



AUDIT COMMITTEE
MEETING AGENDA

December 02 2024
10:00 A.M.
50 Water Street

CALL TO ORDER

- Adoption of Minutes October 22 2024 Mr. José Pagán
- Executive Session

ACTION ITEM

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute a contract with Coalfire Systems Inc for HIPAA Risk Analysis services at a not to exceed amount of \$7,000,000 for a contract term of three years, and two renewal options, exercisable at the discretion of the System. The purpose of this agreement is to provide HIPAA Risk Analysis services which is an enterprise-wide project that examines the privacy and security of the System's protected health information (PHI), including electronic protected health information (ePHI).

INFORMATION ITEMS

- KPMG Management Letter Mr. David Guzman and Ms. Maria Tiso
- Internal Audits Update Mr. Joseph O'Keefe
- Compliance Update Ms. Catherine Patsos

OLD BUSINESS

NEW BUSINESS



October 22, 2024

AUDIT COMMITTEE MEETING TALKING POINTS

AS REPORTED BY: Sally Hernandez-Piñero

COMMITTEE MEMBERS PRESENT: Ms. Sally Hernandez-Piñero, Dr. Mitchell Katz, Ms. Freda Wang and Erin Kelly representing Ann Williams-Isom in a voting capacity for Jose Pagan.

The meeting was called to order by Ms. Sally Hernandez-Piñero, Committee Chair at 10:16am

Ms. Piñero noted for the record that according to the **By-Laws - Section 14, Committee Attendance**, if any member of a standing or special committee of the Board will not be present at a scheduled committee meeting, the member may ask the Chair of the Board to request that another Board member, not a member of that committee, attend the scheduled meeting and be counted as a member for purposes of quorum and voting:

José Pagán has authorized that Erin Kelly representing Anne Williams- Isom be counted for the purposes of quorum and voting on his behalf.

Ms. Piñero requested a motion to adopt the minutes of the Audit Committee meeting held on July 16, 2024. A motion was made and seconded with all in favor to adopt the minutes.

Ms. Piñero proposed a motion to convene an executive session to discuss confidential and privileged matters.

The Committee reconvened in Open Session:

Ms. Piñero noted the Committee is now in open session and next on the agenda will be a presentation by Ms. Maria Tiso of KPMG on the FY-2024 Financial Audit.

Ms. Tiso noted all the required communications and audit results of the corporation's financial audit as of June 30 2024.

Ms. Tiso introduced her colleagues at the meeting; Camille Fremont, Supporting Partner, Ryan Santonacia, Managing Director and Yimiao Chen, Senior Manager on the account.

KPMG Update

Ms. Tiso presented a slide which discuss how KPMG provides client experience. Our first priority is to make sure that we are providing a quality audit in accordance with the standards. Secondly, making sure that the engagement team members that are assigned to the audit have both the necessary Governmental Accounting Standards Board (GASB) and healthcare experience to work on the account and thirdly to make sure that the audit is efficient, effective, and continue to use technology tools, continue to provide management and the committee with industry insights. We will bring Ash Shehata, our National Healthcare industry lead to some of the meetings to talk about what is going on in the industry.

Ms. Tiso stated that slide 2 talks about expanding the use of audit technology, audit uses technology so that we can make the audit more efficient and effective. We have four columns here, so I will just quickly go through them. Under the column for analytics, these tools help us go through large volumes of data to identify any patterns or trends that we need to focus on. In the past we used to do a sample selection of like 25, but now these tools help us look at a large data set which gives us more insight of what is really going on in the population. The next column is automation, you know these tools help us with some of the time-consuming audit tasks so we can focus on more of the significant areas and then collaboration and workflow, our audit documentation tool is called KPMG Clara, which helps us pinpoint the status of the audit at all times so we will work with management as it relates to the collaboration and then the workflow documentation throughout the year.

Ms. Tiso mentioned that the next slide was put in as of October 16. These were the open items at that point in time because I know this presentation had to be sent out earlier than this meeting. She noted that all these items had been received. The only thing that we need to do in order to issue the audit report today is the last one which is the management representation letter, which we plan to receive from management today so we can issue our report, but all these items have been completed and received and documented in our work papers.

Ms. Tiso noted that the next slide are audit deliverables. We have it broken out into two sections. The current deliverables that we will be issuing today, which is the Auditor's Report and the Corporation's Financial Statement's as of June 30, 2024. In that report, we have a report on Internal Controls over Financial reporting and on Compliance and other matters. That opinion will be issued today in that Financial Statement and lastly, we will be issuing a debt compliance letter, which indicates that the corporation has met its compliance requirements with their outstanding bonds. We will be coming back to the committee in December to present the management letter, the audit of the HHC ACO, which will be issued in December, and then next year in March of 2025, we will be issuing the Metro Plus Health Plan Audit, HHC Insurance Company audit, and then there are various regulatory cost reports that we will be working on with management.

The next slides outlined two corrected audit misstatements to the opening net position balance. As we were performing our opening balance test work which we are required to do because we are the new auditors, we noted that the OPEB and pension liability for deferred inflows were overstated by about \$324 million. This was a result of the cumulative results of changes from the actuarial evaluations in the prior years. Because those adjustments were above our materiality thresholds, the opening balance was restated and that is why we have a single year financial statement because we did not audit the prior year and so we had to go with the single audit presentation. As it relates to the Auditor's Report, we are planning on issuing an unqualified opinion, which is the highest level of assurance that the financial statements are free of material misstatement.

In that opinion, there is another matters paragraph that talks to the fact that the opening balance was restated. As it relates to a material weakness on Internal Controls this goes back to the fact that adjustment was material and there was a restatement in accordance with the standards, we had to have a finding and it was denoted as a material weakness. We can go through that, but that finding has been remediated because the adjustment has been recorded. No significant difficulties were encountered during the audit, we received full cooperation from the management team and access to all documents and records.

Ms. Tiso next slide address one new GASB standard that was adopted in the current year. It is called GASB statement number 100. Accounting changes and error corrections, that is effective for periods ending after June 15 2023, so that was adopted in the current year. There were no significant changes to our initial 2024 Audit Plan, when we came to the committee on July 16, 2024.

As it relates to consultation, we did have various consultations with our national office. There was one legal matter that we discussed, which we needed to document in our work papers. We did have some extensive conversation with them as it relates to the restatement because we had to work through our national office as it relates to the presentation. Then we also consulted with them to confirm the discrete presentation of MetroPlus Health Plans.

There were no actual or suspected fraud involving management's, employee's, except for one matter that we discussed with management. We are not aware of any matters that need to be communicated to the Committee as it relates to noncompliance with laws and regulations. We are independent as it relates to New York City Health and Hospital Cooperation.

Ms. Tiso turned over the presentation to Ryan Santonacita who will discuss the two corrected audit misstatements and walk us through the material weakness finding as well.

Mr. Santonacita stated, as part of our opening balance sheet test work in our initial current assessment, we obtained prior year actual reports for the pension and OPEB liabilities and as part of that process we reconciled them to the prior year financial statements and we had identified certain variances. We did obtain an understanding in the background for each of the variances as well as the root cause. As Ms. Tiso noted, the aggregate adjustment was approximately \$324 million. The 1st adjustment which had related specifically to the deferred inflow of resources for pension was approximately \$212 million and the difference for the deferred inflow of resources related to OPEB was approximately \$111 million. Again, as noted, these differences were a result of errors or issues in the prior year, that were identified and treated in a particular way. Management has been proactive in working with the New York City's, Office of the Actuary To resolve and identify these matters and these two adjustments were corrected in the opening net positions.

Ms. Freda Wang asked to clarify, those adjustments resulted in a positive adjustment?

Ms. Tiso responded yes so it reduced the net position so it was a positive adjustment.

Ms. Wang asked if this was from the City's Actuary.

Ms. Tiso replied yes from the City's Actuary it was changes in actuarial calculations.

Mr. Santonacita stated again the material weakness noted that the controls over the pension and OPEB deferred flows were not properly designed to meet the intended level of precision. The prior slides showed it was a cumulative effect of approximately \$324 million and management corrected these by restating the net position as of June 30, 2024.

Ms. Tiso then turn it over to Ms. Camille Fremont to go through some of the accounting estimates, procedures that were performed and some of the conclusions reached.

Ms. Fremont stated that the first area we are going to talk about is the evaluation of patient accounts receivable, which is one of the largest estimates that are within the financial statements and an area that management spends time making sure is reasonable. Management considers the impacts of contractual agreements with third parties, their historical collection rates, and then the economic trends when coming up with an

estimate for this balance. As a result of that we perform an independent look back analysis utilizing one of our data and analytics tools. We look at the prior year patient accounts receivable balance to see how well management was at estimating that amount. As we did that we determined management's ability to estimate that number was reasonable. Prior historical collection rates were going to be impacted by the slowdown and the ability to collect cash because of what was going on at Change Healthcare. What we did is we looked at the subsequent cash collections from July 1, 2024 through September 30, 2024 and then we also looked at those historical collection patterns that had happened on the June 30th 2023. We took all that information into account and developed our own waterfall analysis that we compared to what management was anticipating happening. As a reminder, Change Healthcare happened in February of 24, 2024 so as we are going through, management is working through the additional posting of cash and the processing of claims. Ultimately, we were able to come to a determination that management's estimate as of June 30, 2024 was reasonable in relation to the financial statements taken as a whole and management continues to apply the cash that they are receiving to the various patient accounts receiving.

