

AUDIT COMMITTEE  
MEETING AGENDA

December 8, 2016

2:00 P.M.

125 Worth Street,  
Rm. 532  
5<sup>th</sup> Floor Board Room

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CALL TO ORDER

- Adoption of Minutes October 13, 2016
- Adoption of Special Meeting Minutes October 20, 2016

Ms. Emily A. Youssouf  
Ms. Emily A. Youssouf

ACTION ITEMS

- KPMG June 30, 2016 Management Letter

Ms. Maria Tiso

INFORMATION ITEMS

- Internal Audits Update
- Compliance Update

Mr. Chris Telano

Mr. Wayne McNulty

EXECUTIVE SESSION

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

## MINUTES

AUDIT COMMITTEE

MEETING DATE: October 13, 2016

TIME: 10:00 AM

### COMMITTEE MEMBERS

Emily Youssouf, Chair

Josephine Bolus, RN

Mark Page

### OTHER MEMBERS OF THE BOARD

Gordon Campbell

### STAFF ATTENDEES

Steven Bussey, Chief of Ambulatory

Maureen McClusky, Senior Vice President/Post-Acute Care

Salvatore J. Russo, General Counsel, Legal Affairs

Ana Marengo, Senior Vice President, Communications & Marketing

Colicia Hercules, Chief of Staff, Chairman's Office

Patricia Lockhart, Secretary to the Corporation, Chairman's Office

PV Anantharam, Senior Vice President/Corporate Chief Financial Officer

Wayne McNulty, Corporate Compliance Officer/Senior Assistant Vice President

Roslyn Weinstein, Senior Assistant Vice President, Office of Facilities & Development

Paul Albertson, Senior Assistant Vice President, Materials Management

James Linhart, Deputy Corporate Comptroller

Gassenia Guilford, Assistant Vice President, Finance

Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits

Devon Wilson, Senior Director, Office of Internal Audits

Chalice Piña, Director, Office of Internal Audits

Delores, Rahman, Director, Office of Internal Audits

Steve Van Schultz, Director, Office of Internal Audits

Carlotta Duran, Assistant Director, Office of Internal Audits

Frank Zanghi, Audit Manager, Office of Internal Audits

Armel Sejour, Senior Auditor, Office of Internal Audits

Sonja Aborisade, Senior Auditor, Office of Internal Audits

Melissa Bernaudo, Senior Auditor, Office of Internal Audits

Sam Malla, Senior Auditor, Office of Internal Audits

Gillian Smith, Senior Auditor, Office of Internal Audits

Barbarah Gelin, Senior Auditor, Office of Internal Audits

Erica Nairne-Hamilton, Staff Auditor, Office of Internal Audits

Jean Saint-Preux, Staff Auditor, Office of Internal Audits

Linda Maldonado, Staff Auditor, Office of Internal Audits

Roshney Kaur, Staff Auditor, Office of Internal Audits

Miriam Yeger, Staff Auditor, Office of Internal Audits

Robert Hogan, Staff Auditor, Office of Internal Audits

Sandy Bhigroog, Staff Auditor, Office of Internal Audits

Jessica Fortes, Staff Auditor, Office of Internal Audits

Peter Papadopoulos, Staff Auditor, Office of Internal Audits

Conny Lizarazo, Executive Secretary, Office of Internal Audits  
Jay Weinman, Chief Financial Officer, NYC H + H/Bellevue  
Corliss Cobham, Associate Director, NYC H + H/Bellevue  
Sheldon McLeod, Chief Operations Officer, NYC H + H/Kings County  
Anthony Saul, Chief Financial Officer, NYC H + H/Kings County  
Ron Townes, Associate Director, NYC H + H/Kings County  
Elsa Cosme, Chief Financial Officer, NYC H + H/Gouverneur  
Tracy Green, Chief Financial Officer, NYC H + H/Metropolitan  
Mitiu Agbosasa, Assistant Director, NYC H + H/Metropolitan  
Lisa Scott-McKenzie, Deputy Executive Director, NYC H + H/Woodhull  
Donna Chae, Senior Associate Director, NYC H + H/Woodhull  
Mitchell Bonagura, Director, NYC H + H/Woodhull  
Nagat Shehata, Controller, NYC H + H/Woodhull  
Erica Soiman, Chief Financial Officer, NYC H + H/Woodhull  
Daniel Frimer, Controller, NYC H + H/Coney Island  
Kim Walcott, Assistant Director, NYC H + H/Coney Island

**OTHER ATTENDEES**

**CROTHAL:** Atul Deval, Compliance Manager  
**PAGNY:** David N. Hoffman, Compliance Officer

**OCTOBER 13, 2016  
AUDIT COMMITTEE MEETING  
MINUTES**

An Audit Committee meeting was held on Thursday, October 13, 2016. The meeting was called to order at 10:06 A.M. by Ms. Emily Youssouf, Audit Committee Chair. Ms. Youssouf asked for a motion to adopt the minutes of the Audit Committee meeting held on September 8, 2016. The minutes were unanimously adopted by the Committee. An additional motion was made and seconded to hold an Executive Session of the Audit Committee to discuss risk assessment to the Corporation.

Ms. Youssouf then directed the meeting to Chris Telano for the audit update.

Mr. Telano thanked her and saluted everyone and stated that he will start on page three of the briefing. He stated that he wanted to note that the New York City Office of the Comptroller has begun an audit of our electronic medical record system, EPIC. September 29<sup>th</sup> was our entrance conference. According to their audit notification letter, and I'll quote here, "The objective of the audit is to determine whether the implemented EPIC system at Elmhurst is fully functional and performing as designed and planned. So far we've had the entrance conference, which Mr. Russo attended.

Mr. Russo stated that his point in attending was to make sure that they understood the parameters that they could not get protected health information in terms of conducting their audit and they had to agree that they will do things that would involve simulations and other to effectuate their audit, but they will not peer into our actual medical records.

Ms. Youssouf stated that that is good because she knows there was an issue with that.

Mr. Telano said that there was. Some of the documents they have requested: they wanted the contracts and purchase orders related to the EPIC implementation, and they wanted detailed technical specifications on the software and the license specifications on the software and the license features and training services and some organization charts and information on the EPIC data sets and dictionaries and record layouts of data files. So it seems that it's going to be very IT oriented.

Mr. Campbell stated that he thinks that it is good, having someone looking over our shoulders and if they have any suggestions because it is still a work in progress, and it is welcomed.

Ms. Youssouf concurred by stating that she does too and thinks we have done a really good job with this.

Mr. Telano said that he will keep the Committee aware as to the status.

Mr. Telano then continued to page four and stated that he has two audits that were conducted since the last meeting in September, and the first audit is of dietary services at New York City Health + Hospitals/Kings County. He asked the representatives to approach the table and introduce themselves. They did as follows: Sheldon McLeod, Chief Operating Officer; Samantha Auslander, Clinical Nutrition Manager; Myles Foley, Vice President (Sodexo). Mr. Telano said that he will go through the four issues and then they can respond. The first issue that we noted was that dietary services personnel sometimes inaccurately transcribed patient diet orders submitted by the physicians through QuadraMed onto their manual card filing system. This was previously noted by the Centers for Medicare and Medicaid Services (CMS), in a survey report in April 2014.

The second finding had to do with the menu selection. We were informed that it was determined by surveys that were given to residents at New York City Health + Hospitals/Coler; however, no documentation was able to be produced confirming that the process was conducted.

The third finding is that the dietary department did not track and monitor their training classes. As a result there was no documentation related to in-service and training, self-development and accident-prevention training and food-handling training.

The last finding is that there was no sign on the door to the dietary area requiring that hair coverings be worn, and as a result, we did observe two individuals enter that area without hair nets.

Mr. Foley stated that the first finding with the manual system – we have since implement CBORD, it is a technology system, and it is fully functional as of May of 2016 and that has been resolved.

Ms. Youssouf asked if it would meet CMS's requirements? To which Mr. Foley responded yes.

Mr. Foley continued with the second finding, lack of menu creation documents – that process had documentation, but it was not complete, we have since repaired that process. It had been considered a tool up until this point not realizing that we needed the level of documentation that we needed to retain. We will be retaining that moving forward, that is a sign-in sheets, survey results, agendas for the meeting and the attendees at that meeting. While it was held at Coler, it represented all the long-term care facilities and their resident committees. That is the resolution of the second finding.

Ms. Youssouf asked what is that exactly? Mr. Foley answered that that is the menu itself. We change the variety of the menu a couple of times a year.

Mr. Foley continued with the third finding – lack of employee training. I believe there were four different in-services that resulted in eleven people not having follow-up training done. We have since developed a tracking tool, and we are tracking all trainings and following them back up and making sure that everyone is trained.

Ms. Youssouf asked what is the tracking tool? Mr. Foley answered that it is a management tool that it's entered into the computer on an Excel spreadsheet and it is taken off the sign-in sheets on their monthly in-service training. Anyone who did not attend, is put into the system, and as a management tool it is updated weekly.

Ms. Youssouf asked if they have looked into the possibility of having offerings that patients could select, that they would have a choice because we know that that is offered at other hospital systems.

Mr. Foley responded yes, that the select menu initiative is underway.

Ms. Youssouf asked at all facilities. Mr. Foley said that it is rolling out. It is following CBORD and EPIC implementation, and starting next week, Queens and Elmhurst will be on the select menu, then it will be rolling out on a schedule.

Ms. Youssouf stated that she is very happy to hear that.

Mrs. Bolus asked how long it will take? Mr. Foley answered that right now I believe we are still waiting to schedule Bellevue, but it is scheduled through the first quarter of 2017.

Mrs. Bolus asked how much variety will they have in the entrée?

Mr. Foley responded that typically there is the main and the alternate, and then we usually have at least two or three other items that they would be able to select, so probably up to about five per meal.

Mr. Campbell asked if they could share a sample of the menu with the Board or the Committee.

Mr. Foley said that he did not have one with him, and did not know we were going to cover that today.

Mr. Foley continued with the final finding – adherence to department policy. We actually have the policy in place for hair covers. The two people that were identified as coming into the area over the four months of this audit were not dietary employees. They were outside visitors. We have re-in-serviced all the managers to ensure that anyone coming into the department has to have a hair covering, and the signs that were on the doors for whatever reason were off the doors. We now have had them professionally mounted, and they will stay on the doors.

Ms. Youssouf asked that if you have visitors during meal preparation, wouldn't you have them wear hair nets as well? Mr. Foley answered absolutely, but these were other hospital employees from other departments coming into the department. At the door there is a sign that they have to wear a hair covering. It is a kind of self-policing. By the time we catch them, they are already in the kitchen.

Ms. Youssouf said the most important thing is you provide them and there is a notice. Hopefully there is somebody there who will say something.

Mr. Foley stated that the problem is that they are already halfway in the kitchen by the time we get them, so they are already past the point of no return.

Mrs. Bolus stated that when they visited the cook plant, they noticed that some of those carts when they get finished do not get completely washed before they are reused. Are they taking better control of the cleanliness of the place?

Mr. Foley responded that we are updating the cart washers. We are buying new ones, and we have increased the washing cycles. That has been in place probably 12 to 18 months now and we are updating all the capital equipment in the plant.

Ms. Youssouf asked that as a general statement going forward when Board members visit a facility and discuss with management some suggestions that we do get a report back about this being accomplished or something because it is hard for us to know, not that we do not trust everyone's word, but still it would be nice if it is written down for the record.

Mr. Telano continued by stating that turning to page five, the audit was of controls of cash at New York City Health + Hospital/Woodhull and Cumberland. He asked the representatives to approach the table and introduce themselves. They did as follows: Erika Soiman, Chief Financial Officer; Nagat Shehata, Controller.

Mr. Telano said that he will go through the findings first, and you can respond to each one of these. First, I would like to state that we performed an announced cash count throughout both facilities and we found no exceptions and no difference in the counts. We also reviewed all bank reconciliations and found that they were completed timely, so I wanted to give kudos out to the finance department at these two sites. Now the bad news.

The first issue has to do with the signatures on the bank accounts not being current on seven Woodhull bank accounts. Five separated employees and one nurse executive were listed as signatories on the JP Morgan accounts, and at the six Cumberland bank accounts, seven separated employees and the same one nurse executive were listed as signatories.

The other findings had to do with security concerns in which the cash management staff at Cumberland were unescorted when transporting cash throughout the facility to different floors, and we recommended that hospital police escort them around. We also noted that the safes in which the cash is maintained have never been changed, and there has been turnover of personnel throughout the years, so there might be individuals that had those combinations. Lastly, there were no cameras facing the safes or the cashiers located on the second and third floors in Cumberland.

Ms. Soiman stated that she joined the organization in August, so in effect it is after the pleasure of meeting the Audit team, but we had an exit conference and we discussed these findings, and certainly we accept responsibility for the shortcomings and immediately proceeded to resolve them. With respect to the removal of signatories, it is my understanding from Ms. Nagat Shehata that she has had emails sent to Central Office on several occasions. Perhaps they were not followed up, which I admit is one of our weaknesses, but since then everything has been corrected.

The second issue Ms. Shehata stated that I just wanted to mention for the record that we are here representing both Woodhull and Cumberland, but again we are facing a transition period. I am not sure how long this has started, but again some of these representatives and findings we do assume responsibility. We continue to provide service at Cumberland.

Ms. Youssouf thanked them and asked them about the separated employees. That this is an issue that we have discovered time and again, and here it says you will be checking on it once a year, which I do not think an annual review is timely enough.

Mr. Anantharam added that I completely agree, and I think this came up at the last Audit Committee meeting about the Central Office, and what we have initiated is a process of looking at the system. There are about 126 accounts, and we already got a list of all of the accounts and all the signatories for them, and we are going process by process.

Woodhull has already been corrected, Metropolitan has been corrected, but we are going through a process of ensuring that all of them are okay, and we are doing it bi-annually so that should address most of this.

Ms. Soiman stated that I can assure you all that we have already taken off somebody who's left the organization since then, so we are really proactive now. We said here annually, perhaps we correct it. I am not sure if it's possible. It is semiannual immediate action, so we are really very proactive in this matter.

Mrs. Bolus stated that I am curious about number one, where it says five separated employees and one nursing executive. Two of those former employees, where it says signatures for seven accounts. That is the executive and who were on the signature? I see the nurse executive, who was the other employee?

Mr. Anantharam responded that I cannot answer that.

Mr. Russo asked who were the other signatories? Mr. Telano answered that they were ex-finance individuals.

Ms. Soiman added Controllers or CFOs that previously served in those roles.

Mr. Telano added that they have had turnover in executive management at Woodhull from the beginning of the year, so those individuals are still on.

Mr. Page asked do we have the capacity to actually have the signatories on those hundred and some accounts in a data base so that when somebody leaves you can just automatically compare them to the list and make sure they were taken off? It strikes me that it seems so simple, and nothing ever is, but it could be a very quick data processing check if we had it set up.

Mr. Anatharam stated that he hates to refer back to ERP. We find the resolution for all of our ills, but this has come up in other instances where do not necessarily track our payroll records to people who are authorized to do a variety of things and not just on back accounts but other instances too. That would be one way to ensure that the systems talk to each other so that it does not continue to be the issue. Every time this issue comes up, we step up to the plate and resolve it. What I have to ask my staff to do is review once every six months on all of the accounts across the system until such time that we actually have something that sort of manages this.

Ms. Youssouf asked why do we need so many separate accounts? We have a certain amount of facilities.

Mr. Anatharam answered that I have not undertaken that review yet. We are in the process of resolving a variety of finance functions, and we will take that up.

