



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MAY 25, 2022
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair Michael Spitzer

Private Members Larian Angelo
Mark Kaplan
Bud Larson

Public Members **Representing the Mayor** – Paul Tymus
Representing the Comptroller – Jacqueline Thompson
Representing the Public Advocate – Wesley Paisley

Secretary Katrina Stauffer

Independent Auditors **Grant Thornton LLP** – Lou Feuerstein, Marla Hummel,
Nicholas Lazzaruolo, Kevin Morris, Michael Ryan, Matthew Thompson

Others **New York City Health and Hospitals Corporation** – Jozef Dubroja, Nicole
Fleming, James Linhart, Jay Weinman

New York City Comptroller’s Office, Bureau of Audit – Edward Carey, Andre
DaSilva, Maura Hayes-Chaffe, Faige Hornung, Maryanne Mullany, Nicole Symon

New York City Mayor’s Office of Operations – Doug Giuliano

New York City Office of Management & Budget – William Kennelly, Raymond
Lee, Mujeeb Shinwa

New York City Comptroller’s Office – Camille Arezzo, Leonel Ferreira, Krista
Olson, Jessica Sanchez, Joan Stapleton

Audit Committee Meeting – May 25, 2022

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 March 23, 2022

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held March 23, 2022. A motion was made to accept the minutes. The Committee approved the minutes of the March 23, 2022 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 New York City Health and Hospitals Corporation (NYC Health + Hospitals) for the fiscal year ended June 30, 2021.

Mr. Jay Weinman, Corporate Controller for NYC Health + Hospitals, introduced the other representatives of NYC Health + Hospitals present and the representative of Grant Thornton, NYC Health + Hospitals' independent auditors.

A full year of COVID resulted in changes in revenues and expenses. A program for Test and Trace throughout the City contributed to expenses on the City's behalf. During the previous fiscal year, \$1 billion of provided relief funds were received from the Federal Emergency Management Agency (FEMA).

Revenues increased by \$1.8 billion over Fiscal Year 2020. Net patient service revenue increased by \$350 million. Appropriations from the City of New York decreased by \$92 million, due to an increase in cash received from the City balanced against an increase in amounts paid to the City for annual debt service requirements that occurred during Fiscal Year 2021. Grant revenue increased by \$803 million, primarily due to Test and Trace program revenue and FEMA grant revenue offset by decreases in the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding when compared to Fiscal Year 2020. Other revenues increased by \$55.6 million, largely due to increases in the 340B Drug Discount Program.

Expenses increased by \$1.7 million, mainly in personal services. Other than personal services increased \$1.6 billion primarily due to pandemic-related expenditures. Postemployment benefits, other than pension decreased \$13.5 million. Affiliation contracted services increased \$88.7 million, related to contractual increases and cost of living adjustments. Depreciation increased \$87.6 million due to continued spending for the H2O Epic Electronic Medical Records system and COVID purchases.

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

- Assets outweigh liability. Most cash received from the City is for expenses incurred.
- Capital retainage refers to vendor payments retained until the end of the projects.

- The Affordable Care Act is a federal law.
- NYC Health + Hospitals has contracts with medical schools for affiliate expenses related to physicians and paraprofessionals that work at NYC Health + Hospitals.
- NYC Health + Hospitals has minor balances retained in separate checking accounts that are uncollateralized.
- The management letter noted two significant deficiencies. One deficiency was related to grant revenues and the appropriate documentation. The other deficiency was related to timely accounting for inventory purchases.
- Prior year comments have been either remedied or management has a plan in place to correct them.

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 City Comptroller's Audit Operations

The next agenda item was the Report to the Mayor and City Council on the Office of the City Comptroller's Audit Operations for the fiscal year ended June 30, 2021.

Ms. Maura Hayes-Chaffe, Deputy Comptroller for Audits, introduced the other representatives of the Audit Bureau present.

The audit team completed 56 audits, investigations, and special reports focused on financial issues and on the effectiveness and service quality of City programs. They also completed claims reviews and an audit of welfare fund payments. Overall, the audits resulted in \$6.4

million in actual and potential revenue savings. A review of claims against the City identified an additional \$15.7 million in potential cost avoidance.

Reviews of welfare-fund payments were also performed. A number of differences were identified related to spending for administrative purposes. Some funds retained high reserves, which may be an indicator of less expenditure on member benefits. Several funds were found not to be in compliance with the Comptroller's Directives #6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*, and #24, *Agency Purchasing Controls For Certain Non-Procurement Transactions Processed through the City of New York's Financial Management System*. Several funds reported losses in investments. The report also identified 11 funds with potential financial issues to be addressed by fund managers. The report made 12 recommendations for improvement.

During Fiscal Year 2021, the auditors continued to conduct Information Technology and security audits to ensure City agencies have effective cyber security controls in place. The goal of the program is to identify weaknesses and potential risks and vulnerabilities.

The Comptroller's Office made 402 recommendations to 32 City agencies and other entities that were subject to audit. Roughly 79 percent of these were implemented or were in process of being implemented at the last follow-up with the agencies. Three percent were partially agreed to and 14 percent of the recommendations were not agreed to by the auditees. Two percent were not addressed.

The Comptroller committed that recommendations would be made public, not just in the report, but also in a Recommendations Tracker. The tracker is up and running. The Audit Bureau keeps track of all recommendations from reports issued following January 1, 2022. The Bureau will

be conducting more regular follow-up, four times a year. It will be working with agencies to understand disagreements with recommendations before issuing reports.

Under the new administration there will be a renewed focus on equity, resilience, and preparedness. We will also be piloting participatory audits, which will be used to inform testing and findings, and to design audits based upon the views of New York residents.

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

- Welfare fund financial comparative analysis identifies irregularities, but not the causes. Finding the causes would require a full audit of individual funds.
- Information from audits can be used to inform policy makers, as needed.
- The success of the participatory audit pilot program could lead to a broader approach across the board.

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

V. Question regarding Open Meetings

The Chairman noted that there was a recent ruling or law from the Governor's office regarding open meetings. The Committee has been conducting Zoom meetings since the beginning of the COVID pandemic. The next Audit Committee meeting may take place in August, and the Chairman questioned whether a certain number of Committee members must attend in person for that meeting and onwards. The Audit Committee Secretary will investigate and report back.

VI. Executive 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.

VII. Adjournment

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the May 25, 2022 Audit Committee Meeting. A motion was made. The motion was unanimously approved.