



**AUDIT COMMITTEE  
MEETING AGENDA**

**April 3, 2023  
10:00 A.M.  
50 Water Street**

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**CALL TO ORDER**

**Ms. Freda Wang**

- **Adoption of Minutes December 5, 2022**

**Ms. Freda Wang**

**INFORMATION ITEMS**

- **Grant Thornton 2023 Annual Audit Planning Presentation**
- **Internal Audits Update**
- **Compliance Update**

**Ms. Tami Radinsky  
Mr. Steven Dioguardi**

**Mr. Joseph O'Keefe**

**Ms. Catherine Patsos**

**EXECUTIVE SESSION**

**Ms. Freda Wang**

**OLD BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**



**AUDIT COMMITTEE MEETING – December 5, 2022**

**As Reported by: Dr. José Pagán**

**Committee Members Present:** Dr. José Pagán, Feniosky Peña-Mora, Freda Wang, Dr. Machelles Allen (as agent for Dr. Mitchell Katz)

The meeting was called to order by Dr. José Pagan, at 11:01 a.m. and noted for the record that Dr. Machelles Allen is representing Dr. Mitchell Katz in a voting capacity.

Dr. José Pagán, requested a motion to adopt the minutes of the Audit Committee meeting held on December 17, 2022. A motion was made and duly seconded with all in favor to adopt the minutes.

Dr. Pagán proposed a motion to convene an executive session to discuss confidential and privileged matters that may be related to threatened and potential litigation. The motion was seconded, and all were in favor. The Committee moved to Executive Session at 11:06 am

The Committee reconvened in Open-session at 11:47 a.m.

Presentation:

**Internal Audits:**

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

Ms. Catherine Patsos, Chief Corporate Compliance Officer, presented the Internal Audits report. Ms. Patsos 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 in 2020 at the start of the pandemic. Dr. Pagán received a follow up request from the Comptroller's Office on September 30, 2022, requesting an update on the status of the recommendations that were set forth in their final report. That update was sent on October 27, 2022. The update indicated that all four recommendations were either completed or scheduled for completion by the end of 2022, which would be on target.

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

The New York State Office of the State Comptroller's (OSC) follow-up audit of our equipment controls is nearly completed. The OSC's field work has been completed and they issued some findings on November 4, 2022. There was a closing conference on November 18, 2022, at which their findings were discussed. The OSC auditors visited Harlem, South Queens Neighborhood Health Center, and Belvis. Their findings included the status of the 6 recommendations from their original audit. Of the 6, 2 were said to have been implemented, 1 partially implemented, and 3 determined to not have been implemented. The auditors stated that they could consider recommendation number 3 to be removed from partially to fully implemented.

On November 22, 2022 we submitted a written response to the OSC's findings. Regarding Recommendation number 1, that the review of the asset management systems for accuracy and implemented continuous monitoring, the response stated that this should be moved to partially implemented. The OSC identified 20,382 pieces of movable equipment that without tags. Of those 15,516 had serial numbers, which could be used to track the assets as well as using an asset tag on them.

In response to Recommendation number 3, regarding communication of policies on asset disposal, transfer and tagging to personnel, evidence was submitted that the System had updated its policies and processes regarding the asset disposal and transfers, and they were communicated by an updated capitalization policy that was shared with the facilities, as well as an email communication.

In response to Recommendation number 4 regarding the implementing formal systems to monitor and tracking assets, we have a separate tracking system for biomedical and IT equipment that is a separate from our asset management tracking for financial purposes. If an asset comes off the financial tracking system, it might still be tracked by the medical device tracking system if it is still physically in service.

The response to Recommendation number 5 is the same as the Recommendation number 1, regarding the asset tagging serial numbers tagging.

### **Nurse on boarding-update**

Ms. Patsos reported Internal Audits has made progress with the field work on the agency nurses and have begun working with Human Resources to access the files for the direct hire nurses.

### **Auxiliary Audits:**

This is ongoing, no updates from the last Audit Committee meeting.

Ms. Patsos asked if there were any questions.

Mr. Peña-Mora asked for the Auxiliaries, what is the average amount of time between the year ends to when the reports are presented to us officially as audited.

Ms. Patsos responded that a couple of Auxiliaries have delays, including Queens Hospital Center, which was held up because it was waiting for a determination from the IRS that its reinstatement of 501(c)(3) status would be retroactive. Sometimes, it also takes a while for Auxiliaries to gather the financial data to send to the auditors for them to prepare the reports.

Mr. Peña-Mora, asked if the average delay is usually 1-2 years.

Ms. Patsos, stated that this process usually takes less than a year, as most of the 2021 reports have been completed.

Mr. Peña-Mora, thank you.

### **Office of Corporate Compliance Reports:**

#### **Monitoring Excluded Individuals and Vendors**

Ms. Patsos reported that there were no individuals or entities that were on the Office of Inspector General or the Office of the Medicaid Inspector General exclusion lists. Nor were there any providers identified on the National Plan and Provider Enumeration System or the Death Master File.

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

Ms. Patsos reported that there were 54 incidents that were entered into our case management system. Of those 54, 14 were found to be violations of NYC Health + Hospitals HIPAA policy and procedures, and 7 were not violations. Of the 14 confirmed violations, 6 were determined to be breaches. One of the breaches resulted in an after-care visit summary that was provided to the incorrect patient. One resulted from a registration error, where someone else's information was entered into the wrong chart. One was a result of a discharge summary being faxed to

the wrong recipient, and 1 was a result of a metro-card form being provided to the wrong individual.

Of the 70 privacy incidents that were reported at the October Audit Committee meeting, 21 were still under investigation at that time. Of those, 14 were closed, 8 were found to be violations of NYC Health + Hospitals HIPAA policies and procedures, and 6 were not violations. Of the 8 violations, 4 were determined to be breaches. Three breaches were the result of registration errors, and 1 breach resulted from a break-in into Medical Correspondence Room.

Ms. Patsos opened the room for questions.

No questions.

Ms. Patsos reported that the Office of Corporate Compliance (OCC) received two letters from the Office for Civil Rights (OCR). One was dated October 28, 2022, regarding a complaint that the OCR received on March 4, 2022 from a patient at Bellevue who claimed that another patient's information was included in their medical record and their medical information was included in the other patient's medical record. The OCC investigated this allegation, and found that there was a registration error on March 2, 2022, where a patient who was admitted to Bellevue was registered under the other patient's records due to having the same name. Health Information Management was notified and created a new chart for the admitted patient. As a result of the registration error, however, the complainant was able to view the admitted patient's information via their MyChart account, and the complainant's name, medical record number, and date of birth were printed on the identification band of the admitted patient. There were no adverse medical implications as a result of that misinformation being on the identification band.

On November 10<sup>th</sup>, the OCC received a letter from the OCR dated September 14, 2022, regarding a complaint the OCR received on June 5, 2022, from an individual who alleged that staff accessed their personal information via their child's medical records. The OCC follow up on the 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 to NYPD officers. He was ultimately escorted out of the facility by NYPD Officers. This investigation is ongoing.

Ms. Patsos asked if there were any questions.

No questions.

**Compliance Reports**

Ms. Patsos reported that, during the reporting period, there were a total of 27 compliance reports entered into the tracking database, two of which were red reports, 8 were yellow reports, and 17 were green reports. One of the red reports involved a workforce member who received threatening text messages from an agency workforce member who was ultimately terminated. The other red report involved an individual threatening harm to a workforce member and patients. That individual was removed from the premises by Hospital Police.

