

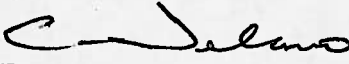


**NEW YORK CITY HEALTH AND HOSPITALS CORPORATION**

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646-458-5600 FAX: 646-458-5630

*Office of Internal Audits*

**TO: AUDIT COMMITTEE MEMBERS**

**FROM: Christopher A. Telano**  **(VIA E-MAIL)**  
**Chief Internal Auditor/AVP**

**DATE: December 5, 2013**

**SUBJECT: AUDIT COMMITTEE MEETING**

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Enclosed please find the agenda and related documents for the **Audit Committee Meeting** scheduled to take place on, **Tuesday December 10th, 8:30 AM** in the **5th floor Board Room at 125 Worth Street**.

Please ensure, if you plan on attending the meeting, to bring the attached documents for reference purposes.

cc: Members of the Board of Directors  
M.A. Stocker, M.D., Chairman of the Board  
A. Aviles, President  
A. Martin, Executive Vice President/Chief Operating Officer  
L. Brown, Senior Vice President, Corp. Plan. Community Health & Intergovernmental Relations  
A. Marengo, Senior Vice President, Communications and Marketing  
B. Robles, Senior Vice President, Chief Information Officer  
S. Russo, Senior Vice President & General Counsel  
M. Zurack, Senior Vice President/CFO, Finance  
D. Cates, Chief of Staff, Chairman's Office  
T. Mammo, Chief of Staff, President's Office  
P. Lockhart, Secretary to the Corporation  
W. McNulty, Corporate Compliance Officer  
J. Weinman, Corporate Comptroller  
M. Katz, Senior Assistant Vice President, Revenue Management  
J. Quinones, Senior Assistant Vice President, Contract Administration & Control  
N. Doyle, Assistant Vice President, HR, Workforce Planning & Development  
L. D. Curtis, Senior Vice President, South Manhattan Health Care Network  
D. Soares, Senior Vice President, Gen+ Northern Manhattan Health Care Network  
A. M. Sullivan, Senior Vice President, Queens Health Care Network  
G. Proctor, Senior Vice President, North & Central Brooklyn Health Care Network  
A. Wagner, Senior Vice President, South Brooklyn Health Care Network  
W. P. Walsh, Senior Vice President, North Bronx Health Care Network  
Executive Directors  
Network & Facility Chief Financial Officers

**AUDIT COMMITTEE  
MEETING AGENDA**

December 10th, 2013

8:30 A.M.

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

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**CALL TO ORDER**

**Ms. Emily A. Youssouf**

- Adoption of Minutes October 10<sup>th</sup>, 2013

**Ms. Emily A. Youssouf**

**ACTION ITEMS**

- KPMG June 30, 2013 Management Letter

**Mr. Jim Martell, Partner**

**INFORMATION ITEMS**

- Internal Audits Update
- Compliance Update

**Mr. Chris Telano**

**Mr. Wayne McNulty**

**EXECUTIVE SESSION**

**OLD BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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**New York City  
Health and Hospitals Corporation**

