



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 20, 2022

Mitchell Katz, MD
President and CEO
New York City Health and Hospitals Corporation
50 Water Street
New York, NY 10004

Re: Controls Over Equipment
Report 2022-F-19

Dear Dr. Katz:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Health and Hospitals Corporation to implement the recommendations contained in our audit report, *Controls Over Equipment* (Report [2017-N-9](#)).

Background, Scope, and Objective

The New York City (NYC) Health and Hospitals Corporation (H+H) is a public benefit corporation created by the New York City Health and Hospitals Corporation Act of 1969. H+H, the largest public health care system in the nation, is a network of health facilities, including 11 hospitals, five skilled nursing facilities, and 50 community and school-based health centers located across NYC's five boroughs. H+H provides comprehensive health care services to more than 1 million New Yorkers annually.

H+H's capital assets include land, buildings, construction in progress, and equipment. As of June 30, 2022, H+H reported \$11.01 billion in capital assets, including about \$4.98 billion in medical and office equipment.¹ During the fiscal year ended June 30, 2022, H+H purchased approximately \$285.61 million in equipment. Descriptions, purchase order numbers, and other information about major movable equipment (costing \$500 or more) are recorded in H+H's PeopleSoft Asset Management (PeopleSoft) system. The equipment includes ultrasound machines, vital sign monitors, and laptops. Equipment costing \$500 or more must be tagged and the tag numbers recorded in the asset management system. When equipment is disposed of, information pertaining to that item is purged from the system. As of August 31, 2022, the asset management system contained 344,222 items, including 273,893 pieces of movable equipment.

Our initial audit report, issued on January 9, 2019, examined whether H+H had established adequate controls over equipment. The audit, which covered the period from July 1, 2016 to August 7, 2018, found that H+H's controls over equipment needed to be improved,

¹ For purposes of this document, when discussing our audit sample, the terms assets, equipment, and item(s) are used interchangeably.

as we were unable to find some items during the review of a judgmental sample. In addition, H+H staff did not always accurately record information in their Fixed Asset Management (FAM) system and made errors when tagging items. We also found various record-keeping issues associated with relinquished, mass-retired, transferred, and repaired assets. Furthermore, H+H officials did not adequately monitor the FAM system and did not ensure that employees were aware of and followed the tagging policy, which resulted in inconsistent asset tagging.

The objective of our follow-up was to assess the extent of implementation, as of November 18, 2022, of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

H+H has made some progress in addressing the issues identified in the initial audit report. Of the initial report's six audit recommendations, two were implemented, one was partially implemented, and three were not implemented.

Follow-Up Observations

Recommendation 1

Review the asset management system for accuracy, and implement a system of continuous monitoring.

Status – Not Implemented

Agency Action – H+H officials did not adequately review the asset management system for accuracy or implement a system of continuous monitoring. H+H officials responded that they partially implemented this recommendation and explained that the Asset Management team reviews and approves information about the cost, life, and category of assets as well as asset accounts in PeopleSoft (the system that replaced the FAM). They asserted that the asset ledger is reviewed monthly for additions and reasonableness. However, we identified 20,382 movable pieces of equipment in the asset ledger that did not have valid tag numbers. These pieces of equipment were put into service in February 2019 or later, and have an individual cost of \$500 or more, with a net book value² (NBV) greater than zero as of August 31, 2022. According to H+H officials, 15,516 of these pieces of equipment have serial numbers in their respective systems, and therefore should have physical tags on them, but the tag numbers are not recorded in the asset ledger. We noted that of the 15,516 pieces, 12,725 are IT equipment. H+H officials also stated that for the majority of the IT equipment, the tag numbers were not available at the time of the launch of PeopleSoft, and they recently reached out to their IT department to tag these assets. According to H+H officials, the remaining 4,866 (20,382 - 15,516) pieces of equipment without valid tag numbers were probably overlooked, and due to the COVID-19 pandemic, they were unable to tag many of them. In addition, some of these were purchased during the COVID-19 pandemic through a blanket purchase order that did not itemize the assets, and therefore could not have the tag number information entered into the system. As of August 31, 2022, these 4,866 assets have a total acquisition cost of approximately \$30.6 million, with a NBV of approximately \$19.5 million, and include equipment such as ultrasound units, portable x-ray units, and anesthesia machines. We also found that 1,013 of the 4,866 pieces of equipment were put into service in 2019 before the COVID-19 pandemic.

² Represents the carrying value of assets reported on the entity's balance sheet.

We selected a judgmental sample of 108 items at three H+H facilities (Harlem Hospital Center; Gotham Health, Belvis; and Gotham Health, South Queens) to determine if they were recorded correctly in H+H's PeopleSoft system and could be located: 58 items were selected from the asset management listing based on the asset's classification as movable, acquisition cost (high-priced items), and acquisition date, and 50 items were selected during our visit to the three facilities in September, October, and November 2022. We accounted for 86 of the 108 items (80%) and found that they were recorded correctly in the listings. For the remaining 22 items (20%), we determined H+H lacked effective inventory controls to properly account for them, as follows:

- Ten items located at facilities were not tracked.
- Eight items from the PeopleSoft system were not tagged. According to H+H, three of these eight untagged items were not taggable for utility reasons, such as equipment design or cleaning requirements. However, we noted that these items have an associated tag number listed in the asset ledger.
- Four items listed in the PeopleSoft system were not found. These four items were originally purchased for \$8,429 and have a NBV of \$5,691 as of August 31, 2022. According to H+H officials, one of the items was relinquished and disposed of in June 2022. However, we found that the relinquishment form did not have the required approval until November 2, 2022, the day of our visit. In addition, since the equipment is still listed in the asset ledger, we were unable to determine if it was actually relinquished and disposed of or if it had been inappropriately removed from the facility.

