AUDIT COMMITTEE
MEETING AGENDA

April 10, 2014
11:00 A.M.
125 Worth Street, 5th Fl.
Rm. 532–Board Room

CALL TO ORDER — Ms. Emily A. Youssouf

- Adoption of Minutes February 13, 2014 — Ms. Emily A. Youssouf

ACTION ITEMS

- Resolution — Ms. Marlene Zurack, Mr. Jay Weinman

Authorizing the President of the New York City Health and Hospitals Corporation ("Corporation") to negotiate and execute an agreement with KPMG LLP ("KPMG") to provide the Corporation with auditing services and other directly related services including debt issuance related services, debt compliance letter, tax services, and certification/attestation for cost reports for a term of four (4) years, for an amount not to exceed $3,487,000 plus a 10% contingency reserve of $340,000.

INFORMATION ITEMS

- Grants Management - FY 2013 A-133 Single Audit — Marlene Zurack
- Audits Update — Mr. Chris Telano
- Compliance Update — Mr. Wayne McNulty

EXECUTIVE SESSION

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

MINUTES

AUDIT COMMITTEE

MEETING DATE: February 13th, 2013
TIME: 11:00 AM

COMMITTEE MEMBERS
Emily A. Youssouf, Chair
Josephine Bolus, RN

STAFF ATTENDEES
Antonio Martin, Executive Vice President/COO
Salvatore J. Russo, Senior Vice President & General Counsel, Legal Affairs
Deborah Cates, Chief of Staff, Chairman's Office
Patricia Lockhart, Secretary to the Corporation, Chairman's Office
Jay Weinman, Corporate Comptroller
Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits
Wayne McNulty, Corporate Compliance Officer
Jeremy Berman, Deputy Counsel
Fred Leich, Senior Director, CO-Office of Special Projects
Gregory Mink, Assistant Director, CO-Office of Special Projects
Joe Schick, Senior Director, The Fund for HHC
Carol Parjohn, Director, Office of Internal Audits
Steve Van Schultz, Director, Office of Internal Audits
Zhanna Kelley, Assistant Director, Office of Internal Audits
Carlotta Duran, Assistant Director, Office of Internal Audits
Delores Rahman, Audit Manager, Office of Internal Audits
Frank Zanghi, Audit Manager, Office of Internal Audits
Sonja Aborisade, Supervising Confidential Examiner, Office of Internal Audits
George Asadoorian, Supervising Confidential Examiner, Office of Internal Audits
Jonathan Delgado, Supervising Confidential Examiner, Office of Internal Audits
Cynthia McIntosh, Supervising Confidential Examiner, Office of Internal Audits
Roger Novoa, Supervising Confidential Examiner, Office of Internal Audits
Armel Sejour, Supervising Confidential Examiner, Office of Internal Audits
Jean Saint-Preux, Confidential Examiner, Office of Internal Audits
Rosemarie Thomas, Confidential Examiner, Office of Internal Audits
George Payyapilli, Confidential Examiner, Office of Internal Audits
Barbarah Gelin, Confidential Examiner, Office of Internal Audits
Gillian Smith, Confidential Examiner, Office of Internal Audits
Guzal Contrera, Confidential Examiner, Office of Internal Audits
Julian John, Chief Financial Officer, Central Brooklyn Family Health Network
Anthony Saul, Senior Associate Director, KCHC/DSSM/ENY
Larry Abbamonte, Assistant Director, North Central Bronx Hospital
Ronald Townes, Associate Director, Finance, Kings County Hospital Center
Violeto Palmere, Associate Director, Gen + Northern Manhattan Network
Kibaki Depass, Assistant Controller, Coney Island Hospital
Timi Diyaolu, Controller, Bellevue Hospital Center
Lauren Haynes, Asst. Systems Analyst, President's Office
Rohrbacher, Deanna, Student Internal, President's Office

FEBRUARY 13, 2014
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
NYC HEALTH & HOSPITALS CORPORATION

An Audit Committee meeting was held on Thursday, February 13, 2014. The meeting was called to order at 11:00 A.M. by Ms. Emily Youssouf, Committee Chair. Ms. Youssouf asked for a motion to adopt the minutes of the Audit Committee meeting held on December 05, 2013. A motion was made and seconded with all in favor to adopt the minutes. An additional motion was made and seconded to hold an Executive Session of the Audit Committee to discuss Compliance matters.

Ms. Youssouf directed Mr. Christopher Telano, Chief Internal Auditor to begin his presentation.

Mr. Telano saluted everyone and stated that he will begin his briefing by stating that pages three, four and five summarize the four audits currently being conducted by the New York City Comptroller's Office. The first one is the Emergency Room wait time – after the auditors visited the Emergency Department for a second time, they sent an email dated January 24, 2014 stating that based on their review thus far they found insufficient evidence that many of the efforts made to reduce the wait time were formally evaluated. The last paragraph in my briefing refutes that, stating that based on my observation and the monthly and daily information that is evaluated, that this is an incorrect conclusion. We are going to be reaching out to the Comptroller's Office to discuss this point further. On page four is the Navigant audit, the last line indicates that we have not heard from them since September 2013. At this point we do not know the status of that audit. Regarding the ongoing active audits of Lincoln Affiliation and the Patient Revenue, they are meeting with individuals and obtaining information.

Mr. Telano continued by stating that page six lists the audit reports that we are going to review. The first one relates to our review of the art work inventory management. Mr. Telano said that before he calls the representatives to the table, he wants to state that the HHC art web site has a quote that states that the art collection is owned by the City of New York and HHC solely serves as its curator. He then asked the representatives to come to the table and they introduced themselves as follows: Mr. Joe Schick, Executive Director of the Fund for HHC and the President's Office of Special Projects, which oversees the HHC art collection; Fred Leak, Senior Director of the President's Office of Special Projects and Gregory Mink, Arts Administrator.

Mr. Telano proceeded by stating that he will quickly review the findings. The HHC art department maintains a database listing the pieces of art Corporate-wide. We looked for 260 items at 10 facilities, but could not locate 70 percent of those items. We also found that the database was incomplete, and that items we found at the site were not on the database. The other issue is regarding Operating Procedure 10-23 and the inadequacies of that procedure. First, it is dated 1996 and it just does not address the current situation. Our last comment is related to the move of Goldwater to the Carter facility and the lack of control over the artwork being moved.

Ms. Youssouf asked Mr. Schick if he is going to discuss the plans to remedy this and if that is part of the presentation?

Mr. Schick responded that it is and stated that he thought it would be useful for the Committee to hear a brief history of the art work collection and our engagement with them over the years. He stated that it is unusual for a Board Committee to be considering art when they are so many other things that often come up that are appropriate. To which Ms. Youssouf responded that this is one of her favorite topics and it is a lot better than some of the other things we considered.

Mr. Schick began his presentation by stating that the HHC art collection has its origins in the 1930s when some of the works that has been collected in the then City Hospitals were deemed worthy of preservation. The first art work is a mural at Queens Hospital Center, done by an artist named William Palmer in 1936, under the Federal Works Progress Administration rubric, which is responsible for a great many art works that are here both within our system and at other places within the City. In the 1970s, HHC was very active in the acquisition of art works, adding to the collection with the preeminent reason that they were putting art work in the facilities. It was shortly after the formal establishment of HHC as a public benefit corporation. We were using public works to beautify our facilities, which is still, one of the kinds of core missions of what it is that we do.

Ms. Youssouf asked if where it states buyer, does that mean HHC purchased the item.

To which Mr. Schick answered that in some cases, it means that there were purchases of art. In other cases, there were donations and other cases, works that had been at the facilities without governance and in that way became part of the collection. In the 1980s, there was a lot of construction on the HHC hospitals. The percent of design and construction budgets to be dedicated to the purchase of art works was instituted and we followed that by purchasing art works and the collection grew. Over the years, oversight over HHC art has resided in many places within the Corporation, depending on who wanted it, and what the budget was for its oversight. For the last approximately year and a half, it transferred from the oversight of the Facilities Development Office to my office where it resides at this time.

Mr. Schick continued with the next slide with the work by Ansel Adams – we have a number of works by Mr. Adams and by other very prominent artists. HHC art is the largest public art collection in New York City, and has been and remains committed to preserving it, making them accessible to the public, largely through their placement in our facilities. It can be a complicated mission because it often involves preservation as facilities change, as renovations take place and modernization occurs. The art works are sometimes the last thing to be thought of in the initial planning, so it is our job to hopefully, in a timely way, intercede. That has not always been the case, but it is by and large the mission of our organization. Today we maintain an electronic database of more than 6,000 works of art, the first public agency to develop an art collection database. Some of the works can be seen on the art web site.

Ms. Youssouf asked if the 6,100 was all of the art. Mr. Schick said that it is all of the art that we have. Then she asked if the issue was that not all the pieces could be located? Mr. Telano answered that that is right, we looked for 260 of those pieces, and we could not locate 70 percent of those. Then we did find other items that were not on the database--therefore, the number of pieces in our database may not be reflected 100 percent accurately. Mr. Schick said that part of the disparity, he thinks, is attributable to the fact that the definition of art is something of a fluid one with regard to the works that are on the wall or not on the wall of our facilities. For example, a poster purchased for $18, and there are many of them that are used to beautify patient areas, may not be listed on the database. They are purchased at the facility level, and the communication has not always been fluid on that – so they could have bought 30 posters to fill in a facility.

Ms. Youssouf stated that if they bought them in 1930, they could be worth a lot now. To which Mr. Schick responded that they could be. In that case, he thinks, most of them have probably made it into the database. The database was periodically, although irregularly, updated over the years. Between Mr. Mink's knowledge of art and the cues that we occasionally get from the facility, we would have found that 1930 poster, identified it and valued it.

Mrs. Bolus stated that last year, the Federal Government was supposed to be claiming all of the works done by the WPA (Works Progress Administration). They felt that since the Federal Government had paid for this art work to be done, that it was theirs. Mrs. Bolus then asked if we had any of that.

Mr. Schick responded that we have works that were commissioned by the WPA in the 1930s when then President Roosevelt used the monies that were paid to artists who had stimulated the economy. He said he had not heard, but perhaps through the New York City Department of Cultural Affairs or the Mayor's Office, which took an active role in the dialogue around art. He said he would pursue the information. Many of them are in our facilities, and would be extremely complicated to remove. Of the 6,100 works, the audit team did identify some works that were not there, and some that would not have been within our database, because they fall below the threshold of identification. Works are intended to be on display at HHC facilities. What he discover in the past year, he did not feel that it was in the best interest of either the art or the facilities to have works that were not in display for the benefit of patients or visitors within the facility. Mr. Mink has been systematically recapturing those works and bringing them back to a safe, secure controlled storage at 346 Broadway. In 2013, we captured about 850 works of art; we have identified about 650 additional works of art that we are bringing back gradually from the facilities. We expect to have all of those within our control by the fall of this year.

