NYC HEALTH+ HOSPITALS

AUDIT COMMITTEE
MEETING AGENDA

December 8, 2025
10:00 A.M.
50 WATER STREET

CALL TO ORDER

- **Adoption of Minutes – October 14, 2025** — **José Pagán**
- **Executive Session**

INFORMATION ITEMS

- **Fiscal Year 2025 Management Representation Letter** — **Maria Tiso**
- **Internal Audits Update** — **Joseph O'Keefe**
- **Compliance Report** — **Catherine Patsos**

OLD BUSINESS — **José Pagán**

NEW BUSINESS

ADJOURNMENT

October 14, 2025
AUDIT COMMITTEE MEETING TALKING POINTS
As Reported by: Sally Hernandez-Piñero
Committee Members Present: Sally Hernandez-Piñero, Jose Pagán, Dr. Ted Long representing Dr. Mitchell Katz in a voting capacity until he joined at 10:18, Ms. Freda Wang and Ms. Tricia Taitt – join at 10:19; Karen St. Hilaire join at 11:00.

The meeting was called to order by Ms. Sally Hernandez-Piñero, Committee Chair at 10:04am.

Ms. Sally Hernandez-Piñero requested a motion to adopt the minutes of the Audit Committee meeting held on July 16, 2025. A motion was made and duly seconded with all in favor to adopt the minutes.

Ms. Sally Hernandez-Piñero proposed a motion to convene an executive session to discuss confidential and privileged matters. A motion was made and seconded with all in favor.

The Committee reconvened in open session at 10:46am.

Ms. Sally Hernandez-Piñero stated next on the agenda is a presentation of the Fiscal Year 2025 audit results by Ms. Maria Tiso from KPMG. Ms. Tiso introduced her team which comprises of Ms. Camille Fremont, Engagement Partner, Mr. Ryan Santonacita, Engagement Managing Director and Ms. Yimiao Chen Engagement Senior Manager.

KPMG Update

Ms. Tiso stated that this was KPMG's second year auditing NYC Health + Hospitals. She noted that the process went very smoothly and thanked the Finance team, especially Mr. David Guzman and Mr. James Linhart for their help and co-operation. She noted that KPMG would issue an audit report on October 17, 2025, which will be an unmodified audit opinion in accordance with Government Auditing Standards, which is the highest level of assurance and that the financial statements are free of material misstatements.

There were no major problems, disagreements, or concerns raised during the review. The only notable event after the fiscal year ended was a supplemental event disclosure - a bond financing of $243 million that took place in August 2025. KPMG is working with management and the banking institutions. She also mentioned that the information that management has provided to the committee did not have any adjustments from the audit perspective.

Ms. Tiso next spoke about the current and future deliverables. The deliverables that we will issue this year will be consistent to what we issued in the previous year. The audit report will include a Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. In addition, they will issue a debt compliance letter in connection with the Corporations outstanding bond.

The future deliverables will be;

- Management letter to the Audit Committee and management on our recommendations regarding internal controls and other operational matter in progress to be issued in December 2025,
- Auditor’s report on the financial statements of HHC ACO, Inc. as of and for year ended June 30, 2025 - expected to be issued December 2025,
- Auditor’s report on the statutory financial statements of MetroPlus Health Plan, Inc. as of and for year ended December 31, 2025 - expected to be issued in March 2026,
- HHC Insurance Company, Inc. as of and for the year ended December 2025 and expected - to be issued in 2026
- Auditor’s report in connection with cost reports for RHCF-4(skilled nursing facilities) and AHCF-1 (diagnostic and treatment centers) expected to be issued 2026.

Per Ms. Tiso, KPMG number one goal is to make sure that they provide exceptional client experience to the organization, and they want to make sure that the people that are staffed are engaged in specific health care and government industry experience. They can work with management to identify anything unusual that needs to be addressed throughout the audit. She also mentioned that the team is using the latest technology to make sure that the audit is more efficient and effective. Each year they keep adding new technology as new technology comes into play.

Ms. Tiso turn it over to Mr. Santonacita to explain the new technology KPMG is using which is called transaction scoring. Mr. Santonacita stated that transaction scoring is allocation of a score to each transaction flowing through the entity’s ledger. This process was applied to the OTPS financial statement line item. This scoring is focused on vendor-based invoicing. Transaction scoring is a data analysis that surpasses historical sampling methods. It analyzes 100% of transactions and subledger populations which will allow them to conclude in scope accounts. Through that analysis, it runs each transaction through approximately eleven control point and it provides a score for each of those individual transactions based upon the control point hits, it will bucket the transactions into low, medium, and high. If transactions are identified for further consideration, it is more than just a pass/fail type test. The statistical advanced data analysis provides sufficient audit evidence for any transaction that is scored as low. This year we had some high and medium bucket identified, which resulted in testing a sample of eight. The transaction scoring is really to look for more exception-based matters versus just doing a random statistical sample and looking to conclude or in some instances having to continue to expand the sample. Mr. Santonacita mentioned, they utilize it over the OTPS line item, which represents approximately $3.7 billion dollars of activity for the corporation.

Ms. Sally Hernandez-Piñero asked, do you use this for MetroPlus and the other subsidiaries as well?

Mr. Santonacita responded, so MetroPlus is a different task. The way the corporation works is you have the HHC column and MetroPlus plus the insurance side. It does not work on the insurance component, claims payables are actually tested using statistical sample. The focus for when we were evaluating it, we noted that OTPS in the HHC column, which is primarily vendor-based invoicing could be utilized there.

Ms. Tiso also responded, it just provides a better audit conclusions in the area especially with OTPS is the largest account balance on expenses, there were no major findings which was a good thing using this tool.

Ms. Freda Wang asked, you didn't find that having much more granularity using transaction scoring uncovered more discrepancies or high-risk kind of transactions?

Mr. Santonacita responded, when they are bucketed we look to disaggregate the accounts, for example if there is a repairs and maintenance or a temp services line, we will understand that majority of the transactions are scored within the low bucket again depending upon the output, but they did not find any anomalies, yes they might with certain transactions that in each certain criteria, but upon further review and investigation, those transactions were not identified as errors, but rather just they had met certain statistical criteria.

Ms. Sally Hernandez-Piñero stated, seems that they were more routine in nature.

Ms. Camille Fremont responded, it allows you to visualize where the defenses are falling, and then we can ask more detailed questions about items we would not have known about in the past when you just doing a pure statistical sample. So, it allows us to really embed risk assessment into our testing as well and focus on those areas that.

Ms. Sally Hernandez-Piñero responded, you could be lucky one year and the sample you have could have no errors, right? Just based on the samples so this kind of hones in on the high-risk areas that you should be looking at?

Ms. Tiso responded, every year there is something new and we are trying to make sure that we are incorporating it to make sure that we are providing and adding value to the organization, it is not just finding things but providing recommendations for management, how to improve the certain areas too.