Ms. Fremont next slide address the area within the financial statements that looks on the evaluation of the pension obligation as well as other post-employment obligations. The management at New York City Health and Hospitals maintains a census data of participants. This information is given to the New York City office of the Actuary. They get a valuation report of the net position on the liability and an OPEB or another postretirement benefit liability report from the City of New York's Actuary. We then take those reports and we share them with our own Actuary to go through and evaluate the methods and assumptions that was used for reasonableness and consistency with the requirements of the various GASB pronouncements. We also do test work over the underlying census data. The basis for the calculation and we needed to make sure that the data is complete and accurate. As a result of all of our test work that we did, we determined that the valuation of GASB 68 and GASB 75 for both pension and OPEB and the related disclosures were reasonable and appropriate in relation to the financial statements taken as a whole.

Ms. Piñero asked a question on the OPEB and the pension liabilities. You said the amount kind of triggered a finding of materiality? We have no assurances that there might be, not be some other correction going forward. Is it helpful to get a sense of what triggers what kind of finding? If it is 200 million next year or 20 million? We have no way of knowing if there's going to be an issue. How do we deal with that going forward?

Ms. Fremont responded, the first step is management will continue to book to the actual report, which is their best information at the time. Then to your point, there are certain things that are considered change in estimates, so items that could not have been known as of your balance sheet date that will

flow through the following year. Unfortunately, there could be issues that should have been known at the time of the balance sheet date that come to light subsequently. So, every year when we look at your financial statements, assessment of materiality, thinking through what users of the financial statements would find relevant to them, what the standard would say you should be within a certain range. The best process would be to look towards the Actuary reports.

Ms. Tiso responded that materiality is based on quantitative information, the qualitative that could change every year based on the results of the organization. So, one of the things that we did tell management is to make sure that they are looking into the Actuarial Valuation, but also make sure that they are having communications with The Office of The Actuary periodically also to make sure that there is nothing happening.

Ms. Piñero asked the question if there is a quantitative and qualitative?

Ms. Tiso responded, yes both quantitative and qualitative. It is not just like this is the one number and that is it, different factors go into it.

Ms. Fremont stated that the final estimate we want to talk about within the financial statements is the valuations of claims payable for incurred but not reported claims for MetroPlus or IBNR. Throughout the process management gets third party information to calculate the liability based on historical paid plans data and ultimately books that actuarial report and considers other liabilities the plan may have. We use a KPMG actuary to come up with an independent estimate using the same paid claims data, and then similar to patient accounts receivable perform a look back analysis on the historical IBNR reserves. We also perform test work over that paid claims data and membership data that is utilized in the actuary for which our actuary then takes into account when they are coming up with their independent estimate. We were able to determine that the valuation of claims payable for that incurred but not reported claims liability was reasonable in relation to the financial statements taken as a whole. At this point, I would just ask all the members of the committee to just take a moment and read the questions. If there are any items, we can always discuss that at a different point in time.

Ms. Tiso stated, lastly, we have added some information in the appendix, just items to consider on the 2024 Board agenda. Positioning order committees for the future. These are some of the issues that we see nationally. Again, as you go through it, if you have any questions, you can directly reach out to me and then I can have a separate conversation with you on that at this point that concludes our presentation. If there are any further questions, we will take them now.

Ms. Piñero asked if there are any questions? Do we need a motion? If no then we will on to presentation of the Fiscal Year 2024 Draft Financial Statement by David Guzman and James Linhart.

David Guzman and James Linhart Update

Mr. Guzman, so today we will be presenting the 2024 Financial Statements for the Health and Hospitals Cooperation. Today we will focus on the statement of revenues, expenses and changes in that position, also known as the income statement, which encapsulates the System's overall financial performance for fiscal year 2024. In FY-2024 the income statement is showing total operating revenue of \$15.9 billion and a total operating expense of \$15.2 billion with an operating gain of \$623 million. There was an improvement in net position of \$1.1 billion on the bottom line. Some of the key trend's drivers for this performance is summarize as follows.

Revenues increased by \$1.9 billion net patient service revenue in particular increased by \$115.9 million overall, that was due to patient service revenue increases, particularly around inpatient, outpatient SNF collections MetroPlus risk pool, and Non-MetroPlus risk pool increases.

We also noted an increase in discharges of 3,467 and we also noted a significant increase in NPSR eliminations between MetroPlus and H+H which seems to be indicative of greater business between the two entities.

Appropriations from the City of New York increased by \$1.2 billion. That increase was driven by support for our HERRC program and some support for collectively bargained increases around 1180, OSA, DC37 and other various trade locals. Premium revenue increased by \$166.7 million driven by provider investment funding associated with the essentials plan. Favorable premium New York City H+H UPL, Safety net hospital directed payments, financially distressed hospital and higher supplemental maternity and newborn kick premiums. Grant revenue increased by \$414.7 million. This was driven by recognition of COVID FEMA revenue of about \$356 million. Behavioral Health Centers of Excellence Funding, \$41.3 million, HERRC grant funding \$201 million, Federal \$104.9. Other revenue decreased by \$37.3 million mainly due to reductions in 340B pharmacy program revenue and there were also various one-time payments that were received in 2023 that did not recur in FY2024.

Mr. Guzman turning to the expenses, there was an increase of \$1.3 billion. Personal Services expense which increased by \$401.6 million due to collective bargaining settlements and increases in FTE's, so we noted an increase of approximately 3,000.661 FTEs on the H+H payroll system. I think that highlights the great work around transitioning from temporary nurses to H+H staff and we are very happy about that. OTPS increased by \$569 million due to increases in Herc, fringe benefits increase by 55.9 million mainly due to increases in health benefit rates.

Pension and OPEB increased by \$510 million respectively due to changes in actuarial calculations as calculated by the New York City Office of The Actuary.

Affiliation expense increased by \$137 million due to contractual increases and estimated contract settlement.

Depreciation increased by \$34.8 million, mainly as a result of the opening of the South Brooklyn Health Facility and EITS capital transfers of \$14.5 million.

Other changes in that position decreased by a hundred and \$15.7 million. There is a Capital contribution funded by the City of New York decreased by \$120.5 million due to a decrease in construction in progress for capital at capital project at Bellevue and also some changes to CIP associated with network refresh and data center projects for EITS. There was also, in terms of capital contributions funded by grants and donors, that was actually relatively constant with a minor year over year increase of \$4.8 million.

There is an operating gain of \$623 million and an improvement of \$1.1 billion to the Corporation's net deficit position. So, we ended the year at a negative \$309 million in net deficit position, which is I think pretty good results.

Ms. Piñero, yes, we agree.

Mr. David Guzman any questions?

Ms. Piñero, thank Mr. Guzman and KPMG for the terrific collaborative work that they did. I know you came on new and there was ramp up time you clearly jumped in put this a wonderful product, so thank you.

Ms. Wang reiterated that clearly the results are going in the right direction.

Ms. Piñero, I would like to propose a motion to accept the Fiscal Year 2024 Financial Statements as presented. May I have a second on the vote, Dr. Katz voted, yes, Ms. Wang voted, yes, and Ms. Kelly voted, yes.

Ms. Piñero Okay, motion adopted.

Ms. Piñero Next, we'll have an Audit update from Mr. Devon Wilson.

Mr. Wilson, I am the Senior Director of Internal Audits, and I am filling in today for Mr. Joseph O'Keefe.

Internal Audits Update

Mr. Wilson, so we are going to start with the external audits. Currently, we are have three external audits going on. Two is from the New York City Controller's Office and one is from the State Controller's Office.

1. The first one is the Audit of Department of Correctional efforts to ensure access to mental health services for inmates. We are coordinating this with Patsy Yang from Correctional Health and the Mayor's Office of Community of Mental Health. This audit is ongoing and at this point we do not know exactly when this is going to be concluded.
2. The second one is audit of Language Access by the State Controller's Office. We are working closely with the Diversity and Inclusion team at Central Offices. We have gone to different facilities and they want to make sure that the language access signage is displayed throughout the facilities. This one again is ongoing and we are not sure exactly when this is going to be concluded.

Ms. Piñero to the extent that there have been visits as part of this audit, there has been no feedback to us on any issues being found.

Mr. Wilson responded, not at this point, we have shadow them when they are going to the facilities to make sure that they ask the right questions and they do not go out of scope. What we have seen Sally is that they are observing to make sure that we have signage for the different language at the facility. We have not gotten any feedback from them as of yet.

