AUDIT AND COMPLIANCE COMMITTEE MEETING

Wednesday, March 19, 2025
5:30pm-7:00pm

Conference Center Located at Highland Care Pavilion
1411 East 31st 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:[1]

Meeting URL:
https://alamedahealthsystem.zoom.us/j/9361457125?pwd=TNHWCGSZ4dfAhTxbObKLvZKpKGFWaD.1&omn=81395849854

Meeting ID: 936 145 7125
Password: 657128

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/aeojyFgeyI

MEMBERS

Greg Garrett
Sblend Sblendorio, Chair
David Sayen

[1] Log into the meeting at 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 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 (Est. 5 min)

PUBLIC COMMENT

CONSENT AGENDA: ACTION (Est. 5 min)

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

Recommendation: Motion to approve

END OF CONSENT AGENDA

B. DISCUSSION: Cyber Security Update (est. 10 min)
E'Jaaz Ali, Chief Information Security Officer

C. DISCUSSION: Compliance Reporting Summary (est. 15 min)
Marilyn Boston, Vice President, Compliance & Internal Audit
Akemi Renn, System Director, Compliance

D. DISCUSSION: Internal Audit Reporting Summary (est. 15 min)
Marilyn Boston, Vice President, Compliance & Internal Audit
Akemi Renn, System Director, Compliance

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

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 31st 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.

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 November 12, Audit and Compliance Committee Meeting

AUDIT AND COMPLIANCE COMMITTEE MEETING

Tuesday, November 12, 2024
4:00pm-5:30pm

Conference Center Located at Highland Care Pavilion
1411 East 31st 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

Mark Friedman, Chair
Greg Garrett
Sblend Sblendorio

AUDIT AND COMPLIANCE COMMITTEE MEETING MINUTES

THE MEETING WAS CALLED TO ORDER AT 4:03 pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT: Mark Friedman and Greg Garrett (arrived at 4:38)

ABSENT: Sblend Sblendorio, excused

PUBLIC COMMENT: None

No quorum was established. Trustee Friedman said they would start with the non action items while they wait for a quorum.

CONSENT AGENDA: ACTION

Trustee Garrett arrived at 4:38pm.

A. ACTION: Approval of the Minutes of the September 18, 2024, Audit and Compliance Committee Meeting

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.

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

ACTION: A motion was made and seconded to approve the Consent Agenda.
AYES: Trustees Friedman and Garrett
NAYS: None
ABSTENTION: None

END OF CONSENT AGENDA

B. <u>ACTION ITEM: Recommend Approval of the FY24 Financial Statements to the Full Board</u>
John Feneis, Partner, Moss Adams
Brian Conner, Partner, Moss Adams

Trustee Garrett said, regarding the Significant Risks Identified slide, if it was true that while these risks were identified, there were no areas of concern, everything the agency was doing was in compliance with Generally Accepted Accounting Principles (GAAP). Mr. Feneis said that was correct. There were no risks of new accounting pronouncements. There was a risk of that in prior years related to the lease accounting standards or the subscription-based information technology standard that management had to work through. Mr. Conner said the term "significant risk" sounded scary. But in this context it meant audit risk. Where was the potential that in the financial statements something could go wrong due to magnitude of balance, volume of transactions, or the presence of sensitive estimates. It was risks they evaluated in the audit engagement.

Trustee Garrett said it spoke well of the agency that they were talking about a gift card and a missed signature. It wasn't unusual for smaller agencies to have more significant findings.

Trustee Garrett moved, Trustee Friedman seconded to recommend approval of the FY24 Financial Statements to the Board of Trustees.

ACTION: A motion was made and seconded to recommend approval of the FY24 Financial Statements to the Board of Trustees.
AYES: Trustees Friedman and Garrett
NAYS: None
ABSTENTION: None

C. <u>DISCUSSION: Cyber Security Update</u>
E'Jaaz Ali, Chief Information Security Officer

Mr. Ali presented. No Trustee questions were asked.

D. <u>DISCUSSION: Internal Audit/Compliance Reporting Summary</u>
Marilyn Boston, Vice President, Compliance & Internal Audit
Akemi Renn, System Director, Compliance

Trustee Friedman asked if they had caught any staff members inappropriately accessing records more than once. Ms. Boston said they had not.

Trustee Garrett moved, Trustee Friedman seconded to recommend approval of the FY25 Internal Audit Plan.

ACTION: A motion was made and seconded to recommend approval of the FY25 Internal Audit Plan.
AYES: Trustees Friedman and Garrett
NAYS: None

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: 5:21 pm

This is to certify that the foregoing is a true and correct copy of the minutes of the meeting of November 12, 2024, as approved by the Audit and Compliance Committee on March 19, 2025 .

Ronna Jojola Gonsalves
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____
Ahmad Azizi
General Counsel

B. Cyber Security Update (est. 10 min)

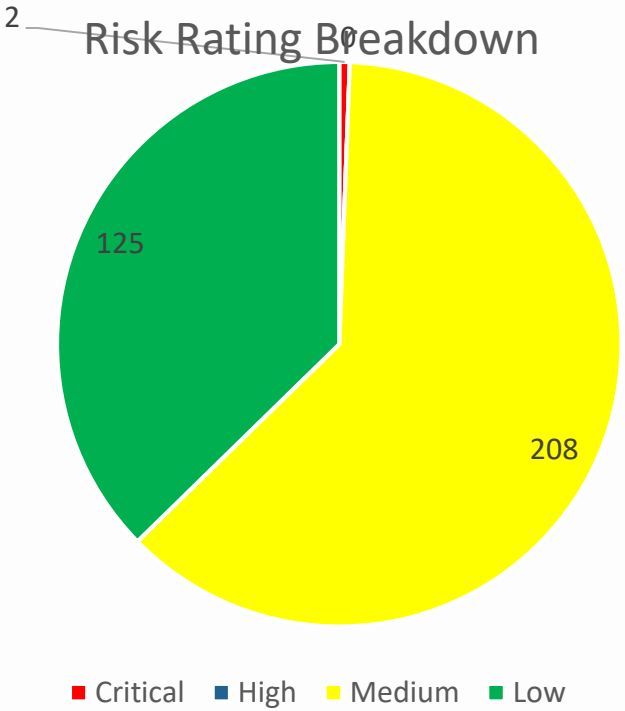
ALAMEDA HEALTH SYSTEM

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
335	62.6	99%	1	28



	Rare	Unlikely	Potential	Likely	Almost Certain
Critical	0	205	1	0	2
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

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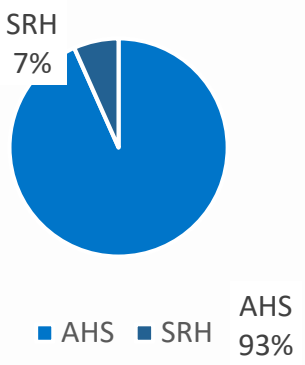
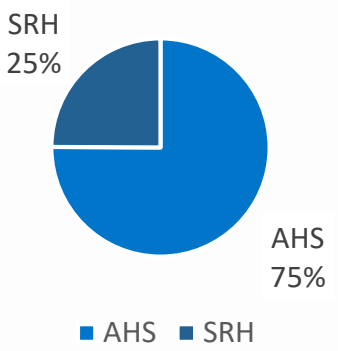
Asset Management Management Dashbord

