to take any corrective action.

Follow-up - Current Status:

Our follow-up review revealed that NHCC continues to make payments to D&T without evidence of the actual benefit realized from the use of the DMT. As shown in Exhibit 5, NHCC paid an additional \$2.7 million to D&T from June 2010 – December 2012 for financial improvements which could not be substantiated. Our review of these fees also revealed the following:

- NHCC did not require or receive any supporting documentation before paying out of pocket fees for transportation, hotel, meals and other expenses of \$35,156.
- The employees handling inpatient Medicaid denials do not use the DMT to resolve inpatient denials; instead they work directly off the 835 electronic remittance reports⁵. This suggests that the DMT may not be as effective as originally thought in resolving Medicaid denials.
- NHCC has paid a total of \$6,125 for support services (Amendment #5). One of the issues noted from use of the tool was that “Old denials that were closed out are again showing up on the revenue recovery”. The DMT Revenue Recover software was implemented to improve the resolution of denials.
- NHCC was unable to match each paid invoice or the specific payment amounts to the corresponding contract amendment(s).

⁴ The contingency fees equaled 20% of every \$1 of project-related financial improvement, achieved from the use of the Denial Management Tool (“DMT”) up to a maximum of \$3,240,000.

⁵ 835 electronic remittance reports are sent by Medicaid, advising of the amounts paid and the portion denied.

Findings and Recommendations

Exhibit 5

Summary of Payments to Deloitte & Touche **Denial Management Tool** **2010-2012**

<u>Description of Fee</u>	<u>Amount</u>
Incentive and Recovery Fees	\$ 2,589,475
License Fees	63,000
Revenue Cycle Support	6,125
Out of Pocket Fees	<u>35,156</u>
Total DMT Related Payments	<u>\$ 2,693,756</u>

Audit Recommendation(s):

We recommend that NHCC:

- a) discontinue contingency fee payments to D&T until NHCC management has verified the accuracy of the claimed financial improvement derived from the DMT and where necessary, request a refund of unearned fees (*repeat recommendation*);
- b) should not agree to any future contingency fee arrangements that are based solely on the vendors assessment of the benefits to be realized, without independently determining their feasibility (*repeat recommendation*); and
- c) document the contract amendment(s) each D&T invoice relates to and be able to link payments to their respective contract term(s) and amendments.

Audit Finding (4):

Continued Lack of Compliance with Pre-Contract Approval Process and Incomplete Contract Files

Summary of Prior Audit Finding (4)

NHCC Violated its Personal/Professional Procurement Policy

Our prior audit noted that NHCC did not comply with its procurement policy and pre-contract process, called the LD 200 process⁶. We found that adherence to these policies was not

⁶ The LD 200 Form informs the hospital's Board of Directors about a need and the selection of a vendor who is capable of fulfilling that need. It is prepared by the Department Head seeking to engage a vendor to provide goods or services. The requestor is required to document the goods or services that are needed, why and how the vendor was chosen, how that vendor can help fulfill the hospital's need and the vendor's fee. The LD 200 Form must be approved before a contract is executed and signed.

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monitored and supporting documents could not always be found in the contract files. We noted the lack of proper department approvals to support that contracts were competitively bid prior to selecting the vendor or that the public was notified of the bid process. We also found that contracts were not always approved before being executed.

We recommended that NHCC management comply with its policy and procedures for the procurement of professional services and establish a process to ensure that all contracts folders are reviewed for compliance and completeness. NHCC disagreed with our prior finding and recommendations and stated that its procurement process contained sufficient checks and balances to ensure that each contract is properly procured and authorized.

Follow-up - Current Status:

Our follow-up review revealed that the NHCC did not always adhere to its pre-contract process which requires the LD 200 Form be completed prior to entering into a contract. In addition, contract folders did not always include all required documents.

We selected 14 contracts (10 professional service contracts, one goods and services contract and three sole source contracts). The selection included four contracts of \$50,000 or less, five contracts of greater than \$50,000 but less than \$250,000, and five contracts of greater than \$250,000. We found the following:

- One professional service contract for an unlimited dollar amount was approved after the contract was signed. The contract was executed and signed on December 21, 2010 whereas the LD 200 was completed afterwards, on March 3, 2011.
- NHCC's professional service contracts tend to have many amendments. There is no tracking tool to determine how many amendments each professional service contract possessed or when the original contract and each amendment is due for renewal; and
- NHCC does not require that all contract documents be retained in one folder. As a result, some contract folders may not contain all necessary documentation and there is no way to determine if missing documents are indeed missing or perhaps available at some other NHCC location. Allowing contract documents to be kept in several locations also increased the amount of time it took NHCC to find the documents we needed to perform our testing.

For example, the *Compliance 360 Coversheet for Contract Indexing* which includes information such as the type of contract, description of services, dollar amount, process selection and effective start and end dates was missing for seven of the fourteen contract folders reviewed.

Findings and Recommendations

Audit Recommendation(s):

We recommend that NHCC management:

- a) comply with its pre-contract procedures for the procurement of professional services by developing a quality assurance process to verify that no contracts are signed until the LD 200 Forms are prepared and approved and all files are complete (*repeat recommendation*);
- b) develop a tool to track all amendments, including the purpose of each amendment and the renewal dates; and
- c) require that all contract documentation be retained in one folder to ensure the completeness and accessibility of required documentation.

Audit Finding (5):

Claims Continue to Be Approved and Paid without Adequate Supporting Documentation

Summary of Prior Audit Finding (5)

Payment Vouchers are Approved and Paid without Complete Information or Adequate Supporting Documentation

Our prior audit revealed that claim vouchers were approved and paid without complete and adequate supporting documentation. In some cases, the vendors did not comply with contract terms. We also noted that NHCC management did not have written instructions on how to review vendor claim vouchers prior to forwarding them to Accounts Payable for payment.

We recommended that NHCC develop and implement written procedures to ensure that claim vouchers are complete, accurate and approved by department heads prior to payment. In its response, NHCC denied knowledge of the specific exceptions identified during the audit and did not agree to take corrective action.

Follow-up - Current Status:

Our follow-up review found that NHCC does not have written procedures to ensure that claim vouchers are complete, accurate and approved by department heads. Our review identified similar irregularities compared to the prior audit, including missing vouchers, lack of compliance with contract terms and an improper approval.

