

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Department of Environmental Protection's Billing and Collecting of Water and Sewer Charges from Private Hospitals

FK07-076A

June 27, 2008



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the Department of Environmental Protection's billing and collecting of water and sewer charges from private hospitals.

The Department of Environmental Protection provides water and sewer services to all private hospitals operating in New York City. The Department's Management Analysis Unit is responsible for monitoring private hospitals' outstanding water and sewer charges and collecting those charges. We audit City agencies such as this as a means of ensuring that they operate efficiently and are accountable for City resources and revenues in their charge.

The results of our audit, which are presented in this report, have been discussed with Department of Environmental Protection officials, and their comments have been considered in the preparation of this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

Report: FK07-076A
Filed: June 27, 2008

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report of the
Department of Environmental Protection's
Billing and Collecting of Water and Sewer Charges from
Private Hospitals**

FK07-076A

AUDIT REPORT IN BRIEF

The Department of Environmental Protection (DEP) provides water and sewer services to all hospitals operating in New York City; however, only private hospitals are directly responsible for water and sewer charges.¹ DEP maintains customer account information, bills customers for water and sewer charges, and tracks payments in its Customer Information System (CIS). DEP's Management Analysis Unit (MAU) is responsible for monitoring private hospitals' outstanding water and sewer charges and collecting those charges.

This audit determined whether DEP is properly billing private hospitals for water and sewer use and making efforts to collect all outstanding charges. As of June 30, 2007, the 58 private hospitals operating in New York City had outstanding charges totaling \$13.4 million (\$14.7 million owed less \$1.3 credit balances). (See Appendix I for a list of the 58 hospitals and their outstanding balances as of June 30, 2007.) Although 26 hospitals paid all or nearly all of their outstanding balances within one month, 32 hospitals did not pay their balances.

Audit Findings and Conclusions

In general, DEP is billing hospitals for water and sewer charges properly, in accordance with its policies and procedures and the "New York City Water Board Water and Wastewater Rate Schedule." However, we noted the following significant internal control weaknesses regarding DEP's collection practices:

- DEP cannot readily identify all hospital accounts; therefore, it cannot track outstanding hospital water and sewer charges efficiently and effectively. We

¹ The City of New York is billed and pays water and sewer charges for Health and Hospital Corporation (HHC) hospitals. Water is supplied to the City, including HHC hospitals, in accordance with the terms set forth in section 1045-(j)(5) of the New York City Municipal Water Finance Authority Act.

identified 313 hospital accounts that were not included in a MAU management report used to track hospitals' outstanding water and sewer charges. As of June 30, 2007, outstanding charges on these accounts totaled approximately \$2.2 million.

- DEP cannot aggregate charges common to a single customer. According to DEP officials, collection efforts should begin when customers owe \$50,000 or more for more than 30 days. However, since charges are not aggregated and the MAU's management report does not include all hospitals and their associated accounts, DEP is not aware of when the \$50,000 threshold is actually met.
- DEP has not instituted written collection policies and procedures for its staff to follow when billing and pursuing collection from hospitals.

As a result of these weaknesses, DEP does not make timely and appropriate collection efforts. As of June 30, 2007, 32 of 58 private hospitals had outstanding charges totaling \$12.6 million (\$13 million owed less \$354,912 credit balances) and had made payments totaling only \$2 million by July 31, 2007. (See Appendix II for a list of the 32 hospitals and their outstanding balances as of June 30, 2007, and payments made on those accounts in July 2007.) Given that eight of these hospitals are in bankruptcy and/or recommended for closure, DEP may not be able to recover all charges it is owed.

Audit Recommendations

To address these findings, we make nine recommendations, including that DEP should:

- Actively pursue collection of total outstanding water and sewer charges from private hospitals.
- Create a comprehensive list of all private hospital accounts by surveying hospital properties and identifying all meters and their associated accounts.
- Make timely and appropriate collection efforts. DEP should contact a designated private hospital official when total outstanding charges are \$50,000 or more for more than 30 days, inform the official of the outstanding charges, and attempt to secure payment in full or to enter into payment agreements.
- Investigate the feasibility of aggregating private hospitals' water and sewer charges on CIS and sending comprehensive bills to designated private hospital officials.
- Institute written policies and procedures that address the duties and responsibilities of key employees responsible for the billing of private hospitals and the collection of charges due.

INTRODUCTION

Background

According to the New York State Department of Health (DOH), there were 71 hospitals operating in New York City in 2007. Of the 71 hospitals, 58 were operated privately, and 13 were operated by the New York City Health and Hospitals Corporation (HHC). DEP provides water and sewer services to all hospitals operating in New York City; however, only private hospitals are directly responsible for water and sewer charges. DEP maintains customer account information, bills customers for water and sewer charges, and tracks payments in CIS.

