



## **AUDIT AND COMPLIANCE COMMITTEE MEETING**

**Wednesday, June 18, 2025**

**5:00pm-7:00pm**

### **Conference Center Located at Highland Care Pavilion**

1411 East 31<sup>st</sup> Street Oakland, CA 94602

Ronna Jojola Gonsalves, Clerk of the Board  
(510) 535-7515

### **LOCATION:**

Open Session: HCP Conference Center, see above address

Teleconference Location: 4501 Pleasanton Avenue, Pleasanton, CA 94566

### **ZOOM Meeting Link:<sup>1</sup>**

<https://alamedahealthsystem.zoom.us/j/9361457125?pwd=4JnAmhDnBaLqY4GWf4PQBwp3w0Puy2.1&omn=84048245328>

Meeting ID: 936 145 7125

Password: 20200513

One tap mobile

+14086380968,,9361457125# or

+13462487799,,9361457125#

Dial by your location

+1 408 638 0968 US (San Jose)

+1 346 248 7799 US (Houston)

+1 646 518 9805 US (New York)

Find your local number: <https://alamedahealthsystem.zoom.us/u/aeojyFgeyl>

### **MEMBERS**

Greg Garrett

Nicholas Moss, MD

Sblend Sblendorio, Chair

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<sup>1</sup> Log into the meeting at [www.zoom.com](http://www.zoom.com). You will be directed to download the meeting app (free) if you have not used ZOOM previously. ZOOM meetings may be accessed on computers and portable devices.

***NOTE: In the event that a quorum of the Board of Trustees participates on this Committee, the meeting is noticed as a Special Meeting of the Board of Trustees; however, no final Board of Trustees action can be taken.***

## **AUDIT AND COMPLIANCE COMMITTEE MEETING AGENDA**

**SPECIAL NOTE:** Per Brown Act requirements, Trustees of the Alameda Health System will attend board and committee meetings in person at the location(s) noticed on this agenda. Staff and members of the public may attend either in person at the location noticed on this agenda, or remotely via Zoom, using the link included on this agenda.

### **Public Comment Instructions**

If you attend the meeting in person and wish to address the Board or Committee regarding an item on the agenda or in their purview, please see the Clerk of the Board to sign up.

If you attend the meeting remotely and wish to address the Board of Trustees or Committee regarding an item on the agenda or in their purview, send an email to [cob@alamedahealthsystem.org](mailto:cob@alamedahealthsystem.org) prior to the start of the meeting, or via Zoom chat during the meeting. Your comment will be heard at the appropriate time.

Each speaker, whether in person or remote, will be allotted between one and three minutes to speak, depending on the number of speakers present.

### **OPEN SESSION / ROLL CALL**

### **PUBLIC COMMENT**

### **CONSENT AGENDA: ACTION**

#### **A. ACTION: Approval of the Minutes of the March 19, 2025 Audit and Compliance Committee Meeting**

*Recommendation: Motion to approve*

#### **END OF CONSENT AGENDA**

#### **B. DISCUSSION: Cyber Security Update** *E'Jaaz Ali, Chief Information Security Officer*

#### **C. DISCUSSION: Compliance Reporting Summary** *Marilyn Boston, Chief Compliance Officer and Chief Audit Executive* *Akemi Renn, System Director, Compliance* *Bonny Leung, Director, Privacy and Regulatory Compliance* - Privacy Report - Compliance Audits and Consulting Engagements

#### **D. ACTION: Approval of 2026 Internal Audit Annual Workplan** *Marilyn Boston, Chief Compliance Officer and Chief Audit Executive* *Michael Kopecky, Director, Internal Audit*

**E. DISCUSSION: Internal Audit Reporting Summary**

*Marilyn Boston, Chief Compliance Officer and Chief Audit Executive*

*Michael Kopecky, Director, Internal Audit*

- Internal Audit Report
- Financial Audit & Tax Services Quote

**E1 Moss Adams – Financial Audit Plan**

*John Feneis, Moss Adams, Assurance Director*

*Brian Conner, Moss Adams, Engagement Partner*

**F. INFORMATION/WRITTEN REPORTS: Annual Audit and Compliance Committee Agenda Calendar and Follow-Up**

**F1.** Audit and Compliance Committee Reports Annual Calendar

**F2.** Issue Tracking Form

**F3.** Fiscal Year 2026 Ranked Audit Universe Report

**ADJOURNMENT**

**Our Mission**

Caring, Healing, Teaching, Serving All

**Strategic Vision**

AHS will be recognized as a world-class patient and family centered system of care that promotes wellness, eliminates disparities and optimizes the health of our diverse communities.

**Values**

Compassion, Commitment, Teamwork, Excellence, Integrity, and Respect.

**Meeting Procedures**

All items appearing on the agenda are subject to action by the Board of Trustees. Staff recommendations are subject to action and change by the Board of Trustees.

The Board of Trustees is the Policy Body of the Alameda Health System. The Board has several standing Committees where Board matters are the subject of discussion at which members of the public are urged to testify. Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Board Members or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room. Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of the Board or to its members, 1411 East 31<sup>st</sup> Street Oakland, CA 94602.

Members of the public are advised that all Board and Committee proceedings are recorded (audio), including comments and statements by the public in the course of the meetings. Copies of the audio recordings will be made available to the public. Copies of the agendas and supporting documents can be found here: <http://www.alamedahealthsystem.org/meeting-agendas-and-minutes/>. By attending and participating in Board/Committee meetings, members of the public consent to audio recording of any statements they may make during the proceedings.

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### **Disability Access**

The Meeting Rooms are wheelchair accessible. Assistive listening devices are available upon request at the Clerk of the Board's Office. To request accommodation or assistance to participate in the meeting, please contact the Clerk of the Board. Requests made at least 48 hours in advance of the meeting will help to ensure availability.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to perfumes and various other chemical-based scented products. Please help us to accommodate these individuals.

**The AHS Board of Trustees is committed to protecting the private health information (PHI) of our patients. We ask that speakers refrain from disclosing or discussing the PHI of others. Please also know that, should you decide to disclose your PHI, the Trustees will still likely refer your matter, to the extent it involves PHI, to the executive staff for a confidential review of the facts and for confidential handling. If you would like more information regarding the confidentiality of PHI as it relates to the Health Insurance Privacy and Accountability Act, please refer to 45CFR Section 164.101, et.seq.**

## **A. Approval of the Minutes of the March 19, 2025 Audit and Compliance Committee Meeting**



## **AUDIT AND COMPLIANCE COMMITTEE MEETING**

**Wednesday, March 19, 2025**

**5:30pm-7:00pm**

**Conference Center Located at Highland Care Pavilion**

1411 East 31<sup>st</sup> Street Oakland, CA 94602

Ronna Jojola Gonsalves, Clerk of the Board

(510) 535-7515

### **LOCATION:**

Open Session: HCP Conference Center, see above address

Teleconference Location: 4501 Pleasanton Avenue, Pleasanton, CA 94566

### **MEMBERS**

Greg Garrett

Sblend Sblendorio, Chair

David Sayen

## **AUDIT AND COMPLIANCE COMMITTEE MEETING MINUTES**

**THE MEETING WAS CALLED TO ORDER AT 5:00 pm**

**ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:** Greg Garrett, David Sayen (arrived at 5:36pm), Sblend Sblendorio

**ABSENT:** None

**PUBLIC COMMENT:** None

### **CONSENT AGENDA: ACTION**

#### **A. ACTION: Approval of the Minutes of the November 12, Audit and Compliance Committee Meeting**

Trustee Garrett moved, Trustee Sblendorio seconded to approve the Consent Agenda.

**ACTION:** A motion was made and seconded to approve the Consent Agenda.

**AYES:** Trustees Garrett and Sblendorio

**NAYS:** None

**ABSTENTION:** None

**NOTE:** *In the event that a quorum of the Board of Trustees participates on this Committee, the meeting is noticed as a Special Meeting of the Board of Trustees; however, no final Board of Trustees action can be taken.*

**B. DISCUSSION: Cyber Security Update (est. 10 min)**

*E'Jaaz Ali, Chief Information Security Officer*

Trustee Garrett asked if the proposed Data Loss Prevention Capital Project was approved and funded. Mr. Ali said it has been proposed, but it needed to go to another committee for approval. They had backing for it and believed it would be approved. Trustee Garrett asked what the cost would be. Mr. Ali said for the first year it would be estimated at \$200K, as it would not be implemented until the second quarter. Subsequent years would be about \$400K.

Trustee Sblendorio asked if the proposed Data Loss Prevention Capital Project would impact the cyber security insurance premiums. Mr. Azizi said he would report back to the Committee after reviewing with insurance broker.

Trustee Sayen asked how unauthorized user activity could happen. Mr. Ali said it happened when users tried to download and run executables on their computers and they did not have the rights to do so. They would get a pop up telling them to put in a ticket with IT so they could download programs the right way.

Trustee Garrett suggested a graph that demonstrated time to resolve investigations to show the progress they were making in that area.

Trustee Sblendorio asked if there were any other pending capital requests. Mr. Ali said it wasn't really capital, but they were looking at conducting phishing exercises.

Trustee Sblendorio asked who was 'policing' the security work. Mr. Ali said it would be Compliance and Internal Audit.

**C. DISCUSSION: Compliance Reporting Summary (est. 15 min)**

*Marilyn Boston, Vice President, Compliance & Internal Audit*  
*Akemi Renn, System Director, Compliance*

Trustee Sblendorio asked if they monitored the number of Protenus cases at specific locations to determine if a location was having more than average cases. Ms. Boston said they did. They also monitored by department. If they saw a number of cases concentrated by department they would go into that department to do training.

Trustee Sayen asked if the incidents monitored by Protenus were situations where people did something or if they were prevented from doing something. Ms. Boston said the program alerted them when, for example, someone went into a co-worker's files. It was then up to her team to determine if they had a legitimate business need for accessing the records. If it wasn't, then they would investigate. She said they had both "bump the glass" and "break the glass." If an employee entered a patient name a "bump the glass" popup window would ask them if they wanted to "break the glass" and access those records. They would need to give their credentials and a reason before proceeding. Protenus alerted the Compliance team for both instances. If they saw someone repeatedly "bumping the glass" they would work with the employee.

Trustee Garrett asked, regarding AB 352 Reproductive Privacy, if there were concerns regarding gender affirming care specific to the current administration. Mr. Azizi said that was one of the subjects they needed to keep a close eye on and consider how they would be responsive.

**D. DISCUSSION: Internal Audit Reporting Summary (est. 15 min)**

*Marilyn Boston, Vice President, Compliance & Internal Audit*

*Akemi Renn, System Director, Compliance*

Trustee Garrett asked about the Vendor Performance Evaluations. He said it must be an enormous task. Mr. Kopecky said it was possibly hundreds if not close to a thousand vendors that they might have to track. There needs to be a system that pulled the responses or polled the business to respond. Until there was other guidance by the Joint Commission they had been focusing on the top tier businesses.

Trustee Garrett said he was concerned with the quote to an individual stating they should 'just approve' the invoices. Ms. Boston agreed. She said they reviewed that instance and it was a result of the internal system issues around how the invoices were stored and access to previous invoices. In this case the manager was getting the invoices to approve but had no way to go back and see previous invoices. OnBase was cleaning up many of these issues.

Trustee Garrett said the Category of Aid Codes were critical to get right. A lot of money was involved. If providers were not properly documenting, it could be picked up by the Alliance and could raise the category code for the patient. He noted that there were AI systems that could be implemented to help. Ms. Boston said they had been engaging with a vendor for this purpose. Trustee Garrett requested they bring this back for an update once they have a vendor in place.

Trustee Sblendorio asked how the follow up to audit findings, whether the recommendations were implemented and the findings were fixed, was reported. Mr. Kopecky said they made the recommendation, got a management response with a corrective action plan and an implementation date. They followed up on that date and did validation activities to ensure the corrections had been made. Ms. Boston said there was follow up and an escalation process in case the work has not been done. Trustee Sblendorio said it would be nice to see that the work was completed in the reports.

**E. INFORMATION/WRITTEN REPORTS: Annual Audit and Compliance Committee Agenda Calendar and Follow-Up**

- E1.** Audit and Compliance Committee Reports Annual Calendar
- E2.** Issue Tracking Form
- E3.** Fiscal Year 2025 Ranked Audit Universe Report

**ADJOURNMENT: 6:45**



## **B. Cyber Security Update**

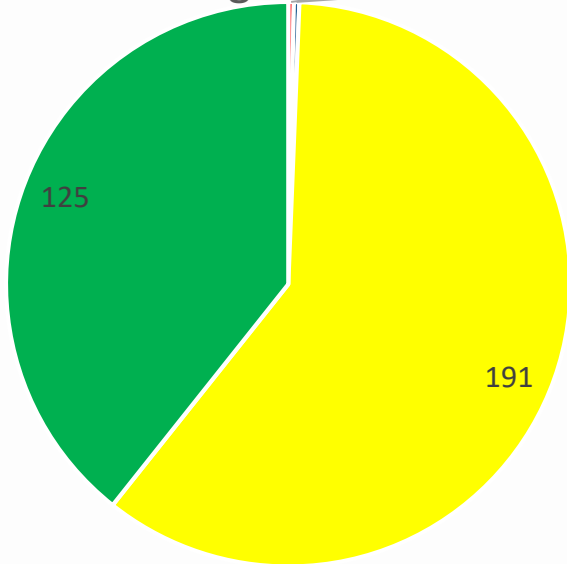
# Cybersecurity Report

E'Jaaz Ali ( CISO)

# Risk Management Dashboard

open risk	% risks >= Threshold	% risks >= threshold in progress	Risk closed last 30 days	Risk assessments completed last 90 days
319 ( -16)	60.8	100%	7	24

Risk Rating Breakdown <sup>1</sup>



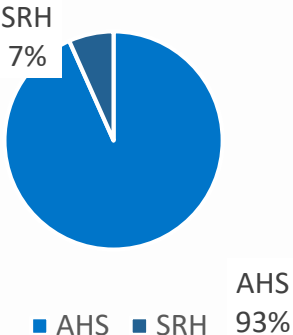
	Rare	Unlikely	Potential	Likely	Almost Certain
Critical	0	189	1	1	1
Major	0	17	2	0	0
Moderate	0	39	1	0	0
Minor	0	46	22	0	0
Insignificant	0	0	0	0	0

## Top Risks

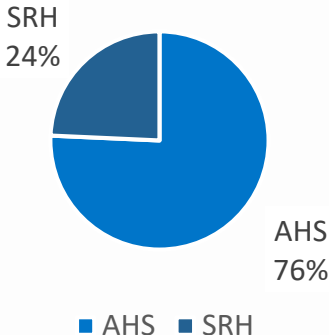
1. Data Loss Prevention
2. Identity Governance
3. End of Life Assets
4. Critical Vuln
5. High Vuln

