



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, MAY 29, 2019  
AT THE OFFICE OF THE COMPTROLLER**

**ATTENDANCE**

<b>Chair</b>	Michael Spitzer
<b>Private Members</b>	Mark Kaplan Bud Larson Bernard Rosen
<b>Public Members</b>	<b>Representing the Comptroller</b> – Jacqueline Thompson
<b>Secretary</b>	Katrina Stauffer
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Lou Feuerstein, Marla Hummel, Benjamin Klein, Tami Radinsky <b>Bolton Partners:</b> Erika Bode, Colin England, Tom Lowman
<b>Others</b>	<b>New York City Comptroller’s Office, Bureau of Audit</b> – Margi-Ann Bernabeo, Edward Carey, Julia Davis, Lynn Elfers, Faige Hornung, Marjorie Landa, Michael Montemurro, Keith Schwam  <b>New York City Health and Hospitals Corporation</b> – Jozef Dubroja, Nicole Fleming, John Ulberg, Jay Weinman  <b>New York City Office of the Actuary</b> – Anderson Huynh, Marlene Markoe-Boyd, Michael Samet  <b>New York City Mayor’s Office of Operations</b> – Florim Ardolli, George Davis  <b>New York City Office of Management &amp; Budget</b> – Enid Ellis, Raymond Lee  <b>New York City Comptroller’s Office</b> – Camille Arezzo, Rosa Charles, Kelsey Cheng, Leonel Ferreira, Michael Hecht, Marjorie Henning, David Jeter, Manny Kwan, Preston Niblack, Jessica Sanchez, Joan Stapleton, Michael Stern, Susanna Tregor

## Audit Committee Meeting – May 29, 2019

### **I. Call to Order and Roll Call**

Mr. Michael Spitzer, Chairman of the Audit Committee, called the meeting to order at 9:40 a.m.

Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

Chairman Spitzer announced that the Mayor’s Representative, Mr. John Grathwol, has retired and on behalf of the Mayor, the Audit Committee, and the people of The City of New York, he was thanked for his many years of service.

### **II. Motion to Accept Draft Minutes of the Audit Committee Meetings held**

#### **March 27, 2019 and April 3, 2019.**

The first agenda item was the approval of the draft minutes of the March 27, 2019 and April 3, 2019 Audit Committee Meetings. Chairman Spitzer inquired if there were any comments on the draft minutes as presented. Subject to any non-substantive editorial comments submitted to the Secretary, the Committee approved the draft minutes of the March 27, 2019 and April 3, 2019 Audit Committee Meetings.

### **III. Presentation of the Financial Statements and Management Letter of the New York City Health and Hospitals Corporation**

The next agenda item was the review of the financial statements and management letter of the New York City Health and Hospitals Corporation (NYC Health + Hospitals) for the fiscal year ended June 30, 2018.

Mr. Bernard Rosen advised Chairman Spitzer that he was recusing himself from this agenda item, as he was a member of the NYC Health + Hospitals board during the audit period.

Mr. John Ulberg, Chief Financial Officer of NYC Health + Hospitals, introduced other representatives of NYC Health + Hospitals present and representatives from Grant Thornton LLP, NYC Health + Hospitals' independent auditors.

There were no major policy issues or protocol problems. Positive results are beginning to materialize from the well-balanced, far-reaching plan executed for the stabilization of NYC Health + Hospitals. For the fiscal year 2019 budget, as of the date of the Audit Committee Meeting, expenditures were overspent by approximately \$35 million, due to the hiring of 340 nurses, 170 people for the billing system, and a Chief Revenue Officer. The expenditures were offset by \$50 million in Medicaid Administration funds. Lobbying efforts are underway to oppose the proposed disproportionate share hospital (DSH) cuts, which could mean up to a \$400 million reduction to NYC Health + Hospitals.

For the fiscal year 2018 financial statements, an unmodified opinion was received. The increase in net position was \$39 million compared to the \$233 million deficit in 2017. Revenue increased by \$467 million, mostly due to DSH maximum supplemental Medicaid funds. Collections were

increased by \$115 million; and there were \$67 million in additional managed care risk pool dollars from MetroPlus.

Grant revenue decreased by \$212 million, due to fiscal year 2018 ending without a signed agreement for the Value Based Quality Improvement Program (VBP-QIP) grant revenue reimbursement, which precluded NYC Health + Hospitals from recognizing revenue.

Expenses increased by \$252 million. Personal services increased by \$317 million, due to recognition of collective bargaining increases offset by continued controls over headcount, which began in fiscal year 2017. Revenue collections and initiatives are on target. The yearend cash balance was \$747 million.