We selected 32 claim vouchers from contracts which were active in 2011 and/or 2012 for testing. We found exceptions in 18 of the 32 vouchers (56% error rate) with the following irregularities:

Findings and Recommendations

- Five vouchers totaling \$627,494 lacked adequate supporting documentation (e.g. receiving documents, payroll rosters for reimbursement of salary and a detailed itemization of amounts claimed);
- Eight vouchers totaling \$372,454 were not adequately completed. They were missing key information such as purchase order numbers, voucher numbers and general ledger account numbers;
- One voucher totaling \$54,754 for a payment to Nassau Health Care Foundation (“NHCF”) was not approved by NHCC. The only approval was that of an NHCF employee;
- Three vouchers totaling \$37,210 were paid contrary to agreed-upon contract rates. This resulted in overpayments to two vendors. For one vendor, the contract stated that services between 9 AM - 5 PM were to be billed at \$50 per hour. Services outside of these hours were termed “emergency visits” and were to be billed at \$100 per hour. We found instances where services rendered between 9 AM - 5 PM were billed at rates ranging from \$51 to \$83 per hour. For example, non-emergency services rendered by the vendor on April 13, 2012 from 1 - 3PM were billed at \$83 per hour. For the two vouchers reviewed, we determined that NHCC overpaid \$402.50.

The second vendor’s invoice included charges for postage fees when there was no provision for the reimbursement of postage fees in the vendor’s contract. We estimated that NHCC overpaid this vendor a total of \$2,362 from April 2011 through October 2012.

Audit Recommendation(s):

We recommend that NHCC management develop and disseminate written procedures to ensure that all claim vouchers are complete and accurate prior to payment. All vendor claims should be reviewed and approved by department heads prior to being forwarded to Accounts Payable for processing. Invoices should be compared to contract terms and the receipt of goods and services should be verified (*repeat recommendation*).

Audit Finding (6):

Non Competitive Procurement of Legal Services

Summary of Prior Finding (6)

The NHCC Board Approved Procurement Policy for Legal Services is Flawed and may have Resulted in Conflict of Interest and Improperly Charged Legal Services

Findings and Recommendations

In the prior report, we noted that the NHCC Board approved procurement policy was flawed and may have resulted in a conflict of interest and improperly charged legal services.

In September 2007, NHCC's Board of Directors adopted a policy allowing for the selection of contractors without a competitive bidding process when deemed in the best interest of NHCC. Best practices dictate that procurement of professional services should be offered via a competitive bidding process, utilizing a Request for Proposal ("RFP").

The Board of NHCC had a policy which allowed procurement of legal services with a term exceeding one year to be contracted without a competitive bidding process. We observed that the rates charged for legal services on two invoices from a particular firm were inconsistent with the Tier I and Tier II fee schedules agreed upon in the contract with NHCC.

We recommended that NHCC rescind the Board policy adopted in September 2007. We also recommended that those individuals responsible for reviewing and approving invoices for legal services be provided with a copy of the rate schedule to ensure that a proper review is completed and evidenced. We suggested that a review of all previously paid invoices be performed to identify any overpayments and obtain refunds where applicable.

In its response to the audit, NHCC stated that it did not agree with our recommendations but would nonetheless share them with the NHCC Board of Directors. NHCC also stated it would review the invoices and if any errors existed, a refund/credit would be obtained. In addition, NHCC said that a copy of the rate schedule agreed upon by the law firm had been sent to each of the law firm's billing departments.

Follow-up - Current Status:

NHCC presented our recommendation to rescind the Legal Services Tier policy to the Board of directors. The Board did not elect to repeal the resolution. NHCC continues to offer Tier rates to selected legal firms.

A review of two payments totaling \$29,674 made to the same vendor noted in our prior audit report confirmed that NHCC did review the invoices before making payments, as evidenced by adjustments made to improper billing rates before payment was made. We found that both payments were approved by NHCC's head of legal and NHCC's Chief Executive Officer and were made in accordance with the appropriate Tier rates.

With respect to our recommendation to review the invoices from the prior audit, we contacted NHCC's legal department to determine if NHCC had taken steps to identify any overpayments and request refunds where applicable. We were advised that NHCC determined that the amounts indicated in the prior review were viewed as immaterial. However, as a result of the overbilling noted in our prior report, a review is currently in process for the period 2009-2012 to ascertain if

Findings and Recommendations

there is any further overbilling. NHCC advised us that they will request a reimbursement from the vendor as soon as the review is completed.

Audit Recommendation(s):

We recommend that NHCC continue to:

- a) review all previously paid invoices to identify any overpayments and request a refund of any overpayments identified; and
- b) ensure that all legal invoices are submitted in accordance with the contract terms.

Audit Finding (7):

Formal Policies and Procedures for Capital Budgets are Still Lacking and the Operating Budget Procedures are Not Being Followed

Summary of Prior Audit Finding (7)

Formal Policies and Procedures for Capital Budgets are Lacking and Resulted in Unsupported Expenditures for Capital Projects and Legal Expenses

Our prior audit revealed that NHCC did not have written policies and procedures for the development of the NHCC Capital Budget. We also noted unsupported expenditures for two items in the Operating and Capital budget.

In its response to the audit, NHCC stated it disagreed that the policies and procedures were lacking or that there were unsupported expenditures. NHCC first provided documentation to support the budgets for IT Capital and legal expenses after our audit was completed which did not permit us time to review or test the validity of the information.

Follow-up - Current Status:

Our follow-up review revealed that NHCC still does not have written policies and procedures for development of the Capital Budget.

We selected a sample of eleven Operating and Capital Budget line items totaling \$23.4 million to determine the purpose of the budgeted amounts, and how they were computed, reviewed and approved. The Finance Department was unable to adequately support seven items totaling \$19 million. These unsupported amounts consisted of six operating items totaling \$13.4 million and one capital budget line item for \$5.6 million. The operating items included \$485,000 for the A. Holly Patterson department of laundry, and five general and contractual items totaling

Findings and Recommendations

\$12,948,643 for various NHCC departments. The Capital budget item was for miscellaneous equipment and furniture totaling \$5,585,280.

We also noted that even though NHCC had written policies and procedures for the development of the Operating Budget, the departments did not always follow the operating budget procedures. For example, we found that the departments included unsubstantiated items in their budget requests. Further, the operating budget instructions require that the departments use the amounts provided by the Budget Department for certain categories (supplies, utilities and general expenses) and that additional requests be separately noted with detailed justification explanations. We observed that these requirements were not met.

In addition, we noted that the departments did not include some of their prior contracts that were still in effect and budgeted for new contracts without an explanation. .

Audit Recommendation(s):

We recommend that NHCC management:

- a) ensure that the NHCC Finance Department maintain adequate supporting documentation for all Operating and Capital Budget line items; and
- b) develop and promulgate a written Capital Budget policy (*repeat recommendation*).

Audit Finding (8):

Lack of Management Oversight: Non-Medical Employees' Overtime System Needs Improvement

Summary of Prior Audit Finding (8)

Poor Management of Non-Medical Employees Results In Excessive Overtime Charges

Our prior audit revealed that NHCC's poor management of non-medical employees resulted in excessive overtime including:

- employees working overtime in excess of 117% of their base pay; and
- overtime authorization forms were not approved by management with instances of employees approving their own overtime.

Further, our analysis of the overtime paid to non-medical employees determined that six of the 157 departments were responsible for 60% or \$1.3 million of the \$2.1 million of total overtime paid by NUMC in 2009.