Ms. Youssouf asked if everything will be accounted by then. Mr. Schick answered that he thinks a lot will be accounted for. Some things, he believes over the years, it could be decades, are irretrievably lost. We appreciate the comments by the audit team about this; we do see ourselves as the monuments men in some sense about all of this. We think our goal is to preserve, it is not always easy.

Ms. Youssouf asked Mr. Schick if he is actually going out to each facility and going from top to bottom? Mr. Schick said yes, earlier this week we went to one facility where we did not find everything. It may be that some things were stored and fell prey to Sandy. A lot of things had been moved from their distant location. About five years ago, there was an instance where a theft was underway; a piece of a large mural at one of our hospitals that was no longer in a visible public location had been cut from the wall. We found out about it and pursued leads, and determined that a temporary worker in the facility had begun the systematic removal of an extremely valuable work of art. We believe he was arrested. There is a certain amount of vigilance, we will not discover every piece of art work in the full course of a new survey, but we will do a few other things that have preventive value. Notably, we are going to start to create bar coding tags that we will put on every piece which will disclose the location and some descriptive aspects of it. The database already has most items, if not all, which are photographed so now we will be able to attach a far more specific geography. The price of doing all that has come down – at one point, the price was prohibited.

Ms. Youssouf asked if the facilities will keep a record of what they have and will they have instructions to let you know if they have to move it.

Mr. Schick responded that this refers to Operating Policy 10-23 which in its establishment, created an obligation on the part of the facilities from the most senior level, to maintain and keep track of and oversee the works of art in their custodianship. Over the years, people have changed, rules have changed – OP 10-23 was always likely to be a pretty obscure piece of arcana in our system. It has really sort of fallen off the radar for a lot of people at the facilities. We plan to do a complete overhaul of it, the audit team correctly identified the need for that and we have already undertaking some exploration of the aspects of that. By March 21st we are going to present an initial outline, we will work with Mr. Russo and his office and will work with facility representation as well. Ultimately a new OP 10-23 will emerge with the obligation of my office to communicate with facilities management and to make them aware of it and to enhance the nature of their responsibility for the pieces within their direct custodian control. As we update the database, we also hold sort of in-service dialogues with the people who have more hands on responsibility.

Ms. Youssouf asked if some of this art work is being appraised, will they be insured and is this something that can be put on the balance sheet -- perhaps this is a question for Finance. She asked Mr. Jay Weinman, Corporate Comptroller to approach the table.

Mr. Weinman stated that he did not really know who owns the art work – that was one of the discussions he recently had with the Office of Legal Affairs, who really owns it and whether it actually belongs on our books as an asset or not. That question has to be answered first and he is not exactly sure yet, but if it is an asset, then yes, it will have to be put on our books with a specific value.

Ms. Youssouf asked that if it is not an asset for us, then is it an asset for the City. Mr. Schick responded that his understanding is that the asset is wholly owned by the City. If we, by virtue of the 1973 City Charter, have a curatorial responsibility for it, we are not the asset holder. From the perspective of having to be responsible for the valuation of it, we are not asked to do that by the Public Design Commission, which is part of the Department of Cultural Affairs.

Mrs. Bolus asked if we are not the holder, how then could we be responsible for the preservation. To which Mr. Schick responded that because that is the responsibility bestowed upon us as the curators of the work to maintain it and to safeguard it.

Mr. Russo added that we also get the benefit of the beautiful art work in our facilities.

Mrs. Bolus added that it seems odd that we cannot take it as asset, but we can take it off as an expense. It is kind of hard.

Mr. Schick said that given the value of it to our facilities, those 6,000 works that there is kind of quid pro quo in there. It does not cost a lot of money to oversee the collection, although we will have to spend some more money in the year to come to just make sure that we are following the suggestions of the audit team.

Ms. Youssouf said that she is not 100 percent sure that if we are curating it and it is still in our facilities, that it is still not an asset somehow for us, from an accounting vantage point.

Mr. Weinman added that from the accounting perspective, we are going to have to make sure who actually has title. While the City may own some of them, we just have to make sure that everything is on the books. If we are curating, solely curating and it is really not owned by us, then it would not go on our books.

Mr. Russo said that as part of our agreement, we do not own the property even if they are in our facilities. For that one dollar a year with the City, we have the benefit of having them, but they did not surrender title to us. There may be some differences of something that has been specifically donated to HHC; we would have to look on an individual basis. In those cases, we would still have to have the relationship with the Public Design Commission.

Ms. Youssouf said that once you figure that out, if they could report back to this Committee. It is a lot to sort out, but she is sure the City would like to know how much they have in art work and where it is. It is an asset to the City and since we are a component part of the City budget anyway, it all ends up flowing to the same place. To which Mr. Schick added that they probably do a kind of umbrella evaluation of all the art that exists within the City under their domain. That would include architecture and all manner of art and we are one of the components of it.

Mr. Russo asked Mr. Weinman if the facilities we have are listed on the City's asset list. To which Mr. Weinman responded that the buildings are on our asset list.

Mr. Martin added that he is very happy that Mr. Telano did the audit, because to a great extent, a lot of what has come forth, we would not have known. Ms. Youssouf said that she agreed.

Mr. Schick said that we are addressing the database issues and completely recapping OP 10-23. Some of the points that are being made this morning will be incorporated and answered in an updated version of the policy; essentially all of these things are action steps for us. The works of art that we are recapturing from facilities or already have within storage in our offices are intended in many cases to be returned to facility view. We are giving Carter 47 works of art, totaling about $700,000 and the insurance for those is substantially above that figure.

That includes one work by the artist Romare Bearden which is valued at $500,000. Collectively, and then another work valued at $45,000. Collectively, all of the other works have a value of somewhere in the neighborhood of $175,000.

Mr. Schick continued and said that rather than having the facilities spend many hundreds of thousands of dollars to essentially buy art work to beautify their facility, we are doing it for them. We are working with the architects, the designers and our facility representatives to introduce a far higher standard of art to the facilities than would otherwise be purchased. We are saving the money, and we are giving them better art. We are doing the same thing for Gouverneur and we will do the same thing for 55 Water Street.

Ms. Youssouf said that she thinks it is great, and that is the purpose of us having this art.

Mrs. Bolus asked if they are being protected by placing under glass or plastic. Mr. Schick responded that when they are displayed, they will be put under Plexiglas.

Mrs. Bolus asked if there will be a sign somewhere that says the penalty for tampering with it. Mr. Schick answered yes, perhaps a one piece of signage that would identify that the works are HHC, that they are protected by HHC and that they should not be tampered with in any way.

Ms. Youssouf thanked Mr. Schick and said she appreciate it and wished him good luck. She then turned to Mr. Telano to continue with his briefing.

Mr. Telano stated that on page eight of the briefing, they did a real estate rental properties audit, which is space utilized by outside tenants at HHC facilities. He asked if the representatives could approach the table.

Ms. Youssouf asked them to introduce themselves, they did as follows: Jeremy Berman, Deputy Counsel, Office of Legal Affairs; Ms. Denise Soares, Senior Vice President, Generations Plus Network; Caswell Samms, Network CFO and Leithland Tulloch, Deputy CFO, Harlem Hospital Center.

Mr. Telano continued and said that the first issue we came across was regarding an HHC building located at 1727 Amsterdam Avenue. We found that there is a tenant there, Jackson Ophthalmology, who we could not determine if they were paying rent. There are no documents, there is no lease, there are no canceled checks regarding this tenant. Apparently, there is a history related to the building that I believe Mr. Berman can fill us in more regarding this issue.

Mr. Berman said that the history of this building has actually been discussed before the Capital Committee when a resolution was adopted to authorize one of the occupants to receive a license. This is a building which is owned by the City of New York and was built in the early 1970s and for the purpose of housing DOH programs of a

community-based health care provider which has since split into two parts and now constitutes the two main occupants of the building, both over a couple of decades. The operation of these DOH programs has shifted back and forth between HHC and DOH, as different administrations come and go. In the course of that evolution and under circumstances perhaps 20 years ago, the building came to be assigned to HHC to operate. That is actually the pattern of the real estate relationship between the City of New York and HHC, that properties are given to HHC to manage, and then conversely surrendered by HHC back to the City without necessarily clear documentation. So it was not evident that this property was totally under our jurisdiction until really rather recently.

Ms. Youssouf asked if the history of the building was known when they approved the lease with the other parties. Mr. Berman responded yes, it had become known. In fact, this other party, Heritage Health stimulated this evolution because Heritage Health was very anxious to take over some space in the building that had recently been vacated by DOH. For a period of more than a year, Heritage Health had been agitating through various channels that they should receive the right to occupy this space that had been vacated by DOH. The original impulse had been to say this is a City matter, this is a City building, and the City had put DOH in place. It was not clear to us that we had the authority to enter into this relationship with Heritage Health. There had been a number of efforts by HHC, dating back to the 1980s to get the City to assert its control and jurisdiction over this building, unsuccessfully, apparently the City will not take the building back, and we should then say we will step up. We will be the administrators of this building. In doing so, we inherited a situation which is very unorthodox. Mr. Telano says that there are no documents to justify Jackson's occupancy. In fact there is no document to indicate the basis of anybody's occupancy there.

Ms. Youssouf asked who Heritage has been paying rent to. Mr. Berman answered Harlem Hospital, Heritage and the other main occupant, Upper Manhattan Mental Health has been paying on a fairly regular basis to Harlem Hospital which has been receiving the money and has been treating this as a regular income stream that they monitor. However the ophthalmologist does not appear to pay anything to Harlem Hospital.

Ms. Youssouf asked if they have contacted Heritage and the other entity to see if they sublease out the space to the ophthalmologist. Mr. Berman said that we have spoken to Heritage, only because Heritage pressured us. We have been hesitant to broach this whole subject with Upper Manhattan because we wanted to understand better what the community support for the programs was and the political support for the programs, before we started pressuring them to regularize their occupancy. This is something we would like to have done months ago, but we think that the reason the City has not taken this building back from us is because it is kind of a hot potato, in that the occupants of the building have kind of a proprietary sense about it, which is not based upon anything legal. Rather than stir up a hornet's nest, we wanted to proceed carefully. In fact, we thought it would probably be prudent to wait until after the election, so there was a new elected official in the Council representing that district, with which we could consult and approach this in a kind of diplomatic way. It is our goal and our obligation to get Heritage and Upper Manhattan on a lease or a license approved by this Committee at fair market value. It is not consistent with our charter to be providing space to a private ophthalmologist, that occupancy would have to be set forth.

Ms. Youssouf asked if Harlem Hospital has anything buried away anywhere, a lease or some kind of agreement. Ms. Soares answered no, we have searched and we have not found anything.

Ms. Youssouf asked if anyone at Harlem has any contact with the ophthalmologist. Mr. Tulloch responded yes, we have sent him several letters to see if we can obtain a copy of his lease, but we have not been successful. We have been in contact with his attorney, to see if they could identify if a lease exists.

Ms. Youssouf asked if they were aware that the ophthalmologist has not been paying rent to Heritage. Mr. Tulloch said correct.

