



AUDIT AND COMPLIANCE COMMITTEE MEETING

TUESDAY, September 15, 2015

Conference Center Located at Highland Care Pavilion

1411 East 31st Street Oakland, CA 94602

Susana Flores, Interim Clerk of the Board

(510) 535-7515

LOCATION:

Open Session: HCP Conference Center

MINUTES

OPEN SESSION – The meeting was called to order at 7:15 p.m.

ROLL CALL was taken and the following Trustees were present:

Kirk E. Miller, James Lugannani, and Michele Lawrence

TAB #1 ACTION: Consent Agenda

The Committee reviewed and approved the Audit and Compliance Committee minutes from July 27, 2015.

Action: A motion was made and seconded that the Audit and Compliance Committee approve minutes from July 27, 2015. The motion passed.

AYES: Trustees Miller, Lugannani, and Lawrence.

NAYS: None

Abstention: None

TAB #2 REPORT: External Audit Reporting

Linda Hurley, Partner, Macias Gini & O'Connell, presented an update on the status of the FY2015 audit. The general progress of the audit has improved significantly from this time last year. The majority of the test-work is complete and we are following up on items as we go through the review process

The main items to complete were:

- Pension and OPEB entries – GASB 68
- Self-Insurance Analysis – Complete waiting for internal review
- County Interagency Balances which are due next week
- Net Position (Equity)

The Single Audit was scheduled to be performed during the financial statement audit and is currently behind schedule. MGO received a schedule of grants within the last 2 weeks and had several questions on amounts and requirements that impact the risk assessment for which programs will be selected for audit.

MGO is doing inquiries with 2 grantors for clarification on grant requirements and expenditure reporting and they are revisiting the grant management and reporting process with management to ensure the federal award schedule is accurately reported. Responses to the inquiries will determine if they need to audit 2 or 3 programs.

There is possibility that the Single Audit could be delayed and MGO is revisiting the timeline and effort.

To date MGO has not identified any material adjustments to the financial statements although we have identified areas of improvement in internal control that if not addressed could result in future misstatements and/or compliance deficiencies. Many of the areas have also been identified by your senior management team through their evaluation and risk assessment process over the last year.

- Capital Asset management could be improved with periodic inventories
- Contract Management process
- Internal Control regarding maintaining documentation in the patient revenue area
- Employee terminations for system access.

The Foundation audit is on track and draft financial statements are in the review process.

TAB #3 **REPORT: Internal Audit Reporting**
Rick Kibler, VP, Compliance & Internal Audit

A. REPORT: Status of External Financial Audit Management Letter

Limited test work was performed for these items because corrective action was initiated late in the year and they could still be viewed as issues when MGO performs their work. MGO is in the process of doing their follow-up and will determine if sufficient corrective action has been taken to resolve the issue.

Discussion ensued regarding the outstanding issues and the committee requested the issues be risk ranked (high, medium, low) to help identify the significance of the issue. The committee also asked that the original completion date be maintained on the schedule even when corrective action was completed so they could see the responsiveness of management in correcting issues.

B. REPORT: Update on FY2015 Internal Audit Plan

At this time, the FY2015 Annual Audit Plan is considered complete.

The final report for the Meaningful Use audit was issued in September 2015. The audit plan showing the scheduled audits and dates worked was provided in the report package.

C. REPORT: Update on FY2016 Internal Audit Plan

At this time, the FY2016 Annual Audit Plan is considered on time.

Audits have been started for Admit on Order and ED Charge Capture. The audit plan showing the scheduled audits and dates worked was provided in the report package.

D. REPORT: Meaningful Use Audit

Meaningful use is the set of standards defined by the Centers for Medicare & Medicaid Services (CMS) Incentive Programs that governs the use of electronic health records (EHR) and allows hospitals and eligible providers to earn incentive payments by demonstrating Meaningful Use and meeting specific criteria.

Based on the review by Internal Audit, it was determined that the Hospital Program was on track to receive forecasted financial incentives. The Provider Program has been delayed due to delays in implementing certified EHR technology. The forecast for provider incentives was based on a certain level of participation in the program and unless steps are taken to increase participation, the provider incentives may fall short of the forecast by approximately \$2M.

Discussion ensued and Dave Gravender, CIO reported that IT had a plan to implement certified technology in all areas over the next 8 months.