Findings and Recommendations

NHCC did not agree with our prior audit finding and noted in their response that “Productive hospitals run 1% – 3% of overtime hours to total paid hours”. NHCC also noted that the class of employees reviewed during the prior audit had overtime hours to total paid hours of 3% which was within the industry norm for “Productive Hospitals”. However, although NHCC management disagreed with the prior findings, they nonetheless began to re-educate timekeepers and staff about the timekeeping rules. NHCC also indicated that it was transitioning from a decentralized timekeeping organization to one that is fully centralized and that this would help ensure that payroll policies and controls would be uniformly applied and enforced in the future.

Follow-up - Current Status:

We reviewed overtime hours earned in 2011 by department and by employee title as a percentage of total paid hours. We determined that although it may appear that NHCC was within 1-3% of overtime hours to total paid hours for the entire corporation, certain departments and titles still had excessive amounts of overtime in relation to total paid hours.

These percentages ranged between:

- 3.2% and 46.9% for 65 employee titles; and
- 3.01% and 34.83% for 66 departments.

We also reviewed the five non-medical employees with the highest overtime as a percentage of their base pay and found that these employees received between 80% and 124% of overtime in relation to their base pay. The details are presented in Exhibit 6 below:

Exhibit 6

Employee Title	2011		
	Regular Pay	Overtime Pay	Overtime as a % of Regular Pay
Chief Stationary Engineer	\$77,113	\$95,418	124%
Stationary Engineer	\$72,739	\$77,432	106%
Stationary Engineer	\$73,347	\$76,792	105%
Stationary Engineer	\$70,749	\$65,007	92%
Stationary Engineer	\$71,297	\$56,723	80%

In January 2011, NHCC issued a Human Resources bulletin outlining certain key issues (missed punches, working through lunch and timekeeping) addressed in the prior audit. The bulletin included procedures to be followed in areas such as timekeeping, missed swipes, schedule/shift changes and cancelling meal deductions.

Findings and Recommendations

After reviewing the timekeeping policies that were contained in the Human Resources bulletin, we tested a sample pay period for ten NHCC employees in 2011 or 2012, and found the following:

- Two of the ten employees were paid more overtime hours than what was shown in the timekeeping system.
- Six of the ten employees had one or more instances where overtime approval forms did not exist for overtime worked.
- Nine of the ten employees did not swipe in and out for the overtime shift. NHCC's procedures for timekeeping require that employees authorized to work overtime must swipe in and out for the shift so they can be paid properly for the additional time worked.
- Three of the ten employees had days in which a Missed Punch Form should have been filled out; however, these forms were not provided. NHCC's procedures require an employee to complete a Missed Punch Form if an employee is unable to clock in or out at their designated clock on a given day.
- Two of the ten employees were noted to have worked through their lunch and were paid overtime for the lunch hour. NHCC's policy states that employees are not to work through their lunch and take their meal hour at the end of their work shift. The only exception would be in emergency situations and these exceptions were required to be well-documented and approved. One of the employees was the supervisor (Director of Patient Financial Services) who was also cited in our previous audit for this practice. We were not provided with any documentation showing an emergency situation existed or the approval of overtime for work done during the lunch hour.

Audit Recommendation(s):

We recommend that NHCC ensure that:

- a) adequate staffing levels exist in order to minimize the need for excessive overtime;
- b) employees take mealtimes in accordance with New York State Labor Law⁷ (*repeat recommendation*); and
- c) the timekeeping process and procedures contained in the Human Resource Bulletin are followed.

Audit Finding (9):

The Practice of Using Overtime and Other Forms of Compensation to Circumvent Bargaining Unit Salary Scales Still Continues at NHCC

Summary of Prior Audit Finding (9)

⁷ New York State Labor Law Section 162(2).

Findings and Recommendations

Two Employees Promoted to and Functioning in Titles Outside of Their Civil Service Titles

Our prior review concluded that NHCC circumvented the New York State Civil Service Commission regulations by unofficially promoting two of its four Resources Supervisors to perform roles outside of the duties of a Resources Supervisor. We determined that one Resources Supervisor was functioning as the Director of Patient Financial Services and the other was functioning as the Director of Ambulatory Operations. Their responsibilities were greater than those of the two other employees with the Resources Supervisor Civil Service title. Since their base pay could not change without creating new civil service positions and filing official personnel actions, NHCC used overtime and other pay, such as beeper pay, stand-by pay and mealtime pay to increase their total compensation.

As shown in our prior report, the total compensation paid in 2009 (including overtime and other pay) was \$161,364 for the Director of Ambulatory Operations and \$108,964 for the Director of Patient Financial Services. In comparison, the total compensation paid to each of the other two employees with the Resources Supervisor civil service title was slightly over \$73,000.

Even though NHCC disagreed with the finding, NHCC admitted that it had taken corrective action prior to the release of the audit report, including the filling of several vacant supervisory positions that would eliminate the majority of the overtime for the two employees cited in the finding.

Follow-up - Current Status:

Our follow-up review found that the same two employees still functioned as the Director of Ambulatory Operations and the Director of Patient Financial Services while holding the civil service title of Resources Supervisor. In addition these two employees also continued to receive extra compensation in the form of beeper pay, standby pay, meal time pay and excessive overtime. A review of NHCC's 2010, 2011 and 2012 W-2 payroll records revealed that:

- the Director of Ambulatory Operations and the Director of Patient Financial Services were paid a total of \$62,210 and \$42,650 in overtime respectively, in 2010 and their total compensation amounted to \$137,333 and \$115,438, respectively. The other employees with the Civil Service title of Resources Supervisor each earned a maximum of \$80,000 in 2010.
- the Director of Ambulatory Operations separated from NHCC in 2011; however, the employee functioning as the Director of Patient Financial Services continued to work excessive amounts of overtime and continued to receive other forms of pay. The total compensation paid to the employee functioning as the Director of Patient Financial Services while holding the Civil Service title of Resources Supervisor in 2011 and 2012 was \$102,991 and \$110,154 respectively. The amount of overtime and other

Findings and Recommendations

compensation included in these amounts for 2011 and 2012 was \$29,544 and \$37,232, respectively. By contrast, the maximum total compensation paid to the other employees with the Civil Service title of Resources Supervisor in 2011 and 2012 was \$82,877 and \$80,487, respectively.

The practice of unofficially promoting Civil Service employees outside of the competitive examination process is a violation of the Civil Service Law, and may lead to employee grievances.

Audit Recommendation(s):

We recommend that NHCC management:

- a) correctly classify job duties to an appropriate Civil Service title to ensure that employee duties and compensation comply with Civil Service Laws and local bargaining unit requirements; and
- b) take corrective action to ensure that employees who hold the civil service title of Resource Supervisors only perform the duties stated in the civil service job specifications for this title and are compensated accordingly (*repeat recommendation*).