**Billing and Coding Auditing Services:**

Ms. Patsos reported that the OCC has been working on contracting with a new vendor for billing and coding auditing services. KPMG was the winning vendor. Contract negotiations with KPMG are wrapping up, and work is expected to begin in the middle of December. A kickoff meeting is scheduled for December 6, 2022. The OCC is very pleased to have KPMG onboard.

**HIPAA Risk Analysis and Security Assessment:**

Ms. Patsos reported that Coalfire is wrapping up its 2022 risk analysis and security assessment. They are working on their remaining reports, which we hope to have finalized in the next week.

Ms. Patsos opened the floor for questions.

No questions.

**Management Letter by Grant Thornton-Tami Radinsky**

Ms. Radinsky reported on the Management Letter. She stated that Grant Thornton's responsibility is to communicate to the Board of Directors or the Audit Committee any findings that are relevant or significant deficiencies or material weaknesses. This year NYC Health + Hospitals did have a Material Weakness.

The Material Weakness this year relates to grant revenue income recognition. This is a repeat finding, and is the System's fourth year, and Grant Thornton's second year of this type of finding. The finding relates to the income recognition and the appropriate controls and procedures that were not in place during the year as it related to the recognition of the Provider Relief Funds (PRF) and FEMA funding grant income. Grant income and related transactions were recorded subsequent

to the System's year end. In addition, related documentation was not provided in a timely manner, which caused significant delays as it relates to auditing the information available for the external auditors. Grant Thornton received the information that there was an error, and this resulted in the audit adjustment. Grant Thornton recommendation is similar to prior years, that a formal analysis reconciling funds by funding source be performed, reviewed and approved on a regular basis, including all the appropriate documentation. All documents should ensure that the grant revenues and the expenses are accurately reflected and reconciled to the general ledger throughout the year.

Ms. Radinsky asked if anyone from the Management Team wanted to comment in terms of the response.

Mr. Guzman stated that this has been taken very seriously and they are committed to rectifying the situation from the controls perspective. Management will work to put a work group together internally to start working through some of the inter-departmental communications and sharing of information.

Ms. Wang asked if the findings was an ongoing issue for the four years?

Ms. Radinsky responded that is has been an issue in many years with different findings on the same issue; in prior years it was a significant finding; this year it has moved up to material weakness due to PRF and FEMA COVID funding that is for last year's findings. Timely grant income recognition with different funding source. The financing is accurately reflected and recorded in the financial statements as they stand today.

Ms. Wang asked whether Grant Thornton looked into any misappropriation.

Ms. Radinsky responded that Grant Thornton does that as part of their detail procedure, which is why it takes a long time to get the information to audit to make sure the FEMA funding was reconciled and reported according to the revenue recognition.

Ms. Wang stated that she noticed that in prior years a quarterly analysis was recommended, but now the recommendation is on a regular basis. She asked whether Grant Thornton thinks analysis on a regular basis would be appropriate.

Ms. Radinsky stated that it would be up to management to establish those protocols and procedures between the grants and the finance departments. Mr. Ulberg reported that it is reasonable to have a quarterly reporting.

**Follow-up: Ms. Wang requested the Committee be updated on a quarterly basis on the progress being made.**

Ms. Wang asked that, since there are many different areas such as finance, the grants department, and the Comptroller's Office, who right now is leading the charter for remediation.

John Ulberg responded that David Guzman and himself have a meeting tonight to better understand areas of accountability and the processes being implemented are correct with the understanding of everyone involve. Mr. Ulberg also noted that process will be reported back to the Committee.

Ms. Wang asked what the expectation is when someone has a material weakness finding. Does that warrant a repeat material weakness?

Ms. Radinsky stated that Grant Thornton had many discussions with the Comptroller's Office, and that they are hoping to do interim testing quarterly to take a look at how things are going, with no repeat in the next year.

Mr. Ulberg stated that would be great, so that the System does not fall into the same situation.

Ms. Wang asked if typically, when there is a material weakness, does it come back down labeled as a deficiency.

Ms. Radinsky responded that no, it is labeled as resolved.

Ms. Radinsky reported that there is a similar issue, but it is a control finding that relates to the patient accounts receivable and credit balances. This has also been going on for some time; however, it is not material enough that it would raise to the level of a Material Weakness. Grant Thornton determined that a portion of the credit balances that represent liabilities due to the patients does not raise any level of significance and management is working on this.

Ms. Wang asked if the credit balances issue is due to the patients or the System.



Ms. Radinsky stated that there are different types of liabilities that are due back to the patients; however, they are not significant portions.

Mr. Peña-Mora stated that in Ms. Radinsky's prior statement, she mentioned that there were errors in the financial statements.

Ms. Radinsky responded the financial statements are accurate, complete and reasonable, but to get to that point, Grant Thornton was given multiple schedules that contained errors which ultimately resulted in an adjustment to the FEMA - not PRF - funding of about \$114 Million. That was recorded by management. The financials included an adjustment that grant identified as a result of Grant Thornton's review.

Mr. Peña-Mora asked, since the System has been having these types of deficiencies for three or four years, where similar errors found in prior years that had a significant deficiency, or was this the only year that errors were found that precipitated the material weakness. Ms. Radinsky, stated that there are two reasons for material weakness. One is the adjustment as a result of the multiple versions of schedules that were given to Grant Thornton, which contained errors. Second, it was the timeliness of the reconciliation. Therefore, the schedules that Grant Thornton received were very late, which was two to three months after the year end. Ms. Radinsky stated that she believes this goes back three to four years in the grant revenue, and that there was also an adjustment, but not to this level of materiality and it was not a repeat issue back then. She noted that this is the second year of the FEMA funding; and that, coupled with the adjustments, timeliness, and errors, that qualitatively and quantitative led to the Material Weakness.

Mr. Peña-Mora asked if there have been only been two instances in the last four years that Grant Thornton found errors.

Ms. Radinsky responded that, yes, from what she recalls, the level of significance probably happened twice in the past four years.

Mr. Peña-Mora asked management if the information that was in the schedules with these values before auditing what is the normal use of that information, and what influence did it have in decision making to have those schedules with errors.

Mr. Guzman responded that the schedule supports our recognition or revenue, which has the detailed kind of expense level information around our spending to support what has been obligated from the grants, and we expect to receive that revenue. In this case, the schedules that were provided had errors within them, so in reviewing and going back and forth with the timing perspective, we took down the adjustments. We do feel that there is a presence of expenses that we could use to support further revenue recognition, but there was not enough time to go through the process to really provide information on those other expenses due to the timing of closing out the audit process. We did not want to take the chance of further delays, so we actually decided to recognize less revenue relating to FEMA this year with the possibility of continue the review and recognizing more appropriately revenue this fiscal year.

Mr. Peña-Mora asked whether these documents that contain \$117 million in error were used to make decisions of the commitments or expenditures that we did not have.

Mr. Guzman stated that when you look at grant funding, you have what is claimed and then you have the financial statements. This has been the difficulty. When we get the information, we feel comfortable. We do have the presence of appropriate expenses that had not been recognized before. Then if we feel comfortable, we recognize the revenue, and in this case, we felt where the supporting documentation was not accurate in terms of what was being tracked expense wise. We did not have time to backfill those expenses with qualifying expenses because of where we were during the audit process. The analysis of the supporting documentation is what Grant Thornton was referring to, where it should be done regularly.

