



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MAY 26, 2021
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

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| Chair | Michael Spitzer |
| Private Members | Mark Kaplan Bud Larson |
| Public Members | Representing the Mayor – Paul Tymus Representing the Comptroller – Jacqueline Thompson Representing the Public Advocate – Michael Twomey |
| Secretary | Katrina Stauffer |
| Independent Auditors | Grant Thornton LLP – Sharon Campbell, Steven Dioguardi, Lou Feuerstein, Marla Hummel, Nicholas Lazzaruolo, Tami Radinsky, Michael Ryan |
| Others | New York City Comptroller’s Office, Bureau of Audit – Edward Carey, Andre DaSilva, Julia Davis, Faige Hornung, Marjorie Landa, Josefina Soto New York City Health and Hospitals Corporation – Jozef Dubroja, Nicole Fleming, James Linhart, John Ulberg, Jay Weinman New York City Mayor’s Office of Operations – Florim Ardolli, Brady Hamed New York City Office of Management & Budget – Enid Ellis, Raymond Lee New York City Comptroller’s Office – Camille Arezzo, Man Hon Cheung, Leonel Ferreira, Jessica Sanchez, Joan Stapleton, Susanna Tregor |

Audit Committee Meeting – May 26, 2021

I. Call to Order and Roll Call

Mr. Michael Spitzer, the Audit Committee Chairman, called the Audit Committee Meeting to order at 9:30 a.m. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

II. Approval of the Draft Minutes of the Audit Committee Meeting held April 29, 2021

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held April 29, 2021. The Committee approved the minutes of the April 29, 2021 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

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

The next agenda item was the review of the financial statements and management letter of the Health and Hospitals Corporation (NYC Health + Hospitals) for the fiscal year ended June 30, 2020. Jay Weinman, Corporate Controller for NYC Health + Hospitals introduced the other representatives of NYC Health + Hospitals present and the representatives of Grant Thornton, NYC Health + Hospitals' independent auditors.

NYC Health + Hospitals noted that it built new ICU spaces during COVID due to the pandemic. NYC Health + Hospitals was also losing its own doctors and nurses to COVID. The estimate of what NYC Health + Hospitals will spend on COVID was

between \$1.7 billion and \$2 billion. NYC Health + Hospitals has only received \$1.2 billion in provider relief funds. It has also received about \$260 million from the Federal Emergency Management Agency (FEMA). While utilizations declined, revenues went up due to the intensity of patients being seen. Medicaid enrollment was up almost 20 percent across the City.

Revenues increased by \$1.1 billion over Fiscal Year 2019. Net patient service revenue increased by \$638 million, mainly due to an increase in the case mix index.

Appropriation from The City of New York, tax money, decreased by \$391 million due to a decrease in cash received from collective bargaining and other subsidies. Grant revenue increased by \$850 million mainly due to the Coronavirus Aid, Relief, and Economic Security (CARES) Act pandemic funding. Other revenue increased by \$60 million largely due to increases in 340B pharmaceutical program revenue. Expenses increased over \$1 billion mainly due to COVID. Medical and surgical supplies increased \$180 million. Pension decreased \$147 million. Affiliation contracted services increased \$71 million, or six percent, for new programs and cost of living adjustment increases.

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

- Capital contributions come in two forms. Most are from City funding towards capital purchases. Due to COVID, there was also some funding from donors.

There are also several grants.