The MAU is responsible for monitoring private hospitals' outstanding water and sewer charges and collecting those charges. According to DEP officials, collection efforts are driven by property type. Specifically, hospital and health care facility property accounts—properties where direct care takes place—are not subject to standard collection policies and procedures; consequently, DEP does not send out lien and shut-off warning letters, put liens on properties, or shut off service as it does for other property type accounts. DEP's Collection Department sends notices of delinquency, indicating charges owed and late payments assessed, every 30 days for all accounts, regardless of property type. Additionally, the MAU contacts hospitals when accounts contained in its management report have an outstanding balance of \$50,000 or more for more than 30 days, informs them of their outstanding charges, and attempts to secure payment in full or to enter into payment agreements. CIS generates a monthly management report showing outstanding balances on hospital accounts, and the MAU makes collection efforts based on this information.

We asked DEP to provide us with a list of all accounts for each of the 58 hospitals. DEP officials informed us that DEP views each account as a separate entity, even if various accounts are within the same site, so that it could not provide us a comprehensive list of accounts for each hospital. The MAU provided us with a list of 361 hospital accounts that it uses to monitor hospitals' outstanding water and sewer charges. However, it would not attest that the list was complete. Therefore, we requested a list of hospitals from DOH and identified hospitals' associated accounts by conducting name, borough, block and lot, and address searches in CIS. We calculated each hospital's total outstanding charges by adding CIS account balances for all its associated accounts (i.e., hospitals, health care facilities, and other hospital-owned properties).

As of June 30, 2007, the 58 private hospitals operating in New York City had outstanding water and sewer charges totaling \$13.4 million (\$14.7 million owed less \$1.3 credit balances). Although 26 hospitals paid all or nearly all of their outstanding balances within one month, 32 hospitals did not pay off their balances. These 32 hospitals had outstanding charges totaling \$12.6 million (\$13 million owed less \$354,912 credit balances) as of June 30, 2007 and had made payments totaling only \$2 million by July 31, 2007.

Objectives

The objectives of this audit were to:

- Determine whether DEP is properly billing private hospitals for water and sewer use.
- Determine whether DEP is making efforts to collect all outstanding water and sewer charges from private hospitals.

Scope and Methodology

The audit covered the billing and payment history of private hospital accounts from January 2004 through June 2007. To gain an understanding of the policies, procedures, and regulations governing the billing and collection processes, we conducted walk-throughs with DEP officials; and reviewed the “New York City Water Board Water and Wastewater Rate Schedule,” DEP’s policies and procedures regarding billing, collecting, and metering accounts, and DEP’s *Customer Information System Inquiry Manual*.

We received training on CIS—the computer system used by DEP to maintain customer account information, to bill customers for water and sewer charges, and to track payments—and interviewed DEP officials to gain an understanding of how customer accounts are set up, accessed, updated, and maintained. It should be noted that we did not test the data reliability of CIS information because it is outside the scope of our audit.

We requested a list of all private hospitals operating in New York City from DOH and compared it to information contained on the department’s Web site. We determined that there were 58 private hospitals operating in New York City during our audit period.

We asked DEP to provide us with a list of all associated accounts for each of the 58 hospitals. DEP officials informed us that DEP views each account as a separate entity, even if various accounts are within the same site, so that it could not provide us a comprehensive list of accounts for each hospital. The MAU provided us with a list of 361 hospital accounts that it uses to monitor hospitals’ outstanding water and sewer charges. However, it would not attest that the list was complete.

We compiled our own list of hospitals’ associated accounts by conducting name, borough, block and lot, and address searches in CIS. We compared our list of accounts to the MAU list, identified any discrepancies, and discussed these discrepancies with DEP officials. Based on this analysis, we identified 644 accounts—349 hospital and health care facility property accounts and 295 other property type accounts. However, we cannot be certain that this list is complete and accurate because of CIS system constraints. For instance, DEP does not use consistent nomenclature for property owner and address information when accounts are entered in CIS. Because of these inconsistencies, name and address searches may not yield all accounts.

To determine whether accounts were billed properly:

- We reviewed CIS Accounts Receivable screens and verified that all 644 accounts were billed. Customers are billed on either metered or frontage rates. Metered

accounts are billed quarterly based on actual consumption of water and frontage accounts are billed annually based on a formula that accounts for property size and the number of water consuming fixtures.