E. REPORT: Follow-up to Past Audit Reports

Internal Audit periodically performs follow-up on past report issues to ensure that corrective action plans proposed by management have been executed and that corrective action was sufficient to resolve identified issues. Management has been responsive to correcting items noted in audit reports. Attached is a summary of the audit issues identified and the current status of each issue. Internal Audit will continue to perform follow-up testing as needed to ensure all identified issues have been resolved and as all findings for a report are resolved and reported to the Committee, that report would be removed from the follow-up status report

For the system access audit, all findings have been resolved except for item 3 relating to the Identity management System. That finding is scheduled for completion during FY2016.

The Workers Compensation and Charge Capture Implant audits were considered complete and will be dropped from the next report. The Charge Capture Surgery Audit, ACERA Pension Review and Disposal of IT Assets have not had follow-up work performed. These audits will be updated for the next meeting.

TAB #4 REPORT: Compliance Program *Rick Kibler, VP, Compliance & Internal Audit*

A. REPORT: Compliance Program Report

The build of the Compliance Program infrastructure is considered complete.

Reporting of compliance issues continues at a steady pace. As shown on the attached Compliance Dashboard, there were 24 new compliance related issues reported in July

and August. HR issues appear to be the most prevalent issues reported with Billing issues running a close second. Highland Hospital is the source of the majority of reports.

Privacy compliance reports also continue at a constant pace with 19 new compliance related issues reported in July and August. Misdirected faxes appear to be the most significant report in numbers with unauthorized disclosure being the next highest area. Highland Hospital is the source of the majority of reports.

Discussion ensued regarding the baseline for compliance reporting and how the program would be determined as successful. Mr. Kibler responded that this was a new program and a baseline had not yet been established. Data from the hotline vendor indicated that an organization the size of AHS should expect about 25 reports a year. Compliance reports would continue to be monitored and reported to the committee and a baseline would be established over time.

B. REPORT: Status of Compliance Plan

The FY2016 Compliance Plan was developed based on implementing the components of a compliance plan identified in guidance from the OIG; performing investigations to determine the merit of reported issues; working with management to resolve identified issues; and as time permits, to perform selected reviews identified in the OIG Annual Plan.

At this time, the Annual Compliance Plan is considered on time.

Infrastructure development activities are materially complete. Active follow-up is occurring on reported issues and review of regulations as part of the regulatory roadmap is in progress.

C. REPORT: Current Regulatory Activity

New Activity

HRSA FQHC

The Health Resources and Services Administration (HRSA) was on-site during August to determine if AHS was in compliance with the 19 requirements of the Homeless Program and AHS's FQHC status. At the exit conference on August 21, 2015, the HRSA team identified 4 areas where the requirements were not met:

- Quality Improvement/Quality Assurance Plan
- Billing and Collections (Needing separate Medicare Numbers for each site)
- Inaccurate HRSA documents for sites and services (paperwork update needed)
- Board Authority

Management is working on corrective action plans to address the noted deficiencies and the status of these issues will be tracked through this committee.

HRSA 340B

The Health Resources and Services Administration (HRSA) is undertaking additional program integrity measures related to participation in the 340B Drug Pricing Program (340B Program) to ensure compliance with program requirements. An entrance conference was held on September 4, 2015 to discuss the data request and on-site work is scheduled for 3 days beginning October 26, 2015.

Past Activity Update

On April 22, 2015, Internal Audit was notified of an audit of California's Medicaid electronic health record (EHR) incentive payments by the Office of Inspector General (OIG). The objective of the audit is to determine that the State of California Department of Health Services made Medicaid incentive payments in accordance with Federal and State requirements.

Internal Audit provided available data as requested. There has been no communication with the OIG audit staff since that time.

D. REPORT: Follow-Up to Past Audit Reports

Compliance will periodically perform follow-up on past issues to ensure that corrective action plans proposed by management have been executed and that corrective action was sufficient to resolve identified issues. Attached is a summary of the issues identified during the SOA Project Assessment and the current status of each issue. Status has not changed significantly from the last Committee meeting. Follow-up will continue until all issues are resolved.

TAB #5 INFORMATION: Annual Audit and Compliance Committee Agenda Calendar and Follow-Up

Kirk Miller, Interim Chair

A. Audit and Compliance Committee Master Calendar and Follow-up Worksheet

Public Comment - No public comments.


Board of Trustees Remarks - No additional comments.

ADJOURNMENT - 8:15 pm

Respectfully submitted by:


Susana Flores
Interim Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
Mike Moye, Esq.
Interim General Counsel