Mr. Santonacita continue the presentation by discussing audit results required communications and other matters. He stated, as Maria mentioned, she did cover a number of required communications so I will try to keep this on the higher level. There were no corrected or uncorrected audit misstatements, at the time of the mailing 10/9/25 we were finalizing the claims expense test work, and we have completed and concluded that there are no uncorrected statements identified.

Yimiao, will discuss some of the significant accounting estimates, to the best of our knowledge, we are not aware of any management's consultation with other accountants and there were no disagreements with management. Significant accounting policies are disclosed in Note 1. There were two new GASB's adopted in the current year, neither of which had a material impact to the financial statements, those are disclosed in note 1. We do know we had one consultation with our department of professional practice to close out a prior year legal matter. There was no suspected or actual fraud involving management employees or employees with significant roles in internal control.

Our written communications are the engagement letter, the management letter, and the management representation letter. Lastly, with respect to independence, we are not aware of any relationships between KPMG and New York City Health and Hospitals that may reasonably thought to bear on our independence, we will cover some inquiries of management and on the Board.

Mr. Santonacita stated, we had a change to our audit plan, we had to change our planned audit strategy. As a response to the unfavorable change in estimate specifically related to the Disproportionate Share Hospital Maximization (DSH Max) receivable. The engagement team revised our risk level involved in auditing the receivable from a base risk to an elevated risk. The third-party estimate was included and it was identified as an accounting estimate in our audit plan, and this is just making the committee aware of the change related to the risk assessed.

Additionally, our engagement team engaged a subcontractor, Health Management Solutions, which has specific knowledge of third-party reimbursements, specifically New York State to assist in the review of the current year estimate, the underlying methodology and the assumptions. We continue to finalize and review the financial statements, which includes the partner and our concurring review partner. We actually received the final tax review this morning, and then we continue to finalize the test work in the areas of claims expense. The debt compliance test work has been completed, as well as the statement of cash flows. They will continue to follow up on any remaining PVC items from the client and finalize our documentation. They will evaluate subsequent events through issuance, which is expected to be this Friday, and we will inspect any available minutes and obtain the signed management representation letter. Mr. Santonacita then turned over the presentation to Ms. Fremont.

Ms Fremont stated as a reminder to the committee, MetroPlus are audited through June 30,2025 for purposes of the corporation's audit and then they have a standalone audit for December 31, 2025 as well. She thanked the management of MetroPlus for all the help they have given through the progression of the audit for June 30, 2025 and also doing work that can be leverage for the December 31,2025 audit as well.

During our test work over claims expense, we looked at the claims paid and we focused on the period of January 01, 2025 through June 30,2025 at this point we leveraged work from last year's December 31,2025 for the period that crosses over into the corporation's year end. In that sample we did find some discrepancies in the amounts of claims that were paid, it was caused by various factors like incorrect contract configuration as well as some manual claims intervention. We are continuing to work with management to identify additional claims that we need to test for purposes of the December 31,2025 audit. Ms Fremont acknowledged that there is high level of monitoring procedures in place at MetroPlus including a review of the weekly check runs to discover any potential anomalies if there was a claims processing issue as well as high dollar claims reviews. The totality of what goes on throughout the claims process allows us to conclude that these errors that we found in our samples are a significant deficiency, but it does not rise to the level of the material weakness for purposes of the June 30, 2025 audit. They will come back in December 2025 to present the management letter comment and they will continue to work with management through that process and they will continue to test claims for the standalone MetroPlus December 31, 2025 audit.

Ms. Fremont asked is there any question?

Ms. Sally Hernandez-Piñero commented, I guess when MetroPlus gave us a brief presentation on the issues, it was surprising one of them involved A $50 error, I guess your system resulted in having it appear at least less insignificant than it does.

Ms. Fremont responded correct, that is why we are continuing to test the claim for the purpose of the December 31, 2025 audit nor would we suggest that management should book to our extrapolation. We just need to continue our testing for this time period plus 2nd half of the year to allow us to conclude on a standalone basis for MetroPlus for that audit.

Ms. Tiso commented, there will be no way for us to be able to go in and test every single claims, it would be an enormous task for both management and for us. So, in that particular instance in order for us to conclude that it is not a material weakness, we need to put a box around it and the way to do that is to extrapolate over the population so that we can have guidance of where this control finding would fall into and really a significant deficiency is just making sure that management and the audit committee is aware of it does not rise to a material weakness.

Ms. Sally Hernandez-Piñero asked are there any other questions?

The presentation was then turned over to Ms. Yimiao Chen who presented on significant and other accounting estimates. She started with the first accounting estimate where an evaluation of patient accounts receivable. They perform an independent look back analysis on the June 30, 2024 account patient receivable using the actual cash collected. They developed an independent estimate using data analytics tool for the June 30, 2025 A/R evaluation based on the test they performed. They concluded that the evaluation of patient accounts was reasonable for June 30, 2024.

The next estimate was the valuation of pension obligation (GASB 68) and other postemployment obligations (GASB 75) and related disclosures. Management provide the salary component of census data for selected participants to the NYC Office of the Actuary, which combines the information with additional relevant data from NYCERS to project actuarial liability from City of New York. Management obtains and records their determined employer’s proportionate share of the collective net pension liability from the City of New York. Management obtains and records their determined total other postemployment benefit liability from the City of New

York. They utilized a KPMG actuarial professional to evaluate the actuarial methods and assumptions (discount rate, expected rate of return on assets, salary increases, healthcare costs trend rates, per capita claims cost and mortality rates, etc.) for reasonableness and consistency with respective requirements of GASB 68 and GASB 75. They performed test work procedures on certain relevant data elements maintained by management within the underlying census data used in the actuarial reports. They reviewed the presentation and disclosure of the related pension obligation and post-retirement obligations in the financial statements to help ensure appropriateness with applicable accounting framework. She noted, no indication of management bias, they determined that the valuation of GASB 68 and GASB 75 and related disclosures were appropriate and reasonable in relation to the financial statements taken as a whole.

Ms. Chen, went on to discuss third-party receivable related to the Disproportionate Share Hospital Maximization (DSH Max) program. Management estimates revenue from the DSH Max program based on projected losses incurred from treating uninsured and Medicaid patients, these projections are grounded in the 2021 audited DSH results the most recent years that underwent a formal DSH audit. From this baseline, management subtracts compensating revenue received through other sources, such as Upper Payment Limit (UPL)programs, FEMA reimbursements, and regular DSH payments. The resulting net amount represents the estimated uncompensated care that is expected to be subsidized through the DSH Max Program. They utilized a subcontractor, Healthcare Management Solutions, LLC, to review the methodology and assumptions used in estimating the DSH Max receivable. They performed test work and risk assessment over the underlying relevant data elements. She noted, no indications of management bias, they determined that the methodology and assumptions utilized to determine the DSH Max receivable were reasonable in relation to the financial statement taken as a whole.

