



**AUDIT COMMITTEE
MEETING AGENDA**

**December 5, 2022
11:00 A.M.
50 Water Street**

CALL TO ORDER

Ms. Sally Hernandez-Piñero

- Adoption of Minutes October 17, 2022

Ms. Sally Hernandez-Piñero

EXECUTIVE SESSION

INFORMATION ITEMS

- Grant Thornton Management Letter
- Internal Audits Update
- Compliance Update

Mr. David Guzman

Ms. Catherine Patsos

Ms. Catherine Patsos

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT



AUDIT COMMITTEE VIRTUAL MEETING - October 17, 2022

As Reported by: Sally Hernandez-Piñero

Committee Members Present: Sally Hernandez-Piñero, Dr. José Pagán, Feniosky Pena-Mora, Dr. Mitchell Katz, Anita Kawatra, Freda Wang

The meeting was called to order by Ms. Sally Hernandez-Piñero, Committee Chair at 9:17 am.

Ms. Piñero requested a motion to adopt the minutes of the Audit Committee meeting held on July 11, 2022. A motion was made and seconded with all in favor to adopt the minutes.

Ms. Piñero called for a motion to convene an Executive Session to discuss confidential and privileged matters. A motion was made, and all were in favor. The Committee moved to Executive Session at 9:21 am

Presentation:

Fiscal Year 2022 Draft Financial Statement

David Guzman mentioned that this year there were significant changes in the financial performance of the System. This year, System's deficit position improved by \$957 million. The System's revenue has increased by \$1 billion, which was driven by UPO revenue that the System received in FY2022. The System received \$638 million of conversion revenue for prior years and \$447 Million in the current year. We also had net patient service revenue that increased by \$137 million. In consideration of significant increases due to the Medicaid conversion funding, the System took a conservative position and reduced its Medicaid DSH estimate by \$596 million. We anticipated reconciliation process, which occurs in a three-year lag, to reconcile these amounts.

Ms. Wang asked where were the reduction for the DSH revenue, and how is that reflected?

Mr. Guzman responded that these were the actual revenues and not patient service revenues.

In terms of the appropriations revenue, that increased by \$342 million mainly due to an increase in cash received from the City for debt service, which is not being obligated to pay back. In prior years, we did see a decrease of \$112.6 million in grant revenue mainly due to a \$101.9 million decrease resulting from the Quip Program revenue. The System had two years of recognized Quip Revenue due to the timing of the contract. Other line revenues

increased by \$6.8 Million, largely due to an increase of ACO revenue in the current year. The expenses increased by \$90.7 million, \$70 million of which came from personal services, Mainly due to staff, nursing or emergency overtime usage. Other than personal services decreased by \$256.7 million, primarily as a result of pandemic expenditure decreases. The System's pension costs increased by \$289.5 million, and post-employment benefits other than pension decreased by \$195.7 million due to changes in actuarial calculations. Affiliation contracted services increased by \$155.4 million as a result of contractual increases and estimated contract settlements. Depreciation increased by \$26.8 Million due mainly to continued EITS spending for purchases during the year. This is comprised of capital contribution funded by the City, which increased by \$17.3 million as more capital projects were funded by the City. When compared to prior years and capital contributions, funding by grants and donors increased by \$9.5 million due to FEMA mitigation and capital restructuring, and financing program funding. The System's net deficit at the end of the fiscal year decreased by \$1.46 billion.

Ms. Pinero asked if the PAGNY settlement was included in the affiliation numbers?

Mr. Guzman, responded that it is.

Report of Fiscal Year 2022-Grant Thornton

Mr. Lou Feuerstein, Managing Director with Grant Thornton gave the presentation. Mr. Feuerstein referred to page 3, which showed that those charged with governance, have an oversight position to make sure that the external auditors and management are fulfilling their responsibilities. Mr. Feuerstein stated that page 4 shows COVID considerations, and that Grant Thornton added some additional audit procedures to make sure that various impacts of COVID are for COVID reimbursable programs.

Mr. Feuerstein noted that the auditors are responsible for performing additional procedures to ensure that the risk of fraud is low. Those procedures include interviews with both financial and non-financial senior staff to ask whether there are any concerns. This year, there were no matters that came to the auditors' attention with regard to fraud. There is a little more work in some specific areas of testing that needs to be done. The biggest items left to complete is the quality review of the auditors' work and the financial statements.

Mr. Feuerstein noted that page 7 has a list of areas where the auditors spend additional time and effort on due to their higher dollar values. They are subject to estimation and to management and judgment. In areas such as accounts receivable, net patient services, revenue related contractual allowance, and bad debt reserves, the auditors spend a lot of time reviewing the reconciliations. the auditors also do extensive work on cash realization looking at prior year's receivables and seeing whether they were collected the prior year.

Mr. Feuerstein stated that the estimated settlements with 3rd party payers are reflected on page 8. These are settlements essentially with Medicare and Medicaid funds which are often advanced and reconciled to specific reports, and the information is reviewed by Grant Thornton to make sure the cost reports are accurate.

Mr. Feuerstein continued to note that page 16 reflects the auditors' review of information technology, which is limited to how it ties in and relates to the financial statements. The auditors look at access program changes to determine if the controls are adequate. Mr. Feuerstein reported that there were no concerns there.

Mr. Feuerstein stated that there were no new accounting pronouncements were adopted for FY2022, however, next year the System would have to adopt the lease accounting. That will start July 1, 2023, and will take over the System's operating leases, which are typically explained and disclosed in a footnote, and move them to the balance sheet as a right to use lease assets and the lease obligations. Mr. Feuerstein stated that Grant Thornton did note a material weakness in internal controls relating to grant income recognition. An adjustment was required to correct the grant income accounting, and therefore, Grant Thornton determined it was a material weakness and not as much inappropriate grant expenditures as the timing of grant income recognition that triggered the correction.

Ms. Piñero asked for a motion to accept financial statements as presented. The motion was adopted.

Ms. Wang stated that, since the Board received the financial statements a little later than normal, and didn't have time to fully review the documents, can there be an opportunity to review the statements and ask questions at a later time.

Ms. Piñero agreed to allow additional comments and questions to the financial statements at a later date.

Internal Audits:

NYC Comptroller's Office Audit of Controls Over Nursing Home Medical Surgical Supplies

Ms. Karyn Wilkinson presented the Internal Audits report on behalf of Catherine Patsos. She stated that the NYC Comptroller's Office had conducted an audit of NYC Health + Hospitals Controls over Nursing Home Medical Surgical Supplies Inventory, which began 2020 at the start of the pandemic. The Comptroller's Office issued a final report on June 29, 2022, which included four recommendations to implement based on its findings. On September 30, 2022 the Comptroller's Office sent Dr. Pagan an audit notification letter, which requested a status report of those recommendations by October 31, 2022.

