



SPECIAL AUDIT AND COMPLIANCE COMMITTEE MEETING
TUESDAY, February 12, 2015

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

LOCATION:

Open Session: HCP Conference Center

COMMITTEE MEMBERS

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

Minutes

The meeting was called to order at 6:00 p.m.

Roll Call was taken and the following Trustees were present:

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

TAB #1 REPORT: Management Report

A. REPORT: Single Audit for Government Grants

Mr. Kibler presented the results of the Single Audit dated 12/18/14 as performed by the CPA firm of Macias Gini & O'Connell for the year ended 6/30/14. The audit was performed in accordance with auditing standards generally acceptable in the United States and was designed to determine AHS' compliance with the requirements of the Office of Management & Budget (OMB) Circular A-133. OMB Circular A-133 identifies the audit requirements for entities that receive federal funds or grants. For the year ended 6/30/14, AHS received \$2.76M in federal grants for 15 programs (page 10) and an additional \$680K in state grants (page 17).

MGO performed tests for compliance with laws, regulations, contracts and grant agreements to determine the impact to the financial statements. The HIV Care formula grant is the second largest grant program and MGO gave a "Qualified" Opinion on this grant program and an "Unmodified" opinion for all other programs. The audit report identifies two findings that require corrective action.

- 2014-001 Documentation of Patient Records
This is the finding identified in the AHS annual audit report and staff training was supposed to have occurred during January to address this issue. Mr. Kibler reported that he was following up on the extent of training provided and would report the status at future meetings.
- 2014-002 Eligibility Requirement

Documentation to support residency requirements and patient income levels was not included in patient files. Management has responded that information was reviewed at the time of the patient visit, but not documented as part of the file. Processes have been modified to maintain this information going forward. Follow-up by Internal Audit identified that the new process was in place and documentation was being maintained.

The single audit has been performed the last few years; however the results of the audit were not previously reported to the committee. AHS grant opportunities are increasing and management thought the audit results had risen to the level to warrant reporting. Mr. Cox reported that the management of grant programs was not getting enough attention and he was implementing a more robust oversight process.

Discussion ensued and the committee requested additional reporting on the oversight process.

B. REPORT: Accounts Receivable Valuation Process

Mr. Cox reported on the valuation of the Accounts Receivable (A/R). The implementation of the Soarian Financial system required extensive mapping of transactions to ensure they are posted to the proper General Ledger account. A number of issues have been identified in the way that transactions were mapped and management is taking the following actions:

- Management is working with IT to review all transactions from Soarian Financials and re-map the way that items are posted to the General Ledger for proper accounting. This process will take approximately 6 months.
- Leadership changes have been implemented with the hiring of a Director of Revenue Integrity and a new Director of IT. Additionally, the Controller has moved to the position of Director of Accounting an Interim Controller, Gene Kaberline, has been hired and Reimbursement functions have been outsourced to Toyon to provide more expertise in these activities..

C. REPORT: Annual Audit – Management Report Card of MGO

Mr. Cox reported that he had discussed the audit with Kevin O'Connell, MGO Managing Partner to express our concerns about this year's audit. Mr. O'Connell stated that MGO currently services 10 of the 19 public hospitals in California and he was very concerned about the performance on our audit. Mr. O'Connell proposed replacing the current partner, Annie Louie with a more seasoned partner, Linda Hurley who is the Healthcare Practice Leader. The Finance Management team met this morning with Ms. Hurley and another MGO Partner to discuss the audit performance and how it could be improved. Ms. Hurley explained that she could address our concerns and requested an opportunity to meet with the Audit and Compliance Committee members to discuss the audit expectations.

Mr. Cox recommended that AHS retain MGO for another year.

Significant discussion ensued and the committee indicated the committee chair and other available members meet with the MGO audit team at a subsequent meeting. The committee requested a special committee meeting prior to the scheduled April meeting. The committee wants to make sure their expectations are met including having a partner that is more involved in the audit and that can present the audit results to the committee. Based on recent performance, the committee would consider changing auditors; however, after discussions with MGO, they may consider a different recommendation.

The committee reviewed the Audit Report Card and requested additional information regarding the scores that were rated as "Needs Improvement". They would need this information to have meaningful discussions with MGO.

TAB #2 INFORMATION: Annual Audit and Compliance Committee Agenda Calendar and Follow-up

The annual calendar was discussed and the committee was concerned that the Compliance Regulatory Mapping was not showing as an agenda item. The committee reiterated their expectation of a baseline of the risk universe and a comprehensive program to address the compliance risks.

The committee also discussed the timing of the scheduled meetings and requested an additional meeting be added between the April and July meetings. The Clerk of the Board was asked to poll the committee for availability at the end of May, 2015.

Public Comment

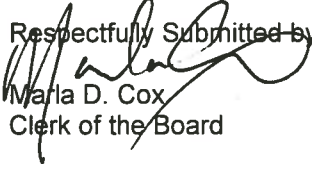
No public comments.

Board of Trustees Remarks

No additional remarks.

ADJOURNMENT: 7:10 p.m.

Respectfully Submitted by:


Marla D. Cox
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


Mike Moyer
Interim General Counsel