3. Mr. Wilson stated that the third audit is from the New York City Comptroller's Office, and this one is the audit of Behavioral Health Emergency Assistance Response Division and New York City Police Department. This one started back in August 2023 and we had a meeting with them and we provide them with the documentation that they requested and we have not gotten any feedback from them as yet. All three external auditors are in progress and ongoing.

Next, the number of audits for FY 2025, so far zero completed, we have two in progress and we have three that is not started.

Mr. Wilson the next slide we will talk about the Auxiliaries. We made a management decision that all the Auxiliaries are going to employ their own Independent CPA firm to do this work, so we are in the process of winding down with the Bonadio Group.

Ms. Piñero asked the question, did some of the Auxiliaries choose to dissolve themselves?

Mr. Wilson responded, yes, so that is with Deb Brown's group they are working to dissolve because from a cost benefit relationship it does not make a lot of sense. The revenue that they are bringing in is very small for example Seaview. So those are going to be dissolving and we spoke to Deb

Brown's team and if they want to maintain the Bonadio group they can do that but we are not going to be involved.

Mr. Wilson stated that concludes my presentation. Any questions?

Ms. Piñero next we will have a Compliance update from Catherine Patsos, Compliance Officer.

The Office of Corporate Compliance Report

Ms. Patsos stated, as we have done through last year we are working with Internal Audits to prepare a combined 2026 Risk Assessment. I have met with Joseph O'Keefe and Senior Leadership to discuss some of their goals and objectives and obstacles to achieving them and any risks that they foresee in their functional areas. We anticipate that these meetings will continue until early November. In addition, the Compliance and Privacy officers and one of the auditors of Internal Audits are sending the questions that we have been presenting to Senior leadership to their facilities, CEO's CFO's, and HIM Director's to get their input on the similar topics.

Coalfire are winding down their 2024 Risk and HIPAA Risk Analysis. They have completed all the interviews, data collection site visits for the year and the Risk and Compliance workbooks and reports for the GNTCS and neighborhood health sector. Facilities have also been completed and all that really is left is for the compliance and risk workbooks and reports for the enterprise and acute care facilities. All those should be completed by the end of this month.

As Coalfire contract is ending at the end of this year, we have issued an RFP for the service to continue. We received three proposals in response to the RFP. Two of them were asked to make presentations which occurred on September 13, 2024. The evaluation committee scored the two vendors very closely, however, one of them did score just slightly higher than the other. We did present this to the Contract Review Committee which approved the application to enter into a contract. We will then present it to this committee and to the Board of Director's in December for approval. The contract will be for three years with two one-year renewals at our option. Budget for the five years is \$7 million and \$4 million for three years.

Ms. Piñero asked the question, how long have we been working with Coalfire?

Ms. Patsos responded, six years.

Ms. Piñero, then this would be an additional three to five years.

Ms. Patsos, responded, correct.

Ms. Piñero, any questions?

Ms. Wang, for the 2026 risk assessment, is Coalfire working with you?

Ms. Patsos responded no, that is an enterprise kind of a Risk Assessment to evaluate the risks of Legal Compliance, Regulatory Reputational, and Operational Risks. To the enterprise set we work with Internal Audits on Coalfire is focused on the HIPPA Risk Analysis.

Ms. Freda Wang asked, so on the FY-2026 risks would that look on things like cyber?

Ms. Patsos responded, we do consider that into the extent that it is not included in the Coalfire Risk Assessment, because as there are going to be which we actually might include in the next iteration of the contract are the State Cybersecurity Regulations for Hospitals which might actually be part of the next contract for the HIPAA Risk now because it really is kind of very closely aligned to that type of evaluations that the vendor will be doing.

Ms. Wang so, on the FY-2026 risk assessment, once you get through the steps that you described do you present that?

Ms. Patsos, we present that to the Enterprise Risk and Compliance Committee, and they discuss those risks to determine which ones are including them in the work plan, the Fiscal Year Work Plan, which is brought to this Committee for approval.

Ms. Piñero, I guess this is the 2nd year that Catherine and Joseph are collaborating, which I think is a terrific idea.

Ms. Wang, yes, I agree it occurred to me somewhere with given changes in healthcare and all the things that have been happening. Trying to see where it gets captured.

Ms. Patsos It would be in one or the other depending on where it hits the subject area that it falls under if it is closely in line to our electronic health information or is it broader to the to the extent that it might impact other areas.

Ms. Wang asked the question, is Kim from EITS team get involved?

Ms. Patsos responded yes.

Ms. Patsos next slide is on the policy and resource HUB, which we have been working on with the Data and Analytics team for quite some time now. It does house all of our operating procedures and it is designed to be the location for all type it resource documents example policies guides, tip sheets, it is now live on the intranet and so all the policies are searchable. And we

will be able to use the tool to update procedures as well as any other resources that as they start on being uploaded to the tool. We will be meeting with the Operating procedure owners, co-owners, and collaborators. Collaborators are those other senior leadership individuals who would need to provide input to the operating procedures, and we are going to demonstrating the tool for them so that everyone knows how to use it and we can start actually putting it into play. The next phase after once that is done is to present it to other CEOs and System leadership. I am very excited about this.

Ms. Piñero This is very exciting. I have them all housed in one place.

Ms. Patsos we are coming up on, the Corporate Compliance and Ethics Week, which is the 1st week of November. The Compliance and Privacy Officers will have tables set up at their various facilities and that is done through office locations to promote Compliance and Ethical Behavior. They will have games and giveaways and prizes at the tables. They will also be two sets of webinars, one on Fraud Waste and Abuse and one on HIPAA Compliance. Workforce members are able to enter into a drawing for a grand prize. Quiz with a hundred percent or successfully resolve the puzzles and complete both of their compliance and their HIPAA Training for the year. We are also going to be promoting our Compliance Workforce Member Survey to increase the completion rate this year over the past year or so there will be a QR code at the tables where the workforce members can scan in so hopefully that will increase the participation in Compliance Survey.

Ms. Patsos next is the KPMG coding compliance reviews. We are working on a prospective review of short state Inpatient Admissions and Behavioral Health Services. We will soon start on reviewing telehealth services, they are also going to assist in developing and formalizing a coding compliance program and will recommend areas and topics for training and education that will be based on their findings from the audits that they have completed already. They will also assist the office of Corporate Compliance in remediating some of the items on the fiscal 2025 Corporate Compliance Work Plan that were related to Billing and Coding and Medical Record Documentation Completeness. Any questions on that?

Ms. Patsos, the next item is our special needs, modeled care trainings, centers for Medicare and Medicaid services require that all of the special needs plan providers complete this modeled care training every year for each of the managed care plans in which they participate. We have to attest to each managed care plan that our providers are enrolled in their plans, providers who are enrolled in their plans have completed their trainings. So, in September we sent an email to the providers with a link to all each of these snip mock trainings which have to be completed by the end of the year.

Briefly on some new regulatory requirements out of health and human services one on regarding the 42 CFR part two, Substance use Disorder regulations, there's some revisions to that as well as the office for civil rights publishing a final rule making. On Reproductive health care privacy, we are working to develop a plan on how to comply with each of these rules, which will include changes to our notice of privacy practices, our treatment payment healthcare operations, as well as some of our HIPAA Compliance and Privacy Operating Procedures.

Ms. Catherine Patsos showed the slides on the Compliance Report metrics and Privacy Report metrics. The Compliance Report Metrics covered the comparative analysis of compliance cases for 2022, 2023 and 2024(Q1, Q2 and Q3) and the Privacy Report metrics cover the same period.

That concludes my reports, any questions?

Ms. Freda Wang you know obviously 2022 to 2023 was a great trend on the Compliance Report Metric before.

Ms. Catherine Patsos it is a good thing and a bad thing about the compliance reports. We want people to report, that is the good thing. We do not want a lot of noncompliance, but we do want people to report. Also, the Medicaid Inspector General Office requires us to publicize our hot Help-line to support Medicaid recipients. So, we do get some reports from individuals, mostly than patient care patient rights issues.

Ms. Piñero polled any questions from the Committee.

There were none

No new or old business

Meeting adjourned at 11:23am



KPMG LLP
345 Park Avenue
New York, NY 10164-0102

November 25, 2024

The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation

In planning and performing our audit of the financial statements of New York City Health and Hospitals Corporation (NYC Health and Hospitals), a component unit of the City of New York, as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered NYC Health and Hospitals' internal control over financial reporting (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 NYC Health and Hospitals' internal control. Accordingly, we do not express an opinion on the effectiveness of the NYC Health and Hospitals' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be material weaknesses.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control 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 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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in NYC Health and Hospitals' internal control to be a material weakness:

Accounting for Actuarial Determined Liabilities

Observation

During our fiscal 2024 audit, we noted that the review controls over the NYC Health and Hospitals' recognition of its net pension liability and postemployment benefits, other than pensions (OPEB) along with their related deferred outflows and deferred inflows of resources were not properly designed to fully meet the intended level of precision to assess certain actuarial adjustments for changes in its net pension and total OPEB liabilities.



