

AUDIT COMMITTEE
MEETING AGENDA

February 14, 2013

9:00 A.M.

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

CALL TO ORDER

Ms. Emily A. Youssouf

- Adoption of Minutes December 6, 2012

Ms. Emily A. Youssouf

ACTION ITEMS

- KPMG 2012 Management Letter

Mr. Jim Martell
Mr. Jay Weinman

INFORMATION ITEMS

- Procurement Process
- Audits Update
- Compliance Update

Mr. Joseph Quinones

Mr. Chris A. Telano

Mr. Wayne McNulty

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

MINUTES

AUDIT COMMITTEE

MEETING DATE: December 6th, 2012

TIME: 3:00PM

COMMITTEE MEMBERS

Emily A. Youssouf, Chair

Josephine Bolus, RN

OTHER MEMBERS OF THE BOARD

Michael A. Stocker, MD

STAFF ATTENDEES

Antonio Martin, Executive Vice President/COO

Salvatore J. Russo, Senior Vice President & General Counsel, Legal Affairs

Barbara Keller, Deputy Counsel, Legal Affairs

Deborah Cates, Chief of Staff, Chairman's Office

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

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

Wayne McNulty, Corporate Compliance Officer

Jay Weinman, Corporate Comptroller

James Linhart, Deputy Corporate Comptroller

Sabry Elias, Senior Director, CO-Cash Management

William Walsh, Senior Vice President, North Bronx Healthcare Network

Diane Carr, Deputy Executive Director, North Bronx Healthcare Network

Alex Scoufaras, Associate Executive Director, North Bronx Healthcare Network

Chris Gowrie, Associate Executive Director, North Bronx Healthcare Network

Arthur Wanek, Associate Executive Director, North Bronx Healthcare Network

Joseph Pomata, Senior Associate Director, North Bronx Healthcare Network

Peter Lynch, Senior Director, Office of Facility Development

Aaron Cohen, Chief Financial Officer, Bellevue Hospital Center

Robert Boyd, Senior Associate Director, Bellevue Hospital Center

Bert Robles, Senior Vice President/Chief Information Officer

Corey Cush, Assistant Vice President, Data Center, Jacobi Medical Center

Lou Riccardi, Senior Director, Data Center, Jacobi Medical Center

Kathleen McGrath, Senior Director, Central Office

Gassenia Guilford, Senior Director, Finance, Central Office

Chris Provenzano, Associate Executive Director, Generations+Northern Manhattan

Julian John, Chief Financial Officer, Central Brooklyn Family Health Network

Anthony Saul, Sr. Associate Director, Dr. Susan Smith McKinney Nursing & Rehabilitation Center

Anthony Manwaring, Controller, Central Brooklyn Family Health Network

Kiho Park, Associate Executive Director, Queens Healthcare Network

Paula Elefteriadis, Controller, Queens Healthcare Network

Christopher Byrne, Controller, Bellevue Hospital Center

Zaheer Baig, Controller, Woodhull Medical & Mental Health Center

Keisha Watkins, Assistant Controller, Bellevue Hospital Center

Kim Wilcott, Assistant Director, Coney Island Hospital

Phelan Kieran, Controller, Sea View Hospital Rehabilitation Center & Home

Edie Coleman, Associate Director, Metropolitan Hospital Center

Arsenio Baja, Assistant Director, Sea View Hospital Rehabilitation Center & Home

Devon Wilson, Senior Director, Office of Internal Audits

Roger Mayer, Director, Office of Internal Audits

Steven Van Schultz, Director, Office of Internal Audits

Chalice Diakhate, Director, Office of Internal Audits

AUDIT COMMITTEE

MEETING DATE: December 6th, 2012

Page 2

Zhanna Kelley, Assistant. Director of Internal Audit, Office of Internal Audits
Frank Zanghi, Audit Manager, Office of Internal Audits
Sonja Aborisade, Associate Confidential Examiner, Office of Internal Audits
George Asadoorian, Supervising Confidential Examiner, Office of Internal Audits
Andre Deazle, Supervising Confidential Examiner, Office of Internal Audits
Jozef Dubroja, Associate Confidential Examiner, Office of Internal Audits
Cynthia McIntosh, Supervising Confidential Examiner, Office of Internal Audits
Roger Novoa, Supervising Confidential Examiner, Office of Internal Audits
Delores Rahman, Supervising Confidential Examiner, Office of Internal Audits
Satish Malla, Associate Confidential Examiner, Office of Internal Audits

**DECEMBER 06, 2012
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
NYC HEALTH & HOSPITALS CORPORATION
MINUTES**

An Audit Committee meeting was held on Thursday, December 06, 2012. The meeting was called to order at 3:05 P.M. by Ms. Emily Youssouf, Committee Chair. Ms. Youssouf asked for a motion to adopt the minutes of the Audit Committee meeting held on September 25, 2012. A motion was made and seconded with all in favor to adopt the minutes. An additional motion was made and seconded to hold an Executive Session of the Audit Committee to discuss Compliance matters.

Then Ms. Youssouf moved onto the information items, beginning with the Internal Audits update.

Mr. Telano saluted everybody and stated that he would like to introduce one of the Audit Managers Frank Zanghi who ran the audit for the first review he is discussing, the Construction Audit. Mr. Telano asked if he should bring the representatives to the table first.

Ms. Youssouf responded sure.

Mr. Telano asked the representatives from the North Bronx Health Network to step up to the table and introduce themselves. They introduced themselves as follows: Bill Walsh, Senior Vice President; Diane Carr, Deputy Executive Director; Alex Scoufaras, Associate Executive Director; Peter Lynch, Director, Office of Facility Development.

Mr. Telano began by stating that he will go over the findings in three sections. First is the review of two projects and then the review of purchase orders and work orders as it relates to construction and maintenance repair programs. In regards to the construction projects, the first was the roof tank refurbishment at the Jacobi Building 1. This project was for \$195,000 and the contractor was American Inc. The first issue we found was that the Construction Manager (CM) did not provide detailed and complete contractual documentation for this project. The project meeting minutes were not recorded and instead maintained in the project manager's calendar, as-built drawings were not approved, delay logs were unavailable and the Construction Manager's log was incomplete. The primary reason for this was that the CM was on medical leave during this project. The second issue we found relating to this project was that it was 247 days late because a part was not ordered timely. As a result, the Extension of Time Request (EOT) was not approved timely.

Ms. Youssouf asked if the CM was an internal person. Mr. Telano responded yes. Ms. Carr stated that the CM had a heart attack so he was out for 6 months. She said that they did have a person who was a mechanical engineer who was interacting with the contractor; so the technical oversight of the project was done adequately. Ms. Youssouf asked who the CM reports to. Ms. Carr responded that the project manager reports to the architect who reports to her.

Ms. Youssef asked if Central Office, Capital Projects area oversaw this project as well. To which Mr. Lynch responded that Central Office does not do the direct day-to-day supervision of the project, that that is handled by the facilities.

Ms. Youssef stated that it seems to her that if somebody has a heart attack and is in the hospital that you would find somebody to replace him to make sure the work is being done on time. Saying that one person is out for 6 months, given the size and importance of this project and delayed for such an extended period of time and also that a part was not ordered on time, it seems like it was not managed in the tightest way possible and that adds cost.