Ms. Youssouf stated that I think six months when someone has access to cash is too long to wait and seems there is got to be a better way to do that.

Mr. Anatharam added that I will say that while this is not proper, the probability of those departed employees accessing out bank account is slim because I understand that they actually have to go through a process of having the token that is generated monetarily for every transaction, so while this is inappropriate in itself, I think the risk of their accessing the system is probably slim.

Ms. Youssouf said that still, it exists and it just seems it would be a more smart, more efficient way to do it, and coming back on the banks I think consolidation would help tremendously.

Ms. Soiman stated that you had indicated the issue of no cameras, and we have immediately noted this. I do not know that there is necessarily a rationale for the cameras. They should have been there, but we have already taken action steps to resolve that matter, so the purchase order was put in. The vendor is aware that we need this type of security measure, so the corrective action is in process. You had mentioned also in the findings that the transportation of cash did not occur with the proper hospital police accompaniment. That is a weakness. Unfortunately we had an individual who was filling the role of the assistant director, and it is no excuse for management not to be responsible, but this individual did not really follow the protocol even though there was a schedule for 10:00 and 4:00 pickups and so forth. Last, the safe combinations not being changed in a timely fashion. All we can say is that this has been initiated. We changed the locks

and we worked with our facility's leadership to implement the change. We will do whatever it takes from now on to make sure that there are no negative findings.

Ms. Youssouf stated that what that finding really means is on a regular basis just as you have to change pass codes for something, you need to change the combinations. I want to be sure you understand that. To which Ms. Soiman responded that I understand it very well. The Controller, Ms. Shehata, is telling me that the access is really secure. There is a log in sheet where individuals who are accessing the safe are identifying themselves, signing, the date, but agreed, adding the change of safe combination is an added measure.

Ms. Shehata added that there is also a camera over the Cash Management Office at Woodhull.

Ms. Scott-McKenzie, Executive Deputy Director at Woodhull added the assurance that we have changed the policy, and we now have quarterly change of the combination on the safes.

Mr. Telano continued and stated just going real quick, turning to page six, it shows that audits that are in progress, and the majority of these will be discussed at the next Audit Committee meeting, and on page seven is the status of the our follow-up audits, which are on time, and that concludes my presentation.

Ms. Youssouf asked Mr. Anantharam to explain why we are not doing the finances now and when we are going through the financial statements.

Mr. Anantharam stated that the City's Actuary's report was delayed. It was expected early last week and did not happen, so now we got it late Friday, and the City's auditors have not completed their work yet. They were supposed to have had it done by Monday or Tuesday, so I had to check, but that should have happened early this week. The City's audit meeting itself has been pushed back to the 26<sup>th</sup> because they understand they do not have sufficient work outstanding to complete their audit, so the expectation is that we will follow through with our work by the middle of next week and have a meeting scheduled for the 21<sup>st</sup>.

Ms. Youssouf stated that we are going to have a special Audit Committee meeting just so everybody knows. Once the date gets settled, it will be announced. At that point we will have our outside auditors as well as we will go through financial statements.

Mr. Campbell stated that the problem here is that the City's Actuary has only just managed to produce the final numbers for the year ending June 30, 2016.

Mr. Anantharam answered that that is correct for the calculations.

Ms. Youssouf asked if there were any comments, then announced that they were going to go into executive session.

After returning from Executive Session, Ms. Youssouf asked if there were any old business or new business.

There being no further business, the meeting was adjourned at 11:08 A.M.

Submitted by,

Emily Youssouf  
Audit Committee Chair



## SPECIAL AUDIT COMMITTEE MEETING MINUTES

AUDIT COMMITTEE

MEETING DATE: October 20, 2016  
TIME: 4:00 PM

### COMMITTEE MEMBERS

Emily Youssouf, Chair  
Josephine Bolus, RN  
Mark Page

### OTHER MEMBERS OF THE BOARD

Gordon Campbell

### STAFF ATTENDEES

Antonio D. Martin, Executive Vice President/Chief Operations Officer  
Salvatore J. Russo, General Counsel, Legal Affairs  
Dr. Machel Allen, Interim Chief Medical Officer  
Chelsea-Lyn Rudder, Director, Communications & Marketing  
Colicia Hercules, Chief of Staff, Chairman's Office  
Patricia Lockhart, Secretary to the Corporation, Chairman's Office  
PV Anantharam, Senior Vice President/Corporate Chief Financial Officer  
Wayne A. McNulty, Corporate Compliance Officer/Senior Assistant Vice President  
James Linhart, Deputy Corporate Comptroller  
Gassenia Guilford, Assistant Vice President, Finance  
Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits  
Carlotta Duran, Assistant Director, Office of Internal Audits  
Roshney Kaur, Staff Auditor, Office of Internal Audits  
Jay Weinman, Chief Financial Officer, NYC H + H/Bellevue  
Kiho Park, Chief Financial Officer, NYC H + H/Coney Island  
Elsa Cosme, Chief Financial Officer, NYC H + H/Gouverneur  
Erika Soiman, Chief Financial Officer NYC H + H/Woodhull  
Ron Townes, Associate Director, NYC H + H/Kings County

### OTHER ATTENDEES

OMB: Shaylee Wheeler, Analyst  
PAGNY: Anthony Mirdita, Chief Financial Officer  
KPMG: Maria Tiso, Partner; Michael Breen, Partner; Joseph Bukzin, Senior Manager  
WATSON RICE LLP: Bennie Hannott, Partner; Barbara Siochi, Partner

**OCTOBER 20, 2016**  
**SPECIAL AUDIT COMMITTEE MEETING**  
**MINUTES**

A Special Audit Committee meeting was held on Thursday, October 20, 2016. The meeting was called to order at 4:07 P.M. by Ms. Emily Youssouf, Audit Committee Chair. Ms. Youssouf then introduced the first information item regarding the Fiscal Year 2016 Financial Statement and Related Notes.

Mr. Anantharam stated that we have to present our financial statements to the City next week, and we wanted to run them by you, so what you have in your packet is the actual document that is almost final. The numbers are final. There are some extra changes that will probably happen in the next couple of days. What we want to do today is go over KPMG's review of our financial statements, and then we would follow up with the presentation of the financial statements itself and give you an explanation.

Ms. Maria Tiso introduced herself as the lead audit partner on the audit and her team as follows: Mike Breen, Supporting Partner; Joe Bukzin, Senior Manager; from Watson Rice; Bennie Hadnott and Barbara Siochi.

Ms. Tiso stated that what we are going to go through today is our required communications as it relates to the 2016 audit. I will walk through the 12 deliverables, our communications and some of the open items that need wrap up before we issue the financial statements early next week.

I would like to start on page four. There are eight deliverables that we will be issuing as part of the audit. There is one that is not listed here, the debt compliance letter; however, it is included in your package. We will be issuing the auditor's reports on the financial statement, the required communications, which we will be going through today. We'll be issuing the management letter, which is currently in progress of being drafted, which will be presented to this Committee in early December. There will be various regulatory cost reports that we will be issuing in 2017, and the MetroPlus Health Plan and HHC Insurance Company, those are calendar year end, so those audits are typically done in February with an issuance in late March.

On pages five and six, these are the responsibilities of management, KPMG and the Audit Committee as it relates to the conduct of the audit. We have presented these slides to you in the past and I am just going to touch upon a couple of the highlights. Starting on the top on page five, management's responsibility is to make sure that internal controls, all the financial reporting are working effectively; making sure that the financial statements including the disclosures are in accordance with generally accepted accounting principles; making sure that the New York City Health and Hospitals complies with laws and regulations; making sure that the financial statements are adjusted for any significant material misstatements.

On page six our responsibility is to issue an opinion on the financial statements of the Corporation; conducting the audit in accordance with professional standards; and we also evaluate internal controls, all the financial reporting, not to give an opinion on the controls, but to render an opinion on the financial statements. And then lastly the Audit Committee's responsibility, oversight of the financial reporting process and making sure that internal controls are designed to prevent and detect fraud.

On page seven, just a few highlights of the summary. We plan on issuing an unmodified audit opinion on the financial statements, which is the highest level of assurance that the financial statements are free of material misstatements. We are unaware of any material errors, fraud or illegal acts that would result in significant misstatements to the financial statements. There were no new accounting pronouncements adopted that had an impact on the financial statements. There were no new accounting pronouncements adopted that had an impact on the financial statements. There were several that the City of New York adopted, but none that affected these financial statements. Lastly, there were no uncorrected financial misstatements in these financial statements.

At this point I'm going to turn it over to Mr. Bukzin he's going to walk through some of the accounting estimates. These are the areas that we spend a significant part of our audit because they require management's judgments, methodology, and then some of the non-routine significant transactions that were included in these financial statements.

Mr. Bukzin stated that we are still on page seven, the bottom section there. It highlights those accounting estimates, and I'll just touch upon some of the procedures that we would perform in relation to these. So as it relates to the valuation of patient accounts receivable, we do review management's process and their methodology in evaluating the reasonableness of the net receivable balance. It does involve a review of subsequent cash activity. As part of the audit process, we actually look at it and do an independent analysis as well as looking at the subsequent cash trends, so that it just gives a little bit of color around the valuation of patients accounts receivable.

Several of the other balances are actuarially determined estimates, so we do involve certain subject-matter professionals as part of the audit process. We have our own actuaries that look at the estimates related to claims payables, pension, and post-retirement. Those are the actuarial adjustments that have certain assumptions embedded within, and all of the balances included within are reasonably stated within the financial statements.

Turning to page eight, I just want to highlight some of the unique or unusual transactions during the year. The first one relates to DSRIP. There was approximately \$74 million recognized as grant revenue, and this is based upon specific requirements, eligible requirements that are achieved as of the balance sheet date of June 30th. They met those requirements and as such were able to recognize the revenue and a related receivable on the books and records.

In terms of UPL, this is embedded within the third-party payor account balances. There is a receivable on the books you will see on the balance sheet for a little under a billion dollars, about \$922 million from a comparability perspective of approximately \$890 million as of last year, and we did look at the actual cash collections that came in on the prior year. We do involve certain subject-matter professionals as well with reimbursement experience and focus in on this particular area. In terms of appropriations from the City, just a couple of highlights here in terms of a couple of amounts related to debt and malpractice that no longer require repayments from the organization to the City, so those amounts are disclosed within the financial statements, and that second bullet there highlights the transaction that transpired late in the last quarter where the City provided cash of approximately \$400 million to the Corporation. That's also recorded in the financial statements and within the appropriation line item.

In terms of the electronic medical records system, this is a significant project to the Corporation. We do test additions related to construction and progress as part of our audit process. In terms of debt transactions, there are disclosures within the financials about new debt instruments related to loans and leases, which are recorded, approximately \$63 million of additional debt. As it relates to subsequent events, management as well as we the auditors have a responsibility to evaluate that up until the time of issuance. At this point in time, there is nothing significant to disclose or adjust related to subsequent event information.

Ms. Tiso added that the last bullet is on liquidity. We brought this up in the planning when we came to the Audit Committee back in June. Obviously liquidity is something that we look at throughout the audit, so we evaluate the risk of liquidity. During the planning phase of the audit, we consider liquidity a risk. We looked at the March 31<sup>st</sup> financial statement, and at that point in time there was a working capital deficit; however, as the audit progressed in the last quarter, there were certain transactions that occurred between the City and the Corporation that were included in these financial statements such as \$400 million of City assuming the debt in malpractice settlements, so we take a look at all that.

Included in these financial statements, you have almost a break-even working capital right now, a break-even net income from operations and cash provided by operations of \$100 million, so as the audit progressed, we did not think at the end of the year that liquidity was a risk; however, with that, going forward we would obviously monitor liquidity in light of Dr. Raju's 2020 Vision and Mayor De Blasio's Transformation Plan. There's a lot of changes that are going to happen, but it's something that we are definitely going to keep on our radar screen as we progress to next year's audit.

Turning to page nine, just some of our other required communications. As it relates to significant accounting policies, they are included in note one to the financial statements. As it relates to quality of accounting principles, they have been consistently applied, and appropriate disclosures are included in the financial statements. To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants. There were no major issues discussed with management prior to our retention. As it relates to difficulties encountered in performing the audit, we encountered no significant difficulties, but I did want to mention that probably it was a very challenging audit from our perspective. We had delays in receiving the pension information. With the Corporate Comptroller position not filled, Mr. Linhart and his team really had to step up to help us get through the audit, so again, challenging. There was a lot of healthy discussion with the management team, but as you know, the Audit Committee date was pushed back two weeks, and our financial statements will be issued probably two weeks later than it normally has, but we had healthy discussions, and Mr. Anantharam is new to his role, so we really acclimated him to the audit process.

As it relates to material written communications, we do have an engagement letter, the management's representation letter, which we'll be receiving in the next few days, and then the management letter, which we'll bring to the Committee in December. As it relates to the management letter, I can tell you that there are no material weaknesses or significant deficiencies on any of the comments that will be included in the management letter. There will be just comments for best practices and operational improvements.

On page ten, there is the other information in documents containing audited financial statements. There are no other documents except we usually add new bond offerings because financial statements are included in those. There were no significant changes to the audit plan, no disagreements with management.

We are not aware of any relationship between KPMG and New York City Health and Hospitals Corporation that would impair our independence. We look at that very strictly and we make sure that we follow our policies and protocols as it relates to independence. Related party transactions between the City and New York City Health and Hospitals Corporation are fully disclosed in the financial statements. Any non-GAAP policies and procedures were not deemed material to the financial statements, and as it relates to litigation, claims and assessments, none other than normal course of business.

Ms. Tiso stated that at this point I am going to turn it over to Mike Breen. On page eleven there is a slide that talks about some of the audit and post-closing adjustments that were included in these financial statements. Mr. Breen will give a brief highlight of what those adjustments are.

Mr. Breen said that it is a required communication where any audit adjustment, post-audit adjustments that are identified during the audit, so in the past I'll say two months, and I'll say a summary of those. We did not include Pension or OPEB, those two actuarial determined numbers that we all know came late, but here's some of the adjustments. On statements of revenue, expenses and changes in net position, it was out of that \$400 million appropriation from the City, there was \$118 million that management needed to get additional information on. It originally was recorded as for revenue, meaning it was a liability, and then additional information was received from the City, which then basically said you can use it for 2016, so it was recorded as an appropriation in revenue. This happened during the audit this year. There was some additional grant revenues recorded. Mr. Bukzin had mentioned DSRIP, and FEMA is also recorded, and there was a premium revenue, a couple adjustments with MetroPlus. The main one I would say is reconciling things between New York City Health and Hospitals as well as MetroPlus. The overall increase you could see there the revenue is about \$241 million.

Then in the statement of financial position, the balance sheet here, there were some adjustments there. The first one, which relates reclassification, with that Mr. Bukzin had mentioned there was some new debt issued, and there were funds that were received as part of that debt issuance that are used for equipment purposes, and those funds were actually reclassified to long term from short term during the audit.

The next item, the accrued expense, that's the appropriation I had mentioned that originally was hung up as a liability that then became revenue throughout the audit. There was receivables set up, the DSRIP and FEMA grants I had mentioned. And then there was in the due to City, there was a balance of \$297 million classified originally as short term, but the City came back and said they were not going to require repayment in fiscal 2017, so that made the reclassification to be long term for our purposes.

Ms. Youssouf asked if that was the current debt service payment?

Mr. Linhart responded that it was the malpractice and debt service FY 15 that we were able to push back into long term.

Mr. Breen added that I think clearly one of the things to sum this up is that there was an increase in working capital of about \$483 million in adjustments, so as Ms. Tiso pointed out, when we were thinking about liquidity, these were a number of the adjustments that impacted the liquidity situation.

