AUDIT COMMITTEE
MEETING AGENDA

October 10th, 2013

12:00 P.M.

125 Worth Street,
Rm. 532
5th Floor Board Room

CALL TO ORDER

- Adoption of Minutes September 12, 2013 — Ms. Emily A. Youssouf

INFORMATION ITEMS

- Audits Update — Mr. Christopher Telano
- Compliance Update — Mr. Wayne McNulty

EXECUTIVE SESSION

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

New York City
Health and Hospitals Corporation

MINUTES

AUDIT COMMITTEE

MEETING DATE: September 12th, 2013
TIME: 11:00 AM

COMMITTEE MEMBERS
Emily A. Youssouf, Chair
Josephine Bolus, RN

OTHER MEMBERS OF THE BOARD
Michael A. Stocker, MD

STAFF ATTENDEES
Antonio Martin, Executive Vice President/COO
Salvatore J. Russo, Senior Vice President & General Counsel, Legal Affairs
Deborah Cates, Chief of Staff, Chairman's Office
Patricia Lockhart, Secretary to the Corporation, Chairman's Office
Tamiru Mammo, Chief of Staff, President's Office
Roslyn Weinstein, Senior Vice President, Central Office
Marlene Zurack, Senior Vice President/Corporate Chief Financial Officer
Jay Weinman, Corporate Comptroller
James Linhart, Deputy Controller, Central Office
Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits
Wayne McNulty, Corporate Compliance Officer
Nelson Conde, Senior Director, CO-OPSA
Kathleen McGrath, Senior Director, Communications & Marketing, Central Office
Enrick Ramlakhan, Assistant Vice President, EITS, Central Office
Lorraine Zsabo, Director, EITS, Central Office
Kris Komanduri, Director, EITS, Central Office
Devon Wilson, Senior Director, Office of Internal Audits
Steve Van Schultz, Director, Office of Internal Audits
Zhanna Kelley, Assistant Director, Office of Internal Audits
Frank Zanghi, Audit Manager, Office of Internal Audits
Sonja Aborisade, Associate Confidential Examiner, Office of Internal Audits
George Asadoorian, Supervising Confidential Examiner, Office of Internal Audits
Cynthia McIntosh, Supervising Confidential Examiner, Office of Internal Audits
Roger Novoa, Supervising Confidential Examiner, Office of Internal Audits
Delores Rahman, Supervising Confidential Examiner, Office of Internal Audits
Armel Sejour, Supervising Confidential Examiner, Office of Internal Audits
Satish Malla, Confidential Examiner, Office of Internal Audits
Rosemarie Thomas, Confidential Examiner, Office of Internal Audits
George Payyapilli, Confidential Examiner, Office of Internal Audits
Gillian Smith, Confidential Examiner, Office of Internal Audits
Denise Soares, Senior Vice President, Generations + Northern Manhattan Health Care Network
Aaron Cohen, Chief Financial Officer, Bellevue Hospital Center
Rick Walker, Chief Financial Officer, Northern Brooklyn Healthcare Network
Julian John, Chief Financial Officer, Central/North Brooklyn Family Health Network
Alurotimi Diyaolu, Controller, Bellevue Hospital Center
Anthony Saul, Senior Associate Director, Kings County Hospital Center
Anthony Saul, Senior Associate Director, Dr. Susan Smith McKinney Nursing & Rehabilitation Center
Zoya Shapiro, Assistant Controller, Coney Island Hospital
Violeto Palmere, Assistant Director, Lincoln Medical Center & Mental Health Center

OTHER ATTENDEES
KPMG: James Martell, Maria Tiso, Camille Fremont
TCBA Watson Rice LLP: Bennie Hannott

SEPTEMBER 12, 2013
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
NYC HEALTH & HOSPITALS CORPORATION

An Audit Committee meeting was held on Thursday, September 12, 2013. The meeting was called to order at 11:10 A.M. by Ms. Emily Youssouf, Chairperson. The first order of business is to adopt the minutes of the Audit Committee meeting held on June 13, 2013. A motion was made and seconded with all in favor to adopt the minutes. Ms. Youssouf introduced the next information item regarding the Fiscal Year 2013 Draft Financial Statements and Related Notes.

Mr. Jay Weinman, Corporate Comptroller stated that he will present the Committee with a brief overview of the Corporation's financial performance for the Fiscal Year ended June 30, 2013.