## MINUTES

### AUDIT COMMITTEE

MEETING DATE: October 10<sup>th</sup>, 2013

TIME: 12:00 PM

### COMMITTEE MEMBERS

Emily A. Youssouf, Chair  
Josephine Bolus, RN

### OTHER MEMBERS OF THE BOARD

Michael A. Stocker, MD

### STAFF ATTENDEES

Antonio Martin, Executive Vice President/COO  
Salvatore J. Russo, Senior Vice President & General Counsel, Legal Affairs  
Deborah Cates, Chief of Staff, Chairman's Office  
Patricia Lockhart, Secretary to the Corporation, Chairman's Office  
Tamiru Mammo, Chief of Staff, President's Office  
Paul Albertson, Senior Assistant Vice President, Central Office Operations  
Donna Benjamin, Sr. Corporate Health Project Advisor, Central Office Operations  
Jay Weinman, Corporate Comptroller  
Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits  
Wayne McNulty, Corporate Compliance Officer  
Gassenia Guilford, Assistant Vice President, Central Office Finance  
Nelson Conde, Senior Director, Office of Professional Services & Affiliations  
Devon Wilson, Senior Director, Office of Internal Audits  
Steve Van Schultz, Director, Office of Internal Audits  
Zhanna Kelley, Assistant Director, Office of Internal Audits  
Carol Parjohn, Audit Manager, Office of Internal Audits  
Frank Zanghi, Audit Manager, Office of Internal Audits  
Sonja Aborisade, Associate Confidential Examiner, Office of Internal Audits  
George Asadoorian, Supervising Confidential Examiner, Office of Internal Audits  
Cynthia McIntosh, Supervising Confidential Examiner, Office of Internal Audits  
Roger Novoa, Supervising Confidential Examiner, Office of Internal Audits  
Delores Rahman, Supervising Confidential Examiner, Office of Internal Audits  
Armel Sejour, Supervising Confidential Examiner, Office of Internal Audits  
Satish Malla, Confidential Examiner, Office of Internal Audits  
Rosemarie Thomas, Confidential Examiner, Office of Internal Audits  
George Payyapilli, Confidential Examiner, Office of Internal Audits  
Gillian Smith, Confidential Examiner, Office of Internal Audits  
Alice Berkowitz, Assistant Director, Corporate Budget  
Adeline Monteau, Internal Auditor, MetroPlus Health Plan, Inc.  
Darren Ng, System Analyst, Corporate Budget, Central Office  
Kiho Park, Associate Executive Director, Queens Health Network  
Alex Scoufaras, Associate Executive Director, North Bronx Healthcare Network  
Walter Otero, Director, North Bronx Healthcare Network  
Ellen Giesow, Chief Affiliation Officer, North Bronx Healthcare Network  
Victor Bekker, Chief Financial Officer, Lincoln Medical & Mental Health Center  
Paul Pandolfini, Chief Financial Officer, Southern Brooklyn/Staten Island Health Network  
Alurotimi Diyaolu, Controller, Bellevue Hospital Center  
Dorothy Buzzeo, Associate Executive Director, Lincoln Medical & Mental Health Center  
Darren Collington, Associate Director, Coney Island Hospital  
Mercia Franklin, Associate Director, Coler/Goldwater Specialty Hospital & Nursing Facility  
Ronald Townes, Associate Director, King County Hospital Center

### OTHER ATTENDEES

**PAGNY:** Luis R. Marcos, MD, Anthony Mirdita, John McDermott, Sabina Zak, Allan P. Vergara

**PHYCARE:** Peter Gordon, Sudha Pentyla, Sandip Mukherjee

**OCTOBER 10, 2013**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**NYC HEALTH & HOSPITALS CORPORATION**

An Audit Committee meeting was held on Thursday, October 10, 2013. The meeting was called to order at 12:00 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 12, 2013. 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 potential litigation.

Ms. Youssouf moved onto an information item which is an update from Internal Audit.

Mr. Telano saluted the committee and directed them to pages three and four of the briefing which summarizes the external audits being conducted by the City Comptroller's Office. Compared to last month there is really no significant progress to report on. As a matter of fact, we have not heard from them in over a month regarding their audit of Navigant.

Mr. Telano moved on to page five, the completed audits since September. The first four audit reports we will discuss are related to PAGNY. We will begin with the PAGNY bank accounts audit and he asked Dr. Luis Marcos and Anthony Merdita of PAGNY to approach the table.

Ms. Youssouf asked them to introduce themselves, they did as follows: Luis Marcos, CEO of PAGNY; Anthony Merdita, Chief Financial Officer.