Ms. Carr responded that that is true in terms of cost. The project was delayed because the contractor did not order the part. The contractor was not paid until the project was complete.

Ms. Youssef said that a 247 day delay is unacceptable and for this contractor not to order what was needed, she hopes that there is some kind of reporting that Capital keeps on record on contractors whose work was not satisfactory so that they will not get additional business from HHC.

Mr. Lynch stated that the unsatisfactory evaluation would be in his file. It will not be paid out until such time that he reconciles the EOT.

Dr. Stocker asked Mr. Lynch to talk about this process in general. Mr. Lynch responded that the day-to-day management of these projects belongs with the facilities. A series of breakthrough events will start to try and help us out with adjustments of policy and procedures. They are trying to find ways to make this work better and more efficient for all. The first event begins on December 17th. Mrs. Bolus asked him how often he gets updates on how facilities are managing their projects. Mr. Lynch responded that once a month he gets a status report. Then Mrs. Bolus asked that once a month he has been informed that the CM was out. To which Mr. Lynch responded that they were not informed that the individual was out. Ms. Youssef asked what they told you the delay was or did you asked. Mr. Lynch answered that he has to apologize for this one -- this started before he joined the office.

Mr. Russo asked that if we had done this audit a year ago with not having the insurance forms that were available would we have seen the same thing.

Mr. Walsh responded no – that they have done over \$375 million worth of construction renovation in the last seven years and except for the major modernization project that he came in at the tail end, all of their projects were done on budget and on schedule.

Ms. Youssef stated that she understands that Capital is getting assistance from outside auditors in looking into how to improve the projects on how to run construction. Did they offer suggestions because this happens so often?

Mr. Martin stated that the auditors will be coming up with some recommendations, but those recommendations will be specific to the few projects we asked them to look at and may not give us an overall picture of construction within HHC.

Ms. Youssouf stated that she thought the purpose was that they were going to look at it as an example and from that they would be able to come up with some overall suggestions.

Ms. Zurack stated that she and Sal Russo have gotten some feedback from KPMG and we told them that there should be conditions on how we know what's going on, so we can make counter measures on what happened as opposed to how we manage them.

Mrs. Bolus asked that unless they're informed, they would not have known about it? Ms. Zurack responded correct. Mrs. Bolus then said that they, in turn, did not know the person was going to be out for 6 months. That's where the problem with this particular project is.

Mr. Martin stated that these folks do a good job. As Bill said before, they've managed a lot of different projects and they've done a relatively good job. Maybe what we should do is go back and look at a subsequent project so it does not happen again.

Mr. Telano continued with the second project by stating that this was a \$344,000 project and we had three primary issues. First there was a \$20,000 unit price adjustment allowance applied to a line item without additional approval. The second finding is that the final bid for the project was 43 percent below the final estimated cost. Then we found, and this is a corporate-wide issue, that there was no reporting system to report all sources of funding. As a result OTPS that were paid for this project were not captured in the Capital Project Encumbrances Report which means the overall cost of the project was unidentifiable.

Mr. Telano continued with the purchase orders: we found that 19 of 28 purchase orders did not have the required insurance documentation. We do believe that the project did have insurance however; the actual piece of paper was not present at the project site. Also, certified payroll reports were unable to be provided for 15 of 21 purchase orders processed for payment, four of seven purchase orders lacked an Executed Part 1, construction in the emergency room was managed by the emergency room administrative staff instead of Construction Management and original bidding documents could not be provided for more than half of the POs.

Mr. Telano continued with work orders – in one instance we found six work orders included 40 percent of non-contract work, seven work orders lacked Network Estimates. Once again, the contractual and procedural documentation was not maintained. Submittal logs were incomplete or not in file and project progress meetings could not be substantiated.

Ms. Youssouf stated that she thinks HHC is doing the right thing and is looking forward to seeing what KPMG has to say, but it seems that overall, the procedures are not being followed. She is perplexed that ER staff is

overseeing construction projects and work orders are given for non-contract work without competitive bid. These items need to be taken seriously or else we will be in violation. For some of this stuff we are in violation of City Bidding Contracts as well as the Authority Bidding Regulations from the Public Authority Reform Act so they could have serious consequences if this continues. She stated that she is glad the projects got completed but unfortunately it's a Government Agency and there are certain specific procedures that we have to follow.

Mr. Martin stated that that is right.

Ms. Youssouf stated that she hopes you take this as an early warning that you do whatever you have to do to tighten because you don't need to get cited in some kind of outside audit about this and it's our responsibility to make sure this does not happen.

Ms. Carr responded that they take it very seriously.

Dr. Stocker asked if the breakthrough project is just specific to the process. Mr. Lynch responded that it's specific to the bidding process. Mr. Martin added that it's corporate-wide. Mr. Lynch said that it's the first event of a series.

Ms. Youssouf stated that she thinks it's a great idea and perhaps with breakthrough we'll find out what changes, if any, are going to be made. Mr. Lynch stated that they can certainly get a report back.

Mr. Telano stated that he will continue with the next audit which is the Patient Registration Process at Bellevue. Mr. Telano asked the representatives from Bellevue to step up to the table. They did and identified themselves as follows: Aaron Cohen, Chief Financial Officer; Robert Boyd, Senior Director.

Mr. Telano continued by stating that there are two issues to discuss – the first one has to do with certain documents not being found in the Enterprise Document Management System, which is a patient database used to scan and store patient documents such as proof of identification and income, insurance cards and birth certificates for pediatric patients. Management within the business office, outpatient psychiatry, ED and pediatric clinic all stated that they would reinforce existing procedures. The other issue we noted was that the credit card machine in the emergency room was not secured or password protected and as a result when it was unoccupied individuals can obtain lists of transactions, credit card numbers and other private information. The Director of Business in the business office stated that as of September 28th, a secure file cabinet will be utilized to store the credit card machine and the machine will be password protected as well.

Ms. Youssouf asked if any violations were found. Mr. Telano responded that he did not find any indication of that.

Mr. Cohen stated that this is primarily outpatient.

Mr. Telano referred to the October Finance Committee minutes where he found a piece that referenced that the Commissioner or did bring up the fact that patients that are spending nights in the Emergency Room (ED) were not interviewed by a financial counselor.

Ms. Youssouf asked if that was true. Mr. Cohen responded that they did report on this at the last Finance Committee meeting. Changes were made recently to put HCIs in close proximity so that they were attached to the Emergency Department. Unfortunately, that's one of the many areas affected at Bellevue, but it was new and we were doing it.

Mr. Stocker stated that they've done a magnificent job and asked if there is back log?

Mr. Cohen answered that the ones that were in billing or accounts receivable even though they aren't physically at Bellevue; they are following up on the cases. The investigations people have been working on Medicaid applications and our Medicaid check this week is \$3 million, which is close to our weekly target. We are also bringing a lot of people back Monday and Tuesday of next week, we have heat, computers and phones. Some of the investigation people are working with their local hosts so there is a combination. We expect our accounts receivable base to be the lowest it's even been.