Mr. Weinman began by stating that the financial statements reflect a new presentation based on GASB 61 and shows MetroPlus as a discrete component of HHC. Additionally, GASB 63 establishes a new reference to "net position", which was formally called "net assets". In previous years, the financial statements were presented on a consolidated basis. These statements present HHC and MetroPlus separately and as consolidated, with any related intercompany eliminations:

- KPMG has completed its audit of the Corporation's 2011 financial statement and has issued an unqualified opinion. An unqualified opinion states that the financial statements, present fairly, in all material respects, the financial position of the organization. KPMG has also determined that at this point the Corporation has no "going concern" issue.
- Overall the Corporation's net deficit position increased by $399 million in 2013. For 2012, net deficit position increased by $342 Million.

Super Storm Sandy (the Storm) which caused significant damage to several facilities and the temporary closing of two hospitals had a major impact on the 2013 financial statements. This resulted in decreased patient revenue, additional capital and expense for restoration of facilities and recognized revenue from FEMA and the Community Block Grant (CDBG) for eligible expenses

Mr. Weinman then proceeded to review the financial statements, which are summarized as follows:

<u>Balance Sheet (Statement of Net Position</u>

<u>Assets</u>

- <u>Cash and cash equivalents</u> – increased $135 million from 2011 to 2012. This was due to reduced cash receipts from temporary hospital closures due to the storm.
- <u>Patient accounts receivable, net</u> – increased $81 million and 2 days due to an increase in the MetroPlus risk pool receivable of $104 million.
- <u>Estimated third party-payor settlements</u> – increased $266 million due to the receipt of $434 million of State Fiscal Year 2012 inpatient UPL during 2012 and no cash received during 2013.
- <u>Estimated pools receivable</u> – decreased $530 million and changed from a receivable to a payable from 2012 to 2013. The decrease is primarily due to the receipt of State Fiscal Year 2014 DSH and DSH Max and the remainder of the SFY 2013 receivable.
- <u>Grants receivable</u> – increased $193 million due to the accrual of $194 million in FEMA and CDBG revenue accrued at year-end.
- <u>Assets restricted as to use</u> - decreased $107 million as $85 million of the Construction Fund was used for various capital projects and the Capital Reserve Fund decreased as a result of the 2013 bond refunding.
- <u>Other current assets</u> – decreased $74 million as HHC received medical resident FICA refunds.

- Capital assets, net - increased $363 million due to the following:
  - Gouverneur Healthcare Services major modernization project ($51 million)
  - Harlem Hospital Center major modernization project ($40 million)
  - Henry J. Carter major modernization project ($143 million)
  - Restoration and reconstruction, as a result of damage sustained from the Storm ($153 million)

Mr. Weinman continued on with the liabilities section.

Liabilities

- Accounts payable and accrued expenses – increased $42 million due to the increase in accrued expenses related to the Storm.
- Due to City of New York – increased $265 million as the Corporation and the City agreed to delay payments to maintain adequate cash flows.
- Long-term debt – decreased $62 million due to the payment of current debt obligations and the current refunding of debt.
- Postemployment benefits obligation, other than pension (OPEB) – increased $197 million related to the New York City Office of the Actuary revised assumptions for OPEB costs. The actuarial cost method has changed resulting in a decrease to the liability and amortized over 10 years.
- Other Current liabilities – decreased $14 million as FICA refunds received were paid out to medical resident.

Mr. Weinman moved on to the Income Statement.

Income Statement
(Statement of Revenues, Expenses and Changes in Net Position)

Operating Revenue
- Net patient service revenue – decreased $382 million due to:
  - Temporary closing of Bellevue - $154 million
  - Temporary closing of Coney Island - $111 million
  - Other facility decreases in patient volume - $153 million
- Appropriations from the City of New York – increased $9 million as debt service payable to the City increased by $6 million and interest paid by the City increased by $18 million.
- Grants revenue – increased $317 million due to the following:
  - $194 million in FEMA and CDBG revenue for expected storm related expense reimbursement
  - $62 million of FEMA funds received through June 30, 2013
  - $57 million on federal and state incentive payments for meaningful use of certified electronic health record technology
- Other revenue – decreased $25 million due to the non-recurrence of interest earned on the medical resident FICA refunds recorded in 2012.

Operating Expenses
- Personal services – increased $23 million or .1% due to adjustments made in 2012 to decrease prior year's unpaid collective bargaining estimates and offset by a reduction in 2013 of 932 or 2.6% employee full-time equivalents (FTE's).
- Other than personal services – increased $34 million primarily due to the costs related to restoration services after the Storm.