Mr. Guzman assured the Committee that these error in timely recognition of expenses did not impact the financial decisions and operations of the System.

Ms. Wang also clarified that this issue is about the timely recognition of expenses and not when we receive dollars. Grant Thornton agreed.

Mr. Peña-Mora asked if the external auditors identify the controls work through all these protocols, do they provide a set of recommendations on how things should be done, as best practices.

Ms. Radinsky responded that Grant Thornton can work with management to make sure these things do not happen again, but this need to happen

internally. Grant Thornton would be happy to sit down and review these procedures and provide guidance.

Dr. Pagán polled for any questions.

There were no additional questions.

Dr. Pagán asked if there was any old or new business. None was reported.

Dr. Pagán adjourned the meeting at 12:21 p.m.



PRESENTATION TO THE AUDIT COMMITTEE

# 2023 Annual Audit Planning Presentation

New York City Health and Hospitals Corporation

**April 3, 2023**

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

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# Our Responsibilities

## We are responsible for:

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- 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“ or “H+H”) for the fiscal year ending June 30, 2023
  - NYC Health + Hospitals Accountable Care Organization Inc. annual financial statements for the fiscal year ending June 30, 2023
  - Metro Plus Health Plan’s annual statutory financial statements for the fiscal year ending December 31, 2023
  - NYC Health + Hospitals Insurance Company’s annual statutory financial statements for the fiscal year ending December 31, 2023
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Communicating fraud and abuse associated with the financial statements
- Performing the following audits, as applicable, of cost reports for the year ending June 30, 2023 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 material weaknesses and/or significant deficiencies in internal control over financial reporting in a timely fashion; however, the audit is not designed for this purpose

An audit provides reasonable, not absolute, assurance that the financial statements are free of 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

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# Those Charged With Governance Responsibilities

## Those Charged with Governance are responsible for:

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- 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 the audit, such as:
    - Strategies and related business risks that may result in heightened risks of material misstatement
    - Matters warranting particular audit attention
    - Significant communications from/with regulators
    - Matters related to the effectiveness of internal control and your oversight responsibilities
    - Your views relating to our current communications and your actions in connection with previous communications
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# Management Responsibilities

## Management is responsible for:

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- Preparing and fairly presenting all of the respective financial statements in accordance with US GAAP
  - Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and compliance with federal award requirements
  - 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 written representations
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# Audit timeline & scope

<p><b>May 2023</b></p>	<p>Client continuance</p>	<ul style="list-style-type: none"> <li>• Client continuance</li> <li>• Issue engagement letter</li> <li>• Conduct internal client service planning meeting, including coordination with audit support teams (IT, tax, valuation)</li> </ul>
<p><b>May 2023</b></p>	<p>Planning</p>	<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 as well as identify current year audit issues Initial Audit Committee communications (e.g., discuss recently issued accounting pronouncements of relevance)</li> </ul>
<p><b>May/June 2023</b></p>	<p>Preliminary risk assessment procedures</p>	<ul style="list-style-type: none"> <li>• Develop an 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>
<p><b>June 2023</b></p>	<p>Interim fieldwork</p>	<ul style="list-style-type: none"> <li>• Perform walkthroughs of business processes and controls</li> <li>• Perform selective substantive testing on interim balances</li> <li>• Obtain and review grant revenue analyses for the 9 month period ended March 31, 2023</li> </ul>
<p><b>September/ October 2023</b></p>	<p>Final fieldwork</p>	<ul style="list-style-type: none"> <li>• Perform final phase of audit and year-end fieldwork procedures Meet with management to discuss results, including review of draft financial statements, misstatements (if any) and completeness/accuracy of disclosures</li> <li>• Present results to the Audit Committee</li> </ul>
<p><b>October 2023</b></p>	<p>Deliverables</p>	<ul style="list-style-type: none"> <li>• Financial Statements</li> <li>• Listing of unrecorded misstatements and omitted disclosures (if any)</li> </ul>



# Audit timeline & scope - continued

<p><b>December 2023/January 2024</b></p>	<p>MetroPlus Health Plan</p>	<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>
<p><b>February 2024/ March 2024</b></p>	<p>MetroPlus Health Plan</p>	<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>
<p><b>April 2024 - August 2024</b></p>	<p>Cost Report Certification and H+H Insurance Company</p>	<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>
<p><b>Timing to be determined</b></p>	<p>H+H ACO, Inc.</p>	<ul style="list-style-type: none"> <li>• Perform H+H ACO, Inc. audit and issuance of audit report</li> </ul>

# Significant risks and other areas of focus

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

Area 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 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.

Area of focus	Procedures
Net pension liability, expense and OPEB liabilities	<ul style="list-style-type: none"><li>• Review management's analysis of pension and accrued postretirement benefit obligations</li><li>• Assess the reasonableness of actuarial assumptions, including discount factor, trend rates and cash flows, amongst others</li><li>• Select a sample and test participant census data</li></ul>
Expenditures	<ul style="list-style-type: none"><li>• Select a sample of expenditures and trace to supporting documentation to assess propriety and categorization/functionalization of balances</li><li>• Analytically review and perform predictive tests of payroll and other operating expenses for reasonableness</li></ul>
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.

Area of focus	Procedures
Grant Revenue	<ul style="list-style-type: none"><li>Review revenue recognition in accordance with GASB accounting over non-exchange transactions</li><li>Test the accuracy of management's FEMA and Provider Relief Fund revenue recognition analysis at March 31, 2023 interim date and through June 30, 2023 year-end</li></ul>
Capital assets, including construction in progress (CIP) and leases	<ul style="list-style-type: none"><li>Obtain a rollforward of capital assets and test current year additions. Additions testing addresses material additions inclusive of CIP and compliance with procurement policies</li><li>Review management's GASB 87 adoption schedules and test a sample of leases for accuracy in initial recognition of the lease and subsequent reporting.</li></ul>
Management override of controls – (presumed fraud risk and therefore significant risk in all audits)	<ul style="list-style-type: none"><li>Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.</li><li>Assess the ability of the NYC Health + Hospitals to segregate duties in its financial reporting, information technology, and at the activity-level.</li><li>Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.</li><li>Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.</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.

Area of focus	Procedures
<b>Claims Payable Reserves (IBNR)</b>  Significant Risk – High estimation uncertainty	<ul style="list-style-type: none"><li>• Consider the experience, objectivity and capability/competence of the external actuarial specialist, Buck.</li><li>• Evaluate trends in claims using analytics based on member trends, etc.</li><li>• Test completeness and accuracy of claims data provided to the client’s external actuary, Buck.</li><li>• Select a sample of medical claims covering the current fiscal year and perform substantive test of details over the selection.</li><li>• Test, with the assistance of GT internal actuary, the methodologies and assumptions used by Buck in the calculation of IBNR for reasonableness.</li><li>• Perform a look back analysis to compare the prior year IBNR estimate to current year results.</li><li>• Perform journal entry testing covering transactions included transactions related to IBNR.</li></ul>
<b>Premium Revenue Recognition</b>  Risk – Presumed risk of fraud with respect to revenue	<ul style="list-style-type: none"><li>• Agree revenue recognized to information obtained from the State for all months and test one month per quarter for the Medicaid/Medicare and Marketplace revenues received by MetroPlus to supporting documentation.</li><li>• Evaluate trends in revenues using analytics based on contract activity, member trends, etc.</li><li>• Perform journal entry testing covering transactions included in the revenue cycle.</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.

