



ALAMEDA COUNTY  
AUDITOR-CONTROLLER AGENCY  
MELISSA WILK  
AUDITOR-CONTROLLER/CLERK-RECORDER

rcud  
6/27/19  
BOT mthg

June 27, 2019

Joe DeVries, President  
Board of Trustees – Alameda Health System  
1411 E 31<sup>st</sup> Street  
Oakland, CA 94602

Re: Independent Financial Review of Alameda Health System by Macias Gini & O'Connell

Dear Mr. DeVries:

As Alameda Health System (AHS) is aware, the County has contracted with Toyon Associates to conduct an independent assessment of AHS due to the serious concerns the County has regarding the accuracy of the financial information provided by AHS, and the reported structural financial crisis that AHS predicts will continue to worsen over the upcoming fiscal years. Based on recent notification by AHS that it will not be able to meet the terms of the Permanent Agreement with the County after June 30, 2019 and expects both one-time and ongoing operating deficits in future years, I have requested an independent financial review of AHS. My office is retaining the services of Macias Gini & O'Connell, LLP (MGO), an independent CPA firm, to provide a separate review of AHS' overall fiscal condition, including but not limited to, AHS' financial statements, forecasts, financial reporting, and all supporting records and documentation.

Pursuant to the Master Contract between the County of Alameda and the Alameda County Medical Center (AHS) executed on June 23, 1998 (amended on November 28, 2000), Section 5.8, "ACMC's (AHS') records, as defined in this Master Contract, shall be accessible to County for audit and inspection to assure proper accounting of funds, and to certify the nature of, and evaluate ACMC's (AHS') performance of its obligations as set forth in this Master Contract." Records are defined in Section 5.7(a): "ACMC (AHS) shall maintain on a current basis complete financial records including, but not necessarily limited to, books of original entry, source documents in support of accounting transactions, a general ledger, personnel and payroll records, cancelled checks, and related documents."

Key personnel from MGO will be contacting the AHS CEO soon to gain access to financial records and data. Completion of this critical financial review will require the full cooperation of AHS.

Lastly, the engagement by the County of these contractors should be considered independent of AHS' own efforts to ascertain the cause of their ongoing structural financial challenges, and AHS should continue to actively develop mitigation efforts necessary to submit a balanced budget.

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AHS should not be reliant on the work or time-lines of the County contractors to guide its decision making process as that is not consistent with the scopes of work set by the County.

Thank you in advance for your cooperation and support, and please contact me if you have any questions.

Sincerely,



Melissa Wilk  
Alameda County Auditor-Controller

cc: Alameda County Board of Supervisors  
Each Member, Board of Trustees – Alameda Health System  
Chief Executive Officer – Alameda Health System  
County Administrator  
County Counsel  
Director, Health Care Services Agency