- Fringe benefits and employer payroll taxes – increased $53 million primarily due to the non-recurrence of $31 million of medical resident FICA refunds and health benefit increases of $37 million or 7.4%.
- Postemployment benefits, other than pension (OPEB) – decreased $6 million as the New York City Office of the Actuary has adjusted assumptions in the OPEB costs.
- Affiliation contracted services – increased $31 million or 3.5% for market adjustments and enhanced services and is consistent with the prior year's growth.

Operating Loss

- Operating loss is $668 million and decreased by $239 million from a loss of $429 million in 2012.

Non-operating revenue

- Investment income – decreased $9 million from 2012 to 2013 as the Corporation recognized a market value increase during 2012 and a decline during 2013 in the 2003 bond's capital reserve fund.

Other changes in net assets

- Capital contributions funded by City of New York – increased $218 million due to continue major modernization projects (see capital assets for explanation for major projects).

MetroPlus

- Cash and cash equivalents – increased $210 million due to positive operating results and additional claims from increased membership and rates not yet paid.
- Assets restricted as to use – increased $18 million for statutory reserve requirements based on increased benefits costs and enrollment increases.
- Accounts payable and accrued expenses – increased $95 million due to growth in member months, Medicare premiums and the impact of expanded services and rates.
- Premium revenue – increased $294 million. Based on the recommendation from the Medicaid Redesign Team, the State began to add pharmacy benefits effective October 2011 to the Medicaid managed care plan contracts resulting in $75 million additional pharmacy revenue in 2013. Other benefits such as dental began July 1, 2012 and increased revenue by $150 million. In addition, MetroPlus increased membership by 4%.
- Other Services - increased $256 million for medical expenses related to increased services and growth in enrollment.

Mr. Weinman stated that this concluded the summary of the financial statements, unless there were any questions.

Ms. Youssouf turned the meeting over to KPMG for their year-end presentation.

Mr. Martell stated that he will talk a little about what Mr. Weinman has just done and weave into their presentation. Ms. Fremont will go through a high level of the actual presentation. Everything that Mr. Weinman just went through in detail is embedded in the financial statement of the first 12 and 13 pages and the first 12 to 13 pages is an exact or pretty detailed explanation of the changes from year to year. It also shows some changes as it relates to the totality and focuses on the Corporation, not necessarily MetroPlus. As the financial statements illustrates, MetroPlus is broken out and we do mention that change in our opinion. There will be a separate paragraph that states that GASB 61 has been implemented. From an operational perspective, the impact of Sandy went throughout the whole organization, and trying to identify every dollar and cent is extremely difficult. There was excess loss related to it. However, as the Organization moves forward, unless something changes in strategic views in terms of the vision of the organization, he's always talked about going concern and say we've never gotten there yet, but we're bridging there. We're bridging there because of the deterioration of the balance sheet; it used to be a little healthier.

Dr. Stocker asked what he meant by bridging. Mr. Martel responded that we're getting very close to the evaluation that we will need to sit down and have a hard discussion with not only management but the City as to whether or not this organization, from a financial statement presentation perspective, is a going concern. In the past, we always said we were never there, but we were getting closer and closer.

Dr. Stocker said that he is not surprised, but is there any timing on that?

Mr. Martell responded that we will look at the first quarter, second quarter, and when we come back in 2014 that will be the year that we will have our discussion with where the Organization is – because what is going to happen is that by then the organization will have a full year under their belt in terms of where part of the health care transformation is going. You are going to have the evaluation of FEMA behind you and at least you have the total dollar impact. Also, eventually you will have to pay back this money to the City. All of these are part of the evaluation for the upcoming year.

Mr. Martell continued by stating that the organization is talking about a reduction of OTPS, a centralization process and so forth. One would hope that that program relating to OTPS and the purchasing aspect and centralizing would provide value and a reduction going forward, but until you evaluate it and see what type of road you encounter, we can't say, but I would think it would. MetroPlus, obviously, had a positive bottom line, a positive impact to the overall financial statement. There have been a lot of changes in the organization and the reaction associated with those major environmental issues that occurred. It has changed and it identifies now management's responsibility and the external auditors' but overall it's basically the same change, same opinion, except it is no longer called unqualified – it's called unmodified. We are not 100 percent done, our review partner came in and reviewed the drafts, and there are still some questions.

Mr. Martell said that the numbers will not change, but the City needed to get the numbers. As of last night, there was one audit adjustment, which Ms. Fremont will go through with the Committee. Besides that, the organization is in a change of transition, and Ms. Zurack was right on board when she stated that you need to sit back and have a vision as to where this organization is going to be down the road, and is it the healthcare transformation aspect and MetroPlus's; time to take the lead? Is risk involved in terms of accepting more risk as an organization? He believes that inpatient volume will continue to go down and that he does not discount the issue of what you hear about in Brooklyn whether the three hospitals are going to close and so forth. We're over-bedded, that's the reality of New York State, according to the Department of Health. You can't say if they close, we're going to get all the business for argument's sake. Maybe there will be ambulatory care centers opened up by other organizations, which will satisfy the budget, creating the vision, and bringing the bottom line. Coming up from a bottom line on the budget will be extremely difficult. There is a lot of work to be done going forward.