Mr. Berman stated that they have a meeting scheduled with Laray Brown and Mr. Wilson and Heritage next week. To which Ms. Youssouf said that Heritage is not the problem. Mr. Berman said that everything about Heritage is a problem.

Mr. Berman said that he thought they had a clear arrangement with Heritage that was embodied in the resolution that was adopted by the Committee. Since then, for reasons that are not clear, Heritage has been unhappy with that arrangement and has complained to various elected officials that there is something not fair about the way in which they are being treated. We need to deal with these other matters, but since they are complaining and asserting themselves, we want to meet with them and understand their point of view.

Ms. Youssouf asked if they should be meeting with the others. Mr. Berman answered yes, we should. Then Ms. Youssouf said, forget the ophthalmologist – you have another big tenant there. Ms. Youssouf stated that it would make a lot of sense to have those meetings as soon as possible. Mr. Berman agreed.

Mr. Russo agreed as well and stated that Mr. Berman will work with Ms. Brown to set up a meeting with them, and then ascertain whether in fact they have been getting the rent from the ophthalmologist.

Ms. Youssouf asked if Harlem Hospital has any information about how long they have been receiving rent from these entities, and if the rent has been at the same level from day one through now. Mr. Samms stated that we have documentation to show that we have been receiving rent. Ever since Heritage and Upper Manhattan branched off from the original lessee, we have been collecting on a monthly basis $30,000 from Upper Manhattan and over $7,500 from Heritage. Then Ms. Youssouf asked since when. To which Mr. Samms responded that they had broken off in the 1980s.

Mr. Berman added that there was a litigation brought by HHC against Upper Manhattan for non-payment of rent. There was a court stipulation that required that certain repairs be done by HHC through Harlem Hospital and required Upper Manhattan to resume paying rent. Ms. Youssouf stated that there must have been a lease then, because how could a court decide in our favor if we had nothing indicating we owned the property, or we had a lease agreement with them. Mr. Berman commented that that is a very logical conclusion, but still in all, we do not have that lease or license and neither do they.

Mr. Russo added that it could be stipulated by the parties so that it would not be an issue, and there would be no question – so that the court would not have to see such document.

Mrs. Bolus asked what year was this. To which Mr. Berman responded that he is guessing but he would say 1990. Mrs. Bolus then asked if they have been paying rent since then. Mr. Berman said yes. Ms. Youssouf asked if it's the same rent. Ms. Soares said yes.

Ms. Youssouf asked if the rent has not increased since 1990. Mr. Berman responded that that is right, and his speculation is that the rent has not increased since 1974. Mr. Russo stated that these organizations have a lot of community support and they provide a very important community service. To which Ms. Youssouf added that nobody is questioning the organizations. What we are questioning is that this is just not appropriate business practice. We support them, but it is our obligation to maintain those properties and buildings so they are in good standing physically which is why we get rent. If people have not noticed, HHC needs to collect as much money as possible. It is not about them, what we care about is that we get leases in place that we are protected legally, and that we have everybody paying who is in our buildings.

Ms. Youssouf stated that she would like Mr. Berman to report back and let to the Committee know what happens. To which Mr. Berman responded that it would give him great pleasure to be able to come back and report that all this has been arranged -- he had taken the first step by dealing with Heritage and now he finds this very disturbing. Ms. Youssouf added that she is disturbed because we approved the lease, and they signed it.

Mr. Berman stated that not only did the Committee approve the resolution, not only did the head of Heritage sit right in this seat before you, but we also prepared a letter of intent to map out what was going to happen when they signed. It is very disturbing and also although they are a very respected organization, it kind of makes you wonder how reliable a business partner they are.

Ms. Youssouf stated that she would urge him to please have a meeting with the other party as quickly as possible, and then the ophthalmologist.

Mrs. Bolus asked if Mr. Berman has spoken to the legislators. Mr. Berman responded that Ms. Brown has been in touch with both the new elected Council member from the District and with City Hall. She made it clear to them that we have an obligation both as custodians of the property and further as a healthcare provider.

Mr. Martin added that we have to be consistent also, because we have other entities that are in our facilities that are paying rent and are doing the right thing.

Mr. Telano continued with his briefing by stating that he has a couple of other issues related to Generations Plus and Harlem and Lincoln and asked if Ms. Youssouf wants to go over them. Ms. Youssouf responded sure.

Mr. Telano stated that the first area is regarding the receipt of rent payments. We found that a check for $80,000 from Sprint was originally sent to our facility in January of 2012, but was not deposited until February 2013. Apparently a check was sent, and after six months, it became void and then they sent a second check which also became void. Then the third check was finally cashed, it is hard to track where this check went, but I was informed that it originally went to the Lincoln facility, and then it was forward to the Central Office. We do not know who at Central Office, and obviously they did not deposit it in Central Office.

Ms. Youssouf asked if there was someone present to help with this finding. Mr. Weinman approached the table and stated that they did not have a record of receiving the check. He knows that it was not deposited and was not cashed. He then said that the policies they have in his office is when they receive a check it would be deposited right away.

Ms. Youssouf asked if Sprint had any instruction where to send the check and to whom? Mr. Telano responded that they looked at the contract and there is no remittance address in there. The amendment from 2011 states that they do have a licensor address that states New York City Health & Hospitals Corporation with the Lincoln address.

Ms. Youssouf asked what the best course is – is it to do an addendum to the lease. Mr. Berman answered that because of this finding by our internal auditors, we amended our formal license agreement to include a direction that payments be made to the facility in which the space is located, to the attention of the Chief Financial Officer of the Corporation. Under the operating procedure, it is the obligation of the Chief Financial Officer of the facility to make contact with all licenses and tenants and to collect the money. He does not believe that there is any other instance, including any other instance with Sprint, with whom we have our licenses, where they have not managed to figure out the importance of zoning and we managed to direct them to make payment to the facility. But it does

raise a good point; he said he would be happy to provide her with a new copy of our licensing agreement that does contain this language.

Ms. Youssouf said that she thinks that he should provide it, because that is definitely information to the Committee.

Mrs. Bolus asked if it would help to provide a self-addressed envelope. To which Mr. Berman responded that this is not a function assigned to the Office of Legal Affairs. We do not collect the money, the facilities are responsible and their chief financial officers are responsible for collecting this money.

Ms. Youssouf added that there are two other instances – maybe Harlem Hospital or the network is the one to really address it, because there was a failure to collect increased rent totaling another $36,000. This one, I am very concerned about because we approved this agreement with the American Academy of Funeral Services, and they did not pay rent – what is the plan to try to fix all of this.

Mr. Samms said that we can start back with the Sprint lease. Sprint believed that the place of business was 125 Worth Street therefore the check was being mailed to Central Office. Going forward, we are in direct communication with Sprint with regards to rent payment. We are also going to improve communication with the Corporate Comptroller's Office to make sure all rents are deposited. Also, keeping copies of all posted checks as well as the posting, so we have a record. With regard to the institutional cost report issue, that predates to a lot of senior management changes here in the Finance Department. There was no Chief Financial Officer at that point in time, and there was no Comptroller in Harlem's office either. He said he started in December and a new Controller was hired in January – so we actually put a tracking mechanism in place to make sure that we are monitoring the controls as well as updating across the board and updating the bills and receipts that we send to the tenants on a timely basis.

Ms. Youssouf asked if you are comfortable that now you know all the tenants, you know the terms of the leases, any bills that are due and that you have put on an automatic schedule to send the bills out and have a tickler system in place that tells you when the lease is up, etc. and are all these safety features in place now.

Ms. Soares responded yes, when we got the audit report, we looked at all of the people in the network who have tenants. I asked Mr. Samms to really follow up with that and mentioned that we had put a plan in place as to how we would collect the rent, how we have the tickler and just to make sure that everything was on par. So we are comfortable now with that.

Ms. Youssouf stated that there is one more. Mr. Telano then continued by stating that there is an inconsistency regarding the Towers Café lease. The contract requires that they send register receipts or a computerized report documenting the amount of sales, because the rent is based on the percentage of sales – this was not being done. We also found inconsistency that Jacobi does not have that clause specifically, and I know there is a boiler plate that does not apply verbatim to the Jacobi lease as it relates to updating on a monthly basis regarding the receipts – it was close.

Mr. Russo added that it was close enough. He believes it said "and cash register receipts". Mr. Telano commented that that was the boiler plate. Mr. Russo said yes. Then Mr. Telano said that Jacobi did not specifically state that it was required, whereas the other lease said that it was required. Mr. Russo added that he did not recall off hand, he will dig up the email where it says that it was in the Jacobi as cash. Ms. Youssouf commented yes, manually reported – so the question is how is this being fix and who the person is to respond.

Mr. Telano said that perhaps Mr. Samms could address that. Mr. Samms said that the previous process that Finance was using at Lincoln was to obtain copies of the actual Bates statement to do the reconciliation. We are now in the process of actually collecting all of the cash register receipts, as well as known samples of the cash register receipts to make sure they reconcile with the bank statements. We already did the first two quarters of Fiscal Year 2014, and we have identified no issues at this point in time, this will also be managed by the Controller's office and Finance and those reconciliations will continue.

Ms. Youssouf asked if they meant at the network level. Mr. Samms and Ms. Soares answered yes, at the network level. Mr. Russo added that in addition to putting in our standard agreement cash register receipts, and any other electronic recording receipt, we have used this as an opportunity to even further improve our documents.

Ms. Youssouf asked what about Jacobi. To which Mr. Telano stated that Jacobi was going to make the necessary changes to their contract.

Mrs. Bolus asked how many Towers Cafes we have. Mr. Martin answered that he thinks there are two others and that they are one of our primary vendors.

Mrs. Bolus asked if we have instituted the same procedure with them to make sure that we get this straight. Mr. Martin responded yes, that he did an analysis of all of our facilities in terms of art work, real estate and two other issues that are coming up. I can assure you that we are investigating and we are taking corrective action. Mr. Martin handed out the report to the Committee.

Ms. Youssouf thanked him and said that she appreciates it. Then asked, if we are ready to move on to Queens. Mr. Telano said yes and stated that on page 10 of the briefing, we did an audit of patient property and valuables at Queens Hospital. First, we found some control weaknesses related to the safeguarding of the valuables. They were being transported throughout the hospital without the Hospital Police. We found that they were kept in unsecured areas in the Psychiatric Emergency Department. Sometimes they were kept in the rooms for an excessive period of time. Section D is related to unclaimed patient property not being recorded by the Patient Property Office. They were holding it for an excessive period of time and not contacting relatives within a legitimate time period. Section C is related to the discharge of deceased relatives, which we are not confirming the individual who is collecting their items. On page 11, we found that weapons being confiscated from patients are being kept for an excessive period of time instead of being destroyed. Mr. Telano asked for the Queens representative to be called.

Ms. Youssouf asked them to introduce themselves and then talk about how you are addressing this issue. They introduced themselves as follows: Robert Rossdale, Deputy Executive Director; Michael Milinic, Network Controller; Michael Valentino, Senior Associate Director.