Office of the State Comptroller's Follow-up Audit on Equipment

Ms. Wilkinson reported that the State Comptroller's Office (OSC) had previously conducted an audit of the System's controls over its equipment, which covered the period between July 2016 and August 2018. The OSC is now doing a follow up to that audit. A preliminary conference was held on August 30, 2022, between NYC Health + Hospitals and the OSC auditors. The auditors are making site visits to the facilities, which are ongoing.

Ms. Pinero asked if they going to all the facilities or just a sampling?

Ms. Wilkinson responded that they will do a sampling. They are doing a follow-up to the original audit.

Nurse on boarding

Ms. Wilkinson reported that Internal Audits is conducting an audit of the System's hiring of nurses. This was initiated in November 2021 and was put on hold by nursing administration that had due to having to submit documentation that was that was due to the New York State Department of Health at the same time. The field work has resumed and Internal Audits is currently reviewing documentation for agency nurses in the agency's vendor management system, called WAND.

Auxiliary Audits:

Ms. Wilkinson reported that the New York State Charities Bureau requires that a review compilation or audit report accompany the CHAR500 New York State tax form submitted by the auxiliary. The external auditors provided 22 reports for calendar year 2021, and Internal Audits has reviewed and finalized 12 of those 22 reports. Eleven of them were compilations, and one was a review; Two reports remain outstanding for calendar year 2020, which are for North Central Bronx Hospital and Queens Hospital. One report has been completed for each of the calendar years 2018 and 2019 for Queens Hospital. These reports have been pending a determination from the IRS of the auxiliary's retroactive 501(c)(3) status.

Office of Corporate Compliance Reports:

Ms. Wilkinson reported that the System is required to conduct monthly exclusion and sanction screening, and that for the reporting period of June 16 through September 28, 2022, there were no individuals or entities that appeared on the OIG or OMIG exclusion lists. There were also no providers identified on the DMF or NPPEL during that same reporting period.

Privacy Incidents

During the period of June 16 through September 28, 2022 there were 78 privacy incidents entered into the Office of Corporate Compliance's case management system. Forty-one of those 78 were found to be violations of the System's HIPAA Privacy and Security Operating Procedures; 16 were found not to be

violations, and 21 cases are still under investigation. Of those 41 incidents confirmed as violations, 22 were determined to be breaches; 12 of those were a result of registration errors; 2 involved a workforce member accessing a family members records; 2 resulted in the System's release of information vendor releasing records to the wrong patient; 3 involved workforce members accessing the records of patients without a work related reason; 1 involved a workforce member inappropriately disclosing an HIV status to law enforcement; 1 involved a provider disclosing test results to a family member without patient authorization; and 1 was the result of granting a parent the wrong level of access to the patient's MyChart account.

Mr. Pena-Mora asked in the case resulting the release of information to law enforcement, how did that come about? How did the workforce come into contact with the information?

Ms. Wilkinson stated that a workforce member disclosed HIV status to law enforcement when the patient was brought into the facility.

Mr. Pen-Mora also asked what is being done to protect the patients from this happening again?

Ms. Wilkinson, we have retrained the workforce member and are working with Hospital Police on a training about what can be disclosed and who to contact to disclose certain information.

Ms. Wilkinson reported that of the 43 privacy incidents that were reported during the July 2022 Audit Committee meeting, 25 were still under investigation at that time. Currently 24 of those incidents have closed, and 20 were found to be violations of the System's HIPAA Privacy and Security Operating Procedures, and four were found not to be violations. Of those 20 that were found to be violations, 8 were determined to be breaches. Four of those breaches resulted from registration errors; one was the result of an emergency room doctor providing the patient the wrong after visit summary; one was a workforce member accessing a family member's record; one was and the disclosure of a HIV diagnosis to a family member without authorization. Finally, one was due to an inappropriate access of a workforce member to a patient's record without a work-related reason.

The OCC did not receive any letters from the Office for Civil Rights during the reporting period.

Compliance Reports

During the reporting period, there were a total of 85 compliance reports entered into the tracking database, one of which was a red report, 46 were yellow reports, and 38 were green reports. The red report involved a nurse who left her shift without giving a patient their medication. This was referred to the Chief Quality Officer of the facility. The charts included in the Compliance report show the issue types and intake method of the cases.

Billing and Coding Auditing Services:

The Office of Corporate Compliance in collaboration with the Office of Revenue Cycle, drafted a request a proposal for a vendor to provide billing and coding auditing services. We are seeking a qualified vendor to conduct pre-submission billing and coding auditing services for inpatient, outpatient, diagnostic and treatment centers, health home, home health, and skilled nursing facilities. Based on the evaluation committee's scoring of the proposals and presentations, KPMG was a winning vendor. Contract negotiations are currently taking place and we hope to launch that work by the end of October 2022.

HIPAA Risk Analysis and Security Assessment:

On an annual basis, the Office of Corporate Compliance, with its vendor Coalfire, conducts annual risk analyses and security assessments. As part of these analyses and assessments, Coalfire conducts onsite and remote interviews, in person and virtual walkthroughs of the System's facilities and clinics, and risk and compliance reviews of applications, and assesses a sample of our vendors. They perform penetration tests on our systems and applications to determine vulnerability to authorized access. Coalfire has completed all areas of its review, with the exception of Gotham Health Neighborhood and School-based Health Centers, and the enterprise-wide assessments, which should be completed by the end of November.

National Corporate Compliance and Ethics Week and Workforce Member Survey

Ms. Wilkinson reported that every year the Office of Corporate Compliance engages System workforce members in celebrating National Corporate Compliance and Ethics week. This year, it is from November 6th through November 12th. OCC Staff will host in-person and on-line games across the System. In conjunction with National Compliance and Ethics Week, the OCC is launching a workforce member survey regarding its Compliance Program. The survey is designed to assess workforce members' knowledge of our Compliance Program and their access to the OCC. The aggregated data will be used to determine if there are gaps in our compliance program, and if so, we will address those through the OCC's communication plan.