Audit Finding (10):

NHCC Continues to Overcharge Nassau County in Billing For Termination Pay

Summary of Prior Audit Finding (10)

NHCC Overcharged Nassau County \$47,828 in Billing of Termination Pay

Our prior audit revealed that NHCC overcharged Nassau County \$47,828 when billing for termination pay. The overcharges resulted from duplicate billing, termination pay charges not related to County employment and the incorrect accrual of time included in termination pay.

As part of the Acquisition Agreement between the County and NHCC, the County is responsible for a portion of the retirement and termination pay for those employees employed by the County prior to the Agreement. The Agreement requires this expense to be pro-rated between the County and NHCC based upon the number of days of service prior to the Acquisition Agreement date.

NHCC management concurred with this finding and stated it would review and rewrite its procedures to ensure termination pay would be billed in accordance with the Acquisition Agreement.

Findings and Recommendations

Follow-up - Current Status:

Our follow-up review found that NHCC developed procedures for the computation, approval, entry and payment of separated employee's termination payments. However our testing of a sample of invoices revealed the County was still overcharged \$43,479. We noted that a majority of the processes involved in calculating termination pay for vacation, sick and compensatory time were still manual and prone to human error. There was no evidence that the manual calculations were reviewed and verified before final payments were made.

We reviewed the two annual invoices received in 2012 for termination pay (invoice number 6295 for \$2,323,752 and invoice number 6218 for \$100,065) for the period from February 13, 2011-March 24, 2012. These invoices were submitted to the County for reimbursement. Our review determined that the County was overbilled \$42,064 for termination pay, FICA and MTA Tax expense on invoice number 6295 and \$1,415 on invoice number 6218.

The total overbilling resulted from the following:

- a) Miscellaneous charges for two severed employees amounting to \$3,320 involved workers compensation awards for which the NHCC documentation provided did not adequately support inclusion of the compensation in the termination pay.
- b) The original hire date was used instead of the adjusted hire date in calculating the number of days worked for sixty employees amounting to excess billing of \$31,724.
- c) The incorrect rate of pay was used to calculate the termination pay for 14 employees resulting in overcharges of \$1,414.
- d) Duplicate charges were billed for an employee in the amount of \$7,021 when this employee had already received previous vacation and sick time payouts in 2004, 2005 and 2006.

Audit Recommendation(s):

We recommend that NHCC management:

- a) review its procedures to determine why overbilling continues to occur and make the necessary changes to ensure that the County is billed correctly in accordance with the Acquisition Agreement (*repeat recommendation*);
- b) consider revising the process so as to reduce the need to perform the calculations manually; and
- c) consider developing other controls aimed at identifying and reducing overbilling errors.

Findings and Recommendations

Audit Finding (11):

NHCC Owes Employees for the Underpayment of Vacation and Sick Leave Severance

Summary of Prior Audit Finding (11)

Inadequate Payroll Procedures Resulted in Underpayment of Vacation and Sick Leave Severance to Employees

Our prior review found that NHCC did not have adequate procedures in place to ensure that severed employees were paid at the correct rate each year. These inadequate payroll procedures resulted in the underpayment of vacation and sick leave severance to employees.

Our review of two invoices billed to the County for termination payments made to NHCC employees from February 2009 thru February 2010 revealed that 14 employees were underpaid a total of \$25,030 for severance pay.

NHCC management agreed with this finding and indicated it would review and rectify all instances of past payments with improper rates and properly compensate the affected employees. NHCC management also stated that future severance payments would be carefully scrutinized prior to issuance.

Follow-up - Current Status:

Our follow-up review revealed that NHCC paid only one of the 14 underpaid employees noted in our prior report. The one employee was paid \$16,586; however, the remaining 13 employees are still owed a combined total of \$8,443.

Our current review of an additional two invoices billed to the County for the period from February 13, 2011 - March 24, 2012, discovered 14 additional severed employees who were underpaid a total of \$1,414 in vacation and sick payments. The underpayment was due to the incorrect rate of payment being used in calculating the termination pay.

We found that the majority of the processes remained manual, including: the preparation and approval of the severance slip containing the vacation, sick and compensatory hours to be paid, and entering this data, along with pay rates, into an Excel spreadsheet before payment. This Excel spreadsheet was the source used for the determination of final termination payouts and errors were not being detected.

Audit Recommendation(s):

We recommend that NHCC management:

Findings and Recommendations

- a) develop and document adequate procedures to ensure that severed employees are paid correctly;
- b) reduce manual processes or develop effective controls to reduce the risk of incorrect payments of vacation and sick leave to its severed employees;
- c) review the rates of payments for all severed employees who were rehired and ensure that the correct rates were used in prior payouts; and
- d) re-compute any underpayments to past (and re-hired) employees and repay back amounts owed (*repeat recommendation*).

Audit Finding (12):

Non-Compliance with the Newly Implemented Fuel and Motor Vehicle Policy

Summary of Prior Findings (12) and (13)

(12) Privately-Owned Vehicle Was Allowed to Fuel at A. Holly Patterson Depot Without Written Authorization or Supporting Documentation to Account for Business Use

(13) NHCC Management Allows Unauthorized Vehicles and Drivers to Fuel Vehicles

Our prior review revealed that NHCC management did not enforce its fueling procedures. Management allowed unauthorized vehicles and drivers to fuel vehicles at the AHP Nursing Home facility, including the personal vehicle belonging to a Vice President of NHCC. Fuel was found to have been taken without the presence of a Public Safety officer and unauthorized drivers were operating NHCC vehicles. A review of the fuel logs for the period January 1, 2009 – August 24, 2010 revealed that 14 license plates that were not on the list of authorized vehicles had pumped 1,293 gallons of fuel. Plate numbers were incorrectly recorded in the logs and the signature of the Public Safety officer was missing 26% of the time.

In its response to the audit, NHCC stated it was unaware of the unauthorized use of fuel, but nonetheless agreed that its procedures must be enforced. NHCC stated it would require periodic review of the logs and would immediately investigate any suspicious entries. Violators would be responsible to pay NHCC for improper use of fuel and may be subject to other possible discipline.

Follow-up - Current Status:

Our follow-up review determined the NHCC adopted a Fuel Accountability Policy in December 2010 and a Motor Vehicle Policy in July 2012. Our review of these policies and the practices being followed revealed that:

Findings and Recommendations

- The Vice President no longer fuels his personal vehicle at the AHP Nursing Home facility.
- NHCC employees did not always comply with the newly implemented fuel accountability and motor vehicle policies. NHCC's Fuel Accountability Policy requires the Public Safety Officer to verify that both the driver and the vehicle are on a list of Authorized Drivers and Authorized Vehicles before fuel is dispensed.

