



## **SPECIAL AUDIT AND COMPLIANCE COMMITTEE MEETING**

**Thursday, December 18, 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**

### **COMMITTEE MEMBERS**

**Kirk E. Miller, *Chair***

**Valerie D. Lewis, Esq.**

**James Lugannani**

**Patricia Scates**

### **MINUTES**

**OPEN SESSION** – The meeting was called to order at 5:55 pm

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: External Audit Reporting**

*David Cox, Chief Financial Officer*

*Annie Louie, Partner, Macias Gini & O'Connell LLP*

#### **A. REPORT: Presentation of DRAFT Annual Financial Statement Audit by MGO Audit Team**

David Cox, Chief Financial Officer introduced Annie Louie, partner, Macias Gini & O'Connell LLP to present the results of the audit and the financial statements. Ms Louie reported that the presented financials for AHS was a "Final Draft" pending approval. The financial statements received an "Unmodified Opinion" which is the highest level and similar to past reports using an "Unqualified Opinion".

Ms. Louie identified two significant items that impacted the financials for this reporting period:

1. The acquisition of San Leandro Hospital and Alameda Hospital;
2. The organizations liquidity as a whole. This is a repeat item and was reported in last year's audit.

Delays were experienced in the conduct of the audit due to difficulties getting data from the two new hospitals and conversion issues that required additional testing. Necessary information was acquired to determine the financials were fairly stated.

Discussion ensued regarding the financial information and the committee's expectations for more feedback on accounting inconsistencies and control weaknesses. Ms. Louie explained that due to the late completion of the audit, potential control deficiencies have not yet been discussed with management and that the management letter comments would be addressed at the next Audit Committee meeting.

The committee was advised that the next scheduled meeting was January 13, 2015 and presentation of the Management Letter was included as an agenda item.


The committee asked if the auditors were involved with management on an ongoing basis. Ms. Louie explained that audit planning starts in April; interim work including control testing was scheduled for June; and final testing is scheduled for September and October. This year there will be more involvement with management because of significant new rules on Pension Liability (GASB 68). This will probably be a significant number impacting the financial statements.

**Public Comment:** No public comments

**Board of Trustees Remarks:** The committee indicated they are still waiting for a compliance report identifying the critical controls, risks and plan to implement an effective program.


**ADJOURNMENT:** 6:45 pm

Respectively submitted by:

  
Marla Cox  
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:

  
Mike Moye, Esq.  
Interim General Counsel