- We judgmentally selected 6 of the 58 hospitals and reviewed the billing history for all their associated accounts. We identified all bills that were cancelled between January 2004 and June 2007 and determined whether accounts were rebilled for the same time periods based on actual consumption. Charges are canceled and rebilled when estimated bills are too high, or when a meter is defective or not registering. Estimated bills are canceled and rebilled for actual use. Bills based on faulty meter reads are canceled and rebilled based on average daily flow. The average daily flow is calculated based on two actual reads from a properly functioning meter.

We selected our sample of six hospitals by choosing two hospitals from each of the following billing statuses: credit balance on June 30, 2007; paid all or substantially paid outstanding balances owed on June 30, 2007, within one month; and did not make substantial payment on outstanding balances owed on June 30, 2007, within one month. We considered hospitals that paid more than 90 percent of their outstanding charges as having substantially paid.

- We identified 45 accounts that are billed based on frontage. We judgmentally selected the three hospitals with the largest number of frontage accounts, which accounted for 21 of the 45 frontage accounts, and tested whether these accounts were eligible for frontage billing. Specifically, we determined whether all account properties were either metered in accordance with the “New York City Water Board Water and Wastewater Rate Schedule” or charged the appropriate surcharge if they were not metered. We also ascertained whether commercial accounts within account properties were billed separately and whether accounts were billed based on current frontage rates.

To determine whether DEP is making efforts to collect all outstanding water and sewer charges, we compiled a list of such charges for all 644 hospital accounts and calculated the total outstanding charges for each of the 58 hospitals as of June 30, 2007. For hospitals with outstanding charges, we determined whether they paid or substantially paid these charges within one month.

For the 32 hospitals that did not pay or substantially pay their outstanding charges within one month, we identified all accounts with outstanding charges of \$50,000 or more as of June 30, 2007, and determined whether hospitals had entered into payment agreements to pay off these account balances. If hospitals had not entered into payment agreements, we examined DEP’s collection efforts for these accounts. Specifically, we looked for evidence that DEP had contacted the hospital and attempted to secure payment in full or to enter into payment agreements.

To gain an understanding of DEP’s monitoring of hospitals’ outstanding water and sewer charges and the collection practices for those charges, we interviewed key MAU personnel and

reviewed the MAU's management report. We compared the MAU's management report to our list of hospital accounts. We identified hospital accounts not routinely monitored by the MAU and calculated the total outstanding water and sewer charges for these accounts as of June 30, 2007.

We met with DEP's Bankruptcy Unit to discuss its collection procedures for hospitals that have declared bankruptcy, and we met with the MAU to discuss its collection procedures for hospitals that are scheduled to receive State funding to cover legal costs associated with closing and to pay off debts. And we met with the MAU and Bankruptcy Units to review their collection efforts for the hospitals with the three largest outstanding balances—Cabrini Medical Center, Parkway Hospital, and the Brooklyn Hospital Center Downtown Campus.

The results of our tests while not statistically projected to the respective populations provide a reasonable basis for us to determine whether DEP billed and made efforts to collect water and sewer charges from private hospitals in accordance with the "New York City Water Board Water and Wastewater Rate Schedule" and its policies and procedures.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with DEP officials during and at the conclusion of this audit. A preliminary draft report was sent to DEP officials and discussed at an exit conference held on May 7, 2008. On June 2, 2008, we submitted a draft report to DEP officials with a request for comments. We received a written response from DEP on June 16, 2008. In DEP's response, the Deputy Commissioner stated:

We appreciate the diligence of your auditors in performing this audit and appreciate the report's finding that "[i]n general, DEP is billing hospitals for water and sewer charges properly in accordance with its policies and procedures and the "New York City Water Board Water and Wastewater Rate Schedule." We agree with the report's recommendations and, as discussed below, have in most instances already taken action to implement them.

The full text of the DEP response is included as an addendum to this report.

FINDINGS

In general, DEP is billing hospitals for water and sewer charges properly in accordance with its policies and procedures and the “New York City Water Board Water and Wastewater Rate Schedule.” In this regard:

- All hospital accounts were billed for water and sewer charges either quarterly or annually;
- All bills that were canceled were rebilled for the same time periods based on actual consumption; and
- All frontage accounts were eligible for that billing method because they were either metered in accordance with the “New York City Water Board Water and Wastewater Rate Schedule” or charged the appropriate surcharge if they were not metered. Additionally, commercial accounts within account properties were billed separately, and accounts were billed based on current frontage rates.