Mr. Telano continued by stating that he'll briefly go over the findings related to the bank accounts. The first one was that the control over the bank accounts was not adequate; the oversight of the bank accounts is segregated. Some of them are monitored at Lincoln and some of them are monitored at the PAGNY finance department at Jacobi. As a result one bank reconciliation was done at both sites creating a lack of coordination. There was also confusion over the total number of accounts. This led us to contact TD Bank and Chase in order to determine the exact number of accounts. The last issue had to do with the signing authority related to the accounts; three individuals who were no longer employed by PAGNY still had signing authority, and one individual, a separate individual had online access to the funds. The other findings have to do with the bank reconciliations – they were not properly prepared. For example, we found 110 outstanding payroll checks totaling \$340,000 that were issued before June 30, 2012. Since checks become void after six months, these should not have been outstanding, they should have been void. We also found accounts payable checks from 2011 outstanding. Within the past reconciliations there were 28 entries without proper description as to the check number or any other identification. The bank reconciliation done at Lincoln was not being signed off by a supervisor indicating that they were reviewed.

Ms. Youssouf asked the PAGNY representatives to give an update on the progress.

Dr. Marcos stated that since June they have made significant improvements and also they have been able to recruit very talented executives, including Mr. Merdita and Mr. Reggie Othum their new Chief Human Resources Officer. They also have their first lawyer Walter Ramos and he thinks that they have the team they need to address all of these issues which are very serious and of great concern to them.

Dr. Marcos said that he would like to thank the help they have gotten from Tony Martin, Marlene Zurack and also Nelson Conde who has been very helpful. Dr. Marcos stated that he forgot to mention that they also have a new Comptroller Joe McDermott and said that Mr. Merdita is the right person to address the specifics of the audit.

Mr. Merdita saluted the committee and stated that he came in June and is completing his fourth month with PAGNY and it is the second time at the Audit Committee. With regard to some of the specific things that Mr. Telano mentioned – there were some challenges. As mentioned in the report, at the moment finance is located at three different sites with the bulk being at Jacobi. There is the Lincoln staff and sometimes that presented a little oversight in some of the logistics that needed to get cleaned up; as well as at Metropolitan which is where they are at. The good news is that at the end of the month they will be at one site.

Dr. Stocker asked where the site is. To which Mr. Marcos answered that it would be 135<sup>th</sup> Street in Harlem, they have been able to identify a very good location.

Dr. Stocker asked if it is an Agency space. Mr. Marcos responded yes, that the whole central office for PAGNY will be located there.

Mr. Merdita continued by stating that some of the things they needed to pull together, was to put in place policies and procedures. Although they are at different sites Mr. McDermott signs off on all of those reconciliations. The issue with the check number being missing has all been rectified. They have put in place several policies and procedures with regard to all of the things that are in the report, check requests have been put in place are being followed. The challenges were the different systems, different GLs, which now have been rolled into one. Now going forward they are in a good position to not only have made these corrections, but more importantly continue to refine because there are certain things not mentioned in these reports which needed to also address.

Ms. Youssouf asked if all of the bank accounts and the signatories have been cleaned up. Mr. Merdita responded that once they got hold of the report, they made changes so that all the individuals that left were taken off. They did a full sweep of all the signature cards and at the moment they have sign in authority for the folks who are designated to sign.

Ms. Youssouf asked if there is a process in place that if a signatory leaves, their names are pulled right away. Mr. Merdita said yes and the number of folks that have signatory cards is only four. He believes that they have a good handle on that.

Ms. Youssouf stated that that is great and asked if they are taking care of the other things such as outstanding payroll checks and other things. Mr. Merdita stated that they went through every single check and either reissued them, canceled them or voided them.

Ms. Youssouf asked if going forward they have set up some sort of automatic tickler or something. Mr. Merdita answered yes, Mr. McDermott's office reviews all the outstanding checks on a monthly basis. In addition, they are five affiliates rolled into one; everyone with their own way of doing business came in along with their bank accounts. We are down to 17 bank accounts from 28 and we think we can bring that down. Although it will not come down that much because there are five faculty practices and there are multiple grant researches that have to be kept separate.