# Asset Management Management Dashbord

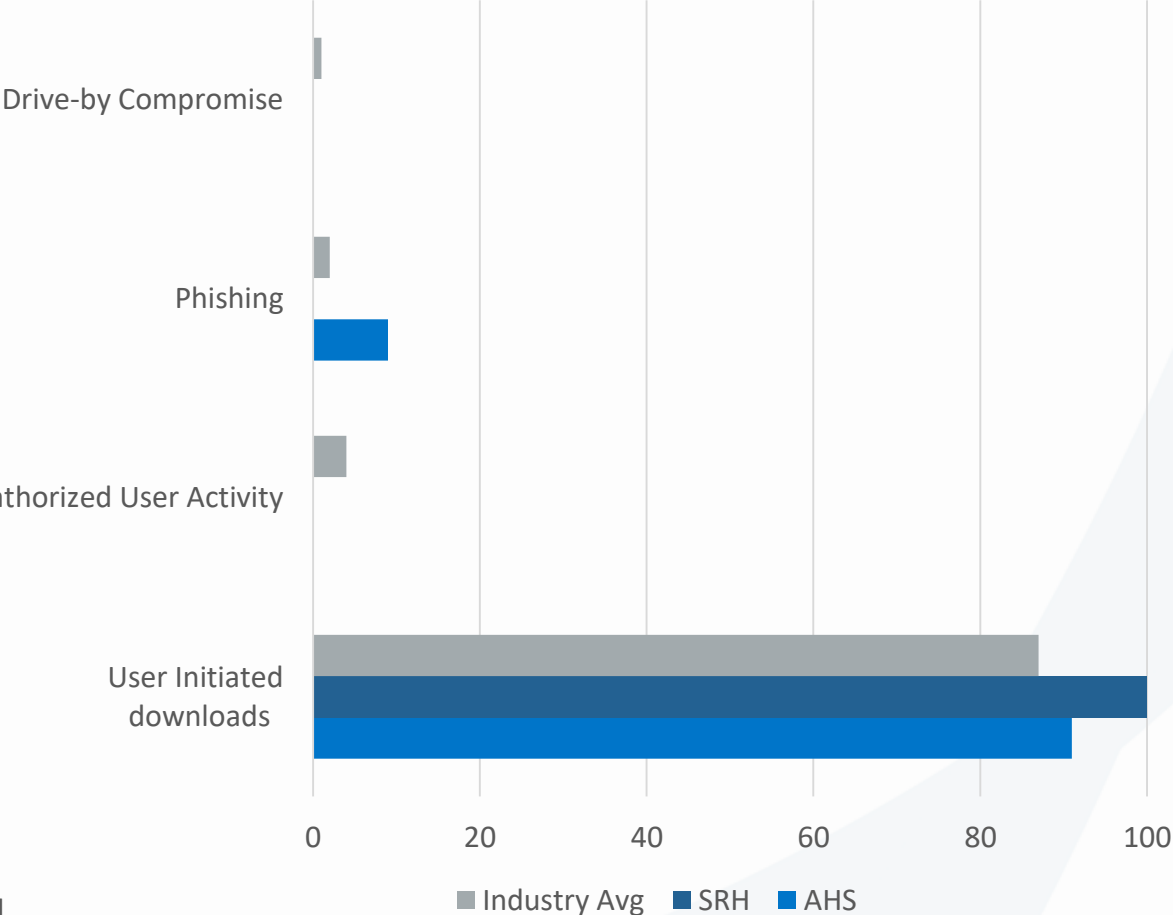
Assets



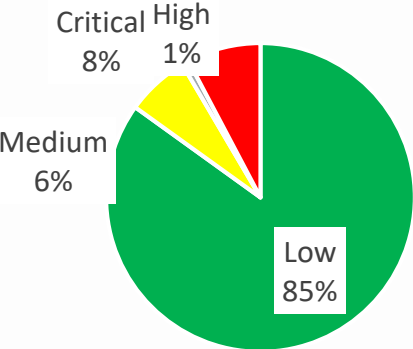
Vulnerabilities



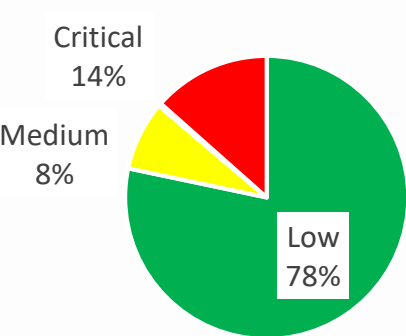
Asset Attack Vectors



AHS Vulnerabilities



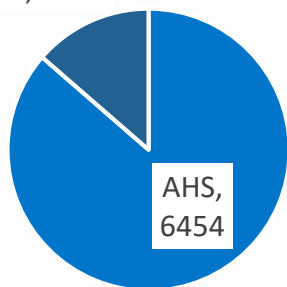
SRH Vulnerabilities



# Identity Governance

Total Users

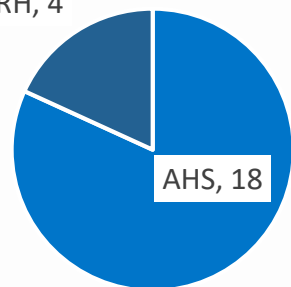
SRH, 1017



■ AHS ■ SRH

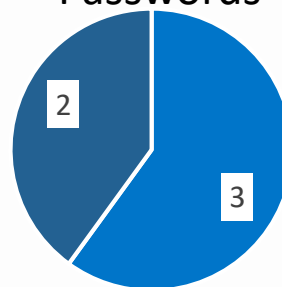
Total Privileged

SRH, 4



■ AHS ■ SRH

Weak Passwords



■ AHS ■ SRH

## Highlights

1. SRH weak passwords are now at a managed level
2. SRH reduced its user count by 62%
3. Overall identity risk is lowered

AHS Identity Risk Matrix

Risk Matrix



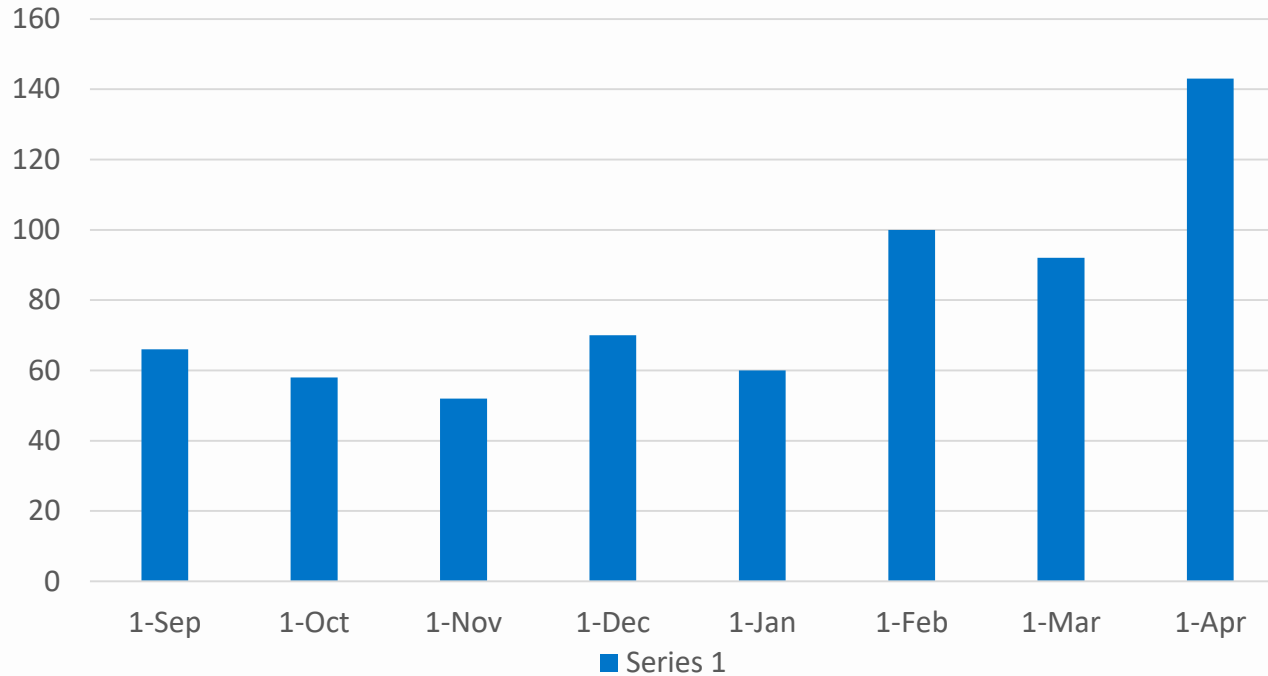
SRH Identity Risk Matrix

Risk Matrix

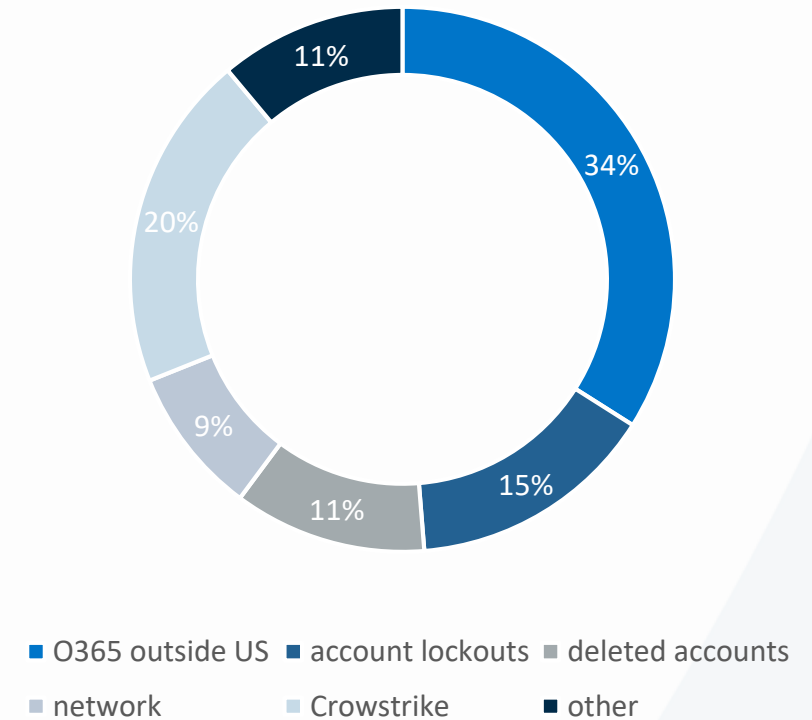


# 24x7 Security Operation Center

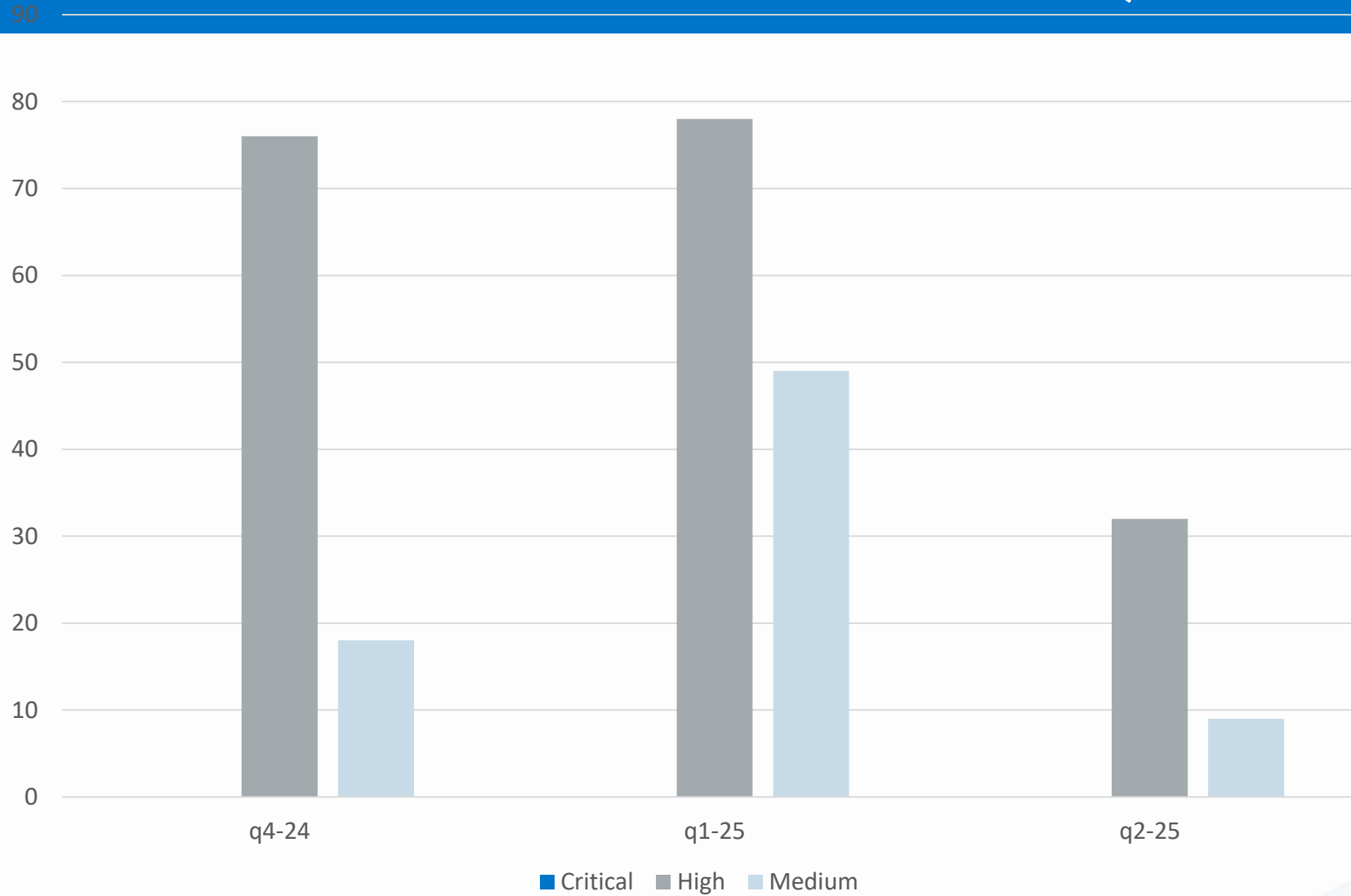
Investigation History



Investigations



# TIME TO RESOLVE INCIDENTS BY SEVERITY ( in minutes)



# Any Questions/Comments

**Thank You**  
For Your Attention!

Any Questions





## **C. Compliance Reporting Summary**



## Audit and Compliance Summary Report – June 2025



## Privacy Report

Marilyn Boston, Chief Compliance Officer and Chief Audit Executive  
Bonny Leung, Director, Privacy and Regulatory Compliance

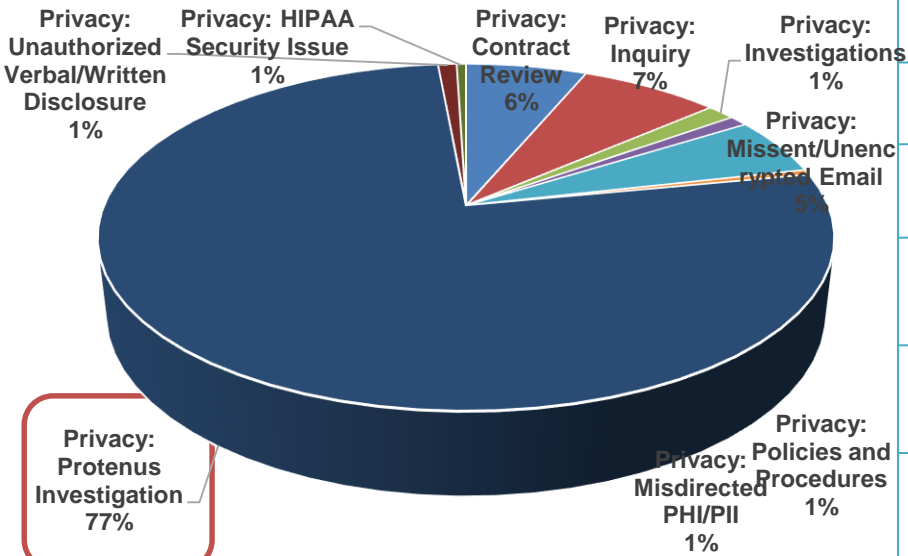
# Privacy Dashboard

3<sup>rd</sup> Quarter FY2025: January 1, 2025 – March 31, 2025

Privacy Reported Issues	1 <sup>st</sup> QTR	2 <sup>nd</sup> QTR	3 <sup>rd</sup> QTR	4 <sup>th</sup> QTR
New This Period*	257	128	205	
Closed This Period	306	101	216	
Total Pending Resolution	127	94	150	
Reported To Government Agency	0	1	0	
New High-Risk Cases	0	1	0	

Issue Type	New Privacy Cases Reported
Privacy: Protenus Investigations (157)	<ul style="list-style-type: none"> <li>Self Access</li> <li>Family Member Access</li> <li>Suspicious Activity</li> <li>Coworker Access</li> <li>Break the Glass</li> <li>VIP</li> <li>Neighbor Access</li> </ul>
Privacy: Contract Review (13)	<ul style="list-style-type: none"> <li>BAA Analysis/Review</li> <li>Contract Analysis/Review</li> </ul>
Privacy: Missent/Unencrypted Email (11)	<ul style="list-style-type: none"> <li>Zix Notifications</li> </ul>
Privacy: Misdirected PHI/PII (2)	<ul style="list-style-type: none"> <li>Rx Delivered to Wrong Address</li> </ul>
Privacy: Inquiry (15)	<ul style="list-style-type: none"> <li>Privacy Inquiries/Questions</li> </ul>
Privacy: Policies and Procedures (1)	<ul style="list-style-type: none"> <li>AI Policy Review</li> </ul>
Privacy: Unauthorized Verbal/Written Disclosure (2)	<ul style="list-style-type: none"> <li>Possible Unauthorized Disclosure</li> </ul>
Privacy: Investigations (3)	<ul style="list-style-type: none"> <li>OPD Incident</li> <li>Misdirected Pharmacy Package</li> <li>Potential Privacy Concerns</li> </ul>
Privacy: HIPAA Security Issue (1)	<ul style="list-style-type: none"> <li>CLS Restricted Accounts Review</li> </ul>