Ms. Freda Wang asked so the risk was elevated because management changed the methodology? is that the reason for the risk elevation or did something else change?

Mr. Santonacita responded management had recorded either end of the first quarter or the end of second quarter these estimates are on a lag, so the 2021 DSH audit was completed by the State of New York, which resulted in a $700 million negative change in estimate, so it was a hit to net patient service revenue, as a result of that future years that were still open, that were subject to DSH audits, the methodology needed to be revised to ensure that the results of the DSH audit were flown through the previous years based upon the most recently available information. In previous years there were no matters as such. So, with that change in methodology as well as the settlement of the 2021 DSH audit, KPMG took a step back and said maybe we should be revising this to ensure that the methodology is appropriate based upon the latest available audit results reflects it through.

Ms. Freda Wang asked so the audit results gave clarity as to what our receivable should be?

Ms. Tiso responded what our procedures did was just conclude what management had done from an audit perspective.

Mr. Guzman also responded, we had a methodology that Ryan described, it has this flow through component for year-end, we actually modified that methodology to make it more bottom up so that it is more reactive to changes because we felt that methodology built on a lag was not as good as detecting changes, we keep evolving as the entity in real time our business model changed, so we want to make sure that we have this bottom up approach. So, this year we actually modified the methodology, still I would not characterize it purely bottom up It is still hybrid. There are components of it that are more bottom up than they were before. Mr. Guzman stated that KPMG took a look at that.

Ms. Tiso also added We just felt that we needed to dig deeper into the methodology to make sure that we were okay with the assumptions and the changes that management had made for that calculation.

Mr. Santonacita responded to David's point, from 2021 and forward the State of New York has also changed some of the way that they have done reimbursement methodologies specifically with UPL add on and conversion rates. In 2021 and prior those really were not a factor in determining the methodology because they were not in play in terms of a reimbursement method for the corporation and within the State of New York.

Ms. Freda Wang responded, so I guess the elevated risk is just all of these things changing in enhanced the focus for KPMG and then KPMG based on your review of the estimates dug into what management had done and conclude that it is fair.

Ms. Tiso, if you remember back in June when we came to go through the audit plan a lot of these changes were not made yet, so we would not have known that is why we had kept it at a base risk, all these changes had not happened yet. As part of our order procedures, we do monitor the changes that are made from the time we come here to present our report if things need to be changed and then discuss it with the committee.

Ms. Freda Wang state, on the pension stuff we had in the past some pension findings so this makes me feel that we are doing much better.

Ms. Fremont discuss the last estimate MetroPlus Health Plan's valuation of claims payable for incurred but not reported (IBNR) claims. Management utilized a third-party actuary to calculate the liability based on historical paid claims data and determine the reasonableness. They utilized a KPMG actuarial professional to develop an independent estimate using claims data and performed a look back analysis historical IBNR reserves. They performed test work over the paid claims data and membership data utilized in the actuary report. No indications of management bias, they determined that the valuation of Metro Plus claims payable liability was reasonable in relation to the financial statement taken as a whole.

Ms. Tiso presented the last slide required inquiries. They have meetings with various members and management team to determine if there's any noncompliance with laws, investigations, any fraud that we should be aware of and nothing came to their attention. If there is anything that the committee, you know, based on after you read this. To discuss with me, please let me know, but these are just some of the sample questions that we go through with the management team and nothing came to our attention. And then we also had an appendix, it's just a slide on the 2025 board agenda and our US audit quality transparency and impact reports. That is just for the audit committee's review. Early review, if you have any questions, I know you guys were all very busy, but we just wanted to add it there. If you have any questions, you know, definitely reach out to me.

Financial Statement

Mr. Guzman presented Fiscal Year 2025 Draft Financial Statement. He stated that the financial statements are comprised of the statement of net position, aka the balance sheet, statement of revenues, expenses and changes in net position, aka, the income statement, and a statement of cash flows, and the notes to the financial statements. We all focus on a consolidated income statement which encapsulates the System's overall financial performance for fiscal year 2025. The income statement is showing a total operating revenue on a consolidated basis of $15.75 billion and total operating expenses of $15.69 billion, which leads to an operating gain of $63.8 million. Factoring capital contributions there was an improvement in net position of $404.7 million and a positive ending net position of $95.7 million on the bottom line.

On the revenue side, we had revenue of $15.75 billion which represents a decrease year over year of $105 million of that net patient service revenue of $7.3 billion increased by $188.8 million. This includes $239.6 million of UPL conversion revenue from prior year. Retro's revenue decreased by $554 million mainly due to the change in estimates that we discussed earlier in this presentation. Offsetting the decline in retro revenue was an increase in inpatient revenue of $288.2 million of outpatient revenue of $307.7 million and an increase in SNF revenue of $37.9 million.

Appropriation for the City of New York of $2.88 billion increased by $30.8 million year over year. The increase is due to unsubsidized tax levy and collective bargaining appropriations. Premium revenue of $5 billion increased by $199.6 million, much of that due to favorable premium adjustments. Grants revenue of $406.5 million decreased by $510.5 million, much of that relates to the conclusion of the FEMA revenue recognition. An impact of a $134 billion FEMA estimated this disallowance. Other revenue of a $163.8 million decrease by $13.6 million. Some of the reasons why we had a decrease of about $2 million in ACO revenue. $4 million in Health First Elmhurst dividend payment as compared to last year.

On the expense side, we had expenses of $15.69 billion, which increased by $453.9 million. Starting with the components of that PS expense of $4.5 billion increased by $610.8 million, mostly due to collective bargaining and increases in FTEs on the H+H payroll. OTPS of $6.97 billion decreased by $273.4 million due to reductions in HERRC and OTPS spending. Fringe benefits of $1.25 billion increased by $57 million, most likely due to increases in FTEs. Pension of $299.6 million decreased by $141.7 million based on the New York City actuary's report, mostly due to increase in projected earnings on pension plan investments. OPEB's was $73.9 million decreased by $42.6 million due to change in discount rate from 4.21% to 5.2%. Affiliation expense of $1.95 billion increased by $237 million. Depreciation of $611 million increased by $6.2 million. As previously mentioned, there is an operating gain of $63.8 million, and an improvement of $404.7 million to the

Corporation's net deficit position, which ended the year at a positive of $95.7 million.

Ms. Sally Hernandez-Piñero called for a motion to approve the Fiscal Year 2025 financial statements as presented. The motion was made, seconded, and approved unanimously.

Ms. Sally Hernandez-Piñero called on Mr. Joseph O'Keefe for a brief update on the Language Access Audit.