Ms. Pinero asked if there was any old or new business

There being none, the meeting adjourned at 10:37 am



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

FY2022 Management Letter

Office of the Corporate Comptroller

December 5, 2022
David Guzman, MPA
Corporate Comptroller

GRANT THORNTON LLP

757 THIRD AVE., 9TH FLOOR

NEW YORK, NY

10017-2013

D 212 599 0100**F** 212 370 4520**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)twitter.com/grantthorntonus

November 15, 2022

Management and Board of Directors
New York City Health and Hospitals Corporation
New York, New York

Ladies and Gentlemen:

In connection with our audit of New York City Health and Hospitals Corporation's ("NYC Health + Hospitals" or the "System") financial statements as of June 30, 2022, and for the year then ended, auditing standards generally accepted in the United States of America ("US GAAS") require that we advise management and the Board of Directors (hereinafter referred to as "those charged with governance") of the following internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

We identified the following internal control matters that are of sufficient importance to merit your attention.

Deficiencies

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our 2022 audit, we identified the following material weakness:

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Controls Over Financial Reporting--Grant revenue income recognition

Observation

During our fiscal 2022 audit, we noted that NYC Health + Hospitals did not have appropriate controls and procedures in place during the fiscal year relating to the revenue recognition of PRF and FEMA grant income, which resulted in a finding that we determined to be a material weakness in internal control over financial reporting.

Grant income and related transactions were recorded subsequent to year-end. In addition, related documentation was not timely maintained during the year in sufficient detail, causing delays in receipt of auditable documentation to support grant revenue. Also, the documentation supporting grant revenue contained errors and resulted in an audit adjustment relating to FEMA grant income.

Recommendation

We recommend that a formal analysis, by funding source, be performed, reviewed and approved on a regular basis, inclusive of appropriate documentation. The reviews should ensure that grant revenues and related expenses are accurately recorded and are recognized within the appropriate fiscal year.

Management's Response—2022

Management agrees with the recommendation and will update its approach, support and analyses for review and approval on a regular basis. To help ensure the effectiveness and sustainment of this process, management will establish a written process for the completion of these formal analyses, with clear tasks, timelines, deliverables and accountability by functional area. Working sessions will be established across the functional areas to review these analyses for consistency with established H+H policies and relevant regulatory guidance, and to determine the appropriate financial statement presentation.

Status of Prior Years Comments

Significant Deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Significant Deficiency--Supporting Documentation for Grants Revenue not sufficiently maintained

Observation

In connection with the FEMA/PRF funding received, Grant Thornton was initially provided with a financial model designed to determine applicable COVID related expenses not reimbursed by any other source. The model contained allocations and assumptions that could not be readily supported through documentation. In addition, the model was not reconciled to the 2021 operating results as disclosed in the financial statements. This

caused a delay in the receipt of auditable documentation to support the revenue recorded.

Recommendation

We recommend that a formal analysis, by funding source, be performed, reviewed and approved on a quarterly basis, inclusive of appropriate documentation, and that the analysis be reconciled to the operating results as disclosed in the financial statements. This improved process will help to ensure that the financial statements include an accurate and timely reporting of NYC Health + Hospitals' recognition of FEMA and PRF funding.

Management's Response 2021

Management agrees with the auditor's recommendation regarding a quarterly analysis and review of COVID eligible expenses as reconciled to the financial statement. On a quarterly basis, the system will conduct an analysis of total COVID costs – both discretely identified costs and any allocated baseline costs – and conduct a reasonableness test of those total costs in context to related revenues and the financial statement taken as a whole. The reconciliation will include a review of all documentation for discretely identified costs, and anticipated assignments to FEMA, Provider Relief, and other available funding sources per grant guidelines available at the time. An examination of recorded and deferred revenue will improve management's analysis and assist in determining the reasonableness of total COVID costs.

Grant Thornton Update 2022

As noted above, internal controls over financial reporting relating to grant revenue income recognition were not adequate during 2022 and as a result, an audit adjustment related to FEMA grant income was required.

Management's Response 2022

Management agreed with the recommendation and implemented an acceptable process to book monthly revenue accruals in early 2021.

Additionally, H+H has implemented an improved process and procedure for updating a comprehensive COVID direct expense master analysis on a quarterly basis. This COVID expense analysis includes confirmed, as well as potential, funding source assignment.

Going forward, to help ensure the effectiveness and sustainment of this process, management will establish a written process for the completion of these formal analyses, with clear tasks, timelines, deliverables and accountability by functional area. Working sessions will be established across the functional areas to review these analyses for consistency with established H+H policies, relevant regulatory guidance and to determine the appropriate financial statement presentation.

Significant Deficiency--Lack of Timely Accounting and Reporting for Inventory Purchases and Usage

Observation

We noted that inventory purchases and usage throughout the year were not accounted for on a timely basis, resulting in a large management prepared adjustment at year-end.

Recommendation

We recommend that management implement additional controls to ensure inventory purchases and usage activity is accurately recorded on a monthly basis to ensure timely, proper and complete accounting for inventory balances and related other than personal service expenses.

Management's Response 2021

This past year was particularly challenging due to the disrupted global supply chain systems and caused us to place numerous emergency orders for supplies for our Health System outside of the usual ordering process. As noted, a reconciliation of inventory purchases and supplies for FY21 was completed at year end.

For FY22 and going forward, Supply Chain leadership, in concert with each facility Materials Manager, has refined the processes associated with the monthly review and reconciliation of "End of Month" inventory values for each perpetual inventory location. We have identified reports to utilize for this requirement, developed a standard log for all facilities to document their reconciliation outcomes, and held an educational in-service with the staff. Once finalized, the "End of Month" inventory reconciliation procedure will be distributed to the Materials Management teams at the facilities. This review and reconciliation processes have been added as a standard item to our monthly Materials Management meeting agenda. Reconciliation results will be shared with the Office of the Comptroller to permit any needed inventory adjustments to be made timely.

Grant Thornton Update 2022

GT noted no similar issues related to inventories within the current audit period.

Management's Response 2022

The 'End of Month' inventory value review for each perpetual inventory location referenced in the prior update is in place, as management previously committed to, and this has resulted in a managed and acceptable variance. Ongoing monthly meetings between central office staff and facility staff to review the data and ensure the integrity of the process will continue. To ensure the quality of these processes are maintained, the training of personnel at the facilities will continue.

Control deficiencies

A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Patient Accounts Receivable and Net Patient Service Revenue - Credit balances in patient accounts receivable

Observation

During our audit of Patient Accounts Receivable as of June 30, 2018, we noted that credit balances in patient accounts receivable totaled approximately \$80 million, similar to that reported in prior years' audits. Through audit procedures performed, we determined that the portion of the credit balances that represented liabilities due to patients and payors was immaterial. The credit balances primarily appear to be a result of billing adjustments. However, we noted that management does not have a formal policy in place to accumulate and analyze the credit balances at the patient level in order to determine the proper accounting treatment for the credit balances.

