



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MAY 22, 2024
AT THE OFFICE OF THE COMPTROLLER
AND 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** – Sharon Campbell (via Zoom), Steven Dioguardi, Marla Hummel (via Zoom), Michael Ryan (via Zoom)

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

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

New York City Mayor’s Office of Risk Management & Compliance – Doug Giuliano (via Zoom), Julian Ross (via Zoom)

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

New York City Comptroller’s Office – Camille Arezzo, Joan Stapleton (via Zoom)

Audit Committee Meeting – May 22, 2024

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

Mr. Michael Spitzer, the Audit Committee Chairman, called the Audit Committee Meeting to order at 9:40 am. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

II. **Motion to Accept Minutes of the March 27, 2024 and April 10, 2024 Meetings**

The next agenda item was the approval of the draft minutes of the Audit Committee Meetings held March 27, 2024, the minutes. The Committee approved the meeting minutes for March 27, 2024, and April 10, 2024, 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 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, 2023.

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

NYC Health + Hospitals' operating revenue for Fiscal Year 2023 was \$14 billion, with total operating expense of close to \$14 billion, and an operating gain of \$39.6 million. Capital

contributions improved, with a net position of \$565 million. Net patient service revenue increased \$124 million from Fiscal Year 2022, with the biggest increase attributed to increase in Disproportionate Share Hospital Payments (DSH MAX) hospital payments of \$268.3 million. Other notable increases were in the risk pool area. The New York City tax levy increased \$680.9 million, largely attributed to the humanitarian emergency relief and recovery centers program.

The unrestricted subsidy and collective bargaining settlement also increased in Fiscal Year 2023. Overall Premium Revenue (which is Metroplus revenue) increased by \$442.6 million, with 90,000 new members. Grants revenue decreased by \$1.6 billion. Grants related to COVID, such as Test-and-Trace, were no longer active. Federal Emergency Management Agency Coronavirus Aid, Relief and Economic Security and America Rescue Plan grant revenue decreased \$451 million.

The pharmaceuticals program decreased about \$22 million, as did the accountable care revenue. The personal services expense increased \$144.6 million mainly due to the DC-37 collective bargaining settlements, and full-time equivalent increases during Fiscal Year 2023. Other Than Personal Service expense decreased \$1.4 billion related to decreased COVID programs.

Humanitarian Emergency Response and Relief Centers (HERRCs), a new grant revenue item in Fiscal Year 2023, logged \$451 million in revenue and \$408 million in expenses. Benefits increased \$83.2 million, in-line with personal services increases and collective bargaining settlements. Pension expense increased \$144.6 million for Fiscal Year 2023, and Other Postemployment Benefits increased \$20.7 million.

Affiliation expenses increased \$103.7 million due to contractual increases and estimated contract settlements. Depreciation expense increased \$67.9 million, attributed to Enterprise

Information Technology Services assignments for the infrastructure and the newly implemented governmental accounting standard releases.

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

- NYC Health + Hospitals confirmed the Upper Payment Limit conversion took place in Fiscal Year 2022 when all the contracts were ratified with managed care plans, which was a one-time opportunity.
- NYC Health + Hospitals is in the same position as the City regarding OPEB and actuary calculations.
- NYC Health + Hospitals confirmed there was reserve set up in net patient service revenue to net against regulatory inquiries. Liability reserves were captured in the estimated third-party payer settlements line.
- NYC Health + Hospitals presumes the primary reason for the substantial decrease in OPEB liability was a change in assumptions about the mortality rate from Fiscal Year 2021 to Fiscal Year 2022.
- NYC Health + Hospitals will produce and submit to the Audit Committee Secretary a report on total estimated cost and capital cost of the Network Refresh upgrades.
- The management letter identified a significant deficiency in NYC Health + Hospitals financial reporting related to the maintenance and timely reconciliation of the T2 Grant Program.

- The management letter recommended scheduled expenditure of federal awards as reported through The City of New York, and federal grants should be reconciled with grant revenue reported on a timely basis.
- NYC Health + Hospitals noted the security disruption within Change Healthcare, the billing clearing house that impacted billing operations, which resulted in erroneous reporting of balances. Experian is NYC Health + Hospitals' new billing clearing house.
- NYC Health + Hospitals staff double checks to determine insurance billing obligation and takes great care when billing patients. Safeguard programs are in place to protect patients in the billing process.

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

IV. Report to the Mayor and City Council on City Comptroller Audit Operations

The next agenda item was the report to the Mayor and City Council on the Office of the City Comptroller's Audit Bureau operations. Ms. Maura Hayes-Chaffe, Deputy Controller for Audit, introduced members of the Audit Bureau present.

Ms. Hayes-Chaffe announced the upcoming retirement of Ms. Faige Hornung. The Audit Committee commended Ms. Hornung for 39 years of dedicated service to The City of New York.

The Comptroller issued 30 reports in the Fiscal Year 2023, which contained 96 recommendations for improvement. At the time of the Fiscal Year 2023 reports, City entities committed to fully implement 58 percent of recommendations and partially implement 11

percent. Entities disagreed with 23 percent of recommendations. It is worth noting that the agreement rate was higher in Fiscal Year 2022, at 67 percent, and the disagreement rate went up from 11 percent. The Audit Bureau continues to track the status of all recommendations issued since January 1, 2022 and cumulatively, for these, the Bureau does not see a drop in implementation status. To date, 46 percent of all recommendations have been implemented and a further 40 percent are in process of being implemented. This points to an eventual implementation rate of near 86 percent. The Audit Bureau suspects that this is because recommendations that are not agreed to at the time of the audit still get implemented by agencies.