<u>Internal Audit</u>

Mr. Joseph O'Keefe stated he received the Language Access Audit draft report August 21, 2025, he replied back on September 26,2025. We should be getting a final report at some point. There were a couple different findings that came out in the report. One dealt with cost savings which we responded to and another was about audit needs assessment, that was completed and we have also responded back.

Ms. Sally Hernandez-Piñero called on Ms. Catherine Patsos to provided brief updates Corporate Compliance.

<u>Corporate Compliance</u>

Ms. Patsos started her presentation with the Office of Corporate Compliance Activities. The first slide was on Coalfire 2025 HIPPA Risk Analysis. Coalfire has nearly completed its 2025 HIPPA Risk Analysis, they have completed all of the interview and site visit for the 2025 HIPPA Risk Analysis. In addition, they have completed the reports and workbooks for the SNFs, and the OCC has reviewed the workbooks for the acute care facilities. They are in the process of compiling reports and workbook for Gotham Health, the Enterprise, Correctional Health Services, and the Vendor Risk Management Program. For the supply Chain Risk Management piece, the OCC is assisting Supply Chain with the needed SCRM policies and procedures.

Ms. Patsos, also mentioned they are doing some hot topics so we are pushing out to help educate people according to findings from our survey that people wanted more electronic communications about compliance. They are also going to have Corporate Compliance ethics week from November 3 through 7. We will have compliance officers hosting tables where people can play games and win prizes. she also stated that she will have a Deficit Reduction Policy distribution. The Statewide Common Participation agreement is something that is currently working on, it is a state agreement that all providers have to sign by December 31,2025. Also, the Special Needs Plan Model of Care Training. This is a Medicaid and Medicare managed care plan requirement.

Ms. Sally Hernandez-Piñero asked is there any old or new business?

Hearing no, new or old business – the meeting adjourned at 11:22am

KPMG LLP
Two Manhattan West
375 9th Avenue, 17th Floor
New York, NY 10001

December 1, 2025

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, 2025, 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 significant deficiencies.

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 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.

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. We consider the following deficiency in NYC Health + Hospitals' internal control to be a significant deficiency.

Accounting for the accuracy of the claims paid expense

Observation

During our audit of NYC Health + Hospitals for the year ended June 30, 2025, we tested a sample of 109 claims paid by MetroPlus between January 1, 2025 through June 30, 2025. Our testing identified three instances where claims were not paid accurately.

We noted that while the design of the review controls over claim payments were appropriate, the execution of these controls did not operate with sufficient precision to consistently detect and prevent payment errors.

Specifically, deficiencies in contract configuration and review of certain manual claims contributed to control failures.

The deficiencies in the execution of these controls constitute a significant deficiency in internal control. There is a reasonable possibility that processing errors could occur and go undetected, leading to financial inaccuracies.

We acknowledge that management has incremental high-level monitoring controls, such as weekly check runs and high-dollar claim reviews, which help mitigate the risk of a material misstatement to the financial statements. Additionally, management's analysis of the identified errors indicates that the potential quantified misstatement is not material. Therefore, this issue does not represent a material weakness. However, the identified control gaps warrant management's attention to enhance the accuracy of claims processing.

Recommendation

We recommend that management re-evaluate and strengthen the execution of claim payment review procedures. This may include providing additional training to personnel responsible for the control, revising review checklists to ensure a more detailed examination, and implementing a secondary, targeted review of claims to ensure accurate processing.

Management's response

MetroPlus Health has multiple levels of controls to identify and prevent configuration and manually priced claim errors, including regular audits of processed claims for payment accuracy and a limited authority framework that restricts any individual's ability to reprocess claims based on dollar value thresholds.

To prevent similar configuration errors, we are implementing a peer review process in ServiceNow. The configuration analyst will be required to create a task in ServiceNow for peer review, and the peer reviewer will document the review within the task, including confirmation of the State and/or government documentation reviewed.

To mitigate manual pricing errors in final payments, we have reinforced staff guidance and training on proper procedures for manual pricing. Additionally, effective November 1, 2025, we implemented a systemic surveillance process for manually priced claims to provide ongoing monitoring. A percentage of manually priced claims that appear to be an outlier from normal trend will be peer reviewed to ensure accuracy.

We appreciate KPMG's recommendations and remain committed to strengthening our internal controls environment and continuously improving processes to ensure accuracy, compliance, and operational integrity.

Status of Prior Year Comments

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.

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 - 2024

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.

KPMG update - 2025

This observation was remediated by management during fiscal year 2025.

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

Office of Internal Audits Update

Audit Committee Meeting
December 8, 2025

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
- 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
- Status: Draft Report Received

External Audits Update

- **EXTERNAL AUDITS - Audit of Language Access Services**

- Audit Notification Letter Received – December 21, 2023
- Entrance Conference – January 17, 2024
- Status: Reporting Stage
- Audit by The Office of State Comptroller looking at Language Access Services provided
- Preliminary Findings issued.
- Response to Preliminary Findings submitted May 2025.
- Draft Report Received August 21, 2025
- Response to Draft Submitted September 26, 2025
- Final Report Received November 2025

INTERNAL AUDIT ACTIVITIES

Number of Audits on FY 2026 Plan

Completed Audits	2
In Progress	3
Not Started	0

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 eighteen (18) reports for Calendar Year (CY) 2021. The Office of Internal Audits has reviewed and issued those reports. Fifteen (15) 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. One (1) report remained in a pending status and two (2) will be dissolved. A management decision was made not to complete services for one (1) of the auxiliaries because of the low revenue. The cost outweighs the benefit.

For Calendar Year (CY) 2022, The Office of Internal Audits has finalized and issued seventeen (18) reports. Fifteen (16) reports were Compilations, one (1) Review and (1) Audit. One (1) report remained in a pending status and 2 will be dissolved. A management decision was made not to complete two (2) of the auxiliaries because of the revenue. The cost outweighs the benefit.

Auxiliary Audits List Status Update as of September 30, 2025

AUXILIARY	CALENDAR YEARS REVIEWED	2018 REVENUES	2019 REVENUES	2020 REVENUES	2021 REVENUES	2022 REVENUES
Friends of Harlem Hospital Center	2018 – 2020	$133,487	$215,341	$276,382	Pending	Pending

Audit Committee of the NYC Health + Hospitals Board of Directors

Office of Corporate Compliance Report

Catherine Patsos
Chief Corporate Compliance Officer & Corporate Privacy and Security Officer

December 8, 2025

Office of Corporate Compliance (OCC) Activities

- OCC Compliance Survey
  - The OCC launched the 2025 Compliance Survey to all workforce members.
  - This year the OCC teamed up with Gartner to use their Compliance Survey.
  - One of the goals of the Compliance Survey is to learn how effective the Compliance Program is, and what additional information workforce members need or would like to have.
  - The Compliance Survey will be open until December 5th.