Mr. Rossdale stated that as an overview, we certainly have had a fragmented system. The Emergency Department, the Comprehensive Psychiatric Emergency Program (CPEP), Inpatient Units, various people doing different things, not in a uniform way and that is what the audit picked up. We have corrected many of the items that were listed by the audit, for example, safeguarding transports around the hospital. The Hospital Police are accompanying people with any patient property and valuables into the property office – that was not the case before. As far as unsecured areas, the safe in CPEP was not in a secure area. Hospital Police, under Mr. Valentino has taken responsibility for all security aspects of patient property. They have a new safe for CPEP, which we expected to be delivered in January, but delivery was delayed by the manufacturer. As soon as it arrives, it is going to be placed in a secure location in CPEP. As far as unclaimed patient property, and in terms of notifying relatives, processes have been changed in the Property Office on many aspects – they are now notifying within the time

frame. As far as the weapons being there for excessive periods of time, that has also been corrected. We have been using the Breakthrough process to bring all parties together -- Emergency Department, CPEP, Property Office, Patient Relations, Administration and Hospital Police -- to come up with a unified policy and we expect by the end of the month to have that in place. So far we have had six or seven meetings both with the actual people, front line people who are doing the work collecting the patient property, doing the vouchering, as well as with the higher level administrator. We are not happy with the audit not because of the auditors, they were very fair, but because they brought out some things we discussed back and forth. Almost always, they were right and we found a way to address it.

Mr. Rossdale continued by stating that Mr. Telano's staff has done audits that have been very good for Queens Hospital Center.

Ms. Youssouf commented that the gun item concerns her and asked if there is a unified procedure in HHC about what you do when you get a patient with gun. Mr. Russo answered that it has to be turned over to the police. Mrs. Bolus added within 30 days.

Mr. Valentino stated that the weapon was not a firearm. Anything like that would immediately be vouchered and brought to the police department for proper handling. The items discussed with the auditors were more like if a patient came in with maybe a steak knife or something like that. It was inappropriate, obviously, to bring it to the floor, so it would be confiscated by Hospital Police, vouchered, a Hospital Police HHC 587 form filed, and put into the safe. The issue found was that it was kept in the safe for an extended period of time, and we were not disposing of it properly. Now we sweep the safe on a 30-day rotation and we dispose of the items properly – it was a good catch by the auditors.

Mrs. Bolus asked what he meant by properly. To which Mr. Valentino answered that it gets photographed and then it goes into the compactor. It gets witnessed by Hospital Police and an administrator and documented on the Hospital Police Form.

Ms. Youssouf asked when you say it is returned, that is only if and when the weapon is not really a weapon. Mr. Valentino responded exactly, sometimes someone comes in with a folding knife that may have some value to them; maybe it is a family item. It is still not appropriate to bring it into CPEP or into another area of the hospital. We do confiscate it and hold it, and as appropriate, we do return it to the patient upon discharge and document that on the Hospital Police report and the person signs for the property in our property log book.

Mr. Russo added that if you have any questions, you can always call our office as to whether this constitutes an appropriate item to return back to the patient. Mr. Valentino stated absolutely and thanked Mr. Russo.

Ms. Youssouf thanked them for the thorough response and stated that next time they will be here in person.

Mr. Telano moved on with his briefing report by stating that on page 12, we did a surprise audit, an inventory count of the medical surgical supplies at Bellevue, and we revealed that 60 percent of the items that we counted did not agree with the computer system. We also noted that there was inventory for the Dialysis Department that was not contained within the inventory system. We noted that the area in which the inventory was maintained was very accessible during business hours. The gates were left open, and there were some security issues. We also noted that when the items were being forwarded to the patient care unit, there was a lack of control over the number of items being sent and that they were not being signed off for.

Ms. Youssouf asked the representatives of Bellevue to introduce themselves and how they are going to address these issues. They introduced themselves as follows: Steve Alexander, Executive Director; Neal Agovino, AVP and William Hicks, Chief Operating Officer.

Mr. Alexander stated that he will give you an overview and then Mr. Agovino will give some more details. On the first issue with the inventory counts, we had not been doing periodic cycling of inventory, which we needed to do to correct the imbalances in the system and the imbalance on the shelf – we have instituted that. The recent cycle count that was done showed only four items out of 80, or 5 percent that were inaccurate. The documentation was made in eCommerce to reconcile that, as well as an investigation to find out why it was off. The dialysis items that were not carried as inventory items in eCommerce have been corrected. There were a few items that were not part of that formal electronic inventory that were added.

Ms. Youssouf asked how it could not be part of the inventory. To which Mr. Alexander responded that it is a little bit of a legacy. When the dialysis items used to be inventoried by that department, they were not kept by central. When we made the transition to a vendor for dialysis services, these were kind of left off to the side. There were just a few items, so we had to add those. They had not historically been on the formal med/surg inventory.

Ms. Youssouf asked if it is different at every facility. Mr. Alexander said that he believes it is and it should be more unified.

Mr. Martin added that in the document he gave you, the Executive Directors looked at their own respective facilities to make sure they had controls in place so that they could manage this. Mr. Martin does not know if the controls are the same everywhere, but they gave him a level of confidence that they have control over it.

Mrs. Bolus asked Mr. Alexander how much of the equipment are we keeping, since we have sent the dialysis to another department. Mr. Alexander responded that the equipment was all purchased by the vendor and that was a couple of years ago. This is actually Dialysis Solutions that are used by inpatients, which are the only ones that we manage.

Ms. Youssouf asked that having the cage open is obviously an issue – have you put on new locks. Mr. Alexander said there are locks on the doors, but when people are inside there, they were leaving the doors open, which as pointed out, is a vulnerable situation – it has been corrected. We are installing card access readers, which will also address the issue of knowing the individuals who access at any point in time. Some of that had been in place but was lost during Sandy, and we did not put back the systems quickly enough – that is being corrected.

Mrs. Bolus asked if we know for a fact that nothing was tampered with when the doors were open and the equipment was there. Mr. Alexander said that they are open when the department is in operation. There is staff inside, it is just that somebody could walk in and somebody could be in the back. We do not know in effect, but we are doing a more effective job now of managing the inventory counts.

Ms. Youssouf added that you did not have an inventory count, so something could have gone missing in the past, but you fixed that; is that what you are saying. Mr. Alexander answered that we had the count, the count was not always timely and accurate, it what is being reflected out here. What was in the system did not accurately reflect necessarily what was on the shelf. Without the intermittent and periodic regular cycle counts, we do not have the opportunity to reconcile the discrepancies in the balances – that is what is being fixed. On the last item, med/surg works regularly with the nursing staff to identify what should be the appropriate par levels for different items that are stocked on the floor. We are going through the process of updating all of those par levels for that part of it. We are also reinforcing and reeducating to make sure that the unit staff will receive stock by signing off, and we are

randomly inspecting, as was recommended, selected issues, and then recounting all of those to make sure that items that are leaving the store room are in fact accurately documented as we go forward.

Ms. Youssouf thanked them and asked the Committee if there was anything else. Mrs. Bolus responded not at this time.

Mr. Telano continued by stating that a surprise inventory audit of the Pharmacy at North Central Bronx was conducted and wanted to acknowledge that the report came out excellent.

Ms. Youssouf asked if there is anybody here from North Central Bronx – we just want to say congratulations. Then Mr. Telano stated that concludes his presentation.

Ms. Youssouf said that now we go on to Compliance.

Mr. McNulty saluted the Committee and introduced himself as Wayne McNulty, Chief Corporate Compliance Officer. Mr. McNulty started on page 3 of the Corporate Compliance Report, Section IA. Mr. McNulty discussed the Compliance training efforts and provided an update to the Committee on the same. He informed the Committee that the training period started on January 1, 2012 and ended on January 3, 2014. He further informed the Committee that the training period had realized very positive results. Mr. McNulty stated that during the training period, a total of 21,686 HHC staff members and workforce members were trained, which is 94.5 percent of the total number of workforce members that were designated for training. He stated that the process of updating the three compliance modules - the physicians' module, the health care professionals' module, which includes all licensed personnel, licensed under Title 8 of the Education Law, and the module that covers all Group 11 employees/managers – was underway. Mr. McNulty informed the Committee that the Board of Directors' module was in the process of being updated also. Mr. McNulty explained that every module update would include the education of HHC staff regarding HHC's policies that prohibit the use of personal or other non HHC-issued E-Mail accounts to transmit confidential, privileged, protected and/or sensitive patient, employee or Corporate information and records in the course of conducting HHC business, or to transmit official Corporate records in the course of conducting HHC business.

Mr. McNulty continued by reviewing the Compliance training results for the three different modules. He reviewed Section A of page four of the report, which provided that as of January 3rd, 93 percent of the physicians' corporate-wide were trained. He went over Section B of the report, which stated that as of January 3rd, 94 percent of the health care professionals' were trained corporate-wide. He closed with reviewing Section C on page 5 of the report, which concerned the training of Group 11 managers. Mr. McNulty closed the discussion of the training results by revealing that 98.7 percent of the Group 11 managers were trained Corporate-wide.

Ms. Youssouf stated that is outstanding.

Mr. McNulty thanked all HHC staff members who took time out of their busy schedules to complete the training, adding that the training took about an hour to complete.

Mrs. Bolus asked what his goal was. To which Mr. McNulty responded that their goal was to be around 95 percent corporate-wide. He said they exceeded that in some regards. With respect to the personnel who did complete the training, he stated, in summary, that efforts would be made during the new training period to ensure that all of these individuals would be first to complete training. Mr. McNulty continued by stating that the compliance training record of every physician and other provider who is up for credentialing would be reviewed for assessment of completion. He stated, in sum and substance, that the compliance training would be a prerequisite for provider credentialing.

Ms. Youssouf stated that she thinks that is absolutely wonderful. It speaks so well of the workforce in general and also the Compliance Unit for getting all of that done. The number of 66 percent of the Board members speaks fairly poorly – we need to take a look at that.

Mr. McNulty proceeded with his presentation by turning to number two, section two on page 5, of the report - monitoring of excluded providers. He reported that there were no reports of excluded providers since the last time the Audit Committee convened in December 2013. Mr. McNulty moved to item number 3 on the report - staffing update. In summary, he informed the Committee that the OCC had 4 vacancies; two in Central Office; one in the North and Central Brooklyn Network; and one in HHC Health and Home Care. He added that the recruitment process for these positions had commenced. Mr. McNulty went over page 6 in section 4, of the report. He stated that his office received 87 compliance-based reports, two of which were classified as Priority A reports, meaning reports that require immediate attention. With regard to the 87 reports, 51 of them, or 58 percent, came through his office's anonymous, confidential and toll free compliance helpline.

Mr. McNulty asked there were any questions with respect to the reports, stating that he would discuss the same in greater detail in the Executive Session.

Ms. Youssouf responded that no and stated that they would go into Executive Session.

Ms. Youssouf announced that the Executive Session was over and asked for a motion to adjourn.

There being no further business, the meeting was adjourned at 12:42 P.M.