Ms. Youssouf asked if they are automated, because the concern is that how you are going to be monitoring all these 17 different bank accounts to run smoothly. To which Mr. Merdita answered that it is a little of both, a little automated and a little manual. Then Ms. Youssouf asked if the manual part is memorialized somewhere in a process and procedure so that if there is any change in administration within the organization the next person will know what has to occur. Mr. Merdita responded yes, they do.

Ms. Youssouf asked if there were any questions on this topic. She then asked Mr. Telano to continue.

Mr. Telano continued by stating that the next audit is also regarding the PAGNY affiliation. This one is related to Lincoln and since one of the issues prominent throughout the other audits relates to the recalculation not being performed timely, he asked Mr. Nelson Conde from the Office of Professional Services and Affiliations to approach the table.

Mr. Telano stated that the two primary issues are; one that the recalculation and other documentation that is required to be completed per the affiliation agreement for fiscal year 2012 was not done as of the date of this audit. The other issue is related to the 18 subcontractor agreements that we reviewed, 10 of them had expired but the affiliation continued to do business with the vendors.

Ms. Youssouf asked for someone give an explanation. Mr. Conde stated that they have been working very closely with the affiliates and the facilities to bring these documents up to speed. Our colleagues in Corporate Finance have been collaborating with us to get this done as well. He expects that by the end of the month to receive outstanding recalculations to the facilities for fiscal years 2011 and 2012. That is where we are at in terms of documentation.

Ms. Youssouf asked what type of subcontractor agreements are they. Mr. Merdita responded that they are for various services like orthopedic services, radiological, mostly medical services; things that we do not have in-house at the various sites. Ms. Youssouf then asked what procedures have they put in place to make sure that there is something like a tickler system to let you know when a contract is about to expire. Mr. Merdita stated that these contracts kept rolling forward without being taken a look at. The Chief Affiliation Officer, Sabina Zak at Coney Island has already forwarded all of the contracts to Mr. Ramos our general counsel. Before forwarding them, she went through each one of the contracts with the medical director at Coney Island as well as the finance staff. Once they got an inventory and agreed on the contracts, they forwarded them for review from a legal perspective by Mr. Ramos. Coney Island will be done within the next two weeks and about 80 percent of them have gone through legal review. The plan is to renew them for a year and have what you mentioned a tickler; we do not have those contracts that automatically renew. In addition, we are implementing software to do exactly what you described. At the moment we have taken an inventory and it is on a spreadsheet through an archive vendor.

Mrs. Bolus stated that at Coney Island three of the vendors were operating with prior contracts and they had no extended agreements, renewal clauses, but they kept using them. Also, you have some of them which have been in existence for 7 to 8 years but no documentation of the assessment of them. These are things that bother me, that is completely wrong and you have not addressed that. Mr. Marcos responded by stating that it bothers him tremendously. In most of these contracts he personally has asked the facility if they still need this service. The answer has always been yes, he has not found one event where the facility would say no.

Mrs. Bolus asked what was documented. The assessment that they are absolutely needed is not documented. Also, it is not brought back to the Board to reevaluate whether we want to continue this or not. She does not understand why the contracts were just rolled over and kept on doing it.

Dr. Marcos stated that it is obviously neglect. Mrs. Bolus said yes, it is and that has not been answered and nothing has told her that it will not continue.

Mr. Martin said that PAGNY was not in existence 8 years ago. This lays at the feet of the facilities to having contracted for these services. The affiliate office will make sure from that point on that those contracts are up to date and renewed. Then Mr. Martin added that this is a commitment the committee has from him – that he was not aware of this.

Mrs. Bolus stated that Mr. Martin was not there either. Mr. Martin said that he assumes responsibility and it should not lie at the affiliate office.

Ms. Youssouf said that she thought that they had a broad discussion about contracts in making sure that everything was loaded in and there was a tickler system created across the board. Can someone clarify that distinction?

