



AUDIT COMMITTEE  
MEETING AGENDA

June 11, 2020  
10:30 A.M.

Virtual Meeting

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CALL TO ORDER

Ms. Helen Arteaga Landaverde

Adoption of Minutes February 6, 2020

Ms. Helen Arteaga Landaverde

ACTION ITEMS

- Resolution

Mr. Chris Telano

Authorizing NYC Health + Hospitals Corporation to negotiate and execute a contract with Bonadio Group, CPAs for Annual Financial Audits/Reviews of twenty-two (22) System Auxiliaries. This contract is for audit services for calendar years 2018 through 2021 with two separate one year renewal options in an amount not-to-exceed \$867,225. The System, at its sole option and discretion, may renew this Agreement for an additional one or two successive one-year term(s).

INFORMATION ITEMS

- Grant Thornton, LLP 2020 Audit Plan
- Audits Update
- Compliance Update

Ms. Tami Radinsky, Partner

Mr. Chris A. Telano

Ms. Catherine Patsos

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT



## **MINUTES**

### **AUDIT COMMITTEE**

**MEETING DATE: February 6, 2020**

**TIME: 10:00 A.M.**

### **COMMITTEE MEMBERS**

Helen Arteaga Landaverde

Jose Pagán, PhD

Mitchell Katz, MD

### **OTHER MEMBERS OF THE BOARD**

Sally Hernandez-Piñero

Freda Wang

Feniosky Peña-Mora

### **STAFF ATTENDEES**

Colicia Hercules, Chief of Staff, Chairman's Office

Andrea Cohen, General Counsel

Jay Weinman, Corporate Comptroller

Yvette Villanueva, Vice President, Human Resources

Catherine Patsos, Chief Compliance Officer

Christopher A. Telano, Chief Internal Auditor

Devon Wilson, Senior Director, Office of Internal Audits

Carlotta Duran, Assistant Director, Office of Internal Audits

### **OTHER ATTENDEES**

**Office of State Comptroller:** Justine DeGeorge



## AUDIT COMMITTEE TALKING POINTS FEBRUARY 6, 2020

### Call to Order

The meeting was called to order at 10:10 A.M. by Ms. Helen Arteaga Landaverde, Audit Committee Chair. Ms. Arteaga Landaverde asked for a motion to adopt the minutes of the Audit Committee meeting held on December 12, 2019. A motion was made and seconded with all in favor to adopt the minutes.

Members in attendance: Helen Arteaga Landaverde, José Pagán, Mitchell Katz, Freda Wang, Sally Hernandez-Piñero, Feniosky Peña-Mora

### INTERNAL AUDIT UPDATE

Mr. Telano reported on external audits by outside regulatory agencies. Starting with the Children of Bellevue Auxiliary – NYC Comptroller's Office. This audit has been on-going for 10 months. Most recently they have requested the following documents:

- Conflict of interest disclosure forms as completed by the Children of Bellevue board members for Calendar Year 2018.
- The contract between Health + Hospitals and BKD/Loeb and Troper, LLP which pertains to the audits of its auxiliaries for Calendar Year 2018.
- All HHC policies and procedures related to auxiliaries in effect during the audit scope period of Calendar Year 2018; and,
- All draft policies as applicable to the auxiliaries.
- Contracts for short-term consulting services costing less than \$1,000.00. These contracts do not exist due to the length of service which could be a one-day service.

The revenue of Children of Bellevue is \$1 million dollars. We are a few months away from a draft report.

Ms. Arteaga Landaverde thanked the Audit team for supporting the Auxiliary team, and acknowledge that their volunteerism is a benefit to the System.

Follow-up of Nurse Hiring and Retention – NYC Comptroller's Office. The original report was issued 15 months ago. The initial report had four recommendations of improvement and during their follow-up audit, they determined that two recommendations were fully implemented and two were partially implemented. I will go over the partially implemented recommendations only.

Recommendation #1 – *Ensure all temporary and direct hire nurses are electronically fingerprinted so they can be properly monitored for potential criminal activity.*

They want assurance, that temporary and direct hire nurses are electronically fingerprinted. The initial report commented on nurses that were hired prior to 2002 not being fingerprinted. Our response stated that this was not a requirement, however, this was included in the follow-up. 4 of the 60 testing for direct hire staff was missing that resulted in the status being partially implemented.

Recommendation #3 – Ensure facilities maintain complete readily available files for temporary nurses, and document evidence that staffing agencies background investigations have been reviewed by Health + Hospitals officials.

Although Health + Hospitals officials indicated that, they are now maintaining background information for temporary staffing agency nurses, files were found in complete. Employment eligibility verification documentation was on file for 16 of 25 sampled temporary nurses and background check documents from OIG, OMIG and SAM were found for 22. Evidence was found that Health + Hospitals employees also reviewed this background information for 15 of 25 sampled temporary nurses. H + H had changed the process in early 2019; therefore, some documentation could not be found.

Yvette Villanueva, Vice President, Human Resources reported a new vendor for temporary agency services has been identified. We will be transitioning to a new contract where we expect for them to meet all of our needs including the documentation of the background, evaluations, etc.

Feniosky Peña-Mora asked if the findings from this audit will be part of the new contract for the new staffing agency.

Ms. Villanueva responded yes, that we will be monitoring the process to make sure they comply with the requirements.

Feniosky Peña-Mora asked if the fingerprinting can be retroactive to 2002.

Ms. Villanueva answered that fingerprinting is not a State requirement for employers; however, it is the requirement of the State Department of Education. As you get licensed, then that would be the requirement. Back in 2002, Health + Hospitals made a decision to fingerprint all future new hires. Employees hired prior to 2002 are collectively bargained and this was not part of their agreement. We have recommended to the State and the auditors that then they should make this a State requirement and all hospitals then should be mandated to do this, not just New York City Health and Hospitals.

Follow-up of Vehicles Owned & Leased by NYC Health + Hospitals – .This is an audit that the Office of Internal Audits conducted 18 months ago. OIA noted that there was turnover in personnel, and wanted to ensure continuity of the implementation of the corrective action plan.

*We noted in the first observation that there may be an excessive number of vehicles, especially when the number of vehicles in the sites were over 300 and there were only 120 motor vehicle operators. We also found in the original audit that vehicles were in the parking lot that were inoperative or not used. We then had asked for an inventory be done to determine what cars need to be released and what cars need to be kept.*

We found that Central Office reduced the number of vehicles by 20% and throughout the facilities, by 10%. But the inventory of the system-wide vehicle was not completed as of the audit and it needs to be determined if additional vehicles can be eliminated.

Christine Flaherty, Senior Vice President, Office of Facility Development stated that Manny Saez has been overseeing and shepherding the Central Office vehicles. These are vehicles used by employees, motor vehicle operators but

also employees that may be authorized to drive the vehicles. A meeting was convened on the 29th with Human Resources, ourselves, Legal and Finance, to start review a draft policy which is now in circulation for comments..

Manny Saez reported he convenes a bi-annual meeting with the operators of motor vehicles at the sites, because the service is not reporting centrally with the goal to promote policy or initiative or anything that we are trying to do centrally, to be replicated at the facility. After working with Chris Telano's team, I appreciate the effort in having consistent alignment over what we are trying to do.

Mr. Saez acknowledge a complete system-wide inventory is needed. We receive quarterly reports from the facilities; however, not all the vehicles are included in that report. For example, we might have some vehicles that are registered with the City that are actually motor vehicle driven, or we might have trailers that are also registered with the City that are not motorized. An inventory of all motorized and non-motorized vehicles is being compiled, as well as report of vehicles that they have relinquished or that they plan to relinquish in the near future.

The Office of Facility Development is working with Finance to determine the best approach for insurance. Owned vehicles are self-insured, but the leased vehicles requires insurance and we have to make sure that is incorporated in the overall cost.

There will be a system-wide rollout of our ARI program, this is a fleet management program, it is a software that is used to maintain inventory of new vehicles and all the necessary components to operate your vehicles, inspection, PM's, everything having to do with that vehicle to ensure it is registered and maintained. Currently, this is a manual process at the facilities. We are trying to get a good handle on what is actual maintenance cost at the facility level. This program is imperative and it will help us maintain not only the integrity of our vehicles but having a good financial grasp of what we are actually spending to maintain our fleet.

#### **Other activities within Internal Audits**

Auxiliary Audits – Mr. Telano reported that the current vendor BKD has only certified the CY 2018 financial statements for 4 of the 22 Auxiliaries. There is an RFP for a new vendor that will be presented at the April Audit Committee meeting for consideration.

#### **CORPORATE COMPLIANCE UPDATE**

Ms. Patsos began her update with Monitoring Excluded Providers – During the period from November 23, 2019 through January 15, 2020, there were no excluded individuals or entities.

Death Master File and National Plan and Provider Enumeration System Screening - No providers were identified on the DMF or NPPES during the period November 23, 2019 through January 15, 2020.

#### **Privacy Incidents and Related Reports**

During the period of November 23, 2019 through January 15, 2020, twenty-eight (28) incidents were entered in the System's RADAR Incident Tracking System. Of the twenty-eight (28) incidents entered in the tracking system, ten (10) were found after investigation to be violations of NYC Health + Hospitals HIPAA Privacy and Security Operating Procedures ("OPs"); nine (9) were found not to be a violation of NYC Health + Hospitals HIPAA Privacy and Security OPs; and nine (9) are still under investigation.

Of the ten (10) incidents confirmed as violations, seven (7) were determined to be breaches. These breaches involved providers viewing the medical records of patients not under their care; sending the wrong medical records to a medical records retrieval company, disclosure of a patient's information via unsecured email to an unintended recipient; disclosing a patient's PHI to the patient's visitor who was not authorized to receive such information; and patient records sent to the wrong law firm.

### **Office for Civil Rights ("OCR") Reports Regarding HIPAA Incidents**

As reported at the last Audit Committee meeting, the OCC received one report from the OCR regarding a HIPAA incident at NYC Health + Hospitals/Bellevue ("Bellevue"). The report, dated September 17, 2019, concerned a complaint from a patient's lawyer that Bellevue failed to provide access to the patient's medical records. Although the OCR closed this matter, the OCC investigated it and learned that, in addition to the medical record request, the lawyer sought to obtain an audit trail of individuals who had accessed her client's medical records, and billing records for his care and treatment at Bellevue. The OCC also learned that the lawyer did in fact receive the patient's medical records on August 29, 2019, which was prior to her complaint to the OCR. The only remaining information to be sent to the attorney was an audit trail of access to the patient's medical records, which HIPAA does not require covered entities to provide.

