



**AUDIT AND COMPLIANCE COMMITTEE MEETING**  
**WEDNESDAY, September 17, 2014**

**Executive Administrative Offices Located at Highland Care Pavilion**  
1411 East 31<sup>st</sup> Street Oakland, CA 94602  
Marla Cox, Clerk of the Board  
(510) 535-7515

**LOCATION:**

Open Session: HCP Conference Center Grand

**COMMITTEE MEMBERS**

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

**MINUTES**

**OPEN SESSION** – The meeting was called to order at 7:02 pm.

Roll call was taken and the following Trustees were present:

Kirk E. Miller and James Lugannani.

**TAB #1 ACTION: Approval of Minutes**

**A motion was made and seconded to approve the minutes of the July 15, 2014 Audit and Compliance Committee meeting. The motion was approved.**

**TAB #2 REPORT: External Audit Reporting**

*Introduction of the MGO Audit David Cox, Chief Financial Officer  
Annie Louie, Partner, Macias Gini & O'Connell LLP  
Gerardo Paras, Senior Manager, Macias Gini & O'Connell LLP*

**A. Update of Annual Financial Statement Audit by MGO Audit Team**

David Cox, Chief Financial Officer introduced Annie Louie, Partner, Macias Gini & O'Connell LLP to provide an update on the status of the annual audit. Ms. Louie stated that MGO was performing the year-end portion of the audit and had been working at Fairmont Hospital for 3 weeks. The audit schedule indicates they are to

present the draft financial statements at the October Audit and Compliance meeting; however, MGO has experienced delays in obtaining needed data for the affiliations with Alameda Hospital and San Leandro, issues with the A/R reserve contractual analysis, and obtaining account balances from Alameda County to complete the audit. At this time, MGO cannot commit to having draft financials available for the October meeting. MGO will be meeting with Finance management on 9/18/14 to discuss outstanding items and how to resolve issues timely.

Discussion ensued and David Cox was asked to report schedule changes at the next Board meeting. When available, a new schedule should be sent to the Trustee Miller who will coordinate any schedule revisions with management.

**TAB #3 Report: Internal Audit Reporting**

*Rick Kibler, Director of Internal Audit*

**A. REPORT: Internal Audit 3-Year Risk Assessment and Audit Plan**

The FY2015 Risk Assessment was presented at the July Audit and Compliance meeting and the Internal Audit Plan was approved. Mr. Kibler presented a side-by-side comparison of the Risk Assessment for FY2013 – FY2015 to show how the risk scores changed from year to year. The presentation also showed the areas that had been reviewed by Internal Audit.

Discussion ensued on the development of the risk scores and the development of the Audit Plan. Mr. Kibler was asked how the risk scores for AHS compare to other Health systems. Mr. Kibler responded that he had attempted to get risk assessments from other organizations without success. Most organizations responded they interview management and develop the audit plan without a formal risk assessment.

**B. Update on FY2015 Internal Audit Plan**

The FY2015 Internal Audit Plan is currently on time. A number of audits are in process and the plan is scheduled to be completed by year-end.

**C. Status on FY2013 External Financial Audit Management Letter**

The FY2013 audit by MGO had three comments to management. One issue has been closed and the other two issues relating to contract management and entity-wide security program remain outstanding. The committee discussed the progress on the outstanding issues and asked to be kept informed of progress at future meetings.

**TAB #4 REPORT: Compliance Program**

Joel Isaacson, Associate General Counsel was sitting in for Douglas Habig, General Counsel and advised the committee that AHS had retained SOAPProjects to give an overview of the Compliance Program. Stage 1 was limited in scope and the results were presented at the July meeting. Stage 2 expanded the scope from Highland Hospital, Fairmont Hospital and John George, to include the Wellness Centers, San

Leandro Hospital (SLH) and Alameda Hospital (AH). Stage 2 also included a regulatory mapping and development of a compliance work plan for 2015-2016. Mr. Isaacson introduced Mary Seymour, Senior Manager, SOAProjects to present the results of their engagement.

Ms. Seymour reported that as a result of their expanded scope, they updated the original report and saw an overall drop in the compliance ratings primarily due to the lack of awareness of a compliance program by SLH and AH. It was noted that direct action by management had improved some of the original compliance effectiveness scores.

Significant discussion ensued regarding how to resource the program and get a measurable program underway. The committee expressed the need to have a robust program in place in the next two (2) years. Current compliance work includes:

- Policy and Procedure gap analysis
- Updating key compliance documents
- Job descriptions for new Compliance positions
- Implementation of Compliance work plan
- Development of Compliance dashboard.

Management was asked to regroup and identify the highest priorities to get something in place.

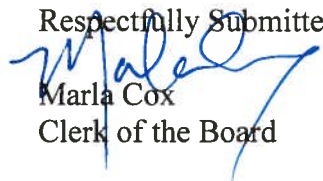
**TAB #5 INFORMATION: Annual Audit and Compliance Committee Agenda Calendar and Follow-up**

**Public Comment:** No public comments

**Board of Trustees Remarks:** No additional remarks

**ADJOURNMENT:** The meeting was adjourned at approximately 8:00 pm.

Respectfully Submitted by:

  
Marla Cox  
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:

  
Douglas Harig, Esq.  
General Counsel