



AUDIT AND COMPLIANCE COMMITTEE MEETING
TUESDAY, October 15, 2013

Executive Suite located at the Highland Care Pavilion
1411 East 31st Street Oakland, CA 94602
Marla Cox, Clerk of the Board
(510) 437-8468

LOCATION:
Open Session: HCP Conference Center Room A

COMMITTEE MEMBERS

Kirk E. Miller, *Chair*
Daniel Boggan, Jr.
Valerie D. Lewis, Esq.

MINUTES

OPEN SESSION - THE MEETING WAS CALLED TO ORDER AT 5:30 PM

**ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE
PRESENT:**

Kirk E. Miller and Daniel Boggan, Jr.,

**General Counsel Announced a move to Closed Session. There were 3 matters
discussed instead of the original 4 matters.**

TAB #1 CLOSED SESSION

OPEN SESSION RECONVENED AT APPROXIMATELY 6:00 PM

TAB #2 ACTION: Approval of Minutes

6:20 – 6:25 p.m.

**A motion was made and seconded to approve the minutes of the July 16, 2013
Audit and Compliance Committee meeting as presented. The motion was
approved.**

TAB #3 External Audit Reporting

**A. REPORT: Presentation of DRAFT Annual Financial Statements by
MGO Audit Team 6:25 - 7:05 p.m.**

Jim Strong introduced Annie Louie, Director, MGO and Gerardo Paras, Sr. Manager MGO to report on the progress of the annual audit. MGO received the AHS draft financial statements on 10/11/13 and the statements are currently going through their internal review process. At this point, AHS is receiving an unqualified or “clean” opinion and readers will be directed to comments in the footnotes regarding liquidity issues. The statements should be finalized and issued next week.

Discussion ensued on how Management would address the liquidity concerns. It was agreed that Management would readdress the Kaufman Hall financial metrics at the Board retreat scheduled for late October and discuss actions planned to achieve the Kaufman Hall metrics.

MGO discussed their required communications relating to the audit. They performed a review of internal controls and noted the following issues that will be included in the management letter.

- Inventory – A validation of the Pharmacy inventory identified expired inventory items that were still on the shelf and included in the inventory counts.
- Contracts – A sample of 40 contracts identified 2 contracts without adequate financial terms identified. This is considered a significant deficiency.

The final draft of the financial statements should be completed by 10/25/13 and will be distributed to the Audit and Compliance Committee members immediately. The financials will then be presented to the full board in November. There was concern expressed over the planned Board date of 11/26/13 and the Clerk of the Board was asked to poll members for availability.

TAB #4 Internal Audit Reporting

7:05 - 7:25 p.m.

Rick Kibler, Director of Internal Audit, provided an update on internal Activities.

A. REPORT: Update on FY2013 Internal Audit Annual Plan

- The FY2013 Audit Plan is considered complete.
- Final reports were issued for the FQHC Billings and Bad Debt/Collections audits.

B. REPORT: Status on FY2014 Internal Audit Annual Plan

- The FY2014 Audit Plan is considered on-time. Field work was started for the Central Supply audit and the Meaningful Use audit as scheduled.
- Discussion ensued regarding how Internal Audit was integrating the San Leandro Hospital and Alameda Hospital acquisition into the audit plan. It

was determined that an additional meeting should be held in January 2014 to discuss this issue.

C. REPORT: Status on FY2010, FY2011 and FY2012 External Financial Audit Management Letter Action Plan

- As previously reported, all items relating to the FY2012 and FY2011 audits by MGO are considered closed.
- The FY2010 audit has one issue still outstanding. This issue relates to the IT Strategic Plan.

D. REPORT: Denial Management Findings Status

- Internal Audit identified two items relating to control deficiencies in the processing of claim payments.
- Internal Audit reviewed the Action items and management's reported corrective action and determined that all items are complete.

E. REPORT: FQHC Billing Audit Findings Status

- Internal Audit identified two issues relating to billing of dental claims; charges for the Highland dental Clinic were not being billed to Medi-Cal and charges that related to a special state program were not billed to the State for reimbursement.
- Internal Audit reviewed the Action items and management's reported corrective action and determined that both findings are resolved.

F. REPORT: Bad Debt and Collection Findings Status

- Internal Audit identified three issues relating to accounts being assigned for collection activity early, vendor performance issues and the aging of accounts.
- Internal Audit reviewed the Action items and management's reported corrective action and determined that two of the original three items are complete. Vendor performances issues have been addressed and will be re-evaluated at the end of the fiscal year when the current contract expires.
- Discussion of the vendor performance issue ensued and it was determined that the performance issues should be documented and addressed in a more timely manner. Management would consider beginning an RFP for a new vendor immediately.

TAB #5 Annual Audit and Compliance Committee Agenda Calendar and Follow-up 7:25 – 7:30 p.m.

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

**TAB #6 REPORT: Legal Counsel's Report on Action Taken in Closed Session
*Douglas B. Habig, General Counsel***

Public Comment

There were no public comments.

Board of Trustees Remarks

ADJOURNMENT

Respectfully Submitted by:


Marla Cox
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:


Douglas Habig, Esq.
General Counsel