Ms. Youssouf said that she thinks they have some questions.

Mrs. Bolus asked how will the retroactive money with the contracts affect us? To which Ms. Zurack answered that neither of us knows what that would be. Rather than assess the probability of it happening, just to tell you the value or the cost of it – we absolutely could not afford it. The cost of retroactivity for the nurses and 1199 is approximately $200 million that we do not have, which would result in our personnel cost of increasing our run rate basis going forward about $80 million which we do not have. So how those deliberations and through what process and through what conclusions is very problematic for the Corporation, as it is for the City.

Ms. Youssouf asked about the Management Letter. Mr. Martell responded that the management letter is not done, and we will have it within the next two to three weeks.

Ms. Zurack stated that we need to first make the statement that we are meeting two weeks earlier than we normally meet because the New York City comptroller's office advanced the deadline for their receipt of our financial statement, which is a component of their financial statements. So we had to change the schedule, the activities we need to get the numbers done took away the resource from the activities that we would have had to do the Management Letter. We are planning to have it by the October meeting, which normally would be when you would get it.

Dr. Stocker stated that just to take this opportunity to point out that in the material the Committee got today is a discussion of the activities of Internal Audit for the past three or four years, and it's just coincidental that we are presenting it at the time you are working on the management letter.

Ms. Youssouf said yes, and then asked if KPMG had a copy of it.

Mr. Martell said that they have a copy. Then he turned the presentation over to Ms. Fremont to go through what their requirements are as it relates to the external audits.

Ms. Fremont began the presentation by stating that she is going to talk globally through the presentation and not point to specific slides. Within the financial statements there are significant internal policies embedded within footnote one, and as previously discussed, there were three new accounting policies adopted in the current year. Mr. Martell alluded to the fact that there was one corrected misstatement within the financial statement, it relates to \$16 million of construction in-progress that was not previously recorded in the financial statements. As we were going through the process of tying out the footnotes and making sure all the numbers were appropriately reported, there was a discrepancy between a report that was realized to reconcile to the general ledger – the May report was used instead of the June report.

Ms. Youssouf said that you stated there were three big changes; there were GASB 61, 62 and 63. To which Ms. Fremont said that three new accounting announcements; that GASB 62 had no impact on the Corporation, but we needed to adopt it. That 62 was just taking all the GASB literature, putting it in one place and calling it the codification of Generally Accepted Accounting Standards and then GASB 63 was the statement that changed the name of net assets to that of position.

Dr. Stocker asked that the \$16 million on construction be discussed. Ms. Fremont said that in the process that management has, when they go through reconciling their various reports, there is a fixed assets sub-ledger and then there's the construction in-progress. When that reconciliation for the construction in-progress was done, the finance department gets a report from another department, however, the report that the finance department got was not the up-to-date report. As a result, there was a change in the amount of construction in-progress by approximately \$16 million.

Dr. Stocker asked if this is spread across the Corporation. Ms. Zurack responded no, that what Ms. Fremont is saying is that Mr. Weinman and his department prepared the initial financial statements and KPMG reviewed it they found the error, which is recorded in what you have received today. There was a lag in the information Finance got from the Office of Community Development and they found it and corrected the statements here before the committee. Therefore, it changed from our original first draft by \$16 million. That happens, it's a normal process and that's the value of KPMG.

Ms. Fremont continued with the presentation by stating that also reported within the financial statements are various significant accounting estimates done by management. The two new ones in the current year had to do with the evaluation of the impact of capital assets. (1) There is a $12 million impairment loss that was reported. That is the result of the impact of Super Storm Sandy on two facilities and the decline in their service utility. Management went through a calculation, and determined the impact to be $12 million and KPMG felt it was reasonable. (2) FEMA and the revenues recorded as a result to those grants approximately $193 million made up of funding from FEMA as well as the funding for the CDBG or Community Development Block Grant.

Mr. Martell added that he expects the receivable and the evaluation of FEMA to go on for several years. There will be several discussions by management with the Federal Government and there will probably be changes to the estimated receivables that have been recorded and perhaps some of the estimated expenses.