Dr. Katz asked if it was a mix up? Why does someone gets the records and then make a complaint?

Ms. Patsos answered that I think that they were looking for something that was a complete medical records, they wanted billing records and an audit trail that is not usually part of the medical record, therefore the attorney felt that she was not being given a complete set of records. But we gave her what was required under HIPAA including a certified copy of medical records. They were given to her three times. Now we are going to give her the audit trail just so that she feels that she really does have the complete set of records.

Ms. Wang asked does the lawyer think there is something missing in the record?

Ms. Patsos responded that the only thing that she is claiming is that the patient feels that his medical records were altered. The audit trail will not indicate that, it might indicate that the record was modified, it would not indicate what was modified. We also told her that if the patient believes that there is something incorrect in the medical records that she could request an amendment to the medical records, which we gave her the opportunity to do. We also gave her the opportunity to, and she did, request an accounting of the medical records. Which is a disclosure of the medical records that were made. In accordance with HIPAA regulations, we have tried to satisfy this attorney.

### **Compliance Reports**

For the period of November 23, 2019 through January 15 2020, there were fifty-three (53) compliance reports, none of which was classified as Priority "A", sixteen (16) (30.2%) were classified as Priority "B," and thirty-seven (37) (69.8%) were classified as Priority "C" reports. For purposes here, the term "reports" means compliance-based inquiries and compliance-based complaints.

### **Status Update on OneCity Health**

Independent Assessor Audit of OneCity Health - On December 3, 2019, the DSRIP Independent Assessor ("IA") began conducting its Year 4 Onsite Audit to determine whether OneCity Health correctly received DSRIP funds. To accomplish this objective, the IA reviewed OneCity Health's documentation to: (i) substantiate that it adequately

supported DSRIP required activities and funding; (ii) determine that OneCity Health was in compliance with published DSRIP Program goals, requirements, and guidance; and (iii) determine the adequacy of OneCity Health's documentation previously submitted with the Quarterly Reports Review process. The areas under review included, but were not be limited to: (a) workforces spend; (b) DSRIP Partner funds flow distribution; and (c) patient engagement. A preliminary score card will be sent to OneCity Health on February 28, 2020, and OneCity Health will have thirty (30) days to provide the IA with additional documentation, if necessary. A final score card will be released publically on May 31, 2020.

OneCity Health's Partner Compliance Attestation - OneCity Health Partners must certify annually to OneCity Health that they have met their DSRIP compliance training obligations and certain other compliance-related obligations. Accordingly, the OCC, on behalf of OneCity Health, will distribute a Memorandum to OneCity Health Partners early this year, with a link to a *Compliance Attestation of OneCity Health Partners* ("Attestation"). The Attestation, which provides OneCity Health and the OCC with a critical snapshot of the compliance foundation of its DSRIP Partners, is required to be completed by all OneCity Health Partners.

### **HIPAA Risk Analysis and Security Assessment**

To ensure the System's compliance with the requirements and regulations of HIPAA, the System has engaged a third party vendor, Coalfire Systems, Inc. ("Coalfire"), to conduct a HIPAA enterprise-wide Risk Analysis and Security Assessment. Coalfire conducted on-site reviews at all of the System's acute care facilities, skilled nursing facilities, and Diagnostic and Treatment Centers, and a sample of the Gotham Health clinics. It also conducted virtual reviews of fourteen (14) other Gotham Health clinics.

In addition, Coalfire performed penetration tests of some of the System's systems and applications to determine their vulnerability to unauthorized access. It also assessed a sample of the System's vendors to determine their compliance with HIPAA and the security of the System's PHI that they maintain.

Coalfire is finalizing its reports and a Risk Management Plan, which will identify the high and very high security risks to NYC Health + Hospitals. The Risk Management Plan will be shared with senior leadership to determine what treatment to give each of the risks (*e.g.* accept, mitigate, transfer, or share). Thereafter, the risks to be mitigated will be assigned to the appropriate individual or group to implement the mitigation plans, which will be tracked.

### **EXECUTIVE SESSION:**

At this point the Committee Chair requested a motion to convene an executive session to discuss confidential and privileged matters that may be related to anticipated or actual litigation, as well as certain personnel matters.

Second, opposed, the motion is carried.

Thank you everyone and asked that only those specifically invited remain in the Boardroom.

### **OPEN SESSION:**

The Committee re-convened in open session.

There being no other business, the meeting was adjourned at 11:04 A.M.

## **RESOLUTION**

Authorizing NYC Health + Hospitals Corporation to negotiate and execute a contract with Bonadio Group, CPAs for Annual Financial Audits/Reviews of twenty-two (22) System Auxiliaries. This contract is for audit services for calendar years 2018 through 2021 with two separate one year renewal options in an amount not-to-exceed \$867,225. The System, at its sole option and discretion, may renew this Agreement for an additional one or two successive one-year term(s).

**WHEREAS**, the System has determined that retention of an outside independent Certified Public Accounting firm to perform audits of twenty-two (22) System Auxiliaries best serves the interests of the System; and

**WHEREAS**, the System conducted a competitive selection process, using a Request for Proposals ("RFP") issued January 23, 2020 in compliance with Corporate Policy and Procedures to identify and select qualified firms to provide audit services; and

**WHEREAS**, under the direction and oversight of the Office of Internal Audits, such audits will enable the System to obtain an appraisal of the financial status of its auxiliaries that engage in fund raising efforts, monitor receipt and disbursements of funds from dues, fund raising efforts, gifts, bequests, donations and/or revenue generating sources other than patient service; and

**WHEREAS**, Bonadio Group is a licensed Certified Public Accounting firm in New York State satisfying all the minimum qualifications as set forth in the RFP; and

**WHEREAS**, the overall responsibility for monitoring the contract shall be under the direction of the Sr. Assistant Vice President/Chief Internal Auditor; and

**NOW, THEREFORE**, be it

**RESOLVED**, that NYC Health + Hospitals Corporation is hereby authorized to negotiate and execute a contract with Bonadio Group, CPAs for Annual Financial Audits/Reviews of twenty-two (22) System Auxiliaries. This contract is for audit services for calendar years 2018 through 2021, exclusive of two separate one year renewal options, in an amount not-to-exceed \$867,225. The System, at its sole option and discretion, may renew this Agreement for an additional one or two successive one-year term(s).



## EXECUTIVE SUMMARY

The System seeks authorization to negotiate and execute a contract with The Bonadio Group, CPAs for the Annual Financial Audits/Reviews of twenty-two (22) System Auxiliaries for calendar years 2018 through 2021 with options for two separate one year renewals.

This contract will satisfy a need for the continued use of independent audit services to monitor the financial activities of the System's 22 hospital auxiliaries in calendar years 2018 through 2021.

The need for audits/reviews conducted by an independent CPA firm is required per New York State Charities Bureau regulations. The level of service to be provided by the CPA firm is based on the total revenue of each Auxiliary.

A full financial audit is provided to those Auxiliaries with revenue over \$750,000. A review is provided to those Auxiliaries with revenues between \$250,000 and \$750,000. Auxiliaries with revenues under \$250,000 is provided with a compilation.

A description of the level of services is as follows:

Audit – corroborate the Auxiliaries accounts and disclosure and give assurance that the financial statements are fairly presented.


Review – analytical procedures and inquiries and are performed to ascertain that the information contained within the financial statements is correct.

Compilation – the CPA firm presents the financial statements based on the representations made by management with no effort to verify the information.

The Bonadio Group was selected through an RFP process which included review and evaluation of the proposal by an Evaluation Committee comprised of representatives from the Office of Internal Audits, Corporate Compliance, Corporate Reimbursement, EITS, Post-Acute Care Finance and the Corporate Comptroller. Selection criteria included understanding of work and soundness of approach, technical qualifications and previous client references, qualifications of proposed staff, cost proposal for each auxiliary to be audited/reviewed and MWBE qualifications.

The results of the RFP process presented the Evaluation Committee with five proposals for consideration. The Bonadio Group received the higher rating from all Committee members as well as the higher overall score for all proposals submitted. As such, The Bonadio Group is the firm requested for approval.

To: Colicia Hercules  
Chief of Staff, Office of the Chair

From: Keith Tallbe   
Senior Counsel  
Office of Legal Affairs

Re: Vendor Responsibility, EEO and MWBE status for Board review of contract

Vendor: Bonadio Group

Date: June 8, 2020

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The below chart indicates the vendor's status as to vendor responsibility, EEO and MWBE:

**Vendor Responsibility**

Approved<sup>+</sup>

**EEO**

Not applicable<sup>++</sup>

**MWBE**

30% Waiver<sup>\*</sup>

<sup>+</sup>As a contract with a Total Contract Value of less than \$1 million dollars, under OP 100-05, no Vendex/Passport is required. The vendor has, however, passed NYC Health + Hospitals internal vendor responsibility review.

<sup>++</sup>As a contract with a Total Contract Value of less than \$1 million dollars, under OP 100-05, no EEO review is required.

<sup>\*</sup>The vendor is self-performing all aspects of this professional services agreement and has requested a 30% waiver.

The above status is consistent and appropriate with the applicable laws, regulations, and operating procedures to allow the Board of Directors to approve this contract.

# **The Bonadio Group Auxiliary Audits Agreement**

## **Audit Committee Meeting June 11, 2020**

**Christopher Telano  
Chief Internal Auditor/Sr. AVP  
Office of Internal Audits**



# Overview

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- The 22 auxiliaries that operate within the System's Acute and Long-term Care facilities and Diagnostic & Treatment Centers are separate 501c(3) not-for-profit corporations.
- Their primary function is to administer funds received from fund raising activities, gifts, and donations for activities or projects which enhance the quality of patient care and for selected amenities not otherwise available to patients.
- All 501c(3) not-for-profit, tax-exempt entities are required to file Form 990 (IRS) and Form CHAR500 (NYS).
- The CHAR500 must be filed per NYS Charities Bureau regulations. A review, compilation or audit report must accompany the CHAR500 based on the total revenue of the Auxiliary. A CPA firm is hired to conduct the reviews/audits and issue the appropriate report.