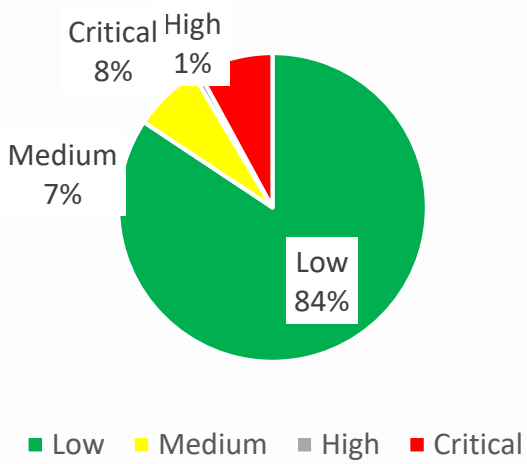
Assets



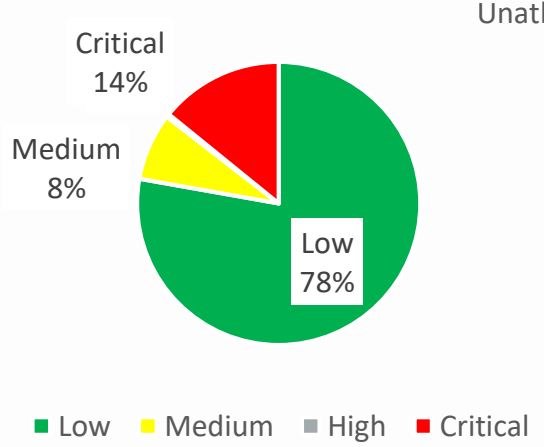
Vulnerabilities



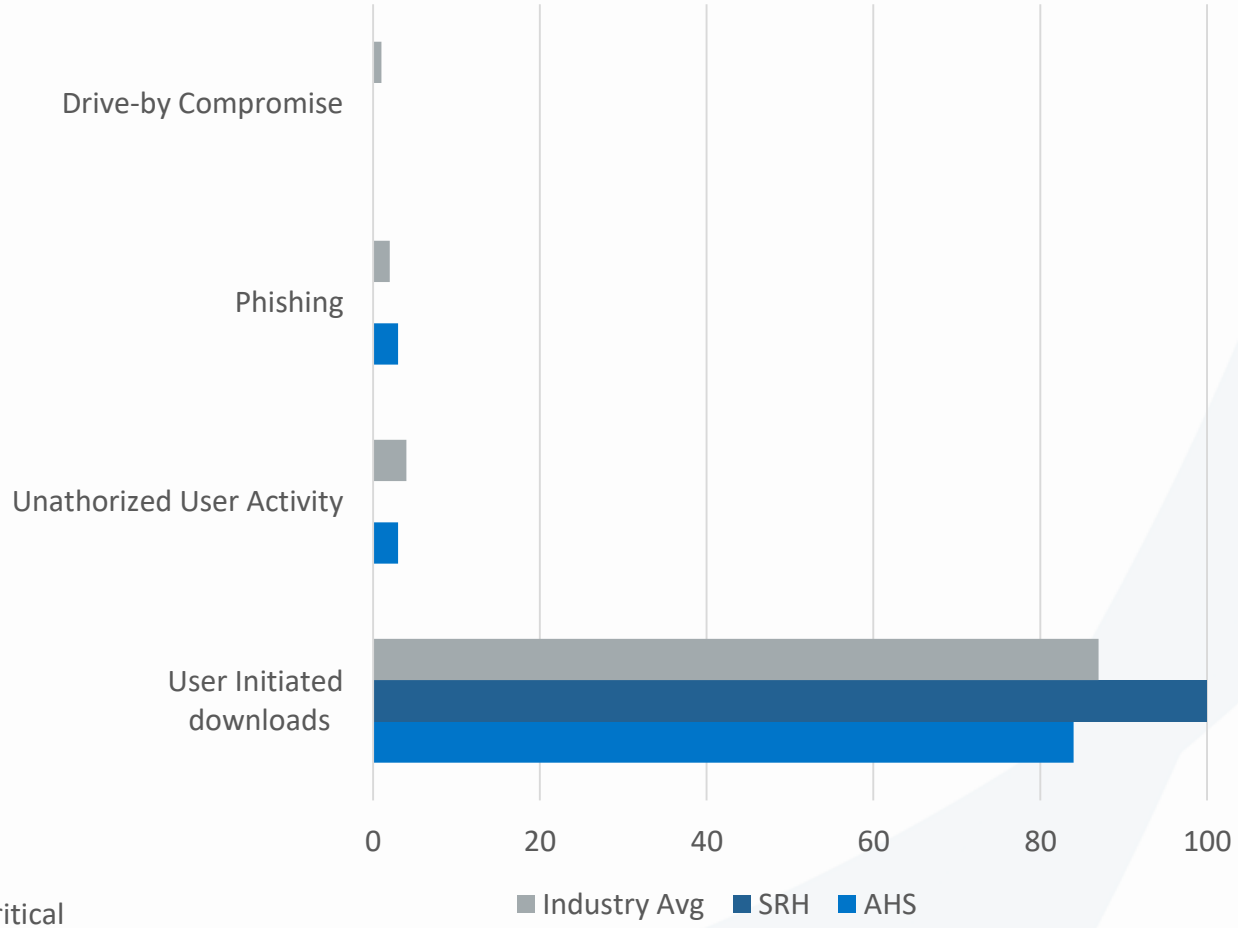
AHS Vulnerabilities



SRH Vulnerabilities



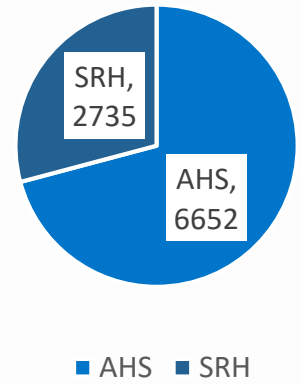
Asset Attack Vectors



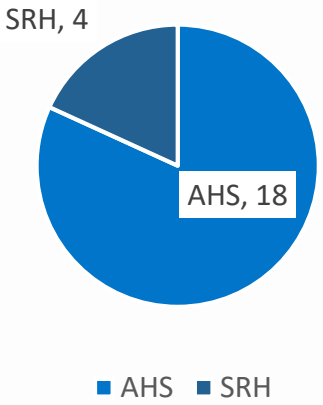
ALAMEDA HEALTH SYSTEM

Identity Governance

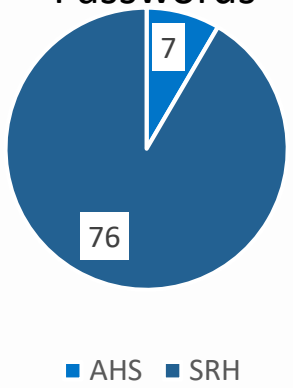
Total Users



Total Privileged



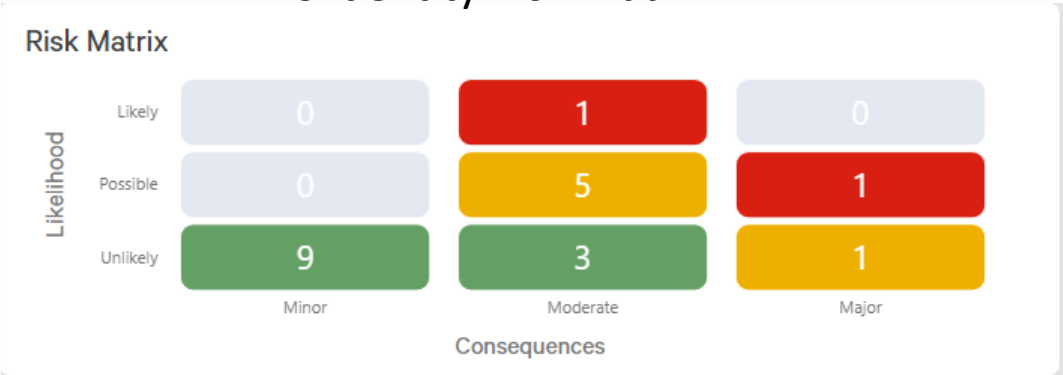
Weak Passwords



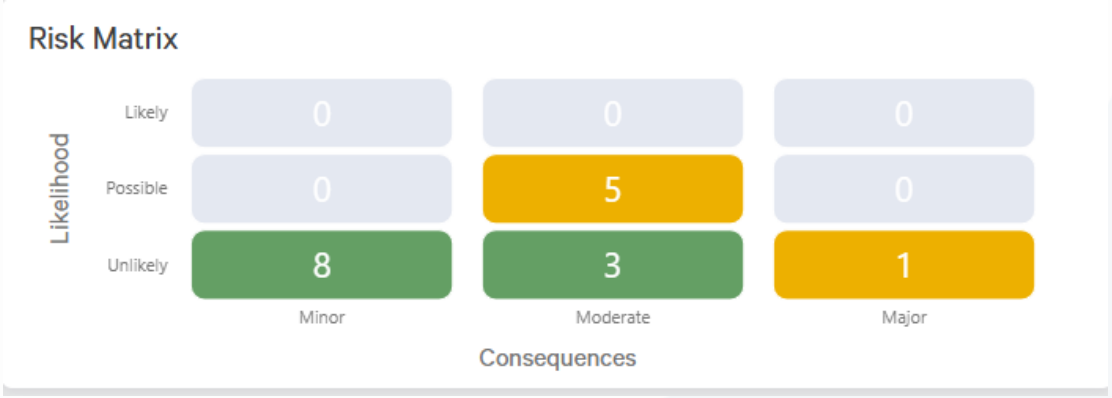
Highlights

1. SRH weak passwords were down by 532
2. AHS reduced attack paths to privileged accounts by 23%
3. Can now easily identify FTE vs non-FTEs