Recommendation

We recommend that management develop a process to analyze the nature of the credit balances within patient accounts receivable and on a monthly basis, record adjustments in the accounting records to reflect their proper disposition. In addition, management should investigate and determine the root cause for the credit balances in order to develop solutions to address systematic issues that result in credit balances within accounts receivable.

Management's Response 2018

Through the implementation of our new billing system, EPIC, credit balances are electronically queued and routed to employee workflows for follow up. This process will greatly increase our ability to track and correct incorrect postings and reduce overall credit balances. Additionally, NYC Health + Hospitals is enrolling more payors into electronic remittances so that payments are properly recorded to the correct patient account, thus reducing credit balances

Grant Thornton Update 2019

In 2019, we noted that the total credit balances continue to increase. Through the audit procedures we performed, we determined that the portion of the credit balances that represented liabilities due to patients and payors was again immaterial. The credit balances primarily appear to be a result of billing adjustments. However, management has not completely reviewed and determined proper accounting treatment for the credit balances. In addition, the root cause of the increase in the credit balances should be determined in order to ensure that the credit balances are reduced each year rather than increasing each year.

Management's Response 2019

Implementation of EPIC continued during FY 2019 and Revenue Cycle Services and hospital patient accounting focused on claims submission and resolution of denials to protect NYC Health +Hospital's cash flow. Credit balance resolution has been delayed due to the creation of a new contract module in EPIC. A significant amount of fine tuning is needed to get expected reimbursement amounts correct. This is the reason for the change in credit balances between fiscal years. EPIC has not solved the credit balance issue, though it will make its resolution easier as we address the problem in coming months.

A new Variance Unit was established to review both underpayments and credit creation, which will also assist in the credit balance review process. Once the unit is fully staffed during fiscal year 2020, a formalized policy will be created. Additionally, NYC Health + Hospitals is moving forward with a centralized cash posting unit which will help in the identification and processing of any refunds or adjustments and reduce the level of credit balances.

Although NYC Health + Hospitals has moved to more electronically posted remittances and reducing errors, the newly implemented contract module along with the assistance of the two units mentioned will help in evaluating credit balances.

Grant Thornton Update 2020

In 2020, we noted that the total credit balances continued to increase. Through the audit procedures performed, we determined that the portion of the credit balances that represented liabilities due to patients and payors was again immaterial. The credit balances primarily appear to be a result of billing adjustments. However, management has not completely reviewed and determined the proper accounting treatment for the credit balances. In addition, the root cause of the increase in the credit balances should be determined in order to ensure that the credit balances are reduced each year rather than increasing each year.

Management's Response 2020

We are continuing to develop processes to review and correct improper posting causing these credit balances.

Grant Thornton Update 2021

In 2021, we noted that the total credit balances decreased but still exist. Through the audit procedures performed, we determined that the portion of the credit balances that represented liabilities due to patients and payors was again immaterial. The credit balances primarily appear to be a result of billing adjustments. However, management has not completely reviewed and determined the proper accounting treatment for the credit balances. In addition, the root cause of the credit balances should be determined in order to ensure that the credit balances are reduced each year.

Management's Response 2021

The payment variance unit that was established in FY20 has implemented a standard internal audit process to review payments when implementing a new contract or updates to an existing contract's reimbursement terms. In collaboration with the Managed Care team, we've developed a contract implementation checklist which includes payment validation. Now, when we update contract rates we have a process to follow up to determine if the payer is paying accurately and if the system is calculating adjustments correctly.

Through this collaborative proactive process across our enterprise, we have seen some initial good results that we believe will continue to increase in the future and help to reduce our credit balances.

Grant Thornton Update 2022

In 2022, we noted that the total credit balances decreased but still exist. Through the audit procedures performed, we determined that the portion of the credit balances that represented liabilities due to patients and payors was again immaterial. The credit balances primarily appear to be a result of billing adjustments. However, management has not completely reviewed and determined the proper accounting treatment for the credit balances. In addition, the root cause of the credit balances should be determined in order to ensure that the credit balances are reduced each year.

Management's Response 2022

Revenue Cycle Services made targeted progress in reducing credit balances in 2022. A concentrated effort was conducted on reducing Medicaid and Medicare credit balances. Medicare balances are now almost all less than 30 days old and Medicaid credits were cut in half. We have also made a concentrated effort to tackle our Managed Care insurance credits and have employed a dedicated data analyst to identify the cause of these credits. As a result, we have now identified the root cause of nearly 75% of our insurance credits. There are ongoing efforts to remediate the historical credits as well as prevent the ongoing creation.

In addition, we are drafting a consolidated Credits Policy and Procedure document that will address both insurance and patient credit balances. This document will be finalized by end of the current calendar year.

System response

The System's written response to the internal control matters identified herein has not been subjected to our audit procedures and, accordingly, we express no opinion on it.

* * *

The purpose of this communication is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the System's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



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

Audit Committee Meeting

**Office of Corporate Compliance
Internal Audits**

December 5, 2022

**Catherine G. Patsos, Esq., CHC
Chief Corporate Compliance Officer**

Table of Contents

A. External Audits3

- 1. Controls Over Nursing Homes – NYC Comptroller’s Office.....3
- 2. Controls Over Equipment (Follow-Up) – NYS Office of the State Comptroller..... 3

B. Internal Audit Activities.....6

- 1. System-Wide Review of Nurse Hiring.....6
- 2. Auxiliary Audits..... 7

A. EXTERNAL AUDITS

1. NYC Comptroller's Office Audit of NYC Health + Hospitals Controls Over Nursing Homes Medical Surgical Supplies Inventory

Audit Notification Letter Received – August 13, 2020

Preliminary Entrance Conference – August 19, 2020

Final Audit Report – June 29, 2022

Follow-up Requested – September 30, 2022

On June 29, 2022, the NYC Comptroller's Office issued its Final Audit Report for its audit of NYC Health + Hospitals controls over nursing homes medical and surgical supplies inventory. The Report made four recommendations, which the System agreed to implement. The Comptroller's Office did acknowledge in the Report that the audit was conducted during the height of the COVID-19 pandemic when NYC Health + Hospitals' facilities' processes were impacted by the public health emergency.

The four recommendations noted in the Final Audit Report are as follows:

1. H+H should ensure that cycle counts and fiscal year-end counts are conducted in accordance with agency protocols, discrepancies identified during counts are investigated, and all inventory items are recorded and tracked in inventory records (whether PeopleSoft or in manual records) and securely stored.
2. If staffing levels permit, H+H should segregate the responsibilities for handling and issuing items, recording the issuance of items, and conducting the periodic counts among different staff. If such segregation of duties is not feasible, H+H should implement compensating controls, such as increased reviews of inventory-related transactions at the managerial or supervisory level.
3. H+H should ensure that access controls in PeopleSoft align with the duties and responsibilities of its users.
4. H+H should ensure that the reasons for all inventory balance adjustments are documented (either in or outside of PeopleSoft) and that the adjustments are authorized by an individual who does not have physical custody of the inventory.