# Service Summary

- The three (3) levels of service that the Bonadio Group will provide:
  - **Audit** – An audit is the highest level of service a CPA can provide. The purpose of having an audit is to corroborate the Auxiliaries accounts and disclosures and to give assurance that the financial statements are fairly presented.
  - **Review** – A review is a lower level of service than an audit. The CPA firm conducts analytical procedures and makes inquiries to ascertain that the information contained within the financial statements is correct.
  - **Compilation** – A compilation is the lowest level of service a CPA can provide. The CPA firm presents the financial statements based on the representations made by management with no effort to verify the information.
- The level of service depends on the revenue size:

Service Type	Revenue
Audit	Over \$750K
Review	Between \$250K and \$750K
Compilation	Below \$250K



## Qualifications of Selected CPA Firm

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- Solicitation and award was in alignment with NYC Health + Hospitals Operating Procedure 100-5.
- The Bonadio Group had conducted the audit of One City Health's DSRIP program as requested by their Board and was highly recommended by their Chief Financial Officer.
- They have provided audit and tax services to approximately 50 Auxiliary Service Corporations within hospitals, health systems and SUNY campuses.
- Their experience includes audits of New York City agencies such as the Department of Health and Mental Hygiene and the Department of Corrections.
- Bonadio has also assisted Grant Thornton LLP to audit the financial statements of the City of New York.
- To meet the 30% MWBE requirement, The Bonadio Group will be utilizing the services of a senior partner of an MWBE firm, Galleros Robinson, LLP.



# Terms of Contract

## Fee Schedule

Engagement Type	2018 *	2019	2020	2021	2022 **	2023 **
Audit	\$36,000	\$48,000	\$48,000	\$49,200	\$50,400	\$51,800
Review	\$35,000	\$49,000	\$49,000	\$50,400	\$51,800	\$53,200
Compilation	\$40,500	\$49,500	\$49,500	\$50,600	\$51,975	\$53,350
<b>Total</b>	<b>\$111,500</b>	<b>\$146,500</b>	<b>\$146,500</b>	<b>\$150,200</b>	<b>\$154,175</b>	<b>\$158,350</b>
<b>Contract Total</b>	<b>\$867,225</b>					

### Note

\* This is to perform the 17 audits, reviews, or compilations not done for CY2018

\*\* CY2022 and CY2023 are option years.



# RFP Criteria

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- Minimum criteria:
  - Must be a licensed CPA firm
  - Must be listed on the New York City Comptroller's list of prequalified CPA firms eligible to bid on NYC contracts
  - Must demonstrate staffing levels of not less than fifty (50) accounting Professionals
- Substantive Criteria:
  - 30% - Understanding of work and soundness of approach
  - 30% - Technical qualifications and previous client references
  - 10% - Qualifications of proposed staff
  - 20% - Cost
  - 10% - MWBE
- Evaluation Committee:
  - Chief Internal Auditor/Sr. AVP, Office of Internal Audits
  - Sr. Director, Office of Internal Audits
  - Sr. Director, Post Acute Care
  - Sr. Asst. Vice President, Finance
  - Deputy Corporate Comptroller
  - Sr. Executive Compliance Officer
  - Assistant Director, Business Applications





# Bonadio Vendor Performance

## One City Health

DESCRIPTION	ANSWER
Did the vendor meet its budgetary goals, exercising reasonable efforts to contain costs, including change order pricing?	Yes
Has the vendor met any/all of the minority, women and emerging business enterprise participation goals and/or Local Business enterprise requirements, to the extent applicable?	Yes
Did the vendor and any/all subcontractors comply with applicable Prevailing Wage requirements?	Not applicable
Did the vendor maintain adequate records and logs, and did it submit accurate, complete and timely payment requisitions, fiscal reports and invoices, change order proposals, timesheets and other required daily and periodic record submissions (as applicable)?	Yes
Did the vendor submit its proposed subcontractors for approval in advance of all work by such subcontractors?	Not applicable
Did the vendor pay its suppliers and subcontractors, if any, promptly?	Not applicable
Did the vendor and its subcontractors perform the contract with the requisite technical skill and expertise?	Yes
Did the vendor adequately supervise the contract and its personnel, and did its supervisors demonstrate the requisite technical skill and expertise to advance the work	Yes
Did the vendor adequately staff the contract?	Yes
Did the vendor fully comply with all applicable safety standards and maintain the site in an appropriate and safe condition?	Yes
Did the vendor fully cooperate with the agency, e.g., by participating in necessary meetings, responding to agency orders and assisting the agency in addressing complaints from the community during the construction as applicable?	Yes
Did the vendor adequately identify and promptly notify the agency of any issues or conditions that could affect the quality of work or result in delays, and did it adequately and promptly assist the agency in resolving problems?	Yes
<b>Performance and Overall Quality Rating</b>	<b>Satisfactory</b>

# Audit Committee Request

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- We are seeking approval to enter into contract with The Bonadio Group to provide financial audits, reviews or compilations of the NYC Health + Hospitals Auxiliaries
- 4 year agreement with two 1-year options to renew
- Contract effective 7/1/2020
- The Bonadio Group will be partnering with an MWBE certified firm in order to meet the MWBE requirement
- Not-to-exceed contract value of \$867,225
- Thank you.



**Presentation to the  
Audit Committee of The New York  
City Health + Hospitals Corporation  
for the year ending June 30, 2020**

# Responsibilities



# Our Responsibilities

We are responsible for:

- Performing the following audits of financial statements as prepared by management, with your oversight, conducted under US Generally Accepted Auditing Standards (GAAS) and, where applicable, under *Government Auditing Standards*:
  - New York City Health + Hospitals Corporation ("NYC Health + Hospitals") for the fiscal year ending June 30, 2020
  - H+H Accountable Care Organization Inc. annual financial statements for the fiscal year ending June 30, 2020
  - Metro Plus Health Plan's annual statutory financial statements for the fiscal year ending December 31, 2020
  - H+H Insurance Company's annual statutory financial statements for the fiscal year ending December 31, 2020
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Reading other information and considering whether it is materially consistent with the financial statements
- Performing the following audits, as applicable, of cost reports for the year ending June 30, 2020 and issuance of certifications and attestation reports:
  - Annual Reports of Ambulatory Health Care Facilities (AHCF-1)
  - Annual Reports of Residential Health Care Facilities (RHCF-4)
- Communicating fraud involving management
- Communicating specific matters to you on a timely basis

An audit provides reasonable, not absolute, assurance that the combined financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

# Those Charged with Governance and Management Responsibilities

## Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging NYC Health + Hospital's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Objectives and strategies and related business risks that may result in material misstatement
  - Matters warranting particular audit attention
  - Significant communications with regulators
  - Matters related to the effectiveness of internal control and your oversight responsibilities
  - Your views regarding our current communications and your actions regarding previous communications

## Management

Management is responsible for:

- Preparing and fairly presenting the consolidated financial statements including supplementary information in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

# Views of those charged with governance

## Discussion points

- Risks of fraud
- Awareness of fraud
- Awareness of related party transactions; understanding of purpose of related party transactions
- Awareness of whistleblower tips or complaints
- Oversight of management's risk assessment process
- Views about NYC Health + Hospitals' objectives and strategies and related risks of material misstatement
- Awareness of any internal control matters and views about management's response
- Oversight of financial reporting process
- Actions taken in response to developments in law, accounting standards and corporate governance matters
- Actions in response to our previous communications, if any

# Audit Timing & Scope





# Audit Timeline

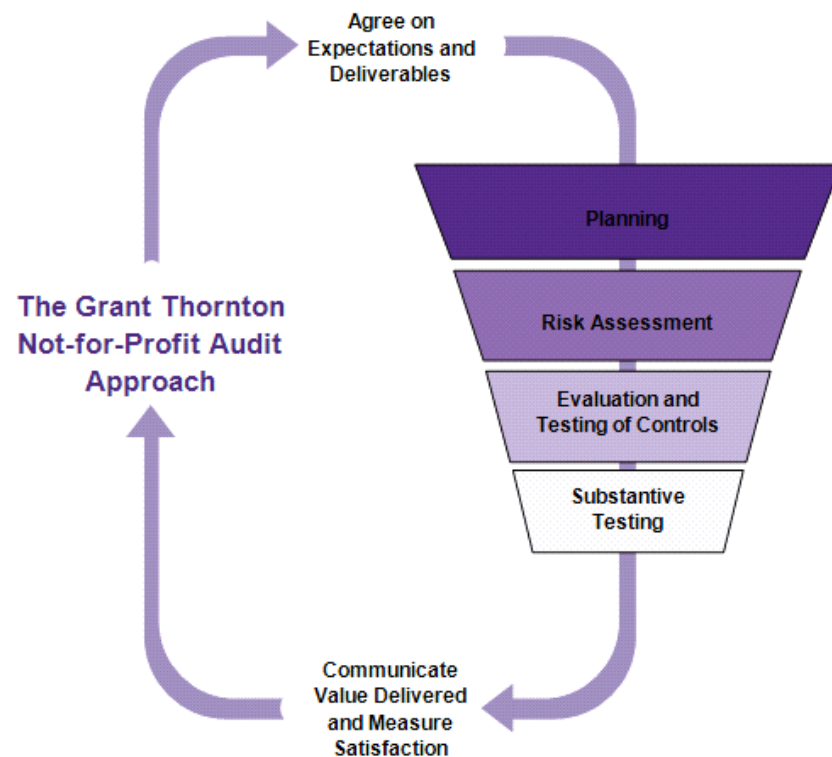
May - June 2020	<b>Client acceptance</b>	<ul style="list-style-type: none"> <li>• Client acceptance</li> <li>• Issue engagement letter</li> <li>• Conduct internal client service planning meeting, including coordination with audit support teams such as IT and tax</li> </ul>
May – June 2020	<b>Planning</b>	<ul style="list-style-type: none"> <li>• Meet with management to confirm expectations and discuss business risks</li> <li>• Discuss scope of work and timetable</li> <li>• Identify current-year audit issues and discuss recently issued accounting pronouncements of relevance</li> <li>• Initial Audit Committee communications</li> </ul>
June 2020	<b>Preliminary risk assessment procedures</b>	<ul style="list-style-type: none"> <li>• Develop audit plan that addresses risk areas</li> <li>• Update understanding of internal control environment</li> <li>• Coordinate planning with management and develop work calendar</li> </ul>
June – July 2020	<b>Interim fieldwork</b>	<ul style="list-style-type: none"> <li>• Perform walk-throughs of business processes and controls</li> <li>• Perform control testing over healthcare revenue cycle</li> <li>• Perform selective substantive testing on interim balances</li> </ul>
July – September 2020	<b>Final fieldwork</b>	<ul style="list-style-type: none"> <li>• Perform final phase of audit and year-end fieldwork procedures</li> <li>• Meet with management to discuss results, draft financial statements and other required communications</li> <li>• Review final “draft” reports and other deliverables</li> </ul>
October 2020	<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Present draft reports and audit results to the Audit Committee and management</li> <li>• Issue final audit reports and other deliverables</li> </ul>
December 2020	<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Present final management letter to the Audit Committee</li> </ul>

