



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MAY 24, 2023
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair Michael Spitzer

Private Members Larian Angelo
Mark Kaplan
Marcia Van Wagner

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** – Steven Dioguardi, Lou Feuerstein, Marla Hummel,
Nicholas Lazzaruolo, Michael Ryan

Others **New York City Health and Hospitals Corporation** – Linda Dehart, Olurotimi
Diyadolu, Jozef Dubroja, David Guzman, James Linhart

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

New York City Office of Management & Budget – Man Hon Cheung, Enid Ellis

New York City Comptroller’s Office – Camille Arezzo, Jessica Sanchez, Joan
Stapleton, Susanna Tregor

Audit Committee Meeting – May 24, 2023

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. Motion to Adopt Remote Meeting Authorization Resolution

The first agenda item was the approval the [Remote Meeting Authorization](#), dated May 24, 2023, to hold the May Audit Committee Meeting fully remotely because of the COVID-19 state of emergency declared by the mayor. The motion was made to adopt the Resolution and unanimously approved.

III. Motion to Accept Minutes of the April 5, 2023 Audit Committee Meeting

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held April 5, 2023. The Committee approved the minutes of the April 5, 2023 Audit Committee Meetings, subject to any non-substantive editorial comments submitted to the Secretary.

IV. Presentation of the Financial Statements and Management Letter for the New York City Health and Hospital Corporation

The next agenda item was a review of the financial statements and management letter of the New York City Health and Hospital Corporation (NYC Health + Hospitals) for the fiscal year ending June 30, 2022.

Mr. David Guzman, Comptroller for NYC Health + Hospitals, introduced the other representatives of NYC Health + Hospitals present and the representatives of Grant Thornton, NYC Health + Hospitals' independent auditors.

The NYC Health + Hospitals financial statements show an improvement to financials driven by receipts around upper payment limit (UPL) revenue. UPL limit revenue is a federal Medicaid regulation that governs what states are allowed to pay for Medicaid services. NYC Health + Hospitals works with the state and federal government to make use of this provision to receive supplemental Medicaid payments that are above and beyond the state Medicaid rate.

The consolidated numbers for Fiscal Year 2022 and Fiscal Year 2021 include NYC Health + Hospitals plus the MetroPlus Health Plan.

The operating revenue increased by \$1.7 billion. The overall operating expenses increased by \$699.9 million. Net patient service revenue increased by \$86.7 million. The increase is mainly driven by an increase in discharges of 17,000 more patients in Fiscal Year 2022.

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

- The main reason for the increase in pension liability is due to the decrease in earnings of pension plan investments over the course of Fiscal Year 2022.
- A test and trace program has been implemented since the start of the pandemic. Expenses are funded by various grants.
- Land and land improvements decreased by about \$2.9 million.
- The UPL revenue will continue, but at a smaller value, since it will be for one year only.

- An analysis will be requested to show the impacts of COVID-19.
- NYC Health + Hospitals' Center of Excellence sites continued to build projects for three locations in the Bronx, Queens, and Brooklyn. These comprehensive health centers were initiated and completed as an emergency response to COVID-19..
- Electronic medical record training requirements depend on the staff's role in the system. Enterprise Information Technology Services has oversight over training within the sites. Enrollment numbers will be provided at a later date.
- The City provides NYC Health + Hospitals funds to pay for improvement projects.

NYC Health + Hospitals continued its presentation of the financial statements.

The appropriations from the City of New York increased by \$341.7 million, mostly due to an increase in cash received from the City of \$134.4 million. In Fiscal Year 2022, NYC Health + Hospitals was not obligated to pay the City back for debt service.

Premium revenue is MetroPlus-driven, and increased by \$755.7 million, mostly due to the UPL. MetroPlus membership increased by nine percent, which increased premium revenue.

Grants revenue decreased by \$50 million. Other revenue increased by \$10.1 million mostly driven by HHC ACO Inc. revenue, which increased by \$6.7 million. UPL conversion revenue increased \$514 million.

In terms of operating expenses, salaries increased \$57.9 million, due to the staff nursing emergency overtime usage. The nurses' contract negotiations are ongoing.

Other than personal services (OTPS) increased \$336.4 million. Most of the increase is due to the MetroPlus risk expense incurred. Fringe benefits increased \$24.3 million. Pension increased

\$298.7 million, largely due to the decrease in earnings of pension plan investments over the course of Fiscal Year 2022.

Other postemployment benefits are derived by the City actuary, and decreased by \$200.2 million.

Affiliation contract and services increased \$155.4 million, primarily due to contractual increases and the cost-of-living adjustment settlements. Depreciation increased \$27.3 million.

The interest expense in Fiscal Year 2022 was \$115 million; in Fiscal Year 2021, it was \$135 million, and is largely driven by the debt the City pays on NYC Health and Hospitals' behalf. In Fiscal Year 2021, the City asked for debt to be paid in the amount of \$212 million. In Fiscal Year 2022, the City did not obligate payment. The current arrangement is that debt is not paid back, but it is subject to negotiation.

The management letter was issued in November 2022.

Auditors are responsible to communicate with those charged with governance any significant internal control deficiencies and material weaknesses. There is one area of most concern related to provider relief fund grants that were received and Federal Emergency Management Agency grants that were received. The recommendation is for a formal analysis by funding sources to be performed, reviewed, and approved on a regular basis.

NYC Health + Hospitals must recognize grant revenues and related expenses on an accurate basis and appropriately throughout the year. That was a carry-over comment from Fiscal Year 2021. It has begun the Fiscal Year 2023 audit and does not anticipate this problem, due to a significant decrease in grant funding.

NYC Health + Hospitals noted that it has engaged a third party to review processes with grants and ensure there is alignment. That work started in Fiscal Year 2023 and will continue into Fiscal Year 2024. NYC Health + Hospitals is working to improve and optimize processes. Currently, certain grant tracking is being managed using Excel spreadsheets. Systems are being researched to track expenses.

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

- Findings regarding patient receivables and credit balances started in Fiscal Year 2018 and continue. Policies and procedures have been created and will be confirmed. Improvements have been made.
- Accounts payable and accrued expenses show affiliation vacation accrual. That relates to affiliate contracts.

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

V. Adjournment

There being no further business before the Committee, a motion was made to adjourn the May 24, 2023 Audit Committee Meeting. A motion was made. The motion was unanimously approved.