Ms. Fremont said that additionally, within the financial statements of the current year, the organization had a bond offering for the 2013 series A bonds. This is disclosed in the long-term debt footnote. A portion of the 2008 Series .A along with the full reduction of the 2003 Series A bonds was redeemed.

Ms. Fremont stated that at the planning meeting, KPMG spoke about their requirements to consider the potential of fraud throughout the audit. On slide 12, we list some of the ways that we identified potential fraud risks and how we respond to those fraud risks, and one way to do that is to have selected interviews with members of the Committee as well as management, and those individuals are listed on slide 12. As we look at the 2013 audit year, we issued various reports to the Committee and management. Those include the auditor's report on the basic financial statements of the Corporation; the draft is what you have in front of you. We will also be issuing a management letter and various other reports.

Ms. Fremont continued with slide 14 – in terms of where we stand, we are finalizing the audit. We have made movement on some of the open items that were there on the version you received. We are working through the finalization of the financial statements. We need to check the debt covenant calculations, which we anticipate getting shortly from management, and also finalizing our search for unrecorded liabilities.

Mr. Martell added that these items are more documentation in nature – its audit issue driven. The biggest issue is the debt covenant, because that is a public document.

Ms. Fremont then said that that ends our formal presentation, unless there are questions from the Committee, there were none.

Ms. Zurack then asked the Committee to accept the financial statements.

Ms. Youssouf asked for a motion to accept – it was seconded.

Ms. Youssouf then said that they're going to move onto an audit of eCommerce update. But prior to that, Chris Telano is going to set the background for this and asked Mr. Robles to come up to the table.

Mr. Telano thanked the Committee and stated that at the last meeting in June, an audit that we performed in May of 2013 of the eCommerce area was discussed at that time. We had three primary findings; the first one was that there were unlimited login attempts permitted within the application; the second one was that the application does not disable user accounts automatically when there's inactivity for an excessive period of time and the third one was we found two generic user account IDs. At the June meeting, the Committee requested that representatives from IT come to this meeting in September to update their progress and address those findings.

Mr. Robles saluted the Committee and then introduced Enrick Ramlakhan as the AVP for business applications who has done work, with a variety of folks to resolve the three issues identified. In short, they have been corrected and there is a summary in your packets describing the remedies. Mr. Robles offered to give a brief summary on each one.

Ms. Youssouf responded that she thinks it is pretty succinct and thanked Mr. Robles.

Ms. Youssouf then turned to Chris Telano for the audit update.

Mr. Telano began his presentation by stating that he will go right to page three of his briefing, the overview of the audits being conducted by the New York City Office of the Comptroller. There are three audits currently being performed, and I will just go through them real quick in order of their notification date. The first one is of HHC's efforts to reduce emergency room wait time. The Comptroller's Office has obtained information and they visited three emergency departments, at Kings County, Elmhurst and Lincoln. They met with Dr. Capponi, the Chief Medical Informatics Officer to obtain background on Quadra med. As a result of their visits, they were informed that there was a rapid improvement event that occurred to improve the wait time. They requested information regarding a rapid improvement event, but we pushed back because we felt there was confidential information, and they did compromise. We were able to provide them with the data they wanted, but we went through it and redacted information we thought was sensitive.

The second one is an audit of Navigant Consulting billing contract with HHC. That was the initial notification letter. We informed the Comptroller's Office that there is no contract with Navigant and HHC, so the audit became an audit of PAGNY's contracts with Navigant and they're going forward on this. They asked for all PAGNY internal audit reports, which we felt were out of scope, and they agreed. They are obtaining information through PAGNY and so far we have not heard anything more current. The third one is an audit of the Lincoln Hospital Affiliation agreement with PAGNY. This one just began; the entrance conference was in July. They had preliminary meetings in August with the Lincoln affiliation liaison and as of right now they are trying to meet with the appropriate PAGNY personnel and that one is ongoing also.

Mr. Telano continued with page four; there was an audit that was concluded by the New York State Office of the Comptroller, and that was a follow-up audit of non-emergency patient transportation. The original audit was performed in 2010 and of the recommendations, they found that only one was not implemented and they will finalize their report in September.

Mr. Telano with the next section of his briefing, on page five, started the audit reports that were issued since the last meeting. The first one is audit of the Mt Sinai and Queens Network affiliation.

Mr. Telano asked if he should bring representatives to the table. To which Ms. Youssouf responded sure.

Mr. Telano asked the representatives of Mt Sinai and Queens to come to the table. They introduced themselves as follows: Lisa Stager, Deputy CFO, Queens Health Network; Brian Stacey, CFO, Queens Health Network; Cary Pannone, Director, Mt. Sinai; Mr. Ken Pfeifer, Associate Dean, Elmhurst Queens Program.