Our review of the fuel logs maintained at A. Holly Patterson's Public Safety Office for December 2011 and May 2012, along with the list of authorized drivers and authorized vehicles noted multiple irregularities. They included:

- One entry in December 2011 for one driver who fueled 42 gallons of gasoline and was not on the Schedule of Authorized Drivers.
- Fuel pumping entries on the fuel log did not align with vehicle specifications. Fuel pumped by a grounds employee appeared unreasonably high compared to gasoline pumped for other vehicles. On three separate occasions, (December 30, 2011, May 2, 2012, and May 22, 2012) the employee had recorded fuel pumping amounts of 62.8, 55.4 and 79.9 gallons of gasoline. for two NHCC vehicles. A total of 135.3 gallons on May 2, 2012 and May 22, 2012 were recorded under the plate number of a 2011 Ford F350 which is a Diesel fuel vehicle. The other gas pumping of 62.8 gallons on December 30, 2011 was attributed to a 2004 Chevrolet pickup truck which holds a maximum of 40 gallons of fuel.
- NHCC's Fuel pumping accountability policy states that fueling is limited to the hours of 9 AM to 3 PM, Monday through Friday. Emergency vehicles are permitted to fuel outside of the fueling hours but are to be monitored for compliance. Out of 67 entries to the Fuel Pumping Log in December 2011 and May 2012, we noted 28 entries which fell outside of the established fuel pumping hours. There were no indications of an emergency noted in the logs. Out of the 28 entries, one fueling was observed to have taken place at 11:25 PM, which is clearly outside of the allowable timeframe.
- NHCC's July 2012 Policy/Procedure states that moving violations amassed by an employee, whether on company or personal time, are a contributing factor in determining whether those employees maintain eligibility to operate NHCC vehicles and/or personal vehicles for NHCC business. A major component of the policy requires the checking of motor vehicle records for all employees who may be asked to drive a NHCC vehicle. NHCC does not currently check motor vehicle records for employees who drive a company vehicle.

Findings and Recommendations

- The Motor Vehicle Policy also states that each NHCC vehicle should have a file with an outline of the basic service needs, along with copies of all work orders and repair bills for that vehicle, which may be maintained by the vehicle maintenance center. We found that there was no process for maintaining the vehicles. Oil changes and maintenance were done as needed and only at the time when drivers advised that there was a need to bring the vehicle in for maintenance. The Engineering Department did not keep a log of repairs performed on the NHCC vehicles. We were advised that the NHCC accounts payable department has the only support for outside maintenance bills submitted for payment.

Audit Recommendation(s):

We recommend that NHCC management ensure that:

- a) fuel is pumped in accordance with its fuel policies. Only authorized drivers should be allowed to operate NHCC vehicles. Further, appropriate entries should be made in the fuel log as to the exact vehicle or item being fueled (*repeat recommendation*);
- b) all excess fuel pumping is investigated; and
- c) all vehicles are maintained according to NHCC's policies.

Audit Finding (13):

Newly Implemented Monitoring Tool Needs Improvement to Adequately Safeguard against Theft or Ground Contamination Resulting from Leaking Tanks

Summary of Prior Audit Finding (14)

Fuel Inventory Was Not Monitored to Safeguard against Theft or Ground Contamination Resulting from Leaking Tanks

Our prior review found that AHP's fuel inventory was not monitored to safeguard against theft or ground contamination which may result from leaking tanks. AHP management did not perform a reconciliation of the fuel inventory. In addition, the fuel log and gas reports were not reviewed by supervisors for oversight purposes. There appeared to have been an over 300-gallon shortage of the fuel inventory at the AHP fuel depot tank during the audit period.

In its response, NHCC stated it would implement additional oversight of the fuel inventory process at AHP. NHCC also agreed to conduct a thorough reconciliation of gas usage in 2010 to identify and investigate discrepancies and to confirm that the underground tank does not have a leakage problem.

Findings and Recommendations

Follow-up - Current Status:

Our follow review found that NHCC implemented a fuel monitoring tool called a Fuel Comparison Report, which is a form of reconciliation and captures monthly pump meter readings, gallons pumped and total gallons used as per the fuel usage logs. There is a total column comparing fuel usage as per the fuel pump meter and total fuel usage as per the gas log. NHCC also keeps Fuel Usage Logs and generates a Fuel Usage Report. However, the Fuel Usage Reports were not being distributed to the NHCC departments using fuel for their review and oversight.

We reviewed two months (April 13, 2012 - May 14, 2012 and August 13, 2012 - September 14, 2012) of fuel inventory reconciliations and noted the following discrepancies:

- The Fuel Comparison Report did not appear to be a complete fuel inventory reconciliation and did not take into consideration the dipstick reading or the fuel amount purchased. The dipstick reading is necessary to help corroborate the actual fuel level. The fuel purchases are needed to help substantiate the accuracy of the reported usage and identify possible theft or ground contamination resulting from leaking tanks.
- The Fuel Log is used to record all initial fuel usage entries. When we traced the fuel usage recorded on the Fuel Log to the reconciliation as per the Fuel Comparison report, the amount of fuel used for the period August 13, 2012 - September 14, 2012 per the Fuel Comparison Report differed from what was actually recorded in the Fuel Log. The Fuel Comparison Report recorded the Fuel Log as showing total gas usage of 852.9; however, when we examined the actual Fuel Log, the fuel pumped amounted to 920.3 gallons, a difference of 67.4 gallons.

Audit Recommendation(s):

We recommend that NHCC management:

- a) ensure proper oversight of the fuel inventory, review the fuel reconciliation report and compare dipstick readings to determine fuel variances. Evidence of this review should be maintained;
- b) ensure that the Gas Reports are regularly distributed to each department using fuel for review and oversight. Evidence of this review should be maintained for audit purposes; any unusual variances should be identified and investigated (*repeat recommendation*); and
- c) conduct a thorough inventory reconciliation for missing fuel inventory, confirming that the underground tank did not leak and contaminate the ground or water supply.

Written Comments to Follow-up Review of Nassau Health Care Corporation, issued by the Office of the Comptroller, Nassau County, dated November 25th, 2013
(With Original Responses to Initial Audit attached as Appendix A)⁸

The Nassau Health Care Corporation (NHCC) wishes to express its gratitude to the Comptroller's Office. We appreciate the time that was spent reviewing our business processes, revenue cycle functions, and management oversight.

Audit Finding (1):

Patient Billing Requires Additional Improvement – Write-offs Due to Late Billing Totaled \$7.9 Million During the Audit Period

NHCC Response:

According to the comptroller's findings, NHCC has made vast improvement in reducing unbilled gross charges from \$6.5 million in 2009 to \$1.2 million in 2012. This represents, according to the report, a reduction in the amount of unrecoverable revenue from \$3.5 million in 2009 to \$593,000 in 2012. It should be noted that the \$593,000 of gross charges reflects less than \$60,000 of actual lost revenue.

NHCC recognizes the need to fully collect on all services provided and will continue its ongoing improvement to billing and collection procedures.

The above-referenced write-offs were a direct result of a clean-up addressing accounts receivable. NHCC undertook a large project to write off the unbillable charges, some of which dated back to 1999, and simultaneously implemented successful programs to reduce unbillable charges and the number of accounts not collected due to untimely billing. NHCC does not condone unbillable charges, however untimely billing can occur from many factors including lack of patient cooperation and human error.