Mr. Russo stated that these are not HHC contracts; these are subcontractors between PAGNY and a group that will either provide neurosurgery, orthopedics. It is their subcontract in order to fulfill their commitment to us to provide these range of services. They do not have these physicians on staff, and it may not be appropriate to have all these physicians on staff because they are very expensive specialties, but they are needed in certain instances.

Ms. Youssouf then asked if they started off as contracts with the facilities. To which Mr. Martin said that that is what he assumed, but Mr. Russo is saying something different.

Mr. Russo said that they may have been contracts that the prior affiliate had.

Ms. Youssouf then asked if PAGNY had done some kind of evaluation that these contractors are in fact the best contractors and their fees for service are the appropriate fees for service.

Dr. Marcos responded that yes, they have and they bring it to the Joint Oversight Committee (JOC) meetings. It has taken a while because at times contracts came up that they did not even know they were there. In every instance that he has been a part, the facility, meaning HHC hospital requested that the contract be continued. That it was essential for the management of the patients. We will expand on what we are doing to prevent it from happening again.

Mr. Merdita commented that with these contracts they have taken a full inventory of the Coney Island and the Lincoln so far. They have been discussed with the hospital as well as PAGNY staff. The onus falls on us to make sure that they do not automatically renew them. The assessment of whether we need them at Coney Island has been done; inventory has been taken and is now going to legal review.

Ms. Youssouf added that she is assuming and hoping from everything you are saying that all of the findings from internal audit is in fact what is going to help guide you for any missing pieces and that the most important thing that we have learned here from the central office is that whatever procedures you put in place need to be documented somehow in some kind of handbook or guidance book so that there is a road map ten years from now when changes need to be made. She also said that she would strongly urge them to do that because it is important.

Dr. Marcos responded by stating absolutely – you are 100 percent right, and we have already started that process and we used it during Joint Oversight Committee meeting where the hospital and PAGNY get together and we explore every item and to ensure that the hospital continues to need the services of these physicians from the outside and that the monies we are paying are appropriate.

Dr. Stocker asked if they are using GHX to register and code the contracts. To which Mr. Merdita responded no, at the moment they have a spreadsheet of all of them with the column and the date and when notification is due which is in the legal department with Mr. Ramos. We are in the process of bringing in software.

Dr. Stocker added that HHC has a system for tracking contracts and was wondering if it would not be better to use this kind of system. Mr. Merdita said that they have not signed on the dotted line and asked what the name of the system is. Dr. Stocker responded GHX. Mr. Marcos said that they will explore it. Mr. Martin added that they should speak to him and that HHC does have an existing system. Mr. Marcos stated that they will follow up. Ms. Youssouf said that that was a great suggestion.

Mr. Telano continued with his presentation by stating that on page eight is Coney Island. We have spoken about the first two issues which are the recalculation and the subcontractors. The only other issue is related to a segregation of duties finding and that was that two individuals in the PAGNY human resources department also have access to the payroll system which they can enter and edit data – he believes that was resolved.

Mr. Merdita said yes, it was. Since then we have done a full sweep to make sure that everyone has either edit or read only access for ADP. We have put in a policy manual that states the only way we can add or subtract anybody on payroll in ADP is through a form which each of the chief affiliation officers would need to sign. In addition, a monthly report goes to each of the officers until we implement a new ADP which will be the first quarter of calendar year 2014. The only two people who can actually add on the system itself is the payroll director, Mr. Peter Garske, or his assistant director, so we have certainly put a lot of controls in this space as we needed to.

Ms. Youssouf added that you need to keep the records so everyone is aware. The other thing is, as far as who is being used for the background checks because that is a little distressing that it took so long that 34 out of the 50 employees who were reviewed HR did not perform criminal background checks in a timely manner. Some of them took up to a year and what are you doing about that. Mr. Marcos said that it has been corrected and to his knowledge they all been done in a timely basis.