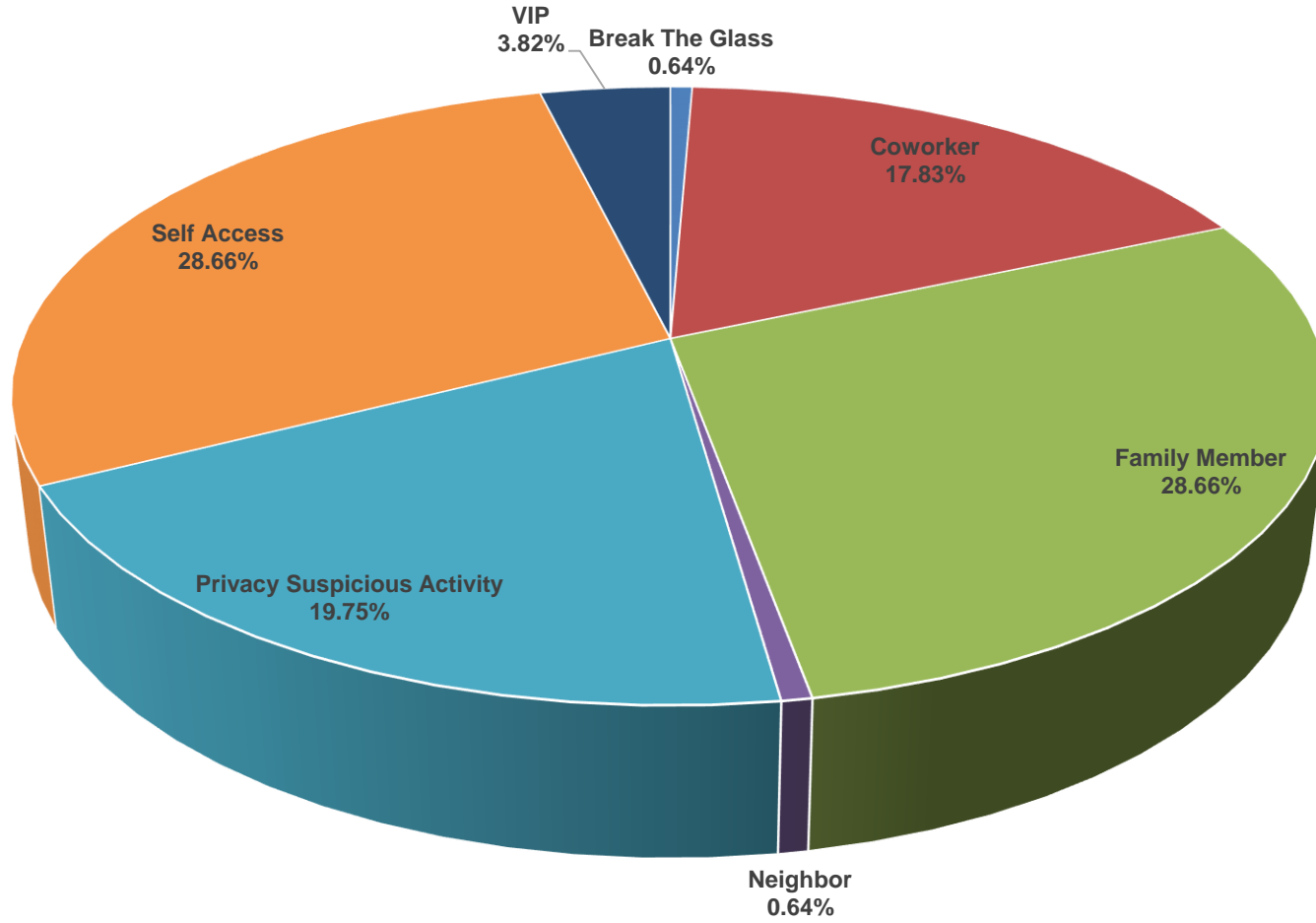
## \*Q3 New Cases



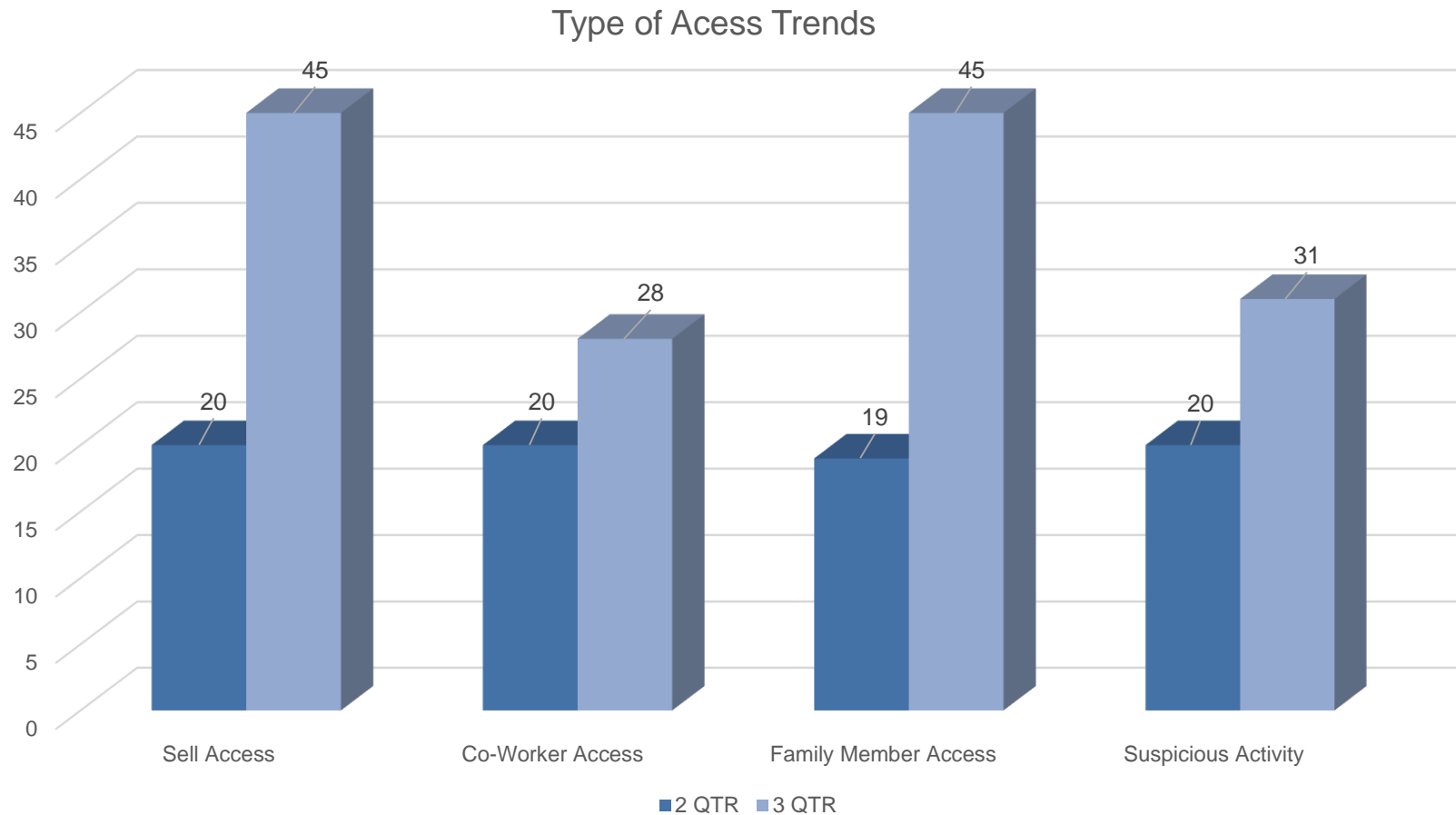
## Protenus Dashboard

3<sup>rd</sup> Quarter FY2025: January 1, 2025 – March 31, 2025

**\*Q3 New Protenus Cases**



# Top Areas of Concerns





# Privacy Benefits and Savings

## Avoiding fines and penalties

- Potential regulatory fines for 2025 HIPAA is \$141 to over \$2M and CMIA penalties range from \$2,500 - \$25,000 per violation. *Source: HHS is the overarching federal agency for HIPAA, CDPH for CMIA*

## Efficiency gains

- Proactive privacy monitoring automation can reduce case review and investigation time up to 70%, allowing the focus on higher-priority tasks. *Source: Protenus*

## Cost savings from risk reduction

- On average, employee training and AI/machine learning insights can save organizations a total of \$517,167. *Source: IBM Cost of a Data Breach Report 2024*

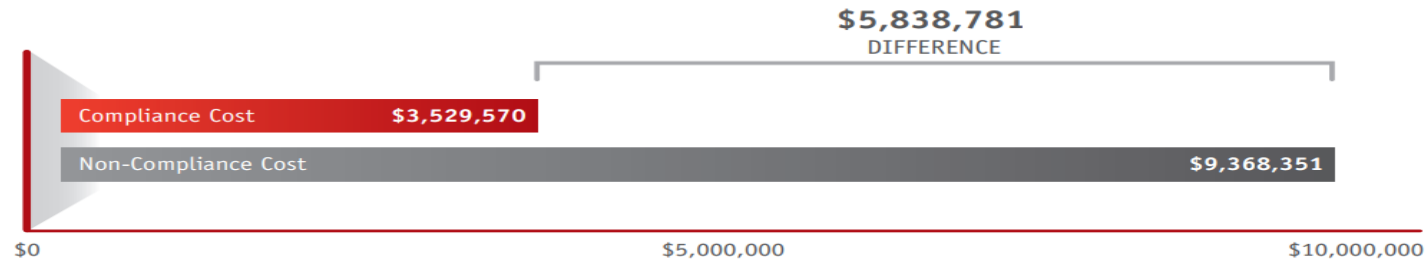


## Compliance Audits and Consulting Engagements

Marilyn Boston, Chief Compliance Officer and Chief Audit Executive  
Akemi Renn, Director, System Compliance



# Compliance Costs vs Compliance ROI



Source: Benchmark Study of Multinational Organizations by Ponemon Institute, January 2011

## Compliance Costs

### Direct Costs

- Staffing Costs
- Technology/Software
- Audit and Monitoring
- Risk Assessment
- Investigations
- Training and Education

### Indirect Costs

- Fines and Penalties
- Reputational Damage
- Productivity Loss

## Compliance ROI

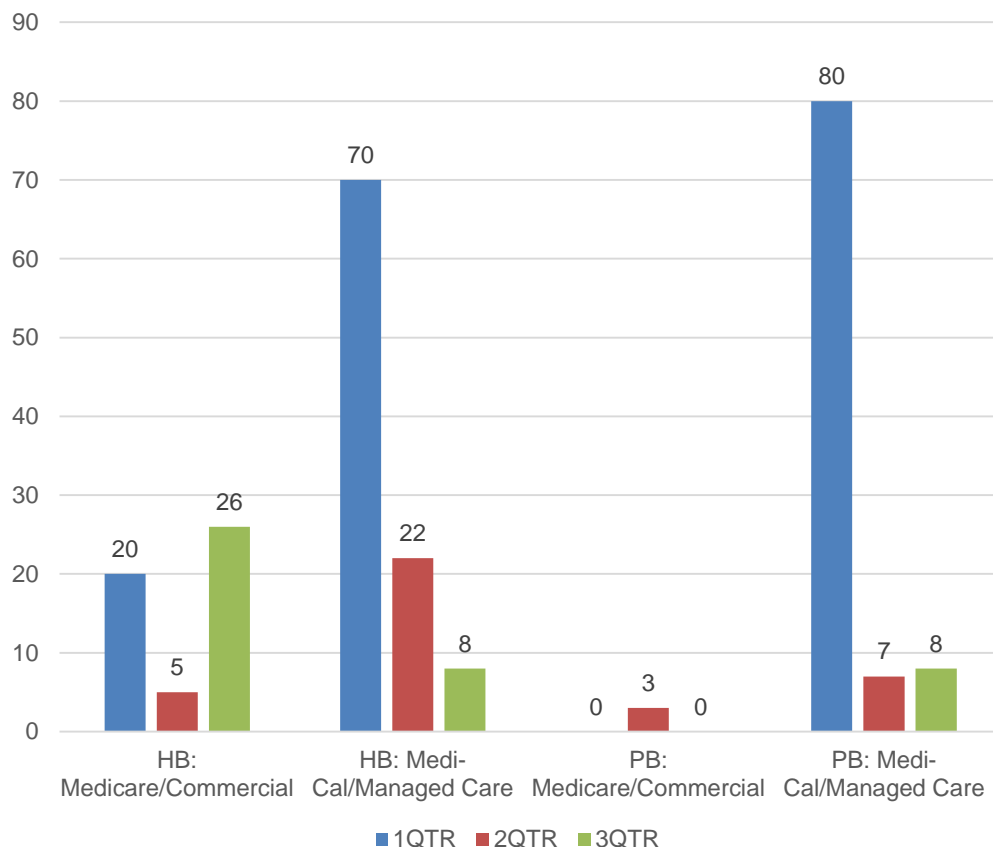
### Cost Savings

- Improve Operational Efficiencies
- Prevent Expensive Mistakes
- Reduce Risks
- Reduce Fines and Penalties

# 340B Compliance Audits

## HRSA 340B Drug Pricing Program

Trends in Number of Errors



Prevent Regulatory Penalties	Compliance ROI
<p>HRSA Penalties for Covered Entities:</p> <ul style="list-style-type: none"> <li>• Repayment of Discounts</li> <li>• Disqualification from the 340B Program</li> <li>• Removal of Contract Pharmacies from 340B Program</li> </ul>	<p>\$17M FY 2024 Savings due to drug discounts.</p> <p>Conducting quarterly audits identify errors so corrections can be made promptly.</p>

## Compliance Audits and Investigations

Audit Description	Status	Preventing Regulatory Fines and Penalties	Financial Impact (Costs, Savings, Revenue)	ROI: Operational Efficiencies
<b>CMS Complaint Allegation of the No Surprised Act (NSA)</b> Rights and protections for consumers to end surprise bills and remove consumers from payment disagreements between their providers	Pending CMS Review	No Surprised Act (NSA) – Up to \$100 per day for incorrect claim processing <u>and</u> up to \$10,000 for compliance errors	Cost Savings: \$11 000 (Met CMS deadline to avoid potential penalties)	271 accounts reviewed by Revenue Cycle teams. Findings show NSA requirements met.
<b>CMS Warning Letter – Hospital Price Transparency Violation</b> The availability of clear and accessible information about the cost of healthcare services and items, allowing patients and consumers to make informed choices	Completed: Corrections made to resolve potential penalties	Public Health Service Act (PHS) - \$310 - \$5,500 per hospital for 31 to 550 beds, times \$10 for each number of beds	Cost Savings: \$2,934,600/year (804 beds total x \$10 x 365)	Annual audits will be conducted by Internal Audit team to ensure hospital standard charges meet CMS requirements.
<b>Services Performed without Privileges</b> Provider did not have privileges for services at Alameda Hospital since 2016. 143 claims identified. Legacy data from 2016 to 2018 is pending.	In Progress	False Claims Act (FCA): \$5,000 - \$10,000 per claim, plus 3 times for treble damages <u>and</u> \$500,000 for organizations	Pending Audit Results	MSO approved privileges at AH for physician so services can be provided going forward.
<b>FQHC Ancillary Services</b> All-Inclusive Clinic Services that do not allow separate reimbursement for ancillary services.	In Progress	Federal funding under Section 330 of the Public Health Service Act (PHS): Refunds required.	Pending Audit Results	Annual audits will be conducted to ensure compliance with FQHC rules.