For the years in question, the hospital's gross charges were approximately \$1,408,529,383; the audit findings of \$7.9 million represent approximately .0056 of charges that for a number of reasons may have been lost to untimely billings. To clarify, we would point out that the Hospital is rarely if ever paid on charges: hospital reimbursement is typically based on a rate structure that looks at clinical procedures and severity, not charges. We concur with the findings and note that aggressive changes have been made to the hospital's charging and billing processes to

⁸ In the interest of shortening the length of this report, the referred to Appendix A has not been included. However, the 2011 audit report can be viewed in its entirety through the following link:
http://www.nassaucountyny.gov/agencies/Comptroller/Audits/documents/NHCCFINALreport_3_29_11.pdf

minimize the problem. Each year the hospital has improved its rate of billable charges and has also cleaned out a significant number of old accounts for the periods in question and following.

Auditor's Follow-up:

We concur with NHCC's actions to continue its ongoing improvement of billing and collection procedures.

Prior Audit Finding 1a) Inpatient Pre-Billing Errors Were Not Effectively Corrected on a Timely Basis Resulting in Accumulated Gross Charges Loss of At Least \$2.5 million by 2009 Year End

NHCC Response:

We concur with the findings of an improvement from 108 accounts (\$1.5 million) to 35 accounts for \$522k in 2012. We emphasize that these figures represent gross charges which must be reduced significantly to reflect realizable cash.

Due to technology changes, the Hospital elected to migrate to a more uniform EHR platform and will be installing it during 2014 to meet its Meaningful Use 2 commitments. This implementation will further reduce the amount of accounts requiring correction.

Auditor's Follow-up:

We concur with the Hospital's corrective action to improve its Inpatient Pre-Billing errors.

Audit Finding 1b) and 1c) Management Effectiveness to Control Pre-Billing Errors Worsened from 2009 to 2010

NHCC Response:

The Open Visit Report was changed from a weekly report to a daily report. An interdisciplinary work group was set-up on June 4, 2012 to monitor. This group began meeting daily and currently meets weekly to discuss and effect problem resolution. The open visits have decreased 50% from 12,732 (10.0 days' worth of visits) to 6,337 (4.7 days' worth of visits) as of January 10, 2014.

Through the RFP process a new Faculty Practice Plan billing company was selected beginning in 2012. In 2013 a new Faculty Practice Plan Director was hired. The Director is monitoring the billings and denials, meeting with the departments and sharing this information, and educating the administrators and physicians.

Through a process improvement initiative utilizing LEAN methodologies standard work is being created to ensure that charges are recorded timely for the visits and reconciled on a daily basis.

Auditor's Follow-up:

We concur with the corrective actions taken by NHCC.

Audit Finding (2):

Contracts Continue to Be Awarded Without Competitive Bidding

NHCC Response:

See original response following:

NHCC disagrees with the Comptroller's findings concerning the contract between NHCC and Deloitte and Touche, Inc. ("D&T") dated May 11, 2009 (the "Agreement") and the four subsequent amendments. No conflict of interest exists and NHCC abided by all New York State guidelines.

Based on the scope of this project (a comprehensive review of NHCC's financial and operational performance), it was impossible to specify all of the details and address future revenue opportunities at the time the Request for Proposal was originally issued or when the D&T Agreement was ultimately negotiated following a competitive bidding process.

From the outset, it was the intention of the parties to proceed with a series of amendments that addressed NHCC's needs identified by the D&T while its review and assessment was underway.

NHCC published a Request for Proposal ("RFP") in February 2009 seeking Corporate Organization/Restructuring Professional & Management Support Services. In order to successfully implement this complex long-term project with a single business partner, the RFP outlined several different services and skills that were required (e.g. project management, research, data collection and analysis, professional consulting, reporting and implementation, all of which are described in great detail in the RFP).

NHCC's selection committee found D&T to be the vendor providing the best combination of skills, expertise and value. Subsequently, the NHCC Board of Directors authorized execution of an Agreement between NHCC and D&T.

The Agreement was heavily negotiated and designed to (i) enable D&T to provide a comprehensive analysis and report and (ii) delineate the underlying terms and conditions that would govern future amendments necessary to fully implement the program envisioned by NHCC.

As outlined in the Agreement, the original scope of services was essentially an assessment and analysis of NHCC's financial and operational performance which would result in a comprehensive report outlining recommendations to improve operations and efficiency. The Agreement clearly states that all decisions with respect to implementation and D&T guidance solely rested with NHCC.

The Audit Report incorrectly characterizes the four amendments as new contracts. Based on the nature of the project, it was necessary to proceed through multiple amendments because

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additional recommendations and implementation phases would logically follow and be influenced by prior amendments. The subsequent four amendments were part of a larger plan to (i) explore a potential corporate acquisition opportunity, (ii) increase Medicaid reimbursements, (iii) redesign revenue cycle programs with respect to better denial management and charge capture through improvements in processing claims and (iv) assist NHCC in the selection of a complex Emergency Department Information System.

The Audit Report suggested that there may have been a conflict of interest with respect to NHCC's agreement to implement D&T's Denial Management Tool software ("DMT"). However, prior to acquiring DMT, NHCC had considered three other denial management systems (Emdeon's Denial Manager; CSC Group's Papers Solution; and Ernst & Young's Denial Management System). It was determined that all of the systems were comparable insofar as the specific needs of NHCC, and that the purchase of DMT made sense both operationally and financially.

The purpose of DMT is to identify claim denials at the time of receipt at the hospital and systematically build work lists for NHCC employees to provide timely follow-up with the payor resulting in denial reversal and payment of the claim. Without DMT, NHCC could run the risk of failing to timely work costly denials. D&T's familiarity with NHCC's systems and goals, coupled with the simplicity of implementing DMT into NHCC's operating environment made it the best choice for NHCC. NHCC believes the procurement process was carried out in compliance with NHCC's policies and procedures and without any conflict of interest.

The suggestion contained in the Audit Report that NHCC should have issued new RFPs for each amendment/stage is unreasonable and would have been counterproductive. Furthermore, the Audit Report suggests that there is no evidence to indicate that NHCC management performed an independent review of D&T's assessments, however, all implementation decisions were ultimately made by a team of NHCC finance and business professionals based on NHCC's own critical and independent analysis of D&T's recommendations and NHCC's Board of Directors approval.

Auditor's Follow-up:

We stand by our findings.

NHCC disagrees concerning the contract between NHCC and Deloitte and Touché, Inc., however the original contract with D&T was for \$250,000, NHCC has added six amendments totaling \$1,260,000, to the original contract for a grand total of \$1.5 million in contracts. These payments also do not include additional financial improvement payments and out of pocket costs paid to the vendor. As of December 2013, NHCC has paid this vendor a total of \$4.5 million. NHCC should cease its practice of amending existing contracts when entering into agreements for new services

Audit Finding (3):

NHCC Made Additional Payments Totaling \$ 2.7 Million to Consultant Without Support and the Substantiation of Actual Benefits Realized

NHCC Response:

The consulting engagement has since ended. The work performed by the consultant was evaluated, quantified and approved by management prior to payment.