# Audit Timeline (continued)

December 2020 - January 2021	<b>MetroPlus Health Plan</b>	<ul style="list-style-type: none"> <li>• Perform walk-throughs of business processes and controls</li> <li>• Perform control testing over significant business processes</li> <li>• Perform selective substantive testing on interim balances</li> </ul>
February 2021 – March 2021	<b>MetroPlus Health Plan</b>	<ul style="list-style-type: none"> <li>• Perform final phase audit and year-end fieldwork procedures</li> <li>• Meet with management to discuss results, draft financial statements and other required communications</li> <li>• Issue the final audit report and other deliverables</li> </ul>
April 2021 – August 2021	<b>Cost Report Certification and H+H Insurance Company</b>	<ul style="list-style-type: none"> <li>• Perform applicable audit procedures and issue auditor's reports on cost reports for the skilled nursing facilities (RHCF-4) and diagnostic and treatment centers (AHCF)</li> <li>• Perform H+H Insurance Company audit and issuance of audit report</li> </ul>
Timing to be determined	<b>H+H ACO, Inc.</b>	<ul style="list-style-type: none"> <li>• Perform H+H ACO, Inc. audit and issuance of audit report (2018 and 2019)</li> </ul>

# Our Audit Approach

The audit – a five-step approach	
1. Planning	In this phase we will update an understanding of and document your operations, control environment, accounts and information technology systems.
2. Risk Assessment	We use our understanding of your internal control system and operations to identify the inherent audit risks and strengths of your operations and information systems. By performing our risk assessment, we customize our audit approach to focus our efforts on the key areas.
3. Evaluation and Testing of Controls	We will evaluate the design effectiveness, and when appropriate, the operating effectiveness of the corporate governance and information technology controls, as well as the controls over each significant activity/process. Based on the result of this evaluation, we will determine the extent of our substantive testing.
4. Substantive Testing	When appropriate, we will use audit software to perform substantive testing. This enables us to retrieve information directly from your data files, if needed, without affecting the integrity of the data.
5. Concluding and Reporting	We will provide management and the Audit Committee with the results of our audit, including best practices and internal control recommendations.



# Significant Risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Procedures
Patient accounts receivable, related contractual and uncollectable allowances and net patient service revenue	<ul style="list-style-type: none"><li>• Review account reconciliations including completeness and accuracy testing of the aged patient trial balances</li><li>• Perform analytical procedures over key indicators such as days in accounts receivable, account write offs and aging of balances</li><li>• Perform detailed account balance testing</li><li>• Perform cut-off testing</li><li>• Review management's methodology for estimating allowances</li><li>• Perform medical record testing for existence (no confirmation procedures) and detail test of subsequent cash receipts</li><li>• Perform a hindsight analysis of the prior year accounts receivable balance by reviewing cash collections on prior year balances</li><li>• Perform cash to revenue proof to assist in the validation of the revenue balance</li></ul>
Estimated settlements due to third-party payers and net patient service revenue	<ul style="list-style-type: none"><li>• Review account reconciliations and roll-forwards and agree significant reconciling items to supporting schedules and documentation.</li><li>• Perform detailed account balance testing</li><li>• Review management's methodology for estimating amounts</li><li>• Review the financial statement presentation and disclosures</li></ul>

# Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Procedures
Accounts Payable and Accrued liabilities, including malpractice reserves and contingencies	<ul style="list-style-type: none"><li>• Perform detail testing of management's calculations, including underlying inputs and data provided to specialists used in actuarial calculations for medical malpractice, workers compensation, pension and self-insurance health liabilities</li><li>• Obtain and review outside actuarial reports used to determine pension and malpractice liabilities</li><li>• Assess for reasonableness the assumptions used in developing estimates</li><li>• Perform a search for unrecorded liabilities</li><li>• Test the completeness and accuracy of accounts payable aged trial balance</li><li>• Review payroll accruals for reasonableness</li></ul>

# Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

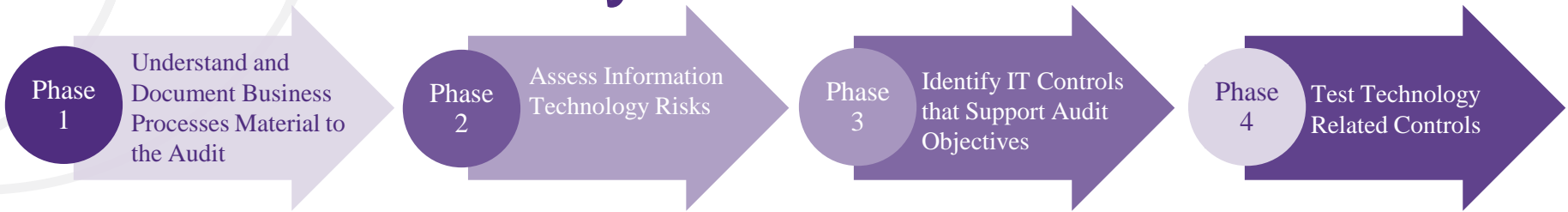
Areas of focus	Planned procedures
Accounting Estimates	The preparation of NYC Health + Hospital's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to contractual allowances, the allowance for doubtful accounts, third-party liabilities, malpractice liabilities and actuarial estimates for the pension plan. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.
Financial Statement Disclosures	Our procedures will also include an assessment as to the adequacy of NYC Health + Hospital's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by accounting standards and industry practice.

# Significant Risks and other areas of focus (continued)

## Other Areas of Audit Focus

- Perform substantive testing on key account balances as of June 30, 2020, as follows:
  - Confirmation of cash and cash equivalents.
  - Test significant fixed asset additions and disposals, as applicable.
  - Test deferred revenue, as applicable.
  - Obtain debt rollforward and test payments throughout the year and compliance with debt covenants
  - Review and testing the completeness of accounts payable and accrued liabilities.
  - Perform an analytical review of revenues and expenses.
  - Identify and test non-routine transactions to ensure appropriate accounting treatment.
  - Independently confirm with internal and external legal counsel the potential exposure associated with outstanding claims, as applicable. Identify contingent liabilities or assets requiring accounting treatment or footnote disclosure.
  - Perform fraud procedures
    - Journal entry testing
    - Review inter-company accounts
    - Vendor testing

# Information Systems Review



Our approach to testing **NYC Health + Hospitals'** information technology systems is detailed as follows:

## **Phase 1: Understand and document business processes material to the audit**

Our engagement team will:

- Meet with the **Organization** management to document our understanding of critical business processes and controls, and the technology used to support them.
- Document process flows, controls, and supporting technology relevant to audit objectives.

## **Phase 2: Assess information technology risks**

- Our engagement team will identify information technology related risks and tailor our information technology review procedures to address those risks.

## **Phase 3: Identify information technology controls that support audit objectives**

- General controls review – Review controls applicable to the overall processing environment.
- Applications review – Review specific business systems for application level and related controls.

## **Phase 4: Test technology related controls**

- We will test the identified controls and determine their design and operating effectiveness, within the context of our audit scope and objectives. As a result of our test procedures, we will prepare observations and recommendations to improve existing information technology systems and associated controls and processes.



# Covid-19 Pandemic

## Accounting considerations

- Asset impairment - material assets subject to possible impairment or devaluation. Hospitals need to carefully identify the appropriate impairment model and consider whether the pandemic affects whether an impairment should be recognized and, if so, the extent of the impairment. This could impact fixed assets, investments, and other assets.
- Insurance recoveries - Hospitals may be entitled to reimbursement for losses under various types of insurance policies as a result of the pandemic.
- Contingent losses – Hospitals are required to recognize a contingent loss if (a) it is probable that the liability has been incurred as of the balance-sheet date, and (b) the amount of the loss is reasonably estimable (as either a point estimate or a range of loss).
- Going concern evaluations – Hospitals will need to evaluate their ability to continue as a going concern within one year after the financial statements are either issued or made available to be issued. Hospitals that concludes that there is substantial doubt about its ability to continue as a going concern, or that its plans alleviate that doubt, must provide disclosures to that effect.
- Impact of various federal relief programs- Hospitals and health systems are eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. The appropriate accounting and financial reporting of the various relief programs is evolving.
- Reserves for uncollectible accounts- Because of the significant economic impact of the pandemic, Hospitals and Health Systems may need to reevaluate the basis for reserves on certain accounts including accounts with high level of patient coinsurance, self-pay and impact that increased unemployment has on the underinsured population..
- Disclosures of risks and uncertainties- Disclosure of risks and uncertainties related to operations/activities, accounting estimates, and vulnerabilities, among others specified in ASC 275 should be considered when preparing the financial statement footnotes.

# Other Matters



# Required Communication with the Audit Committee

Professional Auditing Standards require us to communicate certain matters to those who have responsibility for oversight of the financial reporting process (the Audit Committee), including the following:

- The auditors' responsibility under U.S. generally accepted auditing standards.
- Significant accounting policies (initial selection thereof and significant changes thereafter).
- Significant management judgments and accounting estimates.
- Significant audit adjustments (recorded and unrecorded) and omitted disclosures.
- Significant disagreements with management.
- The auditors' view about significant matters that management has discussed with other auditors.
- Major issues discussed with management prior to retention.
- Irregularities and illegal acts and material weaknesses or significant deficiencies in the internal control.
- Difficulties encountered in performing the audit.
- Fraud involving senior management or that causes a material misstatement of the combined financial statements

# Commitment to Promote Ethical and Professional Excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website  
([https://secure.ethicspoint.com/domain/en/report\\_custom.asp?clientid=15191](https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191))

Disclaimer: EthicsPoint is not meant to act as a substitute for NYC Health + Hospitals' "whistleblower" obligations.

# Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



# Technical Updates - GASB



# Selected pronouncements effective for the year ending June 30, 2020 or subsequent periods - GASB

Title	Effective date for H+H
GASB 84- <i>Fiduciary Activities</i>	Fiscal year ending June 30, 2021
GASB 87- <i>Leases</i>	Fiscal year ending June 30, 2022
GASB 90- <i>Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61</i>	Fiscal year ending June 30, 2021
GASB 91- <i>Conduit Debt Obligations</i>	Fiscal year ending June 30, 2023
GASB 92- <i>Omnibus 2020</i>	Fiscal year ending June 30, 2022

# GASB Statement 84, *Fiduciary Activities*

Summary	Potential impact
<ul style="list-style-type: none"><li>• Guidance addresses the following:<ul style="list-style-type: none"><li>- The categorization of fiduciary activities for financial reporting</li><li>- How fiduciary activities are to be reported</li><li>- When liabilities to beneficiaries must be disclosed</li></ul></li><li>• Types of fiduciary funds that must be reported include the following:<ul style="list-style-type: none"><li>- Pension (and other employee benefit) trust funds</li><li>- Investment trust funds</li><li>- Private-purpose trust funds</li><li>- Custodial funds</li></ul></li><li>• A government controls the assets of an activity if it holds the assets or "has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients"</li><li>• Fiduciary activities must be disclosed in the basic financial statements of the government entity and a statement of fiduciary net position and changes in fiduciary net position should be presented (unless the period of custody is less than three months)</li><li>• Effective for periods beginning after December 15, 2019 (fiscal year ending June 30, 2021 for H+H)</li></ul>	<p>Public health systems often agree to act as a fiduciary for certain third party organizations that might be affiliated to H+H. Under this new requirement, the Health System must report the fiduciary activity on its financial statements, where it may not have done so in the past. Management should identify which fiduciary activities it is engaged in to inventory the relationships which may need to be reported.</p>



# GASB Statement 87, *Leases*

## Summary

- GASB recently issued guidance which resembles the recently issued FASB guidance on leases
- To determine whether a lease exists, a government should assess whether it has both:
  - 1) The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and
  - 2) The right to determine the nature and manner of use of the underlying asset as specified in the contract
- For Lessees:
  - In general, all leases will be reported on the statement of net position (the distinction between operating and capital leases is no longer relevant) as a "right of use" intangible asset and a corresponding lease liability within long term debt
  - On the statement of changes, rent expense will be replaced by amortization expense of the right-of-use asset as well as interest expense on the lease liability (thus accelerating expenses in the beginning years of the lease term)
  - There is an exemption for short term leases (those with a term of 12 months or less, including extension options) as well as leases that transfer ownership at the end of the term
  - Disclosures regarding matters such as total leased assets by major class of underlying assets and related accumulated amortization (in total), principal and interest payments for each of the five subsequent fiscal years and in five year increments thereafter and commitments under leases before a lease commencement period, among other items

# GASB Statement 87, *Leases (continued)*

## Summary, continued

- For Lessors:
  - Record a lease receivable and a deferred inflow of resources equal to the present value of future lease payments (which should generally equal the amount recorded as a liability by the lessee), and also continue to report the leased asset
  - The receivable will be reduced as cash is received, the asset will be depreciated (generally) and the deferred inflow will be recognized over the lease term
  - Disclosures regarding matters such as general description of leasing arrangements, total amount of inflows of resources, and those related to variable payments, residual guarantees, etc., and the existence, terms and conditions of options by the lessee to terminate the lease or abate payments in certain circumstances, among other disclosures
- Effective for periods beginning after June 15, 2021 (fiscal year ending June 30, 2022 for H+H), with early adoption encouraged. Existing leases will be adjusted based on the remaining lease payments as of the beginning of the period of adoption or beginning of any earlier periods restated (for example, for June 30 year ends, adoption is June 30, 2022 - the beginning period is July 1, 2021)

## Potential Impact

For those Health Systems which use operating leases to finance certain capital activities, this standard could have a significant impact on the financial statements of the Health System upon adoption. Management should consider the impact on financial covenants, as well as ensuring a complete inventory is prepared of existing leases that will be subject to the new accounting and disclosures

# *GASB Statement 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

Summary	Potential impact
<ul style="list-style-type: none"><li>Improves consistency and comparability of reporting a government's major equity interests in legally separate organizations</li><li>Defines an equity interest as a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization, usually based on an investment of financial or capital resources by the government</li><li>If the equity interest holding meets the definition of an investment (GASB 72), the equity interest should be reported as an investment and measured using the equity method<ul style="list-style-type: none"><li>If the equity interest is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund, the equity interest should be measured at fair value</li><li>If the equity interest holding does not meet the definition of an investment, the legally separate organization should be reported as a component unit of the government</li><li>If the legally separate organization is reported as a discretely-presented component unit, the equity interest should also be reported as an asset of the government (or fund) that holds the equity interest, measured using the equity method</li></ul></li><li>Effective for periods beginning after December 15, 2019 (fiscal year ending June 30, 2021 for H+H). Changes to adopt this standard should be applied retroactively, with certain exceptions</li></ul>	<p>Health Systems should inventory financial interests in legally separate organizations and evaluate whether such equity interests meet the definition of an investment. Depending on the nature of the equity interest and the intent for holding such interests, Health Systems may find themselves reclassifying holdings between presentation as investments and component units</p>

# GASB Statement 91, *Conduit Debt Obligations*

Summary	Potential impact
<ul style="list-style-type: none"><li>• Eliminates the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice</li><li>• Defines conduit debt obligations as a debt instrument issued in the name of a state or local government (the issuer) that is for the benefit of a third party primarily liable for the repayment of the debt instrument (the third-party obligor), that includes specific characteristics</li><li>• An issuer should not recognize a conduit debt obligation as a liability</li><li>• To the extent the issuer has made a limited commitment with respect to the conduit debt obligation, the issuer should recognize a liability associate with the additional commitment if qualitative factors indicate it is more likely than not that the issuer will support one or more debt service payments</li><li>• The issuer of conduit debt obligations should not report arrangements as leases, regardless of whether the arrangement is labeled or otherwise referred to as a lease. If the arrangement meets the definition of a Service Concession Arrangement, however, the SCA should be reported in accordance with the relevant guidance</li><li>• Effective for periods beginning after December 15, 2021 (fiscal year ending June 30, 2023 for H+H), with early adoption encouraged. Changes to adopt this standard should be applied retroactively</li></ul>	<p>Health Systems should inventory outstanding conduit debt obligations, including related commitments and arrangements, and compare the associated terms against the new definitions within this Standard</p>

# GASB Statement 92, *Omnibus 2020*

## Summary

- Addresses practice issues that have been identified during implementation and application of certain GASB Statements
  - Effective date of GASB 87 and Implementation Guide 2019-3 clarified as fiscal years beginning after December 15, 2019, and all reporting periods thereafter
  - Presentation of transfers of capital or financial assets under GASB 48 updated to be consistent with the provisions of GASB 67 and 74, as applicable
  - Modifies the requirements of Statements 73 and 74 to remove the liability recognition provisions
  - Provides exception to the use of acquisition value for AROs in a government acquisition
  - Clarifies that recoveries from reinsurers may, but are not required to be, reported as a reduction of expenses
  - The terms *derivative* and *derivatives* in National Council on Government Accounting and GASB pronouncements are replaced with *derivative instrument* and *derivative instruments*, respectively
- Effective upon issuance for requirements related to the effective date of GASB 87, reinsurance recoveries, and terminology used to refer to derivative instruments.
- Effective for periods beginning after June 15, 2021 (fiscal year ending June 30, 2022 for H+H) for all other topics, with early adoption encouraged and permitted by topic.

# GASB projects

Project	Timing
Public-private partnerships, including reexamination of Statement 60	Final statement expected March 2020
Secured overnight financing rate – London Interbank Offered Rate	Final statement expected March 2020
Implementation guidance – 2020 update	Final implementation guide expected April 2020
Subscription-based information technology arrangements	Final statement expected May 2020
Recognition (conceptual framework)	Final Concepts Statement expected 2022
Certain component unit criteria , and accounting and financial reporting for Section 457 plans	Exposure draft expected March 2020
Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6	Exposure draft expected July 2020
Compensated absences – reexamination of Statement 16	Exposure draft expected February 2021
Prior-period adjustments, accounting changes, and error corrections – a reexamination of Statement 62	Exposure draft expected February 2021
Disclosure framework (conceptual framework)	Preliminary views expected Spring 2020
Revenue and expense recognition	Preliminary Views expected in June 2020

# GASB major project – Financial Reporting Model

## Summary

- GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities
- Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following:
  - MD&A
  - Government-wide financial statements
  - Major funds
  - Governmental fund financial statements
  - Proprietary fund and business-type activity financial statements
  - Fiduciary fund financial statements
  - Budgetary comparisons
- Preliminary Views of note for Health Systems (Preliminary Views were issued in September 2018):
  - Definition of non-operating activities includes i) subsidies received and provided, ii) revenues and expenses of financing, iii) resources from the disposal of capital assets and inventory and iv) investment income and expenses
  - A subtotal for "operating income/(loss) and noncapital subsidies"
  - Government-wide schedule of natural classification of expenses would be presented as supplementary information (BTA activities by segment)

# GASB major project – Financial Reporting Model, continued

## Potential impact

Similar to the significant impact on reporting and disclosures when GASB 34 and 35 were issued, this proposed guidance could have sweeping effects on the reporting and disclosures by public health systems. Depending on how much the GASB looks to what was done by the FASB on the NFP reporting model, there could be an increase in comparability between the two types of entities that currently use very different reporting models.

Three of the business type activities issues that the GASB is considering that are particularly relevant to public health systems are guidance on the operating indicator, MD&A and extraordinary and special items. Based on comments made by GASB representatives, one of the preliminary views is to present a subtotal for "operating income/loss and noncapital subsidies", which includes state appropriations. This is an accommodation to the request by many constituents to include state appropriations as an operating revenue, which will not be changed based on preliminary views. In addition, the addition of a separate schedule of expenses by natural classification will highlight certain expenses that may receive additional scrutiny such as salary/compensation expense. Depending on the ultimate guidance, health systems may want to think about how the reporting of these expenses will be captured to be accurately reported in the financial statements.