On September 30, 2022, Dr. Jose Pagan, Chair of the Board, received an audit notification letter from the NYC Comptroller's Office requesting a status report of the recommendations made in the Final Audit Report. The letter requested that NYC Health + Hospitals respond by October 31, 2022. The response was sent on October 27, 2022, and stated that all four recommendations were either completed or on schedule to be completed by the end of 2022.

2. NYS Office of the State Comptroller (OSC) Follow-Up of NYC Health + Hospitals Controls Over Equipment

Audit Notification Letter Received – August 17, 2022

Preliminary Entrance Conference – August 30, 2022

Status: Near Completion

This audit is coming to a close, as the fieldwork has been completed and documentation of the findings was issued to NYC Health + Hospitals on November 4, 2022. A closing conference was held on November 18, 2022, to discuss these findings.

As previously reported, the OSC had initially conducted an audit of the System's controls over its equipment, which covered the period July 1, 2016 through August 7, 2018. The OSC issued its Final Audit Report on this audit in January 2019, in which it made six (6) recommendations.

On August 30, 2022, a preliminary entrance conference was held between NYC Health + Hospitals personnel and OSC auditors. NYC Health + Hospitals' personnel included the Chief Corporate Compliance Officer, Senior Audit Director, Audit Manager, Acting Corporate Comptroller, Deputy Corporate Comptroller, Director of Fiscal Affairs and Deputy Director of Fiscal Affairs.

Prior to the entrance conference the OSC requested the following documents:

1. Financial Statements (with independent Auditor's Reports) for 2019, 2020, 2021 and 2022;
2. Internal Audit Reports for 2019, 2020, 2021 and 2022;
3. Depreciation Schedule (Depreciation fixed assets by type and category – Estimated Useful Life Table);
4. Asset Management listing/ledger;
5. Updated Capitalization Policy; and
6. Asset Retirement Policy and Report.

The OSC also requested a Recommendation Implementation Status of the recommendations made in the original audit.

The auditors visited NYC Health + Hospitals/Harlem, NYC Health + Hospitals/South Queens Neighborhood Health Center, and NYC Health + Hospitals/Belvis, a Gotham Health Diagnostic and Treatment Center.

The OSC's follow-up audit findings stated that two (2) of the six (6) recommendations were Implemented, one (1) was Partially Implemented and three (3) were Not Implemented. Based on the discussion during the closing conference, however, the OSC will consider whether Recommendation 3 can be changed from Partially Implemented to Implemented. Below are the OSC's status determinations.

Recommendation #1 – *Review the asset management system for accuracy, and implement a system of continuous monitoring.*

Status: Not Implemented

Recommendation #2 – *Implement a procedure to ensure that assets sent for repair are tracked and returned in a timely manner.*

Status: Implemented

Recommendation #3 – *Communicate policies regarding asset disposal/transfer/tagging to all relevant personnel and ensure these policies are followed.*

Status: Partially Implemented

Recommendation #4 – *Implement a formal system to monitor and track assets that have been mass-retired but are still in use.*

Status: Not Implemented

Recommendation #5 – *Verify that personnel properly tag all movable equipment.*

Status: Not Implemented

Recommendation #6 – *Investigate why the 18 assets identified in this report could not be accounted for.*

Status: Implemented

On November 22, 2022, NYC Health + Hospitals submitted a written response to the OSC regarding its findings. The following summarizes the responses.

Recommendation 1: The response stated that Recommendation 1 should be changed to partially implemented because, of the 20,382 pieces of moveable equipment the OSC identified without asset tags, 15,516 of them had serial numbers, which can be used for tracking purposes. In addition, the response stated that NYC Health + Hospitals has demonstrated that it has implemented continuous monitoring, increased controls, and accuracy in the asset management system, and are able to identify assets via a tag number or a serial number.

Recommendation 3: The response stated that, contrary to the OSC's findings, NYC Health + Hospitals did submit evidence that the System had updated its policies and processes regarding asset disposal and transfers, and communicated these changes via an updated capitalization policy shared with the facilities, and email communications detailing the processes and policies to be followed.

Recommendation 4: The response stated that NYC Health + Hospitals has tracking systems for biomedical equipment and IT equipment that are above and beyond the fixed asset

system, Peoplesoft. Items tracked within those systems include assets that are mass-retired for financial reporting purposes. In other words, an item could be mass-retired for financial reporting purposes; however, it will still be tracked by these other asset tracking systems if it remains physically in service. Additionally, after the initial audit, the System modified its asset mass-retirement policy such that fewer assets are mass retired, and more assets are being tracked within the fixed asset tracking system (PeopleSoft).

Recommendation 5: The response to the OCS's finding for Recommendation 5 mirrors the response to Recommendation 1 with regard to the use of serial numbers in lieu of asset tags.

The OSC will issue its final report within the next week to ten days, which will be posted on its website. NYC Health + Hospitals will then have thirty (30) days to submit a response, which will also be posted on the OSC's website.

B. INTERNAL AUDIT ACTIVITIES

3. System-Wide Review of Nurse Hiring

Entrance Conference (Nursing and Human Resources) – November 29, 2021

Fieldwork Start Date and Document Request – November 30, 2021

Status: Ongoing

Objective of the audit:

- To evaluate the onboarding of nurses, including direct hire nurses, agency nurses and travel nurses;
- To verify proper background checks, such as fingerprints, employment eligibility, and verification of New York State licenses;
- To ensure that annual performance evaluations of direct hire and agency nurses are completed; and
- To ensure that proper documentation is maintained and reviewed by relevant parties.

The Office of Internal Audits will review documentation for a sample of nurses at NYC Health + Hospitals/Lincoln, NYC Health + Hospitals/Elmhurst, NYC Health + Hospitals/Harlem, NYC Health + Hospitals/Kings County, NYC Health + Hospitals/Jacobi, and NYC Health + Hospitals/Bellevue.

On June 14, 2022, Nursing Administration requested a deferment of the audit field work until the week of July 4, 2022. They cited needing time to finalize staffing plans that had to be submitted to the NYS Department of Health for all acute sites at the time as the reason for their request. The audit fieldwork has resumed, and Internal Audits is currently reviewing documentation for the agency nurses in the agency's Vendor Management System Platform (WAND). Internal Audits has made progress with the field work on the agency nurses, and they have begun working with Human Resources to access the files for the direct hire nurses.