Ms. Youssouf then stated that I thought that the debt service, that they were in fact saying that they were going to forgive it for a couple of years. Why did it become a long-term obligation then?

Mr. Anantharam answered that this goes back to Fiscal Year 15.

Mr. Breen added that it became long term because of the repayment. The last thing I'll mention here is two things that there's no uncorrected adjustments, so there are no adjustments that we proposed that management did not record, and there were also no omitted disclosures in the financial statements. I think with that I'll pass it back to Mr. Bukzin for slide 12, which is our next steps.

Mr. Bukzin stated that page twelve summarizes where we were as of a couple days ago, so there has been some progress since then. I'll take you through that. The first bullet highlights our second part in the review process. He's had a chance to read through the financial statements, and we heard from him this morning that there would not be any significant or material changes, so that's good. We are substantially complete from that perspective.

Ms. Tiso reported that there may be some minor edits, but nothing significant.

Mr. Bukzin said that that is right and the second item speaks of that. There may be some editorials relating to some of the footnotes and the MD&A's included in the financial statements. The third item, we are just wrapping up a little bit of detail test work related to patient accounts receivable. We don't expect there to be anything significant there. We are dotting I's and crossing T's at this point. In terms of subsequent event procedures, we are actually going through that process currently, and I'd like to report that we actually did just receive while we were here the up-to-date legal updates from in-house counsel. We are completed on that front. We did receive that, and we are going through reviewing just any final minutes that have been issued since we are required to do that as part of the audit.

The management representation letter, we did actually provide a draft to management that will accompany the issuance of the report, so they provide written representations to us. We provide the audited financial statements, and then the last item there, as Ms. Tiso and Mr. Breen mentioned before, we are working through the management letter comments, and we'll report back to the Committee in December with that document.

Ms. Tiso stated that we are prepared to issue the audited final financial statements on Tuesday morning.

Ms. Youssouf turned the meeting over to Mr. Anantharam.

Mr. Anantharam stated that we want to do is walk you through some of the major changes in our income statement and our balance sheet for '15-'16, and Mr. Linhart is going to do that.

Mr. Linhart began and stated that page three, total operating revenue increased \$1.2 billion from the prior year, and it is almost entirely due to the appropriations received from New York City. The revenues, line number one under operating revenues, net patient service revenue makes up about three quarters or 75 percent of the total revenues and accounts for \$5.8 billion and remained relatively flat from year to year with a 1.4 percent increase. The previous year's balance was \$5.7 billion, representing 88.7 in total operating revenues. Going to line two, appropriations from the City of New York, as you

can see from the documents, 1.4 billion current year as compared to \$141 million the previous year. The appropriations represent about 18 percent of revenue for current year, and for past years, so it just shows that the City has increased their support to us.

The City supplied support for collective bargaining increases of \$135 million, maintenance of DSH UPL support of \$204 million nets, and the City maintained their portion of the local share to the previous historical number.

Correctional Health Service, which is a new endeavor for New York City Health and Hospitals, those are services that were previously provided by New York City DOHMH. That amounts to \$165 million.

Ms. Youssouf asked KPMG about Correctional Health Service because they did not specifically address that in their report.

Ms. Tiso answered that Correction Health facilities services are going to be provided in FY 17.

Mr. Anantharam stated FY 16.

Ms. Tiso stated that we included it as part of our revenue sampling, so when we do look at revenue, we include that part of the revenue test work.

Ms. Youssouf stated that I would think that is something that would be because that is a whole new division.

Ms. Tiso responded that if you would like, we can definitely add it to the presentation.

Ms. Youssouf said that I think so, just for the record that is appropriate.

Ms. Tiso answered that that is fine, but we did include it as part of our overall revenue testing.

Mr. Linhart continued and said that included in the \$1.4 billion is City subsidy amounts of \$581 million, and of that amounts, \$40 million was provided on June 30, 2016. Moving down to line four under operating revenues, with grant revenues in the amount of \$362 million versus \$527 million for the prior year represents a decrease, a variance of \$164 million, which is due to the first year set up and receipt of the IAAF, or the Interim Access Assurance Fund of \$140 million, which was provided to all the DSRIP programs and ensured the financial viability of critical safety net providers during the period leading up to DISRIP implementation.

Moving down to operating expenses, similar to the \$1.2 billion increase in revenues, we had an offset of \$1.1 billion in expenses. This is mainly due to a \$672 million increase, combined increase of Pension and OPEB expenses as well as our assuming the Correctional Health Services too.

On line one, under operating expenses, you have personal services, which increased \$147 million from the previous year mainly due to collective bargaining settlements worth approximately \$68 million and the addition of Correctional Health Services. Line two under operating expenses, which is other than personal services, increased \$192 million or 6 percent from the previous year, and that too was due mainly to the addition of Correctional Health Services. Lines four and five under operating expenses, which are pension and post-employment benefits other than pension, what we call OPEB, those increased \$217 million and \$455 million respectively, and these amounts are all based on the revised estimates provided by the New York City Office of the Actuary.

Operating revenues minus operating expenses for the year shows a positive amount of \$40.1 million. That is compared with a loss of \$58.1 million of the previous period. That is an overall improvement of \$98 million. I would like to say that the reason for ending in this positive position was mainly due to the City's appropriation amount of \$1.4 billion.

Page two, which is the balance sheet. It summarizes our position on June 30, 2016. It includes all of our system's assets, liabilities and net position summarized here. As I said earlier, the current ratio is reported at .95 this year compared to .84 and .87 in the previous years. The New York City average for 2015 is 1.14 for the current ratio, so we are not doing too terribly at .95. The ideal is 1.0, so moving forward from that, we will hopefully get to that point.

Current assets, cash and cash equivalent, Health and Hospitals was left with \$544 million at the end of year after all operations, and that represents a decrease of \$67 million from the previous period and, you may remember at the Finance

Committee meeting, we had said \$433 million was the ending balance, cash balances, but the amount takes into account all transactions that need to be processed whereas this takes into account cash on the table.

Current Assets, patient accounts receivable, net. It is consistent with prior years and represents receivables for 2016 and approximates about two months' worth of receivables. Line five under current assets estimated third-party settlements receivables, \$922 million represents a variance of \$31.9 million, and that reflects the anticipated UPL receivables, revised estimates for 2016.

Going down to the liability section, if you look at due to the City of New York, it is provided in two section, one in the current section, on in the long-term section. It decreased \$277 million, and as previously stated, we had paid the 2014 malpractice and debt service, and there was no increase in those amounts for 2016 because the City had assumed that cost, so it was never recorded as a liability.

Current liabilities, which is Pension and OPEB, a combined increased increase of \$1.071 billion as we recognize our annual pension costs and payments toward the pension liability and an increase of \$321 million related to OPEB obligations as determined by the New York City Office of the Actuary.

Mr. Anantharam announced that that concludes our presentation of the financial statement.

Ms. Youssouf stated that I believe that the Audit Committee needs to agree to the release of these audited materials, so can I have a motion. Motion was seconded and granted.

Ms. Youssouf said that I would like to thank you all for working very hard and a great presentation and as always, KPMG, thank you very much.

Mr. Anantharm thanked the committee and also commended Mr. Linhart and his team for working very diligently as well as KPMG for being so helpful in the process.

There being no further business, the meeting was adjourned at 4:35 P.M.

Submitted by,

Emily Youssouf  
Audit Committee Chair

December 1, 2016

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

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of New York City Health and Hospitals Corporation (NYC Health + Hospitals), a component unit of the City of New York, as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered NYC Health + Hospitals' internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 + Hospitals' internal control. Accordingly, we do not express an opinion on the effectiveness of NYC Health + Hospitals' internal control.

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. During our audit, we noted certain matters involving deficiencies in internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operational efficiencies and are summarized as follows:

Observations marked with an (\*) have been carried forward from the prior year and updated for the current year.



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| <b>Facilities</b>       | <b>Facilities Audited in 2016</b>                       | <b>Financial Reporting</b> | <b>Liquidity</b> | <b>Patient Accounts Receivable</b> | <b>Metro Plus</b> | <b>Accounts Payable Sub ledger to General Ledger Reconciliation</b> | <b>Information Technology</b> | <b>Tax Matters</b> | <b>Fixed Asset Depreciation</b> | <b>Industry Issues</b> |
|-------------------------|---|----------------------------|------------------|------------------------------------|-------------------|---|-------------------------------|--------------------|---------------------------------|------------------------|
| <b>Corporate</b>        |   | <b>X</b>                   | <b>X</b>         | <b>X</b>                           | <b>X</b>          | <b>X</b>  | <b>X</b>                      | <b>X</b>           |                                 | <b>X</b>               |
| <b>Northern Manahan</b> | <b>North Central Bronx</b>                              |                            |                  |                                    |                   |   |                               |                    |                                 |                        |
| <b>South Manahan</b>    | <b>Henry J. Carter</b>                                  |                            |                  |                                    |                   |   |                               |                    |                                 |                        |
|                         | <b>Metropolitan Hospital Center</b>                     |                            |                  |                                    |                   |   |                               |                    |                                 |                        |
| <b>Central Brooklyn</b> | <b>Kings County Hospital Center</b>                     |                            |                  |                                    |                   |   |                               |                    |                                 |                        |
| <b>South Brooklyn</b>   | <b>Sea View Hospital Rehabilitation Center and Home</b> |                            |                  |                                    |                   |   |                               |                    |                                 |                        |

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| <b>Facilities</b>       | <b>Facilities Audited in 2016</b>               | <b>Financial Reporting</b> | <b>Liquidity</b> | <b>Patient Accounts Receivable</b> | <b>Metro Plus</b> | <b>Accounts Payable Sub ledger to General Ledger Reconciliation</b> | <b>Information Technology</b> | <b>Tax Matters</b> | <b>Fixed Asset Depreciation</b> | <b>Industry Issues</b> |
|-------------------------|---|----------------------------|------------------|------------------------------------|-------------------|---|-------------------------------|--------------------|---------------------------------|------------------------|
| <b>Northern Manahan</b> | <b>Lincoln Medical and Mental Health Center</b> |                            |                  |                                    |                   |   |                               |                    | <b>X</b>                        |                        |
|                         | <b>Morrisonia DT&amp;C</b>                      |                            |                  |                                    |                   |   |                               |                    | <b>X</b>                        |                        |
| <b>Queens</b>           | <b>Queens Hospital Center</b>                   |                            |                  |                                    |                   |   |                               |                    |                                 |                        |

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**Corporate Comments**

**Financial Reporting**

*Observation*

During the year end audit of NYC Health + Hospitals, the corporate controller position was vacant and there were several key finance department personnel that have retired or are in the process of retiring. The corporate controller position is important to the finance department since the corporate controller is responsible for the overall preparation and fair presentation of the financial statements, which includes a detailed review of the financial statements, including the footnote disclosures, Management's Discussion & Analysis (MD&A), and required supplemental information in accordance with U.S. generally accepted accounting principles. As a result of these resource constraints, there were several adjustments recorded and revisions to the footnote disclosures and MD&A subsequent to the year-end close and during the audit process. Although there are processes in place for reviewing the financial statements, there was no evidence of an overall formal review of the financial statements, including the footnote disclosures, MD&A and required supplemental information at a level of precision to ensure they are fairly presented.

*Recommendation*

As part of NYC Health + Hospitals financial reporting process, we recommend the following:

- Perform a formal review of the complete financial statements, inclusive of the financial statements, footnote disclosures, MD&A, and required supplemental information at a level of precision to ensure they are fairly presented. This review should be performed by the corporate controller.
- We acknowledge that management utilizes a responsibilities checklist for the year-end close and audit, however it should be updated to ensure it is up to date and covers all significant accounts and relevant disclosures, including MetroPlus (see MetroPlus Comment). The updated checklist should ensure that there are reasonable deadlines to allow for the corporate finance department to review and record potential adjustments in a timely manner.
- Prepare a financial statement footnote disclosure checklist, to ensure that all required disclosures are included within the financial statements and in accordance with U.S. generally accepted accounting principles. In addition, management should consider preparing a footnote disclosure and MD&A binder with all relevant documentation provided in one place to support those disclosures.
- We acknowledge that NYC Health + Hospitals is currently in the process of conducting a search to fill the open corporate controller position and we recommend that this position be filled.

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*Management Response:*

We agree with the recommendations above and are aware of the importance of the Corporate Comptroller position and are in the process of reviewing the needs and requirements of the entire Corporate Comptroller office in relation to the upcoming finance consolidation, retirements of seasoned staff, as well as implementation of the new Enterprise Resource Planning (ERP) management information system

**Liquidity**

***Observation***

NYC Health + Hospitals continues to face significant challenges pertaining to healthcare reform legislation, changes in federal and state healthcare reimbursement regulations and continuous managed care market increases. As a result of the changes in the current economic environment, substantial changes are anticipated in the United States health care system going forward which will affect the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers.

Although, NYC Health + Hospitals has reported near break-even working capital and operating results during the most recent two fiscal years, and has received approximately \$1.4 billion from the City of New York (the City) in appropriations, going forward, the financial picture of NYC Health + Hospitals may result in liquidity constraints and continued financial support will be required from the City as NYC Health + Hospitals continues to fulfill its mission of rendering healthcare services to a substantial number of uninsured patients

*Recommendation*

Although, NYC Health + Hospitals has been aggressive in dealing with its financial challenges in a number of ways by creating the Office of Transformation charged with carrying out the goals of “Vision 2020” and Mayor Bill de Blasio’s Transformation Plan, we recommend that management and the Board to keep their focus on such initiatives and take the necessary actions to ensure that NYC Health + Hospitals funding remains adequate in order to carry out its vital mission.

*Management response:*

In anticipation of changes to federal reimbursement, NYC Health + Hospitals announced and began implementation of a five-year financial plan focused on sustainability, including initiatives on revenue optimization and cost containment and equity in healthcare for the uninsured. These are outlined in the “One New York” plan that spans twelve strategies across four goals. To implement these strategies the System has moved aggressively to recruit new leadership to oversee Acute Care, Primary Care, and Post-Acute Care services in addition to leadership change at the in-patient facilities. NYC Health + Hospitals is also revamping its aged IT infrastructure with the implementation of a new clinical system and an enterprise resource system to support organizational change through modern business processes. In addition, with the support of the Mayor’s Office, we have increased our advocacy efforts at the State and Federal levels to

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financially support our mission. Our strongest partner in our transformation effort continues to be the City of New York with its enduring financial support as we engage in this five-year effort.

**Patient Accounts Receivable**

*Observations*

- 1) NYC Health + Hospitals has a process and methodology in place for evaluating the collectability of patient accounts receivable. This process includes an analysis of aging categories, review of payor class mix and a review of subsequent cash collections which is a basis to substantiate the allowance percentages used for the allowance for doubtful and contractual allowance valuation calculation. This analysis is centralized and prepared by one individual within the finance department who has recently changed positions within the organization. This analysis has historically been subject to a detailed review performed by the Corporate Comptroller to ensure that any manual adjustments made to the analysis, changes in methodology, and a review of the accuracy of the calculation is sound and reasonable.
- 2) Many healthcare organizations have credit balances which result from the overpayment or mis-postings of contractual allowance adjustments. Healthcare organizations will analyze these credit balances to determine whether a portion of these credit balances should be included in accounts payable or other current liability accounts. NYC Health + Hospitals currently has approximately \$130 million of individual patient credit balances, which are all included within the patient accounts receivable, net balance.
- 3) During the audit process we identified a sample of transactions within a patient level cash posting report, which did not represent actual cash payments received by NYC Health + Hospitals. Upon further review, it was determined by management that these non-cash transactions identified were isolated to MetroPlus. The payments as identified in the system generated report were the result of duplicate postings of cash transactions from MetroPlus. The completeness and accuracy of the patient cash posting reports are important elements to the organizations patient accounts receivable and revenue analysis.