Mrs. Bolus asked if they need more than one financial counselor. To which Mr. Boyd responded that they have many; that the comment Mr. Telano was referencing to be overnight. In terms of attached to the emergency room its 12 hours, six days a week, and its set up in such that it's the time we get most of the patients.

Ms. Youssouf added that he said they were moving their HCI people to be nearer to the ER. Mr. Cohen stated that there were in close proximity to the emergency room, which is one of the areas that have been affected so they are working on alternative space.

Ms. Youssouf asked if the issue has been fixed. Ms. Zurack stated that the discussion has absolutely nothing to do with this audit. Mr. Cohen is responding to clarify what was said in the Finance meeting, but Finance was talking about inpatient Medicaid.

Ms. Youssouf added that the audit states only full-time counselor takes payments from patients in the emergency room. Mrs. Zurack said that that was cashiering and Ms. Youssouf stated that the audit is about what if he is absent.

Mr. Cohen said the answer is they will fix it so it does not depend on only one person.

Mr. Telano continued onto the next audit which is Review of the Data Center at Jacobi. He asked the representatives from Jacobi to come to the table. They introduced themselves as follows: Bert Robles, Senior Vice President; Corey Cush, Assistant Vice President; Lou Riccardi, Senior Director. Mr. Telano stated that the objective of this review was to evaluate the controls and physical security of the data center infrastructure and operations. We found that the controls of the security were excellent and this is one of those functions that I believe management

and HHC should sleep well at night knowing that there were no concerns. We found very minor issues, the visitor's log was not always completed; there was lack of adequate fire extinguishers and the policies and procedures manual did not address every scenario. Mr. Telano added that he has to complement them and also thanked them for being so helpful during this audit. They have been very proactive on the issues they found.

Ms. Youssouf stated that she thinks it's wonderful and she's sure that all of these things are corrected or are being corrected. Mr. Telano added that they are and they were very proactive. Ms. Youssouf said that it's great to have internal audit say you did a great job.

Mr. Robles thanked the Committee and stated that there are a lot of people within the group that are very committed to protecting the information assets, it is critical to our organization and any discoveries are taken very seriously and we have remedied the situation quickly.

Ms. Youssouf commented that it's nice to have good audit.

Mr. Telano continued with the next audit – Accounts Payable at Coney Island Hospital. He stated that there is one individual representing, he was expecting to have other individuals, but the Accounts Payable Manager had a death in the family and the Assistant CFO was sick and could not make it. He asked the representative to come to the table and identify herself, she introduced herself as Zoya Shapiro, Assistant Director and Mr. Jay Weinman, Corporate Controller. Mr. Telano said that once again, similar to IT, this is one of the facilities that are very proactive as it relates to internal audits. They worked with us throughout the course of the audit, they made the necessary changes, had various conversations and made compromises. By the end of the audit everything was resolved shortly thereafter. Mr. Telano added that he would like to complement Coney Island Finance for their assistance and the job they did during this audit. Some of the issues that we found were that they kept their unused checks or processed checks that had not been distributed in an unlocked desk drawer of the Accounts Payable Supervisor. As stated before that was resolved, they put a lock on the cabinet and they will be purchasing a safe in October. Another finding is that two employees had OTPS access levels that appeared to be incompatible with their job titles and these employees were not staff of the accounts payable department, but were found to have access to accounts payable functions. That was resolved and their access was removed right away. Then we found some lack of adherence to petty cash funds operating procedures. We found transactions that exceeded \$50, we found petty cash funds in Behavioral Health had a \$150 overage and another petty cash fund for the surgery department's resident's area not utilized for almost two years that needed to be removed.

Ms. Youssouf stated that they probably did not know about it. Mr. Telano said that one of the feedbacks from the CFO was that they were very busy with their duties and something like this is overlooked so he was thankful for this audit and what we found so they can resolve it. Ms. Youssouf said that she knows that Coney Island did an incredible job during the storm and thereafter, but again, it's very nice to have a good audit.

Dr. Stocker stated that he thinks every residency program has some kind of a petty cash program and he hoped that they had not closed it because of the audit. Ms. Shapiro said that they had closed it.

Mr. Martin commented that he asked the Senior Vice President how many petty cash funds they had, nobody knew; they said they would go back and check.

Ms. Youssouf said that she asked them to look it over because of the one found.

Mr. Telano then continued with the next audit – Review of Service Grants at Elmhurst Hospital. He asked for the representatives to approach the table and introduce themselves. They introduced themselves as: Kiho Park, Associate Executive Director and Paula Elefteriadis, Controller. Mr. Telano stated that at the fear of being redundant, we had a lot of good audits during this presentation. What goes hand in hand with an audit being good is the level of cooperation we had at Elmhurst Hospital. They were very helpful during the audit and we brought to light some issues with Mr. Park they would not have thought of. The first issue was that all of the analysts had access to all their share drives, so they could look at each other's information and they could change each other's information and there was no audit trail. So we asked to limit access to the individual that's responsible. Once again, they had some analysts that had access to the accounts payable functions in OTPS that do not directly apply to their job descriptions. Lastly, we found some segregation of duty issues as it relates to the program manager of the Sexual Assault Response Team (SART) Grant. There were time records not maintained and schedules were not being reviewed properly and the individual was setting up the schedule and manually preparing the statements without being reviewed by another supervisor. Mr. Telano then stated that everything was resolved during the course of the audit and he thanked them all.

Ms. Youssouf thanked them, commented that she's very happy, that that's three in row and that's wonderful.

Mr. Telano stated that next audit they did is a Surprise Inventory Count at Sea View Hospital. He felt that Staten Island is the forgotten borough so he decided to go visit them as a surprise. Ms. Youssouf added that she's sure they were happy they were remembered. Mr. Telano asked the representatives to come to the table and introduce themselves as: Arsenio Baja, Associate Director and Phelan Kieran, Controller. Mr. Telano said that the surprise count revealed that 36 percent of the items counted had discrepancies. After the audit was over, Mr. Baja informed them that the individual that takes care of the paperwork was out during the course of the audit and when he came back, a week or two after we left, he was able to resolve all the discrepancies based on paperwork that had not been processed. We were very pleased with that. The other issue was that there were no security cameras in the inventory area. The last issue was that when the medical surgical warehouse personnel receive items, they have access to the purchasing system that shows them the amount ordered. This process was resolved right away.

Ms. Youssouf asked if there a security camera in place. Mr. Phelan said that there's one camera that faces the receiving dock, we wanted one closer to the door and asked them to look over any future plans.

Ms. Youssouf asked how long it will take to get one. Mr. Phelan answered within the year.

Mr. Martin said that he would take care of it.

Mr. Telano stated that the last audit to be discussed is the auxiliary audits related to East New York Diagnostic & Treatment Auxiliary. Mr. Telano asked the representatives to come to the table. They introduced themselves as follows: Julian John, Chief Financial Officer; Isabelle Jefferson, Acting Treasurer, Auxiliary to East New York; Anthony Manwaring, Controller/CFO and Anthony Saul, Controller, Kings County Hospital. Mr. Telano said that the primary issue is we keep finding the same issues year in and year out. We have a CPA doing this review now and they've done it for the last two years. We've had the same exact issue and the same exact management responses for the past three years. Monthly bank reconciliations were not completed, cash receipts were not deposited timely, supporting documentation for each deposits are unavailable, IRS Form 990 was not filed timely or not filed properly and the President's position was vacant at the time of the audit. Mr. Telano added that he thought it was time to bring this to the attention of the Audit Committee.