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It was determined that as of June 30, 2023, the deferred inflows of resources from pensions and deferred inflows of resources from OPEB, were overstated by \$212.2 million and \$111.6 million, respectively. The overstatements were the collective outcome of the postponement of the effects of later modifications in pension and OPEB liabilities from prior years. Consequently, the NYC Health + Hospitals has restated its net position (deficit) for the year ended June 30, 2023, by increasing its net position (reducing its net deficit) by \$324.2 million from (\$2.5 billion) to (\$2.2 billion).

Recommendation

In refining their review controls over actuarially determined liabilities for both pension and OPEB, we recommend that management continue communicating with their actuaries for continued monitoring and reporting and with their auditors when items arise related to accounting matters surrounding actuarially determined liabilities.

Management's Response and Resolution Status

NYC Health + Hospitals' management currently has established processes to assess the information provided by the New York City Actuary's Office prior to the documentation of pension and OPEB liabilities. However, due to the fact that the fundamental actuarial processes and calculations are beyond NYC Health + Hospitals' control, there is a necessary reliance on that data. In fiscal year 2024, NYC Health + Hospitals' management effectively identified discrepancies in data that it received from the New York City Actuary's Office, which were brought to the attention of the New York City Actuary's Office, prompting appropriate root-cause analysis and subsequent corrections. Consequently, NYC Health + Hospitals' management is optimistic that its processes can be enhanced moving forward by conducting annual meetings with the New York City Actuary's Office. These meetings will focus on reviewing the current year's actuarial calculations, thereby aiming for more timely identification and resolution of any potential calculation errors in the actuarially determined figures in the future, should they occur.

This communication is intended solely for the information and use of management, the Audit Committee of the Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the “**System**”) to execute a contract with Coalfire Systems Inc for HIPAA Risk Analysis services at a not to exceed amount of \$7,000,000 for a contract term of three years, and two renewal options, exercisable at the discretion of the System.

WHEREAS, The HIPAA Risk Analysis is an enterprise-wide project that examines the privacy and security of the System’s protected health information (PHI), including electronic protected health information (ePHI); and

WHEREAS, the System has identified a need for HIPAA Risk Analysis services; and

WHEREAS, currently the System has been utilizing Coalfire Systems Inc to provide HIPAA Risk Analysis services, with the current contract set to expire on December 31, 2024; and

WHEREAS, the System conducted an open and competitive RFP process under the supervision, and with the assistance, of Supply Chain Services to select a vendor to provide HIPAA Risk Analysis services, in which twelve firms attended a pre-proposal conference and three vendors subsequently submitted proposals; and

WHEREAS, of the three proposals submitted, the one vendor who received the highest rating has been selected for award; and

WHEREAS, the Chief Compliance Officer of the Office of Corporate Compliance will be responsible for the management of the proposed contract.

NOW THEREFORE, be it

RESOLVED, that New York City Health and Hospitals Corporation be and hereby is authorized to execute a contract with Coalfire Systems Inc for HIPAA Risk Analysis services at a not to exceed amount of \$7,000,000 for a contract term of three years and two one-year renewal options exercisable at the discretion of the System.

**EXECUTIVE SUMMARY
HIPAA RISK ANALYSIS SERVICES
AGREEMENT(S) WITH
COALFIRE SYSTEMS INC**

OVERVIEW: The purpose of this agreement is to provide HIPAA Risk Analysis services which is an enterprise-wide project that examines the privacy and security of the System's protected health information (PHI), including electronic protected health information (ePHI).

PROCUREMENT: The System conducted an open and competitive Request for Proposals ("RFP") to procure a vendor to provide HIPAA Risk Analysis services to the System on an as-needed basis. The RFP was sent directly to four prospective vendors, and twelve prospective vendors attended a pre-proposal conference. A total of three] firms submitted proposals and, of the proposals submitted, the Evaluation Committee selected the top rated proposer to provide services to the System.

COSTS: The total not-to-exceed cost for the proposed contract over its full, potential five year term is \$7,000,000.

MWBE: An MWBE goal of 10% was established for this procurement; 5% for infrastructure and security/penetration testing and 5% for the vendor risk assessment. Coalfire Systems Inc will self-perform the entire scope of services as all software and methodologies are proprietary, which is consistent with its past performance of such services. An MWBE Waiver was submitted by the vendor. After review, the Vendor Diversity team approved the waiver request as consistent with the System's vendor diversity policy OP 100-10.



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

From: Irmali Rivera-Bazan
Associate Counsel
Office of Legal Affairs

Irmali Rivera-Bazan
Digitally signed by Irmali Rivera-Bazan
Date: 2024.11.15 14:30:00 -05'00'

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

Date: November 12, 2024

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

Vendor Legal Name	Vendor Responsibility	EEO	MWBE
Coalfire Systems Inc	Approved	Approved	10% goal waived

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

HIPAA Risk Analysis and Security Risk Assessment Application to Enter into Contract with Coalfire Systems Inc

**Audit Committee Meeting
December 2, 2024**

**Catherine Patsos
Chief Corporate Compliance Officer
Office of Corporate Compliance**

- Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a contract with Coalfire Systems Inc for HIPAA Risk Analysis services at a not to exceed amount of \$7,000,000 for a contract term of three years, and two renewal options, exercisable at the discretion of the System.

Background & Current State

- The HIPAA Risk Analysis is an enterprise-wide project that examines the privacy and security of the System's protected health information (PHI), including electronic protected health information (ePHI).
- Risk assessment/analysis services are required by the U.S. Department of Health and Human Services Office for Civil Rights (OCR).
- The System lacks sufficient internal resources to conduct an enterprise-wide HIPAA Risk Analysis that meets the OCR's requirements.
- Coalfire Systems, Inc., (Coalfire), has been our incumbent vendor since 2019. Their contract expires on December 31, 2024. The current agreement was for three years and had an NTE of \$4 million. The current spend for this contract is \$3,971,003
- A new RFP was issued to identify a well qualified vendor to conduct the enterprise-wide HIPAA Risk Analysis that meets the OCR's requirements.

RFP Criteria

➤ Minimum criteria:

- Firm must have performed risk analysis and security assessment services at a minimum of two separate multi-facility health care systems
- Must be in good standing with HITRUST or hold another equivalent certification
- 4 years in business
- MWBE Utilization Plan, Waiver, or MWBE Certification

➤ Substantive Criteria

- 40% HIPAA / Security Risk Assessment Experience
- 30% Assessment Methodology & Reporting
- 15% Cost
- 10% MWBE
- 5% Invoicing

➤ Evaluation Committee:

- Corporate Compliance
- EITS
- Office of Legal Affairs
- South Brooklyn Health
- Kings County

Overview of Procurement

- 6/11/24: Application to issue request for proposals approved by CRC
- 6/28/24: RFP Posted on City Record, sent directly to 4 vendors
- 7/8/24: Pre-proposal conference held, 12 vendors attended
- 7/25/24: Proposals due, 3 proposals received
- 9/13/24: Vendor Presentations held, 2 vendors were invited to participate
- 9/24/24: Evaluation committee submitted scores. Below is the top scoring proposer:
 - Coalfire Systems, Inc.

Vendor Performance

Department of Supply Chain	
Vendor Performance Evaluation	
Coalfire Systems Inc	
DESCRIPTION	ANSWER
Did the vendor meet its budgetary goals, exercising reasonable efforts to contain costs, including change order pricing?	Y
Has the vendor met any/all of the MWBE participation goals and/or Local Business enterprise requirements, to the extent applicable?	N/A
Did the vendor and any/all subcontractors comply with applicable Prevailing Wage requirements?	N/A
Did the vendor maintain adequate records and logs, and did it submit accurate, complete and timely payment requisitions, fiscal reports and invoices, change order proposals, timesheets and other required daily and periodic record submissions (as applicable)?	Y
Did the vendor submit its proposed subcontractors for approval in advance of all work by such subcontractors?	N/A
Did the vendor pay its suppliers and subcontractors, if any, promptly?	N/A
Did the vendor and its subcontractors perform the contract with the requisite technical skill and expertise?	Y
Did the vendor adequately supervise the contract and its personnel, and did its supervisors demonstrate the requisite technical skill and expertise to advance the work	Y
Did the vendor adequately staff the contract?	Y
Did the vendor fully comply with all applicable safety standards and maintain the site in an appropriate and safe condition?	N/A
Did the vendor fully cooperate with the agency, e.g., by participating in necessary meetings, responding to agency orders and assisting the agency in addressing complaints from the community during the construction as applicable?	Y
Did the vendor adequately identify and promptly notify the agency of any issues or conditions that could affect the quality of work or result in delays, and did it adequately and promptly assist the agency in resolving problems?	Y
Performance and Overall Quality Rating	Excellent

Vendor Diversity

- The Vendor Diversity Team set a goal of 10% for this solicitation broken down in the following:
 - Infrastructure security/penetration testing - 5%
 - Vendor Risk Assessment - 5%
- Coalfire has requested a waiver using the following rationale:
 - All Software and Methodologies used in this proposal are proprietary.
 - All labor and deliverables are self-performed.