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*Recommendations*

- 1) We recommend that management formally document its process and procedures in place for evaluating the collectability of patient accounts receivable to ensure that another member within the organization could perform the analysis, as it is currently performed by one individual who has recently changed positions within the organization. In addition, we recommend a review of the analysis be performed by an individual a level above the preparer.
- 2) We recommend that management review credit balances to evaluate whether there should be a reclassification to a liability account for amounts owed back to patients or insurance payors. In addition, we recommend that management work with their legal department to review whether or not the unclaimed property laws apply to an instrumentality of the government, which NYC Health + Hospitals'.
- 3) Management should ensure that all patient cash reports are complete and accurate and representative of actual cash transactions and developing policies and procedures to ensure that the reports are complete and accurate.

*Management response:*

- 1) The previous individual who was performing the analysis of the collection studies has since resigned and moved on to another position within NYC Health + Hospitals. We are currently in the process of back-filing that position, and will be putting measures into place in which a formal review process will be completed each quarter in which the collection study/review is completed. We will also train as a back-up one other staff member to work side by side with the new hire upon inception of their start date. We will also improve upon the Accounts Receivables process memo currently in place to meet the KPMG recommendations.
- 2) We are in agreement with the recommendation and are aware that the credit balances exist. These balances are not true credit balances, as in reference to a refund due to payors. They are the attempt to write-down receivables balances on accounts in which we have determined that there is zero collection probability. These balances are identified through logic programs built into the management information systems which identifies those accounts where payment has been deemed to be non-existent. Lack of resources prohibits the manual review of each and every credit balance; however, we will sample review these credit balances to ascertain if these are appropriately classified on the financial statement. The Legal Department had determined that any unclaimed funds of this nature, if applicable, would not have to be forwarded to the State of New York.
- 3) We are in agreement with KPMG's recommendation. Moving forward, all unapplied cash will be analyzed for reasonableness to determine appropriate adjustments to the receivables or non-patient revenue are required. Policies and procedures will be modified to incorporate this process and ensure that patient cash reports are reasonably reported.

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**MetroPlus**

*Observation*

The financial reporting process for NYC Health + Hospitals continues to be a complex process, which requires management to record and present the financial statements of its discretely presented component unit, MetroPlus within the NYC Health + Hospitals financial statements. The financial reporting process for Metroplus requires timely communication between MetroPlus and NYC Health + Hospital's finance departments to ensure that all related party transactions are appropriately reflected and that all subsequent events identified are evaluated and considered for potential recording and/or disclosure implications. During our audit, there were several audit and post-closing entries related to subsequent event information and related party transactions between NYC Health + Hospitals and Metroplus. As NYC Health + Hospitals reports its financial statements throughout the year on a quarterly basis and has a fiscal year end audit that is different from the calendar year end of MetroPlus, improved communication between the finance departments is important to ensure that the financial statements and account analysis is updated and recorded on a timely basis.

*Recommendation*

We recommend that management develop policies and procedures to ensure timely communication between the respective finance departments. In addition, the MetroPlus' finance department should ensure that its financial records are updated based upon the most recent information available.

*Management's Response:*

In order to improve communication between the MetroPlus and NYC Health + Hospitals finance departments, the following steps will be implemented immediately:

- 1) Meetings will be scheduled at least on a quarterly basis with key finance staff to review any significant subsequent events that need to be reflected on the financial statements for each entity.
- 2) All related party account analysis will be performed and reconciled on a monthly basis after the first trial balance has been generated and made available by NYC Health + Hospitals. The completed account analysis will be reviewed and approved by responsible staff to ensure accuracy. Signed copies of the account analysis will be shared by each entity upon approval.

A summary schedule will be completed and signed by each entity to confirm that all related party and subsequent/significant items have been reviewed, discussed, and documented



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**Accounts Payable Sub Ledger to General Ledger Reconciliation \***

*Observation*

During the prior year and current year audit, KPMG noted that finance at the central office (Comptroller office) did not have a detailed accounts payable sub-ledger report that reconciled to the general ledger.

*Recommendation*

We continue to recommend that management obtain a detailed accounts payable sub-ledger report that is periodically reconciled to the general ledger to ensure accuracy of the accounts payable balance. Any unusual reconciling items should be investigated and addressed timely.

*Management Response*

The Corporation does not currently have systems in place which would allow the Corporate Comptroller office to provide KPMG with requested sub-ledger report. Until such a time as the Corporation invests in new systems, our current legacy based systems are unable to provide a reconciling report that is being requested; however, in its place, management has put forth and proved out a process in which year to year transactions flow from the OTPS Management System to the General Ledger are tracked and reconciled, Management has been able to reasonably rely on the general ledger balances. This practice has proved to be accurate going back at least twelve years. Management will continue to work with I.T. to develop reports which reconcile, and we will continue this process until new systems are in place, which is scheduled to come on-line July 1, 2017

**Information Technology**

**System Access Controls**

*Observations*

- 1) Two terminated employees retained access to the data center post termination date.
- 2) Three employees were not removed from their respective applications in a timely manner.
- 3) No termination of inactive accounts and lack of controls over the level of access for each user within the application.

*Recommendation*

- 1) We recommend that management removes access privileges for all terminated employees in a timely manner.
- 2) We recommend that a formal process be put in place to ensure that access to the Network and Applications is revoked in a timely manner.
- 3) We recommend periodic review of active users and user access rights to identify and remove system access.

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*Management's Response:*

The Data Center Access system maintained the two terminated employees in its active database; however, each of the terminated employee user Identification Cards were taken away from each of terminated staff immediately upon their termination, thereby eliminating their access to the data center. The Data Center Access system is solely in place to provide physical access to employees who have an active swipe on their ID cards. Without an ID card, no employee would be able to access the Data Center.

We are in agreement with timely removal of employees from applications after their termination from the System; however, it should be pointed out that immediately upon termination, all employees are deactivated from the Active Directory. The Active Directory is the gateway to access all other applications; therefore regardless of an employee being listed as active within the application, each terminated employee could not gain access to any system thereafter.

An email will be sent to all division managers reminding them of the requirement to notify the Corporate Mainframe Security center immediately of employees/staff who have separated from service that they need to be deactivated from the application(s). Also, for those employees who have been terminated (involuntarily), a monthly "match list" is reviewed by Corporate Mainframe Security against the EDB database and any of those that are terminated are deactivated with or without a form request.

**Tax Matters**

*Observations*

- 1) To maintain tax-exempt status under 501(c)(3), an entity is generally
  - a. prohibited from intervening in any political campaign or on behalf of any political candidate;
  - b. limited in the amount of monies it can expend on lobbying (attempts to influence legislation); and
  - c. prohibited from entering into any transaction with an insider at terms other than arms' length (this is called private inurement).

As it relates to MetroPlus, our audit review procedures have identified no prohibited campaign contributions or related campaign intervention, have identified no material lobbying expenditures, and have identified no instances of private inurement. Based upon our review of the final 2015 MetroPlus Form 990, MetroPlus reports paid staff as paid by MetroPlus; however, the return does not include a narrative to explain whether MetroPlus (or NYC Health + Hospitals) has a compensation review policy in place which meets the rebuttable presumption of reasonableness.

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- 2) In April 2014, NYC Health + Hospitals obtained tax-exempt status for its related entity Gotham Health. Based upon documentation reviewed to date, this entity is a separate entity for tax purposes, was tax-exempt under IRC sections 501(c)(3) and was a public charity recognized under IRC section 509(a)(1). Exempt status was granted effective May 2, 2012; however, the exempt status was automatically revoked because it did not file Form 990 for three consecutive years. The automatic revocation is effective on the original filing due date of the third annual return or notice (May 15, 2015). Technically, Gotham Health has an annual IRS filing requirement with or without tax-exempt status; therefore, the effect of automatic revocation is that the entity is required to file Form 1120, U.S. Corporation Income Tax Return (due by the 15th day of the 3rd month after the end of the organization's tax year) and pay applicable income taxes. As an automatically revoked organization, Gotham Health is not eligible to receive tax-deductible contributions. It is possible for the tax-exempt status to be reinstated or retroactively reinstated

*Recommendations*

- 1) Based upon our inquiries with management, we understand MetroPlus staff are paid employees of NYC Health + Hospitals and NYC Health + Hospitals has compensation review policies in place. We recommend the MetroPlus 2015 Form 990 reflect such policies.
- 2) We understand Gotham Health will be requesting retroactive tax-exempt status reinstatement prior to December 31, 2016 and we recommend management follow up with the IRS in early 2017 to ensure the reinstatement request was received and complete.

*Management's response:*

We will incorporate appropriate language in future Form 990 filings regarding Health + Hospitals compensation policy. The current policy is available for review.

Gotham's management worked with KPMG, Central Office Finance and Central Office Legal Department to complete and file IRS form 990s for 2012-2015 and IRS form 1023 (Application for Tax Exemption). All forms were completed and signed by Gotham's Chief Financial Officer on Tuesday, November 22, 2016.

**Site Visits**

**Fixed Asset Depreciation**

*Observation*

During our fixed asset test work we identified two fixed asset additions (one in Morrisania and one in Lincoln) out of a sample of 40 which had depreciation expense recorded, however the asset was not yet placed into service. This occurred because of a system process where purchases are automatically moved to fixed additions and begin depreciating upon payment to the vendor even though they have not been placed into service. Based on discussions with management, in order to move the asset to construction in progress (CIP), a manual entry must be made. However, in this case, no verbal communication occurred between the purchaser and the controller's office,

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and thus no entry was made. As a result, these two items began depreciating prior to being placed in service.

*Recommendation*

While the findings identified were not material to the financial statements, we recommend that management implement controls and update policies and procedures to ensure that depreciation of fixed assets is not recorded until the fixed asset is placed into service. Additionally, we suggest more frequent communication between the purchaser and the accounts payable department.

*Management's response:*

Management agrees with the recommendation noted. Our current Legacy Financial System does not allow any facility to pay for an asset until it has been recognized as "tagged and assigned" in the OTPS system. Based on documentation received from the departments, the assets in question were inappropriately assigned in the OTPS system. To prevent this from reoccurring:

- Effective immediately we will ensure that assets have been installed and are placed in to service prior to assignment in the OTPS system. To accomplish this, no asset will be assigned in the OTPS system by the Fixed Asset Liaison until the Facility Controller has confirmed from the Department (owner of the Asset) that an Asset has indeed installed and placed in to service. In the interim, for those assets that are to be assigned piecemeal, Construction in Process (CIP) accounts will be maintained off-line and final reclassification will be made in FAM to properly reflect full asset on books.
- We will request an adjustment of the Depreciation be done by Corporate Comptroller's Fixed Assets Management Department to reflect the actual date that the items were placed into service.
- In July 2017, PeopleSoft financials will go live throughout New York City Health + Hospitals. The Asset Management Module will require a 4-way match on assets. This means that Assets will require the traditional 3-way match for Accounts Payable plus an additional match for the inspector. PeopleSoft will also have an option to allow for payment of an asset regardless of its in-service status. Depreciation will only begin when the asset is placed into service. This will prevent Assets from being capitalized prior to being placed in to service.

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**Status of Prior Years Comments**

We noted several areas in which the prior year management letter recommendations were addressed by management. These comments and management's resolution status are listed below.

**Review and Approval of Consultant Costs**

*Observation*

The Corporation is in the process of implementing an electronic medical record (EMR) system which has an estimated budget of approximately \$764 million over a six year period. Of the \$764 million budget for this project, approximately \$355 million is budgeted for implementation support and training (consulting costs) over the six year period. During 2015, more than \$24.5 million of consulting costs were capitalized and approximately \$13.6 million of EMR related costs were recorded as operating expenses.

Although a large scale information technology project of this nature is infrequent and several layers of governance are established and in place to monitor the overall EMR project, the Corporation should continue to enhance its controls over the review and approval of consultant costs. Based upon the observations identified within the OIG report and preliminary findings from the Office of Internal Audit, certain findings were noted. Some of these findings included lack of supporting documentation attached to invoices, discrepancies for hours worked, and time sheets were not being approved by the appropriate supervisor.

*Recommendation*

We recommended that the actual hours worked by the consultants be summarized, approved and attached to the invoices for payment. Appropriate required signatures of either the consultant, manager or both on the timesheets are required as supporting documents. Prior to payment, there should be a thorough review by an appropriate individual to ensure that all proper supporting documents required for payment are attached prior to payment being made.

*Management Response*

Enterprise Information Technology Services (EITS) is in the process of implementing an automated time sheet tool to be used by the Information Technology (IT) consultants which will require each of the consultants to enter time worked as well as maintain an activity log of the tasks. The target date for full implementation is December 2015.

*Management Resolution Status*

EITS has implemented an automated time sheet tool which requires consultants to enter time worked as well as maintain an activity log of tasks.

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**Formal Review of Third Party Reimbursement Estimates**

*Observation*

Management updates and adjusts its financial records based upon calculations and account analysis received by the reimbursement department related to third party rate reviews and estimates. During our review of the third party account analysis, we identified errors in the calculations for certain estimates and other adjustments to the changes in estimate disclosure within the notes to the financial statements. The change in estimate disclosure related to third party payors is an important disclosure as it provides a user of the financial statements with information pertaining to amounts recorded through net patient service revenue in the current year that pertain to prior periods. As a result, management concurred and recorded one corrected audit adjustment for approximately \$20.2 million related to third party issues (i.e. Medicaid IPRO liability accrual for \$16.5 million and a reduction to a recovery audit contractor (RAC) receivable of approximately \$3.7 million), which resulted in a reduction in net patient services revenue as well as revisions to the disclosures within the financial statements for third party payor changes in estimates.

*Recommendation*

We recommended that management develop policies and procedures to ensure timely communication between the finance and the reimbursement department. In addition, that account analysis from the reimbursement department should be reviewed by the appropriate department supervisor and that a detailed review is performed by an individual other than the preparer of the analysis.

*Management Response*

Corporate Reimbursement services has implemented a template similar to the one used by the Corporate Comptroller's office in order to document review levels. The template specifically requires separate Reimbursement Department preparer, reviewer and department head sign-offs. This level of review and documentation provides accountability and further ensures that calculation errors and other omissions are caught prior to acceptance and final sign-off.

*Management Resolution Status*

At the onset of the finding and in conjunction with the close of the Fiscal Year 2015 audit and publication of the Management Letter, Corporate Comptroller's office has placed a similar template as represented in the response section above. The template required multiple sign-offs at each level of review before finalizing the amounts. This was initiated and put into use for close of Fiscal Year 2015 and then for the past 3 quarterly financial publications.

**Financial Statement Preparation of the Statement of Cash Flows**

*Observation*

There were several adjustments relating to the preparation of the statement of cash flows prepared by management. The Corporation (office of the Comptroller) should revisit its process for

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accumulating and reporting activities within the statement of cash flows including ensuring its controls are designed and operating at an appropriate level of precision to detect a material misstatement in the statement of cash flows, which may include classification between categories (e.g., operating, investing, capital and noncapital financing) or within a category of cash flow activities. Determining the appropriate category for cash receipts and cash payments can involve significant judgment and might differ depending on the substance of a particular transaction. The process should specifically identify:

- Significant, complex and or non-recurring transactions requiring special presentation and disclosure considerations;
- New transactions entered into or new business activities that may affect the cash flow statement;
- Changes in accounting literature with a potential effect on the cash flow statement;
- Noncash transactions requiring disclosure; and
- Noncash transactions embedded in the Statement of Revenue, Expenses, and Changes in Net Assets.