Mrs. Bolus inquired if the 990 was not filed. Mr. Telano responded that the most recent one was filed.

Ms. Youssouf asked what is being done to fix this. Mr. Manwaring said that they had conversations to dissolve the auxiliary. The administrators at East New York had meetings with various members to ensure that there has been some sort of improvement and has not made a difference; he knows that they do not have regularly scheduled meetings. As far as procedures, we are supposed to have quarterly financial reports and we do not have them – it is not the responsibility of the department to do it. At Kings County, the Auxiliary has its own accountants that do the report to make sure they are in compliance.

Ms. Youssouf asked the Counsel if there is some kind of law that we have to maintain this auxiliary. Mr. Russo responded that an auxiliary can be dissolved by the members themselves voting to dissolve and whatever financial support we give them, we can stop.

Mr. Julian John said that they discussed this with Laray Brown and she indicated that it should not be dissolved.

Ms. Zurack asked if the finding was from a financial perspective and how much money is there on the balance sheet. Mr. Manwaring stated that normally they get some funds from the vending machines and right now there is \$20,000. Ms. Zurack asked how much it's spent every year. Mr. Manwaring said probably \$2,000 then Ms. Zurack asked how much do they bring in? Mr. Manwaring said about \$75 a week. Ms. Zurack stated that she thinks there may be policy reasons and not legal reasons to have an auxiliary at East New York because of HHC needs a good relationship with the community.

Mrs. Bolus asked if there's no way they could hire the same accountant that Kings County has. To which Mr. Manwaring responded that he made a recommendation last year and contacted Ms. Corinna Grant at Kings

County earlier this year and she recently gave a gentleman's number. He called him twice and he has not responded so we are waiting for that call. Ms. Zurack asked if they're going to have the Kings County Auxiliary accountant do the audit. Mr. Manwaring responded yes.

Ms. Youssouf stated that it sounds like this auxiliary is not functioning and added that first of all can it be dissolved and whether it should or shouldn't is something else. Mr. Martin added that he will speak to Laray Brown and find out what the rationale was for saying they could not dissolve themselves, because to him it would seem they could put themselves into Kings County. Ms. Youssouf stated to let the Committee know what the issue is because it's a shame to keep getting negative internal audit reports. It does not matter if it's a lot of money or not. Some people would consider \$20,000 to be a lot of money. That's enough money if something that is really inappropriate would end up in a newspaper.

Ms. Youssouf turned the presentation over to Wayne McNulty, Chief Corporate Compliance Officer.

Mr. McNulty saluted everybody and asked the members to turn to page 3 of the report and started off with compliance training. The computer based compliance training modules for the nurses and healthcare professionals and general staff will be ready to go live next week and the training modules for the Board of Directors will also be ready to go live next week.

Mr. McNulty continued with item number 2 on the agenda – the Corporate Compliance Work Plan status update. In the past 11 months, we looked at all 40 work plan items, 9 items have been closed or closures pending. Closed items are licensed social work and licensed master social work of counseling documentation, home health claims review, hospital readmissions, provider a base status for inpatient outpatient facilities, billing of portable x-ray suppliers, criminal background checks on nurses and low birth weight DRG. We have several other items that are now being looked at and we will have reports that will be sent out to the Committee over the next several weeks.

Mr. McNulty moved along to item number 3 – The calendar year 2012 and 2013 Corporate Compliance work Plan status update. The calendar year 2012 and 2013 work plan has been completed. The will be approved this week by Mr. Aviles and will going into effect by tomorrow. That new work plan will have 8 new items and 31 from the previous year.

Mr. McNulty continued with the Compliance Index from the third quarter from July 1st to September 30th. We had 144 compliance patient reports, 11 were classified as priority A, 56 were priority B and 77 were priority C. Attachment number 1 illustrates graphic of the report. Sixty-one or 62 percent were received by our anonymous hot line. Mr. McNulty asked if there were any questions.

Ms. Youssouf asked that out of the 56 calls, did he know how many were from the same person calling. Mr. McNulty answered yes, that they have some reports that are the same individual, we can tell by the nature of the call. We also have a number of calls where they can be identified once they call.

Mr. McNulty continued with the Privacy Index from July 1st through September 30th. They received 17 complaints related to HIPAA privacy complaints. Out of those 17 complaints, 8 were found after the investigation to be violations of HIPAA, 2 were determined to be unsubstantiated, and 4 were determined not in violation of the HIPAA privacy compliance procedure. A description of the privacy compliance index is on attachment 2.

Mr. McNulty moved along to a reportable data breach, on June 1st 2012. NYPD informed Woodhull Hospital Police that it recovered 186 Unity System printouts pertaining to 190 HHC patients during the execution of a search warrant at a non-disclosed non-agency location and the search warrant was not relating to any hospital personnel. The printout contained medical and personal information such Social Security numbers, medical record numbers and treatment information. NYPD requested that we not notify the patients because they did not want that to interfere with their investigation. We were informed on or about October 9th from our office of the Inspector General that NYPD lifted that restriction. HHC has procured a vendor to send out notices to patients to establish a call center and also any credit monitoring or identity theft restoration, it is expected that the letter will start to go out tomorrow. He asked if there were any questions.

Mr. McNulty then continued to Staffing Update. They had 2 vacant Compliance Officers positions. One is the Deputy Compliance Officer that is responsible for HIPAA privacy, security and record management at Home Health. The other is Associate Compliance Officer Position in South Manhattan Network; he expects to fill both of those positions by mid next week.

Mr. McNulty continued with the next item – there are no reports with regard to excluding providers since the last time the Board convened in September. The last item on the agenda is a new program assessment form. On attachment 3 there is a questionnaire that we have to fill out and maintain electronically in case of an audit. Basically, if we can answer all these questions and maintain evidence that we meet the standards set forth, we have an effective compliance program. One of the key issues here is that they expect our record compliance program not only in the areas of billing and payments but also areas such corporate governance, medical necessity and quality of care. We have been working very closely with the Committee on compliance and quality to make sure that our compliance program covers those other areas that are beyond payments and billing.

Ms. Youssouf asked if at this point, Compliance could answer yes to all the questions. To which Mr. McNulty answered yes. Ms. Youssouf stated that that was important.

Mr. McNulty asked if there were any questions.

Ms. Youssouf then indicated that the Committee was going into Executive Session. (Executive session was then held).

After returning to public session Ms. Youssouf then asked if there was any other business. The Board responded that there was none. She then asked for a motion to adjourn – the meeting adjourned at 4:25 PM.

Submitted by,

Emily Youssouf
Audit Committee Chair



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February 8, 2013

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 (the Corporation), a component unit of the City of New York, as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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 Corporation's organization gained during our work to make comments and suggestions that we hope will be useful to you.