Audit Committee Request

- Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a contract with Coalfire Systems Inc for HIPAA Risk Analysis services at a not to exceed amount of \$7,000,000 for a contract term of three years, and two renewal options, exercisable at the discretion of the System.

Office of Internal Audits Update

Audit Committee Meeting
December 2, 2024

Joseph O'Keefe, CPA CHC – Chief Internal Audit Officer

External Audits Update

- **EXTERNAL AUDITS - Audit of the Department of Corrections Efforts to Ensure Access to Mental Health Services for Inmates**
- Audit Notification Letter Received – January 31, 2023 Entrance Conference – February 13, 2023
- Status: In progress
- Coordination on audit taking place between Agencies under review and Mayor’s Office of Community Mental Health
- On February 13, 2023, an entrance conference was held between NYC Health + Hospitals personnel and the New York City Comptroller’s Office (CO).
- Data Sharing agreement was finalized in late September that will allow the audit to go forward
- Audit is on-going

- **EXTERNAL AUDITS - Audit of Language Access Services**
- Audit Notification Letter Received – December 21, 2023
- Entrance Conference – January 17, 2024
- Status: In progress
- Audit by The Office of State Comptroller looking at Language Access Services provided
- Audit is on-going

External Audits Update

- **EXTERNAL AUDITS - Audit of the Behavioral Health Emergency Assistance Response Division's and New York City Police Department's role in the response and treatment of mental health crisis**
- Audit Notification Letter Received – August 11, 2023
- On September 13, 2023, an entrance conference was held between NYC Health + Hospitals personnel and the New York City Comptroller's Office (CO).
- At the entrance conference, the CO made various requests for information, which were supplied.
- Audit is on-going

- Number of Audits on FY 2025 Plan.
- Completed Audits 0
- In Progress 3
- Not Started 2

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 fifteen (15) reports for Calendar Year (CY) 2021. The Office of Internal Audits has reviewed and issued those reports. Twelve (12) reports were Compilations as the Auxiliaries' revenues were below \$250,000, two (2) were Reviews as the Auxiliaries' revenues were between \$250,000 and \$750,000; and another was an Audit. Four (4) reports remained in a pending status and 2 will be dissolved.

For Calendar Year (CY) 2022, The Office of Internal Audits has finalized and issued eleven (11) reports. Nine (9) reports were Compilations, one (1) Review and (1) Audit. Seven (7) reports remained in a pending status and 2 will be dissolved. A management decision was made not to complete two of the auxiliaries because of the revenue. The cost outweigh the benefit.



Auxiliary Audits List Status Update as of April 19, 2024

	CALENDAR YEARS REVIEWED	2018 REVENUES	2019 REVENUES	2020 REVENUES	2021 REVENUES	2022 REVENUES
Jacobi Medical Center	2018 – 2022	\$537,664	\$457,149	\$232,607	\$70,021	\$33,985
Renaissance Health Care	2018 – 2022	\$16,788	\$20,666	\$12,184	\$11,828	\$11,475
Coler Hospital	2018 – 2022	\$187,498	\$229,285	\$91,790	\$97,923	(\$108,876)
Carter Hospital Center	2018 – 2022	\$226,599	\$29,893	\$12,309	\$8,329	\$5,355
Gouverneur Hospital	2018 – 2022	(\$146,562)	\$997,683	\$751,055	\$658,222	(\$1,109,261)
Woodhull Medical Center	2019 – 2022	NA	\$234,293	\$19,925	\$22,984	\$61,717
South Brooklyn Health (formerly Coney Island Hospital)	2019 – 2022	NA	\$5,906	\$5,003	\$5,233	\$5,369
Children of Bellevue	2018 – 2022	\$1,112,221	\$1,154,967	\$986,097	\$532,834	\$1,332,137
Lincoln Hospital Center	2019 – 2022	NA	\$99,403	\$17,339	\$4,717	\$4,864
Bellevue Hospital Center	2018 – 2022	\$151,939	\$938,114	\$543,122	\$834,950	(\$880,396)
Cumberland Diagnostic & Treatment Center	2018 – 2022	\$104,367	\$76,782	\$31,683	\$30,240	\$4,735
East New York Diagnostic & Treatment Center	2019 – 2021	NA	\$5,522	\$4,650	\$4,950	NA
Metropolitan Hospital Center	2018 – 2021	\$1,538,040	\$744,114	\$147,938	\$203,738	Pending
Elmhurst Hospital Center	2018 – 2021	\$422,419	\$335,651	\$1,026,642	\$240,491	Pending
Dr. Susan Smith McKinney Nursing & Rehabilitation Center	2018 – 2021	\$80,714	\$77,547	\$12,102	\$4,600	Pending
Bellevue Association	2019 – 2020	NA	\$243,272	\$83,823	Pending	Pending
Friends of Harlem Hospital Center	2018 – 2020	\$133,487	\$215,341	\$276,382	Pending	Pending
Kings County Hospital Center	2018 – 2020	\$58,804	\$21,142	\$43,407	Pending	Pending
Sea View Hospital and Home	2018 – 2020	\$110,468	\$42,748	\$21,600	Dissolution	Dissolution
Harlem Hospital Center	2018 – 2020	\$9,946	\$12,201	\$5,334	NA	NA
Queens Hospital Center	2018 – 2020	\$330,779	\$29,649	\$28,153	Pending	Pending
Friends of North Central Bronx Hospital	2018 – 2019	\$131,555	\$74,525	Dissolution	Dissolution	Dissolution

Corporate Compliance Report

**Audit Committee Meeting
December 2, 2024**

**Catherine Patsos
Chief Corporate Compliance Officer
Office of Corporate Compliance**

Compliance Activities

- **FY2026 Risk Assessment**
 - The Office of Corporate Compliance (“OCC”) and Internal Audits has begun preparing the FY2026 Combined Risk Assessment.
 - The Chief Corporate Compliance Officer and Chief of Internal Audits have completed their meetings with Senior Leadership to discuss their goals and objectives, obstacles to achieving them, and any risks they foresee in their functional areas.
 - The Compliance and Privacy Officers and one of the auditors from Internal Audits have also sent the Risk Assessment questions to the facilities’ CEOs, CFOs and HIM Directors.
 - The OCC and Internal Audits will present the Draft FY2026 Risk Assessment to the Enterprise Risk and Compliance Committee in February.

Compliance Activities (cont'd)

- Policy + Resource Hub
 - The OCC partnered with the EITS DnA Team to develop the Policy + Resource Hub, which now houses all of the System's Operating Procedures ("OPs"); however, it is designed to be the location for all types of resource documents (e.g. policies, guides, tip sheets, etc.).
 - The Policy + Resource Hub is now live on the Intranet, and the OCC and DnA Team demonstrated the tool for all OP owners, co-owners, and collaborators on October 23rd and 24th.
 - On November 19, 2024, the OCC sent an email to all OP owners, co-owners, and collaborators advising them of when their OPs are due for revision.
 - The next phase will be to demonstrate the tool to the facility CEOs and other System leadership.

Compliance Activities (cont'd)