*Recommendation*

We recommended that management implement a process whereby there is a formal review of the direct and indirect method cash flow statement to ensure the appropriate classification between cash flow categories for recurring and non-recurring transactions.

*Management Response*

We are implementing a senior level review process as well as changes to our automated system to correct the issue and will be available for next year.

*Management Resolution Status*

We have reviewed our current process and identified the areas that might lead to a material misstatement in the statement of cash flows. As a result, we have updated the cash flow methodology for treatment of noncash items. In preparation for the fiscal year end 2016, we implemented a new process for preparation of the cash flow statement. A Director of Fiscal Affairs prepared the statement of cash flows. The review was performed by the Deputy Corporate Comptroller.

**Affiliation Contracts**

*Observation*

The Corporation contracts with affiliate medical schools/professional corporations to provide patient care services at its facilities and reimburses the affiliate for expenses incurred in providing

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such services. As such, affiliation contracted services is a significant expense for the Corporation and the monitoring of the expenses associated with these contracts requires the cooperation of various departments both within and outside the Corporation.

During the course of our test work in conjunction with the review of the compliance audits performed by HHC's Internal Audit, we noted that recalculation documents are not prepared on a timely basis which has the potential to lead to future adjustments.

*Recommendation*

The Affiliates, Office of Professional Services and Affiliations (OPSA), Corporate Finance and the Facility Contract Managers should perform reconciliations between the affiliates and the facilities on a timely basis in accordance with the contract agreements.

*Management Response*

The Affiliates, OPSA, Corporate Finance, and the Facility Contract Managers have worked diligently during the year to closeout outstanding Recalculation Documents (recalculations) for all previous years. All recalculations through Fiscal Year 2014 have been executed as of this writing.

Furthermore, to facilitate review, Finance and OPSA revised the recalculation documents and OPSA will provide them to the Affiliates for their use. In the meantime, OPSA will continue to meet with facilities and approach the recalculation process in an integrated manner to expedite final review and execution. This process was implemented in FY 15. It involves developing a schedule for completion and meeting with the facilities and affiliates shortly after OPSA reviews a draft. A list of issues are presented and reviewed and a timetable is agreed upon to resolve them. The list is used to monitor resolution of issues. OPSA follows up to ensure issues are addressed timely. Once completed the documents are submitted to Finance for their review. Any follow-up is completed by OPSA with facilities for resolution.

*Management Resolution Status*

To date, Central Office has settled the FY 15 Recalculation Documents (Recalcs) for all of the facilities affiliated with NYU, Mount Sinai and SUNY Downstate. We anticipate receiving and completing the corporate review of the FY16 NYU, Mt. Sinai and SUNY Downstate recalcs by the end of the fiscal year. Central Office has redesigned the PAGNY reclac form for FY 15, and is in the process of reviewing the FY15 PAGNY recalcs. It is anticipated that Central Office and hospital contract managers for PAGNY will complete their review of the FY 15 Recalcs by the end of this fiscal year. It is expected that we will be able to have all of the FY 16 Recalc reviews completed early in the next fiscal year.



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**Information Technology**

**User Access Review**

*Observations*

- 1) During our test work, we identified a terminated user who remained on the active Data Center listing. After further inquiry KPMG noted that at the time of termination, the user's ID card was turned in and disabled, therefore the user has no physical access to the data center.
- 2) We noted that 5 of 15 users were not disabled from the active directory in a timely manner, however none of these users were found to have access to the applications. Additionally, we noted that a terminated user was found to be active within the OTPS application. After further review, we noted that this user did not appear on the list of active users from active directory, therefore the individual could not access the OTPS application.
- 3) During the course of our test work related to new system users, 17 of the 25 selected samples, did not provide any approval documentation.
- 4) HHC does not have a User Access Review' process where levels of access that each user has within an in scope application is being reviewed periodically.

We refer you to the current year observations and recommendations related to System Access Review.

*Recommendations*

To address the observations identified, we recommended the following:

- 1) Management should incorporate access removal with the off boarding of employees. Additionally, incorporating physical access into the access review process could capture this type of oversight.
- 2) Management should review the notification process between the human resource department and the Information Technology department to identify any gaps in notification to eliminate the untimely removal of access.
- 3) Management should maintain all documentation related to the approval of access.
- 4) Management should implement a periodic user access review to ensure that user access rights are appropriate and in line with a user's responsibilities. The review should include completeness and accuracy requirements over the listings being removed.

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*Management Response*

To address all the items listed above, the Corporation is currently implementing an Identity and Access Management System called IdentityIQ (IIQ) which will allow for a more tightly integrated process in disabling user access across the corporation. The IdentityIQ system is not only an industry recognized leader, but a Gartner Magic Quadrant leader for several years. Upon implementation, IdentityIQ will be integrated with the human resources management system (PeopleSoft) and information technology ticketing system (Remedy) to ensure that as an employee's status changes, their account status changes accordingly for both the network and related applications. All of this activity is tracked in the ticketing system using the service request management process allowing for additional notification and workflow including to areas that manage physical access (for example Security for badge access). The IdentityIQ system will also allow for reporting and auditing of access that is managed by the system, which will then allow the Corporation to establish a consistent policy on user access reviews for both levels of access and additional electronic attestation of the user that verifies the continued need for the access.

Currently all access requests for network are tracked through the Remedy ticketing system and for OTPS and mainframe all access requests are kept online in the employee reference folder. The changes to access for mainframe and OTPS are granted after receiving approval from the department heads and these requests are handled through access change requests. As mentioned in the previous paragraph, through the use of the IdentityIQ system, the Corporation will be able to better integrate and automate the above access reviews in the future.

*Management Resolution Status*

The IdentityIQ implementation for account creation and user termination is complete for all locations across NYC Health + Hospitals since May 2016. The authorized individuals who would normally request a network ID to be disabled are now performing the requests directly in IdentityIQ. This disables the account immediately and removes the delays caused by manual notification across teams allowing for a more integrated off-boarding process.

Each of these actions are recorded in the IdentityIQ system as well as a Remedy ticket is generated to track the transaction. Work is currently underway to complete the integration with PeopleSoft which will cause the accounts to be disabled as soon as the employee's status changes in the HR System and will be completed by February 2017. With the aforementioned items completed, further access requests or entitlements will be added into IdentityIQ, which will allow for NYC Health + Hospitals to perform regular User Access Reviews and easy access to approval documentation.

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**Password Settings Leading Practices**

*Observation*

- Password setting and maintenance for access to the network and mainframe applications should be reviewed and updated based on industry best practices. For example, Minimum Password Length: A minimum password length of 6 characters does not match the industry practice of 8 characters for the network and mainframe applications.
- Password Lockout: For the other than personnel services system (OTPS), we found that the configuration setting for password lockout was set to zero attempts, which did not meet industry practice of five failed login attempts. For the network, we found that the configuration setting for password lockout was set to 10 attempts, which did not meet industry practice of 5 failed login attempts.
- Password History: For mainframe applications, we found that the configuration setting for password history was set to zero previous passwords remembered, which did not meet the industry standard of 3 previous passwords remembered. For OTPS, we found that the configuration setting for password history was enabled, but could not determine the exact number of previous passwords remembered due to system limitations. For the network, we found that the configuration setting for password history was set to zero previous passwords remembered, which does not meet industry practice of three previous passwords remembered.
- Password Complexity: For OTPS and the network, we found that complex (Alpha-Numeric) passwords were not required.

*Recommendation*

We recommended that the password configuration settings be enhanced to be in line with industry leading practices. Passwords should include a minimum length of 8 characters and be complex. The system should have a feature that prevents the use of previously used passwords. Additionally, the system should lockout any user that fails three log in attempts. Furthermore, HHC should clearly define acceptable settings with the Security Policy.

*Management Response*

Due to system limitations, our Mainframe systems can do the following, but we cannot achieve all industry practices as stated above:

Password Length – Currently, minimum password length for the network is set to a length of 6 characters. This is due to applications, including mainframe login's that are tied to the network login, which at this time, cannot accept a larger minimum. HHC is working to resolve this in order to meet the recommended length. The mainframe can only handle a maximum of 8 characters, thus the minimum is set to 6 characters, which is currently a system limitation.

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Password Lockout – The password lockout for OTPS applications is set to lock the account after 5 bad attempts; and will unlock the user after 5 minutes. The network is currently set to lock out the account user after 10 bad attempts and keeps the account locked for 30 minutes. This was based on Microsoft recommendations and best practices. Further information can be provided as needed.

Password History: The password history for the network is currently set to zero as indicated above. This is due to the network login synchronization spanning across three separate network logins required. The program used to synchronize the password between these systems cannot synchronize the password history. Also, users can currently reset their passwords independently in each of the three network logins. Setting password history for all or one network logins could potentially cause confusion with users resetting their passwords. While we recognize that this is not a best practice, it is a technical limitation. Once the network logins have been consolidated, we will set password history according to industry standards. The mainframe does remember the previous password, so when a user is prompted to reset their password or resets it on their own, they cannot set it to the same as the previous password.

Password Complexity: The password complexity has not been set due to the same application limitations as mentioned for the 6 character limit on the passwords. Once the application limitations are addressed, this will be set according to industry standards. Currently, applications such as PSMS (payroll) and GEAC (mainframe) are controlled by additional application security which requires terminal and operator ID's. Second level access is also required for applications such as timekeeping, Employee History, etc. WEBTERM (Web based terminal access) profiles additionally provide another level of security and are tied to the user's three network accounts.

EITS is currently working to reduce the current three separate network logins required to a single login. Once completed, the settings as mentioned above regarding password history, length and complexity will be brought into alignment with recommended industry standards.

*Management Resolution Status*

NYC Health + Hospitals continues to work to diminish the reliance on the multiple network logins, while also looking to address complexity, length, and password history. The first of the three logins had been eliminated during the beginning of November 2016, and the remaining two logins use the same technology so their settings can be synchronized more easily. A new Security Policy is being completed to align current settings with industry recommendations and best practices. Once completed NYC Health + Hospitals will work to ensure that these settings are being enforced for all network logins across the system.

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**Site Visits**

**Purchase Order Process**

*Observation*

During our procurement process test work we noted a purchase order for services was dated subsequent to the invoice date at Gouverneur and Woodhull, which is not considered to be a leading practice. Other entities within the Corporation issue another purchase order prior to exceeding the initial purchase order's limit. However, the instances identified were not considered to be unauthorized purchases as contracts were in place with the respective vendors.

*Recommendation*

We recommended that management implement controls and update policies and procedures to ensure that services completed under service contracts are being monitored and reconciled to contracts and to purchase orders (PO) on a timely basis. In the event a purchase order is approaching its initial limit, an updated purchase order should be issued. We also recommend that the policies and procedures put in place are consistently followed throughout Corporation.

*Management Response*

*Gouverneur* – Since KPMG's visit to Gouverneur, additional training has been implemented and a standard operating procedure has been put in place with the following steps: requisitions must be created, approved and a purchase order issued within a one month timeframe. The accounts payable department gets copy of purchase order at the same time as the vendor to close the loop.

*Woodhull* – Department managers and staff will be in-serviced on appropriate HHC procurement policies with emphasis on timely execution of contract purchase orders to ensure uninterrupted PO coverage. Cost Group Managers will be required to ensure all monthly OTPS Audit Trail Reports are reconciled by departmental managers to identify any purchase order requiring update within the next 60 days.

*Resolution Status*

WOODHULL: In keeping with the NYC Health + Hospitals procurement policies with emphasis on timely execution, we are requesting POs in a timely fashion to eliminate PO coverage interruption. October 1, 2015, HHC procurement has implemented Consolidated Billing for temporary staff. We are now under one contract/PO which allows for closer monitoring of the PO.

GOUVERNEUR: Education training conducted to eliminate processing issues with spent PO's

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**Industry Comments**

***Convergence in Healthcare\****

Over the last decade, the U.S. healthcare system has been redefining itself. What we know is that the current system is unsustainable, does not always deliver the highest standard of care, and is disjointed. As such, healthcare organizations should be thinking beyond healthcare transformation and focus on healthcare convergence with initiatives, such as its “Vision 2020” and Mayor Bill de Blasio’s Transformation Plan. While transformation of current operations is likely going to be a business requirement, the real question for forward looking organizations is what role they plan to play in a new and more converged health system. Today’s transformation is inward looking – assembling the component parts, experimenting with new payment models, monitoring employer and consumer trends, understanding the role of new entrants and presenting a consistent and unified brand. Tomorrow’s transformation will be defined by collaborating with others, such as providers, payers and life science companies, coordinating care across the continuum, becoming more patient centered and developing extended operating models, which is called Convergence.

Healthcare convergence will offer leading organizations new ways to grow revenue, reduce costs, manage risk and deliver quality care through one strong integrated healthcare system. There are already signs of Healthcare convergence that are steadily beginning to affect organizations, such as New York City Health + Hospitals which include: volume declines and new metrics, health insurance exchanges coming online, reimbursement reductions and governance questions on the linkage of strategy, risk and liquidity concerns. As healthcare convergence evolves, organizations need to be aware of various risks that need to be managed which include:

- Acknowledging margin compression and working capital needs
- Evaluating the opportunity to disrupt or the risk of being disrupted given the velocity of local market changes, including physician and other provider alignment
- Preparing for revenue transformation as new revenue streams emerge around public and private exchanges, narrow networks, and other value-based arrangements
- Understanding the payer response and monitoring employer and consumer attitudes/acceptance
- Evaluating “make or buy” decisions on the necessary tools, technology, and talent to operate in a risk-based environment
- Becoming agile around cost structures given declining volumes coupled with clinical transformation
- Conducting scenario planning, predictive modeling, and war gaming around market transformation and the impact on financial performance

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- Assuring the integrity of clinical reporting and developing new metrics for the transition from volume to value
- Converting unstructured data into information for decision making to enable clinical, operational and financial benchmarking across the continuum of care along with real-time predictive clinical surveillance systems
- Managing increasingly complex compliance regimes and enhancing transparency in reporting

In addition, health reform initiatives, such as DSRIP will require hospitals and physicians to examine their historical relationships and align around patient-centered care and shared financial gain.

Overall, organizations will need to see convergence at a strategic level to create new models and incentives; convergence at a system level to integrate data and IT; convergence at the patient level to deliver an integrated model of care; and convergence at the ecosystem level to ensure best practices and new approaches are tested and results shared as one strong healthcare system.

***New York State's Delivery System Reform Incentive Payment (DSRIP) Program \****

DSRIP is the main mechanism by which New York State Department of Health (“DOH”) will implement the Medicaid Redesign Team (“MRT”) Waiver Amendment. DSRIP’s purpose is to fundamentally restructure the health care delivery system by reinvesting in the Medicaid program, with the ultimate goal of reducing the cost of care, while improving the quality and access to care provided. Up to \$6.42 billion dollars are allocated to this program with payouts based upon achieving predefined results in system transformation, clinical management and population health over a 5 year period. For the fiscal years ended June 30, 2016 and 2015, DSRIP revenue was recognized for approximately \$74 million and \$111 million, respectively, based upon meeting certain eligibility requirements (mainly focused on pay for reporting and organizational requirements). Those requirements will continue to be more challenging as the requirements become more focused on pay for performance metrics over the next several years of the DSRIP program.

The 5 year DSRIP period began April 1, 2015. During the 5 year DSRIP period, DSRIP payments based upon achieving predefined results in system transformation, clinical management and population health. The payments to be made are based upon performance against pre-defined milestones and outcomes – failure to meet milestones and reporting requirements may result in a reduction to the payments or, in some instances receiving no payment.

