SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION

John M. Kennedy, Jr.
Comptroller

A Limited Scope Audit of
Southside Hospital Health Centers
For the Period
January 1, 2012 through December 31, 2012

Audit Report No. 2015-04
Date Issued: June 19, 2015

SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER

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LETTER OF TRANSMITTAL

May 14, 2015

Ms. Donna Moravick, Executive Director
Southside Hospital Center
301 East Main Street
Bay Shore, NY 11706

Dear Ms. Moravick:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), a limited scope audit was conducted of the Brentwood Family Health Center located at 1869 Brentwood Road, Brentwood, New York 11717. The Health Center is administered under contract (Contract) with the Suffolk County Department of Health Services (Department) by Southside Hospital Center (Hospital), which has its principal place of business at 301 East Main Street, Bay Shore, New York 11706.

A performance audit was conducted of the Health Centers administered by the Hospital for the period January 1, 2009 through December 31, 2009 (Report No. 2014-17) as well as a limited scope audit for the period January 1, 2010 through December 31, 2011 (Report No. 2014-18). The audits resulted in material adjustments to the wages reported for the Brentwood Family Health Center's Resident Physicians. It was, therefore, determined that the Resident Physician's wages reported for the period January 1, 2012 through December 31, 2012 should also be subjected to audit testing.

The objective of our limited scope audit was to determine if, during the period January 1, 2012 through December 31, 2012, the Hospital claimed and was reimbursed for Resident Physician wages that were not commensurate with the level of direct patient care services provided at the Brentwood Health Center by the Physicians.

With the exception of the external peer review requirement, we conducted our limited scope audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. Although our limited scope audit of the January 1, 2012 through December 31, 2012 period was considerably less in scope than the audit performed for the January 1, 2009 through December 31, 2009 period, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Combining Statement of Budgeted, Reported and Audited Expenses and the related Statements (collectively referred to as the Statements) for the period January 1, 2012 through December 31, 2012 were prepared for the purpose of summarizing the audit adjustments disclosed by our limited scope audit with respect to the wages reported for the

Brentwood Family Health Center's Resident Physicians, and therefore may not be a complete presentation of the Hospital's expenses in accordance with generally accepted accounting principles.

As a result of our limited scope audit procedures for the period of January 1, 2012 through December 31, 2012, it was determined that the Hospital was overpaid by Suffolk County in the amount of $218,857 (Schedules 1, p. 9). However, it should be noted that the issuance of this report does not preclude our performing a full audit of the Hospital's Health Centers for the period January 1, 2012 through December 31, 2012, at some future date.

Respectfully submitted,

Office of the County Comptroller
Division of Auditing Services

SUMMARY OF SIGNIFICANT FINDINGS

County Funding – As a result of our audit of the period January 1, 2012 through December 31, 2012, we determined that the Hospital was overpaid $218,857 by Suffolk County (Schedule 1, p. 9). The overpayment resulted from the disallowance of reported costs that did not provide a benefit to the Suffolk County program. In addition, the overpayment includes $2,702 of disallowed Hospital administration costs resulting from the recalculation of administrative overhead costs based on a percentage of audited direct expenses.

Compliance with Laws, Regulations and Contracts – Our audit disclosed the following instances of noncompliance that are material to the subject matter and are required to be reported under government auditing standards (p. 6):

The Hospital claimed and was reimbursed for Resident Physician wages that were not commensurate with the level of direct patient care services provided at the Brentwood Health Center by the Physicians, resulting in over reported personnel service costs totaling $216,155 (p. 6).

GENERAL INFORMATION

Pursuant to an Agreement (Contract) between the Suffolk County Department of Health Services (Department) and Southside Hospital (Hospital), the Hospital operated a comprehensive health care center located at 1869 Brentwood Road, Brentwood, New York (Brentwood) during the audit period.

Under the Agreement, the Hospital is required to make available the staff and facilities necessary to assist the County in the efficient, competent and professional operation of the Health Center. In return, the Hospital is reimbursed by Suffolk County for expenses actually and necessarily incurred for the operation of the Health Center in accordance with the terms and conditions of the Contract.

A performance audit was conducted of the Health Centers administered by the Hospital for the period January 1, 2009 through December 31, 2009 (Report No. 2014-17) as well as a limited scope audit for the period January 1, 2010 through December 31, 2011 (Report No. 2014-18). The audits resulted in material adjustments to the wages reported for the Brentwood Family Health Center's Resident Physicians. It was, therefore, determined that the Resident Physician's wages reported for the period January 1, 2012 through December 31, 2012 should also be subjected to audit testing.

As a result, we reviewed the Hospital's Contract Budget, the Form 599 Expenditure Claim Details for the Brentwood Family Health Center's Resident Physicians and the County's Health Care Information System Patient Visit Details for the period January 1, 2012 through December 31, 2012 to ensure that similar conditions did not exist during the subsequent periods.

SCOPE AND METHODOLOGY

To accomplish the objectives as stated in the Letter of Transmittal (p. 1), we performed the following audit procedures:

- Reviewed the Contract and applicable laws to determine the rules, regulations and other compliance requirements that are related to the audit objectives.

- Determined the full population of payroll expense transactions associated with Resident Physicians performing services on behalf of the Hospital at the Brentwood Health Center for the period January 1, 2012 through December 31, 2012.

- Analyzed the Department's HCIS Patient Visit Details for the Brentwood Family Health Center's Resident Physicians for the period January 1, 2012 through December 31, 2012 to determine if the Physicians were providing a level of service to the County funded Health Centers that was commensurate with the funding of their positions.