In addition to tracking the status of recommendations, which is self-reported, the Bureau also conducts follow-up audits to assess actual improvements. The Bureau conducted four follow-up audits in Fiscal Year 2023. In all instances, the Bureau saw some improvement. The New York City Department of Consumer and Worker Protection audit of NYC's Earned Sick Leave stands out as exemplary improvement, with 19 of 21 recommendations from the 2019 audit confirmed as implemented, and the remaining recommendations no longer applicable.

Fiscal Year 2023 brought the issuance of several COVID program audits, and most indicated some level of waste and/or lack of appropriate controls. The New York City Department of Health demonstrated significant waste, attributed to unnecessary staff retained during slow periods of COVID testing and vaccination. On the upside, the Bureau found that the New York City Department of Health and Mental Hygiene (DOHMH) did a good job of ensuring equitable coverage of all neighborhoods, including in those areas most badly impacted by COVID. However, because staff hours were the primary mechanism for reimbursement under the control, the lack of control over staffing of sites led to enormous swings in per test and

vaccination cost across the City. This audit was released with a City-wide best practice letter to all agencies.

Two audits of the New York City Department of Small Business Services (SBS) discovered the bulk of grants and loans went to businesses in Manhattan; the loans and grants were not evenly spread across the boroughs. The Bureau attributed this to SBS not sufficiently promoting the availability of COVID programs to businesses in the outer boroughs.

Fiscal Year 2023 also saw the launch of a participating auditing initiative. The Comptroller's Office began collaborating with the Canadian Audit and Accountability Foundation to establish a framework for participatory auditing, as a method to increase engagement, boost audit leverage, and promote change. Participatory auditing can involve a single engagement – such as consulting with community advocates as part of the process of setting the objectives and scope of an audit, or surveying end-users to understand their experiences of the programs the Bureau is auditing – or it can be more expansive. The Bureau launched an expansive initiative with New York City Housing Authority (NYCHA) residents this past year that included a series of outreach events and town halls and collecting survey responses from over 800 residents. NYCHA residents have suffered with long-standing issues and the Bureau wanted to give them a voice in the audit process. This involved other bureaus in the Comptroller's Office and identified issues of concern across the board. In response to security issues raised, the Bureau conducted the Doors Observations – over 100 auditors visited every NYCHA development and tested the doors and windows of every building. The Bureau found results to be much worse than in the last similar set of observations a few years ago, and testified before City Council concerning the results. The hearing was on the subject of Security Infrastructure at NYCHA. The Bureau also conducted a review of rent calculations at Red Hook Houses, based on

concerns from residents there. The Bureau found that one in five of the rent calculations contained errors, both inflating or under-estimating rents. The Comptroller's Office also established a NYCHA Resident Audit Committee, a diverse group representing all boroughs, ages, and ethnicities. Based on survey results, the Comptroller pitched ideas based on the residents' concerns.

Two audits were selected in two rounds of voting: eviction rates at Permanent Affordability Commitment Together (PACT) - Rental Assistance Demonstration (RAD) houses, and oversight of vendors and contractors by NYCHA. Results of the two audits will be released in August 2024.

The Comptroller's Office's objectives for Fiscal Year 2024 are to increase equity and inclusion, strengthen New York City fiscally, improve effectiveness, engage and educate the public, and improve risk mitigation. Audit subjects are selected based on these priorities. Our recent work on asylum seekers, for example, with the Staffing Analysis and 60-Day Investigation are noteworthy in this regard.

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

- The Comptroller's Office reported that NYCHA had implemented all of the recommendations from the Doors Observations, but resident experience did not align with that. The problem of secure buildings is complicated in that as soon as a door lock is fixed it may be broken again. There were also issues with residents propping open doors, because intercom systems do not work for announcing visitors and deliveries. Continuous improvement is the solution, and this varies development-to-development.

NYCHA repair work is not generally centralized, which results in inconsistent residence maintenance.

- Sometimes when recommendations are not agreed to by the agency, City Hall can force the issue. For example, in response to the Sweeps Audit, the Bureau recommended that certain data was collected and reported by the Department of Social Services to measure outreach outcomes. The agency declined to do so but there is now a pending local bill that if, passed, will require entities to report information to be captured and reported as recommended.
- In response to a question about having NYCHA residents monitor and report conditions to auditors, the Bureau noted that one of the recommendations of the Canadian Audit and Accountability Foundation was to have the auditors rely on photos and other reports from residents in the field, but Generally Accepted Government Auditing Standards (GAGAS) constraints would make it difficult for the Comptroller's Office to rely on such data for audit reports, without auditor verification.
- In the Comptroller's experience, entities that initially reject findings often implement change quietly once the audit process is completed.
- The Bureau has not issued a set of general recommendations on handling emergencies, but did issue a letter to all commissioners with a protocol for control cost-based contracts following the DOHMH audit of testing and vaccination centers during COVID.

- The Comptroller is planning to issue a new directives on how to monitor for contract compliance; contract costs do not appear to be generally well controlled, due to lack of resources and knowledge of invoice review, for example.

There being no further questions, Chairman Spitzer thanked the representatives of the Audit Bureau 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 22, 2024 Audit Committee Meeting, and the motion was unanimously approved.