Each PPS “Lead” entity has entered into a contract with DOH under which the PPS Lead is responsible for ensuring that the PPS complies with and implements the terms contained in its DSRIP Application and its formal implementation plan. The PPS Lead has also agreed, as part of its role, to ensure that the PPS complies with the terms and conditions of the governing agreements between the DOH and CMS of the 1115 Waiver and the Terms and Conditions.

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There are several risks associated with any program of this size and complexity that Management should consider. These include, but are not limited to the following:

- During the DSRIP period, PPS leads will be making Medicaid payments to their network partners in connection with their DSRIP project implementation and performance plans and targets. Therefore, PPS Leads are directed by DOH/OMIG to dedicate resources toward implementing a compliance program that will assist in preventing and identifying Medicaid payment discrepancies related to DSRIP payments.
- The PPS Lead is responsible for the meeting the PPS' reporting requirements, which includes submission of claims and other data to DOH by the network providers as well as specific additional reporting that must be submitted by the PPS Lead. DSRIP payment to the PPS is based upon this data. There is risk that the data from participating providers in the PPS is not provided in a timely manner, or lacks the integrity and accuracy warranted.
- Each DSRIP year begins April 1 and ends March 31 of the subsequent calendar year. During this 12 month period the PPS Lead is responsible for completing quarterly and semi-annual reporting that is required under DSRIP to be submitted to DOH for evaluation and scoring.
- The PPS Lead must establish a funds plan that defines how DSRIP payments that are received will be distributed to the network partners and how those funds might be utilized by the PPS lead to meet certain administrative requirements and costs. There is risk that the PPS does not meet all of the pay for reporting or pay for performance requirements and that the payment to the PPS may be reduced.
- PPS funds may be reduced if the State's overall DSRIP PPS performance does meet statewide benchmarks for certain measures.
- Audits may be performed to validate submissions and performance metrics. Funds may be subject to recoupment or recovery based upon internal review or audit if it is determined that funds are willfully misused and/or the information relied upon for payment purposes was in error, misreported, or if DOH made an error in determining the payment.

The DSRIP program represents a significant opportunity to effect fundamental change in New York's healthcare delivery system, as well as a funding opportunity for individual providers to prepare themselves to serve their communities more effectively in the next era of healthcare delivery.

It is critical for the management and board of the Corporation continue to be engaged in the process and understand the risks and benefits so they can effectively steer the organization through the changes to come.



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***Tax Matters***

The regulations under IRC section 501(r) are now final, and healthcare systems must be in full compliance for their first taxable year beginning after December 29, 2015 (July 1, 2016 for HHC hospital facilities). Specific to section 501(r)(3), we inspected a copy of the 2016 Community Health Needs Assessment (“CHNA”) for each hospital within NYC Health + Hospitals.

It appears more likely than not that the CHNA reports, including the implementation strategies, meet the requirements under section 501(r)(3). Failure to meet the community health needs assessment requirement may result in the assessment of an excise tax equal to \$50,000 against each facility for each failed year in addition to potential loss of tax exemption.

Since the IRS has issued final regulations with respect to requirements of 501(r), and since non-compliance with the statute could impact exempt status, it is recommended that management review and revise its current policy(s), where applicable, to ensure continued compliance with the requirements set forth in the final regulations

***Internal Control over Quality Reporting***

As healthcare organizations continue to transition from volume to a focus on value and quality, there will be an increased focus on the reliability and integrity of quality measures provided since those metrics could impact a significant amount of reimbursement to healthcare organizations. As such, quality measures will become even more important than ever.

Healthcare quality and efficiency measures are used by federal and state regulatory agencies and others to determine the effectiveness of an organization’s patient care delivery. CMS currently utilizes the hospital Value Based Purchasing (VBP) measures for healthcare providers and the Medicare 5-star program for health plans in distributing incentive or bonus payments to the organization.

Standard setters, such as the Sustainability Accounting Standards Board (SASB) and highly visible public policy influencers are beginning to recognize that healthcare quality data is important to external stakeholders and investors. It will be a matter of time before a regulatory authority will require some level of assurance over these quality reporting metrics. The SASB may emerge as a strong voice to ensure that organizations have internal controls over quality reporting (ICOQR) in order to mitigate risk to the organization. ICOQR is similar in concept to a public company’s internal controls over financial reporting or to an insurance company’s work in regards to the Model Audit Rule. Other countries such as the National Health Services in the United Kingdom are already mandating external assurance on healthcare quality data.

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In order for healthcare organizations to ensure that the data captured and provided is complete, accurate, and reliable, many leading healthcare organizations are already starting to gain a deeper understanding of the risks as well as the importance of maintaining an effective internal control environment specific to quality reporting metrics. These risks include:

- **Financial risk** as government and third party payers provide increased or decreased incentive payments to healthcare organizations based on the outcomes of the various quality measures. The amount of revenue will directly affect operating profits, bond ratings, cost of capital and many other mission critical elements.
- **Reputational risk** to healthcare organizations based on providing high quality care to its patients. Employers and consumers will begin to place more importance on quality metrics when selecting providers and health plans and have a direct impact on branding and competitive positioning in the market place.

Independent assurance of the reliability of quality measures is, and will be, increasingly important as the focus on the financial impact of quality outcomes to healthcare organizations increases. As the measures evolve and change, the common factor will be the internal controls in place to ensure complete, accurate and relevant data is captured and reported. In addition, we recommend that management consider:

- The completeness and accuracy of documentation retained by the organization supporting the design and effectiveness of ICOQR
- Performing an initial “gap assessment” over the organizations ICOQR to identify areas in which missing controls could be placed to mitigate risk points in the quality measure process
- Evaluating segregation of duties, information technology controls over key systems and management’s review and monitoring controls over data gathered and reported both internally and externally.

**Cyber Security \***

Cyber Security is an important concern for every organization. Daily occurrences at major healthcare systems and insurance payors, demonstrates the risk posed by cyber attackers, from individual, opportunistic hackers, to professional and organized groups of cyber criminals with strategies for systematically stealing intellectual property and disrupting business.

Management of any organization faces the task of ensuring that its organization understands the risks and sets the right priorities. This is no easy task in light of the technical jargon involved and the pace of change.

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Focusing on technology alone to address these issues is not enough. Effectively managing cyber risk means having in place the right governance, the right supporting processes, along with the right enabling technology. It is essential that organizations deal with cyber security, actively manage governance and decision making over cyber security, and build an informed and knowledgeable organizational structure.

Organizations can reduce risks to their businesses by building up capabilities in three critical areas-prevention, detection and response.

- **Prevention:** begins with governance and organization. It is about installing fundamental measures, including placing responsibility for dealing with cybercrime within the organization and developing awareness training for key staff.
- **Detection:** through monitoring of critical events and incidents, an organization can strengthen its technological detection measures. Monitoring and data mining together form an excellent instrument to detect strange patterns in data traffic, to find the location on which attacks focus and to observe system performance.
- **Response:** refers to activating a well-rehearsed plan as soon as evidence of a possible attack occurs. During an attack, the organization should be able to directly deactivate all technology affected. When developing a response and recovery plan, an organization should perceive cyber security as a continuous process and not as a one-off solution.

KPMG recommends that the organization continue to assess if they have an adequate approach to cyber security and if preparations for a security event and the ability to prevent or minimize the impact of an event has been addressed.

**Data Analytics \***

Healthcare organizations are challenged by pressures to reduce costs, improve coordination and outcomes, provide more with less and be more patient centric. Data Analytics can help healthcare organizations create actionable insights, set their future, improve outcomes and reduce time to value. Data Analytics will define the way business and organizations operate in the future.

Data Analytics offers breakthrough possibilities for new research and discoveries, better patient care, and greater efficiency for health care organizations. Data Analytics could provide opportunities for healthcare organizations to improve internal operations in the areas of operating costs, resource management, identifying process or performance efficiencies, and identifying new business opportunities and ways to be innovative. Data Analytics can also drive improvements in care processes, delivery and management as well as support optimal revenue cycle performance and further achieve the organization's mission.

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Healthcare organizations are increasingly using analytics to apply new insights from information. New methods of analytics can be used to drive clinical and operational improvements to meet business challenges. From a traditional baseline of transaction monitoring using basic reporting tools, spreadsheets and application reporting modules, analytics in healthcare is moving toward a model that will eventually incorporate predictive analytics, which take an understanding of the past to predict future activities and model scenarios using simulation and forecasting which will enable organizations to “see the future”, create more personalized healthcare, and predict patient behavior. Analytics will enable the compilation of information about trends, patterns, deviations, anomalies and relationships and reveal insight.

Healthcare organizations can also use Data Analytics as a way of monitoring physician performance. Healthcare organizations would be able to evaluate individual physician performance and groups of physicians against their peers by analyzing such key indicators as readmission rates, post-procedure complication rates and length of stay. This will assist healthcare organizations to identify high cost, high risk performance areas. Additionally, Data Analytics can allow healthcare organizations to have insight into where patients go for follow up care and potentially reduce outside referrals and the loss of patients.

Predictive modeling and analyzing data will be critical for an organization’s continued success. A data-driven organization would be highly capable of using data to manage its exposure to risk and identify opportunity, provide sharper insight into how their activities would impact top and bottom-line performance. Finance departments of organizations would no longer focus on analyzing why forecasts were missed and instead focus on providing insight on where the business can close the gap in order to meet or exceed upcoming financial goals. A fully embedded Data Analytics strategy would mean that businesses and employees look first to data to guide their actions. It is important that organizations be proactive instead of reactive in analyzing key metrics and information.

**A Dual Evolution: Payment Reform and Telemedicine**

Telemedicine has been identified as a catalyst to transform the delivery of healthcare as healthcare systems move from fee-for-service to a value based purchasing (VBP) system. Telemedicine is the use of telecommunication to provide clinical health care at a distance. With the introduction of any new technology, both benefits and uncertainties exist. Telemedicine eliminates distance barriers and provides better population health management for both the chronically ill and the underserved. In the upcoming VBP environment, providers will be incentivized to minimize outcomes and manage costs. Telemedicine offers greater physician and care setting choices at a fraction of the cost. The combination of accessibility and affordability creates an environment around continuity of care, which encourages providers to track patient’s progress long term to improve outcomes. In addition to the millions of people who entered the healthcare system with the passage of the ACA, the number of people needing health care is expected to quadruple by 2050. By 2025, Millennials are expected to account for 41 percent of healthcare spending. Therefore, it is imperative that provider organizations create quicker and easier ways to see patients and consider the influence and preference of Millennials.

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We recommend that management consider evaluating the benefits of telemedicine whether to meet the needs of discerning consumers, improve outcomes and population management, or facilitate continuity of care. During the transition from fee-for-service to value-based purchasing, we believe telemedicine can be an important tool to attract new patients, retain current ones, and engage patients with tools and personal information that can influence treatment adherence, improve outcomes and encourage self-management of care.

\* \* \* \* \*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the NYC Health + Hospital's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The Company's response to our communication of the deficiencies and other matters identified in our audit is described above. NYC Health + Hospitals responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

The purpose of this letter is solely to describe comments and recommendations intended to improve internal control or result in other operating efficiencies. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

**[ (signed) KPMG LLP ]**



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

**Corporate Compliance Report  
December 8, 2016**

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**I. National Corporate Compliance and Ethics Week – November 6 -13, 2016**  
***Provide. Protect. Prevent.***

1) At NYC Health + Hospitals (hereinafter also referred to as the “System”) it is a top priority to have an organizational culture that fosters the delivery of health care in a compliant and ethical manner. To that end, NYC Health + Hospitals has devoted significant resources to developing an effective Corporate Compliance and Ethics Program that is focused on: (i) identifying potential areas of risk; and (ii) preventing, addressing, and quickly resolving incidents of noncompliance and unethical conduct.

2) Underscoring NYC Health + Hospitals’ commitment to its compliance program, the Office of Corporate Compliance (“OCC”) commemorated National Corporate Compliance and Ethics Week during the week November 6-12, 2016 (“Compliance Week”). During Compliance Week, workforce members were afforded the opportunity to learn more about compliance and ethics at NYC Health + Hospitals. This effort was accomplished by OCC’s proactive outreach at the various System facilities, where compliance staff emphasized to workforce members the importance of them performing their duties and functions in a compliant and ethical manner. Compliance Week also provided an opportunity for workforce members to “meet and greet” senior compliance leadership and compliance personnel assigned to their facilities.

3) The theme of this year’s week event was “*Provide. Protect. Prevent.*”

- Provide the tools and training necessary for NYC Health + Hospitals to succeed in compliance and ethics;
- Protect NYC Health + Hospitals from costly compliance and ethics mistakes; and
- Prevent wrongdoing on all levels at NYC Health + Hospitals.

This year’s theme underscored the important role that the OCC and workforce members play in ensuring that NYC Health + Hospitals operates in a compliant and ethical manner.

4) During Compliance Week, events were held on a daily basis across the System’s acute care, long term care/skilled nursing facilities, ambulatory care facilities, as well as in Central Office and NYC Health + Hospitals/Home Care. Workforce members were greeted by the OCC staff with educational and informational handouts. The OCC is pleased to report that hundreds of workforce members participated in these System-wide events on each day during Compliance Week.



## **II. Monitoring of Excluded Providers**

### Overview

- 1) Federal regulations provide that “no payment will be made by Medicare, Medicaid or any of the other Federal health care programs (e.g., Medicaid, Medicare) for any item or service furnished . . . by an excluded individual or entity, or at the medical direction or on the prescription of a physician or other authorized individual who is excluded when the person furnishing such item or service knew or had reason to know of the exclusion.”<sup>1</sup>
- 2) Similarly, New York State regulations also provide that “no payments will be made to, or on behalf of, any person for the medical care, services or supplies furnished by or under the supervision of the person during a period of exclusion” from participation in the Medicaid program.<sup>2</sup>
- 3) Further, to maintain an active enrollment status in the Medicare program, NYC Health + Hospitals must certify that it does not employ or contract with individuals or entities that are “excluded from participation in any Federal health care programs for the provision of items and services covered under the programs”<sup>3</sup>
- 4) To adhere to these regulations, and consistent with the recommendations of the NYS Office of the Medicaid Inspector General (“OMIG”)<sup>4</sup> and the United States Department of Health and Human Services Office of the Inspector General (“OIG”), each month the Office of Corporate Compliance (“OCC”) confirms that none of the NYC Health + Hospitals’ (the “System”) workforce members (e.g., employees, board members, affiliates, personnel, volunteers, and medical staff members), vendors, and DSRIP partners are excluded from participation in Federal healthcare program such as Medicaid and Medicare.

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<sup>1</sup> Scope and Effect of Exclusion 42 CFR § 1001.1901 (b); *see also* 42 CFR § 1002 (authority of State agencies to exclude on their own initiative, regardless of whether the OIG has excluded an individual or entity).

<sup>2</sup> *See* 18 NYCRR 515.5; *see also* 18 NYCRR 515.2(b) (7) (includes employment of and submitting a claim for services rendered by a suspended or disqualified from participation in the program as an unacceptable practice under the medical assistance program and conduct which constitutes fraud or abuse.)

<sup>3</sup> *See* 42 CFR § 424.516 (a) (3); *see also* 42 CFR § 424.535(a) (2) (regarding CMS’ option to revoke enrollment and billing privileges due to exclusion from Medicare, Medicaid or any federal program). *See also* 42 USC 1320c-5 (Regarding obligations of health care practitioners and providers and the Secretary of Health and Human Services’ right to exclude a person or entity for failing to meet the obligations.)