Dr. Stocker asked that there are all these accounts and huge amounts of variation in terms of how the accounts were handled across all the various organizations, is there any evidence of fraud or self-dealing in either things that you found. To which Mr. Marcos responded that to their knowledge, despite the obvious sloppiness in managing this company, they have not found any situation of fraud or abuse in terms of payroll, bank accounts or the contracts.

Dr. Stocker said that that is reassuring. It is worth pointing out that you have a new team and new organization and a new start.

Mr. Merdita commented that CohnReznick who are their outside auditors did an internal audit control and found the same thing that Mr. Telano's team found; just multiple sites need to standardize. It was another check that was done and the same conclusion, we need to tighten up.

Ms. Youssouf asked if Mr. Telano has access to those audit reports, because he is auditing PAGNY for the Committee and it would be great if he could have access to whatever outside auditors PAGNY uses; just as a cross checker. Mr. Marcos said yes, he will follow up.

Ms. Youssouf asked if there is any more for PAGNY. To which Mr. Telano responded no, but regarding the background check it had to do with North Bronx Network and that would conclude PAGNY. We have one other report, Phycare. Ms. Youssouf asked if that was related to PAGNY. Mr. Telano said that he did not know.

Mr. Martin added that Phycare is sort of like the billing arm for a number of the different faculty practices that exist at the PAGNY facilities – that is the relationship.

Mr. Stocker said that that is not unusual in these kinds of organizations. These are physicians which are separate from the hospital. Mr. Telano added that they review the billing, the coding, the collection and the overall accounts receivable, and management. The CEO of Phycare is here.

Ms. Youssouf thanked the PAGNY representatives and stated that we look forward to the continued improvements that you all are making. Then she asked the representatives of Phycare to introduce themselves. They did as follows: Peter Gordon, CEO; Sudha Pentyala, Sr. VP/Director; Sandip Mukherjee, General Counsel/Compliance Officer.

Mr. Telano continued by stating that overall our review found control weaknesses in the documentation and the recordkeeping over the payments and the receipts process. For example, checks were not being restrictively endorsed and not all receipts could be accounted for in their payment log entry. At Lincoln, the receipt book was kept unsecured and out in the open. At Harlem, the receipt book still had the Harlem Affiliation name on it instead of Phycare. At Metropolitan, there were no checks and balances to insure that the monies that were being transferred from the site to the main office was the amount being sent and the amount being received.

Mr. Gordon stated that we do not get a lot of money coming in through the actual sites. Most of the money goes directly into a lock box and sent directly to the bank. The receipts that we do receive at the sites are patients who receive a statement and come in with a check. Those checks are made out payable to the practice plan directly not payable to cash. Actually, we only receive maybe, for the full year, about \$5,000 in cash that came into all the sites. We have since then implemented a policy that we do not want to take cash. We ask patients to come back with a money order or something like that. The checks that came in that were payable to each of the practice plans are sent to the central accounting office. What Mr. Telano is referring to is sort of compliance with our own internal policy and we have a pretty robust policy that requires that when the checks are presented to the site that the site actually endorse the check for deposit only. That was being done in the central accounting office not at the site where the checks were taken. I think that during the audit they confirmed that those stamps were being used. There was not any real issue of any misappropriation; it was that we were not following the rigorous policy that we put in place. As for the voided items, our receipts are three-part receipt books; the top copy goes to the patient. Again, this is a situation where we had a policy that was pretty stringent; if we void a receipt we must have all three copies back so we know we have control of the receipt. There are circumstances that if the patient gives us a check, we deposit it, the check bounces, we will go ahead and void that receipt out on the copy we have. But we have no ability to get the original receipt back from the patient. Those are some of things they noticed.

Ms. Youssouf asked if they take credit cards, debit cards or cash. Mr. Gordon responded no, that right now we are asking for only money orders. We never really had patients that came in with cash – very rarely cash. We do have the ability to take credit cards through the collection process. If somebody came in and that is their only means of payment, we could make arrangements.