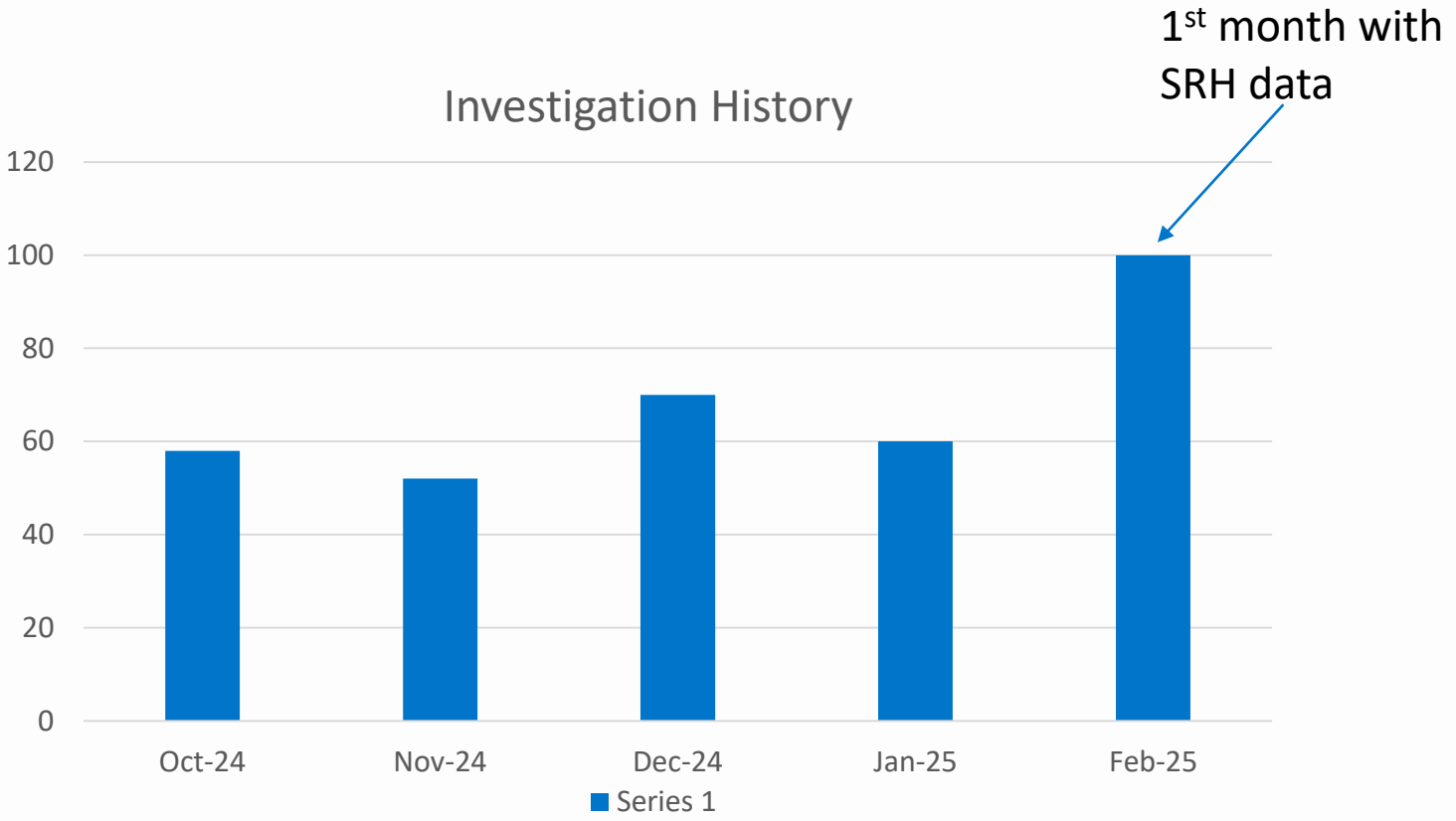
AHS Identity Risk Matrix

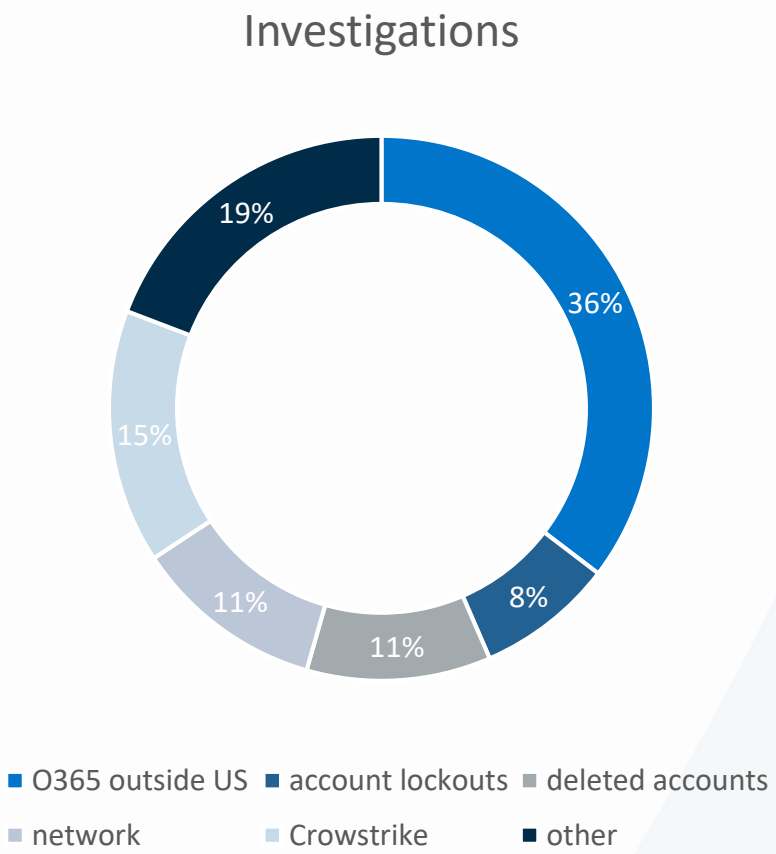


SRH Identity Risk Matrix



24x7 Security Operation Center





Any Questions/Comments

C. Compliance Reporting Summary (est. 15 min)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HEALTH SYSTEM
Audit and Compliance Summary Report – March 2025


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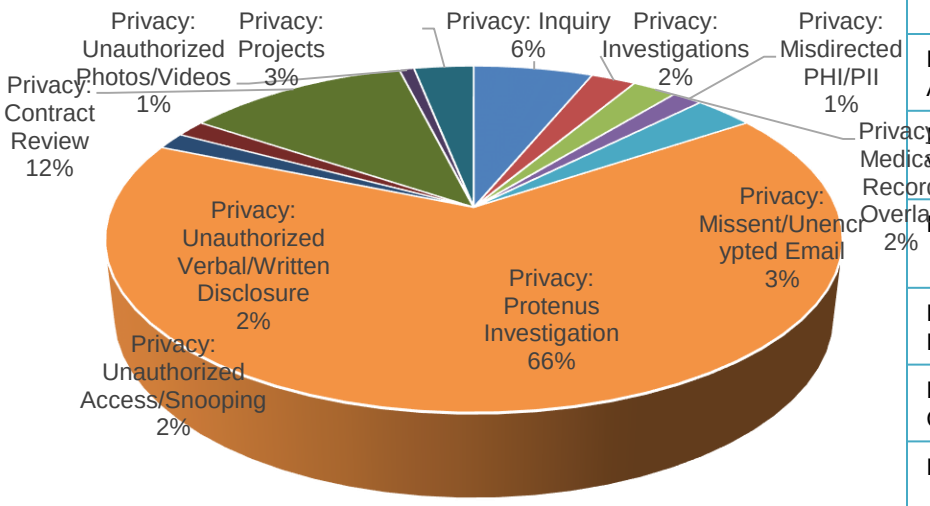
Privacy Report

Privacy Dashboard

2nd Quarter FY 2025: October 1, 2024 – December 31, 2024

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

*Q2 New Cases



Issue Type	New Privacy Cases Reported
Privacy: Protenus Investigations (84)	• Self Access • Family Member Access • Suspicious Activity • Coworker Access • Neighbor Access • VIP
Privacy: Contract Review (15)	• BAA Analysis/Review • Contract Analysis/Review