- Regarding the significant change in grant revenue and the process obtaining that grant revenue, the initial funds were from the CARES Act for the pandemic.
- NYC Health + Hospitals must provide all documentation for the grants, including permanent work to facilities.
- The drop in pensions in the actuary report: After the actuary does its analysis, Grant Thornton requests those assumptions to determine if they are valid. In fiscal year 2019, they had a one time increase in pension liability due to a cohort that they had previously missed in other calculations. That would help to explain some of the decrease in addition to changes in assumptions.
- A risk arrangement is a per-member per-month given as a fixed sum of money allocated whether or not it is used.
- NYC Health + Hospitals' credit rating is related to it being a City obligation. The obligation is backed up by the City, but it is the NYC Health + Hospitals obligation to pay.
- There was one significant deficiency regarding grants. It had to do with managing the accruals on the grants. There was an issue about unidentifiable users, which was corrected. Grant Thornton noted that management was able to provide evidence regarding all users as needed.
- The bad debts have to do with patients with no insurance and no ability to pay. NYC Health + Hospitals does not restrict access to any patient. It attempts to obtain insurance for non-insured patients. However, there are a number of people who are ineligible for insurance.

- There is a reimbursement agreement with the City every year for what NYC Health + Hospitals is going to pay and what the City is going to pay. Malpractice is something the City pays and then NYC Health + Hospitals pays back. The City wants to demonstrate that NYC Health + Hospitals is paying its bills to the City and not solely reliant on the City.
- NYC Health + Hospitals is legally tied to The City of New York, and it is a reporting entity of the City.
- The bond has an official statement of debts issued. It does not refer to the legal structure. It refers back to the statement that comes with the bond.
- NYC Health + Hospitals noted that there was a premium on the 13 bonds.

There being no further questions, Chairman Spitzer thanked the representatives of NYC Health + Hospitals for their participation at 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 review of the 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, 2020. Ms. Marjorie Landa, Deputy Controller for Audit and Investigation, introduced the other representatives of the Audit Bureau present.

Due to COVID the comptroller's information technology (IT) staff arranged for 800 people to work from home. This was during the time in which the Audit Bureau

releases the bulk of its reports. As a result, the total number of reports was significantly lower than prior years.

The agencies being audited also had less time to respond due to COVID. In total, the Audit Bureau released 40 audits and eight special reports. The monetary effects included \$32.4 million in actual and potential revenue and savings, \$508 million in cost avoidance from claims, and \$31.7 million in potential revenue and savings.

An audit was conducted of the Metropolitan Transportation Authority's (MTA) contract for new subway trains, which was three years overdue. Costs to the City for that delay were incalculable because the MTA had to run old trains, which resulted in delays for commuters, excessive wear and tear, and repairs and maintenance that were not necessary.

The Board of Elections was audited and the Audit Bureau made recommendations for the next election.

The Audit Bureau noted audits of mayoral agencies. One involved the Parks Department, which leased with the United States Tennis Association for operating the tennis center. It found underreporting of revenue and therefore underpayments. The Audit Bureau encouraged the Parks Department to be more vigilant in its oversight. The Department of Environmental Protection audit looked at its oversight and maintenance of rain gardens. These patches of green prevent runoff from

overwhelming the sewer system. The audit found that a lot of money was spent in an initiative to install them, but there was inadequate oversight in maintenance.

In addition, there were ongoing cyber security investigations. The Audit Bureau team goes in to ensure that the weakest links in the chain are not weak. IT infrastructure are all connected at the agency level. The Audit Bureau looked at the Department of Design and Construction (DDC) and one of the networks run by the Department of Health (DOH) for Infectious Diseases. DDC is ensuring the infrastructure is operational. Personal information DOH maintains is critical, and it has done terrific work.

The Audit Bureau investigated lead in residential housing. It noted a lack of communication between the DOH and Department of Housing Preservation and Development.

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

- Regarding how the Audit Bureau is able to help correct findings, it noted that issuing reports and conducting press conferences. The Audit Bureau shares its findings in the midst of audits, and often there are improvements before the end of the report.
- Committee members agreed to discuss this at a later time the possibility of the committee to summon the worst offenders to answer questions from the committee members.

There being no further questions, Chairman Spitzer thanked the representatives of the Audit Bureau for their participation at 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

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the May 26, 2021 Audit Committee Meeting; the motion was unanimously approved.