# GASB major project – Revenue and Expense Recognition

Summary	Potential impact
<ul style="list-style-type: none"> <li>• Three primary areas of focus of the project are as follows:               <ol style="list-style-type: none"> <li>1. Common exchange transactions not specifically addressed in existing GASB guidance                   <ul style="list-style-type: none"> <li>➤ Project plans to develop guidance or improve existing guidance regarding                       <ol style="list-style-type: none"> <li>i. Exchange and exchange-like transactions having single elements</li> <li>ii. Exchange and exchange-like transactions having multiple elements</li> <li>iii. The differentiation between exchange-like and non-exchange transactions</li> </ol> </li> </ul> </li> <li>2. Post-implementation review of GASB 33 and 36                   <ul style="list-style-type: none"> <li>➤ Areas to be considered include:                       <ol style="list-style-type: none"> <li>i. Distinguishing between eligibility requirements and purpose restrictions</li> <li>ii. Determining when a transaction is an exchange or a nonexchange transaction</li> <li>iii. Using the availability period concept consistently across governments</li> <li>iv. Applying time and contingency requirements</li> </ol> </li> </ul> </li> <li>3. Development of GASB conceptual framework                   <ul style="list-style-type: none"> <li>➤ GASB 33 and 36 were developed prior to key parts of the conceptual framework, such as defining deferred inflows and outflows</li> <li>➤ An evaluation of the recognition of nonexchange transactions against the conceptual framework is necessary</li> </ul> </li> </ol> </li> <li>• Currently in redeliberations, with Preliminary Views expected in June 2020.</li> </ul>	<p>As it relates to recognition of exchange and nonexchange transactions such as grants vs gifts vs contracts, there continues to be an element of judgment and interpretation of existing GASB and FASB guidance. This GASB project could impact the current practices of higher education institutions as it relates to revenue recognition.</p>

# GASB pre-agenda research

## Topics

- Going concern disclosures
- Capital assets
- Interim financial reporting
- Investment fees

*This communication is intended solely for the information and use of management and the Audit Committee of The New York City Health + Hospitals Corporation and is not intended to be and should not be used by anyone other than these specified parties.*



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# **OFFICE OF INTERNAL AUDITS**

**AUDIT COMMITTEE BRIEFING  
JUNE 2020**

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**A. EXTERNAL AUDITS**

**1. Children of Bellevue Auxiliary – NYC Comptroller’s Office**

Audit Notification Letter Received – March 21, 2019

Preliminary Entrance Conference – April 4, 2019

Exit Conference – May 8, 2020

Status – Audit Completed

The Audit Engagement Letter stated that the audit was of Children of Bellevue’s (CoB) financial and operating practices.

The twenty-two Auxiliaries that exist within the various facilities of NYC Health + Hospitals are separate 501c3 not-for-profit corporations whose primary function is to enhance the quality of patient care. They do this by receiving and administering funds received from fund raising activities, gifts, and donations and distributing those funds for activities or projects which enhance the quality of patient care and for selected amenities not otherwise available to patients.

The audit objectives are to determine whether CoB:

- Has adequate controls over and accurately reports its revenues and expenses.
- Is complying with applicable rules, regulations, policies and procedures.
- Has computerized systems controls to ascertain the integrity, validity and reliability of its data.

An exit conference was held on May 8, 2020 to discuss the preliminary findings noted during the audit. The Auditors observed that there was:

1. No internal policies and procedures to provide CoB employees guidelines on day to day operations.
2. No updated Health + Hospitals policy regarding their role as it relates to the Auxiliaries.
3. No segregation of duties over cash/check receipts, etc.
4. A lack of written agreements for contractors.
5. Inconsistent revenue recorded within CoB’s accounting system (QuickBooks).
6. A lack of proper interfacing between their contribution system (Donor Perfect) and QuickBooks.

The final draft report was received on May 19, 2020. Responses to the audit findings were issued on June 3, 2020. The final report is expected to be issued within the next month.

Internal Audits participated in the Exit Conference and provided guidance to CoB management regarding their responses.

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## **B. OTHER AUDIT ACTIVITIES**

### ***1. Reassignments***

During the pandemic, all four members of the Office of Internal Audits were reassigned to assist various facilities in areas in which they were understaffed. The staff performed duties at NYC Health + Hospitals/Lincoln, Kings County, Coney Island and Woodhull.

### ***2. Auxiliary Audits***

As mentioned during the last Committee meeting, it has been decided that the 5<sup>th</sup> year option on the contract of the CPA firm (BKD) conducting the Auxiliary audits would not be exercised due to poor performance.

BKD only certified the Calendar Year (CY) 2018 financial statements for 5 of the 22 Auxiliaries; the last one being issued on February 24, 2020. It was recommended by the Sr. Legal Counsel from the Office of Legal Affairs that the remaining audits not be completed.

The RFP process has been completed. A new firm has been selected to conduct the audits for Calendar Years 2018 - 2023. They expect to begin their reviews as soon as the contract is finalized.

### ***3. Anonymous Letters***

An anonymous letter was received from the President's Office regarding allegations about the Dental Department at NYC Health + Hospitals/Harlem.

The accusations in the letter involved timekeeping and employee issues. Our review revealed that the accusations were without merit.



**AUDIT COMMITTEE OF THE  
NYC HEALTH + HOSPITALS  
BOARD OF DIRECTORS**

**Audit Committee Meeting**

**Corporate Compliance Report**

**June 11, 2020**





**AUDIT COMMITTEE OF THE  
NYC HEALTH + HOSPITALS  
BOARD OF DIRECTORS**  
Corporate Compliance Report  
125 Worth Street, Room 532  
New York, NY 10013  
June 11, 2020 @ 10:30 AM

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## **I. Monitoring Excluded Providers**

### Responsibilities of the System for Sanction List Screening

- 1) To comply with Federal and state regulations, and consistent with the recommendations of the NYS Office of the Medicaid Inspector General (“OMIG”) and the U.S. Department of Health and Human Services Office of Inspector General (“OIG”), each month the Office of Corporate Compliance (“OCC”) reviews the exclusion status of the System’s workforce members, vendors, and New York State Department of Health (“DOH”) Delivery System Reform Incentive Payment (“DSRIP”) program Partners.
- 2) To ensure that NYC Health + Hospitals (the “System”) does not conduct business with individuals or entities that are a threat to the security, economy or foreign policy of the United States, the OCC also screens all NYC Health + Hospitals workforce members, vendors, and DSRIP Partners against the databases of the United States Department of Treasury Office of Foreign Asset Control (“OFAC”).

### Exclusion and Sanction Screening Report January 16, 2020 through May 26, 2020

- 3) During the period from January 16, 2020 through May 26, 2020, there was one excluded individual who was employed by NYC Health + Hospitals. This individual was immediately terminated, and the OCC is determining whether there is an overpayment. In addition, twelve (12) volunteers with disaster privileging for COVID-19 support were found to be excluded. Of those, ten (10) never started work at a NYC Health + Hospitals facility. The other two are physicians who did provide services at our facilities. The OCC is working with outside counsel to determine whether any disclosures and repayments are required for these excluded individuals.

### Death Master File and National Plan and Provider Enumeration System Screening

- 4) The Centers for Medicaid and Medicare Services’ (“CMS”) regulations and the contractual provisions found in managed care organization provider agreements require screening of the System’s workforce members, certain business partners, and agents to ensure that none of these individuals are using the social security number (“SSN”) or National Provider Identifier (“NPI”) number of a deceased person. This screening may be accomplished by vetting the SSNs and NPIs of such

individuals through the Social Security Administration Death Master File (“DMF”) and the National Plan and Provider Enumeration System (“NPES”), respectively.

- 5) No providers were identified on the DMF or NPES during the period January 16, 2020 through May 26, 2020.

## II. Privacy Incidents and Related Reports

### Breach Defined

- 6) A breach is an impermissible use, access, acquisition or disclosure (collectively referred to as “use and/or disclosure”) under the Health Insurance Portability and Accountability Act (“HIPAA”) of 1996 Privacy Rule that compromises the security and privacy of protected health information (“PHI”) maintained by the System or one of its business associates.
- 7) Pursuant to 45 CFR § 164.402(2), unless an exception applies, the unauthorized use and/or disclosure of PHI is presumed to be a breach unless the System can demonstrate, through a thorough, good faith risk assessment of key risk factors, that there is a low probability that the PHI has been compromised.<sup>1</sup>

### Reported Breaches for the Period of January 16, 2020 through May 26, 2020

- 8) During the period of January 16, 2020 through May 26, 2020, forty-five (45) incidents were entered in the System’s RADAR Incident Tracking System. Of the forty-five (45) incidents entered in the tracking system, twenty-nine (29) were found after investigation to be violations of NYC Health + Hospitals HIPAA Privacy and Security Operating Procedures (“OPs”); five (5) were found not to be a violation of NYC Health + Hospitals HIPAA Privacy and Security OPs; and eleven (11) are still under investigation.
- 9) Of the twenty-nine (29) incidents confirmed as violations, ten (10) were determined to be breaches. These breaches involved giving discharge papers to the wrong patients, the medical records retrieval vendor sending patient records to the wrong recipient, a staff person giving a patient’s medical record to her daughter without authorization, an unencrypted SD card containing a minor patient’s health

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<sup>1</sup> See 45 CFR § 164.402(2); *see also* 78 Fed. Reg. 5565, 5643 & 5695 (Jan. 25, 2013).

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information obtained during a therapy session being lost, staff members posting pictures a patient and patient information and posting them on their Facebook pages without obtaining the patients' authorizations, and the medical record of a patient being accessed by a workforce member who was not involved with the patient's care.

- 10) In addition, registered nurse at Lincoln recorded several interviews with Lincoln employees, and gave the recordings to an online media news outlet. The recordings contained information about a Lincoln patient who passed away due to COVID-19. The media outlet edited the nurse's recordings and posted a four-minute video compilation of the recordings to its Facebook page. The video also contains footage of two patients in the Emergency Department.
- 11) The OCC referred this matter to Labor Relations, and recommended a 10 to 30-day suspension for the nurse.

Office for Civil Rights ("OCR") Reports Regarding HIPAA Incidents

- 12) The OCC received two reports from the OCR between January 16, 2020 and May 26, 2020.
- 13) On January 23, 2020, the OCC received a report from the OCR regarding a HIPAA incident at NYC Health + Hospitals/Kings County ("Kings County"). The report, dated January 16, 2020, concerned a complaint from patient alleging that Kings County failed to provide him with a copy of his medical records and an accounting of disclosures.
- 14) The OCC conducted an investigation into this matter, and discovered that Kings County had provided the patient with his medical records on several occasions in accordance with his specific requests. On February 7, 2020, the OCC responded to the OCR explaining the results of its investigation.
- 15) By email dated April 3, 2020, the OCR requested that the OCC send the patient a copy of his entire medical record that Kings County maintains in a designated record set, and an accounting of disclosures of his protected health information.

The email also stated that upon receipt of the letter accompanying these documents, and a copy of the signed return receipt, the OCR would close the complaint.

- 16) On April 21, 2020, the OCC sent the patient his entire medical record and an accounting of disclosures. By email dated May 12, 2020, the OCR requested that the OCC send the patient an electronic copy of his medical records, and stated that it would close the case when it was sent. On May 22, 2020, the OCR sent the patient an electronic copy of the portion of his medical record that Kings County kept in electronic format. Accordingly, this case will be closed upon confirmation of receipt of the patient's medical records.
- 17) On May 1, 2020, the OCC received a letter from the OCR regarding a complaint by a patient's son that his mother's medical records were combined with the records of another patient. Although the OCR stated in its letter that it was closing the case, the OCC is investigating the matter to find the root cause of this incident.