Area of focus	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)

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

## Other Areas of focus:

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Perform substantive testing on key account balances as of June 30, 2023, 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
  - 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
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# Technology support as part of the audit process



An important component of our audit approach is to understand how IT is used and deployed in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices. Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.



# New GASB 87 Lease Standard Adopted in 2023

## Adoption Considerations:

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- Accounting Standard is effective for years beginning after June 15, 2021. Due to the effect of adoption not being material to the June 30, 2022 financial statements, GASB 87 was adopted at July 1, 2022, and will be reported with the June 30, 2023 financial statements.
  - Impact 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 include 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
-

# COVID-19 pandemic

## Accounting considerations



- 1. Asset impairment** - Material assets subject to possible impairment or devaluation. Health Care Systems need to carefully identify the appropriate impairment model and consider whether the pandemic effects whether an impairment should be recognized and, if so, to extent. This could impact fixed assets, investments, and other assets.
- 2. Insurance recoveries** - Health Care Systems may be entitled to reimbursement for losses under various types of insurance policies as a result of the pandemic.
- 3. Contingent losses** - A Health Care System is 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).
- 4. Going concern evaluations** - Health Care Systems 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. A Health Care System that concludes that there is substantial doubt about its ability to continue as a going concern, or that its plans alleviate such doubt, must provide disclosures to that effect.
- 5. Impact of various federal relief programs** - Health Care Systems continue to be eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. The appropriate accounting and financial reporting (presentation) of the various relief programs such as PPP loans, Provider Relief Funds, etc. continues to be a consideration.
- 6. Uniform Guidance compliance** – Health Care Systems should evaluate nature and amounts of funding received under Federal COVID-19 awards that may trigger the need for presentation on the SEFA as well as new Federal programs subject to audit.
- 7. Reserves for uncollectible accounts** - Because of the significant economic impact of the pandemic, Health Care Systems may need to re-evaluate the basis for reserves on certain accounts such as student accounts, contributions and loans receivable, as well as other reserves.
- 8. 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.

# 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 accessed from our external website or through this link:

[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 intended to act as a substitute for a company's "whistleblower" obligations.



# Diversity, Equity and Inclusion

What makes us different makes us powerful



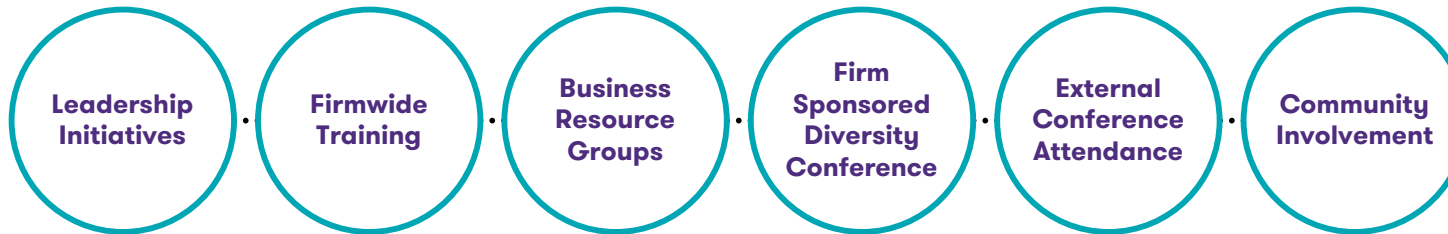
People thrive when their perspectives are valued, when they enjoy working with each other and when they are comfortable being exactly who they are. That is why at Grant Thornton, we are committed to building a more diverse, equitable and inclusive workplace, where everyone is valued and respected.

Our culture and practice of diversity, equity and inclusion (DE&I) are embraced top-down, through action and ongoing commitment from the CEO and the national leadership team, as well as bottom-up through business resource groups (BRGs) led by employees cross the firm.

We recently published our second annual Diversity, Equity and Inclusion Report ([click to read](#)) in furtherance of our intensified efforts to build a more diverse, equitable and inclusive firm for all those we serve.

## Commitment to diversity

Our people thrive personally and professionally because all perspectives are valued and heard. **In turn, our inclusive culture enables us to craft creative solutions for ourselves and the clients we serve.** In keeping with our culture of DE&I, Grant Thornton's DE&I team develops strategies, programs and tools to unlock the power of difference.



“Our words are our promise, but our actions are our integrity. We’ll continue to take action to make our firm a better and more equitable place to work and stand together as a positive force for change.”

**Brad Preber, CEO,**  
Grant Thornton LLP



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## Technical updates - GASB

# Selected pronouncements effective for the year ending June 30, 2022, or subsequent periods - GASB

Title	Effective date
GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements	Periods beginning after June 15, 2022
<b>GASB 96 – Subscription-Based Information Technology Arrangements</b>	<b>Periods beginning after June 15, 2022</b>
<b>GASB 98 – The Annual Comprehensive Financial Report</b>	<b>Periods ending after December 15, 2021</b>
GASB 99 – Omnibus 2022	Varies by topic
GASB 100 – Accounting Changes and Error Corrections	Periods beginning after June 15, 2023
GASB 101 – Compensated Absences	Periods beginning after December 15, 2023

# ***GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

## **Summary**

- Defines a PPP as an arrangement in which a government (the transferor)
  - contracts with an operator (a governmental or nongovernmental entity) to provide public services
  - by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time
  - in an exchange or exchange-like transaction.
- Transferor records the underlying PPP asset and/or a receivable for installment payments to be received from operator, with a related deferred inflow of resources.
- Defines an APA as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period in an exchange or exchange-like transaction.
  - In an APA with multiple components, each component shall be recognized as a separate arrangement.
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

## **Potential Impact**

- Organizations often engage in these type of arrangements to expand student housing, parking, retail space, or some combination of these types of revenue-generating spaces. This new guidance clarifies the accounting for these types of arrangements, as compared to service concession arrangements, lease agreements or other types of transfers. Management should identify which agreements are currently in place for which accounting may need to be restated. Management should also consider these updated definitions for any new transactions that may be in process, to ensure those arrangements are structured and reported in accordance with these new provisions.

# GASB Statement 96, *Subscription-Based Information Technology Arrangements*

## Summary

- Defines subscription-based information technology arrangements (SBITA) as a contract that conveys control of the right to use another party's IT software,
  - alone or with underlying tangible IT assets,
  - For a period of time (noncancelable period, plus options to extend),
  - In an exchange or exchange-like transaction.
- Government should recognize a right-to-use subscription asset and a corresponding subscription liability
  - Measured as the present value of expected subscription payments
  - Discounted using the rate the SBITA vendor charges, or the incremental borrowing rate
- Subscription asset to be amortized over the subscription term
- Activities associated with a SBITA, other than subscription payments, should be grouped into the following three stages and costs accounted for accordingly:
  - Preliminary project stage – expensed as incurred
  - Initial implementation stage – capitalized as an addition to the subscription asset
  - Operation and additional implementation stage – expensed as incurred, unless they meet specific capitalization criteria
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

## Potential Impact

- For those Organizations using subscription-based IT arrangements, this standard could have a significant impact on the financial statements of the organization upon adoption. As with the new lease standard, management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing agreements that will be subject to the new accounting and disclosures.



# GASB Statement 98, The Annual Comprehensive Financial Report

## Summary

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- This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.
- This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.
- Effective for fiscal years ending after December 15, 2021, with early application encouraged.