- 2025 General Compliance Training & HIPAA Training Completion Rates:
  - Sending emails to facility CEOs and Central Office Department Heads informing them of their facility or department's training completion rates.

- 2026 General Compliance Training & HIPAA Training is in development

OCC Activities (cont'd)

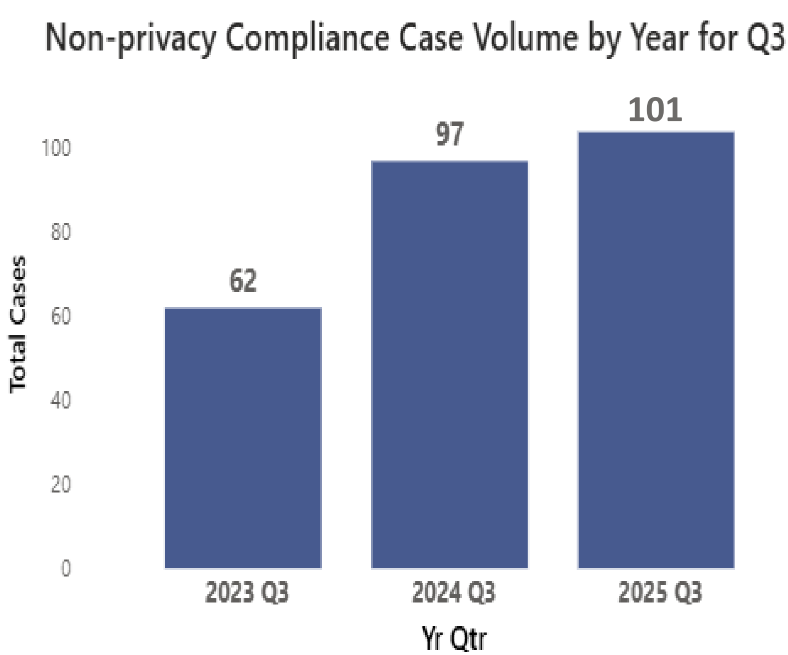
- Corporate Compliance and Ethics Week
  - November 3rd through 7th
  - The theme this year was "Be Bold. Be Gold. Follow the Golden Rules of Compliance".
  - Compliance and Privacy Officers hosted tables at their facilities where they provided information on compliance, engaged workforce members in games, and gave out prizes to game winners.
  - In addition, the OCC hosted three webinars throughout the week on Fraud, Waste, & Abuse, HIPAA Privacy, and Conflicts of Interest.
  - Attendance at the webinars far exceed last year's attendance (Fraud Waste & Abuse 4,166; Conflicts of Interest 4,034; HIPAA 4,879)
  - There were also puzzles to solve to test workforce members' Compliance and HIPAA knowledge.

OCC Activities (cont'd)

- Risk Assessment Survey
  - The OCC is teaming up with Internal Audits again this year to develop the System's FY2027 Risk Assessment.
  - The OCC and Internal Audits is developing a risk assessment survey to send out to management level workforce members, which asks them to rank the impact and likelihood of certain risks.
  - After the results are finalized, the OCC and Internal Audits will interview members of the System's leadership to ascertain what they consider are the greatest risks to there department or functional area.

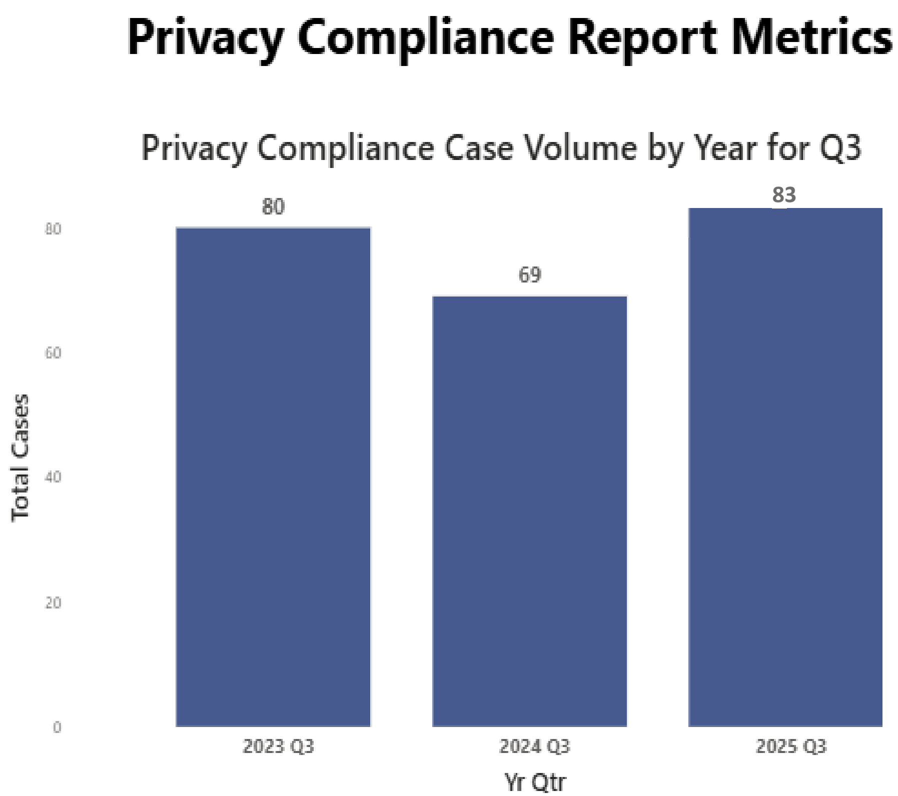
Compliance Report Metrics

Non-Privacy Compliance Report Metrics



- 3rd Qtr. comparative analysis of all non-Privacy cases for CY's 2023, 2024 & 2025