Auditor's Follow-up:

The Comptroller's Office requested all supporting documentation upon which management's evaluation and payment approvals were performed; NHCC has not provided us with any such documentation.

We reaffirm our recommendations.

Audit Finding (4):

Continued Lack of Compliance with Pre-Contract Approval Process and Incomplete Contract Files

Consistent with our previous response to this issue: It should be noted that in January 2009, NHCC revised its LD-200 policy and associated routing slip to, among other things, require the individual requesting the contract to check a box that specifically identifies the method of procurement (e.g. RFP, sole source, group purchasing organization etc.) and then provide details explaining and supporting the procurement and vendor selection in a text box. These changes are designed to continue our efforts to achieve full compliance with appropriate procurement practices throughout NHCC.

Lastly, NHCC is confident that its procurement process contains sufficient checks and balances to ensure that each contract is properly procured and authorized.

NHCC Response to Follow up Current Status:

See prior response. NHCC has strengthened controls around documentation and approvals.

Auditor's Follow-up:

We stand by our findings that all contract documentation be retained in one folder, manual or electronic, to ensure the completeness and ease of accessibility.

Audit Finding (5):

Claims Continue to Be Approved and Paid without Adequate Supporting Documentation

NHCC Response to Follow up Current Status:

NHCC will review procedures and validate findings. The information incorrectly reported as missing by the audit exists electronically. It would be counter-productive to maintain two copies of documents-one electronic and one paper.

Auditor's Follow-up:

The Comptroller's Office stands by its findings that NHCC ensure that all claim vouchers are complete, accurate, and properly supported prior to payment.

Audit Finding (6):

Non Competitive Procurement of Legal Services

NHCC Response to Follow up Current Status:

The Board continues to shorten the length of contracts and mandate that bids, where appropriate, be obtained. Further, legal rates are tiered to ensure the best possible price for services provided.

For the record, and as stated in our prior response (repeated here for emphasis): There are no statutory or regulatory requirements mandating that legal services be procured through competitive bidding. Moreover, the procurement laws empower the NHCC Board of Directors to determine, in their sole discretion, the manner of selection that will serve the best interests of NHCC when obtaining professional services. Given the specialized skills and experience necessary to capably represent NHCC in diverse practice areas such as tax/bond matters, mental hygiene law, medical malpractice litigation and other specialties associated with hospital business, and the relationship of trust and confidence that is shared by attorney and client, the NHCC Board of Directors resolution approving firm selection and tier rates for legal services was entirely appropriate. Nonetheless, while we do not agree with the suggestions made in the Comptroller's Audit, we will share those suggestions with the NHCC Board of Directors.

Auditor's Follow-up:

The Comptroller's Office concurs with management to share our suggestions with the NHCC Board of Directors.

Audit Finding (7):

Formal Policies and Procedures for Capital Budgets are Still Lacking and the Operating Budget Procedures are Not Being Followed

NHCC Response:

NHCC finance maintains documentation for the preparation of the operating budget. Capital budget as prepared by operations is managed by finance. Any approvals, especially approvals that increase capital projects, are brought before the board for second approvals

Auditor's Follow-up:

The Comptroller's Office stands by its findings that NHCC should develop and promulgate a written Capital Budget Policy.

Audit Finding (8):

Lack of Management Oversight: Non-Medical Employees' Overtime System Needs Improvement

NHCC Response:

*NHCC management continues to disagree with this finding. As stated in our prior response: As quoted in **Better Hospitals Clinical Operations Leadership Journal of Excellence**, dated September 3, 2009, "Productive hospitals run 1% – 3% of overtime hours to total paid hours". The class of employees reviewed by the Comptroller had overtime hours to total paid hours of 3% which is within the industry norm for "Productive Hospitals". NHCC has further reduced the Percentage of non-medical overtime during 2013.*

The average employee, in the non-clinical areas reviewed, earns fringe benefits in excess of 50% of their base pay. Overtime, on the other hand, is paid at straight time for the first 5 hours (weekly) and 1.5 times base pay rate for hours in excess of 5 (weekly) hours. Thus, overtime is far more cost effective to NHCC than hiring excess staff to ensure par staffing under all circumstances.

According to NHCC's Collective Bargaining Agreement, an employee must notify a "supervisor on duty at least one (1) hour before the start of the employee's shift on which such employee will be absent". With this dynamic in place, attempting to schedule additional employees to reduce overtime usage is impractical and will oftentimes lead to overstaffing.

The Management of NHCC has begun to re-educate timekeepers and staff to the rules that must be followed by issuing a Human Resources bulletin outlining the issues addressed in the Comptroller's Report (e.g., missed punches and working through lunch) See "Attachment A" page 2.

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Management has transitioned from a decentralized timekeeping organization to one that is fully centralized. The centralization of timekeeping functions ensures that payroll policies and controls are uniformly applied and enforced throughout the institution.

Auditor's Follow-up:

The Comptroller's Office stands by its findings that certain titles and departments need extensive review with respect to excessive overtime.

We concur with the corrective action plan to be taken by management to re-educate timekeepers and staff and the transition to a fully centralized timekeeping system.

Audit Finding (9):

The Practice of Using Overtime and Other Forms of Compensation to Circumvent Bargaining Unit Salary Scales Still Continues at NHCC

NHCC Response:

Management continues to disagree with the finding that NHCC has circumvented the NYS Civil Service Commission by promoting employees outside the competitive process. NHCC strictly enforces and abides by all Civil Service rules and regulations pertaining to classification, recruitment, hiring and promotions.

A review of the job specifications for the employees in the job title of Resource Supervisor confirms that each of these employee are performing duties within the scope of responsibility identified in the Civil Service job description for this title.

The employees in question are Supervisors. The magnitude of supervision necessary for their areas of responsibility was significant due to implementation of new systems and a shortfall in overall supervisory staff in their Department. This created a situation that required a significant amount of overtime and the need for these specific supervisors to be readily available to oversee their 24/7 operation. The employees were compensated correctly in accordance with the collective bargaining agreement.

Auditor's Follow-up:

The Comptroller's Office reaffirms its findings.

Audit Finding (10) :

NHCC Continues to Overcharge Nassau County in Billing For Termination Pay

NHCC Response:

NHCC management will further review its procedures to ensure termination pay would be billed in accordance with the Acquisition Agreement.

Auditor's Follow-up:

We concur with the proposed corrective action plan to be taken by NHCC.

Audit Finding (11):

NHCC Owes Employees for the Underpayment of Vacation and Sick Leave Severance

NHCC Response:

NHCC endeavors to insure that employees are paid correctly. Whenever discrepancies are presented the corporation makes every effort to promptly review and correct as appropriate. We will further evaluate the recommendations in this report.

Auditor's Follow-up:

We concur with the proposed corrective action plan.