Mr. Telano continued by stating that we had two findings. The first one had to do with the Faculty Practice Group, the record keeping relating to receipts and the untimely deposits of cash were inadequate. During the course of the audit, the FPG management took the necessary steps to resolve everything. The other issue, which we find in almost every audit that we conduct, has to do with system access and we found affiliate employees were not being removed from various systems, especially Quadramed and their security systems. Mr. Telano mentioned that there is a corporate initiative in progress right now to address system access corporate-wide, and he knows Mr. Martin could probably speak more to this since he initiated it.

Mr. Martin stated that actually it was a follow-up to this meeting, because this has been an ongoing problem. We wanted to be able to track employees as they exit from service. We have a computer fix so that when an employee is actually leaving our employment, whether it be through affiliate or through HHC, we will be able to track that, and deactivate them from all systems within a point in time. There is a policy and procedure that has been promulgated, and people have signed off on it for the most part, so we are looking at implementation of this within another couple of weeks at the latest.

Ms. Youssouf asked if this means that they can deactivate one and it will hit all the systems. Mr. Martin responded yes.

Dr. Stocked asked Mr. Pfeifer that it's been a long-standing relationship and for how long does it go back to? Mr. Pfeifer answered 1964 at Elmhurst and 1952 in Queens.

Dr. Stocker asked if he as any comments about the overall relationship in general. Mr. Pfeifer stated that he thinks it's a very good relationship. At the hospitals, we work seamlessly with the administration; there is not a firewall between Mount Sinai and HHC. If there's an operational problem, we work together and solve the problems. We've actually been visited over the years to represent how to do business together as a good model. We continue to have that partnership and are proud of it and we enjoy it.

Mr. Telano continued with his presentation and stated that the next audits on pages six and seven are the NYU affiliations. The first one is regarding the contract with Bellevue and Gouverneur. He asked the representatives to approach the table and introduce themselves. They did as follows: Aaron Cohen, CFO, Bellevue; Eli Levy, Network CIO; Wade Crow, NYU.

Mr. Telano stated that once again there were two primary issues. The first one had to do with the recalculation report. At the end of our fieldwork it had not been submitted to the Office of Professional Services and Affiliations. However, approximately two and half weeks after our fieldwork, it was submitted, so that was resolved. Again, the other issue is related to access, which was already discussed.

Ms. Youssouf asked if there's a process in place to get the badges back. To which Mr. Telano responded that they were in the process of drafting a policy before the storm, which has not been rolled out yet.

Dr. Stocker asked Mr. Crowe for his comments on the relationship between NYU and HHC. To Mr. Crowe responded that he thinks NYU is very happy with their relationship with Bellevue and it started way before anyone was born here.

Mr. Telano said that the last audit to discuss is the NYU affiliation of Woodhull, Cumberland and Coler-Goldwater and asked if there were any representatives from these facilities to please come up to the table. They introduced themselves as follows: Rick Walker, CFO, Central/North Brooklyn Network; Manuela Brito, CFO, Coler-Goldwater.

Mr. Telano continued – two issues again that we found. The first one has to do with the record keeping of subcontractor agreements. There was one we could not locate and others in which signatures were missing and not to be redundant, the other finding has to do with access again. We believe that this will be taken care of.

Mr. Telano then mentioned that we are not going to bring anyone up to the table, but on page eight there was affiliation audit at Kings County, SUNY Downstate, an immaterial issue regarding the record keeping of reporting background checks. That has been completely resolved; I received an email earlier today documenting that. One other comment, we did do a review of the Sea View/Staten Island University affiliation and that as in previous years, there were no findings.

Mr. Telano then concluded his presentation.

Ms. Youssouf said great – I will say that you did do a report for the Board called the Re-Engineering of the Internal Audit Function and I thought it was very well done, and I want to commend you on all your hard work that made all of this actually come to fruition.

Mr. Telano said thank you. Ms. Youssouf added that from the Committee, I would like to say we are very happy with it and thank you so much.

Mrs. Bolus said that she's very happy also and added that you are very particular about documents, which is great.

Ms. Youssouf directed the meeting to the Compliance update.