### **III. Compliance Reports**

#### Summary of Reports for the Period of January 16, 2020 through May 26, 2020

- 18) For the period of January 16, 2020 through May 26, 2020, there were one hundred fifty-seven (157) compliance reports, one (1) (0.6%) of which was classified as Priority "A,"<sup>2</sup> twenty-four (24) (15.3%) were classified as Priority "B," and one hundred thirty-two (132) (84.1%) were classified as Priority "C" reports. For purposes here, the term "reports" means compliance-based inquiries and compliance-based complaints.
- 19) The Priority A report concerned the provision of personal protective equipment ("PPE") to patients. On May 3, 2020, the OCC received a report that face masks were not being provided to patients in the inpatient psychiatry department at NYC Health + Hospitals/Metropolitan. The reporter claimed that the administration did not want to provide the masks due to a wire that is built into the masks posing a

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<sup>2</sup> There are three (3) different report categories: (i) Priority "A" reports are matters that require immediate review and/or action due to an allegation of an immediate threat to a person, property or environment; (ii) Priority "B" reports are matters of a time-sensitive nature that may require prompt review and/or action; and (iii) Priority "C" reports are matters that do not require immediate action.



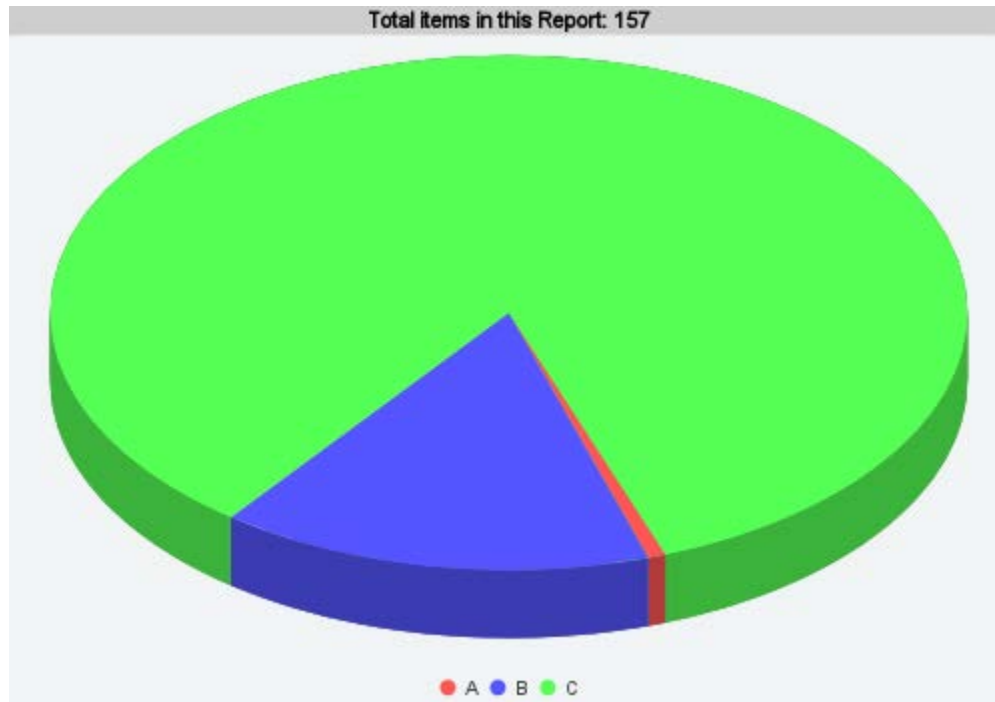
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safety issue. The OCC discussed the matter with Metropolitan executive administration, and in consultation with the Office of Legal Affairs, it was determined that the masks should be provided to inpatient psychiatry patients. Accordingly, face masks are being provided to them.

- 20) In addition, on May 8, 2020, the OCC received a report that an out-of-state nurse posted a video on YouTube in which she alleged gross negligence and mismanagement of patients at New York City hospitals. The OCC was asked for guidance regarding HIPAA concerns related to the video. Although the agency nurse traveled between Lincoln, Metropolitan, and Elmhurst hospitals, she did not name any specific hospitals in the video. The OCC reviewed the video and determined that there were no specific HIPAA breaches or violations based on the information the nurse disclosed in the video.

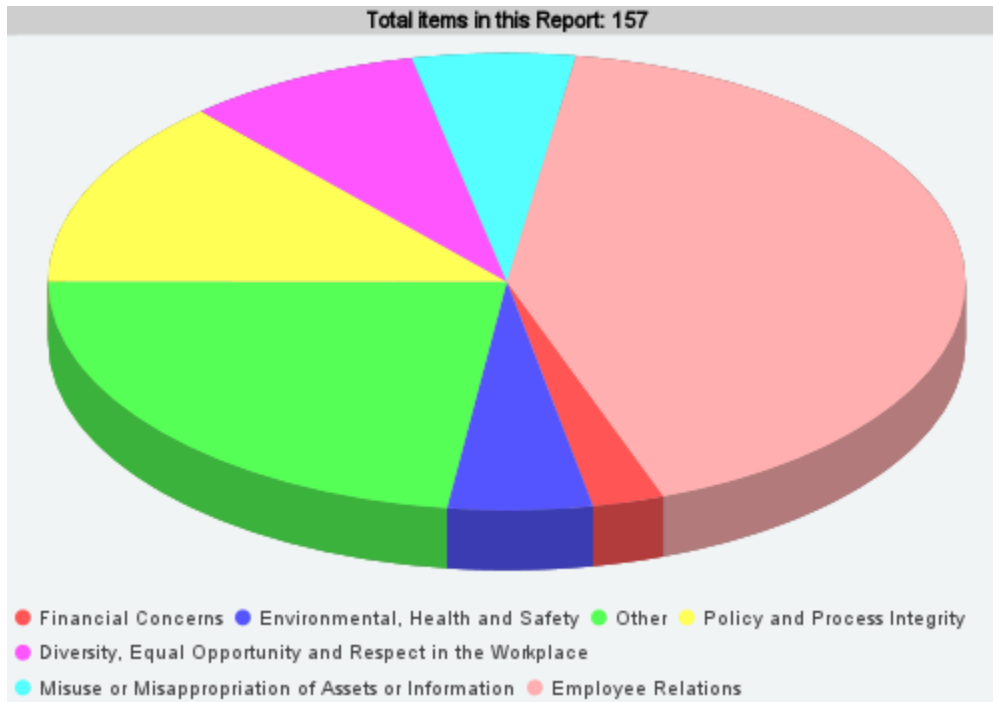
**a. PRIORITY CLASSIFICATION**

PRIORITY - CHART DATA	
	Frequency (Percentage)
A	1.0 (0.6 %)
B	24.0 (15.3 %)
C	132.0 (84.1 %)
Totals	157.0 (100%)



**b. PRIMARY ALLEGATION CLASS**

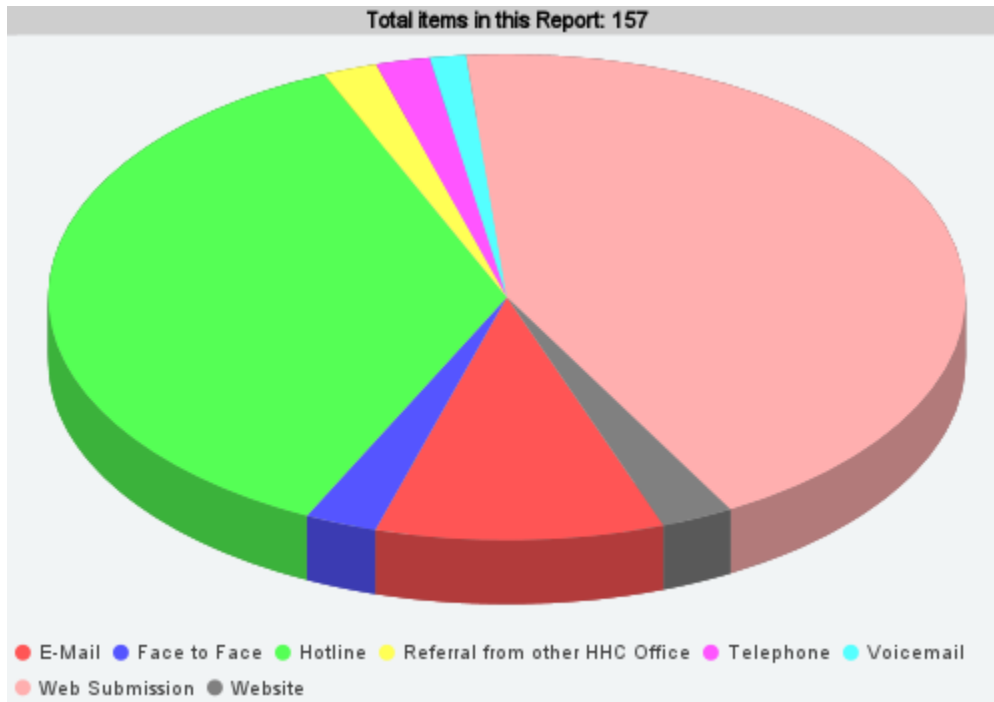
PRIMARY ALLEGATION CLASS - CHART DATA	
	Frequency (Percentage)
Diversity, Equal Opportunity and Respect in the Workplace	13.0 (8.3 %)
Employee Relations	66.0 (42 %)
Environmental, Health and Safety	8.0 (5.1 %)
Financial Concerns	4.0 (2.5 %)
Misuse or Misappropriation of Assets or Information	9.0 (5.7 %)
Other	36.0 (22.9 %)
Policy and Process Integrity	21.0 (13.4 %)
Totals	157.0 (100%)



**c. PRIMARY ALLEGATION SOURCE**

SOURCE - CHART DATA	
	Frequency (Percentage)
E-Mail	16.0 (10.2 %)
Face to Face	4.0 (2.5 %)
Hotline	57.0 (36.3 %)
Referral from other HHC Office	3.0 (1.9 %)
Telephone	3.0 (1.9 %)
Voicemail	2.0 (1.3 %)
Web Submission	68.0 (43.3 %)
Website	4.0 (2.5 %)
Totals	157.0 (100%)