## Potential Impact

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- Organizations that prepare an annual report or make reference to being a component unit of another governmental entity that prepares such an annual report, should update language to include the new term and, if applicable, the related acronym.

# GASB Statement 99, Omnibus 2022

## Summary

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- This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements
  - Establishes accounting and financial reporting requirements for exchange and exchange-like financial guarantees, other derivative instruments, and termination of hedge accounting
  - Clarifies selected guidance for leases and SBITAs as it relates to purchase and termination options, short-term arrangements, variable payments and incentives
  - Clarifies selected guidance for PPP arrangements as it relates to variable payments and remeasurement
  - Updates the date for replacement of LIBOR
  - Other various clarifications related to SNAP distributions, disclosure of nonmonetary transactions, and terminology updates
- Effective for fiscal years beginning after June 15, 2022 for provisions related to leases, PPPs and SBITAs
- Effective for fiscal years beginning after June 15, 2023 for provisions related to financial guarantees and the classification and reporting of derivative instruments
- Effective upon issuance for all other provisions

## Potential Impact

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- The practice issues addressed within this Omnibus are very narrow. Organizations should review the clarifications provided for applicability, and update presentation and disclosures, as needed.

# GASB Statement 100, Accounting Changes and Error Corrections

## Summary

- This Statement defines types of accounting changes as:
  - Changes in accounting principles
  - Changes in accounting estimates
  - Changes to or within the financial reporting entity
  - Corrections of an error (not an accounting change)
- For each type, accounting and reporting requirements, as well as disclosures are outlined
- Effective for fiscal years beginning after June 15, 2023, with early application encouraged.

## Potential Impact

- Organizations should review the definitions of various accounting changes and update presentation and disclosures, as needed.

# GASB Statement 101, Compensated Absences

## Summary

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- This Statement updates the recognition and measurement guidance for compensated absences to better meet the needs of financial statement users.
- Requires recognition of a liability for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means
- Liability should be recognized for leave attributable to services already rendered, if the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means
- Amends existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow disclosure of only the net change in the liability
  
- Effective for fiscal years beginning after December 15, 2023, with early application encouraged.

## Potential Impact

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- This guidance will have a significant impact on the recognition of compensated absences. Organizations should start early on to inventory all compensated absence programs, including the following examples:
    - vacation and sick leave
    - PTO
    - holidays
    - parental leave and
    - sabbatical leave
- These programs should be evaluated against the updated recognition criteria, exceptions to general recognition, and measurement provisions.

# GASB projects

Project	Timing
Financial Reporting Model - Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6	Final Statement expected 2023
Recognition (conceptual framework)	Final Concepts Statement expected 2023
Risks and Uncertainties Disclosures	Exposure Draft issued June 2022
Revenue and Expense Recognition	Currently in redeliberation. Exposure Draft expected 2025
Going concern uncertainties and severe financial stress	Preliminary Views expected December 2023
Classification of nonfinancial assets	Exposure Draft expected May 2023
Implementation Guidance – 2022 Update	Exposure draft expected October 2022

# GASB major project – Financial Reporting Model

## Summary

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- 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
  - Exposure Draft elements of note for organizations:
    - 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"
    - Currently in re-deliberations, with a final statement planned for late 2023.
-

# GASB major project – Financial Reporting Model, continued

## Potential impact

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- Proposed guidance could have sweeping effects on the reporting and disclosures by organizations.
  - 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 organizations are:
    - Guidance on the operating indicator
    - MD&A
    - Extraordinary and special items
  - Depending on the ultimate guidance, Organizations 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

- Three primary areas of focus of the project are as follows:
  1. Common exchange transactions not specifically addressed in existing GASB guidance
    - Project plans to develop guidance or improve existing guidance regarding
      1. Exchange and exchange-like transactions having single elements
      2. Exchange and exchange-like transactions having multiple elements
      3. The differentiation between exchange-like and non-exchange transactions
  2. Post-implementation review of GASB 33 and 36
    - Areas to be considered include:
      1. Distinguishing between eligibility requirements and purpose restrictions
      2. Determining when a transaction is an exchange or a non-exchange transaction
      3. Using the availability period concept consistently across governments
      4. Applying time and contingency requirements
  3. Development of GASB conceptual framework
    - GASB 33 and 36 were developed prior to key parts of the conceptual framework, such as defining deferred inflows and outflows
    - An evaluation of the recognition of non-exchange transactions against the conceptual framework is necessary
- Currently in public hearings and re-deliberations, with Exposure Draft expected in 2025.

## Potential Impact

- As it relates to recognition of exchange and non-exchange 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 project could impact the current practices of healthcare institutions as it relates to revenue recognition.





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

**Audit Committee**

**Office of Internal Audits**

**April 3, 2023**

**Joseph O’Keefe, CPA CHC  
Chief Internal Audit Officer**

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**A. EXTERNAL AUDITS**

**1. Controls Over Nursing Homes – NYC Comptroller’s Office**

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

Final Response to Follow-up – February 21, 2023

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.

On January 24, 2023, Dr. Jose Pagan, Chair of the Board, received a second audit notification letter from the NYC Comptroller’s Office requesting a status update of the follow-up that was previously submitted. As of the writing of this report all four findings are now addressed. The response was submitted to the NYC Comptroller’s Office on February 21, 2023. The audit is now complete.

**2. *Audit of the Department of Correction’s Efforts to Ensure Access to Mental Health Services for Inmates – NYC Comptroller’s Office***

Audit Notification Letter Received – January 31, 2023

Entrance Conference – February 13, 2023

Status: In progress

On February 13, 2023, an entrance conference was held between NYC Health + Hospitals personnel and the New York City Comptroller’s Office. NYC Health + Hospitals’ personnel included the Senior Vice President for CHS, Chief Medical Officer/Senior Assistant Vice President for CHS, Chief Nursing Officer/Deputy Executive Director for CHS, Senior Director for Corporate Risk Management, Chief Operations Officer/Assistant Vice President for CHS, AVP for Finance and Risk Management for CHS, Assistant Comptroller for Management Audit, Associate Counsel, DOC Director of the Internal Audit Review Unit, Chief Internal Audit Officer, Chief Corporate Compliance Officer, Senior Audit Director.

At the entrance conference they requested the following:

1. An overall agency organization chart, as well as an organization chart identifying the departments/units involved in the provision of mental health services for incarcerated individuals.
2. Current policies and procedures pertaining to the provision of mental health services for incarcerated individuals.
3. A flowchart of Health + Hospitals’ processes as they relate to the provision of mental health services to incarcerated individuals.
4. A list of the data systems used by Health + Hospitals relating to the provision of mental health services to incarcerated individuals.
5. A sample of the following documents:
  - a. Call down list that the Correctional Health Services’ (CHS) Administrators hand delivers to the DOC Clinic Captains, of those detainees from the general population housing who have appointments with CHS;

- b. Disposition form generated by CHS from their electronic medical record that is hand delivered to DOC showing the housing the detainee may be assigned; and
- c. CHS report of all final discharge planning appointments for those detainees processed for release to the community, as required by the Brad H settlement mandates for the period of January 1, 2022, to present.

A second meeting was held with CHS on March 6, 2023 to get a general overview of the mental health services provided by CHS to DOC detainees. The Office of Internal Audit is coordinating the effort.