With regard to collection, DEP is making efforts as follows:

- DEP’s Collection Department sent out notices of delinquency, indicating charges owed and late payments assessed, every 30 days.
- The MAU contacted hospitals when accounts contained in its management report had an outstanding balance of \$50,000 or more for more than 30 days, informed them of their outstanding charges, and attempted to secure payment in full or to enter into payment agreements.
- DEP’s Bankruptcy Unit reviewed U.S. Bankruptcy Courts’ electronic records daily to identify customers that petitioned for bankruptcy. If a customer owed water and sewer charges, DEP filed a secured claim with the court, which gives DEP the right to be paid from property settlement.

However, we noted the following significant internal control weaknesses regarding DEP’s collection practices:

- DEP cannot readily identify all hospital accounts; therefore, it cannot track outstanding hospital water and sewer charges efficiently and effectively. The MAU is responsible for monitoring hospitals’ outstanding water and sewer charges and collecting those charges. We identified 313 hospital accounts that were not included in a MAU management report used to track hospitals’ outstanding water and sewer charges. As of June 30, 2007, outstanding charges on these accounts totaled approximately \$2.2 million. Since these accounts were not included in the MAU’s management report, the MAU is not aware of outstanding charges and does not pursue collection.

DEP Response: “For the ancillary hospital accounts referenced on page 7; the identified 313 hospital accounts not included in DEP’s Management Report, noted as having approximately \$2.2 million in open balances in July 2007, an analysis on June 12, 2008 shows a balance of approximately \$75,000 that remains open. For future analysis, these accounts have been added to the Management Report.”

- DEP cannot aggregate charges common to a single customer. According to DEP officials, collection efforts should begin when customers owe \$50,000 or more for more than 30 days. However, since charges are not aggregated and the MAU’s management report does not include all hospitals and their associated accounts, DEP is not aware of when the \$50,000 threshold is actually met.
- DEP has not instituted written collection policies and procedures for its staff to follow when billing and pursuing collection from hospitals.

As a result of these weaknesses, DEP does not make timely and appropriate collection efforts. As of June 30, 2007, 32 of 58 private hospitals had outstanding charges totaling \$12.6 million (\$13 million owed less \$354,912 credit balances) and had made payments totaling only \$2 million by July 31, 2007. Given that eight of these hospitals are in bankruptcy and/or recommended for closure, DEP may not be able to recover all charges it is owed.

These findings are discussed in detail in the following sections of this report.

DEP Lacks an Effective System for Tracking Outstanding Charges

DEP cannot readily identify all hospital accounts; therefore, it cannot track outstanding hospital water and sewer charges efficiently and effectively. The MAU is responsible for monitoring hospitals’ outstanding water and sewer charges and collecting those charges. The MAU provided us with a list of 361 hospital accounts; however, it would not attest that the list was complete. According to DEP officials, the list was compiled based on employees’ knowledge of accounts and by conducting name, borough, block and lot, and address searches in CIS. These 361 accounts were assigned a code in CIS indicating that the associated property is owned by a private hospital. The code enables CIS to generate a management report showing outstanding balances on hospital accounts. The MAU runs this report monthly and makes collection efforts based on it.

We reviewed the MAU’s list and determined that 30 accounts should not have been included, as the associated properties were no longer owned by private hospitals. We also conducted our own address, borough, block and lot, and name searches in CIS and identified an additional 313 hospital accounts. As of June 30, 2007, outstanding charges on these accounts totaled approximately \$2.2 million (\$2.4 million owed less \$212,487 credit balances), including:

- Eight NYU Hospitals Center accounts with outstanding charges totaling \$963,421,

- Four Brookdale Hospital Medical Center accounts with outstanding charges totaling \$461,201, and
- Four Interfaith Medical Center accounts with outstanding charges of \$246,409.

DEP was unable to identify the 313 hospital accounts because it does not assign property types or unique customer identifiers, such as Federal Employer Identification Number, when accounts are entered into CIS. This information would allow DEP to identify all private hospital accounts or all accounts for a single customer, respectively. Further, DEP does not use consistent nomenclature for property owner and address information when accounts are entered in CIS. Because of these inconsistencies, name and address searches will not yield all accounts. Since CIS cannot readily identify all hospital accounts, the MAU cannot track outstanding hospital water and sewer charges efficiently and effectively. Although DEP officials conceded that the list of hospital accounts MAU provided was not complete, they stated that outstanding charges on any unidentified accounts would not be significant.