Privacy: Missent/Unencrypted Email (4)	• Zix Notifications
Privacy: Misdirected PHI/PII (2)	• Paperwork Given to Wrong Patient
Privacy: Inquiry (8)	• Privacy Inquiries/Questions
Privacy: Unauthorized Access/Snooping (2)	• Possible Unauthorized Access/Snooping
Privacy: Unauthorized Verbal/Written Disclosure (2)	• Possible Unauthorized Verbal Disclosure
Privacy: Investigations (3)	• Resident Use of Chat GPT • HIPAA Compliance Concerns
Privacy: Unauthorized Photos/Videos (1)	• Possible Unauthorized Photo and Video Incident
Privacy: Medical Record Overlay (3)	• PHI Placed in Wrong Medical Record
Privacy: Projects (4)	• Privacy Training for Departments • Peer to Peer Cancer Program Consent Form • AI Ambient Note Scribe Project

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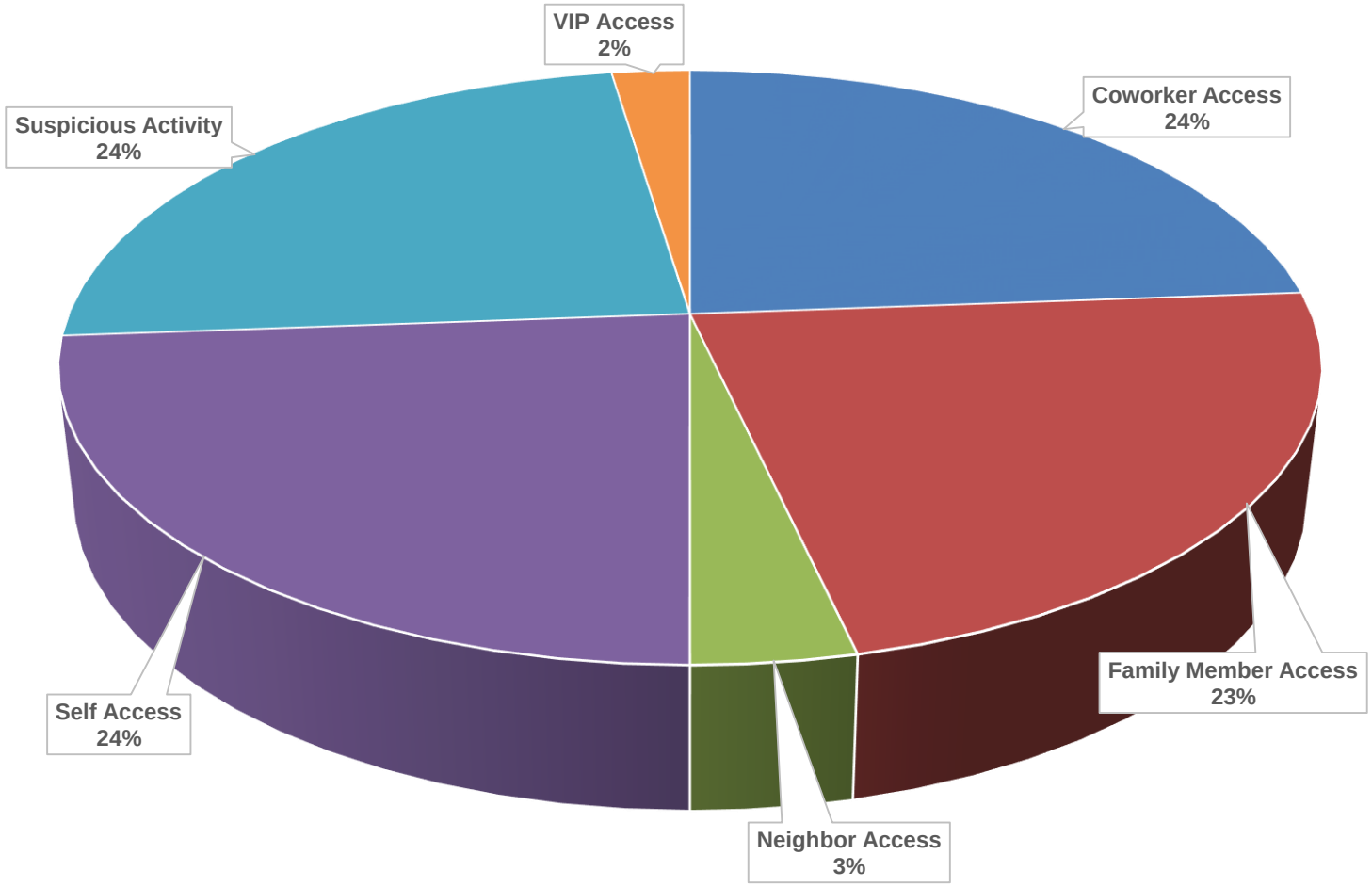
Protenus Dashboard