<sup>4</sup> DOH Medicaid Update April 2010, Vol.26, No. 6 and the NY OMIG webinar #22 OMIG Exclusion and Reinstatement Process <https://omig.ny.gov/resources/webinars/811-omig-webinar-22>, Slide 20 (Sept 2014), accessed March 29, 2016.

Exclusion and Sanction Screening Report for September through November 29, 2016

5) Since the OCC last reported excluded provider activities at the September 2016 Audit Committee, the following excluded provider was identified:

- On November 8, 2016, the OCC was notified by OIG Compliance NOW, NYC Health + Hospitals' sanction screening vendor, that a NYC Health + Hospitals/Woodhull ("Woodhull") nurse was added to the OIG's List of Excluded Individuals and Entities ("OIG's Exclusion List") and the System for Award Management Exclusion List ("SAM Exclusion List"), effective October 20, 2016. The subject nurse's date of employment appointment at Woodhull was in early June of 2015. At the time of employment, Woodhull verified that the subject employee's New York RN license was currently registered and in good standing. According to OIG Compliance Now, the subject employee was placed on the federal exclusion lists because employee's Texas RN license was revoked on April 22, 2016. In November the subject employee was placed on unpaid administrative leave and was advised that the employee had 75 days to resolve the exclusion issue or the employee would be involuntarily separated from services. The OCC is working with outside legal counsel and Finance to determine whether an overpayment and self-disclosure to OIG and OMIG is required here.

**III. Privacy Incidents and Related Reports for the Third Quarter of CY16 (July 1, 2016 to September 30, 2016)**

Background

1) The Office of HIPAA Privacy and Security within the OCC is responsible for reviewing, investigating, and responding to potential and confirmed breaches of PHI.

Reportable Privacy Incidents for the Third Quarter of Calendar Year 2016 (July 1, 2016 to September 30, 2016 – hereinafter "3rd Quarter")

2) During the period of July 1, 2016 through September 30, 2016, thirty (30) complaints were entered in the ID Experts RADAR Incident Tracking System. Of the 30 complaints entered in the tracking system thirteen (13) were found after investigation to be violations of HHC HIPAA Privacy Operating Procedures; four (4) were determined to be unsubstantiated; nine (9) were found not to be a violation of HHC HIPAA Privacy Operating Procedures; and four (4) are still under investigation. Of the 13 incidents confirmed as violations, 4 were determined to be breaches. A total of 5 individuals were affected by the 4 confirmed breaches.

Breach Defined

3) A breach is an impermissible use, access, acquisition or disclosure (hereinafter collectively referred to as “use and/or disclosure”) under the HIPAA Privacy Rule that compromises the security and privacy of PHI maintained by the Corporation or one of its business associates.<sup>5</sup>

4) Pursuant to 45 CFR § 164.402 [2], the unauthorized access, acquisition, use or disclosure of PHI is presumed to be a breach unless HHC can demonstrate that there is a low probability that the PHI has been compromised based on the reasonable results of a thorough risk assessment, that is completed in good faith, of key risk factors.<sup>6</sup>

Factors Considered when Determining Whether a Breach has Occurred

5) Under HIPAA regulations, at a minimum the following four key factors must be considered to determine whether there is greater than a low probability that a privacy and/or security incident involving PHI has resulted in the compromise of such PHI:<sup>7</sup>

- The nature and extent of the PHI involved, including the types of identifiers and the likelihood of re-identification;
- The unauthorized person who used the protected health information or to whom the disclosure was made;
- Whether the protected health information was actually acquired or viewed; and
- The extent to which the risk to the protected health information has been mitigated.

Reportable Breaches in the 3<sup>rd</sup> Quarter

6) As stated above, there were 4 reportable breaches in the 3rd Quarter. Below is a summary of said breaches:

- Coney Island Hospital – July 2016.

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<sup>5</sup> 45 CFR § 164.402 [“Breach” defined].

<sup>6</sup> See 45 CFR § 164.402[2]; see also 78 Fed. Register 5565 at 5643 and 5695 [January 25, 2013]

<sup>7</sup> See 45 CFR § 164.402 [2][i-iv].

**Incident:** An individual of public notoriety was admitted to the facility on Sunday, July 10, 2016. As per normal protocol the medical record was immediately anonymized. Moreover, the Facility Privacy Officer conducted a retrospective chart audit of the patient's medical record on July 12, 2016 to confirm only authorized individuals had accessed the chart. The results of the audit revealed that five workforce members accessed the patient's electronic medical record without authorization. The five workforce members included a Patient Representative, two Registered Nurses, a medical student, and a resident. The Facility Privacy Officer conducted a further investigation of the incident by interviewing each employee. The Facility Privacy Officer concluded that: (i) the workforce members had heard, via word of mouth, that the individual of public notoriety was a Coney patient; and (ii) none of these workforce members had a justifiable business need to access the patient's medical record.

**Breach Determination:** Based upon the facts found during the investigation, the incident was determined to be a breach. Notification was sent to the affected individual on September 12, 2016.

**Mitigation:** The employees involved were required to attend formal retraining on NYC Health + Hospitals HIPAA policies and procedures by the Facility Privacy Officer. Additionally, the disciplinary process has been implemented with regard to these employees. The incident was discussed at the October HIPAA Committee meeting of the Facility Privacy Officers from all facilities and service lines. At that meeting it was proposed that, in addition to proactively anonymizing the patient records and reviewing access audit reports, the Facility Privacy Officers periodically send out a notice to all workforce members at their respective facilities reminding them not to access patient records for any reason other than a business purpose.

- Bellevue Hospital Center - August 2016.

**Incident:** An employee was found to be in possession of three original patient medical records.

**Facts:** During a search of the employee's locker conducted by Hospital Police as part of non-HIPAA related incident, it was discovered that the employee was in the possession of three medical records: (i) the employee's son's medical record; (ii) the medical record of an ex-boyfriend of the employee; and (iii) the employee's own medical record. The Facility Privacy Officer was notified of the incident and conducted a HIPAA investigation. The result of that investigation was that the employee did not have a justifiable business need to access or possess the medical records.

**Breach Determination:** Based upon the facts found during the investigation, the incident was determined to be a breach. A notification was sent to the affected individuals (i.e., the son and ex-boyfriend) on October 12, 2016.

**Mitigation:** The employee was terminated from employment with Bellevue Hospital.

- Lincoln Medical Center – August 2016.

**Incident:** The incident involved a patient, who is a minor, receiving an appointment slip intended for another patient. The patient's mother became aware of the mistake when arrived with her son for the appointment indicated on the appointment slip she had mistakenly received. At that time the clerk communicated to her that her son did not have an appointment that day and that the appointment slip she had was incorrect. The patient's mother filed a complaint with Patient/Guest Relations who notified the Facility Privacy Officer of the incident. The Facility Privacy Officer conducted an investigation and concluded that the appointment slip of one patient was incorrectly provided to another patient.

**Breach Determination:** Based upon the facts found during the investigation, the incident was determined to be a breach and notification was sent to the affected individual on October 18, 2016.

**Mitigation:** The members of the staff at the clinic who are responsible for issuing appointment slips were retrained on HIPAA privacy policies. They were also trained to verify patient identification before providing documents containing PHI to patients.

- Harlem Hospital Center – August 2016.

**Incident:** A workforce member (an attending gastroenterologist) permitted his wife (non-workforce member) to be present during a gastroenterology procedure. The non-workforce member/wife is a nurse practitioner at another non-NYC Health + Hospitals facility. The incident was ultimately reported to the Chief of Service of Gastroenterology as well as Risk Management. A record of the incident was added to the workforce member's personnel file by the Chief of Gastroenterology. The Facility Privacy Officer was also notified of the incident; however, before she could conduct the interview the gastroenterologist/workforce member resigned.

**Breach Determination:** Based upon the facts found during the investigation, the incident was determined to be a breach and notification was sent to the affected individual on October 12, 2016.

**Mitigation:** The workforce member's personnel file was updated to include the incident of inappropriate behavior. HR was unable to implement additional disciplinary action due to the resignation of such workforce member. Staff within the Gastroenterology department were retrained on the correct procedure room protocol. That protocol does not permit unauthorized individuals from viewing procedures without proper authorization from the department as well as the patient.

OCR Inquiries regarding potential and/or determined Privacy Incidents

7) There were no inquiries initiated by OCR in the third quarter of 2016.

**IV. Compliance Reports for the Third Quarter of CY16 (July 1, 2016 to September 30, 2016) ("3<sup>rd</sup> Quarter of CY16")**

Summary of Reports

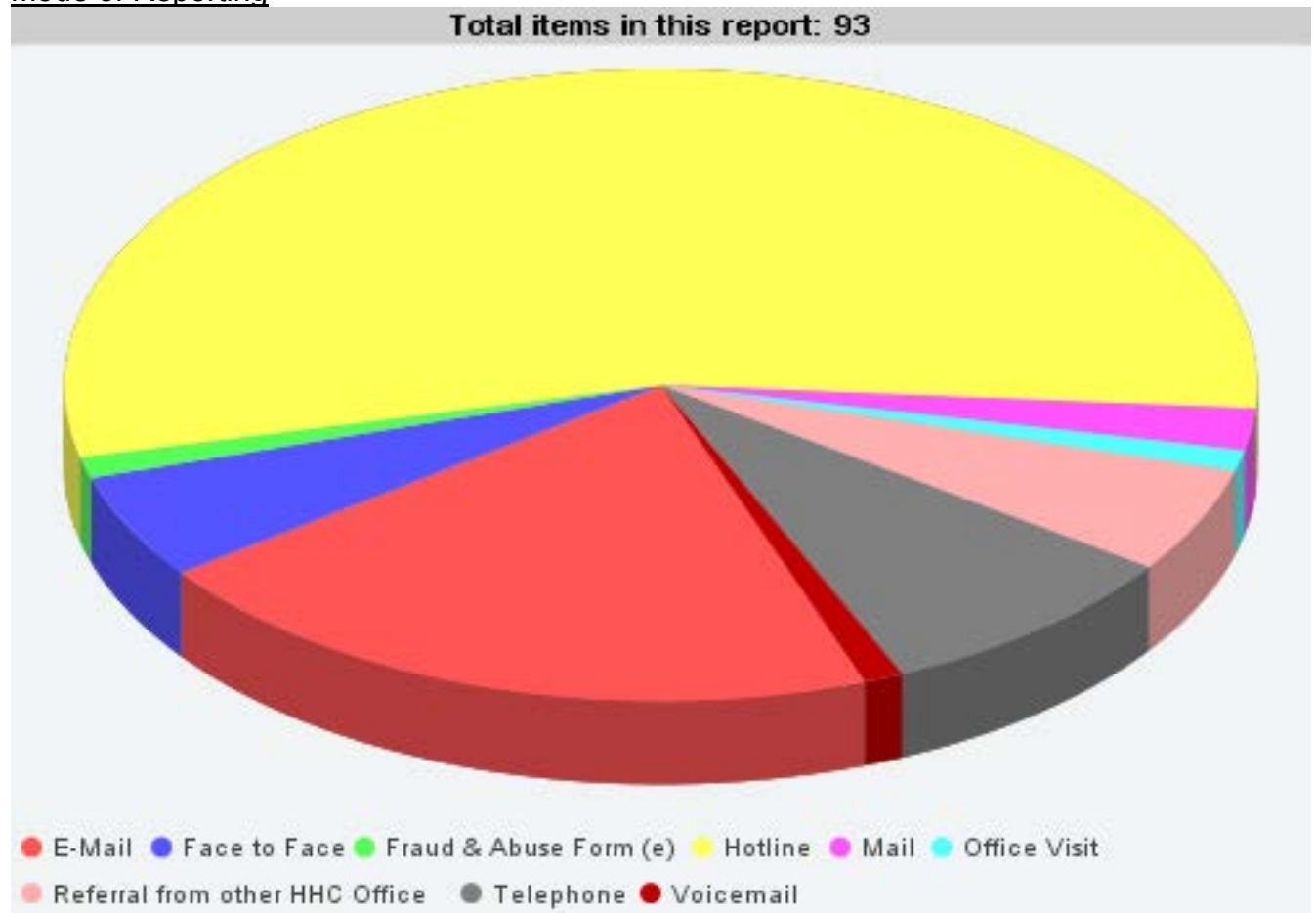
1) For the third quarter CY2016 (July 1, 2016 to September 30, 2016) there were 93 compliance-based reports of which one (or 1.1%) was classified as a Priority "A",<sup>8</sup> 44 (or 47.3%) were classified as Priority "B", and 48 (or 51.6%) were classified as Priority "C" reports. For purposes here, the term "reports" means compliance-based inquiries and compliance-based complaints. Of the 93 reports received during this period, 51 (or 54.8%) were compliance complaints received on the OCC's anonymous toll-free compliance hotline.

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<sup>8</sup> There are three (3) different report categories: (i) Priority "A" reports - matters that require immediate review and/or action due to an allegation of immediate threat to a person, property or environment; (ii) Priority "B" reports – matters of a time-sensitive nature that may require prompt review and/or action; and (iii) Priority "C" reports – matters that do not require immediate action.

Mode of Reporting

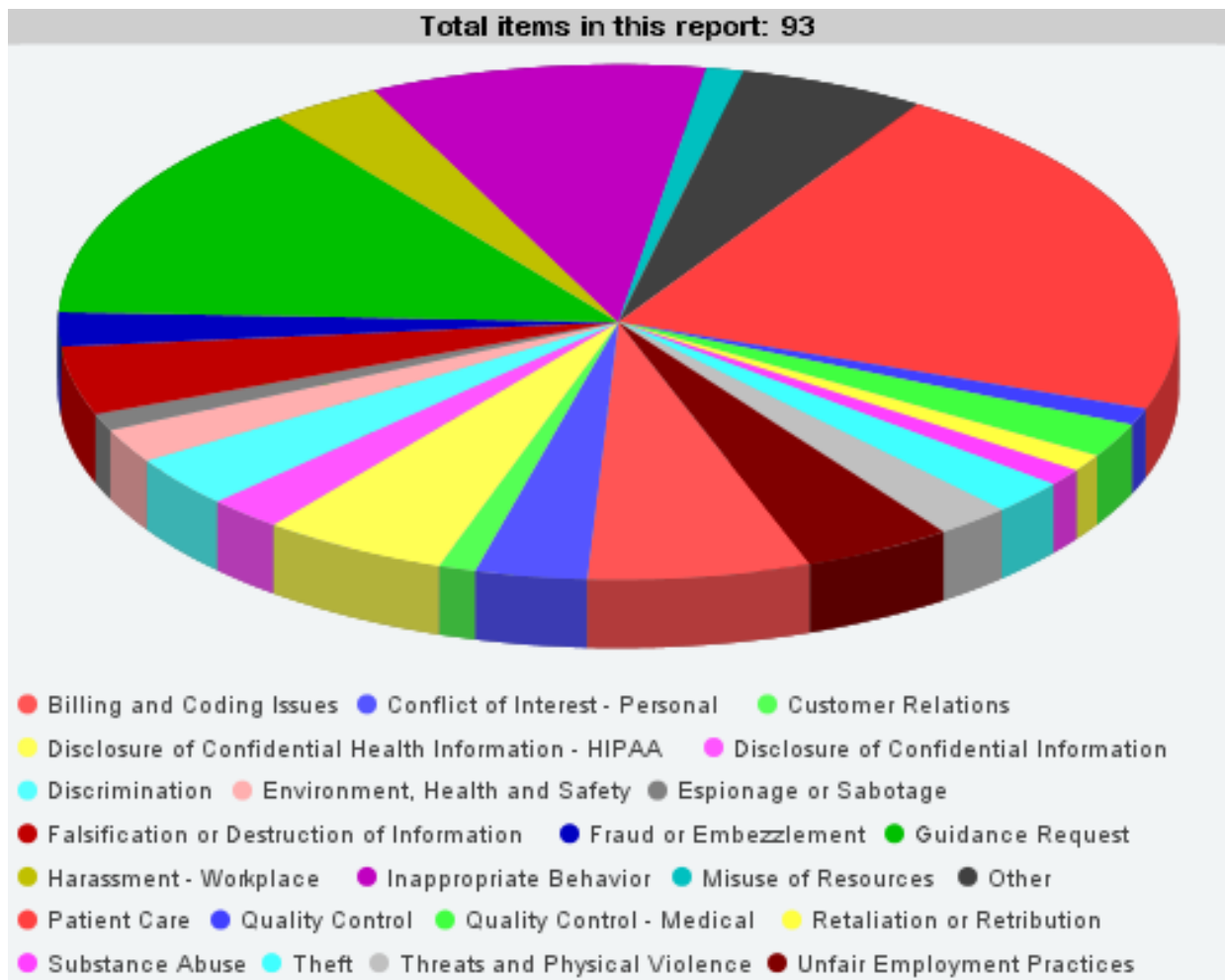


Below is a summary of how the OCC received the 93 CY2016 third quarter reports:

- a. 51 (54.8%) were received on the Help Line;
- b. 19 (20.4%) were received via E-mail;
- c. 8 (8.6%) were received via Telephone;
- d. 5 (5.4%) were received via Face-to-Face;
- e. 6 (5.4%) were received via Interoffice Mail (referral from other System Office);
- f. 2 (2.2%) were received via Mail;
- g. 1 (1.1%) was received via Office Visit;

- h. 1 (1.1%) was received via Other Means
- i. 1 (1.1%) was received via Intranet form.