4. Auxiliary Audits

The New York State Charities Bureau requires that a review, compilation or audit report accompany the CHAR500 New York State tax form submitted by the Auxiliaries. The type of report required is based on the total annual revenue of the Auxiliary.

The Bonadio Group has completed twelve (12) draft reports for Calendar Year (CY) 2021. The Office of Internal Audits has reviewed and finalized those reports. Eleven (11) reports were Compilations as the Auxiliaries' revenues were below \$250,000 and, one (1) was a Review as the Auxiliary's revenues were between \$250,000 and \$750,000.

Two (2) reports remain outstanding for CY2020: Friends of North Central Bronx Hospital, and Queens Hospital Center. We are awaiting a status update on these reports from the Partner on the account.

One draft report has been completed for each of CYs 2018 and 2019 for Queens Hospital Center Auxiliary Inc. These reports had been pending a determination from the IRS of the Auxiliary's retroactive 501(c)(3) status, which has been confirmed. (See the list on the following page.)

There are no updates to the Auxiliary Audits.



OFFICE OF CORPORATE COMPLIANCE
INTERNAL AUDITS
AUDIT COMMITTEE MEETING
December 5, 2022

AUXILIARY	CALENDAR YEARS REVIEWED	2018 REVENUES	2019 REVENUES	2020 REVENUES	2021 REVENUES
East New York Diagnostic & Treatment Center	2019/2020	NA	\$5,522	\$4,650	\$4,950
Coney Island Hospital	2019/2020	NA	\$5,906	\$5,003	\$5,233
Jacobi Medical Center	2018/2019/2020	\$537,664	\$457,149	\$232,607	\$70,021
Renaissance Health Care	2018/2019/2020	\$16,788	\$20,666	\$12,184	\$11,828
Coler Hospital	2018/2019/2020	\$187,498	\$229,285	\$91,790	\$97,923
Carter Hospital Center	2018/2019/2020	\$226,599	\$29,893	\$12,309	\$8,329
Cumberland Diagnostic & Treatment Center	2018/2019/2020	\$104,367	\$76,782	\$31,683	\$30,240
Gouverneur Hospital	2018/2019/2020	-\$146,562	\$997,683	\$751,055	\$658,222
Metropolitan Hospital Center	2018/2019/2020	\$1,538,040	\$744,114	\$147,938	\$203,738
Lincoln Hospital Center	2019/2020	NA	\$99,403	\$17,339	\$4,717
Woodhull Medical Center	2019/2020	NA	\$234,293	\$19,925	\$22,984
Elmhurst Hospital Center	2018/2019	\$422,419	\$335,651	\$1,026,642	\$240,491
Bellevue Association	2019/2020	NA	\$243,272	\$83,823	Pending
Friends of Harlem Hospital Center	2018/2019	\$133,487	\$215,341	\$276,382.00	Pending
Kings County Hospital Center	2018/2019/2020	\$58,804	\$21,142	\$43,407	Pending
Sea View Hospital and Home	2018/2019/2020	\$110,468	\$42,748	\$21,600	Pending
Dr. Susan Smith McKinney Nursing & Rehabilitation Center	2018/2019/2020	\$80,714	\$77,547	\$12,102	Pending
Harlem Hospital Center	2018/2019/2020	\$9,946	\$12,201	\$5,334	Pending
Bellevue Hospital Center	2018/2019/2020	\$151,939	\$938,114	\$543,122	Pending
Children of Bellevue	2018/2019	\$1,112,221	\$1,154,967	\$986,097	Pending
Friends of North Central Bronx Hospital	2018/2019	\$131,555	\$74,525	Pending	Pending
Queens Hospital Center	2018/2019	Pending	Pending	Pending	Pending



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

Audit Committee Meeting

Corporate Compliance Report

December 5, 2022



**AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS**
Corporate Compliance Report
50 Water Street, 15th Floor
New York, NY 10004
December 5, 2022 @ 10:00 AM

TABLE OF CONTENTS

I.	Monitoring Excluded Individuals and Vendors	2
II.	Privacy Incidents and Related Reports.....	3
III.	Compliance Reports	5
IV.	Billing and Coding Auditing Services.....	9
V.	HIPAA Risk Analysis and Security Assessment	9



**AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS**
Corporate Compliance Report
50 Water Street, 15th Floor
New York, NY 10004
December 5, 2022 @ 10:00 AM

I. Monitoring Excluded Individuals and Vendors

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 agency staff.
- 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 agency staff against the databases of the United States Department of Treasury Office of Foreign Asset Control (“OFAC”).

Exclusion and Sanction Screening Report for Sept. 29, 2022 through Nov. 16, 2022

- 3) During the period September 29, 2022 through November 16, 2022, there were no individuals or entities that appeared on the OIG or OMIG exclusion lists.

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 (“NPPES”), respectively.
- 5) No providers were identified on the DMF or NPPES during the period September 29, 2022 through November 16, 2022.



**AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS**
Corporate Compliance Report
50 Water Street, 15th Floor
New York, NY 10004
December 5, 2022 @ 10:00 AM

II. Privacy Incidents and Related Reports

Breach Defined

- 6) A breach is an impermissible use, access, acquisition or disclosure under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) 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.

Reported Breaches for the Period of September 29, 2022 through November 16, 2022

- 8) During the Reporting Period, fifty-four (54) incidents were entered in the case management system. Of the fifty-four (54) incidents, fourteen (14) were found after investigation to be violations of NYC Health + Hospitals’ HIPAA Privacy and Security Operating Procedures; seven (7) were found not to be a violation of NYC Health + Hospitals’ HIPAA Privacy and Security Operating Procedures; and thirty-three (33) are still under investigation.
- 9) Of the fourteen (14) incidents confirmed as violations, six (6) were determined to be breaches. Three (3) resulted from an After Visit Summary being provided to the wrong patient; one (1) resulted from a registration error (*e.g.* selecting the wrong patient upon registration or patient providing incorrect information); one (1) was the result of a discharge summary being faxed to the wrong recipient; and one (1) was the result of a form for a MetroCard being provided to the wrong patient.
- 10) Of the seventy-eight (78) privacy incidents that were reported during the October 2022 Audit Committee meeting, twenty-one (21) were still under investigation at that time. Currently, fourteen (14) of those incidents have been closed. Of those closed incidents, eight (8) were found to be violations of our HIPAA Operating Procedures; and six (6) were found not to be violations. Of the eight (8) incidents that were found to be violations, four (4) were determined to be breaches. Of the

four (4) confirmed breaches, three (3) were the result of registration errors; and one (1) was the result of a break-in to the Medical Correspondence Room.