Mr. McNulty saluted the Committee and stated that he will start on page three of his report. He then continued by reviewing item number one of his report - compliance training. He informed the Committee that the Compliance training period started on January 1, 2012 and ended on June 30, 2013. Mr. McNulty further informed the Committee that all HHC healthcare professionals, physicians, and group 11 employees were designated to undergo compliance training. He stated that, to date, the Office of Corporate Compliance ("OCC") trained over 17,500 employees and affiliates. He added that the compliance testing grace period was extended until September 16, 2013. He stated that greater training numbers were expected by the time the Audit Committee convened in October. Mr. McNulty advised the Committee that all Board of Directors members would be enrolled the following day into the PeopleSoft system. He told the Committee that Board members would be able to take the training from the PeopleSoft system. He added that CDs were available for those Board members who would prefer to take the training remotely. He informed the Committee that, despite efforts, training could not be provided through smart tablets because of technological difficulties.

Mr. McNulty continued with item number two - HHC self-identification of corporate-wide risks. He started stating that the OCC made significant progress in identifying and prioritizing corporate-wide risks. Mr. McNulty told the Committee that in early July the Executive Compliance Workgroup ("ECW") identified and scored potential corporate risks. He added that on September 11, 2013, the ECW met again and narrowed down specific items that it believed the Corporation should address. He stated that the ECW would use their findings to develop an interim Corporate Compliance Work Plan for fiscal year ("FY") 2014, which he commented would be shared with the Board of Directors during its October meeting. Mr. McNulty closed the discussion on this topic by advising the Committee that items two and three on the agenda were just covered.

Mr. McNulty moved onto item number four - the compliance index, which is a summary of compliance-based reports. He told the Committee that for the second quarter of calendar year 2013, there were 120 compliance-based reports of which 7 were classified as a Priority A reports, 38 were classified as Priority B reports, and 75 are Priority C reports. He explained to the Committee that Priority A reports are matters that require immediate review and action due to an allegation of immediate threat to a person, property or environment, where Priority B reports are matters of a time-sensitive nature that may require prompt review, and Priority C do not require immediate review.

Mr. McNulty continued by reviewing the privacy compliance index, which is a summary of privacy-based reports. He stated that in the second quarter calendar year 2013 the OCC received 25 compliance complaints related to privacy related matters. He explained that twelve of these reports were found, after an investigation, to be actual violations of the HHC HIPAA privacy operating procedures ("OPs"). He further explained that seven of these reports were found not to be in violation of the HIPAA OPs. He stated that six of the reports were still under determination. He told the Committee that two of the 12 violations were determined to be a data breach - - that is the information disclosed could represent a significant risk of financial, reputational, or other harm to the affected individuals. He informed the Committee that the OCC would have more details with respect to the two breaches in Executive Session during the October Audit Committee meeting.

Mr. McNulty then moved onto the staffing update for the OCC. He informed the Committee that the OCC had two vacant positions - one in the North Bronx Healthcare Network and one in the Queens Healthcare Network. He stated that the recruitment process for both Networks were in place, adding that the Queens position was expected to be filled within the next couple of weeks.

Mr. McNulty continued his report by discussing excluded providers – informing the Committee that no disclosures were made to regulatory bodies with regard to excluded providers since the Audit Committee meeting in June 2013. He informed the Committee that the OCC learned earlier in the week that a HHC doctor was excluded, stating that a resulting report regarding the same would be made to regulatory bodies. He added that the details of the excluded provider would be reported during the October Audit Committee meeting.

Mr. McNulty then concluded his report and asked the Committee if there were any questions prior to closing.

Mrs. Bolus asked if the Board compliance training was mandatory. Mr. McNulty responded in the affirmative, stating that in order for the corporation to receive Medicaid funds, the Corporation must have an effective compliance program. Mr. McNulty explained that one of the key elements of an effective compliance program is that all Board members receive compliance training.

Ms. Youssouf asked if there was any old business or new business then asked for a motion for adjournment. It was seconded with all in favor and the meeting adjourned at 12:12 PM.

Submitted by,

Emily Youssouf
Audit Committee Chair

NEW YORK CITY
HEALTH AND
HOSPITALS
CORPORATION

AUDIT COMMITTEE OF THE HHC BOARD OF DIRECTORS

Corporate Compliance Report

October 10, 2013

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I-a. Compliance Training Efforts

1) *Status of training efforts* - The compliance computer-based training ("CBT") period, which started on January 1, 2012, ended on June 30, 2013. All physicians, healthcare professionals licensed under title VIII of the Education Law, and Group 11 employees (as well as other HHC employees or affiliates who, because of their job functions and/or responsibilities, were designated to complete the compliance CBT training) who did not complete the training by Monday, July 1, 2013 (the initial deadline June 30, 2013 was a Sunday), were given an extension until September 16, 2013, to complete the same.

- Provisions have been made to schedule live training for healthcare professionals (as well as other HHC personnel) who do not have access to a computer for training purposes.