2nd Quarter FY 2025: October 1, 2024 – December 31, 2024

*Q2 New Protenus Cases



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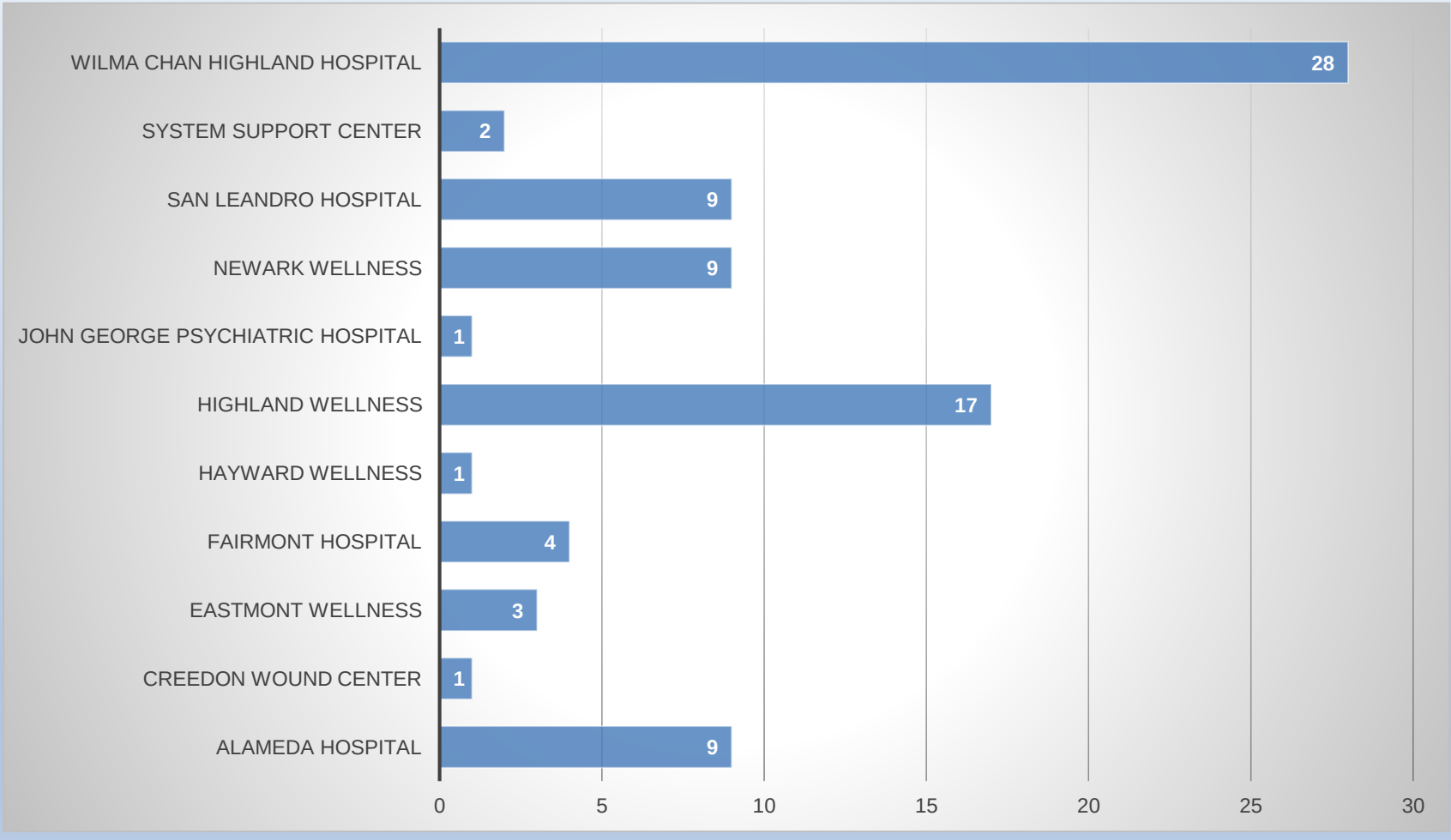
Protenus Dashboard

2nd Quarter FY 2025: October 1, 2024 – December 31, 2024

*Q2 New Protenus Cases



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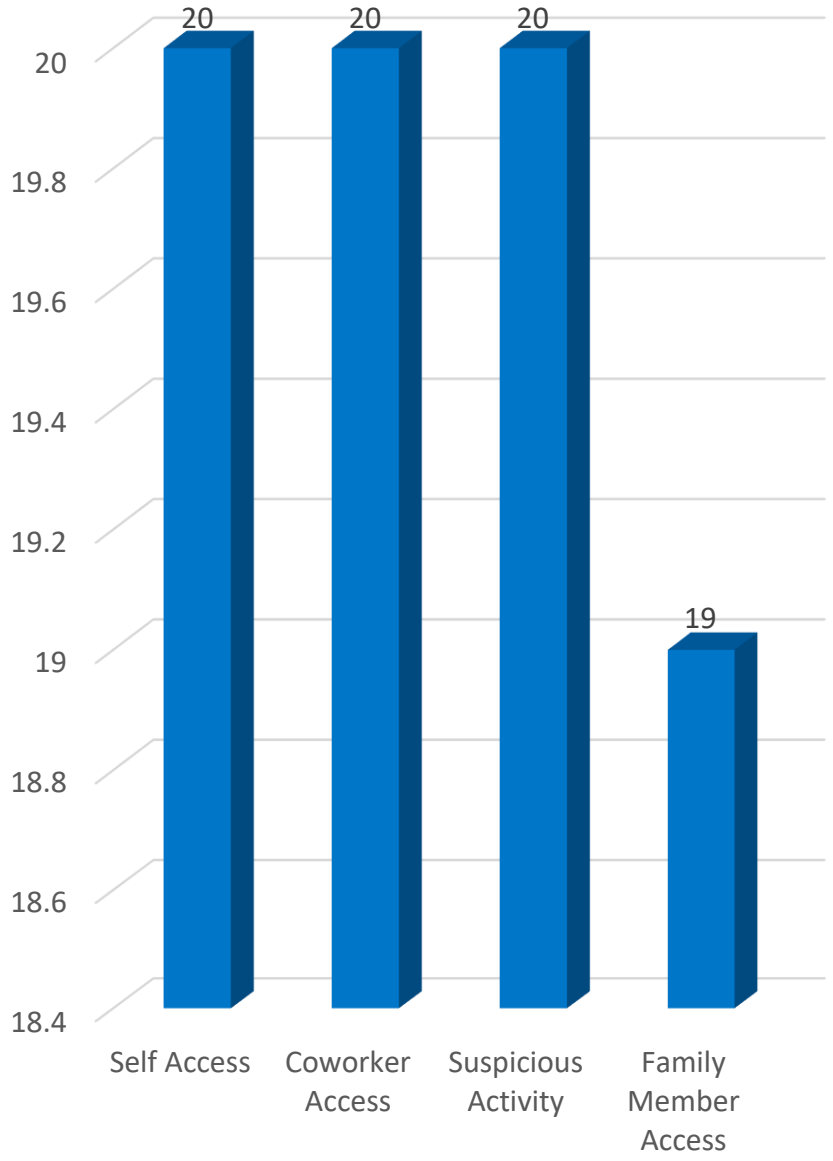
Top Areas of Concern For Q2