DEP Cannot Aggregate Water and Sewer Charges

DEP cannot aggregate charges incurred on separate meters common to a single customer, including meters within the same site, since DEP views each account as a separate entity. Consequently, DEP does not make timely and appropriate collection efforts. DEP officials informed us that it contacts hospitals when outstanding charges are \$50,000 or more for more than 30 days, informs them of their outstanding charges, and attempts to secure payment in full or to enter into payment agreements. However, since charges are not aggregated and the MAU's management report does not include all hospitals and their associated accounts, DEP is not always aware when the \$50,000 threshold is actually met.

Hospitals also may not be aware of their total outstanding charges since they do not receive comprehensive bills. DEP sends each hospital multiple bills at different addresses. For example, Maimonides Medical Center receives 49 different bills at 22 addresses. As of June 30, 2007, Maimonides Medical Center had outstanding charges totaling \$493,548 (\$576,190 owed less \$82,642 credit balance.) If DEP were able to aggregate charges and send comprehensive bills, DEP could more effectively monitor outstanding charges and hospitals could better grasp the magnitude of their outstanding charges.

DEP Lacks Written Collection Policies and Procedures for Hospitals

DEP has no written collection policies and procedures for hospitals. According to DEP officials, hospital and health care facility property accounts are not subject to DEP's standard collection policies and procedures. Specifically, DEP does not send out lien and shut-off warning letters, put liens on properties, or shut off service as it does for other property type accounts. Although these procedures are not applied to private hospitals, DEP has not instituted written policies and procedures for its staff to follow when billing and pursuing collection from hospitals. Written policies and procedures are needed that adequately address the duties and responsibilities of key employees who perform billing and collection.

RECOMMENDATIONS

DEP should:

1. Actively pursue collection of total outstanding water and sewer charges from private hospitals.

DEP Response: “Agreed. DEP has a supervisory level employee tasked to monitor hospitals’ delinquencies and attempt to collect these arrears. The employee contacts hospital employees from the Accounts Payable Department up to and including the CFO and CEO. Contacts are initially made by telephone and followed up by e-mail.”

2. Explore alternate means of collection including pursuing collection from management and parent corporations.

DEP Response: “Agreed. In addition to the measures taken above, we have contacted health systems, parent corporations (including the Archdiocese of New York) and the Greater New York Hospital Association with various levels of success.”

3. Create a comprehensive list of all private hospital accounts by surveying hospital properties and identifying all meters and their associated accounts.

DEP Response: “Agreed. DEP had created a list of Hospitals in its Management Report System using the RPAD (Real Property Assessment Division) Building Class designation for hospitals. At the recommendation of the Comptroller’s auditors, this list was expanded to include ancillary hospital properties consisting of housing, offices and other non-patient-care functions.”

4. Ensure that all identified accounts are assigned a code in CIS indicating that associated properties are owned by private hospitals.

DEP Response: “Agreed. All hospital accounts, including ancillary properties, are now uniquely coded to allow recall as recommended in the report.”

5. Periodically review and update list and CIS codes.

DEP Response: “Agreed. This has been done and will continue to be done.”

6. Review private hospitals’ total outstanding water and sewer charges monthly.

DEP Response: “Agreed. This has been done and will continue to be done.”

7. Make timely and appropriate collection efforts. DEP should contact a designated private hospital official when total outstanding charges are \$50,000 or more for more

than 30 days, inform the official of the outstanding charges, and attempt to secure payment in full or to enter into payment agreements.

DEP Response: “Agreed. DEP has been pursuing this strategy as outlined in response #1 for close to five years. In this time many hospitals have either paid off their delinquent balances or entered into payment agreements. During this period the aggregate delinquent AR was reduced from over \$21 million to approximately \$8 million for accounts over \$50,000.”

8. Investigate the feasibility of aggregating private hospitals’ water and sewer charges on CIS and sending comprehensive bills to designated private hospital officials.

DEP Response: “We agree, however, the current CIS is not capable of aggregating the bills for multiple account customers into one bill statement; the current system can only make bill statements for individual accounts. Accounts cannot cross tax blocks and lots. DEP is currently in the early stages of seeking replacement of the CIS system. The aggregation of bills is one option that is being explored for specification in the new system.”

9. Institute written policies and procedures that address the duties and responsibilities of key employees responsible for the billing of private hospitals and the collection of charges due.

DEP Response: “Agreed. DEP will create written policies and procedures and SOPs to codify and make improvements to the actions already being taken.”

