AUDIT AND COMPLIANCE COMMITTEE MEETING

TUESDAY, July 15, 2014

Conference Center Located at Highland Care Pavilion
1411 East 31st Street Oakland, CA 94602
Marla Cox, Clerk of the Board
(510) 535-7515

LOCATION:
HCP Conference Center

COMMITTEE MEMBERS

Kirk E. Miller, ***Chair***
Valerie D. Lewis, Esq.
James Lugannani

MINUTES

OPEN SESSION – The meeting was called to order at 6:00 pm.

Roll call was taken and the following Trustees were present:

Kirk E. Miller, Valerie D. Lewis, Esq. and James Lugannani

TAB #1 ACTION: Approval of Minutes

A motion was made and seconded to approve the minutes of the March 18, 2014 Audit and Compliance Committee meeting as amended. The motion was approved.

TAB #2 REPORT: External Audit Reporting

A. **Introduction of MGO Audit Team and Annual Audit Work Plan**

Rick Kibler introduced Gerardo Paras, Senior Manager, MGO. Mr. Paras reviewed the audit timeline, audit deliverables and significant areas of focus. Interim Field work was conducted from June 9th through July 3rd and final field work will be conducted from August 25th through September 23rd. Timing of the audit was considered to meet the established Audit and Compliance Committee schedule and county financial statement reporting dates.

TAB #3 REPORT/ACTION: Internal Audit Reporting

A. **REPORT: Update on FY2014 Internal Audit Annual Plan**
The FY2014 Audit Plan was presented and approved by the Audit and Compliance Committee in July 2013. The FY2014 Audit Plan is considered complete.

B. **REPORT: Status on FY2013 External Financial Audit Management Letter Action Plan**
The FY2013 audit by MGO had three comments to management. One issue has been closed and two issues remain outstanding. Work is continuing on the outstanding items and should be completed by 12/31/14.

C. **REPORT: FY2015 Risk Assessment**
Internal Audit performed a high level risk assessment similar to past years which included Alameda Hospital and San Leandro Hospital. The risk assessment identified 15 primary operations and 51 sub-operations within AHS as the audit universe for planning purposes. Each primary and sub operation was evaluated based on the perceived Compliance Risk, Financial Risk and the Likelihood of problems within the area. Interviews were conducted with AHS executives to identify additional areas of concern. Based on the result of the assessment, past Internal Audit work and the interviews with management, projects were identified for high ranking areas. The audit universe is attached for discussion as considered necessary.

D. **ACTION: FY2015 Internal Audit Plan**
The 2015 Audit Plan is attached for approval.
Primary areas of focus are Billing, Information Systems and Human Resources.

E. **REPORT: Soarian Financial Contract Load Audit**
The primary objective of the review was to ensure existing contract terms had been properly loaded into the Soarian Financial System and that AHS was monitoring payments from insurance companies for appropriate reimbursement. The audit identified that contracts had not been adequately loaded to the system.
Action has been taken to identify and load all existing contracts.

F. **REPORT: Central Supplies Audit**
The primary objective of the review was to ensure policy and procedures were in place to appropriately charge patient accounts for central supplies. The audit identified that the implementation of Soarian Financials did not include processes to bill central supplies and that AHS lost $500K - $1M in annualized revenue. A short term solution to this issue is being implemented while a long term solution is being reviewed and prioritized. Additionally, a review of patient discharge supply items charged through the Lawson system identified delays in processing that kept charges of approximately $300K from being included on patient bills. This issue was resolved during the audit.

G. **REPORT: Charge Description Master (CDM) Audit**
The primary objective of the review was to ensure AHS charges consistently for all services regardless of location. The audit identified pricing discrepancies on 179 of

the 20,000 plus codes in the CDM (less than 1%). The CDM price discrepancies resulted in undercharges to patients of approximately $4.5M in gross charges or $900K in net revenue. All issues were corrected during the audit.

H. **REPORT: Cost Reporting Input Audit**
The primary objective of the review was to ensure the Reimbursement department was receiving accurate and timely data for preparing cost reports for supplemental funding. The audit identified a number General Ledger mapping issues that caused patient account activity to be posted incorrectly; no process for refunding overpayments on patient accounts; no process for bad debt write-offs; and improper posting of credit transactions. Accounting had identified the majority of these issues and adjusted transactions and worked with IT as necessary to resolve issues. Additionally, there was no billing process for Federally Qualified Health Center (FQHC) claims when a patient had both Medicare and Medi-Cal coverage amounting to approximately $500K annually. This billing issue was resolved during the audit.

I. **REPORT: Patient Financial Services - Registration Audit**
The primary objective of the review was to ensure Patient Financial Services had adequate procedures in place to register patients, verify identity, verify insurance and provide financial counseling to obtain payment sources for the uninsured. The audit results indicated that procedures were in place for registering patients and obtaining insurance sources for uninsured patients. However, improvements could be made in ensuring patients are enrolled in the payment sources with the highest level of reimbursement, explaining patient consent forms and verifying patient contact information.

J. **REPORT: Ambulatory - Registration Audit**
The primary objective of the review was to ensure the Ambulatory Division had adequate procedures in place to register patients, verify identity and verify insurance information. The audit results indicated that procedures were in place for registering patients; however, improvements could be made in scanning ID and insurance card information, explaining patient consent forms and verifying patient contact information. Corrective action is in process.

Significant discussion ensued regarding the Internal Audit Risk Assessment and issues cited in the audit reports. The committee requested a year over year comparison of the risk assessment scoring and the Internal Audit project plan for the last three years to review for patterns or problem areas.

Mr. Kibler was asked if additional resources were needed in Internal Audit due to the increased scope of work. Mr. Kibler stated that resources were sufficient at the current time.

ACTION: A motion was made, seconded, and unanimously approved the FY2015 Internal Audit Plan as presented.

TAB #4 REPORT: Compliance Program

A. Compliance Officer Report

Mr. Habig presented the Compliance report specifying that the Institutional Compliance Program had been established in 2011 based on the guiding principals established by the Office of Inspector General. The effort to create a compliant organization is ongoing and, as such, the firm of SOAProjects was asked to review and evaluate the program. The results of the assessment would be used by management to develop an improvement plan to address program deficiencies.

B. Compliance Program Assessment

Mr. Habig reviewed the highlights of Compliance Program Assessment and Ms. Mary Seymour, Senior Manager, SOAProjects was available for questions. The evaluation conducted by SOAProjects indicated the compliance program contained the main elements required, but did not have the visibility or resources needed to make it fully effective. The primary concerns with the program were: 1. Lack of visibility; 2. Compliance training needs; 3. Fragmented implementation; and 4. Opportunities to improve existing elements of the program.

Discussion ensued and committee members requested a mapping of all regulations, including a California overlay, impacting the organization. Management agreed, and with the help of SOAProjects, will present the results at the September meeting.

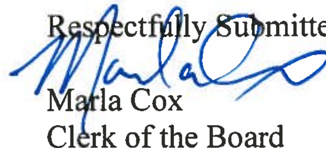
TAB #5 INFORMATION: Annual Audit and Compliance Committee Agenda Calendar and Follow-up

Public Comment

Board of Trustees Remarks: - No additional remarks

ADJOURNMENT: The meeting was adjourned at 7:45 PM.

Respectfully Submitted by:



Marla Cox
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:

Douglas Habig, Esq.
General Counsel