1. Self Access
2. Coworker
3. Suspicious Activity
4. Family Member



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Types of Cases Monitored and Reported by Protenus

Case Type	Definition
Break The Glass	Any access to PHI under Break The Glass that is suspected to be without a job-related reason.
Coworker	Any access to PHI of another workforce member that is suspected to be without a job-related reason.
Neighbor	Any access to PHI of patients having a similar address to that of a workforce member's known residence suspected to be without a job-related reason.
Family Member	Any access by a workforce member using their employee login credentials to view or amend the medical records of their minor child, family member or relative, friend, or any individual for whom they are the legal guardian, representative, or proxy without a job-related reason. They should use MyChart or submit a request through HIM.
Self Access	Any access by a workforce member using their employee login credentials to view, access, or amend their own medical records. They should use MyChart or submit a request through HIM.
VIP	Any access to high-profile patients' PHI suspected to be without a job-related reason.
Suspicious Activity	Any access to any PHI that appears to be without a job-related reason.


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Compliance Audits and Consulting Engagements

340B Compliance Audits – 2nd Quarter

Payer	Total Claims	Total Errors	Error Rate	Corrective Action
Hospital Claims **Medicare/Commercial**	7714	5	0.0006	HB billing team has corrected the errors and appended the JG modifier.
Hospital Claims **Medi-Cal/Managed Care**	43,082	22	0.0005	HB billing team has corrected the errors and appended the UD modifier.
Ambulatory/Freestanding Clinic Claims **Medicare/Commercial**	352	3	0.008	PB billing team has corrected the errors and appended the JG modifier.
Ambulatory/Freestanding Clinic Claims **Medi-Cal/Managed Care**	2718	7	0.003	PB billing team has corrected the errors and appended the UD modifier.

Audit Date Range: 10/1/2024 to 12/31/2024

Compliance Audits In Progress or Pending

Audit Description	Status
340B Claim Verification (Kalderos) Pharmaceutical manufacturer contracted with Kalderos for 340B drug claim verification to identify whether duplicate discounts were paid. Recurring audit requests by Kalderos since 2023.	In Progress
Services Performed without Privileges 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
UD Modifier on FQHC Claims (10/1/2024 to 12/31/2024) Modifier UD for 340B drugs have been appended on FQHC claim submissions for Medi-Cal Fee-For-Service. 340B program does not apply to Medi-Cal FQHC and does not affect condition of payment.	In Progress
IOP Professional Fee Services Professional Fee Service (PFS) claims for LCSWs and LMFTs are not allowed.	In Progress

Compliance Consulting Engagements

Description	Status
Creation of a Standalone non FQHC Vaccine Clinic	In Progress
Nephrology Professional Fee Services (PFS) with Outside Dialysis Center	In Progress
Mental Health Referral Process from ED to Highland (ED to BH LIFT Clinic Program)	**Completed**
Ophthalmology Provider Services for New Patients	In Progress
Incident-To Services by Advanced Practice Practitioners (APPs)	In Progress
Vendor's Compliance with AHS Policy	In Progress
Telehealth for Comprehensive Perinatal Services Program (CPSP)	**Completed**
Smart Phrase Template for Vaccine Counseling (Pre-written text for provider notes)	**Completed**


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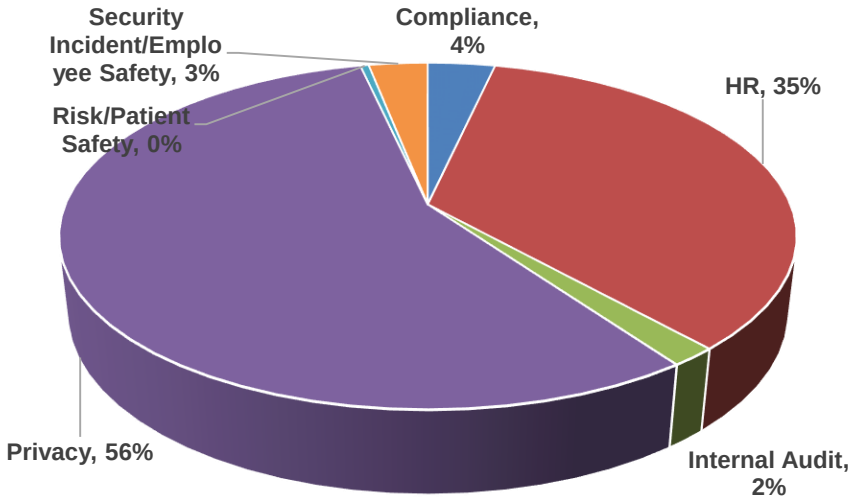
HEALTH SYSTEM
Compliance Dashboard

Compliance Dashboard

2nd Quarter FY 2025: October 1, 2024 – December 31, 2024

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

*Q2 New Cases



Issue Type	New Cases Reported
Compliance (8)	• Billing Concerns • Government Review • Fraud/Waste/Abuse • Clinical Practice • Patient Safety
Privacy (128)	• Protenus Investigations • Contract Review • Misdirected PHI • Unauthorized Disclosure • Zix: Missent/Unencrypted Emails • Unauthorized Access/Snooping • Medical Record Overlay
HR (79)	• Employee Relations Incidents • Hostile Work Environment Allegations • Harassment Allegations • Retaliation Allegations • Staffing and Scheduling Concerns
Security Incident/Concern (7)	• Safety Concerns
Internal Audit (4)	• E-Consult Audit
Risk/Patient Safety (1)	• Patient Safety Concern

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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	In Progress
Epic Upgrade Changes	In Progress
Develop Stainable Monthly Reports	Completed
Epic and Sensitivity Training • Develop Operational Standards • Build Training Document and Job Codes • E-Learning and Competencies	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

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 • Data segmentation • Access control • Disclosure restrictions	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.

NetFile for Form 700 Fylers

Key Milestones	Status
Contract Agreement	Completed
FPPC Electronic Filing Application Approval	Completed
Data of Filers Uploaded in NetFile Platform	Completed
Training	Completed
Finalize Update Changes for Go Live	Completed
Go Live – 3/6/2025	Completed

D. Internal Audit Reporting Summary (est. 15 min)

ALAMEDA HEALTH SYSTEM

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 Management	In progress
• Identity and Access Management	In progress
• Cash Posting (FY2025 – Q4)	Not started
• Hospital Registration (FY2025 – Q4)	Not started

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**
• 2025 Single Audit Controls Validation Support	In progress
• AHS Website Pricing Transparency	In progress
• Financial Audit Services Quote Solicitation	In progress

ALAMEDA HEALTH SYSTEM

Business Vendor Risk Assessment

Business Vendor Risk Assessment | Scope, Objectives & Results

Scope	1/1/2024 – 9/30/2024
Objective 1	**Vendor risk assessment process aligns with regulations and AHS policy guidelines.**
Objective 2	**Vendor risk assessment process has adequate internal controls in place to identify third party risks to AHS.**
Objective 3	**Vendor monitoring and oversight practices are adequate to identify and mitigate related risks.**
Objective 4	**Risk assessments, vendor findings, approvals, contracts and ongoing monitoring activities are documented, complete, and accurate.**

Exceptional

Satisfactory with Exceptions

Unsatisfactory

Results

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

ALAMEDA HEALTH SYSTEM

Finding 1 – Subsequent Security Risk Assessment

Finding Description

HIPAA Security Rule (45 CFR § 164.308(a)(1)(ii)(A)) requires covered entities and their business associates to conduct periodic risk assessments to evaluate the security of protected health information. These requirements are incorporated in AHS's *Third-party Management Policy* and *Third-party Security Risk Assessment* process documents.