Audit Finding (12):

Non-Compliance with the Newly Implemented Fuel and Motor Vehicle Policy

NHCC Response to:

Finding:

- One entry in December 2011 for one driver who fueled 42 gallons of gasoline and was not on the Schedule of Authorized Drivers.

Response:

- The Gas Log for December 2011 was reviewed and compared to the NHCC Authorized Operator List. There was no single entry for 42 gallons of fuel being pumped (as stated

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in the report). However, there was an entry for 41.2 gallons pumped for Dennis Cunaccia. He is listed on the NHCC Authorized Operator List. If the driver referenced in the report is another individual, please forward that information to us and it will be reviewed.

Auditor's Follow-up:

We agree that the gas log entry was 41.2 gallons for the driver noted in NHCC's response; however, the driver was not on the Authorized Operator List when we performed our testing.

Finding:

- Fuel pumping entries on the fuel log did not align with vehicle specifications. Fuel pumped by a grounds employee appeared unreasonably high compared to gasoline pumped for other vehicles. On three separate occasions, (December 30, 2011, May 2, 2012, and May 22, 2012) the employee had recorded fuel pumping amounts of 62.8, 55.4 and 79.9 gallons of gasoline for two NHCC vehicles. A total of 135.3 gallons on May 2, 2012 and May 22, 2012 were recorded under the plate number of a 2011 Ford F350 which is a Diesel fuel vehicle. The other gas pumping of 62.8 gallons on December 30, 2011 was attributed to a 2004 Chevrolet pickup truck which holds a maximum of 40 gallons of fuel.

Response:

- The amount of gas pumped on the above referenced days is correct. Both NUMC and AHP have small gas powered equipment such as, lawn mowers, snow blowers, leaf blowers, etc. These items are not brought to the gas pump individually, but are filled by gasoline cans. These cans are brought over by the NHCC grounds staff and filled at the AHP gas pump. The Public Safety staff at AHP will be instructed to make a separate line entry for all gas cans that are filled (i.e. – 5 cans – 40 gallons). That also explains why the Grounds Department pumps more gasoline than other departments.

Auditor's Follow-up:

We concur with the proposed corrective action plan to account individually for gas cans.

Finding:

- NHCC's Fuel pumping accountability policy states that fueling is limited to the hours of 9 AM to 3 PM, Monday through Friday. Emergency vehicles are permitted to fuel outside of the fueling hours but are to be monitored for compliance. Out of 67 entries to the Fuel Pumping Log in December 2011 and May 2012, we noted 28 entries which fell outside of the established fuel pumping hours. There were no indications of an emergency noted in the logs. Out of the 28 entries, one fueling was observed to have taken place at 11:25 PM, which is clearly outside of the allowable timeframe.

Response:

- The Fuel Accountability Policy was reviewed by the Administrator, The Director of Public Safety and the Director of Transportation. In order to meet the needs of the corporation,

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the time restriction of the policy will be removed. Since Public Safety at AHP is on duty 24/7, the lifting of the restriction will not impact staff being able to obtain gasoline.

Auditor's Follow-up:

We concur with NHCC change in Fuel Policy.

Finding:

- NHCC's July 2012 Policy/Procedure states that moving violations amassed by an employee, whether on company or personal time, are a contributing factor in determining whether those employees maintain eligibility to operate NHCC vehicles and/or personal vehicles for NHCC business. A major component of the policy requires the checking of motor vehicle records for all employees who may be asked to drive a NHCC vehicle. NHCC does not currently check motor vehicle records for employees who drive a company vehicle.

Response:

- This function is handled by Public Safety Department at NUMC.

Auditor's Follow-up:

We stand by our finding. At the time our testing was performed, NHCC did not check motor vehicles records for employees who drive company vehicles.

Finding:

- The Motor Vehicle Policy also states that each NHCC vehicle should have a file with an outline of the basic service needs, along with copies of all work orders and repair bills for that vehicle, which may be maintained by the vehicle maintenance center. We found that there was no process for maintaining the vehicles. Oil changes and maintenance were done as needed and only at the time when drivers advised that there was a need to bring the vehicle in for maintenance. The Engineering Department did not keep a log of repairs performed on the NHCC vehicles. We were advised that the NHCC accounts payable department has the only support for outside maintenance bills submitted for payment.

Response:

- The facility will keep the records of all AHP vehicles in the Administrator's Office. The files will include all service records. Routine Maintenance such as oil changes, tune ups, etc. will be scheduled based upon the use of the vehicle.

Auditor's Follow-up:

We concur with NHCC's proposed plan for maintenance recordkeeping for all vehicles.

Audit Finding (13):

Newly Implemented Monitoring Tool Needs Improvement to Adequately Safeguard against Theft or Ground Contamination Resulting from Leaking Tanks

NHCC Response:

Finding:

- The Fuel Comparison Report did not appear to be a complete fuel inventory reconciliation and did not take into consideration the dipstick reading or the fuel amount purchased. The dipstick reading is necessary to help corroborate the actual fuel level. The fuel purchases are needed to help substantiate the accuracy of the reported usage and identify possible theft or ground contamination resulting from leaking tank.

Response:

- The facility will utilize a form that will track the amount of fuel purchased (including the dipstick reading) and will compare it to the reading from the pump for the same time period. This will not only track the accuracy of the fuel pumped, but will also serve as a means to identify possible theft or ground contamination resulting from leaks in the tank.

Auditor's Follow-up:

We concur with NHCC's plan of action to utilize a form that will track the amount of fuel purchased and compare it to the reading from the pump for the same time period.

Finding:

- The Fuel Log is used to record all initial fuel usage entries. When we traced the fuel usage recorded on the Fuel Log to the reconciliation as per the Fuel Comparison report, the amount of fuel used for the period August 13, 2012 - September 14, 2012 per the Fuel Comparison Report differed from what was actually recorded in the Fuel Log. The Fuel Comparison Report recorded the Fuel Log as showing total gas usage of 852.9; however, when we examined the actual Fuel Log, the fuel pumped amounted to 920.3 gallons, a difference of 67.4 gallons.

Response:

- The Fuel Comparison Report uses the number of gallons pumped as indicated on the gas pump and compares it to the number of gallons recorded in the gas log. In order to maintain accuracy of the report, the time of the gas pump reading is noted. Since the Director of Transportation was on an authorized Leave of Absence, the Chief Engineer took all readings, but did not note the times. However, upon investigation, he stated that he took the readings at approximately 1:00pm each day. Therefore, of the 67.4 gallons cited in the report, 19 gallons were recorded on August 13, 2012 prior to the pump reading and 48.4 gallons were recorded on September 14, 2012 after the pump reading. These amounts were counted in the month prior and the month following the sample

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month (8/13/12 – 9/14/12). The Chief Engineer has been instructed that in the future if he is required to take the pump reading, he must note the time of the reading.

Auditor's Follow-up:

We concur with NHCC's action plan to record all entries in the gas log.