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**AUDIT: WEAK CONTROLS BY HHC
OVER HUNDREDS OF MILLIONS
IN CONTRACT PAYMENTS TO COLUMBIA FOR
SERVICES PROVIDED TO HARLEM HOSPITAL**
Questions About What Services Were Actually Rendered

NEW YORK, NY – The Health and Hospital Corporation (HHC) failed to meet its responsibilities to closely monitor compliance with the terms of an affiliation agreement between Columbia University and Harlem Hospital, according to an audit completed by Comptroller John C. Liu. As a result, HHC cannot ascertain what services were actually rendered by Columbia for Harlem Hospital.

“HHC resources are strained beyond capacity, even as its services are needed more than ever before,” Comptroller Liu said. “All the more reason then why the agency must tighten its management controls, especially for such costly contracts as this affiliation agreement with Columbia. Contracts are written and signed for simple reasons, and neither HHC nor any other government agency can play loosey-goosey with its terms. As taxpayers, we just can’t afford it anymore.”

HHC contracts with affiliates like Columbia University, which provide physician and supporting services to patients in HHC facilities; HHC's total affiliation contracts in force \$832 million for Fiscal Year 2010 alone. HHC is responsible for the administration and operation of Harlem Hospital. Pursuant to a three-year long \$183 million affiliation contract established by HHC (from July 1, 2007 through June 30, 2010), Columbia was charged with providing necessary inpatient, outpatient and ancillary services at Harlem Hospital.

The audit examined the controls of advance payments made in Fiscal Years 2008 and 2009 by HHC to Columbia totaling \$109 million, much of which was found to be improperly accounted for due to HHC's inadequate oversight of the affiliation contract and Columbia's noncompliance with contract provisions.

Chief among the findings during the period of the audit:

- **FAILURE TO ADEQUATELY ENSURE DELIVERY OF HUNDREDS OF MILLIONS WORTH OF PREPAID SERVICES AND FULFILLMENT OF CONTRACTUAL RESPONSIBILITIES** – HHC has not reconciled Columbia expenditures to the \$109 million in advance payments made to Columbia in FYs 2008 and 2009. Moreover, for FYs 2002 through 2007, HHC resorted to using an outside law firm to engage in two lengthy multi-year settlements with Columbia to cover Fiscal Years 2002 through 2007, an imprecise

mechanism for reconciling expenditures and payments. Because HHC did not receive expenditure reports from Columbia, it is unclear whether Harlem Hospital received the full contractual benefit for monies paid to Columbia.

- **HIRING OF PHYSICIANS WITHOUT HHC APPROVAL** - Columbia lacked both the necessary formal agreements and prior written approval from HHC for several subcontractors that provided services to Harlem Hospital patients on a per diem or temporary basis. For example, while contractually obligated to provide uninterrupted care at Harlem Hospital, the audit uncovered that HHC and Columbia were unable to produce signed contracts for several physicians working in the Radiology Department throughout July 2008.
- **PAYMENTS ISSUED BASED ON EXPIRED AGREEMENTS** - Columbia paid over \$2.2 million in Fiscal Year 2007 to subcontractors for services provided in Harlem Hospital's Radiology Department in Fiscal Year 2007 without active contracts.
- **QUESTIONS WHETHER COLUMBIA MET PROVIDER COVERAGE REQUIREMENTS** - Columbia's provider rosters had numerous discrepancies and did not consistently identify vacancies. The provider roster, a key financial document, establishes the amount of the advance payments made to Columbia to cover contract service providers' budgeted salaries and fringe benefits as well as overhead expenses.
- **QUESTIONS WHETHER PROVIDERS RENDERED SERVICES FOR WHICH THEY WERE PAID** - Columbia did not comply with the contract clause requiring all providers under its supervision to keep accurate and complete records of the time spent in rendering contract services. Consequently, there was little or no evidence to show that some providers rendered the services for which they were paid.

Comptroller Liu credited Deputy Comptroller for Audit H. Tina Kim and her team in the Bureau of Audit for presenting the findings and recommendations. The full audit report is available at www.comptroller.nyc.gov/bureaus/audit/audits_2010/07-08-10_ME10-067A.shtm.

Recommendations made by Comptroller Liu to both HHC and Columbia include:

- HHC should closely monitor the operation of the affiliate to ensure that all subcontracting and hiring actions receive necessary HHC approval.
- HHC should ensure that Columbia complies with the financial provisions of the contract requiring the timely submission of fee statements and recalculation reports.
- Columbia should ensure that it submits contracts for HHC approval whenever a subcontractor is engaged to provide services in Harlem Hospital.
- To avoid a possible misuse of City funds, HHC should break the pattern of multi-year settlements by requiring Columbia's proper and timely accounting of reimbursable expenses in compliance with all contract terms.
- Columbia should obtain all necessary HHC approvals for its hiring actions.
- Columbia should regularly review assignment schedules, ensure that all providers on the assignment schedule are approved contract providers, and maintain and submit accurate and complete provider rosters.
- HHC should conduct a periodic review of assignment schedules, time records and provider rosters prepared by the affiliate to ensure that active providers and vacant positions are properly identified and accounted for.

HHC serves City residents through its 11 acute care hospitals as well as skilled nursing facilities, diagnostic and treatment centers and community-based clinics. HHC provides comprehensive health services such as medical, mental health and substance abuse services to all residents regardless of their ability to pay.