During test work, Internal Audit reviewed completed security risk assessments performed by the Information Security team. These assessments are performed prior to finalizing the initial vendor contracts. Internal Audit found that there is no process to determine when to perform a subsequent security risk assessment for the remaining life of the contract or prior to any contract renewals.

The Information Security team shared that they are designing processes to address subsequent security risk assessments as part of AHS's Identity Governance and Administration initiative and anticipates implementation by January 2026. They also plan to partner with AHS's Environmental Health and Safety (EHS) department business impact assessments efforts which will identify critical AHS vendor applications and systems requiring a subsequent security assessment.

Subsequent security risk assessments help to identify vendor security changes and determine whether AHS should take actions to reduce exposure to regulatory non-compliance, disruptive operational threats, financial and reputational impacts.

Recommendation

AHS's Information Security team should ensure that their periodic security risk assessment policy and processes includes when to perform a subsequent assessment during the life of the contract or prior to any contract renewals.

Finding 2 – Vendor Due Diligence Control Gaps

Finding Description

AHS's vendor selection and contracting processes include background checks and due diligence activities performed by the Purchasing and Non-Physician Contracting departments. Additionally, the Information Security team performs security risk assessments on vendors that will access AHS systems and patient data. During 2024, AHS's vendor selection process included: 104 background checks and due diligence processes, 58 new vendor non-physician contracts, and 54 security risk assessments.

Internal Audit noted the following control gaps in the vendor selection process for 40 vendors sample tested:

1.Stale Form 700 data: Vendor due diligence activities by AHS's Purchasing department includes a review of Form 700 data to determine whether an AHS employee conflict-of-interest exists with the prospective vendor. Internal Audit noted that the Form 700 data file used by Purchasing is not current, as the most recent data is from 2021.

2.Incomplete security risk assessments: For vendors established through the Purchasing department, there is no process to determine whether the Information Security team should perform a vendor security risk assessment.

3.No vendor control report reviews: The Information Security team obtains but does not review vendor control reports (e.g., SOC1, SOC2 or HITRUST reports) provided to AHS as part of their security risk assessment.

Vendor due diligence control gaps may increase exposure to compliance and operational risks as well as financial and reputational impacts.

Recommendation

The Purchasing team should coordinate with the Clerk of the Board of Trustees to obtain current Form 700 data to ensure complete and accurate conflict of interest reviews.

The Information Security team should collaborate with the Purchasing team to establish a process to determine and communicate when to perform initial vendor security risk assessment.

When performing security risk assessments, the Information Security team should document their assessment of the vendor provided SOC1, SOC2, and HITRUST reports.

Finding 3 – Vendor Performance Evaluations

Finding Description

The Joint Commission requires healthcare organizations to establish performance expectations for all care, treatment, and services subject to contractual arrangements. This also includes evaluating and monitoring vendor performance regularly to confirm agreed-upon performance expectations are met (Joint Commission Standard LD.04.03.09). To support this requirement, AHS's Non-Physician Contracting Team requires three vendor performance expectations in all vendor contracts. AHS business units are responsible for performing vendor performance evaluations and communicating the results to the Non-Physician Contracting team who then records the results in the MediTract database.

For a sample of 5 vendors, Internal Audit found that AHS had completed performance evaluations for 3 of 5 vendors, and the other 2 vendors had no completed performance evaluation. According to the Non-Physician Contracting team management, most business units do not complete, or if completed, do not communicate the vendor performance evaluation results despite follow-up efforts by the Non-Physician Contracting team. As a result, AHS cannot effectively monitor Joint Commission compliance related to evaluating and monitoring vendor performance.

Failing to evaluate and monitor vendor performance can result in potential non-compliance with Joint Commission requirements, jeopardize accreditation status, patient care and safety standards.

Recommendations

The Non-Physician Contracting team should inform all AHS business units that it is their responsibility to complete vendor performance evaluations and to communicate the results to the Non-Physician Contracting team. Additionally, the Non-Physician Contracting team should establish a process to periodically report to the Executive Leadership team the business units that have not completed vendor performance evaluations.

ALAMEDA HEALTH SYSTEM

Accounts Payable

Accounts Payable | Scope, Objectives & Results

Scope	FY2024 (7/1/2023 – 6/30/2024)
Objective 1	Verify that only authorized personnel have access to accounts payable systems and that duties are properly segregated to prevent fraud and errors.
Objective 2	Ensure the vendor master file is accurate and reliable, and that vendor onboarding processes comply with both company policies and regulatory requirements.
Objective 3	Verify that invoices payments are accurately processed, approved, and paid in accordance with company policies.
Objective 4	Validate that accounts payable transactions are regularly reconciled.
Objective 5	Evaluate the effectiveness of management oversight to identify and address accounts payable discrepancies.
Objective 6	Assess the strength of controls designed to prevent and detect fraud within the accounts payable system.

Results

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

ALAMEDA HEALTH SYSTEM

Finding 1 – Purchasing Process Bypassed

Finding Description

According to AHS's Employee Travel, Training and Business Expense Reimbursement Policy, employees are reimbursed for reasonable and authorized expenditures incurred while traveling or engaged in AHS business. Employees must complete the *Employee Personal Expense Claim Form* along with receipts and their department head signature.

Internal Audit found that AHS's IT Department is using the *Employee Personal Expense Claim Form* to purchase business assets and equipment, including Apple devices and networking equipment totaling $230,000. Using the employee expense reimbursement form bypasses AHS's established procurement process especially for purchase IT assets and equipment.

When the purchasing process is bypassed, an organization may miss out on bulk purchase pricing, improperly capitalize/expense purchased goods, and fail to track assets and equipment through their lifecycle.

Recommendation

IT management should communicate to staff to no longer use the *Employee Personal Expense Claim Form* for IT asset and equipment purchases and require all IT equipment purchases follow the procurement process detailed in the AHS Purchasing and Payment Policy.

Finding 2 – Payment Approval Permissions

Finding Description

AHS's Purchasing and Payment Policy, defines dollar thresholds for purchasing and payment authority. According to the policy, managers may approve payment of invoices with an approved purchase orders up to $10,000.

Internal Audit found 309 individuals in Hyland OnBase have permission to approve payment of invoices; however, 27 individuals (9%) do not hold titles of managers or above. After contacting the managers of these individuals, Internal Audit confirmed that they previously held manager titles. Additionally, none of these individuals had approved an invoice payment in Hyland OnBase since changing roles. Internal Audit also noted that AHS does not perform Hyland OnBase or Lawson payment permission reviews to verify that payment approval permissions align with an individual's functional title.

When payment permission reviews are not performed, personnel may continue to inappropriately approve vendor payments that exceed their job title's functional authority.

Recommendation

AHS Accounts Payable should implement a quarterly review of Hyland OnBase and Lawson payment permissions to ensure only authorized staff, per the AHS Purchasing and Payment Policy, can approve invoices for payment.