Submitted by,

Emily Youssouf
Audit Committee Chair

RESOLUTION

Authorizing the President of the New York City Health and Hospitals Corporation ("Corporation") to negotiate and execute an agreement with KPMG LLP ("KPMG") to provide the Corporation with auditing services and other directly related services including debt issuance related services, debt compliance letter, tax services, and certification/attestation for cost reports for a term of four (4) years, for an amount not to exceed $3,487,000 plus a 10% contingency reserve of $340,000.

WHEREAS, the Corporation is required by Corporate By-Laws, bond covenants and city, state and federal regulations to engage an independent certified public accounting firm to audit its annual financial statements; and

WHEREAS, the Corporation's current contract with an independent certified public accounting firm ends June 30, 2014; and

WHEREAS, the Corporation in accordance with its policies and procedures issued on January 2, 2014, a Request for Proposals to perform annual audits of the financial statements, to issue annual management letters, and to perform other directly related services for the New York City Health and Hospitals Corporation, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc. and HHC Accountable Care Organization, Inc.;

WHEREAS, the RFP Evaluation Committee reviewed and rated the submitted proposals using criteria specified in the Request for Proposals and gave KPMG the highest rating of any other proposer; and

WHEREAS, the overall responsibility for managing and monitoring the contract shall be under the Senior Vice President/CFO and Corporate Comptroller.

NOW, THEREFORE, Be it

RESOLVED, that the President of the New York City Health and Hospitals Corporation ("Corporation") be and hereby is authorized to negotiate and execute an agreement with KPMG LLP ("KPMG") to provide the Corporation with auditing services and other directly related services including debt issuance related services, debt compliance letter, tax services, and certification/attestation for cost reports for a term of four (4) years, for an amount not to exceed $3,487,000 plus a 10% contingency reserve of $340,000.

EXECUTIVE SUMMARY

Background:
External audit of the Corporation's financial statements is a requirement of the Corporate By-Laws, bond covenant and city, state and federal regulations. Additionally, some of the Corporate health care entities cost reports filed with various federal and state agencies require certification/attestation reports from the auditors.

KPMG is one of the top accounting firms in the United States and has been the Corporation's independent public accounting firm for over twenty years. The Corporation's current contract with KPMG expires on June 30, 2014.

RFP Issued:
On January 2, 2014, HHC issued a Request for Proposals (RFP) to provide Auditing Services for the Finance Division of HHC. The purpose of the RFP was to select an independent public accounting firm to perform annual audits of the financial statements for four fiscal years beginning June 30, 2014 through 2017 and to perform other directly related services for the New York City Health and Hospitals Corporation, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc and HHC Accountable Care Organization, Inc.

Responses Received:
The RFP was sent to the 21 financial institutions that met the RFP's minimum qualifying requirements, which were to be on the New York City Office of the Comptroller's Pre-Qualified CPA List and to employ more than 100 professional staff (accountants). Three financial institutions responded to the RFP with their proposals. They were KPMG LLP; Deloitte & Touche LLP; and BDO USA, LLP.

Selection Process:
The Selection Committee was provided with a copy of the RFP, the proposal from each firm and evaluation forms. The Selection Committee members are as follows:

1. Marshall Bondy, Chairperson, Deputy Corporate Comptroller
2. James Linhart, Deputy Corporate Comptroller
3. Pauline Lok, Director Corporate Reimbursement
4. Wayne Hanus, Controller Metroplus
5. Anthony Saul, Comptroller Kings
6. Brian Stacey, Network CFO Queens Health Network
7. Linda Dehart, AVP, Corporate Reimbursement

The Selection Committee unanimously voted KPMG LLP as the selected contractor. Please refer to the Contract Fact Sheet for a complete description of the selection process.

Implementation:
Once the contract is awarded, KPMG will:

- Audit and render an opinion on the annual financial statements of New York City Health and Hospitals Corporation.
- Issue a management letter for the Corporation.
- Audit and render an opinion on MetroPlus Health Plan's annual statutory financial statements (calendar year-end).
- Issue a management letter for MetroPlus Health Plan, if deemed necessary by the auditor.
- Issue a report to the Audit Committee for MetroPlus Health Plan
- Audit and render an opinion on HHC Insurance Company, Inc's annual statutory financial statements (calendar year-end)
- Issue a management letter for HHC Insurance Company, Inc, if deemed necessary by the auditor.
- Audit and render an opinion on HHC ACO, Inc's annual statutory financial statements (calendar year-end)

EXECUTIVE SUMMARY

- Issue a management letter for HHC ACO, Inc, if deemed necessary by the auditor.
- Audit and issue a certification/attestation report re: the Annual Report of Ambulatory Health Care Facility (AHCF-1) for 6 facilities.
- Audit and issue a certification/attestation report re: the Annual Report of Residential Health Care facility (RHCF-4) for 3 facilities.
- Audit and issue a certification/attestation report re: the Annual Report for Long-Term Home Health Care Program for 1 facility.
- Annually audit and render an agreed-upon procedures letter re: the Corporation's compliance with NYS Health Regulations Part 86, i.e., bad debt and charity care pool audits. The purpose and scope of this work is to report on whether the Corporation's procedures/operations are in compliance with the regulations related to collection efforts and bad debt policy.
- Issue an annual Debt Compliance Letter in connection with the Corporation's Health System Bonds, as required, for each Series.
- Provide up to 250 hours of tax advisory services over the 4 year contract period, on an as-needed basis.
- Provide 5 full days of Continuing Professional Education per year for up to 140 attendees per year, either through your own CPE courses or by sponsoring Corporation staff at seminars held by professional organizations, e.g., HFMA, HANYS,etc.
- Provide documentation related to the total hours worked on contract each year by audit firm staff and those under contract. This requirement is solely related to the Wage Index Survey instrument.
- Perform as needed, a stub-period review of interim financial statements and issue comfort and consent letter related to debt issuance.

The Office of the Corporate Comptroller and the Chief Financial Officer will monitor the progress of the above goals.

Contract Costs:

The contract for these services will be for a period of four years, with no renewal option, at a cost not to exceed $3,827,000. The breakdown is as follows:

Budget Breakdown:

Total Contract Amount:

2014	$ 825,000
2015	$ 840,000
2016	$ 855,000
2017	$ 875,000
	$ 3,395,000

Contingency Reserve for additional auditing services (10%) = $340,000

Debt issuance fees per occurrence not to exceed $92,000

CONTRACT FACT SHEET

New York City Health and Hospitals Corporation

Contract Title: AUDITING SERVICES FOR FINANCE DIVISION OF NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

Project Title & Number: DCN 2149

Project Location: Corporate Wide

Requesting Dept.: Corporate Comptroller

Successful Respondent: KPMG LLP.

Contract Amount: not to exceed $3,827,000 over the contract period

Contract Term: 4 years

Number of Respondents: Three
(If sole source, explain in background section)

Range of Proposals: $3,395,000 to $11,451,250

Minority Business Enterprise Invited: ☑ Yes* If no, please explain:

* The RFP was sent to the 21 financial institutions on the New York City Office of the Comptroller's Pre-Qualified CPA List that had more than 100 professional staff (accountants), RFP's minimum qualifying requirements.

Funding Source: ☑ General Care ☐ Capital
☐ Grant: explain
☐ Other: explain

Method of Payment: ☐ Lump Sum ☐ Per Diem ☐ Time and Rate
☑ Other: explain On progress billing of deliverables. Paid based on the institution's provided detailed billing statement.

EEO Analysis: KPMG and its subcontractors have submitted a Supply and Service Employment Report. E.E.O. is in the process of reviewing it.

Compliance with HHC's McBride Principles? ☐ Yes ☐ No *Pending*

Vendex Clearance ☐ Yes ☐ No ☐ N/A *Pending*
(required for contracts In the amount of $50,000 or more awarded pursuant to an RFP or as a sole source, or $100,000 or more if awarded pursuant to an RFB.)
Vendex documents provided by the vendor & its subcontractors have been sent to the Office of Legal Affairs.

CONTRACT FACT SHEET (continued)

Background *(include description and history of problem; previous attempts, if any, to solve it; and how this contract will solve it):*

The Corporation's annual financial statements must be audited by an independent certified public accounting firm, as required by the Corporate By-Laws, bond covenant and city, state and federal regulations. Additionally, some of the Corporate health care entities cost reports filed with various federal and state agencies require certification/attestation reports from the auditors.

Contract Review Committee
Was the proposed contract presented at the Contract Review Committee (CRC)? (include date):

No.

Has the proposed contract's scope of work, timetable, budget, contract deliverables or accountable person changed since presentation to the CRC? If so, please indicate how the proposed contract differs since presentation to the CRCs:

N/A

Selection Process *(attach list of selection committee members, list of firms responding to RFP, list of firms considered, describe here the process used to select the proposed contractor, the selection criteria, and the justification for the selection):*

The Selection Committee members are:

1. *Marshall Bondy, Chairperson, Deputy Corporate Comptroller*
2. *James Linhart, Deputy Corporate Comptroller*
3. *Pauline Lok, Director Corporate Reimbursement*
4. *Wayne Hanus, Controller Metroplus*
5. *Anthony Saul, Comptroller Kings*
6. *Brian Stacey, Network CFO Queens Health Network*
7. *Linda Dehart, AVP, Corporate Reimbursement*

The financial institutions responded to the RFP:

KPMG LLP
Deloitte & Touche LLP
BDO USA, LLP

CONTRACT FACT SHEET (continued)

Selection Process *(attach list of selection committee members, list of firms responding to RFP, list of firms considered, describe here the process used to select the proposed contractor, the selection criteria, and the justification for the selection): (con'td)*

The Selection Committee consisted of representatives of those divisions/departments in the Corporation most familiar and experienced with the audit process. Each member was provided with a copy of the RFP, the proposal from each firm and evaluation forms. The Committee then invited two firms (KPMG and Deloitte) to give presentations. The firms were evaluated based on their proposals and presentations using the evaluation criteria. The breadth of knowledge, experience and audit approach of the two firms were comparable however KPMG's pricing was favorable to HHC, hence KPMG unanimously received the highest score and was chosen.

