



AUDIT AND COMPLIANCE COMMITTEE MEETING
TUESDAY, January 13, 2015

Executive Administrative Offices 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 Grand

COMMITTEE MEMBERS

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

Minutes

The meeting was called to order at 6:58 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 ACTION: Approval of Minutes

ACTION: Upon motion was made and seconded the minutes of the September 17, 2014 and December 18, 2014 Audit and Compliance Committee meetings were approved.

TAB #2 REPORT: External Audit Reporting

REPORT: Presentation of Management Letter by MGO Audit Team

Annie Louie, Partner, MGO reported on the Management Letter and their required communications relating to the audit. The purpose of the audit was to form an opinion on the accuracy of the financial statements. The work was not designed to identify control deficiencies; however, if deficiencies were identified in the course of their work they would be addressed in the Management Letter.

Ms. Louie reported there were 2 findings in the current audit and that review of the 4 outstanding findings from prior years indicated they were all partially completed.

The new findings reported were:

- Patient Documentation – A sample of 37 patient accounts identified that insurance documentation could not be located for 9 patients. Another patient was identified in an incorrect financial class based on the documentation in the patient file. This is considered a significant deficiency.
- AHS bank reconciliations included numerous checks that were outstanding for at least a year and had not been turned over to the State. This is considered a control deficiency.

Management has developed action plans to address the cited deficiencies.

There was significant discussion by the committee regarding the extent of findings included in the Management Letter and the fact that the recent re-statement of the financials relating to cash reconciliation and accounts receivable valuation should have been identified as a control deficiency. David Cox, CFO was asked to present a corrective action plan relating to this issue at a subsequent meeting. Since the next scheduled meeting wasn't until April, the committee requested an interim meeting to discuss this issue.

TAB #3 Report: Internal Audit Reporting

A. REPORT: Status on External Financial Audit Management Letter

Mr. Kibler presented a summary schedule identifying corrective action to be taken by management and the due dates for each item were included in the package. The updated status of these items will continue to be reported at future Audit and Compliance Committee meetings.

B. REPORT: Update on FY2015 Internal Audit Plan

Mr. Kibler noted that the FY2015 Annual Audit Plan is on schedule. Final reports have been issued for the IT System Access, Workers Compensation and Encounters with Missing Charges audits. Audits are currently in progress for Charge Capture Surgery, Charge Capture Implants and Contract Review – Engineering.

C. REPORT: IT System Access Audit

Employees and Consultants/contractors can access the AHS network through a desktop computer connected to the system or remotely through a VPN connection (this could be through a laptop or home based computer). Once network connectivity has been established a user can access various internal applications. This review was focused primarily on determining if adequate processes were in place to grant users access to the network through desktop or VPN applications and deactivate users timely when their tenure with AHS was complete.

There were a number of findings cited in the report due to the way the data was broken out and the different tests conducted. In summary, IT had good processes in

place to authorize user access to the AHS network and individual applications; however, the process for de-activation was loose. HR routinely notified IT of employee terminations and access for the majority (95%) of the sampled employees terminated in the last year was terminated timely. Contractors /consultants were more problematic and IT relied on notification from management to terminate access. This was not done in most cases and there were a large number of active user ID's still active. The review did not identify any user ID's being utilized after their effective departure date. IT is currently revamping the network access policy to include de-activating users after a specified of non use. Management will also be educated on process changes.

D. REPORT: Workers Compensation Audit

Workers Compensation insurance is mandated by law and provides wage replacement and medical benefits to employees injured on the job. Employees out of work due to an injury must be replaced by other employees, overtime, or temporary personnel driving up payroll costs. Some employee's health improves to the point they can return to work with restrictions (modified duty) which means they can work, but not necessarily in the role they were in. Use of modified duty arrangements helps minimize extra payroll costs and AHS strives to accommodate all such requests and control the costs of the workers compensation program.

The results of the audit indicated the overall costs for administering the program have decreased approximately \$542K over the previous 3 year period; the number of employees on temporary disability have decreased slightly and disability payments through payroll have decreased by \$155K since FY2012. The additional costs of backfilling positions or payroll costs for employees on modified duty could not be determined based on available time keeping reports. As a result, HR will be modifying the Workers Compensation policy and provide additional training to management on their responsibilities relating to workers compensation.

E. REPORT: Encounters without Charges Audit

Patients register with AHS for medical services and an encounter is established in the system. As services are rendered the charges for services are entered and after a designated amount of time, a bill is created. When no services are captured on an encounter it is designated as an encounter without charges and requires research to determine the cause. There are a number of reasons these encounters without charges occur such as the patient did not show up or a charge document was not completed.

As of July 2014, there were 32,639 encounters without charges in the system. The unbilled encounters were estimated to be approximately \$3 Million in net revenue. Internal Audit worked with IT to refine the reporting and begin routinely distributing the reports to management. Internal Audit also worked with Management to develop reconciliation processes and resolve the outstanding encounters. Currently, there are less than 10,000 encounters without charges and research is continuing on the

outstanding items. Patient Accounting has accepted responsibility to perform ongoing monitoring of encounters to ensure the volumes stay low.

TAB #4 REPORT: Compliance Program

Mike Moye introduced himself as the Interim General Counsel. Mr. Moye reported that he was going to address the Compliance program and that currently there were a number of compliance areas within the company that needed to be tied together. Additionally, there were a number of gaps that needed to be addressed including Joint Commission issues and FQHC audits. He would be developing a roadmap of the items to be accomplished.

The roadmap will address items to start, items to complete and items to be addressed by the Compliance Officer when hired. Discussion ensued and the committee reiterated they wanted the infrastructure developed, not a Plan of how it was to be done.

Mr. Moye stated he would reestablish the Hotline, implement a complaint system and have an interim compliance person before the next committee meeting.

A. Report: Compliance Program

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

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

Public Comment - None

Board of Trustees Remarks - None

ADJOURNMENT: 7:45 p.m.

Respectfully submitted by:



Marla Cox
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
Mike Moye
Interim General Counsel