Office for Civil Rights (“OCR”) Reports Regarding HIPAA Incidents

11) The OCC received two letters from the OCR between September 29, 2022 and November 16, 2022.

12) *October 28, 2022 OCR Letter re: NYC Health + Hospitals/Bellevue*

On October 28, 2022, the OCC received a letter from the OCR regarding a complaint it received on March 4, 2022, from a patient at NYC Health + Hospitals/Bellevue (“Bellevue”) who alleged that Bellevue violated the Federal Standards for Privacy of Individually Identifiable Health Information and/or the Security Standards for the Protection of Electronic Protected Health Information (45 CFR Parts 160 and 164, Subparts A, C, and E, the Privacy and Security Rules). Specifically, the complainant claimed that another patient’s information was included in their medical record, and their medical information was included in the other patient’s record.

13) The OCC investigated this allegation and found that on March 2, 2022, due to a registration error, an Emergency Department to hospital admission visit for a patient with the same name as the complainant’s was registered under the complainant’s chart. The registration error was discovered by staff on March 3, 2022, and the Health Information Management Department was notified and asked to create a new chart for the patient who was admitted. As a result of the registration error, however, the complainant was able to view some of the admitted patient’s clinical information through their MyChart patient portal. In addition, the complainant’s name, medical record number and date of birth were printed on the patient identification band that was placed on the admitted patient’s wrist. However, there were no adverse patient care implications as a result of the incorrect information being on the admitted patient’s identification band.

14) *September 14, 2022 OCR Letter re: NYC Health + Hospitals/North Central Bronx*



**AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS**
Corporate Compliance Report
50 Water Street, 15th Floor
New York, NY 10004
December 5, 2022 @ 10:00 AM

On November 10, 2022, the OCC received a letter from the OCR dated September 14, 2022, regarding a complaint it received on June 5, 2022, from an individual who alleged that NYC Health + Hospital/North Central Bronx (“NCB”) violated the Federal Standards for Privacy of Individually Identifiable Health Information and/or the Security Standards for the Protection of Electronic Protected Health Information (45 CFR Parts 160 and 164, Subparts A, C, and E, the Privacy and Security Rules). The OCC did not receive the letter until November 10, 2022, because it was misdirected to NCB. Specifically, the complainant claimed that when they took their child to the Emergency Room, staff accessed the complainant’s personal information through their child’s medical records.

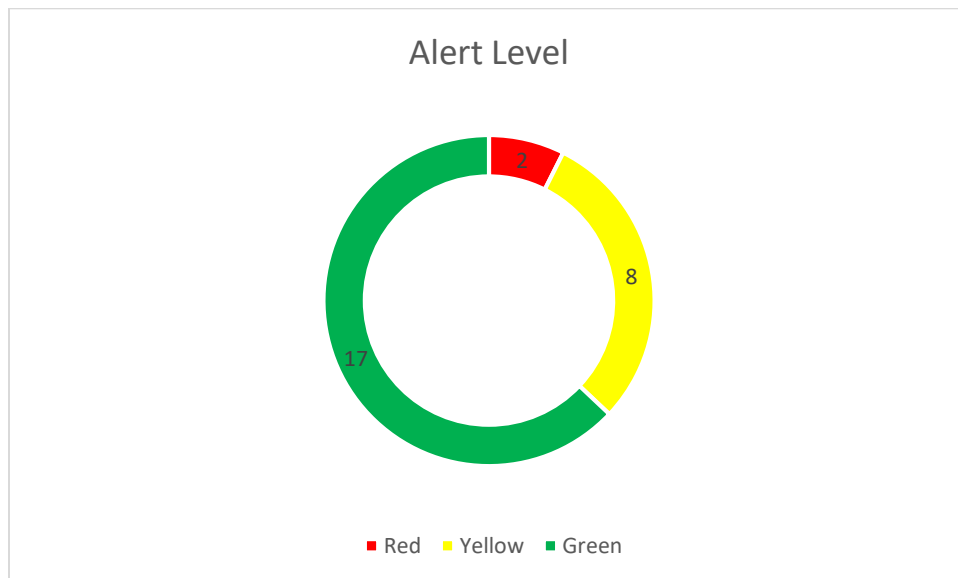
- 15) The OCC followed up on this complaint, and learned that, while the complainant’s child was in the pediatric Emergency Room, the complainant, who was apparently an off-duty police officer at the time, displayed a firearm to staff and New York Police Department (“NYPD”) Officers. He was ultimately escorted out of the facility by NYPD Officers. The OCC’s review of this incident is ongoing.

III. Compliance Reports

Summary of Reports for the Period of September 29, 2022 through November 16, 2022

- 16) During the period of September 29, 2022 through November 16, 2022, there were a total of twenty-seven (27) compliance reports entered into the OCC’s tracking database.
- 17) The tracking database utilizes colored flags (red, yellow, and green) to represent the severity of the reports. During the reporting period, there were two (2) red reports, eight (8) yellow reports, and seventeen (17) green reports. One red report involved a workforce member receiving threatening text messages from an agency workforce member whose contract was ultimately terminated; and one (1) red report involved an individual threatening physical harm to a workforce member and other patients. Hospital Police removed that patient from the premises.

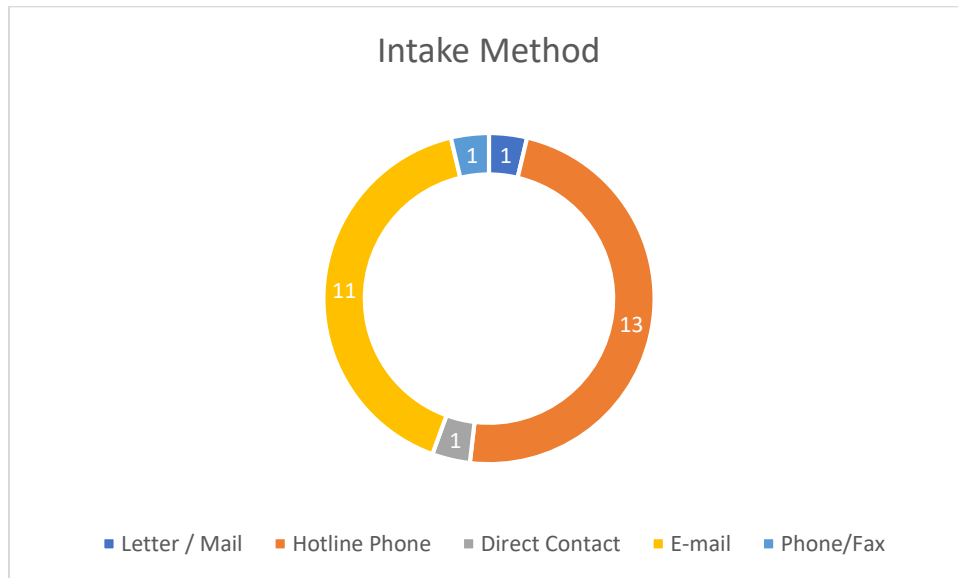
Alert Status	
Green	17
Yellow	8
Red	2
Total	27



18) In addition, the database tracks reports by intake and issue type.