Scope of work and timetable:

- Scope of Work: Annual audits of the financial statements for four fiscal years beginning June 30, 2014 through 2017 and to perform other directly related services for the New York City Health and Hospitals Corporation (the Corporation) and its blended and discretely presented component units (fiscal year basis), MetroPlus Health Plan, Inc. (calendar year basis), HHC Insurance Company, Inc (calendar year basis) and HHC Accountable Care Organization, Inc (calendar year basis). The contract period encompasses the financial statement preparation time related to calendar year and fiscal year-end financial statements of the Corporation and its component units for the years 2014-2017.
- Deliverables/Timeframes:
    1. Audit and render an opinion on the annual financial statements of a) New York City Health and Hospitals Corporation, b) MetroPlus Health Plan, Inc., c) HHC Insurance Company, Inc., and d) HHC ACO, Inc.
    2. Issue a management letter (if deemed necessary) for the a) Corporation, b) MetroPlus Health Plan, Inc., c) HHC Insurance Company, Inc., and d) HHC ACO, Inc..
    3. Issue a report to the Audit Committee for MetroPlus Health Plan
    4. Audit and issue a certification/attestation report re: the Annual Report of Ambulatory Health Care Facility (AHCF-1) for 6 facilities.
    5. Audit and issue a certification/attestation report re: the Annual Report of Residential Health Care facility (RHCF-4) for 3 facilities.
    6. Audit and issue a certification/attestation report re: the Annual Report for Long-Term Home Health Care Program for 1 facility.
    7. Annually audit and render an agreed-upon procedures letter re: the Corporation's compliance with NYS Health Regulations Part 86, i.e., bad debt and charity care pool audits.
    8. Issue an annual Debt Compliance Letter in connection with the Corporation's Outstanding Health System Bonds, as required, for each Series.
    9. Provide up to 250 hours of tax advisory services over the 4 year contract period, on an as-needed basis.
    10. Provide 5 full days of Continuing Professional Education per year for up to 140 attendees, either through your own CPE courses or by sponsoring Corporation staff at seminars held by professional organizations, e.g., HFMA, HANYS, etc.
    11. Provide documentation related to the total hours worked on contract each year by audit firm staff and those under contract. This requirement is solely related to the Wage Index Survey instrument.
    12. Perform as needed, a stub-period review of interim financial statements and issue comfort and consent letter related to debt issuance.

CONTRACT FACT SHEET (continued)

Costs/Benefits:

External audit of the Corporation's financial statements is a requirement of the Corporate By-Laws, bond covenant and city, state and federal regulations.
During the last contract period, in addition to the all-inclusive fee for auditing services of $3.7 million, the Corporation incurred $170,000 for two bond issuances and $240,000 for additional services totaling $4.1 million. The approved budget for this RFP was $4.4 million (derived by anticipating a 4% rise in cost per year over FY13 costs). However, the selected firm has proposed an all-inclusive fee of $3.4 million for providing the auditing services and $92,000 per bond issuance. With the addition of a 10% contingency fee for additional services, the total cost requested for the new contract period is $3.8 million ($3,395,000 + $92,000 + $340,000 contingency fee); well under the approved budget.

Why can't the work be performed by Corporation staff:

Corporate By-Laws, bond covenant and city, state and federal regulations require HHC to hire an independent public accounting firm.

Will the contract produce artistic/creative/intellectual property? Who will own It? Will a copyright be obtained? Will it be marketable? Did the presence of such property and ownership thereof enter into contract price negotiations?

No

Contract monitoring (include which Vice President is responsible):

Marlene Zurack, Senior Vice President/Chief Financial Officer and Jay Weinman, Corporate Comptroller

Equal Employment Opportunity Analysis *(include outreach efforts to MBE/WBE's, selection process, comparison of vendor/contractor EEO profile to EEO criteria. Indicate areas of under-representation and plan/timetable to address problem areas):*

Received By E.E.O. 3/14/14
Date

Analysis Completed By E.E.O. ____ __ Manasses C. Williams
Date *Name*

AUDIT COMMITTEE OF THE HHC BOARD OF DIRECTORS

Corporate Compliance Report

April 10, 2014

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Agenda

I. Executive Compliance Workgroup Membership for 2014

1) Pursuant to HHC Operating Procedure 50-1 (Corporate Compliance Program) § (3)(D), HHC established an Executive Compliance Workgroup ("ECW"), which meets regularly to discuss compliance issues, initiatives, and concerns, and to provide advice and guidance to the Chief Corporate Compliance Officer ("CCO").

2) The ECW is co-chaired by standing members Antonio D. Martin, Executive Vice President/Corporate Chief Operating Officer, and Wayne A. McNulty, CCO, and consists of the following additional standing members: Maxine Katz, Senior Assistant Vice President, Revenue Management; Bert Robles, Senior Vice President/Corporate Chief Information Officer; Salvatore J. Russo, Esq., Senior Vice President /General Counsel (or his designee); Ross Wilson, M.D., Senior Vice President/Corporate Chief Medical Officer; and Marlene Zurack, Senior Vice President/Corporate Chief Financial Officer.

3) OP 50-1 also provides for HHC's President and Chief Executive to select annually a Network Senior Vice President and a Network Chief Financial Officer, to serve on the ECW for a term of one year. Accordingly, former HHC President and Chief Executive Alan D. Aviles appointed Chris Constantino, Senior Vice President, Queens Healthcare Network/Executive Director, Elmhurst Hospital Center, and Elizabeth Guzman, Chief Financial Officer, Metropolitan Hospital Center. These rotating ECW members will serve on the ECW for the entire calendar year ("CY") 2014.

4) In addition to the standing members and rotating members mentioned above, pursuant to the recommendation by the ECW that ECW membership include executive representation from HHC's Long Term Care/Skilled Nursing Facilities, Angelo Mascia, Executive Director, Sea View Hospital Rehabilitation Center and Home, was also appointed by Mr. Aviles to serve on the ECW as a rotating member for CY 2014.

II. Compliance Training Update

Background of Mandatory Compliance Training Requirements.

1) Pursuant to State regulations found at 18 NYCRR § 521.3[c][3], HHC must provide "training and education of all affected employees and persons associated with the provider, including executives and governing body members . . . ."

Compliance Training Cycle Time Horizon.

2) The 2014 compliance training cycle is from January 6, 2014, to January 5, 2015. All physicians, healthcare professionals, Group 11 employees, members of the HHC Board of

Directors, and other designated HHC personnel are required to complete compliance training during this training period. As previously reported to the Audit Committee in February 2014, as of January 3, 2014, 93% of the physicians (4,281 out of 4,601); 93.9% of the Healthcare professionals (13,990 out of 14,891); 98.7% of the general workforce (3,415 out of 3,457); and 66% of the Members of the HHC Board of Directors (the Board")(10 out of 15), as well as 7 Board Member designees, who were enrolled in one of the four (4) compliance training courses successfully completed the same. The previous compliance training cycle was from January 1, 2012 to January 3, 2014.

Update of current training modules.

3) The Office of Corporate Compliance ("OCC") is in the process of performing a careful review and, where necessary, updating the various compliance training modules for the 2014 training cycle:

- The Physicians' Compliance Training module is in the process of being updated and is expected to be completed by the end of April 2014.

- The Healthcare Professionals Training module is in the process of being updated and is expected to be completed by early June 2014.

4) The OCC is presently working with each HHC Network Medical Staff Affairs office to ensure that all physicians and other providers who are scheduled for re-credentialing have completed the requisite compliance training or, in the alternative, are enrolled to complete compliance training through the PeopleSoft Enterprise Learning Management Platform or by other means.

Compliance Training of Members of the HHC Board of Directors.

5) The OCC will work closely with the Office of the HHC Chairperson and Enterprise Technology Information Services to ensure that all members (and designee members) of the HHC Board will be able to take the compliance training on their I-Pad tablets during the current training cycle.

- NO FURTHER TEXT ON THIS PAGE -

III. Compliance Reporting Index for the First Quarter of Calendar Year 2014

Summary and Prioritization.[1]

1) For the first ("1st") quarter calendar year 2014 (January 1, 2014 through March 31, 2014)("CY2014") there were 92 compliance-based reports of which one was classified as a Priority "A" report, 31 (or 33.7%) were classified as Priority "B" reports, and 60 (or 65.2%) were classified as Priority "C" reports. For purposes here, the term "reports" means compliance-based inquiries and compliance-based complaints. Of the 92 reports received in the first quarter of CY2014 43 (or 46.7%) were compliance complaints received on the OCC's anonymous toll-free compliance hotline.

Mode of Reporting.

2) Below is a summary of how the OCC received the 92 CY2014 1st quarter reports:

- 43 (or 46.7%) received on Hotline
- 14 (or 15.25%) received via Face to Face
- 12 (or 13%) received via E-Mail
- 10 (or 10.9%) received via Telephone
- 5 (or 5.4%) received via Referral from other HHC Office
- 4 (or 4.3%) received via Mail
- 3 (or 3.3%) received via Voicemail
- 1 (or 1.1%) received via Web Submission

Allegation Class Analysis.

3) The breakdown of the allegation classes of the 92 reports received in the 1st quarter of CY 2014 is as follows:

- 25 (or 27.2%) pertained to Other
- 20 (or 21.7%) pertained to Employee Relations
- 19 (or 20.7%) pertained to Policy and Process Integrity
- 13 (or 14.1%) pertained to Misuse or Misappropriation of Assets or Information
- 6 (or 6.5%) pertained to Environmental, Health and Safety

[1] There are three (3) different report categories: (i) Priority "A" reports - matters that require immediate review and/or action due to an allegation of immediate threat to a person, property or environment; (ii) Priority "B" reports – matters of a time-sensitive nature that may require prompt review and/or action; and (iii) Priority "C" reports – matters that do not require immediate action.

- 5 (or 5.4%) pertained to Financial Concerns
- 4 (or 4.3%) pertained to Diversity, Equal Opportunity and Respect in the Workplace

IV. Privacy Reporting Index the First Quarter of Calendar Year 2014

Incident Reports and Investigations.

1) During the first ("1st") quarter of 2014 (January 1, 2014 through March 31, 2014), there were a total of 23 incidents reported via the HIPAA Complaint Tracking System. These incidents were entered in the HHC HIPAA Complaint Tracking System, an HHC proprietary database.

2) Of the 23 complaints entered in the tracking system, three were found after investigation to be violations of HHC HIPAA Privacy Operating Procedures; two were determined to be unsubstantiated; six were found not to be a violation of HHC HIPAA Privacy Operating Procedures: and 12 are still under investigation. Of the three confirmed violations, all three were found not to be breaches.

Confirmed Breaches.

3) As of April 7, 2014, there are no confirmed breaches for the 1st quarter of CY2014; however, several investigations regarding the aforementioned incidents are ongoing or pending breach determination.

V. OCC Staffing Update

1) The OCC currently has a total of two (2) vacancies: one (1) in Central Office; and one (1) in HHC Health and Home Care. The recruitment process for these positions has commenced.

VI. Monitoring of Excluded Providers

1) The OCC has not received or uncovered any reports of excluded providers since the last time the Audit Committee convened in February of 2014.

VII. HHS OIG Fiscal Year 2014 Work Plan – Items for Discussion

1) The Department of Health and Human Services ("HHS") Office of Inspector General ("OIG") Work Plan for fiscal year (FY) 2014 ("Work Plan") was issued in January 2014. The OIG's Work Plan provides notice to healthcare providers of those new and ongoing areas of review and activities that OIG plans to pursue with respect to HHS programs and operations during FY 2014.

2) The OCC reviewed the OIG FY 2014 Work Plan and identified the new areas in which the OIG will focus its attention on. A list of the new OIG Work Plan items is annexed hereto as Attachment "1". The March 27, 2014 ECW was provided with said list for review and discussion at the next ECW meeting.