- HHC personnel who have failed to take the course as of September 16, 2013 have been notified by the OCC and directed to take the course as promptly as possible. A continual increase in compliance training has been noted since the September 16th extension deadline.

I-b. Compliance Training Results

1) *Results of training* - As of October 7, 2013, there were a total of 23,599 HHC personnel enrolled in the three CBT training modules. Of this amount, 20,172 (85.48%) have successfully completed either the CBT module or a live version of the compliance training.

2) *Summary of the results of training* – The statistical results of the compliance training as of October 7, 2013 in comparison with July 1, 2013 are as follows:

a. Physician Module:

- On July 1, 2013 there were 4,989 physicians who were enrolled in the corporate compliance Physician training module; of these, 2,516 completed the course (or 50.43%).

- As of September 17, 2013 there were 4,824 physicians enrolled in the corporate compliance Physician training module; of these, 3,547 completed the course (or 73.53%).

- As of October 7, 2013 there were 4,867 physicians who were enrolled in the corporate compliance Physician training module; of these, 4,027 completed the course (or 82.74%).

b. Healthcare Professionals Module:

- On July 1, 2013, there were 15,455 healthcare professionals who were enrolled in the corporate compliance Healthcare Professionals training module; of these, 7,379 completed the course (or 47.74%).

- As of September 17, 2013, there were 15,208 healthcare professionals who were enrolled in the corporate compliance Healthcare Professionals training module; of these, 12,076 completed the course (or 79.4%).

- As of October 7, 2013, there were 15,180 healthcare professionals who were enrolled in the corporate compliance Healthcare Professionals training module; of these, 12,747 completed the course (or 83.97%).

c. General Workforce Module:

- On July 1, 2013, there were 3,647 General Workforce members enrolled in the corporate compliance General Workforce training module; of these, 2,766 completed the course (or 75.84%).

- As of September 17, 2013, there were 3,637 General Workforce members enrolled in the corporate compliance General Workforce training module; of these, 3,379 completed the course (or 92.91%).

- As of October 7, 2013, there were 3,552 General Workforce members enrolled in the corporate compliance General Workforce training module; of these, 3,398 completed the course (or 95.66%).

I-c. Compliance Training of Members of the HHC Board of Directors

1) All members of the HHC Board of Directors (the "Board") have been enrolled in the Board of Directors compliance CBT module through the HHC PeopleSoft ELM. The CBT module is also available on CD for those Board members who are unable to access the module via PeopleSoft. Board members will have until the end of the first week of November 2013, to complete the CBT. The status of the Board training will be reported to the Audit Committee of the HHC Board of Directors (the "Audit Committee") in December 2013.

II. HHC Self-Identification of Corporate-wide Risks

- Since June of 2013, 16 different Network/Facility compliance committees convened to identify and score Network and/or Facility specific risks.
- The OCC made significant progress in identifying and prioritizing corporate-wide risks. The Executive Compliance Workgroup ("ECW") convened in July 2013 and identified several corporate risks and scored the same.
- The ECW convened on September 11, 2013 to prioritize the previously identified Corporate and Network/Facility-specific risks. This prioritization process has led to the ongoing development of an interim draft FY14 Corporate Compliance Work Plan, which is expected to be completed within the next couple of weeks.

III. OCC Staffing Update

- The OCC has one vacant compliance officer position in the North Bronx. The recruitment process for this position has commenced.

IV. Monitoring of Excluded Providers

1) *Summary of events* - On September 9, 2013, the Bellevue Hospital Center ("Bellevue") Medical Staff Office ("MSO") informed the OCC that Healthplex, a dental insurance plan, contacted the MSO to advise them of an excluded provider. Specifically, Healthplex advised the MSO that a Bellevue Attending Dentist – who was a Bellevue sessional employee - appeared on the Department of Health and Human Services Office of the Inspector General's ("OIG") most recent List of Excluded Individuals/Entities ("LEIE") that was published on August 20, 2013. The OCC, in conducting its own monthly sanction screening, confirmed the appearance of the subject physician on the OIG list. Bellevue Human Resources was notified promptly and the provider was immediately prohibited from providing services at Bellevue, sessional or otherwise.

2) *Mandatory reporting/overpayments* – The Bellevue Finance Department is in the process of determining the exact amount of payments received by Bellevue that will have to be reimbursed to government and/or private payors. Once determined, the OCC will follow the OMIG and OIG self-disclosure protocol to initiate the repayment process.

3) *Excluded providers at other HHC facilities* – There were no additional reports of excluded providers at other HHC facilities since the last time the Audit Committee convened in September.