Ms. Youssouf added that she wants to make sure from the patient's vantage point. Mr. Gordon commented that what we are finding is that we do not have a lot of people who come in and offer us credit card payments, and the cost of maintaining a merchant service account sometimes outweighs the value of taking credit cards.



Dr. Stocker asked how long has he being doing this. To which Mr. Gordon answered for a while – 12 years that we have been with DBMA and then took on Metropolitan back in 2005 and Harlem back in 2006.

Dr. Stocker asked if DBMA is Downtown Bronx. Mr. Gordon said Downtown Bronx Medical Associates.

Dr. Stocker asked if the future is you will now do the billing for all of PAGNY. To which Mr. Gordon responded all of PAGNY and a few others outside. Then Dr. Stocker asked if it was other medical groups. Mr. Gordon said other medical groups. We are now doing Queens and are about to do Kings County.

Dr. Stocker asked if any groups outside of HHC. Mr. Gordon answered Bronx Lebanon and a couple of clients outside of HHC.

Ms. Youssef asked if they were going to have a contract with PAGNY or a contract with the hospitals. Mr. Gordon responded that what was created was the practice plans are independent companies and those companies are Harlem Medical Associates at Harlem and Downtown Bronx Medical Associates. These practice plans have a contract with Phycare.

Dr. Stocker asked if they are organized as a corporation. To which Mr. Gordon responded C Corp. Dr. Stocker asked if they are privately owned. Mr. Gordon said technically right now it is owned by DBMA – a subsidiary of DBMA.

Dr. Stocker asked if he has any observations, since you have observed the process of forming PAGNY and consolidating groups. Mr. Gordon responded that he actually created it. He thinks it is heading on the right track; it was bumpy for a couple of years, but he thinks that with Dr. Marcos and the team he has created we are seeing a turnaround and very optimistic of its success going forward. Like any new company, what we have always said was this was a 200 mile train and everyone just jumped on. Never really slowed down as all these groups merged into PAGNY, and that was part of the initial issues, that we never had time to breathe. I think now we are turning the corner, starting to slow down and going to be successful.

Dr. Stocker asked if you think of yourself as a team partnered with HHC. Mr. Gordon said that they have always considered themselves part of the family.

Ms. Youssef asked Mr. Telano if there was anything else regarding Phycare. Mr. Telano said that that was it, and then stated that there was one more thing regarding the briefing on page 11, which is an overview of the Auxiliary audits that are being conducted by the accounting firm of Loeb and Troper. As you can see, 19 of the 22 auxiliaries are completed and only three of them have issues. Two have one issue and East New York had five issues of which three were repetitious, but they had hired a new permanent president and it looks like they are on their way to resolving any issues. We saw an improvement in the latter part of the year compared to the beginning of the year when they had a temporary president. We feel confident that these issues will be resolved by the next audit.

Mrs. Bolus asked if they have a director yet. Mr. Martin answered that they have a new head of the auxiliary, a new president. Then Mrs. Bolus asked not a director? Mr. Martin responded that when you say director, director of the facility itself? Mrs. Bolus said the person that has to work with the auxiliary. Mr. Martin said that he did know and would follow up. Mrs. Bolus added that please do because that would mean the auxiliary would be in limbo. Then Mr. Telano said that that concluded his presentation.

Ms. Youssef thanked Mr. Telano and asked if Mr. McNulty had anything for the committee.

Mr. McNulty answered yes, saluted the Audit Committee of the HHC Board of Directors (the "Audit Committee" or the "Committee"). Mr. McNulty then started with page three of his report - - compliance training efforts. He informed the Committee that the compliance training period started on January 1, 2012 and ended on June 30, 2013. He added that there was a grace period that granted an extension to September 16, 2013. Mr. McNulty further commented that the Office of Corporate Compliance ("OCC") noted marked increases in compliance training during the grace period. Mr. McNulty stated that provisions have been made to schedule live training for those health care professionals who do not have access to a computer for training purposes. According to Mr. McNulty, personnel who failed to take the course as of the September 16<sup>th</sup> deadline were notified by the OCC to promptly take the course. Mr. McNulty stated that he personally placed numerous calls

and contacted numerous directors to ensure that their subordinates underwent compliance testing. Mr. McNulty added that these efforts increased testing significantly.