FINDINGS AND RECOMMENDATIONS

Compliance

Our limited scope audit disclosed the following instances of noncompliance that are material to the subject matter and are required to be reported under Government Auditing Standards:

The Hospital claimed and was reimbursed for Resident Physician wages that were not commensurate with the level of direct patient care services provided at the Brentwood Health Center by the Physicians, resulting in over reported personnel service costs totaling $216,155. Although the Contract directs that the Hospital maintain adequate documentation supporting the attendance of all staff at the Health Centers we found that, unlike all other Health Center employees, the Hospital did not require the Resident Physicians to utilize the Health Center's electronic time recording system to document their attendance. Rather than use this system in conjunction with the actual level of direct care patient services as a basis for claiming personnel costs associated with the Residency Program to the County, the Resident Physician's wages were claimed by the Hospital based strictly on a contractual budget limit. Our audit analysis of the direct patient care services provided by the Resident Physicians to Health Center patients revealed that only 59% of the level of funding provided by the County was supported by direct patient care services at the Health Center. Consequently, an audit adjustment was necessary to disallow $216,155 of the related overfunded personnel service expenses. Since the Hospital claimed fringe benefit expenses in excess of the amount reimbursed by the County due to contractual budget limitations, audit adjustments for the related fringe benefit expense are unnecessary.

Recommendation 1

The Hospital should maintain adequate documentation supporting the attendance of all staff at the Health Centers by requiring Resident Physicians to utilize the electronic time recording system. This system, in conjunction with the actual level of direct care patient services, should be utilized by the Hospital to ensure that the County is receiving a level of service from the Residency Program that is commensurate with the level of county funding.

This report is intended solely for the information and use of the Hospital's Board of Directors and management, and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties.

SCHEDULES

Note: The accompanying schedules are an integral part of this report and should be read in conjunction with the Letter of Transmittal (p.1)

Schedule 1

Southside Hospital Health Centers
Brentwood Health Center
Combining Statement of Budgeted, Reported and Audited Expenses
For the Period January 1, 2012 through December 31, 2012

Notes	Expense Category	Amount Budgeted	Amount Reported	Amount Over (Under) Reported	Audit Allowance
	Direct Expenses - Brentwood (Schedule 2)	$ 11,007,696	$ 9,816,634	$ 216,155	$ 9,600,479
(2)	Administrative Charge	226,971	212,083	2,702	209,381
	Total Gross Expenses	$ 11,234,667	$ 10,028,717	$ 218,857	$ 9,809,860
(3)	Less: Anticipated Savings	(383,315)	-	-	-
	Net Contract	$ 10,851,352	$ 10,028,717	$ 218,857	$ 9,809,860

See Notes to Schedules (p. 11).

Schedule 2

Southside Hospital Health Centers
Brentwood Health Center
Statement of Budgeted, Reported and Audited Expenses
For the Period January 1, 2012 through December 31, 2012

Notes	Expense Category	Amount Budgeted	Amount Reported	Amount Over (Under) Reported	Audit Allowance
(4)	Personnel Services	$ 6,953,246	$ 6,067,181	$ 216,155	$ 5,851,026
	Fringe Benefits	2,056,506	2,056,506	-	2,056,506
	Fee For Service	1,637,321	1,479,430	-	1,479,430
	Equipment	8,300	798	-	798
	Other than Personnel Service	352,323	212,719	-	212,719
	Total Direct Expenses	$ 11,007,696	$ 9,816,634	$ 216,155	$ 9,600,479

See Notes to Schedules (p. 11).

Notes to Schedules

Southside Hospital Health Centers

(1) Basis of Accounting - The Hospital's Combining Statement of Budgeted, Reported and Audited Expenses for the contract period January 1, 2012 through December 31, 2012 and the related Statements of Budgeted, Reported and Audited Expenses were prepared in conformity with the accounting practices prescribed by the Hospital's contract with Suffolk County, which is a comprehensive basis of accounting other than generally accepted accounting principles. As such, these statements were prepared on the basis of cash disbursements whereby expenses were recognized during the contract period in which they were paid and claimed for reimbursement from the County rather than when the obligation was incurred.

(2) Administrative charges were reported and reimbursed to the Hospital based on a percentage of direct expenses. Therefore, due to the overpayment of reported direct expenses, an audit adjustment was necessary to disallow $2,702 of the related reported administrative costs.

(3) Anticipated savings is an amount used to reduce the Hospital's budgeted expenses, when the budgeted expenses are greater than the amount the County has contracted to fund.

(4) The Personnel Service adjustment consists of the following:

Brentwood Health Center Resident Physician wages disallowed because they were not sufficiently evidenced by supporting documentation.	$ 216,155

APPENDICES

Auditee: Southside Hospital

The unofficial draft audit reports for the audit period January 1, 2012 through December 31, 2012 was transmitted to the Hospital on May 19, 2015. An accompanying letter advised the Hospital that since the adjustments underlying the overpayment disclosed by our audit of the period January 1, 2012 through December 31, 2012 are the same as those cited in our limited scope audit of the period January 1, 2010 through December 31, 2011 (Report No. 2014-18), which was discussed at length with representatives of the Hospital on two separate occasions, we do not believe that an exit conference is necessary to discuss the audit findings. However, the Hospital was invited to submit a formal written response to this draft report no later than 15 business days after their receipt of the draft report. As of June 12, 2015, the deadline for submission of a formal written response, no formal written response was received by our office.