# Compliance Consulting

Consulting Engagement	Status
Patient Partner Collaboration for AHS Programs and Activities	In Progress
Use of “Doctor” Title for Non-Physician Leaders	In Progress
Vendor’s Compliance with AHS Policy	In Progress
Incident-To Services by Advanced Practice Practitioners (APPs)	Completed
Nephrology Professional Fee Services (PFS) with Outside Dialysis Center	Completed
Ophthalmology Provider Services for New Patients	In Progress
Frick Academy Dental Project	In Progress
Billing Guidelines on FQHC and Non-FQHC Rules	In Progress

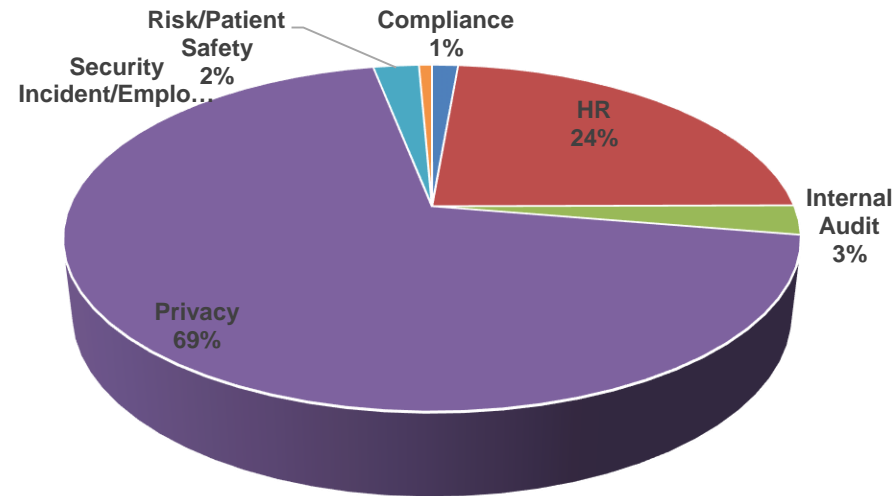


# Compliance Dashboard

3<sup>rd</sup> Quarter FY2025: January 1, 2025 – March 31, 2025

Compliance Reported Issues	1 <sup>st</sup> QTR	2 <sup>nd</sup> QTR	3 <sup>rd</sup> QTR	4 <sup>th</sup> QTR
New This Period*	383	227	295	
Closed This Period	438	251	263	
Total Pending Resolution	217	161	426	
Reported To Government Agency	0	1	0	
New High-Risk Cases	3	8	4	

## \*Q3 New Cases



Issue Type	New Cases Reported
Compliance (4)	<ul style="list-style-type: none"> <li>Falsified Documentation</li> <li>Status Order Correction</li> <li>FindHelp Implementation</li> </ul>
Privacy (205)	<ul style="list-style-type: none"> <li>Protenus Investigations</li> <li>Contract Review</li> <li>Misdirected PHI</li> <li>Possible Unauthorized Disclosure</li> <li>Zix: Missent/Unencrypted Emails</li> </ul>
HR (69)	<ul style="list-style-type: none"> <li>Employee Relations Incidents</li> <li>Hostile Work Environment Allegations</li> <li>Harassment Allegations</li> <li>Retaliation Allegations</li> <li>Staffing and Scheduling Concerns</li> </ul>
Security Incident/Concern (2)	<ul style="list-style-type: none"> <li>Safety Concerns</li> </ul>
Internal Audit (8)	<ul style="list-style-type: none"> <li>Global Payment Program Audit</li> <li>Accounts Payable Audit</li> </ul>
Risk/Patient Safety (7)	<ul style="list-style-type: none"> <li>Patient Safety Concern</li> </ul>



# PROJECTS



## Compliance and Internal Audit Projects

# Preferred Name and Pronoun Realignment

Key Milestones	Status
Policy Update	Completed
Data Collection Measurement Report	Completed
Union Notification	Completed
Epic Storyboard	Completed
Epic Upgrade Changes	Completed
Develop Stainable Monthly Reports	Completed
Epic and Sensitivity Training <ul style="list-style-type: none"><li>• Develop Operational Standards</li><li>• Build Training Document and Job Codes</li><li>• E-Learning and Competencies</li></ul>	In Progress
Phase 2: Preferred Name/Legal Name in Any Materials Printed and Displayed	Discovery Phase



# Patient Dispute Process

Key Milestones	Status
Update Grievance Policy	In Progress
Create Standard Operating Procedures	In Progress
Create Workflow for Resolution	In Progress
Discontinue Form Distribution During Interaction	In Progress
Create Online Form in Midas	In Progress

# Research Governance Structure

Key Milestones	Status
Create a Governance Structure	In Progress
Identify Key Stakeholders/Committee Members	In Progress
Create Workflow for Reviewing Potential New Research Studies	In Progress

# AB 352 Reproductive Privacy

Key Milestones	Status
Regulation Review and Interpretation	In Progress
Security Assessment Review	In Progress
Policy Workflow Development	Pending
Epic Implementation Changes <ul style="list-style-type: none"><li>• Data segmentation</li><li>• Access control</li><li>• Disclosure restrictions</li></ul>	Pending

AB 352 adopts privacy protections for information about gender affirming care, abortion, abortion-related services, contraceptives, and to prevent out-of-state prosecution against individuals who come to California for abortion or reproductive health-related medical services or gender affirming care.

Requires AHS to develop capabilities to:

- Limit user access privileges to information systems to those persons who are authorized to access the medical information.
- Prevent the disclosure, access, transfer, transmission or processing of such information to any person or entity outside of California.
- Segregate medical information from the rest of a patient's medical record.
- Provide the ability to automatically disable access to segregated medical information by individuals and entities in another state.

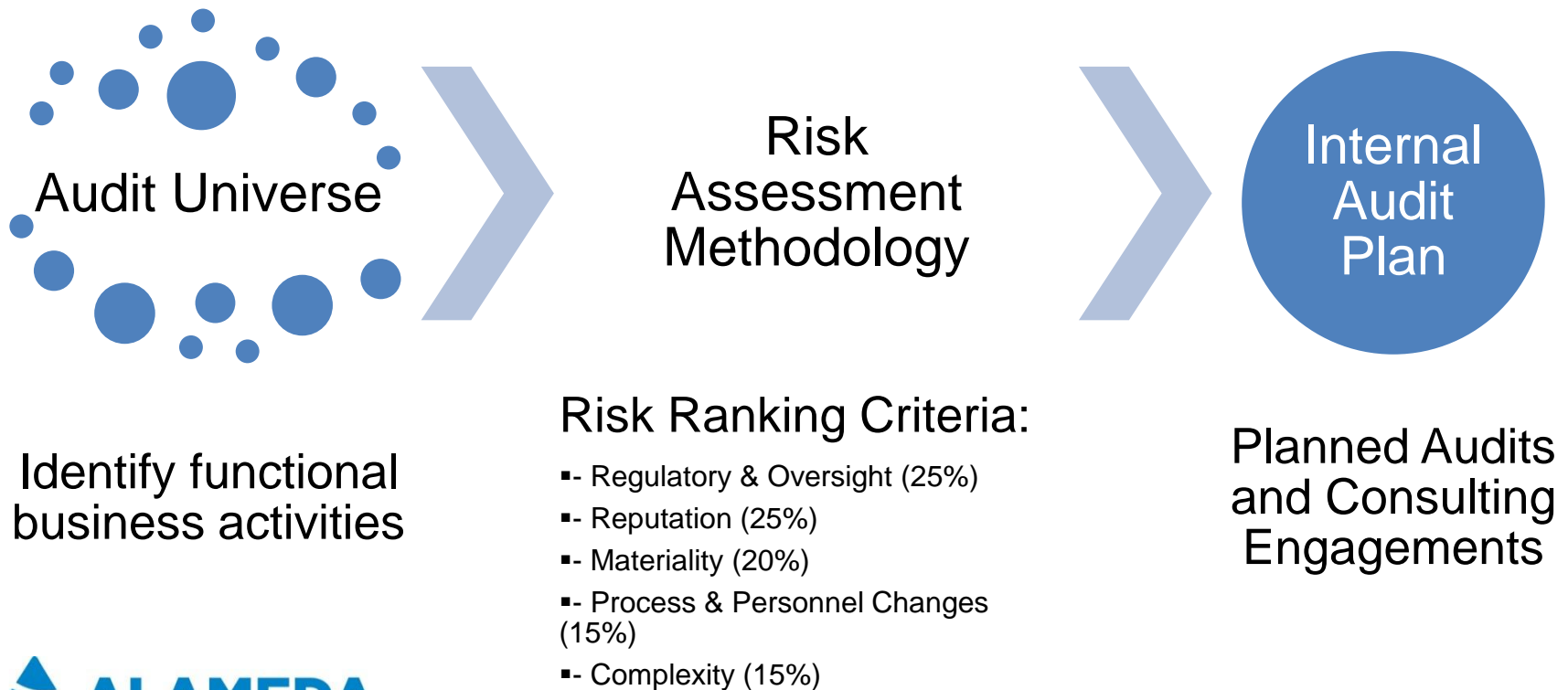
## **D. Approval of 2026 Internal Audit Annual Workplan**



## | AHS FY 2026 Internal Audit Annual Workplan

# Internal Audit Risk Assessment

Internal Audit Standards require a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.



# FY 2026 Ranked Audit Universe

## HIGH Risk Audit Areas

3.90	(2025) (2024) (2024) (2025)	Identity and Access Mgt. Physician Contracting Prof. Billing (PB) Revenue Cycle Reimbursement	3.40		System and Servers Mgt. Access Provisioning Business Data Integrations <i>Cash Posting (carryover)</i> Collections/Follow-up Denials	3.00	(2025)	Payor Relations Professional Billing Coding Parking Program Quality Incentive Pool (QIP) <i>Post-Award and Gift Process</i> Pre-Award and Gift Process
3.70		Grants/Special Projects <i>Hospital Registration (carryover)</i> Infection Prevention & Reporting	(2025)		Engineering Infrastructure Mgt. Hospital Billing (HB) Revenue Cycle <i>John George Revenue Cycle</i> Utilities Management	2.90	(2025) (2025) (2024)	Accounts Payable Business Vendor Risk Assessment Payroll and Timecard
3.60		Desktop Security <i>EHR Access and Data Security</i> Non-Physician Contracting Physical Security Mgt. - Sheriff Physical Security Mgt. - Vendor Revenue Integrity	3.30		Employee Relations/Labor Relations	2.80		Clinical Data Monitoring State Licensing
3.50		Network Management	3.10		<i>Accreditation Management</i> Certification Management Food and Nutrition			

## MEDIUM Risk Audit Areas

2.70		Customer Service Media and Communications			Enrollment Services Quality Incentive Pool Reporting			Employee Competency Training <i>Health Information Mgt. Requests</i> Help Desk
2.60		Patient Relations Physician Peer Review	2.40		Fire and Life Safety Gift Processing and Records Mgt. Reporting and Analytics			Performance Improvement Teams Quality and Patient Safety Objectives and Key Results Reporting
2.50		Budgeting and Operations Cashiers Office -- NEW Community Health Worker Program	2.30		Clinical Compliance Investigation Core Measures			

## LOW Risk Audit Areas

2.20		Community Engagement Corporate Comms. and Marketing Event Reporting Foundation Accounting Services	1.80		Primary Care Capitation Telecommunications	1.30		Linens Management Project Management
2.10		Bio-Medical Devices Facilities and Master Plan Dev. PBX Phone Operations	1.70		Environmental Services Government/Legislative Affairs New Construction			Cash Management Change Management Just Culture Project Management Governance Registration Quality and Training Vehicle Fleet Program
2.00		Authorizations Clinical System Record Support	1.60		AHS Accounting Services Simulation Program	1.00		Compensation Culture of Safety Employee Relations Consultants
1.90		On Call	1.40		Root Cause Analysis Hazardous Waste Disposal			

# FY 2026 Internal Audit Plan

## **Risk Based Audits – 60%**

- Cash Posting (carryover)
- Hospital Registration (carryover)
- EHR Access and Data Security
- John George Revenue Cycle
- Accreditation Management
- Post-Award and Gift Process
- Health Information Management Requests
- TBD – Senior Leadership Selection

## **Recurring Audits – 5%**

- CMS Open Payments Audit (Annual)
- Exclusion Testing (Monthly)

## **Follow-up – 10%**

## **Consulting, Special Projects, and Management Request – 25%**



# Action Item

- Approval of FY 2026 Internal Audit Workplan

## **E. Internal Audit Reporting Summary**



## Internal Audit Update

# FY 2025 Internal Audit Plan

## Risk Based Audits

	Status
• E-Consult (carryover)	Completed
• Business Vendor Risk Assessment	Completed
• Accounts Payable	Completed
• Primary Care Capitation	Completed
• Reimbursement	Completed
• Engineering Infrastructure & Facilities Management	Completed
• Identity and Access Management	Completed
• Cash Posting (FY2025 – Q4)	Not started
• Hospital Registration (FY2025 – Q4)	In progress

## Recurring Audits

• CMS Open Payments and Form 700 Audit (Annual)	In progress
• Exclusion Testing (Monthly)	In progress

# FY 2025 Internal Audit Plan (cont.)

Consulting, Special Projects and Mgt. Requests	Status
• 2024 Single Audit Controls Validation Support	Completed
• Information Security Policy Review	Completed
• AHS Website Pricing Transparency	Completed
• Financial Audit Services Quote Solicitation	Completed
• Controls Efficiency and Automation – Exploratory	Completed
• Vendor Integrity Assessment	In progress
• 2025 Single Audit Controls Validation Support	In progress
• Enterprise Risk Management – Inventorying	Not started



Engineering Infrastructure & Facilities Management





# Engineering Infrastructure & Facilities Management | Scope, Objectives & Results

Scope	7/1/2024 – 4/30/2025
Objective 1	Evaluate facility management control design to ensure it effectively monitors, prioritizes and communicates facility repairs, preventative maintenance, and infrastructure activity.
Objective 2	Ensure that policies and procedures for facility repairs, maintenance, and capital planning are documented, and followed.
Objective 3	Ensure that facility maintenance projects align with organizational objectives and are reviewed and approved appropriately.
Objective 4	Assess the effectiveness, accuracy, and timeliness of service ticket management, ensuring compliance with internal controls, regulatory standards, and operational efficiency.
Objective 5	Verify that system security policies and procedures are documented and regularly reviewed for compliance with organizational and regulatory requirements.
Objective 6	Verify that physical and system access controls are in place to effectively restrict access to sensitive infrastructure and systems.



## Results

Based on the overall audit test results, control design examination and processing compliance, Internal Audit has assessed AHS's Engineering Infrastructure & Facilities Management processes and controls as **Unsatisfactory**.

Exceptional

Satisfactory with  
Exceptions

Unsatisfactory





# Finding 1 – Date Management Controls

## Finding Description

AHS's engineering infrastructure and facilities management function utilizes a computerized maintenance management system, Accruent TMS, to track 631,000 repair and maintenance work orders dating back to 1996.

During test work, Internal Audit identified the following system configuration deficiencies:

**Work Order Date Entry** – The system allows work orders to be closed without requiring a completion date. As a result, **6,886** work orders from the past 5 years (2020 – 2025), were found to be in a “completed” or “closed” status with no completion date.

**Work Orders Completion Logic** – The system also allows for users to change the completion date and allows for completion dates before the work order was created. Since inception, **68,175** work orders were found to have a completion date occurring before the creation date, of which, 2,537 work orders were created during the past 15 months (ending 3/31/2025).

Without strict date management controls, AHS cannot reliably determine when work was completed or if it was completed timely.

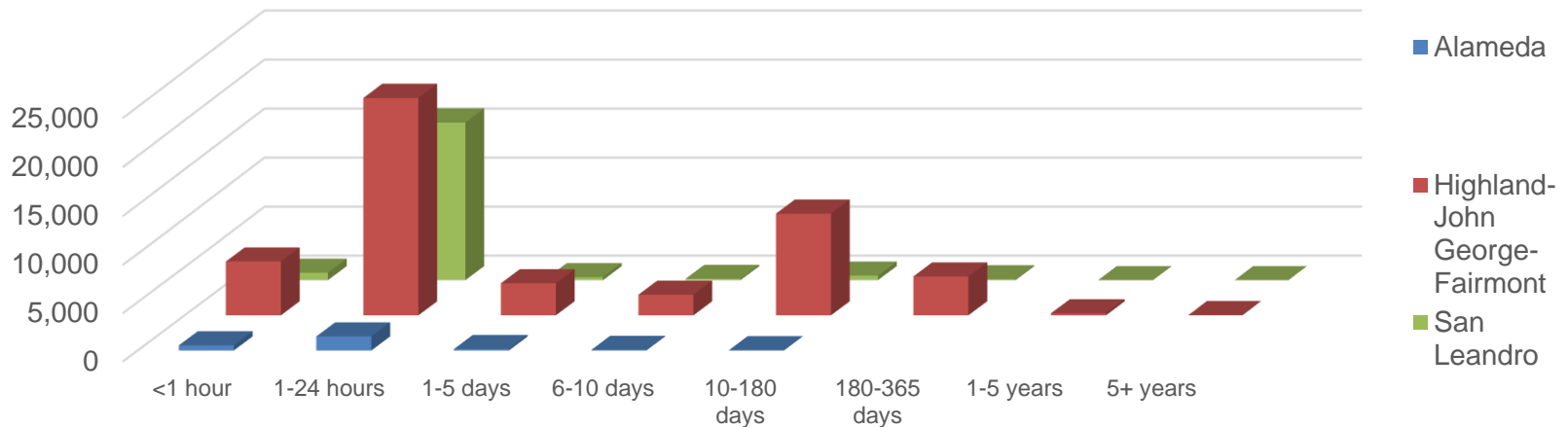
## Recommendation

Implement logical controls within Accruent TMS to prevent work orders from being marked as completed before creation and require a completion date to close a work order.

# Finding 1 – Date Management Controls (cont.)

## 68,175 Work Orders Completed Before Creation Date

Aging	Alameda	Highland-John George-Fairmont	San Leandro	Grand Total
<1 Hour	533	5,576	770	6,879
1-24 Hours	1,462	22,266	16,123	39,851
1-5 Days	148	3,318	309	3,775
6-10 Days	68	2,132	132	2,332
10-180 Days	34	10,466	472	10,972
180-365 Days	-	4,029	91	4,120
1-5 Years	-	211	2	213
5+ Years	-	32	1	33
<b>Grand Total</b>	<b>2,245</b>	<b>48,030</b>	<b>17,900</b>	<b>68,175</b>



# Finding 2 – Priority Code Standardization

## Finding Description

Repair work orders address infrastructure components that have broken down, been damaged, or stopped functioning and require immediate fixing. Maintenance work orders schedule the inspection, servicing, and replacement of infrastructure and equipment at planned intervals determined by manufacturer recommendations, industry standards, and regulatory requirements. AHS's utilizes Accruent TMS, a computerized maintenance management system, to track work order repairs and maintenance. Work orders are assigned a priority code to indicate urgency and expected completion timeline.