Based on our findings, H+H's controls over equipment still need improvement. Our results mirror those in the original audit and are similar to findings of an internal audit report issued by H+H in April 2021, which recommended improving controls related to oversight of laptops. In 2022, H+H officials followed up on the findings of their internal audit report and found similar deficiencies.

Recommendation 2

Implement a procedure to ensure that assets sent for repair are tracked and returned in a timely manner.

Status – Implemented

Agency Action – On October 3, 2022, H+H issued a Standard Operating Procedure that requires the documenting and tracking of IT equipment, such as desktop computers, laptops, and tablets, sent outside of the H+H facility for repair or warranty replacement. H+H officials use spreadsheets to track IT equipment sent for repair. According to officials, a technician contacts the vendor and creates a service ticket in ServiceNow; thereafter, the IT department updates the status of equipment sent for repair in the comments section of the spreadsheet.

In addition, H+H uses the teamCHAMPS platform, a computerized maintenance management system (CMMS), to track medical equipment sent for repairs and periodically updates the equipment's status in the system. H+H officials also provided us with their medical equipment installation and servicing activities procedures, which require all medical equipment coming into the facilities to be tagged and entered

into teamCHAMPS and all equipment that is lost, missing, or has reached the end of its useful life to be taken out of service. The Unit Director of Healthcare Technology Solutions is required to generate a corrective work order for the defective equipment in CMMS, and should update the work order resolution detail on a weekly basis for work orders that are open for more than 7 days. The work order will be closed in the system once the repair is completed and the equipment is returned to the facility.

Recommendation 3

Communicate policies regarding asset disposal/transfer/tagging to all relevant personnel and ensure these policies are followed.

Status – Partially Implemented

Agency Action – The H+H PeopleSoft Training Manual describes how to add and look up equipment in PeopleSoft. In addition, H+H’s capitalization policy and an August 2022 email provide information about the equipment transfer and tagging process as well as a directive to departments to use asset transfer and relinquishment forms, as needed.

Nevertheless, we found equipment without tag numbers, indicating that these policies are not being adequately followed. Furthermore, H+H officials provided communication stating that they gave PeopleSoft training but did not maintain the attendance records of the participants.

Recommendation 4

Implement a formal system to monitor and track assets that have been mass-retired but are still in use.

Status – Not Implemented

Agency Action – H+H officials did not implement a formal system to monitor and track assets that have been mass-retired but are still in use. Officials stated that Biomed (i.e., medical) equipment and IT equipment are monitored in their respective systems, and they decreased the threshold of the cost of assets for mass retirement from \$25,000 to \$1,000, so fewer items are being mass-retired and more assets are being tracked. According to officials, while the Biomed and IT systems are used to track the assets that have been mass-retired but are still in use, these are unique systems and H+H does not have a listing that separates mass-retired assets that are still being used from all other assets. Moreover, according to H+H officials, the way equipment is monitored and recorded by each department varies based on their needs, and they are unable to identify the ones that have been mass-retired but are still in use. Further, officials claimed that they track other assets, such as maintenance equipment and furniture, at the department level. However, they did not provide any evidence of these actions.

Recommendation 5

Verify that personnel properly tag all movable equipment.

Status – Not Implemented

Agency Action – H+H did not provide assurance that personnel properly tag all movable equipment. H+H officials stated that the majority of IT equipment is now already tagged

by the vendor selling the equipment, and Biomed tags all its equipment once the equipment is tested and determined to be working properly. According to officials, where applicable, the PeopleSoft asset ledger contains the IT and corresponding Biomed tag numbers. However, as stated in Recommendation 1, eight of the 58 sampled movable items were not tagged, and we identified 20,382 pieces of movable equipment in the asset ledger without a valid tag number. According to H+H officials, 15,516 of these pieces of equipment have recorded serial numbers, but no tag numbers were recorded in the asset ledger. We noted that of the 15,516 pieces, 12,725 are IT equipment, and H+H officials stated that they recently reached out to their IT department to tag these assets. Officials responded that 4,866 of the 20,382 pieces of equipment were probably overlooked, and due to the COVID-19 pandemic, they were unable to tag many of these. However, we found that 1,013 of the 4,866 pieces of equipment were put into service in 2019 before the COVID-19 pandemic.

Recommendation 6

Investigate why the 18 assets identified in this report could not be accounted for.

Status – Implemented

Agency Action – According to H+H officials, their Asset Management team investigated the 18 assets that could not be accounted for and found the following: eight were relinquished, two were replaced, one was traded in, and the description of one asset was incorrect in the FAM. They were unable to locate the remaining six assets, which cost \$50,066 and included physiologic monitors, a fiberscope, and a refrigerator.

Major contributors to this report were Diane Gustard, Faisal Nadeem, Lillian Fernandes, and Teeranmattie Mahtoo-Dhanraj.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of H+H for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

David Schaeffer
Audit Manager

cc: Doug Giuliano, NYC Mayor's Office
Catherine Patsos, H+H
Devon Wilson, H+H