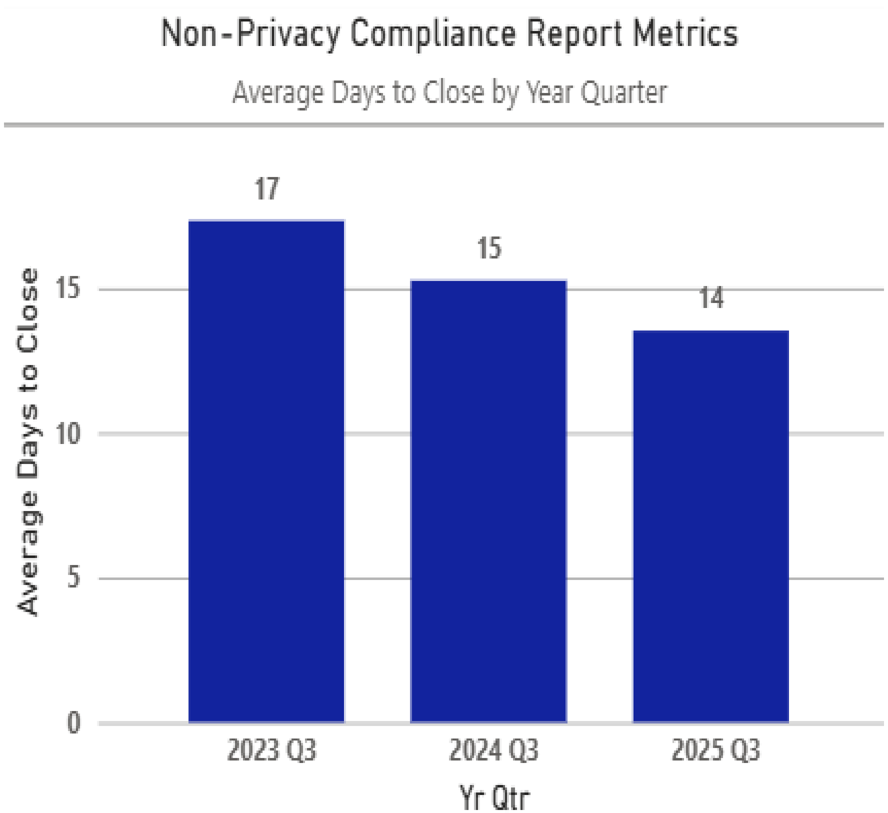
Compliance Report Metrics



3rd Qtr. comparative analysis of all Privacy cases for CY's 2023, 2024 & 2025

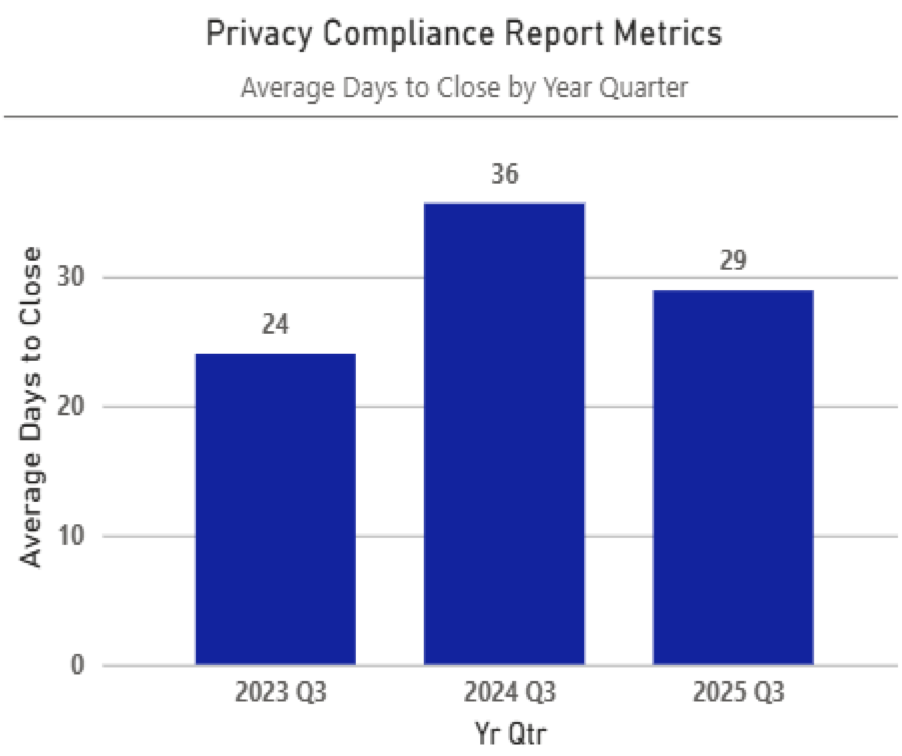
NYC HEALTH+ HOSPITALS

Compliance Report Metrics



- 3rd Qtr. Average Days to Close comparative analysis of all non-Privacy cases for CY's 2023, 2024 & 2025