## **B. INTERNAL AUDIT ACTIVITIES**

### ***1. 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.

**Agency Nurses** - On February 8, a meeting was held with Nursing Administration to discuss our preliminary observation based on the test work that was done. We provided them a list of the nurses in our sample and they are currently doing some additional research in order to respond to the noted observations.

**Direct Hires** – Access has been granted to the OnBase HR system, that will allow for the review of personnel documentation for nurses. Training on the system was done on March 16, 2023. We hope to complete audit testing with a reduced sample size by the next audit committee meeting.

### ***2. Patient Valuables (Bellevue Hospital Center)***

Entrance Conference – March 16, 2023

Status: In progress

The objectives of the audit is to obtain reasonable assurance regarding the efficiency and effectiveness of the overall process related to Patient's Property, Monies and Valuables. We will also ensure that adequate internal controls exist over the process of collecting, recording, safeguarding, distributing and accounting for patient's property, monies and valuables.

We will also conduct similar reviews at Jacobi, Kings County and Elmhurst Hospital.

### **3. *Other Activities***

- a) We are currently meeting with various levels of Management at Central Office, and we will be doing the same thing at the facilities to get an understanding of what the areas of concern are at each facility. The information will be incorporated into our Risk Assessment document and assist us in developing an audit plan for the upcoming Fiscal Year.
- b) Once our Risk Assessment is completed, we will share the risks identified and audit plan with the committee.

### ***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 fourteen (14) draft reports for Calendar Year (CY) 2021. The Office of Internal Audits has reviewed and finalized those reports. Twelve (12) reports were Compilations as the Auxiliaries' revenues were below \$250,000, one (1) was a Review as the Auxiliary's revenues were between \$250,000 and \$750,000; and another was an Audit.

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.)

<b>AUXILIARY</b>	<b>CALENDAR YEARS REVIEWED</b>	<b>2018 REVENUES</b>	<b>2019 REVENUES</b>	<b>2020 REVENUES</b>	<b>2021 REVENUES</b>
East New York Diagnostic & Treatment Center	2019/2020/2021	NA	\$5,522	\$4,650	\$4,950
Coney Island Hospital	2019/2020/2021	NA	\$5,906	\$5,003	\$5,233
Jacobi Medical Center	2018/2019/2020/2021	\$537,664	\$457,149	\$232,607	\$70,021
Renaissance Health Care	2018/2019/2020/2021	\$16,788	\$20,666	\$12,184	\$11,828
Coler Hospital	2018/2019/2020/2021	\$187,498	\$229,285	\$91,790	\$97,923
Carter Hospital Center	2018/2019/2020/2021	\$226,599	\$29,893	\$12,309	\$8,329
Cumberland Diagnostic & Treatment Center	2018/2019/2020/2021	\$104,367	\$76,782	\$31,683	\$30,240
Gouverneur Hospital	2018/2019/2020/2021	-\$146,562	\$997,683	\$751,055	\$658,222
Metropolitan Hospital Center	2018/2019/2020/2021	\$1,538,040	\$744,114	\$147,938	\$203,738
Lincoln Hospital Center	2019/2020/2021	NA	\$99,403	\$17,339	\$4,717
Woodhull Medical Center	2019/2020/2021	NA	\$234,293	\$19,925	\$22,984
Elmhurst Hospital Center	2018/2019/2020/2021	\$422,419	\$335,651	\$1,026,642	\$240,491
Dr. Susan Smith McKinney Nursing & Rehabilitation Center	2018/2019/2020/2021	\$80,714	\$77,547	\$12,102	\$4,600
Children of Bellevue	2018/2019/2020/2021	\$1,112,221	\$1,154,967	\$986,097	\$532,834
Bellevue Association	2019/2020	NA	\$243,272	\$83,823	Pending
Friends of Harlem Hospital Center	2018/2019/2020	\$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
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
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**

**April 3, 2023**





**AUDIT COMMITTEE OF THE  
NYC HEALTH + HOSPITALS  
BOARD OF DIRECTORS**  
Corporate Compliance Report  
50 Water Street, 17<sup>th</sup> Floor  
New York, NY 10004  
April 3, 2023 @ 10:00 AM

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**AUDIT COMMITTEE OF THE  
NYC HEALTH + HOSPITALS  
BOARD OF DIRECTORS**  
Corporate Compliance Report  
50 Water Street, 17<sup>th</sup> Floor  
New York, NY 10004  
April 3, 2023 @ 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 Nov. 17, 2022 through March 13, 2023

- 3) During the period November 17, 2022 through March 13, 2023, 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 November 17, 2022 through March 13, 2023.

## **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 November 17, 2022 through March 13, 2023

- 8) During the Reporting Period, ninety-eight (98) incidents were entered in the case management system. Of the ninety-eight (98) incidents, thirty-eight (38) were found after investigation to be violations of NYC Health + Hospitals’ HIPAA Privacy and Security Operating Procedures; twenty-five (25) were found not to be a violation of NYC Health + Hospitals’ HIPAA Privacy and Security Operating Procedures; and thirty-five (35) are still under investigation.
- 9) Of the thirty-eight (38) incidents confirmed as violations, twenty-one (21) were determined to be breaches. Three (3) resulted from an after-visit summary or discharge paperwork being provided to the wrong patient; five (5) 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 workforce member emailing PHI to an unauthorized individual; two (2) were the result of a pharmacy technician providing the wrong medication to a patient, who was notified before taking the medication; one (1) resulted from workforce members taking photos of a patient; five (5) occurred when a workforce member reviewed a colleague’s medical record without justification; one (1) was the result of the Release of Information (“ROI”) vendor disclosing medical records to the wrong recipient; one (1) resulted from a workforce member posting photos of PHI to social media; one (1) resulted from documentation being provided to the wrong patient; and one (1) occurred when a workforce member accessed a family member’s medical record.
- 10) Of the fifty-four (54) privacy incidents that were reported during the December 2022 Audit Committee meeting, thirty-three (33) were still under investigation at that time. All thirty-three (33) of those incidents have been closed. Of those

incidents, twenty-two (22) were found to be violations of our HIPAA Operating Procedures; and eleven (11) were found not to be violations. Of the twenty-two (22) incidents that were found to be violations, nine (9) were determined to be breaches. Of the nine (9) confirmed breaches, two (2) were the result of registration errors; one (1) resulted when an after-visit summary was disclosed to the wrong patient; one (1) occurred when documentation was uploaded to the wrong patient's medical record; in one (1) case a workforce member accessed a colleague's medical record without justification; one (1) resulted when a hard drive for a biomedical device was discovered missing; one (1) was the result of the ROI vendor disclosing medical records to the wrong recipient; and two (2) were the result of a workforce member accessing a family member's medical record.

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

11) The OCC received three letters from the OCR between November 17, 2022 and March 13, 2023.

12) *November 22, 2022 letter from the OCR*

On November 22, 2022, the OCC received a letter from the OCR regarding a complaint it received on October 28, 2022, from a patient who alleged that NYC Health + Hospitals 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 C.F.R. Parts 160 and 164, Subparts A, C, and E, the Privacy and Security Rules). Specifically, the complainant, stated that he made several requests for his medical records, but his requests had been ignored. The OCR has determined to resolve this matter informally through the provision of technical assistance. To that end, OCR enclosed material explaining the Privacy Rule provisions related to an Individual's Right to Access Medical Records, which the OCR suggested that we share with staff during our HIPAA training.