During our audit, we noted certain matters involving 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 operating efficiencies and are summarized as follows:

	Page
Matrix of Observations	2
Corporate	3
Corporate Compliance Program	6
Site Visits	8
Industry Issues	10
Prior Year Comments Cleared	15

**NEW YORK CITY
HEALTH AND HOSPITALS CORPORATION**

Matrix of Observations

June 30, 2012

Network	Facilities Audited in 2012	Industry Issues	Information Technology	Affiliations	Corporate Compliance	Payroll and Human Resources	Journal Entries	Materials Management	Accounts Receivable and Patient Revenue	Cash Receipts	Bank Reconciliations
Corporate	Central Office	X		X	X			X	X		
Generations + Northern Manhattan	Morrisania DT&C								X		
North Bronx	Jacobi Medical Center					X					
South Manhattan	Metropolitan Hospital Center								X		
Central Brooklyn	Kings County Hospital Center										
	Dr. Susan Smith McKinney Nursing and Rehabilitation Center							X			



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Corporate

Accounts Receivable and Patient Revenue

Observation (Repeat Comment)

Management continues to perform the valuation of patient accounts receivable on a net basis (inclusive of credit patient accounts receivable balances). Presently, there is approximately \$74 million of credits which could represent additional income or potential refunds.

Recommendation

KPMG recommends that management analyze all aspects of the valuation of accounts receivable and monitor the components on a quarterly basis to ensure that the estimated value is accurately stated.

Management Response

Management routinely monitors the credit balances on a quarterly basis, however, the accounts receivable valuation is performed using net balances. Management will begin to incorporate the credit balance accounts as a separate adjustment within the valuation methodology.

Affiliation Contracts

Observation (Repeat Comment)

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.

We noted the following during the course of our testwork in conjunction with the review of the compliance audits performed by HHC's Internal Audit:

- Several of the contracts were executed after the commencement of the contract period.
- Recalculation documents are not prepared on a timely basis resulting in potential future adjustments. Additionally, certain affiliates do not provide fee statements as required by the contract.
- Lack of timely completion of the compliance audits for Downtown Bronx Medical Associates (DBMA), New York Medical Alliance (NYMA), and Physician Affiliate Group of New York (PAGNY) affiliation contracts due to the fact that the respective affiliates did not complete an annual audit for fiscal year 2011 as of June 30, 2012. As a result, the last time a compliance audit was conducted was based on the latest issued financial statements.
- Similar to the prior year, the compliance audits identified instances where there were insufficient or inadequate evidence of proof of services rendered due to missing timesheets; instances where there were no policies or controls over timekeeping leading to unauthorized alternations and approval of timesheets; instances where there were no documentation to support or verify vacation, sick, and/or overtime. Additionally, in the current year there was an instance of an



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

affiliate entering into a subcontract with a vendor without a signed contract as well as lack of completion of Graduate Medical Education forms by affiliates.

- Roosevelt Island Medical Associates did not provide a finalized independent financial statement report as required by the contract.
- DBMA and NYMA affiliations did not provide a response to the audit confirmation requested by the Corporation.

Recommendation

KPMG recommends that:

- Affiliation contracts should be executed prior to commencement of the contract period.
- Reconciliations between the affiliate and the facilities should be performed timely in accordance with the contract.
- Compliance audits for the affiliation contracts should be completed timely for all affiliates.
- Management should enforce the contract terms whereby the Affiliate is required to provide complete and accurate time sheets for service providers working under the affiliation contract as well as the completion of all required forms and reports.

Management Response

Management continues to work with its affiliates to execute agreements prior to the beginning of the contract term. Currently, all agreements effective for Fiscal Year (FY) 2012 have been executed.

Management agrees that recalculation (final settlement documents) should be completed timely. During FY 2012, HHC completed the FY 11 recalculation documents with all but one of the affiliates. In addition, HHC resolved the outstanding Columbia recalculation documents and the associated final settlement agreement. During FY 13, HHC will complete the FY 11 final settlement reconciliations for its new affiliate, Physician Associates Group of New York (PAGNY). The Corporation is working with one of its affiliates to create an interactive computerized budget that will assist in the annual reconciliation process.

Compliance audits have been performed by HHC's Office of Internal Audits (OIA) for the past two years. As prior audits were being completed by an outside accounting firm, OIA was completing current compliance audits timely, with some exception. For those affiliates that were dissolved during the formation of PAGNY, affiliate personnel turnover impeded the timeliness of those audits. All compliance audits have been completed to date. The Staten Island University Hospital delayed due to OIA staffing turnover during the first half of FY 2012. Since this affiliation has minimal financial implications (and only 1.3 FTE's), it was determined that the FY 2011 and 2012 audits would be done at the same time.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Construction Management

Observation

There have been several major construction projects conducted by the Corporation that have resulted in significant cost over runs from the original established budgets for the projects.

Recommendation

KPMG recommends that management analyze all aspects of the construction management process and determine ways to eliminate and/or reduce cost over runs. KPMG notes that management has obtained the services of an outside consultant to begin the review of the process relating to the construction management activity of monitoring and reporting.

Management Response

Management agrees that a successful review of the construction management process will include aspects of a project that occur prior to the construction management process, including adequacy of project funding at inception, project constructability, existing building conditions and compliance, life safety and fire codes.

To avoid significant project design modifications during management will review a project's completion schedule given constraints associated with public bid requirements. These bid constraints must be realistically acknowledged in relation to a project's completion schedule, particularly within a rapidly changing healthcare environment. The Corporation's Capital Committee will review the scope of any construction projects before commencing work. Management will ensure that all projects are all-inclusive and an appropriate budget is set to cover the costs for the successful completion of the project.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Corporate Compliance Program

Observation

KPMG notes that progress continues to be made in the overall compliance program at the Corporation. The updates provided to various committees, including (i) the Executive Compliance Workgroup; (ii) the Executive Compliance Workgroup Subcommittee on Compliance and Quality; (iii) the Audit Committee of the HHC Board of Directors; and (iv) the Audit Committee Compliance Workgroup, are detailed and provide a significant amount of information. This provides the Committee members with immediate knowledge of the status of the workplan, open reviews and projects completed. We also noted the continued “open” status of risk assessment work plan items relating to the 2010 & 2011 risk assessment processes. The Corporate Compliance department is currently working on the fiscal year 2013 workplan.

Additionally, KPMG notes that outside legal counsel is utilized by the Corporate Compliance department to help ensure that the department fulfills its obligation to implement an effective compliance program. This assistance by outside legal counsel includes assisting in identifying applicable legal standards, reviewing and assisting in the preparation of risk assessment and audit tools for various workplan items, responding to questions on legal issues raised by the Corporate Compliance department, as well as assisting with the preparation of various reports provided to the Audit Committee of the HHC Board of Directors, the Audit Committee Compliance workgroup and other members of HHC’s leadership team.