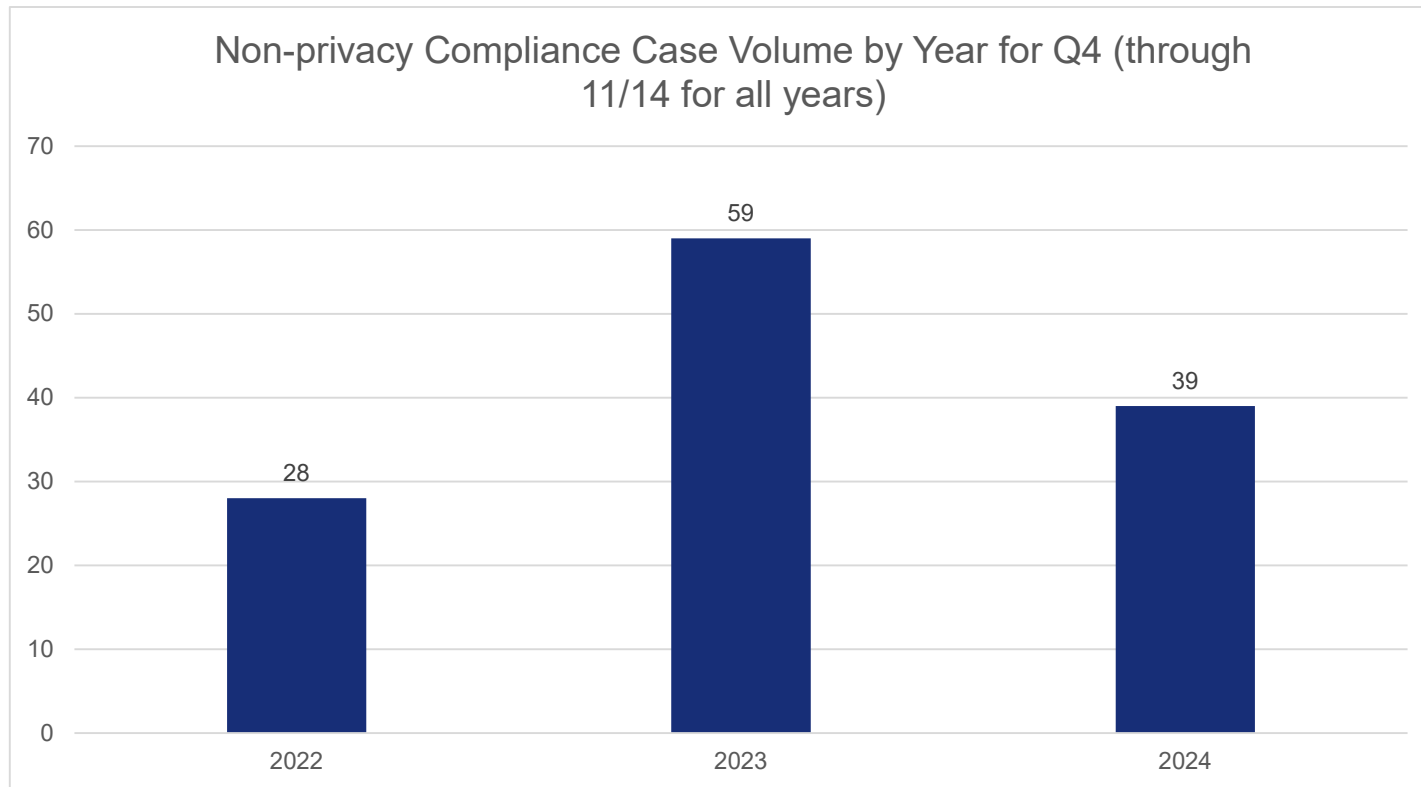
- Corporate Compliance and Ethics Week
 - Corporate Compliance and Ethics Week was November 4th – 8th.
 - The Compliance and Privacy Officers hosted tables at each of their facilities and at Central Office to promote the importance of compliance and ethical behavior, and workforce members had the opportunity participate in games to win prizes.
 - The OCC also hosted two sets of webinars: one on Fraud, Waste, and Abuse; and one on HIPAA. There were 4,156 attendees at the FWA webinars and 5,474 attendees at the HIPAA webinars.
 - Workforce members were also given the opportunity to enter into a drawing for a grand prize if they: attend a webinar, or complete the Compliance quiz with a score of 100%, or successfully resolve the Compliance puzzles, AND complete their General Compliance Training and HIPAA Training.
 - The OCC also promoted its Workforce Member Compliance Survey to increase this year's completion rate.

Compliance Activities (cont'd)

- On September 18, 2024, the New York eHealth Collaborative (“NYeC”) published the draft proposed Statewide Health Information Network for New York (“SHIN-NY”) Statewide Common Participation Agreement (“SCPA”).
- The SCPA is a statewide agreement that will replace all agreements with Health Information Exchanges (“HIEs”), such as Healthix. The SCPA is also part of the State’s initiative to update the infrastructure and operations of the SHIN-NY, which also included the New York State Department of Health (“DOH”) recent amendments to the SHIN-NY regulations.
- There are several changes from the HIE agreements to the SCPA. For example, Participants, like the System, will not have as much control over their patient data. In addition, it is unclear whether we are required to share Behavioral Health or Substance Use Disorder treatment information.
- NYeC provided for a 30-day comment period, and the OCC, in collaboration with the Office of Legal Affairs and Regulatory Affairs, submitted several comments to the proposed SCPA on October 17, 2024.
- NYeC is still analyzing all the comments it received, and announced on November 22, 2024, that the SCPA will **not** be released for execution on January 1, 2025, as previously planned.

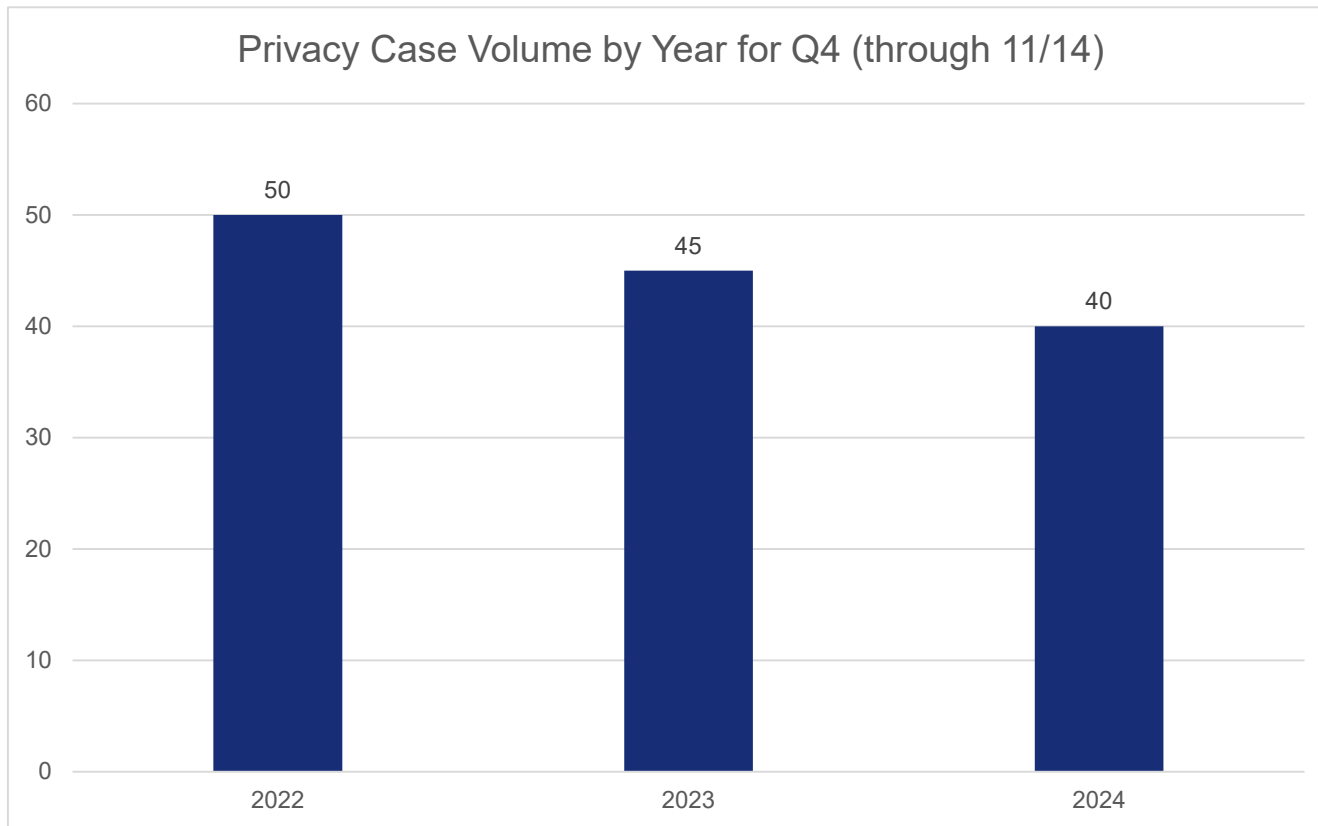
Compliance Report Metrics

- Comparative analysis of compliance cases for 2022, 2023, and 2024 Q4 through 11/14/24