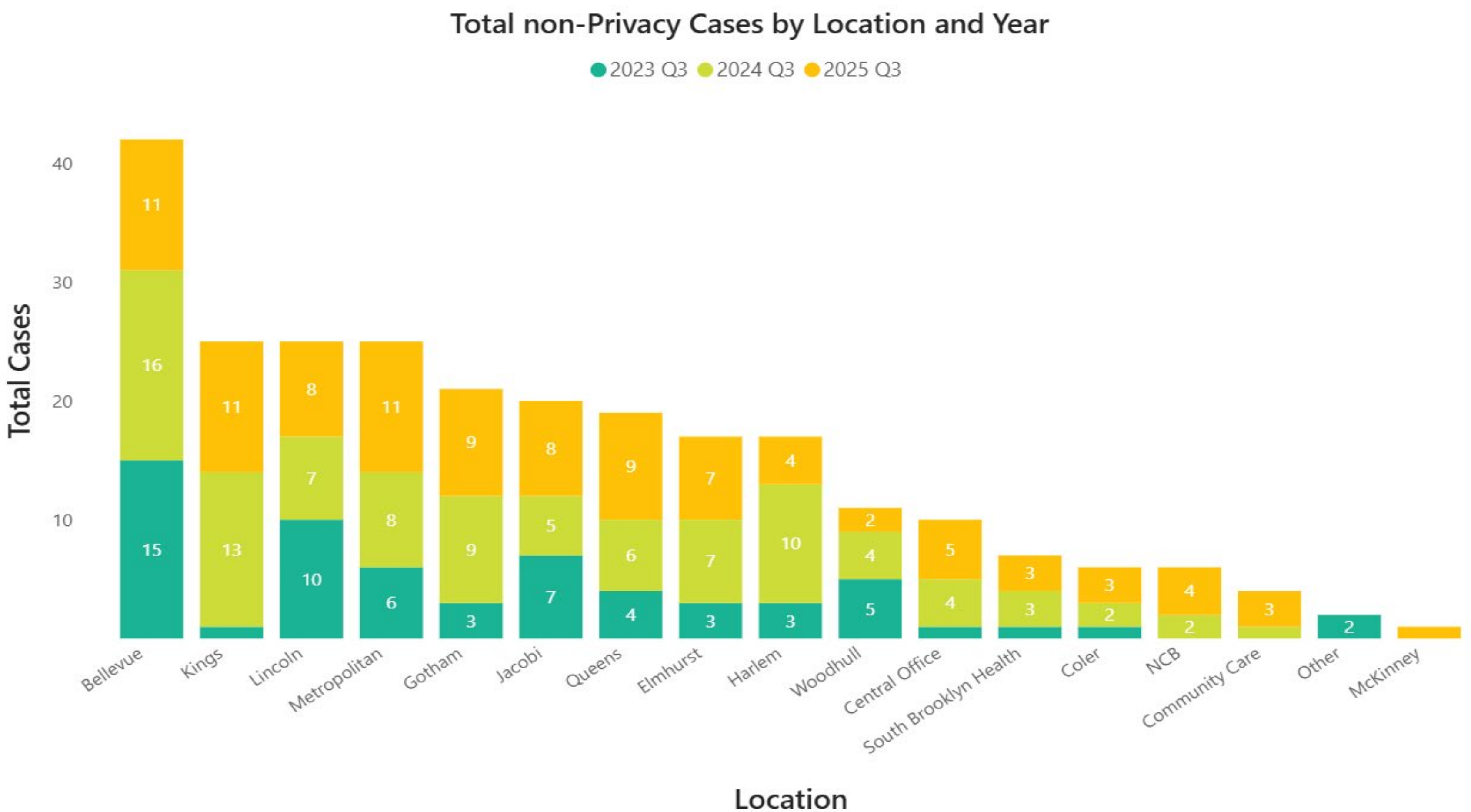
Compliance Report Metrics



- 3rd Qtr. Average Days to Close comparative analysis of all <u>Privacy cases</u> for CY’s 2023, 2024 & 2025

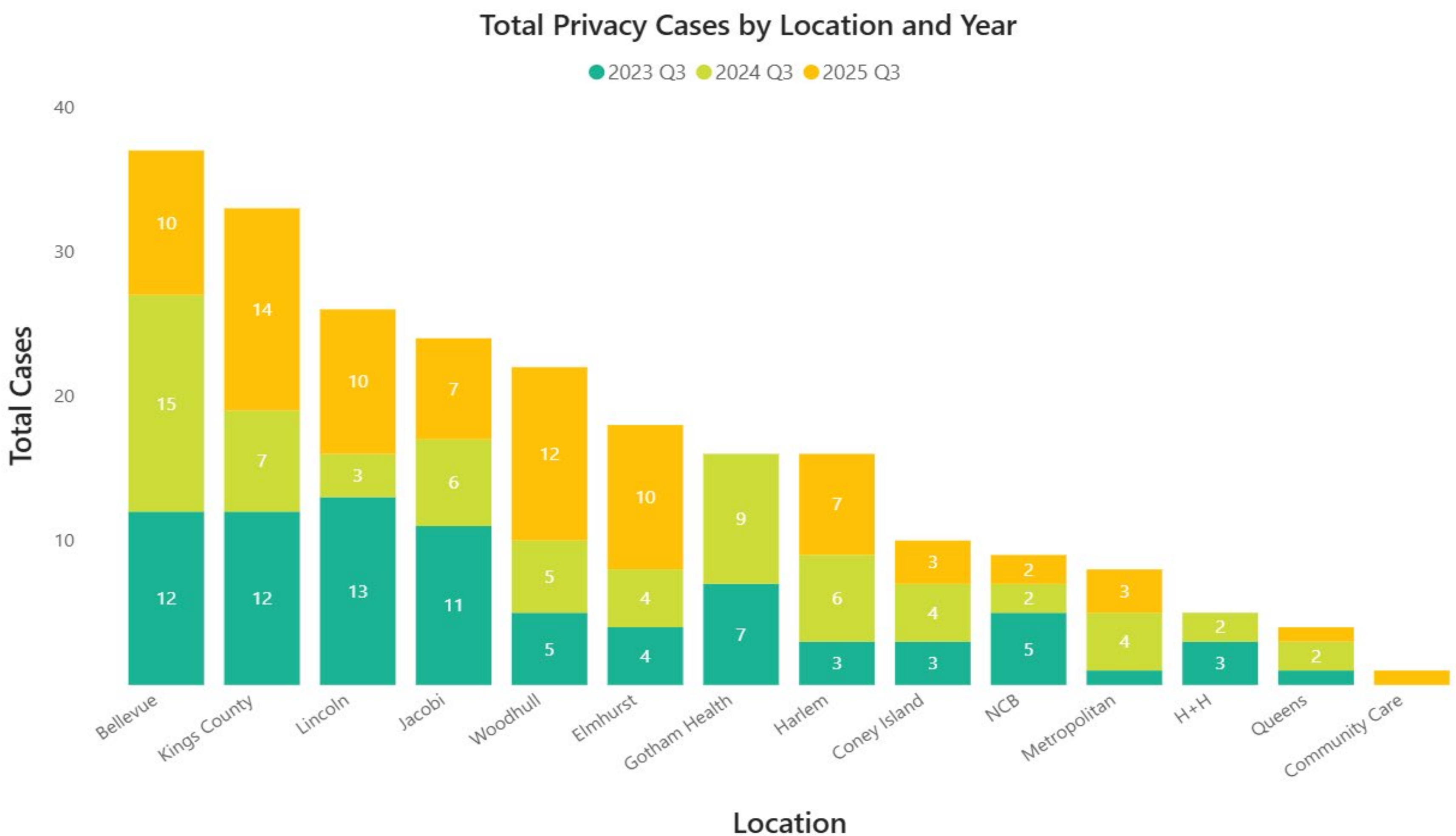
Compliance Report Metrics

- 3rd Qtr. comparative analysis of all non-Privacy cases for CY's 2023, 2024 & 2025 by Facility