Recommendation

Corporate Compliance is a “living” document that requires changes to be made to the plan in real time. While we continue to recognize the progress the Corporation has made, Corporate Compliance should continue to strive to be the “best in class.” The Corporation is a complex organization with multiple divisions, oversight by various stakeholders and implementation of policies by many individuals. This inherently creates a task that is extremely difficult for senior management to implement. We are aware that the Corporation is addressing many, if not all of the open items in the 2010 and 2011 workplan, several of which may take an extended period of time to close. This in itself is not a problem or a criticism, in fact the closing of such items quickly does not promote a “best in class” program. As there is constant changes to regulations, additional regulators reviewing the daily operations of the healthcare industry and the continued effort by the regulators of recoupment of dollars and evaluation of fraud and abuse, we support and continue to recommend that management utilize external legal counsel to assist and ensure that the Corporation continues to strive to be the “best in class.”



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Management Response

The Office of Corporate Compliance (“OCC”) will continue to: (i) update the Audit Committee of the Board of Directors and its Compliance Workgroup, as well as the Executive Compliance Workgroup, on compliance initiatives, vulnerabilities, reports, and findings; and (ii) utilize in-house and outside counsel for legal guidance and to assist OCC in its development and implementation of HHC’s Corporate Compliance Work Plan and corresponding reports. OCC has completed its calendar year (“CY”) 2012-13 Corporate Compliance Work Plan and has begun to review the newly identify risk items contained therein while continuing to diligently assess, mitigate, monitor, and, when appropriate, close identified risk items from its previous work plans.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Site Visits

Observations

During the course of our testwork, we noted the following errors in compliance that did not rise to the level of control deficiencies and therefore, did not alter our planned audit approach:

- Payroll and Human Resources
 1. One employee timesheet at Jacobi Medical Center had no evidence of supervisor approval. KPMG notes this could potentially result in inappropriate payment.
- Materials Management
 1. The purchase order for an expense item at Central Office was dated subsequent to the invoice date, evidencing that proper approval for payment was not obtained. KPMG notes this could allow for inappropriate/unauthorized expenses to be paid.
 2. A fixed asset item at Dr. Susan Smith McKinney Nursing and Rehabilitation Center could not be located to evidence the existence of the fixed asset. KPMG notes this could result in an improper fixed asset balance.
- Accounts Receivable and Patient Revenue
 1. The open visit report at Morrisania DT&C had 23 visits that were one year or older, evidencing that timely follow up on open visits is not performed. KPMG notes this allows for untimely realization of cash collections, contractual allowances and write-offs.
 2. The open visit report at Metropolitan Hospital Center had 68 visits that were one year or older, evidencing that timely follow up on open visits is not performed. KPMG notes this allows for untimely realization of cash collections, contractual allowances and write-offs.

Management Response

- Payroll and Human Resources
 1. Management will put safeguards in place to be more prudent when it comes to supervisor sign-off, such as a review for approvals performed prior to transfer to the timekeeper(s), which is currently being accomplished within our payroll ancillary unit of our Payroll department.
- Materials Management
 1. Management will re-instruct departments on the authorization process to ensure that HHC operating procedures are followed. Notification will be made to the Deputy Corporate Comptroller of instances of non-compliance to address and correct in the future.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

2. A handheld monitor used by Hospital Police could not be found. Management will institute a “sign in” process for devices passed from officer to officer to ensure accountability of the monitor.
- Accounts Receivable and Patient Revenue
 1. Morrisania Ambulatory Care/Administration will monitor the open visits report to investigate and close all visits timely. Periodic reviews will be conducted by Network staff to ensure compliance with established procedures.
 2. Metropolitan has undergone a management restructuring initiative which was finalized in March 2012 to establish service lines. The service line administrator and/or their designee(s) will be responsible for reviewing and addressing open visit activity to ensure that visits are closed in a timely manner. Daily open visit reports will be distributed to service line managers and (or) administer identifying visits that are greater than 5 days old in order to close visits timely.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Industry Issues

The Challenge of The Corporation

The Corporation is operating in an environment of unprecedented change in the healthcare environment and is faced with operating losses that are projected to continue into the foreseeable future. Revenues will continue to decline as the Corporation is challenged with healthcare reform legislation and changes in both Federal and State reimbursement regulations. At the same time the Corporation needs to continue to make significant capital investments in such areas as information technology in order to comply with various Federal and State mandates. The Corporation must continue to determine how to position itself in the ever changing healthcare environment.

The Corporation has a strategic plan that among other things includes improving quality, reducing readmissions and length of stay, redesigning ambulatory care, continuing cost containment efforts, and achieving the integration of the delivery system necessary to succeed as an accountable care organization.

Securities and Exchange Commission Review of Municipal Securities Market

The SEC conducted a comprehensive examination of the Municipal Securities Market in July 2012 and they published their findings of this examination. The purpose of the examination was to identify issues and concerns related to municipal securities both from the perspective of the investor and the issuer. The Commission focused on two main areas, disclosure and market structure. The disclosure issues discussed arise in the primary offering and continuing disclosure contexts. For example, many participants raised questions related to content and timeliness of financial information in primary offerings as well as the timeliness and completeness of filings and compliance with continuing disclosure agreements.

The examination resulted in the Commission providing several recommendations for potential further consideration, including legislative, rule-making, and enhancement of industry “best practices.” These recommendations are designed to address various concerns raised by market participants and others and to provide avenues to improve the municipal securities market, including transparency for municipal securities investors.

The Commission believes that these recommendations could potentially help improve the municipal securities market and enhance investor protection; they are sensitive to changes in legal or regulatory standards that could lead to certain costs and believe that such costs should be considered in connection with the economic analysis conducted as appropriate in the context specific proposals.

The Commission has proposed the following recommendations, among others:

- Make legislative changes that provide the Commission with additional authority to initiate changes to improve municipal securities disclosures made by issuers
- Have market participants continue to strive for high-quality disclosure practices through development and enhancement of best practice guidelines.
- Require municipal issuers to prepare and disseminate official statements and disclosure during the outstanding term of the securities



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

- Amend the municipal securities exemptions in the Securities Act and Exchange Act to eliminate the availability of such exemptions to conduit borrowers who are not municipal entities
- Authorize the Commission to establish the form and content of financial statements for municipal issuers who issue municipal securities
- Permit the Internal Revenue Service to share with the Commission information that it obtains from returns, audits and examinations related to municipal securities offerings in appropriate circumstances such as instances of suspected securities fraud
- Provide mechanism to enforce compliance with continuing disclosure agreements and other obligations of municipal issuers to protect bondholders, authorize the Commission to require trustees or other entities to enforce the terms of continuing disclosure agreements

Meaningful Use Documentation Imperatives

The matter of concern that we bring to management's attention is the critical importance of retaining relevant supporting documentation (in either electronic or paper format) used in the completion of a healthcare provider's Meaningful Use attestation responses.

The issuance of the "Final Rule" by the Centers for Medicare & Medicaid Services (CMS) on July 28, 2010 established the initial set of standards, implementation specifications, and certification criteria that provide incentive payments to eligible professionals (EPs), eligible hospitals, and critical access hospitals (CAHs) that adopt and successfully demonstrate meaningful use of certified electronic health record (EHR) technology. Within the "Final Rule", CMS states its concern "with the potential fraud and abuse" of Meaningful Use attestation, and therefore the need to hold incentive recipients accountable for the expenditure of public funds. CMS further states that it is "developing an audit strategy to ameliorate and address the risk of fraud and abuse." The position taken by CMS, in the event that fraud and abuse is detected, is as follows: "We will identify and recoup overpayments made under the incentive payment programs that result from incorrect and fraudulent attestations."