Internal Audit summarized all **101,510** repair and maintenance work orders completed between 2020 – 2025 by AHS priority code (refer to table on the following slide). Internal Audit noted the following deficiencies related to work order priority codes:

- Work order priority codes are not standardized across the organization.
- Nearly 5,000 work orders have no priority code (i.e., uncategorized).
- Maintenance work orders use a 24-hour, 5-day, 30-day priority codes, rather than a completion date to drive prioritization, planning, and monitoring.
- Work order completion rate by priority code is not a metric utilized to evaluate resource management; refer to the Internal Audit created average days to complete metric (Appendix slides).

Without standardized and consistent use of priority codes, AHS cannot reliably allocate resources efficiently and address urgent issues, which can directly impact equipment downtime, reliability, workplace and patient safety and related compliance risks.

## Finding 2 – Priority Code Standardization (cont.)

### Work Orders by Priority Code (2020-2025)

Priority Code	Alameda	Highland-John George-Fairmont	San Leandro
24 HOURS	635	1,914	4
3 Days	9,364	160	-
5 DAYS	436	24,025	11,383
30 DAYS	505	14,360	77
PM/PE: 30 DAYS	3,313	30,163	224
<b>Uncategorized</b>	<b>257</b>	<b>182</b>	<b>4,508</b>
EOC	257	182	-
Health and Safety Issue	-	-	2,124
Life Safety Issue	-	-	918
Patient Care Request	-	-	10
Routine Maintenance	-	-	1,182
Safety/ EOC issue	-	-	274
<b>Grand Total</b>	<b>14,510</b>	<b>70,804</b>	<b>16,196</b>

## Finding 2 – Priority Code Standardization

### Recommendation

To effectively and efficiently monitor, prioritize and deploy AHS engineering and facility related resources, AHS Engineering and Facilities management should:

1. Standardize priority codes across all facilities, and
2. Develop and implement work order metrics, such as work order aging, completion rates (see APPENDIX slides), maintenance work order date tracking.

# Finding 3 – Accruent TMS Utilization

## Finding Description

AHS's engineering infrastructure and facilities management function utilizes a computerized maintenance management system, Accruent TMS. Systems like Accruent TMS, are designed to improve workflow efficiency by allowing management to schedule, assign and close work orders quickly and easily. In addition, it can capture the history associated with every piece of infrastructure equipment.

During testing, Internal Audit noted **19,253** work orders are active or pending, with **13,700** more than one year old.

Internal Audit tested a sample of 40 work orders (20 repair, 20 maintenance) and noted the work orders did not include the following:

- Work plan details or notes on items requiring replacement or repair,
- Cost or expense information for items needed to complete the work,
- Assigned employee(s) or supervisor approvals.

Furthermore, facility site managers shared that they generally print the work order and use it as a reference to complete the repair or maintenance work. When the repair or maintenance work is completed, they do not prioritize marking the work order complete or include additional notes in Accruent TMS.

When work orders are not closed out with relevant information, management cannot effectively monitor and track AHS's facility repair resources and maintenance needs.

## Recommendation

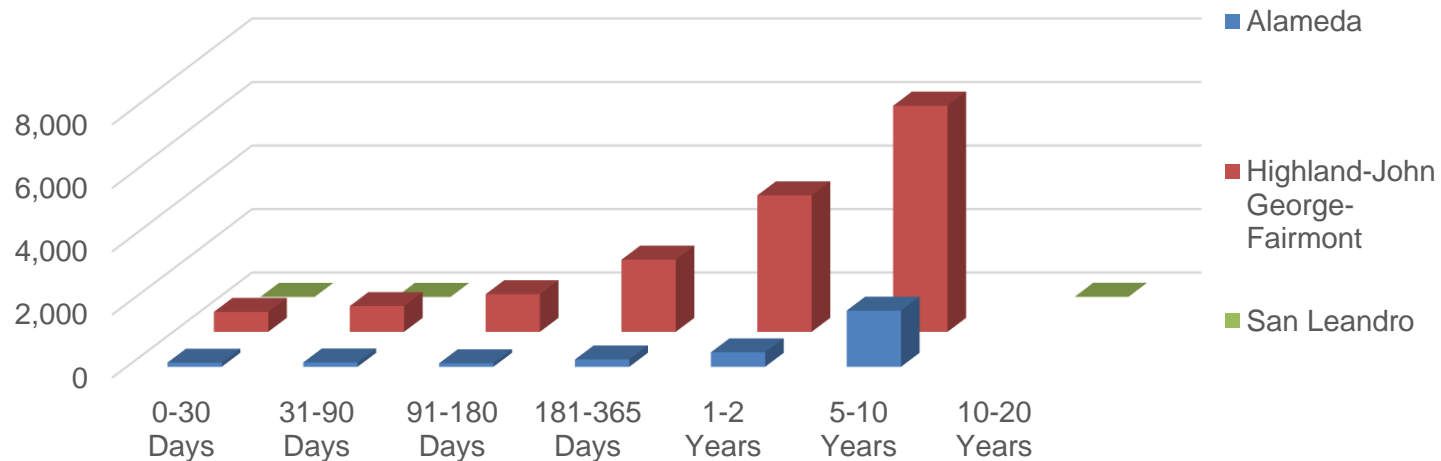
AHS's Engineering and Facilities department should evaluate and prioritize resolution of work orders greater than 1 year old. AHS should develop unified and standardized policies and procedures to ensure consistent work order data capture in Accruent TMS.

## Finding 3 – Accruent TMS Utilization (cont.)

**Table 1: Open Work Order Aging (As of 3/31/2025)**

Aging	Alameda	Highland-John George-Fairmont	San Leandro	Grand Total
0-30 Days	130	633	2	765
31-90 Days	139	819	1	959
91-180 Days	112	1,195	-	1,307
181-365 Days	233	2,289	-	2,522
1-2 Years	459	4,314	-	4,773
5-10 Years	1,783	7,138	-	8,921
10-20 Years	-	-	6	6
<b>Total</b>	<b>2,856</b>	<b>16,388</b>	<b>9</b>	<b>19,253</b>

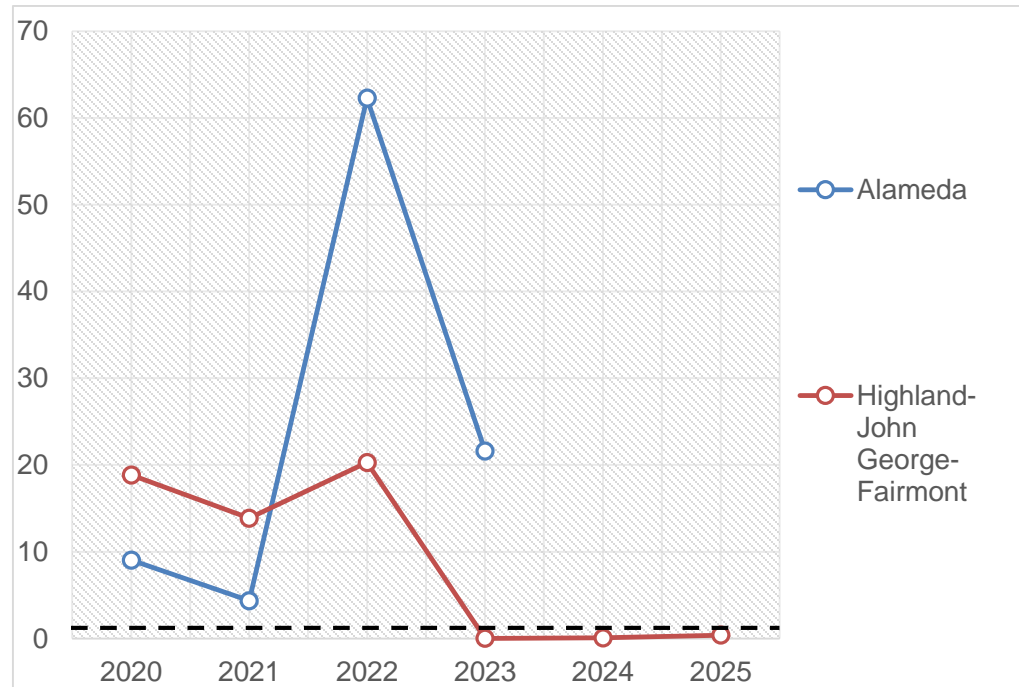
### Work Order Aging



# APPENDIX

## Repair Work Orders | 1-Day (24-hour) Priority Code

Average Days To Complete: 1-Day (24 Hour) Priority Code			
Year	Alameda*	Highland-John George-Fairmont	San Leandro*
2020	9	19	-
2021	4	14	-
2022	62	20	-
2023	22	<1	-
2024	-	<1	-
2025	-	<1	-
Average Days	10	16	-
*Does not use the 1-Day (24 Hour) priority code.			

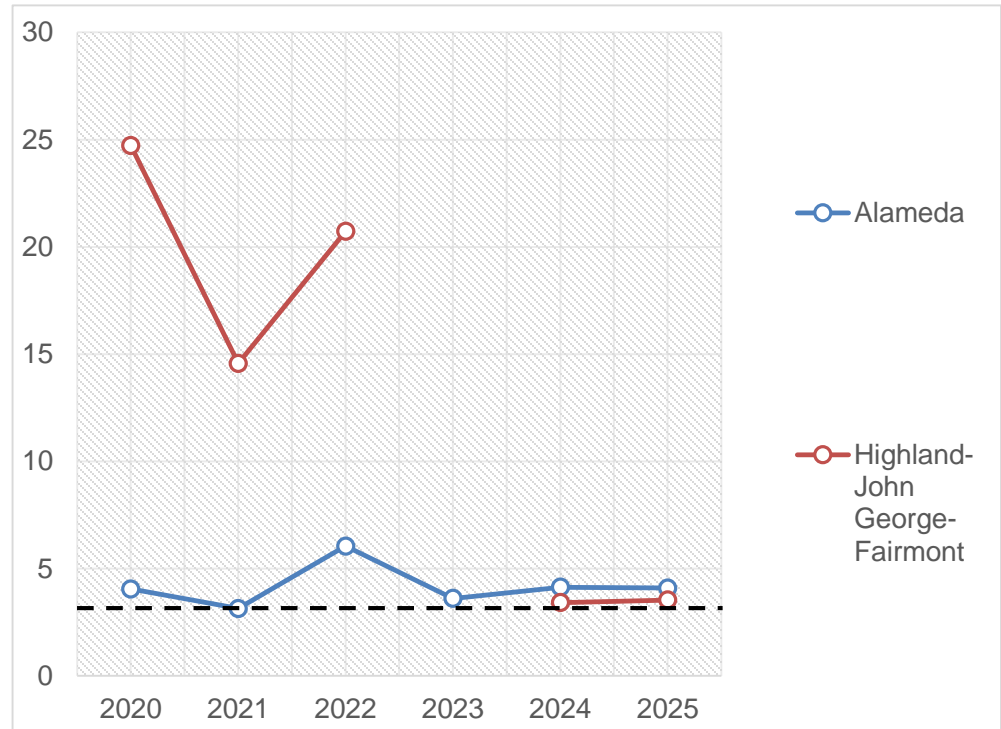




# APPENDIX

## Repair Work Orders | 3-Day Priority Code

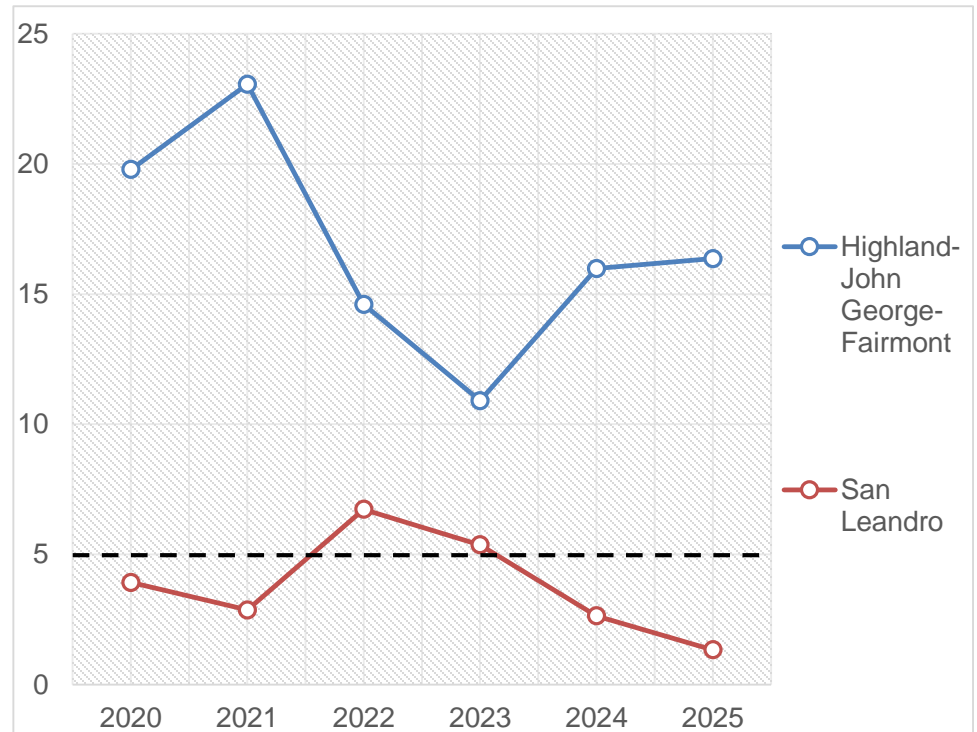
Average Days To Complete: 3-Day Priority Code			
Year	Alameda	Highland-John George-Fairmont*	San Leandro*
2020	4	25	-
2021	3	15	-
2022	6	21	-
2023	4	-	-
2024	4	3	-
2025	4	4	-
Average Days	4	15	-
*Does not use the 3-Day priority code.			



# APPENDIX

## Repair Work Orders | 5-Day Priority Code

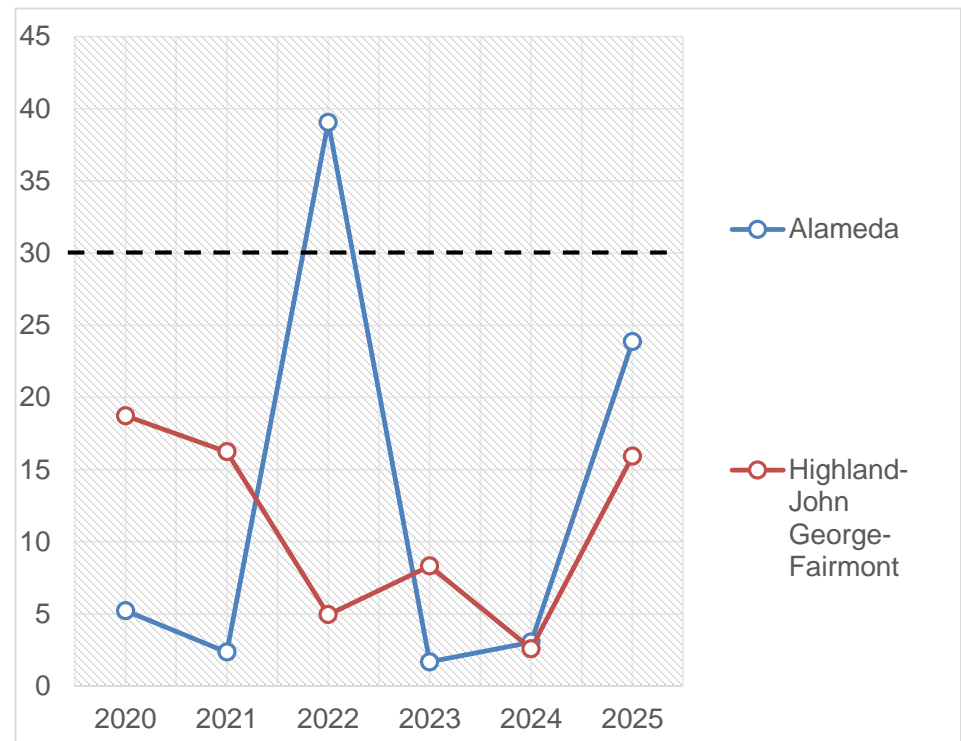
Average Days To Complete: 5-Day Priority Code			
Year	Alameda*	Highland-John George-Fairmont	San Leandro
2020	-	20	4
2021	-	23	3
2022	-	15	7
2023	-	11	5
2024	-	16	3
2025	-	16	1
Average Days	-	17	4
*Does not use the 5-Day priority code.			