A question and answer session took place after the presentation. Several matters were discussed including:

- The presentation/formatting of liabilities on page three of the financial statements will be corrected.
- Strategies are being discussed and developed to prepare NYC Health + Hospitals in the event the DSH cuts are approved.
- Non-patient related custodial funds will be reviewed for interest and/or investment earning possibilities.
- Prior year comments have been addressed in some instances and others may have been addressed since issuance of the Management Letter. Any remaining comments should be resolved prior to next year's report.
- The revenue cycle should tighten up once the 11 hospitals and 70 clinics are all on the same Electronic Medical Records platform.

- The denial rate metric is coming down.
- The Committee congratulated NYC Health + Hospitals on their accomplishments and progress.

There being no further questions, Chairman Spitzer thanked the representatives of NYC Health + Hospitals for their participation in today's meeting.

#### **IV. Report to the Mayor and City Council on the Office of the New York City Comptroller's Audit Operations**

The next agenda item was the presentation of the Report to the Mayor and City Council on the Office of the New York City Comptroller's Audit Operations for the fiscal year ended June 30, 2018. Ms. Marjorie Landa, Deputy Comptroller for Audit and Investigation, introduced other representatives of the Audit Bureau present.

Seventy-four audits and special reports were conducted, 64 of which were generally accepted government auditing standards (GAGAS) audits, and ten special reports. Under the City Charter, the Comptroller's Office must audit some aspect of every City agency at least once every four years; the four-year cycle has been successfully completed. Monetary effects in the Bureau's calculations were close to \$37 million in actual and potential revenue and savings; \$18.9 million were actual revenues and savings; \$17.6 million were potential cost savings or revenues from a variety of management and financial audit findings; and over \$600,000 dollars represented potential cost avoidance resulting from analyses of claims filed against the City. The follow-up on adoption of the Bureau's recommendations has continued to increase. Of 429

recommendations, 85% were adopted by 44 agencies, which was the highest level of implementation in nine years.

The information technology (IT) and cybersecurity initiatives for technology audits continue. Staff training and additional funding has been provided to hire new staff to allow the Bureau to branch out and deepen its audits regarding cybersecurity.

Research and Investigations, in collaboration with the Law Department, developed a model Confidentiality Agreement that has been received well by agencies.

Important Department of Education (DOE) audits conducted included tracking of homeless students in the schools, with a number of the Bureau's recommendations adopted and follow-up will be conducted for the remainder. No progress has been made on tracking of computer hardware purchases. One recommendation was to activate DOE's tracking system to connect purchases to inventory.

A follow-up audit was conducted on the DOE's controls over non-competitive and limited-competition contracts and found, among other issues, delayed registration of those contracts, with some not registered until the contract was completed.

The Board of Elections (BOE) has addressed immediate issues that excluded voters inappropriately. Other recommendations made by the Bureau to the BOE included improving its training for poll workers and coordinators, and ensuring that every poll site is fully staffed.

The Department of Finance agreed with the Bureau's recommendations, and have recovered approximately \$9 million of senior citizen homeowner exemption funds.

Another important audit was the New York City Housing Authority (NYCHA) playground audit. Onsite inspections identified many problems. The Bureau's follow-up revealed that NYCHA had either implemented recommendations or were in the process of implementing them.

MTA and Access-A-Ride's (AAR's) Procedures for addressing the complaints of riders were audited, and many weaknesses were found. The audit found internal weaknesses in the processes for handling AAR complaints. A follow-up audit found that 13 out of 14 of the Bureau's recommendations had been implemented.

A question and answer session took place after the presentation. Several matters were discussed including:

- A homeless service audit found contracts were not getting registered in a timely fashion, leading to a delay of funds going to the nonprofit vendors, which leads to less contracts being submitted to the City.
- Some agencies are still not depositing receipts on a daily basis in accordance with the Comptroller's Directive #11 and internal policies and procedures. However, the Bureau has no enforcement authority.
- The Committee will explore possible solutions to help with the noncompliance to audit recommendations. Discussions will be held with the Mayor's Office of Operations.
- The Quality Assurance Director, Mike Montemurro, will retire at the end of June, after 34 years of service to the City.

There being no further questions, Chairman Spitzer thanked the representatives of the Office of the Comptroller's Audit Bureau for their participation in today's meeting.

## **V. Executive Session**

There being no further business for the public session, Chairman Spitzer asked for a motion to enter into Executive Session. A motion was made to go into Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

## **VI. Adjournment**

There being no further business before the Committee, a motion was made to adjourn the May 29, 2019 Audit Committee meeting; the motion was unanimously approved.