VIII. Gotham Health FQHC, Inc., and Compliance Oversight

1) HHC applied to the Health Resources Services Agency ("HRSA") for the designation of its six (6) Diagnostic and Treatment Centers ("D&TCs") and all of their respective satellite clinics — twenty (20) satellite clinics and thirteen (13) school-based health centers — as a Federally Qualified Community Health Center Look-Alike ("Health Center") pursuant to HRSA's regulations concerning the Public Entity/Co-Applicant governance model. A co-applicant agreement was executed between HHC ("public entity") and the Gotham Health Board ("co-applicant") in November 2012.

Some of the key provisions of the Agreement are as follows:

- HHC shall be responsible for the day-to-day operations of the Health Center, including: (i) implementation of operational, management and patient care policies; (ii) preparing quality assurance ("QA") reports for the Gotham Board of Directors ("Gotham BOD"); (iii) general and fiscal personnel policies to be ratified by Gotham; (iv) maintaining fiscal controls (i.e., billing and collections, financial reporting); (v) preparation and preliminary approval of an annual budget; and (vi) development of a compliance work plan and conducting compliance reviews.

- Gotham shall be responsible for: (i) the evaluation of the QA program; (ii) the adoption of policies regarding hours of operation, quality of care and site locations; (iii) assuring compliance with applicable laws, regulations and policies; (iv) ratification of current and applicable HHC policies; (v) final approval of the annual budget submitted by HHC; (vi) selection, evaluation and removal of the Health Center Executive Director; (vii) in consultation with the Liaison Committee (which is a committee established to facilitate a cooperative relationship between the Gotham BOD and HHC as joint operators of the Health Center), approval of applications for recertification or designation, grants, etc.; and (viii) a needs-based selection of services.

2) With regard to compliance, the Agreement provides that: (i) the Gotham BOD, in conjunction with HHC, shall assure that the Health Center shall be in compliance with all applicable federal, State, and local laws, regulations and policies; (ii) on at least a bi-annual basis, the Gotham BOD, upon review of periodic reports provided by HHC regarding the Health Center's legal and regulatory compliance program, shall evaluate the Health Center's compliance activities and recommend, as necessary, the revision, restructuring, or updating of the compliance program by HHC; and (iii) the applicable provisions of the HHC compliance program shall be deemed the Health Center's legal and regulatory compliance program.

3) On March 11, 2014, Wayne A. McNulty, CCO, OCC; Dr. Dolores McCray, Chairperson of the Gotham BOD; and Steve Fass; Chief Financial Officer of Gotham, held a Compliance Orientation meeting wherein Mr. McNulty gave an overview of HHC's Corporate Compliance Program and compliance oversight activities. This overview included a summary of compliance activities at the Health Center collaboratively governed by Gotham and HHC.

4) During the meeting, the following topics were, in pertinent part, discussed:

- HHC's Corporate Compliance Program;
- Compliance Training and Education of Health Center Personnel;
- HHC Standards of Conduct/Principles of Professional Conduct;
- HHC's Compliance Policies and Procedures, including: (i) HHC Operating Procedure 50-1, entitled "Corporate Compliance Program"; (ii) HHC's Corporate Compliance Plan; (iii) HHC's Guide to Compliance; and (iv) HHC's compliance with the Deficit Reduction Act of 2005;
- HHC's Conflict of Interest Policies - Chapter 68 of the New York City Charter and HHC's Code of Ethics;
- Compliance Reporting Process and Classification at the Health Center;
- HHC Compliance Committee Meetings at the Health Center;
- Health Center Compliance Risk Assessments;
- OCC Reporting Frequency to the Gotham BOD/Governing Body; and
- Revision of Certain HHC Compliance Policies and Procedures that would provide greater detail, among other things, about the application of OCC compliance oversight activities at the Health Center.

IX-a. External Audits – U.S. Department of Health and Human Services ("HHS") Office of Civil Rights ("OCR")

1) As part of a compliance review to ensure compliance with certain federal civil rights and health information technology laws, OCR has requested, in pertinent part, that Metropolitan Hospital Center ("Metropolitan") provide OCR with its policies, procedures, and practices related to:

- meaningful access to services and programs for limited English proficient ("LEP") individuals;
- equal access to services and programs for individuals with HIV; and
- the privacy and security of individuals' protected health information "(PHI") and their rights with regard to such information.

2) The OCC, with the assistance from and information provided by Metropolitan executive and senior leadership, as well as senior leadership in Central Office, will issue a response to OCR's query on or about April 10, 2014.

IX-b. External Audits – HHS OIG

1) As part of an audit of excessive compensation, the OIG requested Elmhurst Hospital Center ("Elmhurst") to provide a summary of the five highest compensated[2] employees at Elmhurst and HHC Central Office for 2008, 2009, 2010 and 2011 and their respective salaries and job descriptions. The OCC issued a response to HHS on Monday, March 31, 2014.

[2] For purpose here, compensation is defined as the taxable wage amount described on the W-2 (box 1) and comports with what was reported in the Medicare Cost Report.

NEW ITEMS IN THE OFFICE OF INSPECTOR GENERAL OF THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES FISCAL YEAR 2014 WORK PLAN

In January 2014, the Office of Inspector General ("OIG") of the United States Department of Health and Human Services ("HHS") issued its fiscal year ("FY") 2014 Work Plan. The OIG 2014 Work Plan notifies healthcare providers of areas of review and activities that OIG intends to pursue with respect to HHS programs and operations during FY 2014. The OCC has identified several new items on the OIG 2014 Work Plan that may be relevant to HHC. Below is a list of those items.

I. MEDICARE PART A AND B

A. HOSPITALS

Hospital-Related Policies and Practices

➢ ***New inpatient admission criteria (new)***

Policies and Practices. OIG will determine the impact of new inpatient admission criteria on hospital billing, Medicare payments, and beneficiary payments. This review will also determine how billing varied among hospitals in FY 2014. Context—Previous OIG work found overpayments for short inpatient stays, inconsistent billing practices among hospitals, and financial incentives for billing Medicare inappropriately. Beginning in FY 2014, new criteria state that physicians should admit for inpatient care those beneficiaries who are expected to need at least 2 nights of hospital care. Beneficiaries whose care is expected to last less than 2 nights should be treated as outpatients. The criteria represent a substantial change in the way hospitals bill for inpatient and outpatient stays.

➢ ***Medicare costs associated with defective medical devices (new)***

Policies and Practices. OIG will review Medicare claims to identify the costs resulting from additional utilization of medical services associated with defective medical devices and determine the impact of the cost on the Medicare Trust Fund. Context—CMS has previously expressed concerns about the impact of the cost of replacement devices, including ancillary cost, on Medicare payments for inpatient and outpatient services.

➢ ***Analysis of salaries included in hospital cost reports (new)***

Policies and Practices. OIG will review data from Medicare cost reports and hospitals to identify salary amounts included in operating costs reported to and reimbursed by Medicare. OIG will

determine the potential impact on the Medicare Trust Fund if the amount of employee compensation that could be submitted to Medicare for reimbursement on future cost reports had limits. Context—Employee compensation may be included in allowable provider costs only to the extent that it represents reasonable remuneration for managerial, administrative, professional, and other services related to the operation of the facility and furnished in connection with patient care. (CMS's Provider Reimbursement Manual, Part 1, Pub. No. 15-1, Ch. 9 § 902.2.) Medicare does not provide any specific limits on the salary amounts that can be reported on the hospital cost report.

➢ ***Comparison of provider-based and free-standing clinics (new)***

Policies and Practices. OIG will review and compare Medicare payments for physician office visits in provider-based clinics and free-standing clinics to determine the difference in payments made to the clinics for similar procedures and assess the potential impact on the Medicare program of hospitals' claiming provider-based status for such facilities. Context—Provider-based facilities often receive higher payments for some services than do freestanding clinics. The requirements to be met for a facility to be treated as a provider-based facility are at 42 CFR § 413.65(d).

B. HOSPITALS—BILLING AND PAYMENTS

➢ ***Outpatient evaluation and management services billed at the new-patient rate (new)***

Billing and Payments. OIG will review Medicare outpatient payments made to hospitals for evaluation and management (E/M) services for clinic visits billed at the new-patient rate to determine whether they were appropriate and recommend recovery of overpayments. Context—Preliminary work identified overpayments that occurred because hospitals used new-patient codes when billing for services to established patients. The rate at which Medicare pays for evaluation and management services requires hospitals to identify patients as either new or established, depending on previous encounters with the hospital. According to Federal regulations, the meaning of "new" and "established' pertains to whether the patient has been seen as a registered inpatient or outpatient of the hospital within the past 3 years. (73 Fed. Reg. 68679 (November 18, 2008).

➢ ***Nationwide review of cardiac catheterization and heart biopsies (new)***

Billing and Payments. OIG will review Medicare payments for right heart catheterizations (RHC) and heart biopsies billed during the same operative session and determine whether hospitals complied with Medicare billing requirements. Context—Previous OIG reviews have identified inappropriate payments when hospitals were paid for separate RHC procedures when the services were already included in payments for heart biopsies. To be processed correctly and promptly, a bill must be completed accurately. (CMS's Medicare Claims Processing Manual, Pub. No. 100-04, ch. 1, §80.3.2.2).

➢ ***Payments for patients diagnosed with kwashiorkor (new)***

Billing and Payments. OIG will review Medicare payments made to hospitals for claims that include a diagnosis of Kwashiorkor to determine whether the diagnosis is adequately supported by documentation in the medical record. Context—To be processed correctly and promptly, a

bill must be completed accurately. (CMS's Medicare Claims Processing Manual, Pub. No. 100-04, ch. 1, §80.3.2.2.) A diagnosis of Kwashiorkor on a claim substantially increases the hospitals' reimbursement from Medicare. Kwashiorkor is a form of severe protein malnutrition that generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. It is typically not found in the United States. Prior OIG reviews have identified inappropriate payments to hospitals for claims with a Kwashiorkor diagnosis.

➢ ***Indirect medical education payments (new)***
Billing and Payments. OIG will review provider data to determine whether hospitals' indirect medical education (IME) payments were made in accordance with Federal regulations and guidelines. OIG will determine whether the IME payments were calculated properly. Context—Prior OIG reviews have determined that hospitals have received excess reimbursement for IME costs. Teaching hospitals with residents in approved graduate medical education programs receive additional payments for each Medicare discharge to reflect the higher indirect patient care costs of teaching hospitals relative to those of nonteaching hospitals. (42 U.S.C. § 1395ww(d)(5)(B).) The additional payments, known as the IME adjustments, are calculated using the hospital's ratio of resident full-time equivalents to available beds.

C. HOSPITALS—QUALITY OF CARE AND SAFETY

➢ ***Oversight of pharmaceutical compounding (new)***
Quality of Care and Safety. OIG will describe Medicare's oversight of pharmaceutical compounding in Medicare-participating acute care hospitals. OIG will also describe how State agencies and hospital accreditors assess such pharmacy services in hospitals. Context—Pharmaceutical compounding is the creation of a prescription drug tailored to meet the needs of an individual patient. Most hospitals compound at least some pharmaceuticals onsite. Medicare oversees the safety of pharmaceuticals compounded at Medicare participating hospitals through the accreditation and certification process. This work is particularly important in view of a recent meningitis outbreak resulting from contaminated injections of compounded drugs.