# APPENDIX

## Repair Work Orders | 30-Day Priority Code

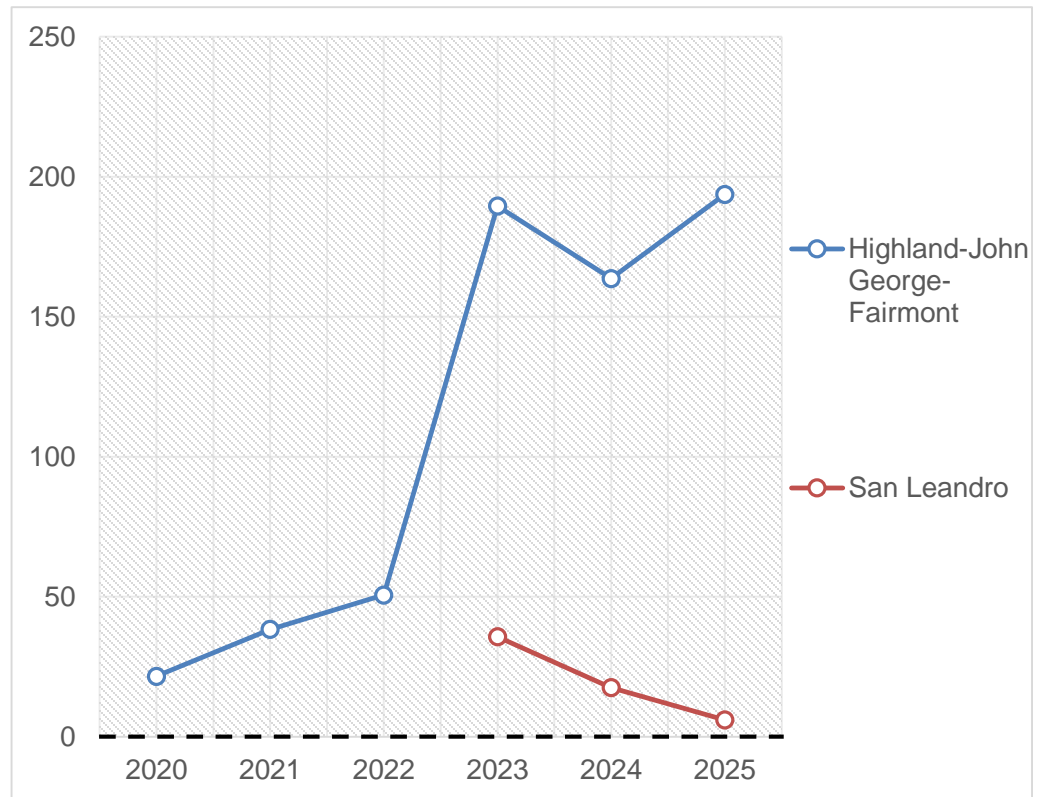
Average Days To Complete: 30-Day Priority Code			
Year Completed	Alameda	Highland-John George-Fairmont	San Leandro*
2020	5	19	-
2021	2	16	-
2022	39	5	-
2023	2	8	-
2024	3	3	-
2025	24	16	-
Average Days	8	10	-
*Does not use the 30-Day priority code.			



# APPENDIX

## Maintenance Work Orders | 1-Day (24-hour) Priority Code

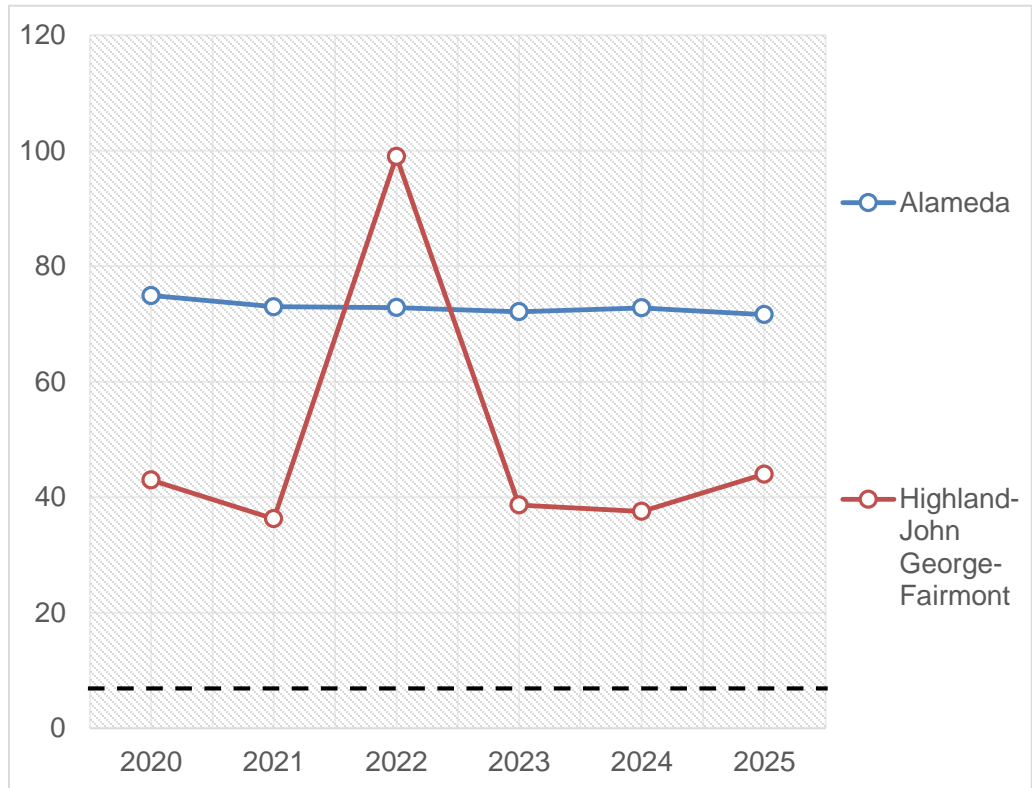
Average Days To Complete: 1-Day (24-Hour) Priority Code			
Year Completed	Alameda*	Highland-John George- Fairmont	San Leandro*
2020	-	22	-
2021	-	38	-
2022	-	51	-
2023	-	190	36
2024	-	164	18
2025	-	194	6
Average Days	-	144	19
*Does not use the 1-Day (24-Hour) priority code.			



# APPENDIX

## Maintenance Work Orders | 5-Day Priority Code

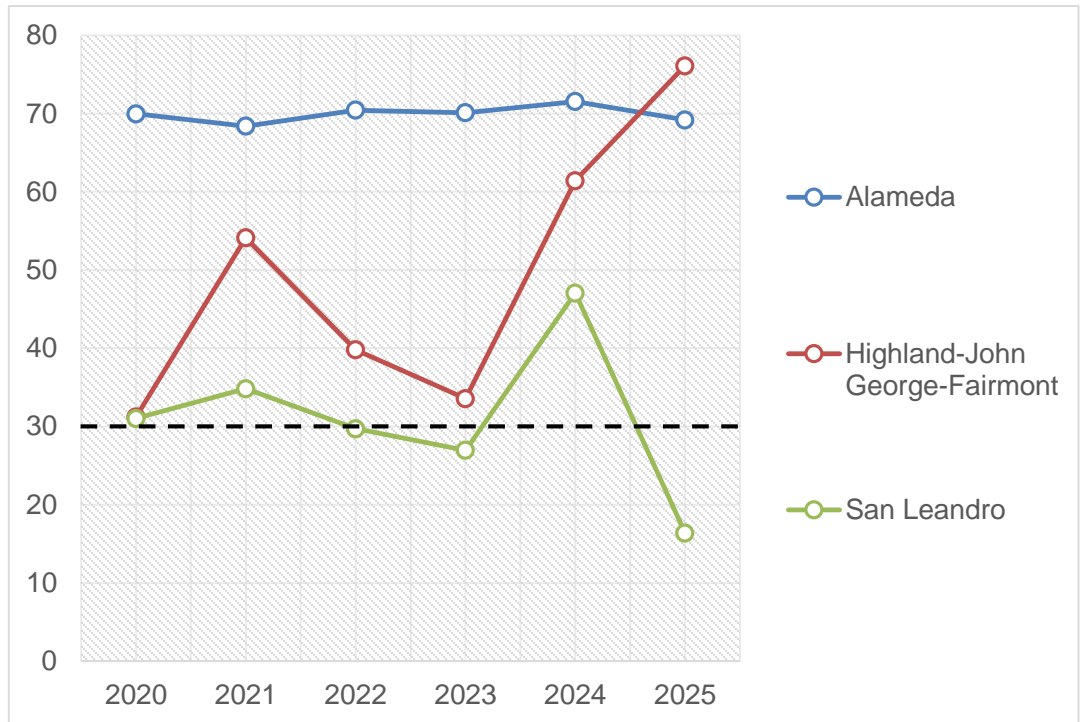
Average Days To Complete: 5-Day Priority Code			
Year Completed	Alameda	Highland-John George-Fairmont	San Leandro*
2020	75	43	-
2021	73	36	-
2022	73	99	-
2023	72	39	-
2024	73	38	-
2025	72	44	-
Average Days	73	46	-
*Does not use the 5-Day priority code.			



# APPENDIX

## Maintenance Work Orders | 30-Day Priority Code

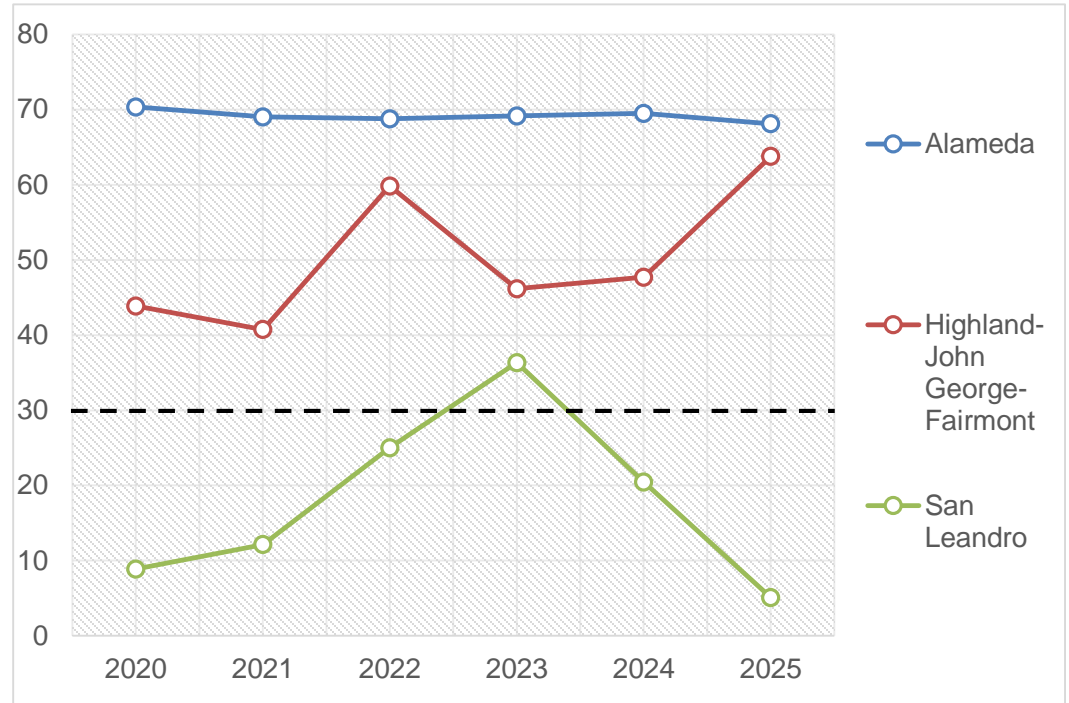
Average Days To Complete 30-Day Priority Code			
Year Completed	Alameda	Highland-John George-Fairmont	San Leandro
2020	70	31	31
2021	68	54	35
2022	70	40	30
2023	70	34	27
2024	72	61	47
2025	69	76	16
Average Days	70	50	35



# APPENDIX

## Maintenance Work Orders | 30-Day PM/PE Priority Code

Average Days To Complete 30-Day PM/PE Priority Code			
Year Completed	Alameda	Highland-John George-Fairmont	San Leandro
2020	70	44	9
2021	69	41	12
2022	69	60	25
2023	69	46	36
2024	69	48	20
2025	68	64	5
Average Days	69	49	19





## Identity and Access Management Audit





# Identity and Access Management Audit | Scope, Objectives & Results

Scope	07/1/2024 – 3/31/2025
Objective 1	Evaluate the effectiveness of User Access provisioning, modification, and termination processes to ensure they align with AHS policies.
Objective 2	Assess internal control design and environment related to user access to key systems and applications.
Objective 3	Verify all network and system activities are monitored and notified of any security breaches.
Objective 4	Validate that users are authenticated when attempting to access ePHI.



## **Results**

Based on the overall audit test results, control design examination and processing compliance, Internal Audit has assessed AHS's Identity and Access Management Audit processes and controls as **Satisfactory with Exceptions**.



# Finding 1 – Lawson User Access Exceptions

## Finding Description

AHS uses Lawson, an integrated enterprise resource planning system, to manage human resources, payroll, financial operations and materials management. Lawson access controls are used to ensure data confidentiality, integrity, and compliance with California Consumer Privacy Act (CCPA), NIST SP 800-53 (Rev. 5) – Security and Privacy Controls, California SIMM (Statewide Information Management Manual) and CMS Information Security Program (CISSP). The Lawson system is hosted by Navisite, a third-party service partner that provides system support including user account access.

Internal Audit reviewed the Lawson User List report and noted the following:

**1. Unique user identification:** Generic usernames, “acerausr”, “smshelp”, and “reqappvr” were used for 3 user accounts. Generic usernames are not unique and therefore cannot be associated to individual accessing AHS’s systems. The use of generic usernames does not align with the NIST SP 800-53 – Security and Privacy Controls and State of California Information Security Manual (SIMM) requirements for unique identification to ensure accountability for actions and access controls. Based on Internal Audit’s test work, Navisite has initiated remediation efforts to address use of generic usernames.

**2. Access not removed for terminated employees:** Active user accounts were found for 10 of 30 terminated employees sampled. Among the exceptions, 3 users were found to each have 2 active accounts, assigned to support their respective role-based tasks. Delays in deactivation can expose the organization to security risks and compliance violations with NIST SP 800-53 (Rev. 5) – Security and Privacy Controls, California SIMM (Statewide Information Management Manual) and CMS Information Security Program (CISSP).

**3. Employee user ID formats:** AHS’s has a standard six-digit employee user ID convention (e.g., 015764); however, Internal Audit found identification varied ID conventions used, such as name-based formats (e.g., wajohnson, wharris), and alphanumeric combinations (e.g., u101sl01, MSCMADMIN). According to NIST Special Publication 800-63-3 and 500-149, naming conventions should be applied uniformly across the systems and help ensure traceability and security.

# Finding 1 – Lawson User Access Exceptions (cont.)

## Recommendation

1. Conduct a periodic review to remove generic, terminated, and inactive user accounts.
2. Standardize user ID convention to ensure user accounts are unique and accurately mapped.

# Finding 2 – External User Identification in Active Directory

## Finding Description

Active Directory is the primary identity and access management system used to authenticate and authorize users across AHS's network. Active Directory also enables single sign-on functionality that allows authenticated users to access multiple AHS applications. NIST Special Publication 800-63-3: Digital Identity Guidelines, which outlines standards for secure identity proofing and authentication, recommends proper identification of all users, including external users – contractors, vendors, or third-party service providers – as it is critical to ensuring security, auditability and regulatory compliance.

Internal Audit reviewed the AHS Active User Accounts Report and interviewed AHS Information Security team and learned that Active Directory does not distinguish external users — vendors and contractors — from internal employee users. External users lack consistent identifiers or unique attribute tags to distinguish specific external users. The Information Security team recently implemented a process to uniquely identify contractors AHS's network upon the contract's inception. However, contractors under existing contracts will not be identified until the contract renews, which for some agreements will not occur for 12 months.

The inability to effectively identify and track all external users in Active Directory increases the risk of unauthorized system access and non-compliance with the HIPAA Security Rule. It can also create operational inefficiencies, such as delays in access reviews, deprovisioning, and incident response.

## Recommendation

AHS Information Security should ensure Active Directory differentiates external users —including vendors and third-party service providers — from internal users (i.e., AHS employees). This will enhance visibility over external user activities on the AHS system and network.

# Finding 3 –Terminations and Access Removal

## Finding Description

AHS's Information System Access Policy requires timely notification of terminated workforce members by Human Resources, Medical Staff Office, and operational supervisors. AHS's HR Services department receives the termination notices and enters the termination date into Lawson. User access is then automatically removed through a daily Lawson system synchronization with Active Directory. Active Directory also automatically removes access for any user account that has been inactive for more than 33 days.

Internal Audit reviewed terminations and access removals and noted the following exceptions:

1. Internal Audit noted **16 users** (12 employees and 4 contractors) who separated between October 2024 and February 2025 were not removed from Active Directory according to the Active Directory Recently Disabled report.
2. Internal Audit tested AHS's prompt access removal according to the HIPAA Security Rule. Although the HIPAA Security Rule does not define the number of days for prompt removal, Internal Audit found that **13 of 20** contractor accounts and **10 of 40** employee accounts sampled were removed more than 3 days after the Lawson termination date.

HR Services department management represented that there are often delays by operational supervisors to timely submit termination paperwork to HR Services for processing. The submission delays increase processing time for downstream termination workflow activities and impact prompt access removal.

Timely access removals helps to mitigate security access breaches. These exceptions are evidence of control weaknesses that can expose AHS to Office for Civil Rights audit findings and reputational harm.

## Recommendation

AHS's HR Services and Information Systems departments should educate all departments across AHS on user access termination expectations.