13) *February 16, 2023 Letter from the OCR*

On February 16, 2023, the OCC received a letter from the OCR regarding a complaint it received on November 9, 2022, from a patient who alleged that NYC Health + Hospitals/Jacobi (“Jacobi”) violated the Federal Standards for Privacy of Individually Identifiable Health Information and/or the Security Standards for the



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Protection of Electronic Protected Health Information (45 C.F.R. Parts 160 and 164, Subparts A, C, and E, the Privacy and Security Rules). Specifically, the complainant alleged that Jacobi denied their requests for an accounting of disclosures of their medical records. The OCR determined to resolve this matter informally through the provision of technical assistance to Jacobi. To that end, OCR enclosed material explaining the Privacy Rule provisions related to reasonable safeguards and accounting of disclosures, which the OCR suggested that we share with staff during our HIPAA training. The OCC investigated this complaint, and discovered that Jacobi sent the complainant an accounting of disclosures on November 9, 2022, which indicated that there were no disclosures of their records outside of allowable organizational disclosure for treatment, payment or health care operations. The OCC will inform the OCR of this finding.

14) *February 24, 2023 Letter from the OCR*

On February 24, 2023, the OCC received a letter from the OCR regarding a complaint it received on November 18, 2022, from a patient who alleged that NYC Health + Hospitals/Woodhull (“Woodhull”) might not be in compliance with provision of the Federal Standards for Privacy of Individually Identifiable Health Information and/or the Security Standards for the Protection of Electronic Protected Health Information (45 C.F.R. Parts 160 and 164, Subparts A, C, and E, the Privacy and Security Rules) and the Breach Notification Rule (45 C.F.R. Parts 160 and 164, Subpart D). Specifically, the complainant alleged that Woodhull impermissibly disclosed their PHI when their physician disclosed their PHI to the physician’s family members. The OCC also attached a date and information request to the letter to which it requested a response. The OCC responded to the OCR’s letter and data request on March 20, 2023, stating that, following an investigation of the matter, there was insufficient evidence to support the complainant’s allegations.

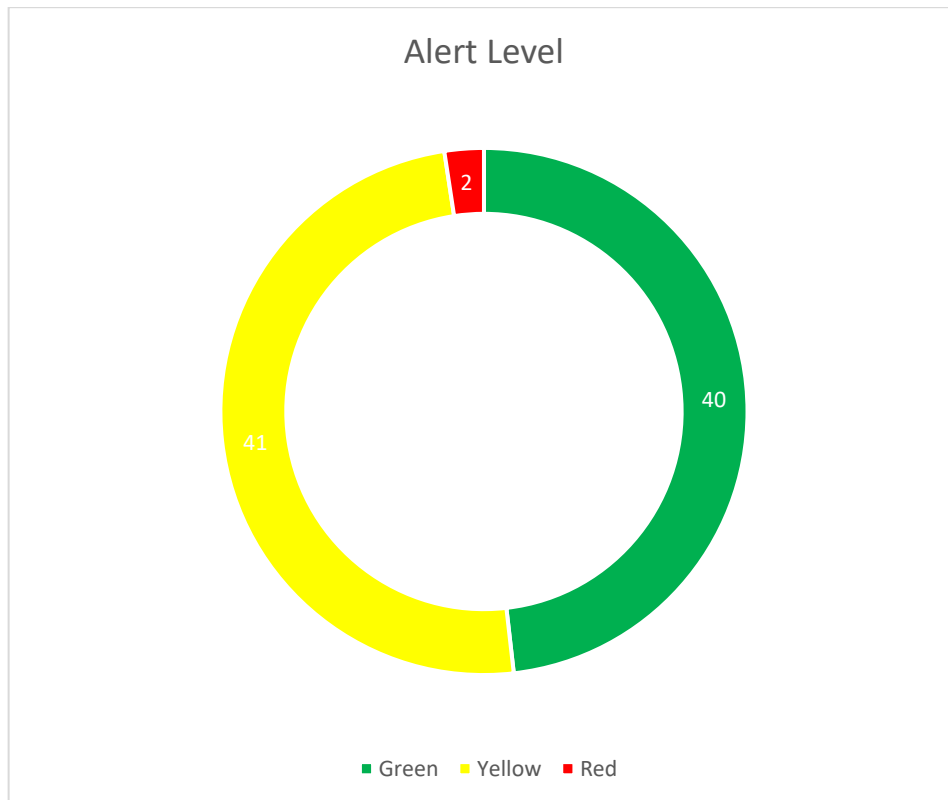
### **III. Compliance Reports**

#### Summary of Reports for the Period of November 17, 2022 through March 13, 2023

- 15) During the period of November 17, 2022 through March 13, 2023, there were a total of eighty-three (83) compliance reports entered into the OCC’s tracking database.

- 16) 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, forty-one (41) yellow reports, and forty (40) green reports. The two red reports involved the same allegation of a workforce member using foul language at a patient. The allegation was determined to be unsubstantiated.

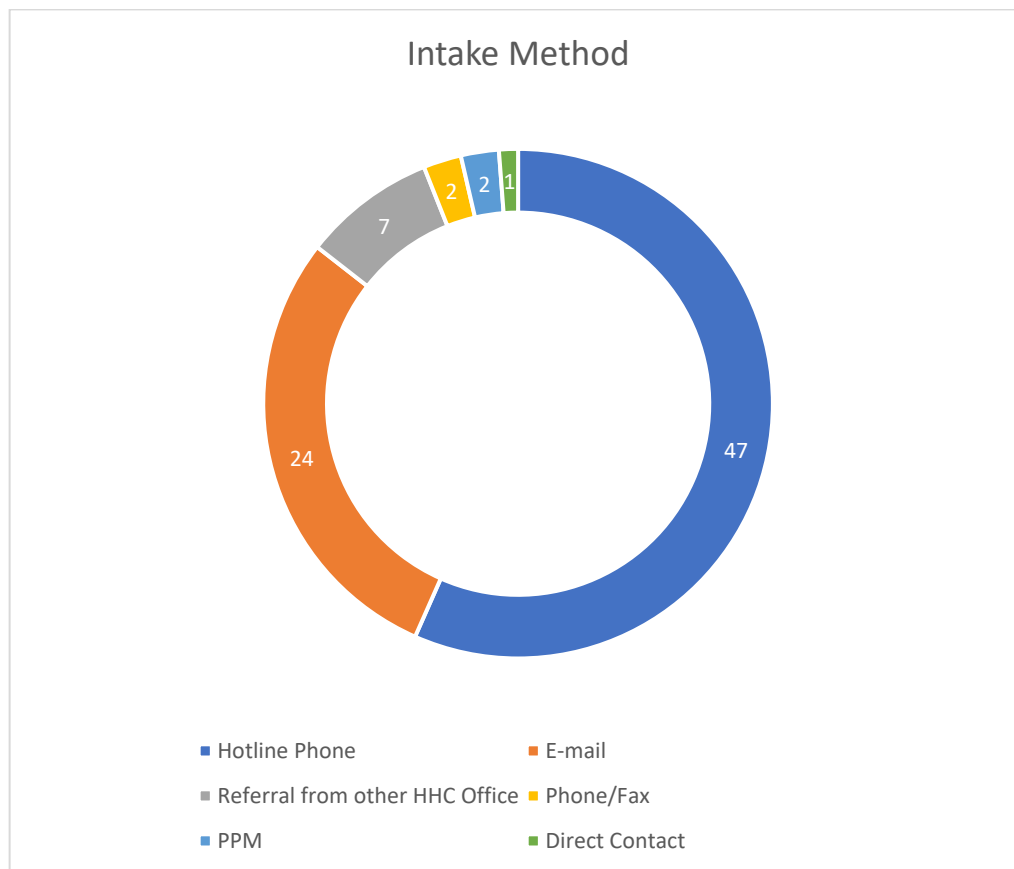
Alert Status	
Green	40
Yellow	41
Red	2
<b>Total</b>	<b>83</b>