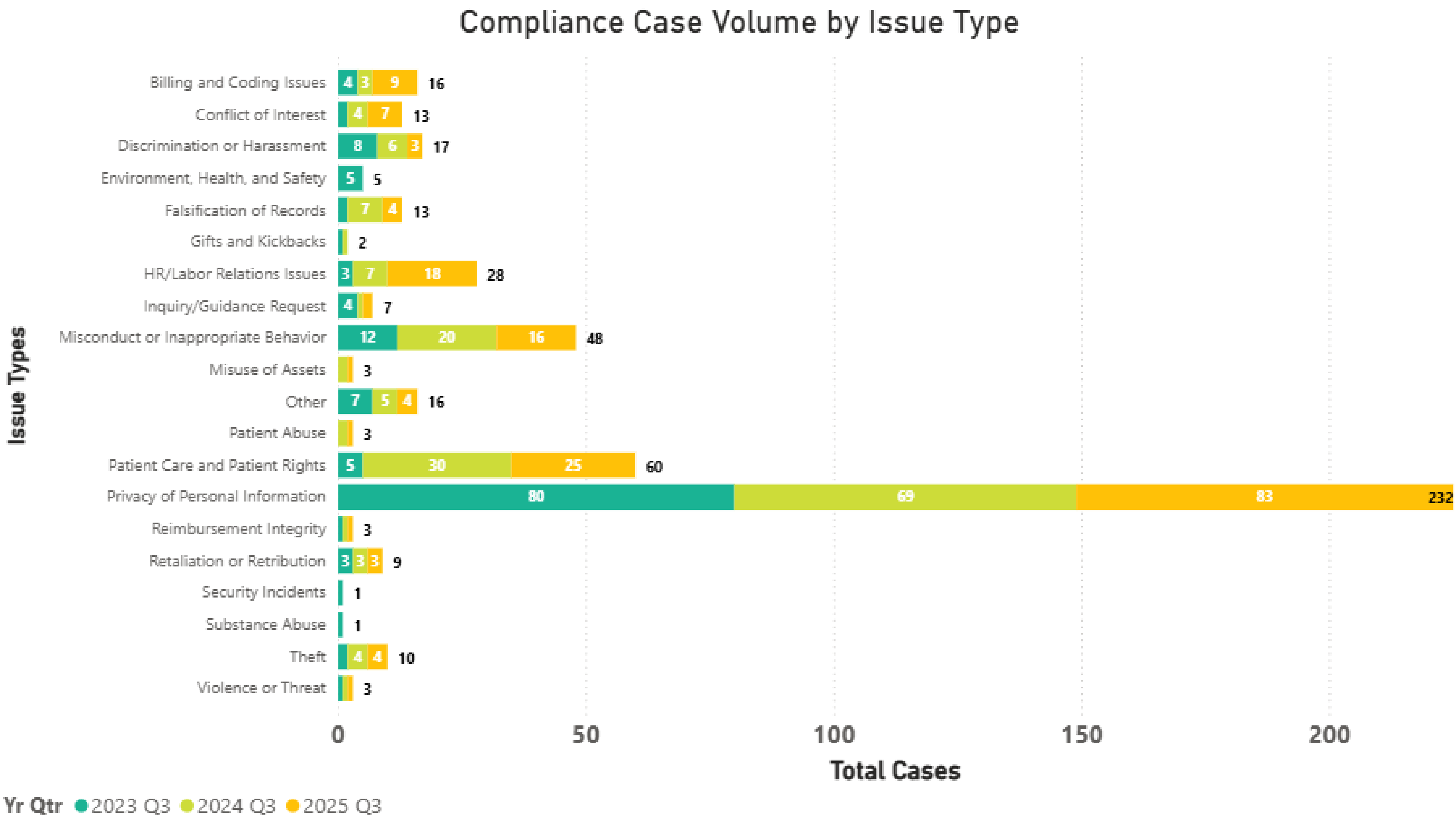
Compliance Report Metrics

- 3rd Qtr. comparative analysis of all Privacy cases for CY's 2023, 2024 & 2025 by Facility



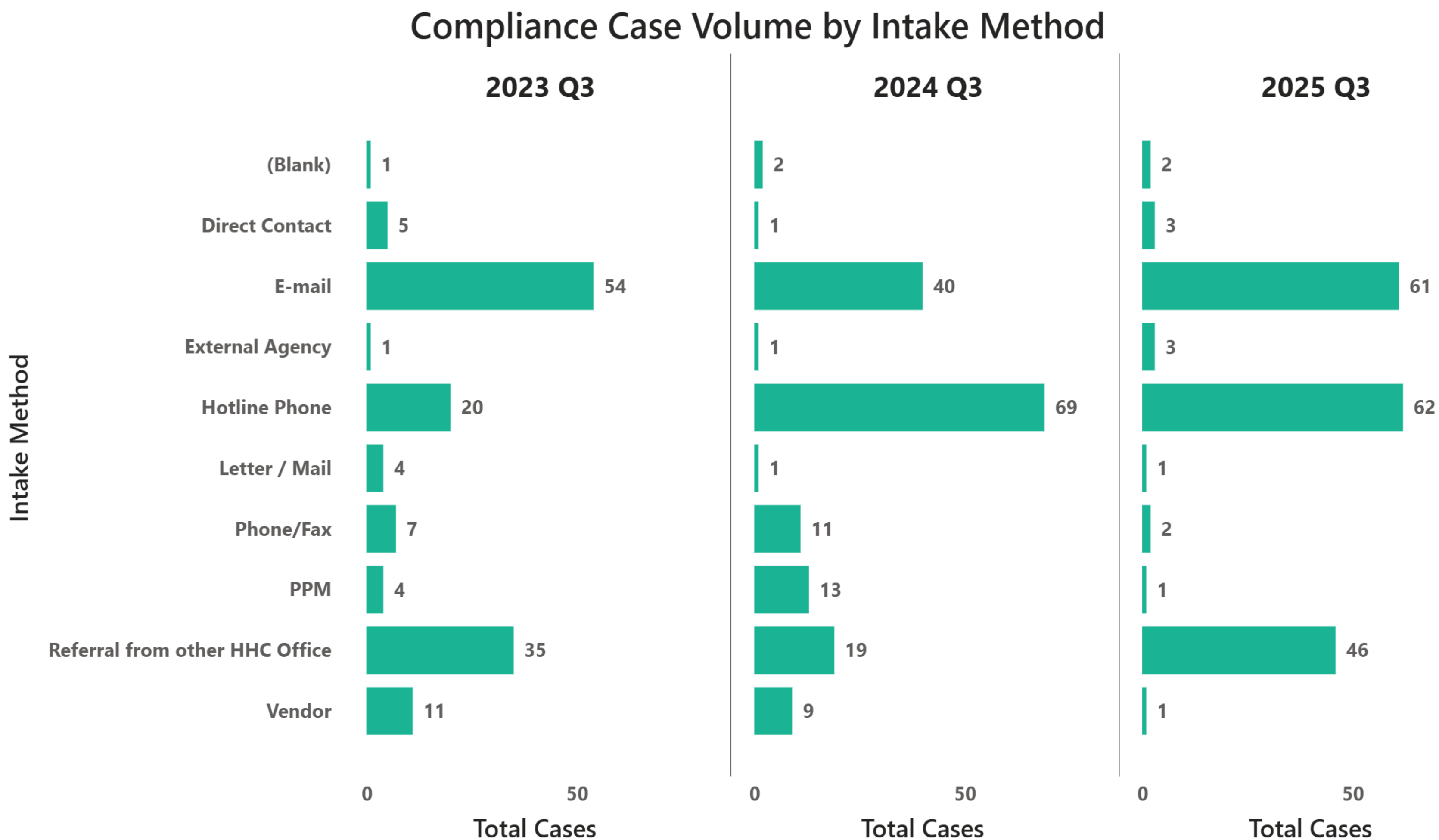
Compliance Report Metrics

- 3rd Qtr. comparative analysis of all cases for CY's 2023, 2024 & 2025 by Issue Type



Compliance Report Metrics

- 3rd Qtr. comparative analysis of all cases for CY's 2023, 2024 & 2025 by Intake Method



Compliance Report Metrics

- 3rd Qtr. comparative analysis of all cases for CY's 2023, 2024 & 2025 by Reporter Anonymity