Allegation Class Analysis



The breakdown of the allegation classes of the 93 reports received in the third quarter of CY 2016 is as follows:

- a. 20 (21.5%) Patient Care;
- b. 13 (14%) Guidance Request
- c. 9 (9.7%) Inappropriate Behavior
- d. 6 (6.5%) Billing and Coding Issues
- e. 5 (5.4%) Disclosure of Confidential Health Information - HIPAA



**OFFICE OF CORPORATE COMPLIANCE**

|    |   |        |   |
|----|---|--------|---|
| f. | 5 | (5.4%) | Other                                       |
| g. | 4 | (4.3%) | Falsification or Destruction of Information |
| h. | 4 | (4.3%) | Unfair Employment Practices                 |
| i. | 3 | (3.2%) | Conflict of Interest - Personal             |
| j. | 3 | (3.2%) | Discrimination                              |
| k. | 3 | (3.2%) | Harassment - Workplace                      |
| l. | 2 | (2.2%) | Disclosure of Confidential Information      |
| m. | 2 | (2.2%) | Environment, Health and Safety              |
| n. | 2 | (2.2%) | Fraud or Embezzlement                       |
| o. | 2 | (2.2%) | Quality Control - Medical                   |
| p. | 2 | (2.2%) | Theft                                       |
| q. | 2 | (2.2%) | Threats and Physical Violence               |
| r. | 1 | (1.1%) | Customer Relations                          |
| s. | 1 | (1.1%) | Espionage or Sabotage                       |
| t. | 1 | (1.1%) | Misuse of Resources                         |
| u. | 1 | (1.1%) | Quality Control                             |
| v. | 1 | (1.1%) | Retaliation or Retribution                  |
| w. | 1 | (1.1%) | Substance Abuse.                            |

**V. Updating Information Governance/HIPAA Privacy and Security Operating Procedures**

Overview

1) NYC Health + Hospitals has implemented numerous measures to safeguard protected health information (“PHI”). Specifically, the System has established an information governance program to ensure the confidentiality and security of PHI. Some of the key measures implemented to ensure compliance applicable privacy and data security laws include, without limitation, the following: (i) the promulgation of policies and procedures that safeguard the privacy and security of PHI; (ii) the establishment of training programs to communicate and provide guidance to the System’s workforce on the importance of safeguarding PHI; (iii) the positioning of Facility Privacy Officers (“FPOs”) at each facility in order to maintain an onsite facility presence to identify any HIPAA violations; (iv) the conducting of random corporate walk-throughs by senior

compliance personnel and/or FPOs to ensure data security quality across the System; and (v) the procurement of outside privacy and security auditors/consultants to provide HIPAA gap analyses and audits of the privacy and security protocols currently in place System-wide.

The paragraphs that follow focus on the current HIPAA Privacy and Security Operating Procedures (“OPs”).

Legal Requirement to Promulgate and Periodically Review Policies and Procedures

2) Pursuant to 45 CFR § 164.316(a), the System is required to promulgate and periodically update, as needed, its HIPAA policies and procedures. This Federal requirement is consistent with State regulations found at 10 NYCRR § 405.3 (d)(6), which requires hospitals to review all operating procedure manuals at least on a bi-annual basis.

3) To comply with these aforementioned laws, the OCC reviewed the following existing HIPAA Privacy and Security OPs found in the System’s OP Series 240 (which details policies and procedures concerning the use and disclosure of PHI) and System OP Series 250 (which details policies and procedures concerning the safeguarding of electronic PHI):

**List of HIPAA Privacy and Security Operating Procedures 240 & 250 Series:**

| <b>OP No</b> | <b>OP Title</b>  | <b>Regulation Addressed</b>           |
|--------------|--|---------------------------------------|
| 240-01       | Deployment Of The Corporate Privacy Notice   | 45 CFR § 164.520                      |
| 240-02       | Designated Record Sets Of Individual Patient Protected Health Information                            | 45 CFR §§ 164.524, § 164.526, 164.528 |
| 240-03       | Implementation Guidelines: Designated Record Sets Of Individual Patient Protected Health Information | 46 CFR §§ 164.524, 164.526, 164.528   |
| 240-04       | Patient Access to Protected Health Information   | 45 CFR § 164.524                      |
| 240-05       | Implementation Guidelines: Patient Access to Protected Health Information                            | 46 CFR § 164.524                      |
| 240-06       | Patient Amendment of Protected Health Information  | 45 CFR § 164.526                      |
| 240-07       | Implementation Guidelines: Patient Amendment of Protected Health Information                         | 46 CFR § 164.526                      |

|        |   |  |
|--------|---|--|
| 240-08 | Privacy-Related Complaints to the Facility  | 47 CFR § 164.530(a)(1)   |
| 240-09 | Implementation Guidelines: Addressing privacy-related complaints  | 48 CFR § 164.530(a)(1)   |
| 240-10 | Personal Representatives (Health Care Agents)   | 45 CFR §164.502(g), § 164.510(b);Office of Civil Rights HIPAA Privacy Guidance, December 3, 2002 and; N.Y. Pub. Health Law § 17, Release of Medical Records and; N.Y. Pub. Health Law § 18 and; N.Y. Pub. Health Law Article 27-F, HIV & Aids Related Information, §2782(1)(h) Confidentiality & Disclosure; N.Y. Pub Health Law, Article 29-C, Health Care Agents and Proxies, §§ 2980-2994 and; N.Y. Mental Hygiene Law, Article 9, Hospitalization of the Mentally Ill, § 9.13(a)Voluntary Admissions and; N.Y. Mental Hygiene Law, Article 81, Proceedings For Appointment Of a Guardian For Personal Needs Or Property Management |
| 240-11 | Additional Privacy Protections of Protected Health Information  | 45 CFR § 164.510 & § 164.522   |
| 240-12 | Accounting of disclosures of Protected Health Information   | 45 CFR §164.528  |
| 240-13 | Implementation Guidelines: Accounting of disclosures of Protected Health Information  | 46 CFR §164.528  |
| 240-14 | Patient Authorization   | 45 CFR § 164.508(b)(3)(ii)   |
| 240-15 | HIPAA Privacy Safeguards  | 45 CFR § 164.530(c)  |
| 240-16 | Workforce Training  | 45 CFR § 164.530(b)  |
| 240-17 | Uses and Disclosures of Protected Health Information for Media Interactions; Marketing/Advertising and Fundraising Activities and Community Outreach Activities | 45 CFR §§ 164.502;164.514; 164.514(e)(1); 164.514(e)(2)  |

|        |  |  |
|--------|--|--|
| 240-18 | Uses and Disclosures of Protected Health Information of Minors   | 45 CFR § 164.502(g)(3); NY Mental Hygiene Law § 22.11 Treatment of minors; NY Mental Hygiene Law § 33.21 Consent for mental health treatment of minors; NY Public Health Law § 17 Release of medical records; NY Public Health Law § 18 Access to patient information; NY Public Health Law § 2305 Sexually transmissible diseases; NY Public Health Law § 2504 Enabling certain persons to consent for medical, dental, health and hospital services; NY Public Health Law § 2781 HIV related testing NY Public Health Law § 2782 Confidentiality and disclosure of HIV-related information |
| 240-19 | Uses and Disclosures of Protected Health Information of Decedents; to Coroners, Medical Examiners and Funeral Directors & for Cadaveric Organ, Eye or Tissue Donation Purposes | 45 CFR §§ 164.502(f); 164.512 (f)(4),(g) and (h)   |
| 240-20 | Uses and Disclosures of Genetic Information  | 45 CFR Parts 160 & 164; NY Civ. R. Law § 79-I Confidentiality of records of genetic tests; NY Ins. Law § 2612 Genetic testing written informed consent   |
| 240-21 | Uses and Disclosures of Mental Health Information  | 45 CFR Parts 160 & 164; 14 NYCRR §§ 505.7, 524.6, 524.7  |
| 240-22 | Whistleblowers and Retaliatory Acts  | 45 CFR §§ 164.502 (j) and § 164.530(g)   |
| 240-23 | Clinical Investigation and Research Policy Guidelines  | 45 CFR Parts 164.501, 508, 512(i), 514(e), 528, 532.   |
| 240-24 | Verification Requirements for Disclosure of Protected Health Information   | 45 CFR § 164.51 4(h)( 1)   |
| 240-25 | Uses and Disclosures Required by Law for Public Health and Oversight Activities & for Military and National Security Purposes  | 45 CFR §§ 164.512(a), 164.512(b), 164.512(d) and 164.512(k)  |

|        |  |   |
|--------|--|---|
| 240-26 | Designation of Corporate and Facility Privacy Officers   | 45 CFR § 164.530(a)(l)(i) and (ii)  |
| 240-27 | Uses and Disclosures of PHI for Law Enforcement Purposes & for Judicial and Administrative Proceedings | 45 CFR §§ 164.506, 164.508, 164.510, 164.512, 164.514, 164.520, 164.522, 164.524, 164.526, 164.528 & 164.530                            |
| 240-28 | Uses and Disclosures for Treatment, Payment and Healthcare Operations                                  | 45 CFR § 164.506, 42 CFR § 2.1, New York Civil Rights Law §79-I, NY Public Health Law Article 27-F, New York Mental Hygiene Law § 33.13 |

**HIPAA Security Operating Procedures**

| OP No  | OP Title                                    | Regulation Addressed                   |
|--------|---|--|
| 250-01 | Security Management Process                 | 45 CFR §164.308(a)(1)(i)               |
| 250-02 | Security Risk Analysis                      | 45 CFR §164.308(a)(1)(ii)(A)           |
| 250-03 | Security Risk Management                    | 45 CFR §164.308(a)(1)(ii)(B)           |
| 250-04 | Security Information System Activity Review | 45 CFR §164.308(a)(1)(ii)(D)           |
| 250-05 | Workstation use and Security                | 45 CFR § 164.310(b) and ©              |
| 250-06 | Information Access Management               | 45 CFR §164.308(a)(4)                  |
| 250-07 | Assigned Security Responsibility            | 45 CFR §164.308(a)(2)                  |
| 250-08 | Workforce Security                          | 45 CFR §164.308(a)(3)                  |
| 250-09 | Security Awareness and Training             | 45 CFR §§ 164.308(a)(5) and 164.530(b) |
| 250-10 | Incident Procedures                         | 45 CFR § 164.308(a)(6)                 |
| 250-11 | Contingency Plans                           | 45 CFR § 164.308(a)(7)                 |
| 250-12 | Evaluation                                  | 45 CFR § 164.308(a)(8)                 |
| 250-13 | Facility Access Controls                    | 45 CFR § 164.310(a)                    |
| 250-14 | Audit Controls                              | 45 CFR § 164.312(b)                    |
| 250-15 | Device and Media Controls                   | 45 CFR § 164.310(d)                    |
| 250-16 | Access Control                              | 45 CFR § 164.312(a)                    |
| 250-17 | Integrity                                   | 45 CFR § 164.312 (c)                   |
| 250-18 | Person and Entity Authentication            | 45 CFR § 164.312(d)                    |
| 250-19 | Transmission Security                       | 45 CFR § 164.312 (e)                   |
| 250-20 | Remote Use and Access to PHI                | 45 CFR § 164.310(d)                    |

4) Accordingly, the comprehensive review was performed by the OCC as it relates to these OPs. Such review was focused on ensuring that the following key elements were met with regard to each OP:

- All HIPAA policies appropriately addressed applicable law including, without limitation, HIPAA regulations, and facilitates compliance with such regulations;
- The scope and content of all HIPAA policies remained consistent with NYC Health + Hospitals Principles of Professional Conduct and the System's overall mission and values;
- The implementation procedures and, where applicable, internal controls, included in the HIPAA policies were sufficient to ensure legal and internal compliance; and
- The HIPAA policies have in fact been effective in ensuring HIPAA compliance.

5) Based on the review performed by the OCC, it has been determined that the following privacy topics, although already embodied in System policies and procedures, require updating and focused attention in standalone OPs:

- Breach response and notification OP;
- Minimum Necessary OP; and
- Business Associate Agreements OP.

Accordingly, the OCC has drafted and finalized OPs covering these topics. Said OPs are scheduled for final legal review within the next 30 days.

6) Additionally, the OCC has determined that the following OP was required:

- Photographing, Video Recording, Audio Recording, and other Imaging of Patients for Clinical Purposes.

This OP was drafted and reviewed by clinical, administrative, legal, and compliance staff and is scheduled to be promulgated by the System before the close of the calendar year.

7) All other HIPAA OPs listed herein have been determined by the OCC to be legally compliant, effective and current, and thus, not requiring any revisions or other amendments at this time.

**VI. Review and Updating of Compliance Policies and Procedures**

- 1) Pursuant to Federal and State compliance guidelines, as well as 10 NYCRR § 405.3 (d)(6), the OCC is currently reviewing its compliance policies and procedures to determine whether modification is necessary to meet applicable law; compliance best practice standards; and the System's transformation and evolving vision.
- 2) To date the OCC has determined the following policies require updating and has begun the process of updating the same:
  - OP 50-1 (Corporate Compliance Program); and
  - NYC Health + Hospitals Corporate Compliance Plan.
- 3) The OCC has revised and finalized the Guide to Compliance at NYC Health + Hospitals, which will be posted on the System's website in the upcoming weeks.
- 4) The OCC is currently reviewing the existing OneCity Health/DSRIP Compliance Plan and the HHC ACO, Inc., Compliance Plan and will finalize updates of both of these plans before the close of the calendar year.
- 5) The OCC is presently reviewing OP 120-19 (*Corporate Records Management Program and Guidelines for Corporate Record Retention and Disposal*). The OCC will report at the next Audit Committee whether OP 120-19 requires updating.