Intake method:

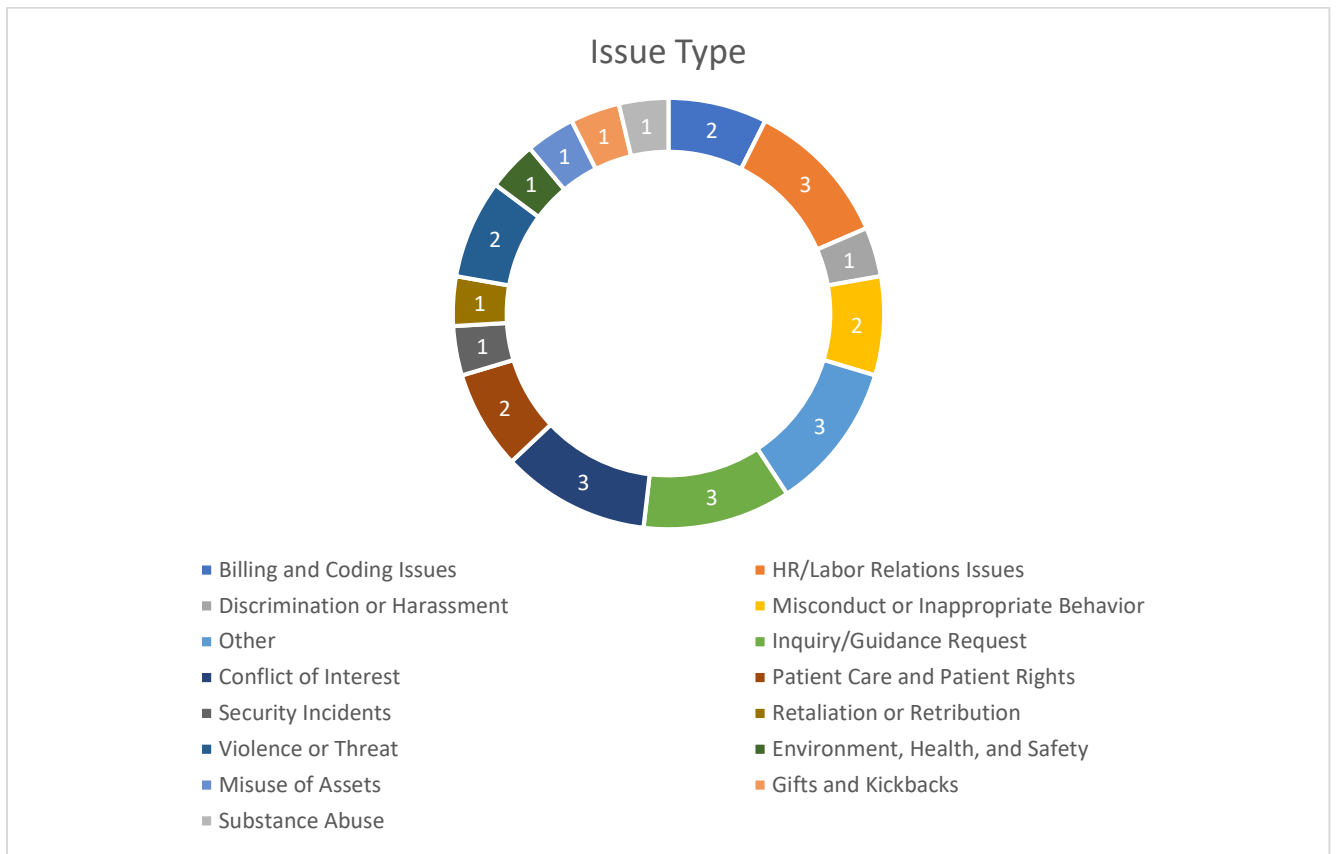
Intake Method	
Letter / Mail	1
Hotline Phone	13
Direct Contact	1
E-mail	11
Phone/Fax	1
Total	27



Issue type:

Issue Type	
Billing and Coding Issues	2
HR/Labor Relations Issues	3
Discrimination or Harassment	1
Misconduct or Inappropriate Behavior	2
Other	3
Inquiry/Guidance Request	3
Conflict of Interest	3
Patient Care and Patient Rights	2
Security Incidents	1
Retaliation or Retribution	1

Violence or Threat	2
Environment, Health, and Safety	1
Misuse of Assets	1
Gifts and Kickbacks	1
Substance Abuse	1
Total	27



IV. Billing and Coding Auditing Services

- 19) The OCC, in collaboration with the Office of Revenue Cycle, drafted a Request for Proposals (“RFP”) for a vendor(s) to provide billing and coding auditing services. The RFP was posted to the City Record by March 4, 2022, and then sent to selected vendors. The RFP sought a qualified vendor(s) to conduct pre-submission billing and coding auditing services for inpatient, outpatient, diagnostic and treatment centers, home health, health home, and skilled nursing facility accounts.
- 20) Based on the Evaluation Committee’s scoring of the proposals and presentations, KPMG was selected as the winning vendor. Contract negotiations between KPMG and the System are wrapping up, and the OCC hopes to have KPMG begin its work by the middle of December.
- 21) A kick-off meeting with KPMG has been scheduled for December 6, 2022.

V. HIPAA Risk Analysis and Security Assessment

- 22) To ensure the System’s compliance with the requirements of HIPAA and HIPAA regulations, the System has again engaged Coalfire Systems, Inc. (“Coalfire”) to conduct its annual HIPAA enterprise-wide Risk Analyses and Security Assessments for a three-year period. Coalfire’s Risk Analyses involve on-site and remote interviews of key facility and Central Office personnel, in-person and virtual walk-throughs of the System’s facilities and clinics, and risk and compliance reviews of a sample of applications that create, receive, maintain or transmit ePHI. In addition, Coalfire performs penetration tests of NYC Health + Hospitals’ systems and applications to determine their vulnerability to unauthorized access. It also assesses a sample of the System’s vendors to determine their compliance with HIPAA and the security of the System’s PHI that they maintain.
- 23) Coalfire has completed its review of all areas of assessment, and final reports for the last assessments, which are for the Gotham Health Neighborhood and School Based Health Centers and the Enterprise, are expected to be completed by early December.