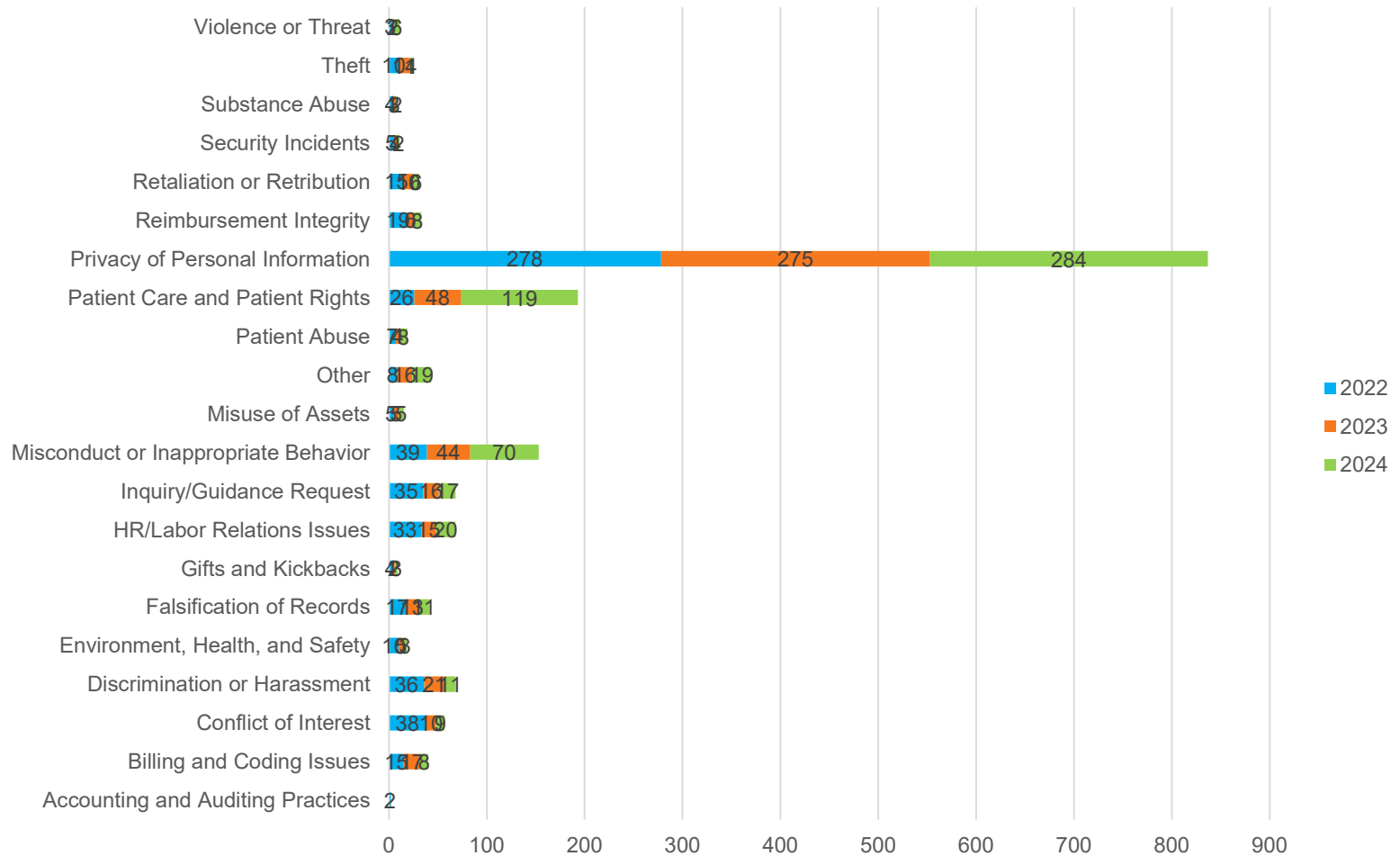


Privacy Report Metrics

- Comparative analysis of privacy cases for 2022, 2023, and 2024 Q4 through 11/14/24

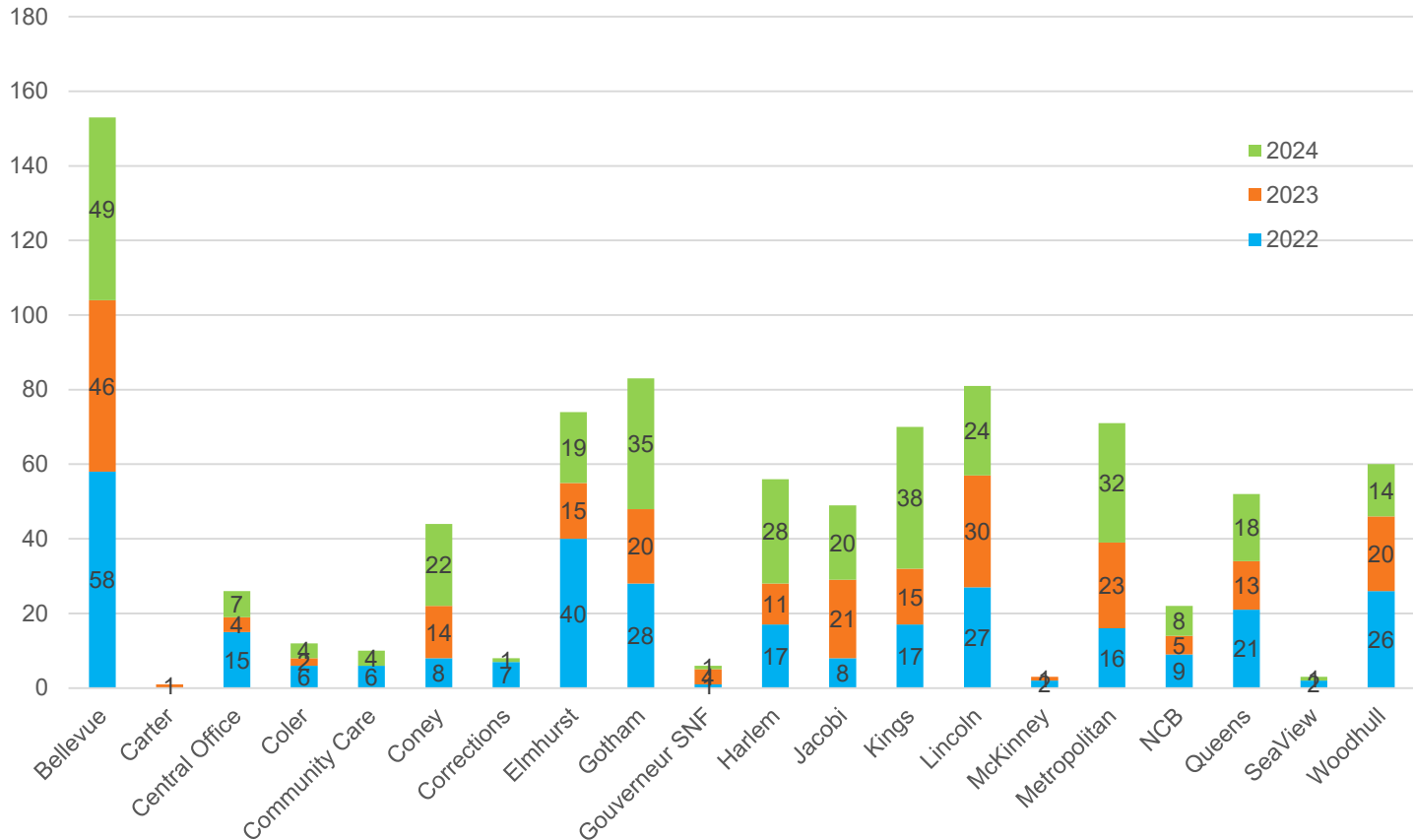


Issue Types



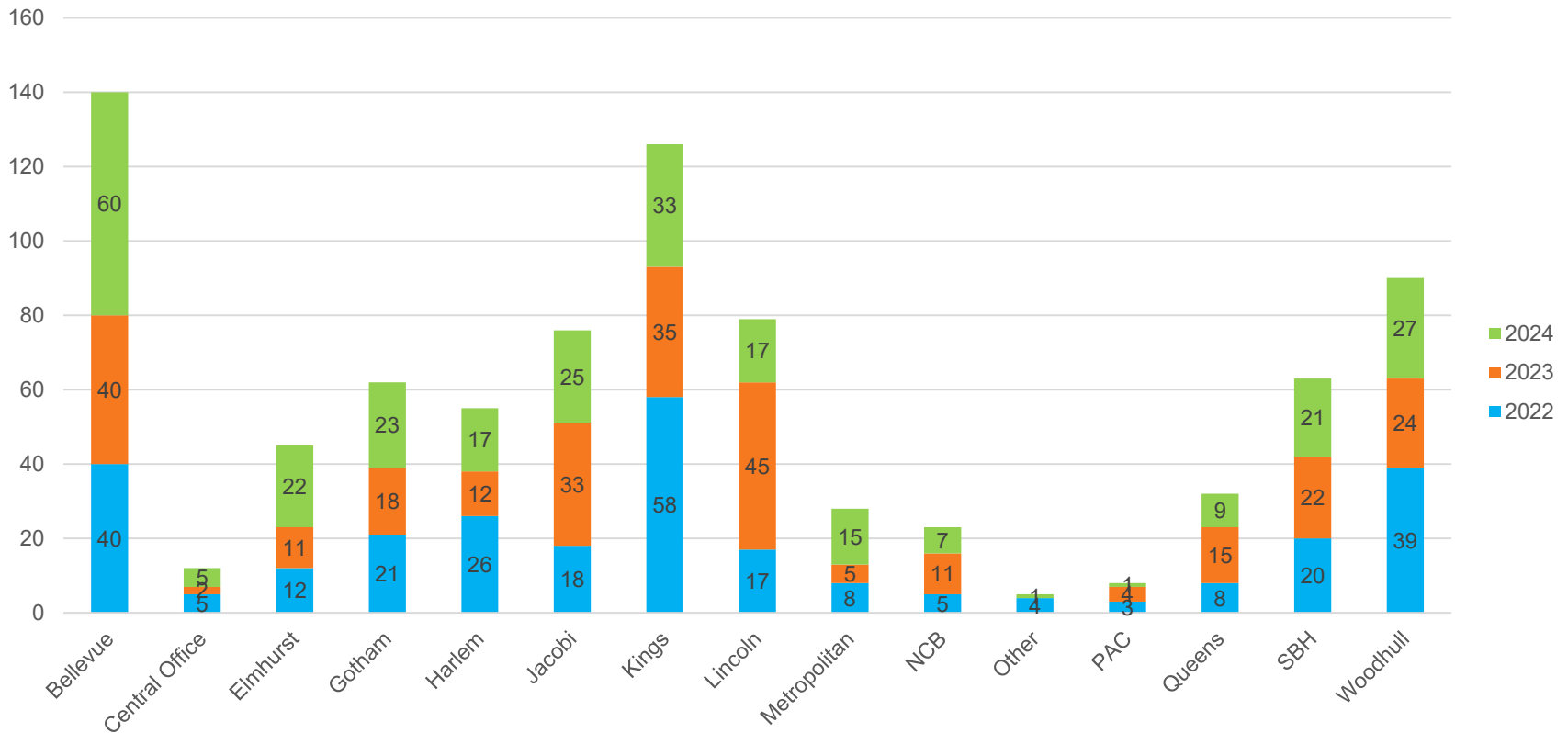
*To note: data for all years runs until 11/14/24 for consistent analysis