# Corrective Action Plan Status

Engagement Name	Report Issuance Date	# of Findings			Corrective Action Outstanding	Planned Implementation Date	FY 2024			FY 2025			
		TOTAL	CLOSED	OPEN			Q2	Q3	Q4	Q1	Q2	Q3	Q4
Physician Contracting and Agreement Audit	11/8/2023	7	6	1	Finding 2	1/31/2024	<div><div></div><div></div><div></div></div>						
Payroll and Timecard Audit (AHMG) Audit	2/9/2024	3	1	2	Finding 1 Finding 3	7/1/2024 7/1/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>				
CMS Open Payments & Form 700 Audit	4/5/2024	3	2	1	Finding 1	12/31/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Parking Program Audit	5/17/2024	5	3	2	Finding 2 Finding 4	12/31/2024 6/15/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Patient Valuables Security	8/2/2024	3	0	3	Rec. 1 Rec. 2 Rec. 3	12/31/2024 12/31/2024 12/31/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Payroll and Timecard Audit (AHS)	9/9/2024	2	0	2	Finding 1 Finding 2	10/31/2024 10/31/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Single Audit   Year Ended June 30, 2024	11/20/2024	7	0	7	Finding 2023-001 Finding 2023-004 Finding 2024-002 Finding 2024-004 Finding 2024-005 Finding 2024-006 Finding 2024-007	6/30/2025 6/30/2025 6/30/2025 6/30/2025 6/30/2025 6/30/2025 6/30/2025	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
E-consult Audit	11/21/2024	3	1	2	Finding 1 Finding 2	12/11/2024 12/1/2024	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>

# Corrective Action Plan Status (cont.)

Engagement Name	Report Issuance Date	# of Findings			Corrective Action Outstanding	Planned Implementation Date	FY 2024			FY 2025			
		TOTAL	CLOSED	OPEN			Q2	Q3	Q4	Q1	Q2	Q3	Q4
Vendor Risk Assessment Audit	12/31/2024	3	0	3	Finding 1	12/31/2025							
					Finding 2	12/31/2025							
					Finding 3	3/31/2026							
Accounts Payable Audit	1/9/2025	4	0	4	Finding 1	10/31/2025							
					Finding 2	1/31/2025							
					Finding 3	3/31/2025							
					Finding 4	2/28/2025							
Global Payment Program Audit	3/25/2025	2	0	2	Finding 1	9/30/2025							
					Finding 2	9/30/2025							
Primary Care Capitation Audit	4/1/2025	2	0	2	Finding 1	8/31/2025							
					Finding 2	6/30/2025							
TOTAL OUTSTANDING				31									





## Financial Audit & Tax Services Quote



# Financial Audit & Tax Services Quote

## BACKGROUND

- Audit and Compliance Committee requested re-quote independent financial audit and tax services, starting with FY 2026 reporting period.
- Moss Adams LLP, has provided independent financial audit and tax services for the past 10 years.
- Quote solicitation process includes:
  - Alameda Health System
  - Alameda Health System Foundation, including tax support
  - AHS “Single Audit”
  - St. Rose Hospital, including tax support

## QUOTING PROCESS

- 11 firms contacted
- 5 submitted bids:
  - Armanino
  - Crowe
  - KPMG
  - Macias Gini & O’Connell (MGO)
  - Moss Adams
- 3 firms advanced and interviewed by AHS Bid Review Committee



# Next Steps

- June 19-30, 2025
  - All vendors will be notified whether the Audit Committee has selected their bid.
  - Bid terms will be reviewed and finalized with selected vendor, as needed.
- July 2, 2025
  - Present recommended bid and terms to AHS Finance Committee for informational consideration.
- September 3, 2025
  - Present selected bid and terms to the AHS Finance Committee for review and approval.
- September 17, 2025
  - Present selected bid, terms and AHS Finance Committee approval to the AHS Board of Trustee for final approval and contract award.



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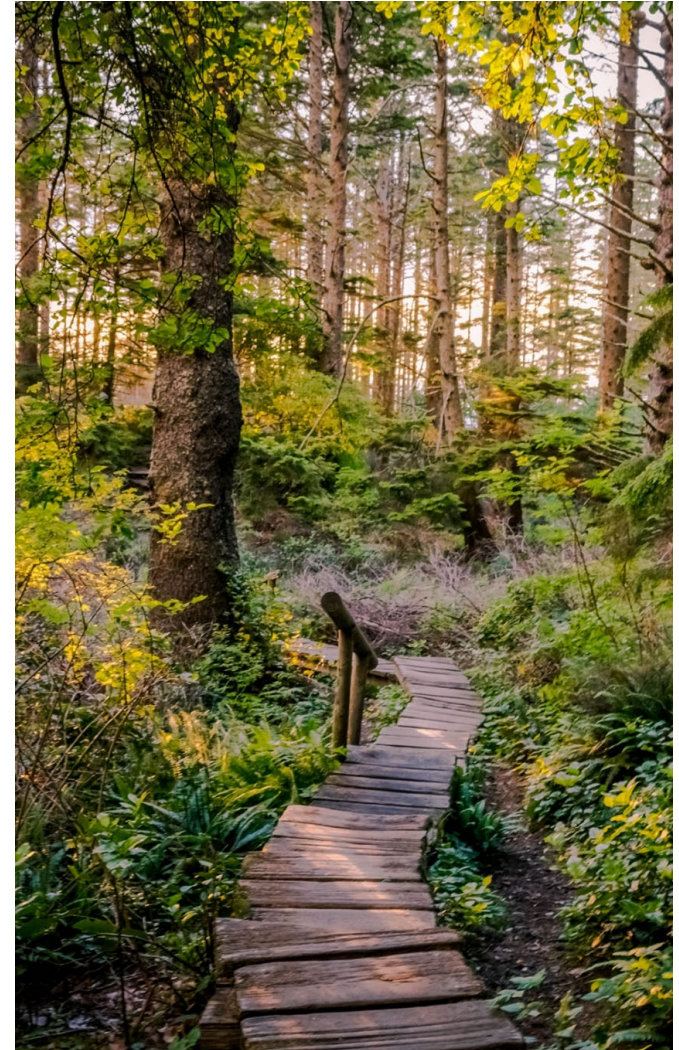
# Alameda Health System – A Public Hospital Authority **2025 AUDIT PLANNING**

Discussion with Those Charged with Governance  
June 18, 2025

# Agenda

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1. Your Service Team
2. Scope of Services
3. Auditor's Responsibilities in a Financial Statement Audit
4. Significant Risks Identified
5. Risks Discussion
6. Consideration of Fraud in an Audit
7. Audit Timeline
8. Audit Deliverables
9. Recent Accounting Developments



# Your Service Team

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**Brian Conner**

Principal,  
Engagement  
Reviewer



**John Feneis**

Engagement  
Director



**Laura Kennedy**

Engagement Manager



**Joelle Pulver**

Principal, Concurring  
Reviewer



**Eric Lucas**

Managing Director,  
Third-Party  
Reimbursement  
Practice

# Scope of Services

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Relationships between Baker Tilly and Alameda Health System:

## Annual Audit



Annual consolidated financial statement audit and single audit as of and for the year ending June 30, 2025

## Non-Attest Services



- Assist management with drafting the consolidated financial statements excluding Management's Discussion and Analysis
- Assist management with drafting the auditee section of the OMB data collection form
- Preparation of state and federal tax returns

# Auditor's Responsibilities in a Financial Statement Audit

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- Auditor is responsible for:
  - Forming and expressing an opinion on whether the consolidated financial statements are prepared, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles
  - Performing an audit in accordance with generally accepted auditing standards issued by the AICPA, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special Districts
  - Communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
  - When applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement
- The audit of the consolidated financial statements doesn't relieve management or you of your responsibilities.
- The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.

# Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

Significant Risks	Procedures
<b>Valuation of Patient Accounts Receivable</b>	We will perform a lookback analysis to determine if management’s estimate was materially correct at 6/30/2024 based upon cash collections. We will also analyze subsequent cash collections on 6/30/2025 accounts receivable, as well as perform analytical procedures on 6/30/2025 accounts receivable. Finally, we will perform test procedures on management’s patient accounts receivable allowance model.
<b>Management Override of Controls</b>	We will perform inquiries of accounting and operational personnel, perform risk assessment procedures, and test risk-based manual journal entry selections.



## Significant Risks Identified (continued)

Significant Risks	Procedures
<b>Revenue Recognition</b>	Analytical procedures using census and patient encounter data and established rates. Journal entry testing over revenue reversals and analytical procedures on monthly revenues looking for proper cutoff.
<b>Business Combination</b>	Inquiry and inspection of documents and other information to provide assurance for the accounting treatment for the November 1, 2024, affiliation of St. Rose Hospital with Alameda Health System.
<b>Internal Controls over Compliance with Federal Laws, Regulations and Major Programs</b>	Inquiry and inspection of documents and other information to provide assurance to the Federal Government that a nonfederal entity has adequate internal controls in place and is generally in compliance with program requirements.



## Risks Discussion

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### 1. What are your views regarding:



- Alameda Health System's objectives, strategies, and business risks that may result in material misstatements
- Significant communications between the entity and regulators
- Attitudes, awareness, and actions concerning
  - Alameda Health System's internal control and importance
  - How those charged with governance oversee the effectiveness of internal control
  - Detection or the possibility of fraud
  - Other matters relevant to the audit

### 2. Do you have any areas of concern?

# Consideration of Fraud in a Financial Statement Audit

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Auditor's responsibility: Obtain reasonable assurance the consolidated financial statements as a whole are free from material misstatement – whether caused by fraud or error

	<b>Procedures to address the risk of fraud</b>	<ul style="list-style-type: none"><li>• Engagement team discussion</li></ul>
	<b>Identify the risks of material misstatement due to fraud</b>	<ul style="list-style-type: none"><li>• Perform procedures to address identified risks</li><li>• Inherent limitation of an audit</li></ul>
	<b>Unavoidable risk exists that some material misstatements may not be detected</b>	

# Audit Timeline

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June 2025	• Planning meeting with management
June 18, 2025	• Entrance meeting with audit committee
End of June 2025	• Planning and interim audit procedures ( <i>including test of implementation of internal controls</i> )
Early July 2025	• Plan single audit procedures
August-Early September 2025	• Single audit procedures and supplemental revenue stream procedures
August-September 2025	• Final fieldwork procedures for consolidated financial statement procedures
Mid-October 2025	• Discuss draft consolidated financial statements and auditor's reports with management
End of October 2025	• Audit committee approval of statements and exit meeting
Early November 2025	• Finalize auditor's reports

# Audit Deliverables

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## Report of Independent Auditors

on consolidated financial statements and single audit as of and for the year ended June 30, 2025



## Report to Management *(if applicable)*

communicating internal control related matters identified in an audit



## Report to Those Charged With Governance

communicating required matters and other matters of interest



## Report of Independent Auditors

on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*

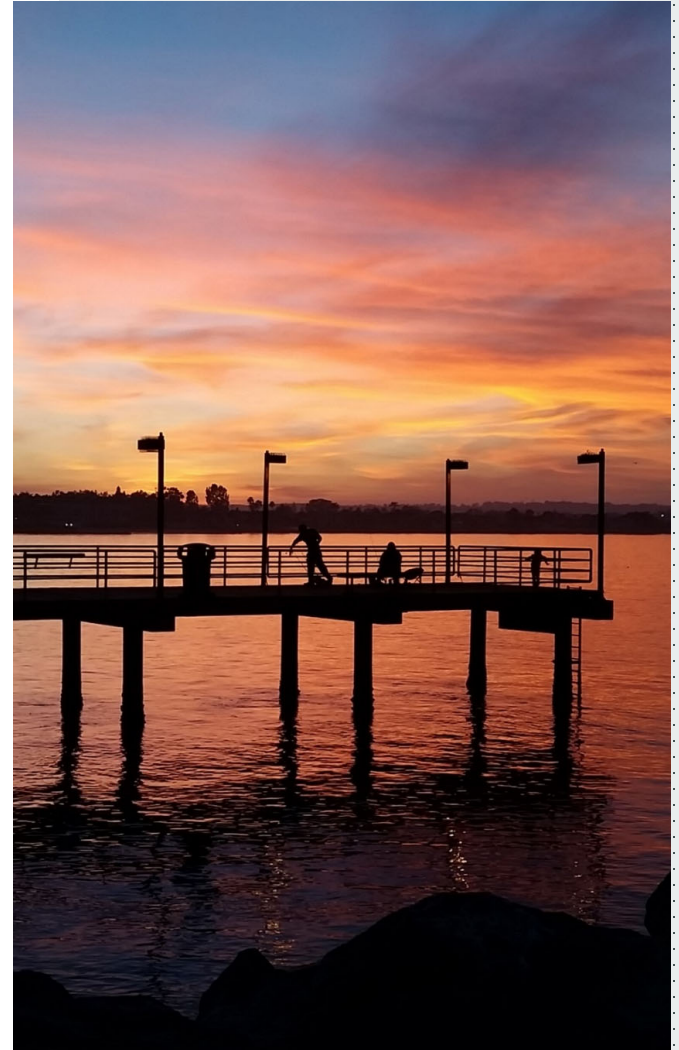


## Report of Independent Auditors

on Compliance for the Major Federal Programs and Report on Internal Control over Compliance Required by the Uniform Guidance

# Recent Accounting Developments

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# New Standards

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## **GASB No. 101**

### Compensated Absences

- Provides guidance to improve accounting and financial reporting any type of compensated absence liabilities that more appropriately reflects when the obligation is incurred.
  - A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
  - In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.
  - However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.
  - Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to disclose only the net change in the liability, and label accordingly.
- Effective for annual periods beginning after June 15, 2024.

# New Standards

## **GASB No. 102**

### Certain Risk Disclosures

- Improve financial reporting by providing users of financial statements with essential information regarding concentrations and constraints not explicitly required.
  - **Concentration** as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. **Constraint** is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.
  - Concentrations and constraints may limit a government's ability to acquire resources or control spending, thus making the government vulnerable to the risk of a substantial impact, which have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
  - Disclosures are required to provide sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following: 1) the concentration or constraint; 2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements; and 3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.
- Effective for annual periods beginning after June 15, 2024.



# New Standards

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## **GASB No. 103**

### Financial Reporting Model Improvements

- Provides guidance to improve accounting and financial reporting to ensure comparable, consistent, relevant, reliable, and understandable information.
  - MD&A is limited to the related topics discussed in five sections: (1) overview of the financial statements, (2) financial summary, (3) detailed analyses, (4) significant capital asset and long-term financing activity, and (5) currently known facts, decisions, or conditions.
  - Detailed MD&A analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed.
  - Describes additional requirements related to unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information.
- Effective for annual periods beginning after June 15, 2025.

# New Standards

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## **GASB No. 104**

### Disclosure of Certain Capital Assets

- Provides guidance to improve accounting and financial reporting certain types of capital assets.
  - **Separate disclosure requirements for each major class of underlying asset: capital assets (Statement No. 34); lease assets (Statement No. 87); intangible right-to-use assets (Statement No. 87); and subscription assets (Statement No. 96).**
  - **Clarifies guidance for disclosures of capital assets held for sale, including: 1) ending balance of the capital assets held for sale; 2) disclosure for cost basis and accumulated depreciation; 3) and carrying amount of debt for which the capital asset held for sale is pledged as collateral.**
- Effective for annual periods beginning after June 15, 2025.

# Contacts

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## **John Feneis, Engagement Director**

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# More than a Merger. A Multiplier.

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Together, Baker Tilly and Moss Adams create something exponential.

With our combined industry expertise, capabilities, and footprint, we create an outsized impact for our clients.