**d. PRIMARY ALLEGATION TYPE**

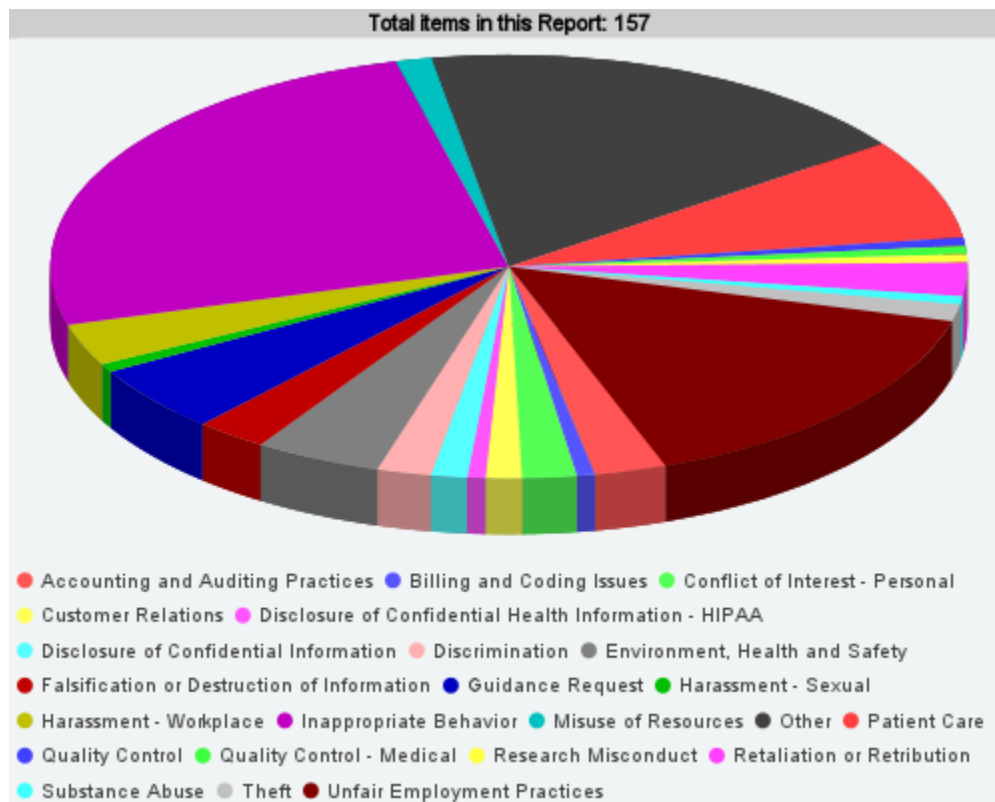
**PRIMARY ALLEGATION TYPE - CHART DATA**

	Frequency (Percentage)
Accounting and Auditing Practices	4.0 (2.5 %)
Billing and Coding Issues	1.0 (0.6 %)
Conflict of Interest - Personal	3.0 (1.9 %)
Customer Relations	2.0 (1.3 %)
Disclosure of Confidential Health Information - HIPAA	1.0 (0.6 %)
Disclosure of Confidential Information	2.0 (1.3 %)
Discrimination	3.0 (1.9 %)
Environment, Health and Safety	7.0 (4.5 %)
Falsification or Destruction of Information	4.0 (2.5 %)
Guidance Request	8.0 (5.1 %)
Harassment - Sexual	1.0 (0.6 %)
Harassment - Workplace	5.0 (3.2 %)

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Inappropriate Behavior	40.0 (25.5 %)
Misuse of Resources	2.0 (1.3 %)
Other	28.0 (17.8 %)
Patient Care	12.0 (7.6 %)
Quality Control	1.0 (0.6 %)
Quality Control - Medical	1.0 (0.6 %)
Research Misconduct	1.0 (0.6 %)
Retaliation or Retribution	4.0 (2.5 %)
Substance Abuse	1.0 (0.6 %)
Theft	2.0 (1.3 %)
Unfair Employment Practices	24.0 (15.3 %)
Totals	157.0 (100%)



#### **IV. Status Update – OneCity Health**

##### Independent Assessor Audit of OneCity Health

- 21) On December 3, 2019, the DSRIP Independent Assessor (“IA”) began conducting its Year 4 Onsite Audit to determine whether OneCity Health correctly received DSRIP funds. To accomplish this objective, the IA reviewed OneCity Health’s documentation to: (i) substantiate that it adequately supported DSRIP required activities and funding; (ii) determine that OneCity Health was in compliance with published DSRIP Program goals, requirements, and guidance; and (iii) determine the adequacy of OneCity Health’s documentation previously submitted with the Quarterly Reports Review process. The areas under review included, but were not be limited to: (a) workforces spend; (b) DSRIP Partner funds flow distribution; and (c) patient engagement.
- 22) A preliminary scorecard with findings from OneCity Health’s DY4 Audit was received in early March, which requested additional supporting documentation for completion of patient engagement activities and justification of OneCity Health’s workforce spend. Due to the COVID-19 outbreak, OneCity Health’s deadline to respond to the score card was moved from early April to May 11, 2020. OneCity submitted its response to the scorecard prior to the deadline. OneCity Health should receive the final scorecard in June 2020.

##### OneCity Health’s Partner Compliance Attestation

- 23) OneCity Health, as a PPS Lead in the DSRIP Program, is responsible for taking “reasonable steps to ensure that [M]edicaid funds distributed as part of the DSRIP program are not connected with fraud, waste, and abuse. It is reasonable for a PPS Lead to consider its network performing providers’ program integrity systems when dedicating resources and developing the PPS Lead’s systems.”<sup>3</sup> To satisfy its compliance obligations as a PPS Lead, and to fulfill the requirements of the OMIG DSRIP compliance guidance, OneCity Health has developed a compliance

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<sup>3</sup> Office of the Medicaid Inspector General Delivery System Reform Incentive Payment (“DSRIP”) Program DSRIP Compliance Guidance 2015-01 –revised – Special Considerations for Performing Provider System (“PPS”) Leads’ Compliance Program available at:  
[https://www.omig.ny.gov/images/stories/compliance\\_alerts/20150901\\_DSRIP\\_CompGuidance\\_2015-01\\_Rev.pdf](https://www.omig.ny.gov/images/stories/compliance_alerts/20150901_DSRIP_CompGuidance_2015-01_Rev.pdf).

attestation form, which is designed to assess its Partners' compliance with the program requirements.

- 24) OneCity Health Partners must certify annually to OneCity Health that they have met their DSRIP compliance training obligations and certain other compliance-related obligations. Accordingly, on May 12, 2020, the OCC, on behalf of OneCity Health, distributed a Memorandum to OneCity Health Partners with a link to a *Compliance Attestation of OneCity Health Partners* ("Attestation"). The Attestation, which provides OneCity Health and the OCC with a critical snapshot of the compliance foundation of its DSRIP Partners, was required to be completed by all OneCity Health Partners by May 29, 2020. To date, eighty-six (86) Attestations out of one hundred fifty-six (156) have been received. The OCC will follow up with the remaining Partners who have not completed the Attestation.

**V. Status Update – HHC ACO, Inc.**

- 25) Each year a dedicated portion of the HHC ACO, Inc.'s ("HHC ACO") shared savings is devoted to a fund, named the Team Fund, to support facility-based multidisciplinary primary care teams and their mission to provide the best care for patients. The Team Fund recognizes the key role our primary care teams play in improving the quality and coordination of care for our patients, and incentivizes commitment to population health management. The Team Fund allows teams to invest in activities or purchase items that may not currently have a dedicated funding source.
- 26) On March 30, 2020, the HHC ACO contributed \$287,500 of the Performance Year 2018 earned Team Funds to support the NYC Health + Hospitals' "Emotional and Psychological COVID-19 Response" initiative. This initiative, organized through the Office of Quality and Safety, includes delivering meals to staff, and providing grocery and toiletry grab-bags, staff transportation, scrubs, cots, and relaxation tools placed at facilities, and wellness/respice areas.
- 27) On April 2, 2020, the HHC ACO completed its Performance Year 2019 annual quality review process – reviewing over 2,100 patient chart notes to report on clinical quality measures to CMS. The HHC ACO will receive its quality measure scores in August 2020.

## **VI. HIPAA Risk Analysis and Security Assessment**

- 28) To ensure the System's compliance with the requirements of HIPAA and HIPAA regulations, the System engaged a third party vendor, Coalfire Systems, Inc. ("Coalfire"), to conduct a HIPAA enterprise-wide Risk Analysis and Security Assessment. As part of this, Coalfire conducted on-site reviews at all of the System's acute care facilities, skilled nursing facilities, and Diagnostic and Treatment Centers, and a sample of the Gotham clinics. It also conducted virtual reviews of fourteen (14) other Gotham clinics.
- 29) In addition, Coalfire performed penetration tests of the System's systems and applications to determine their vulnerability to unauthorized access. It also assessed a sample of the System's vendors to determine their compliance with HIPAA and the security of the System's PHI that they maintain.
- 30) Coalfire completed its risk analysis reports and a Risk Management Plan, which identifies the high and very high security risks to NYC Health + Hospitals, at the end of 2019. The Risk Management Plan has been shared with senior leadership to determine what treatment to give each of the risks (*e.g.* accept, mitigate, transfer, or share). The risks to be mitigated have been assigned to the appropriate individuals or groups to implement corrective action plans, which will be tracked.
- 31) Earlier this year, Coalfire began year two (2020) of its risk analysis engagement. Year two consists of revalidating the findings from 2019, reviewing the status of the remediation plans from the Risk Management Plan, and conducting initial reviews of twenty (20) clinics and all five (5) skilled nursing facilities.

## **VII. Aetna Audit**

- 32) On February 10, 2020, the OCC received an email from Aetna attaching a Compliance Program Monitoring Event Engagement Notice (the "Notice") requesting information and documentation regarding NYC Health + Hospitals' employees, exclusion monitoring policies, oversight of Downstream Entities, and evidence of exclusion screening of Downstream Entities. Aetna advised the OCC



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that this information and documentation was being requested as a follow-up to its January 2018 audit, and to confirm that NYC Health + Hospitals is complying with the corrective actions put in place as a result of that audit. This is despite the fact that Aetna closed NYC Health + Hospitals' Corrective Action Plan on June 12, 2019.

- 33) The OCC submitted its response to the Notice on March 13, 2020. On May 29, 2020, Aetna sent an email stating that they reviewed the submission and had no further questions at that time. They requested exclusion screening data for six workforce members, which OCC will provide by June 15, 2020.