While CMS clearly states that there will be audits, it has in addition mandated that documentation to support the attestation be retained for six years post-attestation. CMS also provides guidance related to potential audit preparation: "To ensure that you are prepared for a potential audit, save the supporting electronic or paper documentation that support your attestation. Also save the documentation to support your Clinical Quality Measures (CQMs). Hospitals should also maintain documentation to support their payment calculations."

For healthcare providers who have completed or are in the process of completing their Meaningful Use attestation, some common documentation best practices have emerged in the preparation for a potential audit.

Accountable Care Organizations

We are aware that HHC has created HHC ACO, Inc. to assist in the everchanging world of healthcare service in the future. PPACA provides for the Medicare "Accountable Care Organizations" Shared Savings Program (SSP) effective January 1, 2012. The SSP authorizes Medicare to contract with ACOs and allows for sharing a portion of savings generated if quality-of-care benchmarks and per-capita expenditure targets are met for a defined population of Medicare beneficiaries.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

There are real opportunities for change when these potential benefits are coupled with cost considerations. A few leading companies, particularly large employers, choosing to contract directly with accountable care providers may create a significant disruptive change across the marketplace. Importantly, new market entrants are emerging to act as (at a minimum) new intermediaries in the accountable care evolution, and traditional healthcare organizations would be well-served to deeply consider the “game-changing” aspects of these new entrants.

HHC will be facing a change in the status quo that causes HHC to rethink traditional business models. HHC should expect a shift in payment from the current fee-for-service model, where providers are paid for volume. Implicit in the bundled payment model is a challenge for organizations invested in healthcare facilities to consider how they might be required to shift some portion of care away from their traditional “bricks and mortar.”

ACO reimbursement presumes episodic (“bundled”) payment and other payment forms that are remarkably different from the current pervasive fee-for-service payment models. New competencies in the areas of economic modeling, actuarial sciences, and clinical informatics will be necessary to succeed in a non-volume-driven payment environment. Additionally, given this reimbursement presumption, a little-discussed but potentially “game-changing” industry dynamic is the possible emergence of a claims-free payment model. Such a model fundamentally changes much of the data sourcing in healthcare today and carries important implications for the process build of the traditional “revenue cycle” in the industry.

There is a critical dialogue that should occur within HHC, associated with the transition away from fee-for-service medical economics. Simply put, there is an open question as to whether or not a healthcare provider organization can be not only committed to accountable care but also continue to focus on organizational imperatives associated with volume-driven reimbursement. A sustainable ACO would likely be economically dependent on a far different view of “reimbursable volume” than what is currently in place in the U.S. healthcare industry. The opportunity for real success in accountable care will be significantly diluted if provider organizations attempt to simultaneously imprint accountable care on their organizations while working to sustain the old fee-for-service incentives.

As we move to episodic payment, new skill sets will be required, for example, the creation of a capitated payment will require the service of actuaries working with the clinical and financial professionals to price the services accordingly.

Social Media

We are aware that the Corporation currently uses social media to highlight awareness of the Corporation’s key priorities and initiatives, monitors social media for mention of the Corporation, and recently developed policies on the use of social media by employees during the work day.

The growth of social media has been exponential in the recent years and is now playing a role in business strategy and strategic plans in the healthcare environment, including local competition within the New York area that are already using social media in some capacity (i.e. Facebook, Twitter, You-tube, Wikipedia, etc.). Social media is a tool that organizations can leverage for advertising and marketing needs, identifying new business channels, communicating strategies, creating community forums addressing certain diseases, providing research, studies and other tools to reach a wide-ranging audience. A



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

key challenge for compliance and audit committees is to help ensure that management has in place a social media governance framework that effectively addresses internal and external risks and is also being effectively managed across the organization with respect to policy, “voice of the organization” and reputation within social media, and employee use of social media, just to name a few.

Internal Revenue Code (IRC) 501(r) - Community Needs Assessment

Under the healthcare reform legislation enacted into law in March 2010, there are new requirements that hospital organizations must meet in order to qualify as a tax exempt organization under 501(c)(3) of the Internal Revenue Code (IRC). The healthcare reform bill establishes IRC section 501(r), which creates several provisions that expand the requirements that apply to tax exempt hospitals. These new requirements are in addition to, and not in lieu of, the requirements otherwise applicable to section 501(c)(3) hospital organizations. Furthermore, these requirements apply to each facility operated by the hospital organization that is required to be licensed as a hospital under state law.

The Corporation must conduct a community health needs assessment at least once every three years which has to take into account input from the community served by the facility and the assessment must be made widely available to the public. Additionally, in the same taxable year the assessment is conducted, the governing board or other authorized committee of the Corporation must approve a written implementation strategy for each facility that addresses the needs identified in the assessment and which describes how the facility intends to meet those needs.

Although many states require hospital organizations to prepare community benefit reports that may be substantially equivalent to the community health needs assessment requirements, there can be significant consequences if the explicit statutory requirements are not met. Failure of a hospital facility to meet the community health needs assessment requirements can not only potentially impact the tax exempt status of the hospital organization, but can also result in an excise tax of \$50,000 assessed against each hospital facility for any taxable year in a three year period.

In addition to the community health needs assessment above, the healthcare reform legislation also requires hospital organizations to adopt, implement and widely publicize the following policies: a written financial assistance policy that describes the eligibility criteria for financial assistance and the method for applying for such assistance; a limitation on charges policy that limits the amounts charged for emergency or other medically necessary care provided to persons eligible for financial assistance, to not more than amounts billed for similar services charged to patients with insurance; and, a policy that requires organizations to make reasonable efforts to determine a person’s eligibility for financial assistance before undertaking “extraordinary” collection efforts.

Each hospital organization would be required to submit a copy of its audited financial statements and the most recently adopted implementation strategy for each of its hospital facilities detailing how each facility is addressing the needs identified in its community needs assessment.

Generally, the effective date for the new provisions is the taxable year beginning after date of enactment of the legislation. In the case of the Corporation, these provisions became effective July 1, 2010. The first testing date by the IRS of an organization meeting the community health needs assessment requirement is



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

the first taxable year beginning after the date that is two years after date of enactment, or the taxable year beginning July 1, 2012. Therefore, the Corporation must conduct a community health needs assessment and adopt an implementation strategy for each of its hospital facilities by the last day of fiscal 2013.

* * * * *

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

The Corporation's written responses to our comments and recommendations have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Very truly yours,

KPMG LLP



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Prior Year Comments Cleared

During the course of our testwork, we noted several areas in which the prior year management letter recommendations were adopted. These remediated comments are listed below:

Corporate

Unusual Transactions Review

Observation

KPMG noted that management's evaluation of the North General lease agreement for financial reporting implications was not performed in a timely manner.