Non-Privacy Case Volume by Facility (yearly comparison)



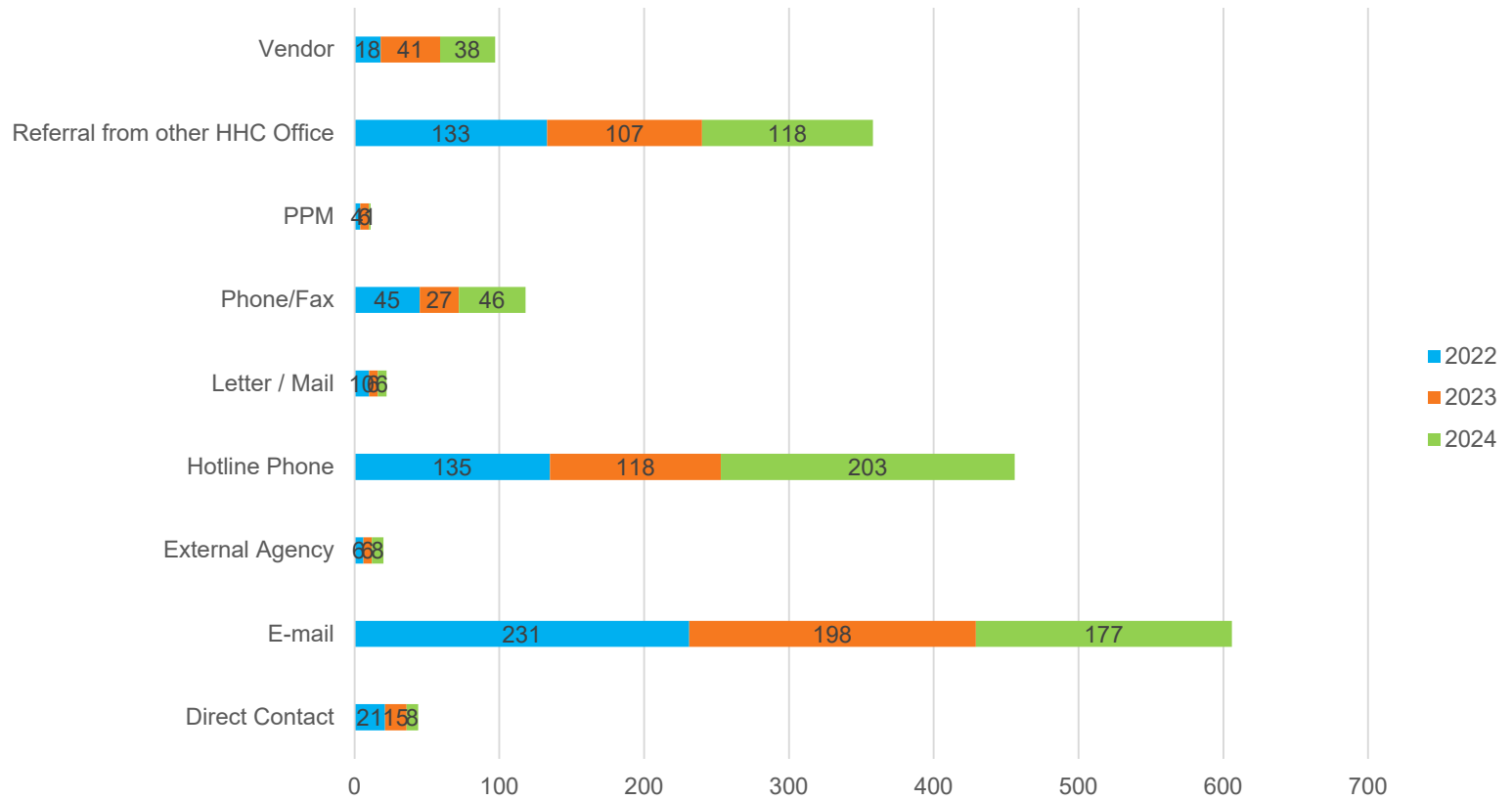
*To note: data for all years runs until 11/14/24 for consistent analysis

Privacy Case Volume by Facility (yearly comparison)



*To note: data for all years runs until 11/14/24 for consistent analysis

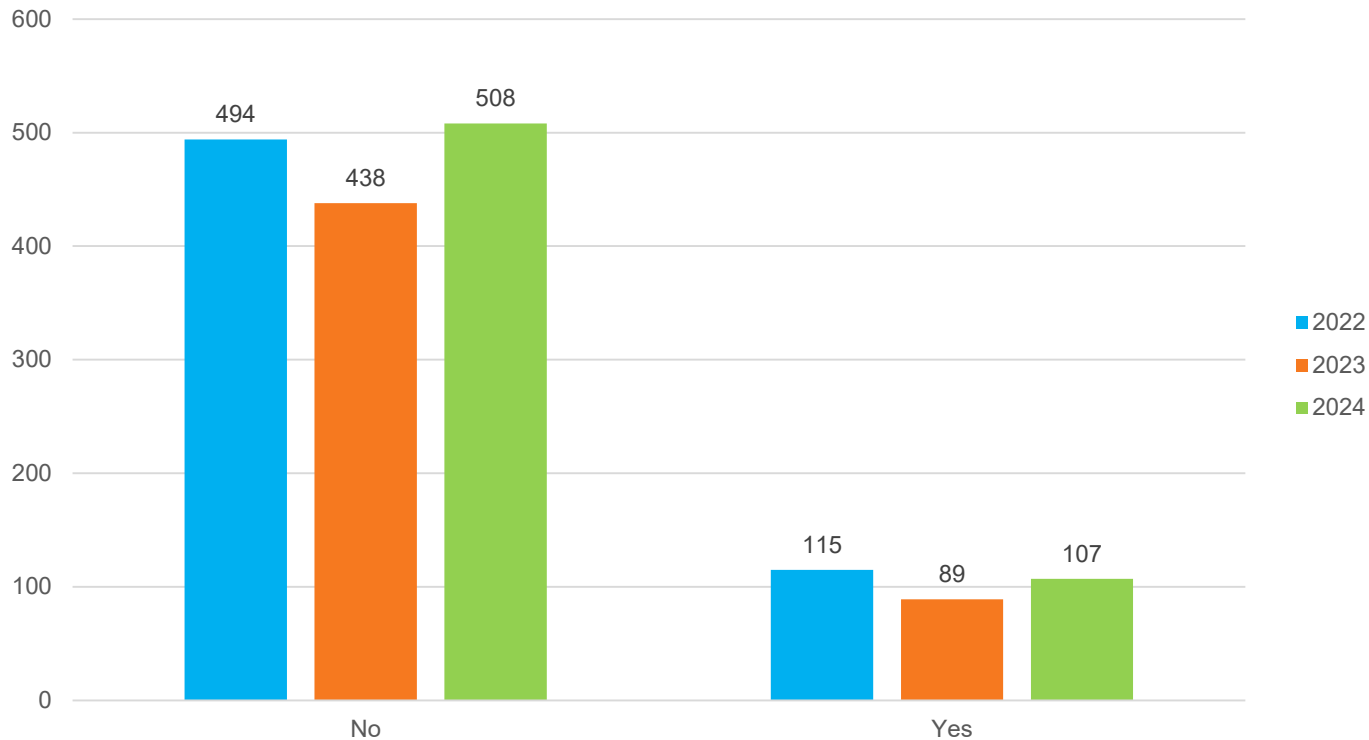
Intake Method (yearly comparison)



*To note: data for all years runs until 11/14/24 for consistent analysis

Reporter Anonymity

The below data suggests that the System has a healthy reporting culture, with most reporters choosing to disclose their identities as opposed to being anonymous.



*To note: data for all years runs until 11/14/24 for consistent analysis