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

Intake method:

<b>Intake Method</b>	
Hotline Phone	47
E-mail	24
Referral from other HHC Office	7
Direct Contact	1
Patient Privacy Monitoring	2
Phone/Fax	2
<b>Total</b>	<b>83</b>



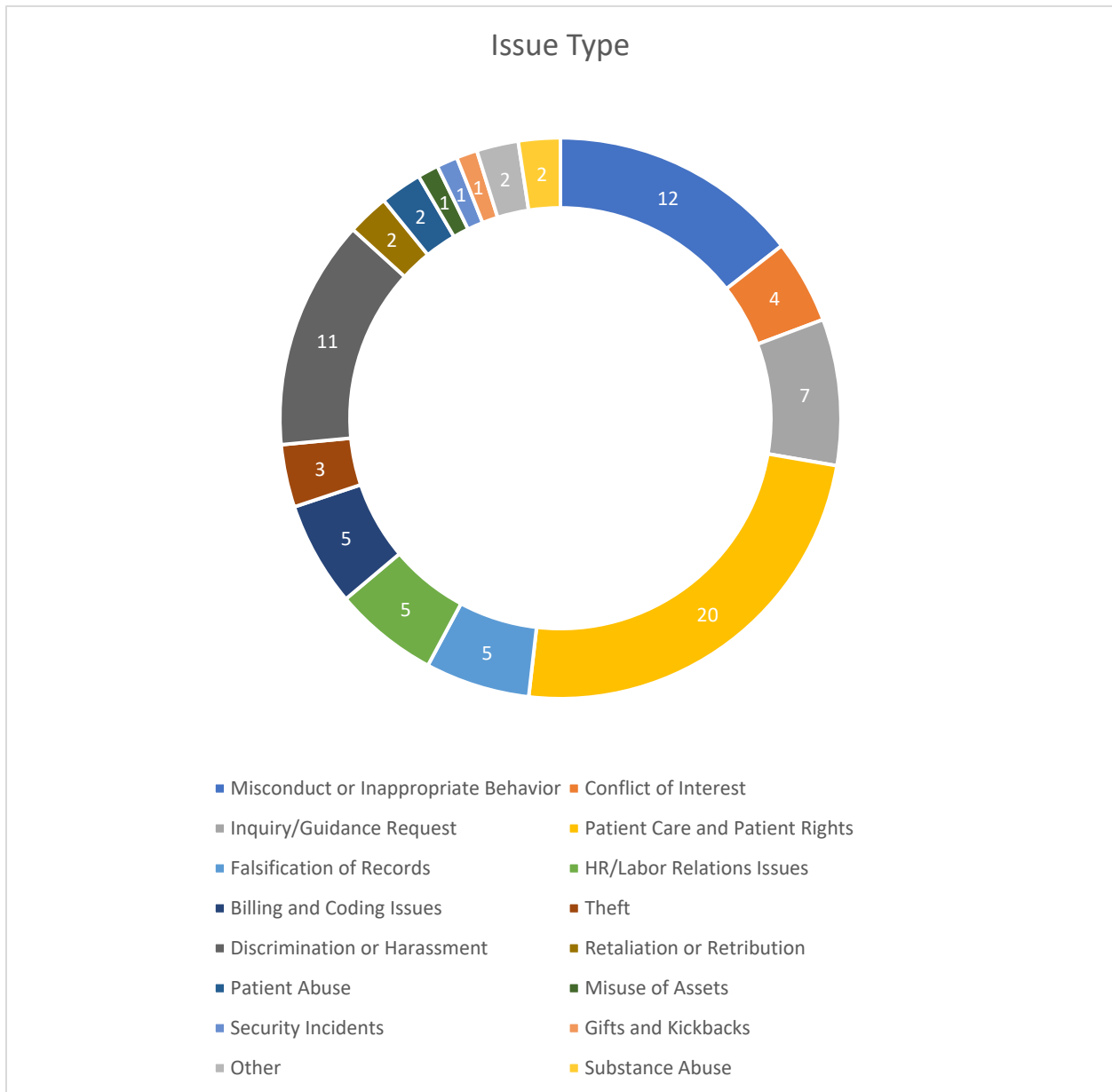


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Issue type:

<b>Issue Type</b>	
Misconduct or Inappropriate Behavior	12
Conflict of Interest	4
Inquiry/Guidance Request	7
Patient Care and Patient Rights	20
Falsification of Records	5
HR/Labor Relations Issues	5
Billing and Coding Issues	5
Theft	3
Discrimination or Harassment	11
Retaliation or Retribution	2
Patient Abuse	2
Misuse of Assets	1
Security Incidents	1
Gifts and Kickbacks	1
Other	2
Substance Abuse	2
<b>Total</b>	<b>83</b>





**IV. Billing and Coding Auditing Services**

- 18) KPMG has begun gathering information and conducting interviews in order to prepare a risk assessment, which will identify the billing and coding areas of the greatest risk to the System. The risk assessment is scheduled to be completed by the end of March.
- 19) The OCC will be recruiting a compliance coder who will work with KPMG and review the accuracy of the System’s coding and billing.

**V. HIPAA Risk Analysis and Security Assessment**

- 20) 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.
- 21) Coalfire has assessed all of the Skilled Nursing Facilities, and is in the process of gathering documents and conducting interviews for the acute care facilities.

**VI. OMIG Revised Compliance Program Regulations**

- 22) In December 2022, the Office of the Medicaid Inspector General (“OMIG”) issued its final rulemaking on the regulations governing the requirements of an effective compliance program. In the final rulemaking, the OMIG made major changes to the compliance program requirements, including: (i) ensuring that contracts with certain vendors and contractors specify that they are subject to the System’s Compliance Program; (ii) reviewing all compliance policies and procedures at least



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annually to determine whether they are being followed and whether they are effective; (iii) periodically evaluate the effectiveness of the compliance training; (iv) ensuring the performance of routine internal or external audits; and (v) conducting annual reviews of the Compliance Program to determine whether the regulatory requirements have been met, and to determine its effectiveness. Such reviews should include on-site visits, interviews, record reviews, and surveys, and the results must be shared with the Chief Executive Officer, Senior Management, the Compliance Committee and the Board of Directors. There are also new requirements for the System’s Compliance Committee, including coordinating with the Chief Compliance Officer (“CCO”) to ensure that the required policies and procedures are current, accurate, and complete and that the required compliance training is completed; advocating for the adoption and implementation of the required modifications to the Compliance Program; and advocating for the allocation of sufficient funding, resources, and staff to the CCO to fully perform their responsibilities.

**VII. 2022 General Compliance/HIPAA Training**

23. Below are the General Compliance/HIPAA Training completion rates for 2021 and 2022.

	<b>2021</b>	<b>2022</b>
Acute Care Facilities	90%	91%
Skilled Nursing Facilities	86%	89%
Community Care	97%	99%
Gotham Health	92%	98%
Correctional Health Services	79%	73%
Central Office	85%	92%