➢ ***Hurricane Sandy—Case study of hospitals' emergency preparedness and response (new)***
Quality of Care and Safety. OIG will assess and describe hospital preparedness and response during Hurricane Sandy. Specifically, OIG will assess the emergency preparedness of hospitals in selected counties affected, including the hospitals' participation in the Public Health Emergency Preparedness Cooperative Agreements program funded through the Centers for Disease Control and Prevention and the Hospital Preparedness Program funded through the Office of the Assistant Secretary for Preparedness and Response. Context—CMS's Conditions of Participation (CoPs) require that hospitals develop and maintain a hospital environment that ensures the safety and well-being of patients and have adequate medical and nursing staff during disasters. (CFR § 482.41 and CFR § 482.55(b)(2).) CoPs must be met for hospitals to participate in Medicare.

➢ ***Oversight of hospital privileging (new)***
Quality of Care and Safety. OIG will determine how hospitals assess medical staff candidates prior to granting initial privileges, including verification of credentials and review of the

National Practitioner Databank. Context—Hospitals that participate in Medicare must have an organized medical staff that periodically appraises its members (42 CFR § 482.22). A hospital's governing body must ensure that the members of the medical staff, including physicians and other licensed independent practitioners, are accountable for the quality of care provided to patients. Robust hospital privileging programs contribute to patient safety.

D. NURSING HOMES

➢ ***Medicare Part A billing by skilled nursing facilities (new)***
Policies and Practices. OIG will describe skilled nursing facility ("SNF") billing practices in selected years and will describe variation in billing among SNFs in those years. Context—Prior OIG work found that SNFs increasingly billed for the highest level of therapy even though beneficiary characteristics remained largely unchanged. OIG also found that SNFs billed one-quarter of all 2009 claims in error, resulting in $1.5 billion in inappropriate Medicare payments. CMS has made substantial changes to how SNFs bill for services for Medicare Part A stays.

E. OTHER PROVIDERS AND SUPPLIERS

Other Providers – Quality of Care and Safety:

➢ ***End-stage renal disease—Dialysis facility survey cycle (new)***
Quality of Care and Safety. OIG will determine the extent, nature, and outcomes of Medicare's survey and certification process of dialysis facilities. Context—State Agencies (SAs) conduct onsite surveys of dialysis facilities on behalf of CMS. (Social Security Act § 1864.) When performing onsite surveys, the SAs use CMS's guidelines to ensure facilities' compliance with Medicare's Conditions for Coverage. SAs cite a deficiency when they determine that facilities are not meeting statutory or regulatory requirements. Researchers have raised concerns that the SA survey process falls short in identifying poorly performing facilities.

➢ ***Mental health providers—Medicare enrollment and credentialing (new)***
Quality of Care and Safety. OIG will review and describe Medicare's mental health provider enrollment and credentialing requirements and assess CMS's oversight efforts to verify the qualifications of mental health service providers. OIG will determine whether selected providers have the required Federal and State qualifications to bill Medicare for mental health services. Context—Medicare-covered mental health services are provided by several types of health professionals, including psychiatrists or other physicians; clinical psychologists; clinical social workers, and clinical nurse specialists. To participate in Medicare, these providers must meet general Medicare provider enrollment standards as well as specific standards for licensure or certification within their States of practice.

F. PRESCRIPTION DRUGS

Prescription Drugs—Policies and Practices

➢ ***Part B payments for drugs purchased under the 340B Program (new)***

Policies and Practices. OIG will determine how much Medicare Part B spending could be reduced if Medicare were able to share in the savings for 340B-purchased drugs. OIG will calculate the amount by which ASP-based payments exceed 340B prices and estimate potential savings on the basis of various shared-benefit methodologies. Context—Previous OIG work revealed that some Medicaid State agencies have developed strategies to take advantage of the discounts on 340B drugs. The 340B Program requires drug manufacturers to provide discounted outpatient drugs to approximately 10,000 covered entities. Medicare Part B reimburses for almost all covered outpatient drugs (including those purchased by 340B entities) on the basis of the average sales price (ASP), regardless of the amount paid for the drug. Medicare Part B providers that purchase drugs under the 340B program can fully retain the difference between the ASP-based payment amount and the 340B purchase price.

Prescription Drugs—Quality of Care and Safety

➢ ***Covered uses for Medicare Part B drugs (new)***

Quality of Care and Safety. OIG will review the oversight actions CMS and its claims processing contractors take to ensure that payments for Part B drugs meet the appropriate coverage criteria. OIG will also identify challenges contractors face when making coverage decisions for drugs. Context—If Part B Medicare Administrative Contractor ("MACs") do not have effective oversight mechanisms, Medicare and its beneficiaries may pay for drugs with little clinical evidence of the drugs' safety and effectiveness. Medicare Part B generally covers drugs when they are used to treat conditions approved by the Food and Drug Administration, referred to as "on-label" uses. Part B may also cover drugs when an "off-label" use of the drug is supported in major drug compendia or when an off-label use is supported by clinical evidence in authoritative medical literature. (Social Security Act, § 1861(t).)

➢ ***Payment for compounded drugs under Medicare Part B (new)***

Quality of Care and Safety. OIG will examine MACs' policies and procedures for reviewing and processing Part B claims for compounded drugs and assess the appropriateness of such claims. Context—Pharmacy compounding is a practice in which pharmacists combine, mix, or alter ingredients to create unique medications that meet specific needs of individual patients. Compounded drugs may be eligible for coverage under Medicare Part B. However, for Medicare to pay for these drugs, they must be produced in accordance with the Federal Food, Drug, and Cosmetic Act. (Social Security Act, § 1862(a)(1)(A) and CMS's Benefits Policy Manual, ch. 15, Sec. 50.4.7.) CMS notifies the MACs when FDA has determined that compounded drugs are being produced in violation of the Act.

G. PART A AND PART B CONTRACTORS

Oversight of Contracts

➢ ***Executive compensation benchmark (new)***

Oversight of Contracts. OIG will review contractor employee salaries charged to Medicare to determine whether the selected contractors applied a required senior executive compensation benchmark required by regulation and determine the potential cost savings if contractors were required to apply the same benchmark to all employee compensation. (48 CFR § 31.205-6(p).) OIG will determine the potential effect of expanding the executive compensation benchmark to all employees. Context—The term "senior executive" is defined as the top five compensated

employees of each organizational segment. (48 CFR § 31.205-6(p)(2)(B)(ii).) Several articles have been written addressing the exorbitant salaries for contractors.

H. INFORMATION TECHNOLOGY SECURITY, PROTECTED HEALTH INFORMATION, AND DATA ACCURACY

➢ ***Controls over networked medical devices at hospitals (new)***

Protected Health Information. OIG will determine whether hospitals' security controls over networked medical devices are sufficient to effectively protect associated electronically protected health information (ePHI) and ensure beneficiary safety. Context—Computerized medical devices, such as dialysis machines, radiology systems, and medication dispensing systems that are integrated with EMRs and the larger health network, pose a growing threat to the security and privacy of personal health information. Such medical devices use hardware, software, and networks to monitor a patient's medical status and transmit and receive related data using wired or wireless communications. To participate in the Medicare program, providers such as hospitals are required to secure medical records and patient information, including ePHI. (42 CFR § 482.24(b).) Medical device manufacturers provide Manufacturer Disclosure Statement for Medical Device Security (MDS2) forms to assist health care providers in assessing the vulnerability and risks associated with ePHI that is transmitted or maintained by a medical device.

➢ ***Accuracy of the Physician Compare Web site (new)***

Data Accuracy. OIG will review CMS's efforts to ensure that the Physician Compare Web site contains accurate information on health care providers. Context—CMS was required by law to create the Physician Compare Web site, which is intended to help Medicare beneficiaries make informed choices about their health care by providing them with information about health care providers. (Affordable Care Act, § 10331.) CMS repurposed its Provider Enrollment, Chain, and Ownership System (PECOS) as its data source for provider information on Physician Compare. However, prior OIG work found that the provider information in PECOS was often inaccurate and, at times, incomplete.

I. OTHER PART A AND PART B PROGRAM MANAGEMENT ISSUES

Provider Eligibility

➢ ***Idle Medicare provider records (new)***

Provider Eligibility. OIG will identify active Medicare providers who have not billed Medicare for more than 1 year. Context—Previous OIG work suggested that many providers have active Medicare records but have not submitted any claims for more than 1 year. Federal regulations permit CMS to deactivate the billing privileges of Medicare providers who do not submit any claims for 12 consecutive months. Deactivation helps deter fraudulent use of inactive records. Providers enrolled in Medicare solely to refer items and services for beneficiaries (ordering and referring providers) and certain provider specialty types are excluded from this deactivation process.

II. MEDICAID PROGRAM

A. MEDICAID PRESCRIPTION DRUG REVIEWS

State Claims for Federal Reimbursement

➢ ***Medicaid payments for multiuse vials of Herceptin (new)***

State Claims. OIG will review States' claims for the Federal share of Medicaid payments for the drug Herceptin, which is used to treat breast cancer, to determine whether providers properly billed the States for the drug. OIG will determine whether providers' claims to States were complete and accurate and were billed in accordance with the regulations of the selected States. Context—Prior OIG audits of Herceptin have shown provider noncompliance with Medicare billing requirements. Similar issues may occur in Medicaid. (OAS; W-00-14-31476; various reviews; expected issue date: FY 2014; new start) Other Medicaid Services, Equipment and Supplies

Other Medicaid Services, Equipment and Supplies

➢ ***Utilization of preventive screening services for children enrolled in Medicaid (new)***

Quality of Care and Safety. OIG will determine what steps CMS has taken to address OIG's recommendations to improve the provision of Medicaid Early and Periodic Screening, Diagnostic, and Treatment ("EPSDT") services and what obstacles it faces in implementing these recommendations. OIG will also determine whether the underutilization of EPSDT services continues to be a challenge for children enrolled in Medicaid. Context—Previous OIG work found that, in nine States, three out of four children did not receive all required medical, vision, and hearing screenings. OIG made several recommendations to CMS to increase participation in EPSDT screenings and to increase the completeness of medical screenings.

III. PUBLIC HEALTH REVIEWS

A. CENTERS FOR DISEASE CONTROL AND PREVENTION

➢ ***CDC—World Trade Center Health program: review of medical claims (new) Funds*** *Management.* OIG will review World Trade Center Health Program (WTCHP) expenditures to assess the reasonableness of billing, payments, and administrative costs. Context—Prior Federal audits found that that CDC did not reliably estimate costs for monitoring and treating program beneficiaries. Pursuant to the enabling law, medical services are provided to eligible responders and survivors with health conditions related to the September 11, 2001, terrorist attacks on the World Trade Center through contracted facilities known as "Clinical Centers of Excellence." The WTCHP was established in January 2011 and is administered by CDC. (James Zadroga 9/11 Health and Compensation Act of 2010 and Public Health Service Act, § 3301(d).