Private Hospitals' Outstanding Water and Sewer Charges as of June 30, 2007

Name of Hospital	Positive Balances	Credit Balances	Total Owed June 30, 2007
01. Beth Israel Medical Center/Petrie Campus	\$111,259	(\$26,317)	\$84,941
02. Beth Israel Medical Center – Kings Highway Division	\$0	(\$6,560)	(\$6,560)
03. Bronx-Lebanon Hospital Center – Fulton Division	\$22,799	(\$95,447)	(\$72,649)
04. Bronx-Lebanon Hospital Center – Concourse Division	\$131,171	(\$41,076)	\$90,095
05. Brookdale Hospital Medical Center	\$697,159	(\$4,860)	\$692,299
06. Brooklyn Hospital Center – Downtown Campus	\$791,371	(\$150)	\$791,221
07. Cabrini Medical Center	\$3,759,296	\$0	\$3,759,296
08. Calvary Hospital Inc.	\$70,337	\$0	\$70,337
09. Flushing Hospital Medical Center	\$698,758	(\$132)	\$698,626
10. Hospital for Special Surgery	\$31,165	\$0	\$31,165
11. Interfaith Medical Center	\$248,325	(\$17,379)	\$230,947
12. Jamaica Hospital Medical Center	\$126,125	(\$6,513)	\$119,612
13. Kingsbrook Jewish Medical Center	\$274,134	\$0	\$274,134
14. Lenox Hill Hospital	\$238,561	\$0	\$238,561
15. Long Island College Hospital	\$59,665	(\$36,432)	\$23,233
16. Long Island Jewish Medical Center	\$51,315	(\$127)	\$51,188
17. Lutheran Medical Center	\$7,920	\$0	\$7,920
18. Maimonides Medical Center	\$576,190	(\$82,642)	\$493,548
19. Manhattan Eye Ear and Throat Hospital	\$45,224	\$0	\$45,224
20. SVCMC-Mary Immaculate ¹	\$141,365	\$0	\$141,365
21. Memorial Hospital for Cancer and Allied Diseases	\$177,459	(\$119,988)	\$57,470
22. Montefiore Medical Center – Henry & Lucy Moses Division	\$723,551	(\$61,675)	\$661,876
23. Montefiore Medical Center – Jack D Weiler Hospital of A Einstein College Division	\$271,661	(\$1,607)	\$270,054
24. New York Community Hospital of Brooklyn, Inc.	\$1	\$0	\$1
25. Mount Sinai Hospital of Queens	\$2,165	(\$511)	\$1,654
26. Mount Sinai Hospital	\$283,843	(\$6,237)	\$277,606
27. New York Presbyterian Hospital – New York Weill Cornell Center	\$0	(\$48,985)	(\$48,985)
28. New York Presbyterian Hospital – Columbia Presbyterian Center	\$19,713	\$0	\$19,713
29. New York Presbyterian Hospital – Allen Pavilion	\$0	\$0	\$0
30. NY Eye and Ear Infirmary	\$20	(\$16,408)	(\$16,388)
31. New York Hospital Medical Center of Queens	\$0	(\$254,110)	(\$254,110)
32. Hospital for Joint Diseases Orthopaedic Institute, Inc. ²	\$124,863	(\$30,859)	\$94,004
33. New York Methodist Hospital	\$28,377	(\$40,261)	(\$11,884)

Name of Hospital	Positive Balances	Credit Balances	Total Owed June 30, 2007
34. North General Hospital	\$514,660	\$0	\$514,660
35. Forest Hills Hospital	\$0	\$0	\$0
36. NYU Hospitals Center	\$963,421	(\$37)	\$963,384
37. New York Downtown Hospital	\$164,489	(\$58,602)	\$105,887
38. Our Lady of Mercy Medical Center	\$7,336	(\$14,428)	(\$7,092)
39. Parkway Hospital	\$914,756	\$0	\$914,756
40. Peninsula Hospital Center	\$197,272	\$0	\$197,272
41. Rockefeller University Hospital	\$86,929	\$0	\$86,929
42. St. Barnabas Hospital	\$403,895	\$0	\$403,895
43. St. Vincent's Midtown Hospital ³	\$35,192	\$0	\$35,192
44. St. Johns Episcopal Hospital South Shore	\$0	(\$19,541)	(\$19,541)
45. SVCMC – St. Johns Queens ⁴	\$11,654	\$0	\$11,654
46. St. Lukes Roosevelt Hospital Center – Roosevelt Hospital Division	\$126,807	(\$95,331)	\$31,476
47. St. Lukes Roosevelt Hospital – St. Lukes Hospital Division	\$0	(\$2,508)	(\$2,508)
48. SVCMC – St. Vincents Manhattan	\$653,034	\$0	\$653,034
49. SVCMC – St. Vincents Staten Island ⁵	\$124,018	\$0	\$124,018
50. SVCMC – Bayley Seton ⁶	\$5,067	\$0	\$5,067
51. Staten Island University Hospital – North	\$74,578	(\$33,532)	\$41,047
52. Staten Island University Hospital – South	\$53,619	(\$148,526)	(\$94,907)
53. University Hospital of Brooklyn	\$169,166	\$0	\$169,166
54. Victory Memorial Hospital	\$136,254	(\$1,874)	\$134,380
55. New York Westchester Square Medical Center	\$122,269	\$0	\$122,269
56. Wyckoff Heights Medical Center	\$237,557	(\$10,435)	\$227,123
57. Staten Island University Hospital – Concord Division ³	\$65	\$0	\$65
58. SVCMC – St. Marys Hospital Brooklyn ³	\$6,036	\$0	\$6,036
TOTAL OWED AS OF JUNE 30, 2007	\$14,721,867	(\$1,283,091)	\$13,438,777