Mr. McNulty moved forward by turning his attention to section 1B of his report to discuss the preliminary results of the compliance training. Mr. McNulty first discussed the results of the physicians' training module. Specifically, Mr. McNulty stated that by July 1, 2013, fifty percent (50%) of the physicians corporate-wide had completed the training, and as of October 7, 2013 eighty-two (82%) percent had completed the same. Mr. McNulty continued by providing that the health care professionals module had a forty-seven (47%) percent completion rate on July 1, 2013 and an eighty-four (84%) percent completion rate by October 7, 2013. He further informed the Committee that, for the group 11 general workforce module, seventy-five (75%) percent of affected personnel had completed the same by July 1, 2013, and as of October 7, 2013 ninety-five (95%) percent had completed the requisite training. Mr. McNulty pointed out to the Committee that training completion rates continue to grow. He added that his goal was to achieve ninety-five (95%) training completion across all three modules within the next couple of weeks.

Mr. McNulty continued by going over Section 1C of his report - - Board of Directors (the "Board") Compliance Training. Mr. McNulty stated that compliance training for Members of the Board was available and that the corresponding training period was scheduled to end the first week of November. Mr. McNulty provided that several Members of the Board have already completed the training through the PeopleSoft system.

Mr. McNulty then moved on to item number two, the HHS self-identification of corporate-wide risks. Mr. McNulty stated that, since June of 2013, sixteen (16) different Network/Facility compliance committees convened to identify and score Network and/or Facility specific risks. He continued by adding that OCC made significant progress in identifying and prioritizing corporate-wide risks. He informed the Committee that the Executive Compliance Workgroup ("ECW") convened in July of 2013 and identified and scored several corporate risks. He mentioned that the ECW convened again on September 11, 2013 to prioritize previously identified corporate risks and Network/Facility risks. Mr. McNulty stated that the process has led to the ongoing development of an interim draft fiscal year 2014 Corporate Compliance Work Plan ("FY14 Work Plan"). Mr. McNulty stated that the FY14 Work Plan was expected to be completed in a couple of weeks.

Mr. McNulty continued with his report by turning to the staffing update. He stated that there was one vacant compliance officer position in the North Bronx Healthcare Network. He advised the Committee that the recruitment process for that position had commenced.

Mr. McNulty continued with his report by discussing the monitoring of excluded providers. According to Mr. McNulty, the OCC was informed on September 9, 2013 that a Bellevue Hospital Center ("Bellevue") attending dentist, who was a sessional employee, appeared on the U.S. Department of Health and Human Services Office of the Inspector General's ("OIG") most recent list of excluded providers. Mr. McNulty informed the Committee that the excluded employee no longer provides services at Bellevue. He stated that the Finance Department was in the process of determining the exact amount of payments that would have to be reimbursed to the Federal Government or private payors. Mr. McNulty stated the refund of payments appeared to be less than \$500 at this point. He closed by stating that there were no reports of excluded providers at the other HHC facilities.

Mr. McNulty asked the Committee if there were any questions; after a brief pause, Mr. McNulty concluded his report.

Ms. Youssouf thanked Mr. McNulty, and then indicated that the Committee was going into Executive Session. (Executive Session was then held).

Ms. Youssouf stated that they were out of the Executive Session. They discussed matters related to potential litigation against the Corporation and then asked if there were any old business or new business.

There being no further business, the meeting was adjourned at 1:07 P.M.

Submitted by,  
Emily Youssouf-Chairperson-Audit Committee