# LIMITLESS



## Elevated Possibility

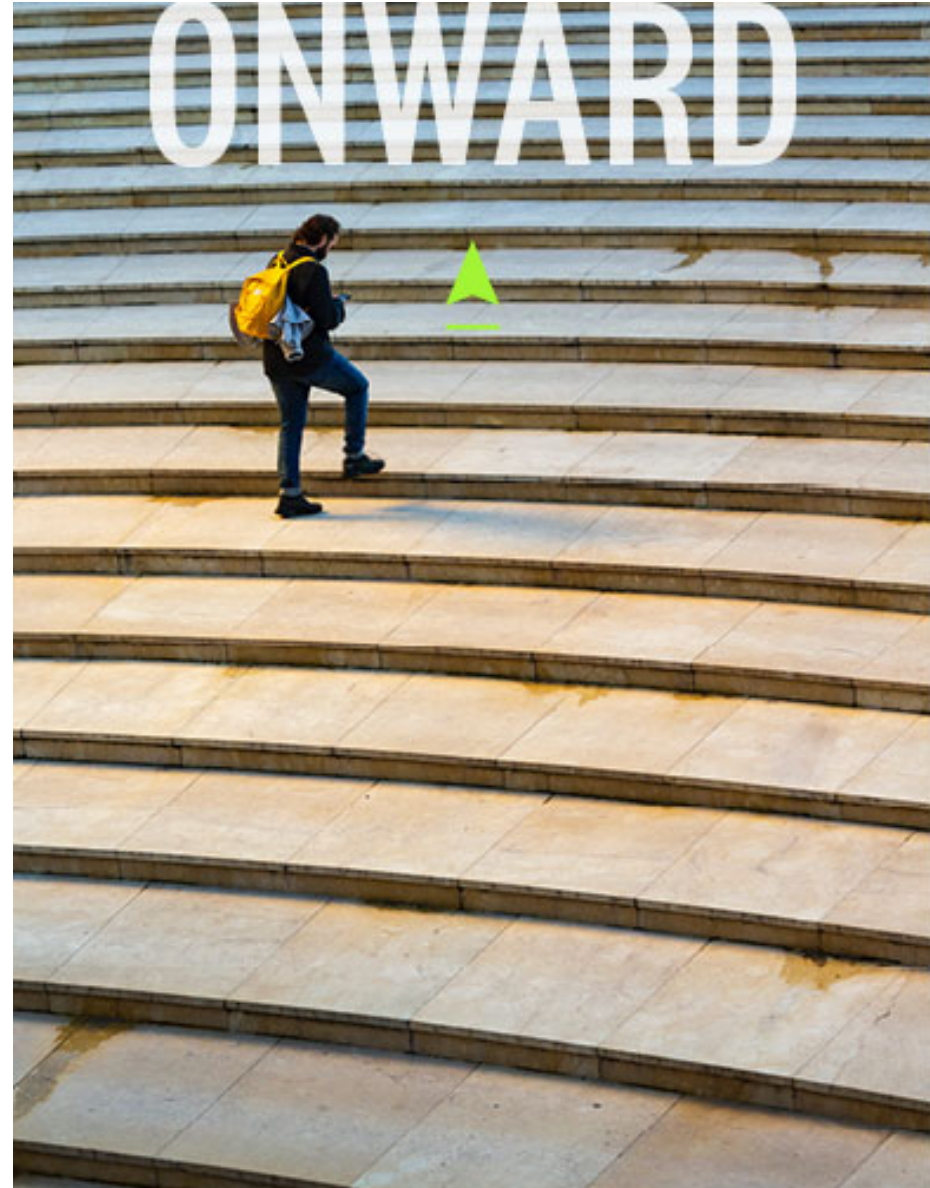
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With a rare blend of inspiration and technical excellence, we empower our clients to discover and claim the future.

# Unbound Prosperity

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We're difference-makers for our clients.



# Amplified Perspective

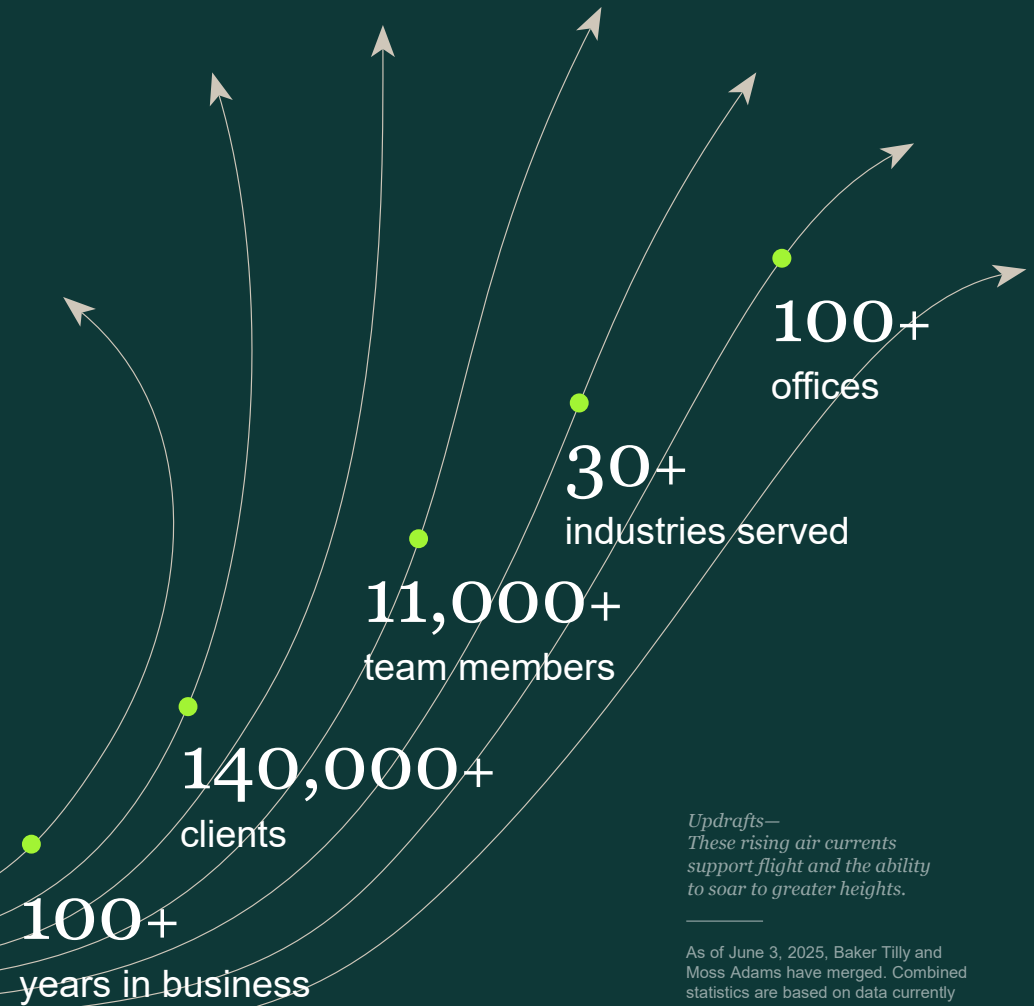
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Together, we empower clients  
to embrace what's next.





# Perspective **ELEVATED**



*Updrafts—  
These rising air currents  
support flight and the ability  
to soar to greater heights.*

As of June 3, 2025, Baker Tilly and Moss Adams have merged. Combined statistics are based on data currently available. Actual counts may vary slightly and will be finalized during the integration process.



# Our Locations

100+  
locations

ARIZONA

CALIFORNIA

COLORADO

CONNECTICUT

DELAWARE

FLORIDA

GEORGIA

ILLINOIS

INDIANA

KANSAS

MASSACHUSETTS

MICHIGAN

MINNESOTA

NEW JERSEY

NEW MEXICO

NEW YORK

OHIO

OREGON

PENNSYLVANIA

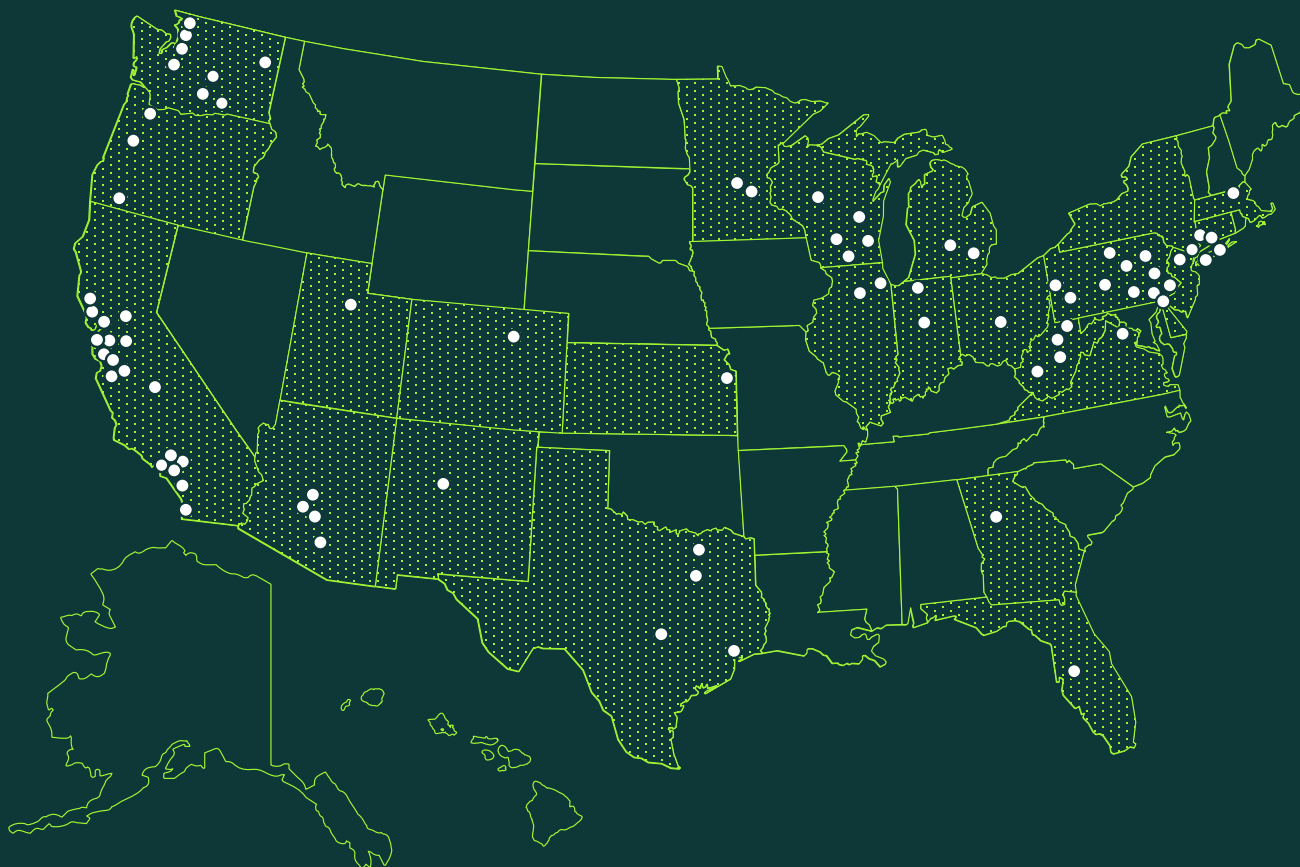
TEXAS

UTAH

WEST VIRGINIA

WASHINGTON

WISCONSIN



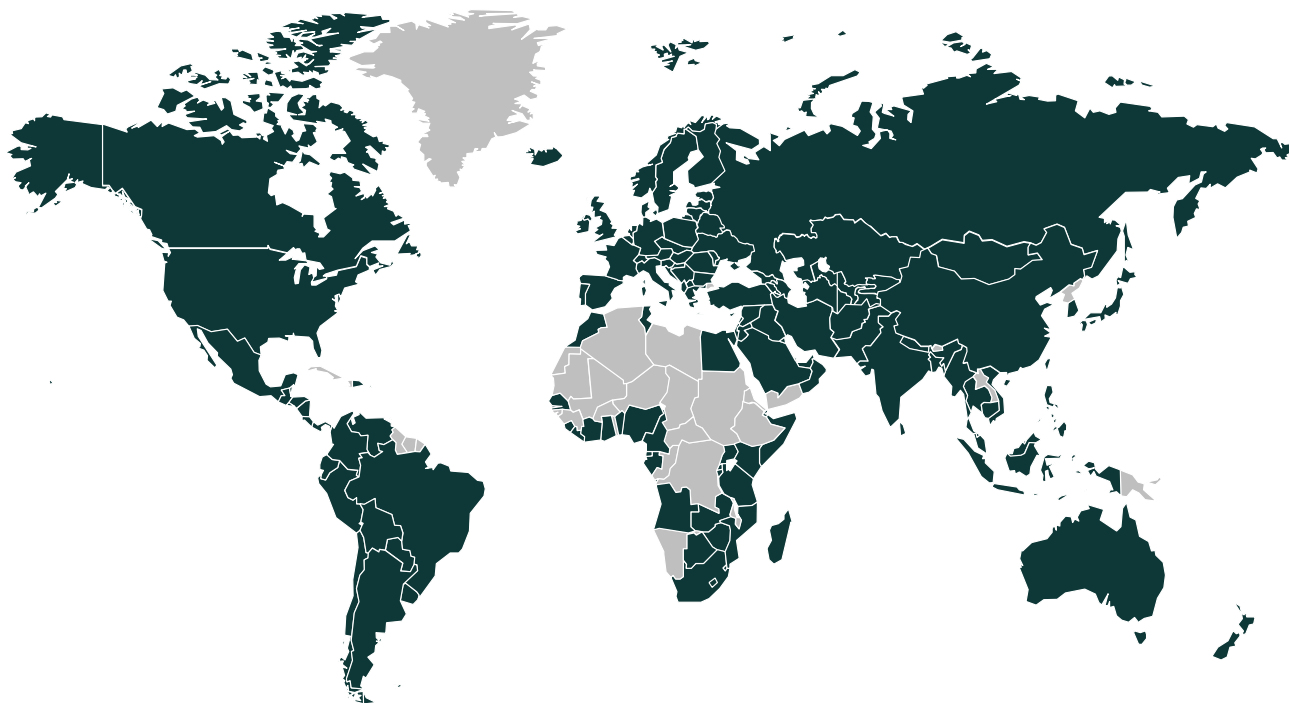
# Our International Presence

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140+  
territories

Wherever your business takes you, we have the resources to support you.

Through Baker Tilly International, we bring clients the world's 10th largest global advisory network with market-specific knowledge in more than 140 territories.



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## **F. Annual Audit and Compliance Committee Agenda Calendar and Follow-Up**

# 2025 Audit and Compliance Committee Calendar

Topic	3/19/2025	6/18/2025	9/17/2025	11/11/2025
<b>01</b> Cybersecurity Report	Report Summary	Report Summary	Report Summary	Report Summary
<b>02</b> Compliance and Privacy Report <ul style="list-style-type: none"> <li>• Compliance Audit Summary Reports</li> <li>• Consulting Engagements</li> <li>• Dashboards</li> <li>• Projects</li> </ul>	Report Summary	Report Summary	Report Summary	Report Summary
<b>03</b> Internal Audit (IA) Report <ul style="list-style-type: none"> <li>• Audit Plan Status</li> <li>• Internal Audit Summary Reports</li> </ul>	Audit Report	Annual Audit Plan	Audit Report	Audit Report
<b>04</b> External Audit Report (Moss Adams)	No Update Will Be Presented	Annual Financial Audit Plan	Audit Update	Final Audit Report
<b>05</b> Education Session	Cybersecurity	Compliance	Internal Audit	Privacy

# 2025 Audit and Compliance Committee Issue Tracker

Topic Under Discussion	Date Raised	Assigned To	Target Due Date	Status

# FY 2026 Ranked Audit Universe

## HIGH Risk Audit Areas

3.90	(2025) (2024) (2024) (2025)	Identity and Access Mgt. Physician Contracting Prof. Billing (PB) Revenue Cycle Reimbursement	3.40		System and Servers Mgt. Access Provisioning Business Data Integrations <b>Cash Posting (carryover)</b> Collections/Follow-up Denials	3.00	(2025)	Payor Relations Professional Billing Coding Parking Program Quality Incentive Pool (QIP) <b>Post-Award and Gift Process</b> Pre-Award and Gift Process
3.70		Grants/Special Projects <b>Hospital Registration (carryover)</b> Infection Prevention & Reporting	(2025)		Engineering Infrastructure Mgt. Hospital Billing (HB) Revenue Cycle <b>John George Revenue Cycle</b> Utilities Management	2.90	(2025) (2025) (2024)	Accounts Payable Business Vendor Risk Assessment Payroll and Timecard
3.60		Desktop Security <b>EHR Access and Data Security</b> Non-Physician Contracting Physical Security Mgt. - Sheriff Physical Security Mgt. - Vendor Revenue Integrity	3.30		Employee Relations/Labor Relations	2.80		Clinical Data Monitoring State Licensing
3.50		Network Management	3.10		<b>Accreditation Management</b> Certification Management Food and Nutrition			

## MEDIUM Risk Audit Areas

2.70		Customer Service Media and Communications			Enrollment Services Quality Incentive Pool Reporting			Employee Competency Training <b>Health Information Mgt. Requests</b> Help Desk
2.60		Patient Relations Physician Peer Review	2.40		Fire and Life Safety Gift Processing and Records Mgt. Reporting and Analytics			Performance Improvement Teams Quality and Patient Safety Objectives and Key Results Reporting
2.50		Budgeting and Operations Cashiers Office -- NEW Community Health Worker Program	2.30		Clinical Compliance Investigation Core Measures			

## LOW Risk Audit Areas

2.20		Community Engagement Corporate Comms. and Marketing Event Reporting Foundation Accounting Services	1.80		Primary Care Capitation Telecommunications	1.30		Linens Management Project Management
2.10		Bio-Medical Devices Facilities and Master Plan Dev. PBX Phone Operations	1.70		Environmental Services Government/Legislative Affairs New Construction			Cash Management Change Management Just Culture Project Management Governance Registration Quality and Training Vehicle Fleet Program
2.00		Authorizations Clinical System Record Support	1.60		AHS Accounting Services Simulation Program	1.00		Compensation Culture of Safety Employee Relations Consultants
1.90		On Call	1.40		Root Cause Analysis Hazardous Waste Disposal			