¹Now known as Mary Immaculate Hospital

²Now known as NYU Hospital for Joint Diseases

³Hospital closed, but is mentioned in our report since it had open balances on June 30, 2007.

⁴Now known as St. Johns Queens Hospital

⁵Now known as Richmond University Medical Center

⁶Now known as RUMC-Bayley Seton

**Outstanding Water and Sewer Charges for 32 Hospitals
Not Substantially Paid by July 31, 2007**

Hospital	Positive Balances	Credit Balances	Balance June 30, 2007	July 2007 Payments
Cabrini Medical Center	\$3,759,296	\$0	\$3,759,296	\$0
NYU Hospitals Center	\$963,421	(\$37)	\$963,384	\$631,143
Parkway Hospital	\$914,756	\$0	\$914,756	\$31,714
Brooklyn Hospital Center – Downtown Campus	\$791,371	(\$150)	\$791,221	\$63,466
Flushing Hospital Medical Center	\$698,758	(\$132)	\$698,626	\$22,441
Brookdale Hospital Medical Center	\$697,159	(\$4,860)	\$692,299	\$125,395
Montefiore Medical Center – Henry & Lucy Moses Div	\$723,551	(\$61,675)	\$661,876	\$471,673
North General Hospital	\$514,660	\$0	\$514,660	\$0
Maimonides Medical Center	\$576,190	(\$82,642)	\$493,548	\$145,993
St Barnabas Hospital	\$403,895	\$0	\$403,895	\$0
Kingsbrook Jewish Medical Center	\$274,134	\$0	\$274,134	\$120,411
Montefiore Med Center - Jack D Weiler Hosp of A Einstein College Div	\$271,661	(\$1,607)	\$270,054	\$154,898
Lenox Hill Hospital	\$238,561	\$0	\$238,561	\$0
Interfaith Medical Center	\$248,325	(\$17,379)	\$230,947	\$19,129
Wyckoff Heights Medical Center	\$237,557	(\$10,435)	\$227,123	\$0
Peninsula Hospital Center	\$197,272	\$0	\$197,272	\$0
University Hospital of Brooklyn	\$169,166	\$0	\$169,166	\$93,589
SVCMC-Mary Immaculate ¹	\$141,365	\$0	\$141,365	\$0
Victory Memorial Hospital	\$136,254	(\$1,874)	\$134,380	\$1,990
SVCMC-St Vincents Staten Island ²	\$124,018	\$0	\$124,018	\$3,691
New York Westchester Square Medical Center	\$122,269	\$0	\$122,269	\$0
Jamaica Hospital Medical Center	\$126,125	(\$6,513)	\$119,612	\$32,301
New York Downtown Hospital	\$164,489	(\$58,602)	\$105,887	\$0
Hospital for Joint Diseases Orthopaedic Institute, Inc ³	\$124,863	(\$30,859)	\$94,004	\$0
Bronx-Lebanon Hospital Center – Concourse Division	\$131,171	(\$41,076)	\$90,095	\$18,766
Long Island Jewish Medical	\$51,315	(\$127)	\$51,188	\$0

Hospital	Positive Balances	Credit Balances	Balance June 30, 2007	July 2007 Payments
Center				
Manhattan Eye Ear and Throat Hospital	\$45,224	\$0	\$45,224	\$0
St. Vincent's Midtown Hospital ⁴	\$35,192	\$0	\$35,192	\$26,680
Long Island College Hospital	\$59,665	(\$36,432)	\$23,233	\$0
New York Presbyterian Hospital – Columbia Presbyterian Center	\$19,713	\$0	\$19,713	\$0
SVCMC – St Johns Queens ⁵	\$11,654	\$0	\$11,654	\$0
Mount Sinai Hospital – Mount Sinai Hospital of Queens	\$2,165	(\$511)	\$1,654	\$0
Total	\$12,975,216	(\$354,912)	\$12,620,304	\$1,963,281

¹Now known as Mary Immaculate Hospital

²Now known as Richmond University Medical Center

³Now known as NYU Hospital for Joint Diseases

⁴Hospital now closed, but is mentioned in our report since it had open balances on June 30, 2007.