Resolution

Management has implemented new procedures to review all new non routine transactions for financial reporting implications. Corporate Finance now works with the Office of Legal Affairs to ensure that all pertinent information is available to determine the proper financial reporting of such transactions in a timely manner.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Network: Generations Plus Northern Manhattan Network

Accounts Receivable and Patient Revenue

Observation

During our fieldwork at Lincoln Medical and Mental Health Center, we noted that the open visit report had 156 visits that were one year or older, evidencing that timely follow up on open visits is not performed.

Resolution

The facility has implemented periodic reviews of the open visit report to ensure that open visits are closed (cash is collected, contractual allowances are taken, and/or uncollectible balances are written off) in a timely manner.



The Audit Committee of the Board of Directors
New York City Health and Hospitals Corporation
February 8, 2013

Network: South Manhattan Network

Payroll and Human Resources

Observation

During our field work at Gouverneur Nursing Facility D&TC, the facility profile report did not include an additional hour worked by the employee per the time sheet and as a result the employee was not paid for all hours worked.

Resolution

Gouverneur Nursing Facility D&TC required all payroll timekeeping staff to take a refresher course on the timekeeping process to ensure that the staff acquired the appropriate timekeeping codes and necessary authorization forms. In addition, Gouverneur payroll supervisors periodically perform reconciliations between approved time sheets and the computerized facility timekeeping profile to ensure that timekeeping staff is entering correct information.



**AUDIT COMMITTEE OF THE
HHC BOARD OF DIRECTORS**

Corporate Compliance Report

February 14, 2013

Table of Contents

I. Compliance TrainingPage 3

II. CY 2012-13 HHC Corporate Compliance Work PlanPage 3

III. Compliance IndexPages 3-4

IV. Privacy Compliance Index.....Page 4

V. Reportable Data BreachPages 4-5

VI. OCC Staffing Update.....Page 5

VII. Monitoring of Excluded Providers..... Page 5

VIII. Compliance Program CertificationsPage 5

I. Compliance Training

- The Nurses and Health Professionals compliance computer-based training (“CBT”) module has been completed. Employees and affiliates have been identified and corresponding enrollment has commenced.
- The content for the HHC Board of Directors CBT module is undergoing some final revisions and will be ready to go live by the end of the week. OCC will coordinate enrollment of HHC Board Members with Deborah Cates, Chief of Staff, Office of the HHC Chairman, and Bert Robles, HHC’s Senior Vice President/Chief Information Officer.
- The content for the General Staff module (Group 11 employees and designated Group 12 employees) is close to completion and is expected to go live in a couple of weeks.

II. CY 2012-13 HHC Corporate Compliance Work Plan

- The CY 2012-13 HHC Corporate Compliance Work Plan was approved by HHC’s President and Chief Executive Alan D. Aviles on December 5, 2012. This Work Plan will remain in effect until June 30, 2013. Moving forward, subsequent HHC Corporate Compliance Work Plans will be released on a fiscal year basis. As such, HHC’s next Work Plan - - FY 2014 Corporate Compliance Work Plan - - is scheduled to be released on or before July 1, 2013.

III. Compliance Index

- During the fourth quarter of CY 2012 (October 1, 2012 through December 31, 2012), there were 69 compliance-based reports of which 2 were classified as Priority “A” reports, 24 as Priority “B” reports, and 43 as Priority “C” reports. For purposes here, the term “reports” means compliance-based inquiries and compliance-based complaints.
- Of the 69 reports received in the fourth quarter of CY 2012, 45 (or 65.2%) were compliance complaints received via the OCC’s anonymous toll-free compliance hotline.

Summary:

1) Report Classification

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.

OFFICE OF CORPORATE COMPLIANCE

Corporate Compliance Report
125 Worth Street, New York, NY
5th Floor Boardroom, Room 532
February 14, 2013 @ 9:00 a.m.

2) Reporting Source Analysis

Of the 69 reports received in the third quarter of CY2012, there were 45 (or 65.2 %) compliance complaints received via the OCC's anonymous toll-free compliance hotline; 10 complaints (or 14.5 %) received via e-mail; 9 complaints (or 13 %) received via telephone; 2 (or 2.9 %) complaints received via website submission; 1 complaint (or 1.4%) received via face to face; 1 complaint (or 1.4 %) received via regular mail; 1 complaint (or 1.4 %) received via referral from other HHC Offices.

3) Allegation Class Analysis

Of the 69 reports received in the fourth quarter of CY2012, 17 (or 24.6%) complaints pertained to Policy and Process Integrity; 16 (or 23.2%) pertained to Employee Relations; 16 (or 23.2%) involved the category of Other; 8 (or 11.6%) pertained to the Misuse or Misappropriation of Assets or Information; 6 (or 8.7%) involved Diversity, Equal Opportunity and Respect in the Workplace; 5 complaints (or 7.2%) involved Environmental, Health and Safety issues; and 1 (or 1.4%) pertained to Financial Concerns.

IV. Privacy Compliance Index

- During the period of October through December of CY 2012, 15 complaints were entered in the HHC HIPAA Complaint Tracking System, an HHC proprietary database. Of the fifteen (15) complaints entered in the tracking system ten (10) were found after investigation to be violations of HHC HIPAA Privacy Operating Procedures; two (2) were determined to be unsubstantiated; and three (3) were found not to be a violation of HHC HIPAA Privacy Operating Procedures. Of the 10 confirmed violations, only one (1) resulted in a breach.

V. Reportable Data Breach

In early December, OCC was informed of a data breach concerning records maintained by Coney Island Hospital's ("CIH") Ida G. Israel Community Health Center ("Health Center").

- The incident, which occurred during the aftermath of Hurricane Sandy, took place on December 3, 2012. Because of the hurricane, the Health Center suffered severe damage to the structural components and as a result, CIH terminated its lease with the Health Center's landlord. Subsequently, on December 3, 2012, CIH employees learned that the landlord prematurely granted access to unknown individuals to remove property from the Health Center including computers, as well as files, papers, records, and other documents (collectively "documents"). These computers and documents may have contained the PHI of Health Center patients including name, address, medical record number, patient number, health plan information, date of birth, and possibly social security number,

OFFICE OF CORPORATE COMPLIANCE

driver's license number, and credit or debit card number if provided. The property was removed without obtaining CIH's permission.

- Breach notification to 9,887 patients began on January 31, 2013.
- The following regulatory bodies were notified: (i) New York State Department of State; (ii) New York State Department of Cyber Security & Critical Infrastructure Coordination; (iii) New York State Attorney General's Office; and (iv) U.S. Department of Health and Human Services Office of Civil Rights.
- The following consumer reporting agencies were notified: (i) Equifax; (ii) Experian; and (iii) Transunion

VI. OCC Staffing Update

- As of February 8, 2013, OCC has one vacant compliance officer position. The recruitment process for this position has already commenced.

VII. Monitoring of Excluded Providers

- No self-disclosures related to the use of excluded providers were made to regulatory bodies since the last time the Audit Committee convened in December 2012.

VIII. Compliance Program Certifications

- Department of Social Services/Office of Medicaid Inspector General ("OMIG") Compliance Program Certification was submitted by HHC President and Chief Executive Alan D. Aviles on December 26, 2012.
- Deficit Reduction Act of 2005 Certification (through OMIG) was completed by HHC's Chief Corporate Compliance Officer Wayne A. McNulty on December 28, 2012.