⁵Now known as St. Johns Queens Hospital



DEPARTMENT OF
ENVIRONMENTAL
PROTECTION

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Emily Lloyd
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Bureau of Customer
Services



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and Services for NYC

June 16, 2008

John Graham
Deputy Comptroller, Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007

Re: Audit FK07-076A

Dear Mr. Graham:

Thank you for the opportunity to comment on the above referenced draft audit report on DEP's Billing and Collecting of Water and Sewer Charges from Private Hospitals. We appreciate the diligence of your auditors in performing this audit and appreciate the report's finding that "[i]n general, DEP is billing hospitals for water and sewer charges properly in accordance with its policies and procedures and the 'New York City Water Board Water and Wastewater Rate Schedule.'" We agree with the report's recommendations and, as discussed below, have in most instances already taken action to implement them.

Below is our response to the specific recommendations contained in the June 2, 2008 draft audit report:

1. DEP should actively pursue collection of total outstanding water and sewer charges from private hospitals.
Response: Agreed. DEP has a supervisory level employee tasked to monitor hospitals' delinquencies and attempt to collect these arrears. The employee contacts hospital employees from the Accounts Payable Department up to and including the CFO and CEO. Contacts are initially made by telephone and followed up by e-mail.
2. DEP should explore alternate means of collection including pursuing collection from management and parent corporations.
Agreed. In addition to the measures taken above, we have contacted health systems, parent corporations (including the Archdiocese of New York) and the Greater New York Hospital Association with various levels of success.

3. DEP should create a comprehensive list of all private hospital accounts by surveying hospital properties and identifying all meters and their associated accounts.

Agreed. DEP had created a list of Hospitals in its Management Report System using the RPAD (Real Property Assessment Division) Building Class designation for hospitals. At the recommendation of the Comptroller's auditors, this list was expanded to include ancillary hospital properties consisting of housing, offices and other non-patient-care functions.

4. DEP should ensure that all identified accounts are assigned a code in CIS indicating that associated properties are owned by private hospitals.

Agreed. All hospital accounts, including ancillary properties, are now uniquely coded to allow recall as recommended in the report.

5. DEP should periodically review and update list and CIS codes.

Agreed. This has been done and will continue to be done.

6. DEP should review private hospitals' total water and sewer charges monthly.

Agreed. This has been done and will continue to be done.

7. DEP should make timely and appropriate collection efforts. DEP should contact a designated private hospital official when total outstanding charges are \$50,000 or more for more than 30 days, inform the official of the outstanding charges, and attempt to secure payment in full or to enter into payment agreements.

Agreed. DEP has been pursuing this strategy as outlined in response #1 for close to five years. In this time many hospitals have either paid off their delinquent balances or entered into payment agreements. During this period the aggregate delinquent AR was reduced from over \$21million to approximately \$8million for accounts over \$50,000.

8. DEP should investigate the feasibility of aggregating private hospitals' water and sewer charges on CIS and sending comprehensive bills to designated private hospital officials.

We agree, however, the current CIS is not capable of aggregating the bills for multiple account customers into one bill statement; the current system can only make bill statements for individual accounts. Accounts cannot cross tax blocks and lots. DEP is currently in the early stages of seeking replacement of the CIS system. The aggregation of bills is one option that is being explored for specification in the new system.

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June 16, 2008

9. DEP should institute written policies and procedures that address the duties and responsibilities of key employees responsible for the billing of private hospitals and the collection of charges due.

Agreed. DEP will create written policies and procedures and SOPs to codify and make improvements to the actions already being taken.

Addendum: For the ancillary hospital accounts referenced on page 7; the identified 313 hospital accounts not included in DEP's Management Report, noted as having approximately \$2.2million in open balances in July 2007, an analysis on June 12, 2008 shows a balance of approximately \$75,000 that remains open. For future analysis, these accounts have been added to the Management Report.

Thank you again for the time your staff spent in conducting this audit.

Very truly yours,



Joseph F. Singleton, Jr.
Deputy Commissioner, Bureau of Customer Services

cc: Steven Lawitts, First Deputy Commissioner, DEP