Finding 3 – Duplicate Invoices

Finding Description

Duplicate vendor payments occur when the supplier is paid more than once for the same instance of delivered goods or services. To prevent duplicate vendor payments, responsible business units should perform a matching of the vendor's invoice to the goods and services delivered and consideration of prior vendor payments.

During testing, Internal Audit identified 14 duplicate invoices totaling $270,778 received from GRM Information Management Services (GRM), AHS's document storage and scanning vendor. Upon investigation, Internal Audit found that the vendor submitted two or three invoices for the same services and time-period. The invoice detail was identical for the services provided; however, the invoice number included a leading zero (e.g., 00138916 vs. 0138916), invoice had different date, and the invoice formatting varied. As a result, the systematic validation and manual Accounts Payable invoice review processes caught and denied 8 of 14 duplicate invoices from further processing.

The other 6 invoices were sent to the Health Information Management department, the business unit responsible for reviewing and approving GRM invoices. The department manager represented that she cannot view prior approved invoices to determine if an invoice under review is a duplicate. Additionally, she had received direction to "just approve" vendor invoices as there had been a period of vendor payment delays and therefore, she did not sufficiently validate the invoices for payment. As a result, AHS approved and paid 6 duplicate invoices from GRM totaling $147,886.

Invoice processing that results in duplicate payments, if not corrected, can result in cash leaks, and create fraudulent opportunities. Furthermore, a vendor that submits multiple invoices without reasonable cause may be attempting to exploit AHS payment practices.

Recommendation

1. Contact GRM and ensure that the $147,886 overpayment is returned or credited back to AHS on subsequent invoices and communicate that the submission of duplicate invoices stops.

2. Enhance vendor invoice review and processing controls to identify and remove duplicate invoices, as follows:

- Implement additional automated validation rules, exception report or similar control that flags duplicate or similar invoice numbers before routing for responsible business unit review approval.

- Create a historical invoice payment report or system view that responsible business unit management can access when validating a vendor invoice for payment.

Finding 4 – Vendor Approval Process

Finding Description

The AHS vendor approval process evaluates, assesses, and accepts vendors to ensure quality vendors are available for purchases. The vendor approval processes includes exclusion verification activities, vendor application review, completed and verified vendor W-9, and vendor approval by Director of Supply Chain Sourcing Procurement.

Internal Audit selected and tested 10 vendors added during the audit period to assess the completeness and accuracy of the vendor approval processes, and noted processing exceptions for 5 vendors paid $94,000 as follows:

- 1 vendor had no record of any vendor documents (i.e., completed exclusion verification, vendor application, or W-9)
- 4 vendors were not approved by the Director of Supply Chain Sourcing Procurement.

Unapproved vendors can increase fraud risk and wasted funds due to poor vendor quality.

Recommendation

Enhance the vendor approval process to ensure all required documents and approvals are completed and documented prior to activating the vendor in AHS's purchasing system.

ALAMEDA HEALTH SYSTEM

Primary Care Capitation

Primary Care Capitation | Scope, Objectives & Results

Scope	**7/01/2024 – 10/31/2024**
Objective 1	**Verify accuracy of capitation payments received and alignment with contractual rates.**
Objective 2	**Ensure capitation payments are associated with enrolled eligible patients.**
Objective 3	**Evaluate control environment and design for capitation payment processing.**
Objective 4	**Identify and address payment discrepancies, control gaps, or potential fraud.**

Result

Based on the overall audit test results, control design examination and demonstrated regulatory compliance, Internal Audit has assessed AHS's Primary Care Capitation processes and controls as ***Satisfactory with Exceptions***.

Exceptional

Satisfactory with Exceptions

Unsatisfactory

ALAMEDA HEALTH SYSTEM

Finding 1 – Category of Aid Code Validation

Finding Description

Alameda Alliance assigns a Medi-Cal category of aid code to each of its eligible members. These codes identify the types of services and the related capitated rate AHS is to receive per member per month according to AHS's capitated contract with Alameda Alliance. During the audit review period (July – October 2024), AHS received approximately $1.2 million per month in Alameda Alliance capitated payments for approximately 90,000 patients.

Each month Alameda Alliance sends AHS an eligibility file which includes all eligible members, their assigned category of aid code, and the capitated rate. When AHS processes the eligibility file, Internal Audit found that there is no control to validate whether the category of aid codes assigned by Alameda Alliance are reasonably accurate. AHS Reimbursement management represented that the complexity of these aid codes — such as the inability to convey Medicare status — adds to the challenge of ensuring accurate capitation payment validation. While there is an ongoing effort to develop a validation system, it is not yet operational, as Alameda Alliance has not made key data elements necessary for validation.

Without a category of aid code validation control, AHS does not reasonably know if the category aid code and the associated capitated payment is accurate for each member.

Recommendation

Management should establish a validation process that provides reasonable assurance that the category aid code is accurate and is appropriately mapped to the correct capitated payment rate.

Finding 2 – Outdated Policies and Procedures

Finding Description

Department level procedures should be documented to help ensure organizational knowledge retention, risk mitigation and operational consistency.

Internal Audit found that procedures related to the primary care capitation process at AHS were either in draft form or outdated. The policies and procedures include:

- AHS Capitation Reconciliation Policies, Processes, and Procedures - ELIGIBILITY
- AHS Capitation Reconciliation Policies, Processes, and Procedures - BI v2
- AHS Capitation Reconciliation Policies, Processes, and Procedures - REIMBURSEMENT

Outdated policies and procedures can result in capitation processing delays if key staff are not available, and AHS personnel unfamiliar with the process must step in, to complete the capitation processing activities.

Recommendation

Management should update and finalize the capitation processing policies and procedures and establish a periodic review cycle.

ALAMEDA HEALTH SYSTEM

Global Payment Program Audit

Global Payment Program Audit | Scope, Objectives & Results

Scope	2024 Sep Report Submission – (2023 data – Program year 9)
Objective 1	**Ensure the data gathered in GPP reporting process are accurate, complete and reliable.**
Objective 2	**Assess adherence to DHCS reporting guidelines.**
Objective 3	**Evaluate the oversight processes in place to ensure accurate data gathering, review, and submission.**
Objective 4	**Evaluate the financial reconciliation process for accuracy and completeness of posted Journal entries.**
Objective 5	**Validate the end-to-end reporting process for risks related to data handling, documentation and internal controls.**

Result

Based on the overall audit test results, control design examination and demonstrated regulatory compliance, Internal Audit has assessed AHS's Global Payment Program reporting processes and controls as ***Satisfactory with Exceptions***.

- Exceptional
- Satisfactory with Exceptions ←
- Unsatisfactory

Finding 1 – Epic Encounter Report Errors

Finding Description

AHS's Business Intelligence department provides the Reimbursement team Epic encounter reports using SQL scripts. The Reimbursement team then copies and pastes the Epic encounter report into the Department of Health Care Services (DHCS) Excel template for Global Payment Program (GPP) and then submits it to DHCS for payment.

Internal Audit reviewed all encounter lines (102,470 total encounter lines) across all 22 service types in the Epic encounter reports submitted for Program Year 9. The review identified 407 duplicate encounter lines, which resulted in an overstatement of reported GPP units and inflated points earned by 121,340. Additionally, the uploaded GPP reports contained null values for GPP days in 372 encounter lines, which were included in the calculation of reported points earned, an overstated of 57,334 points.

The findings are summarized below:

Data Report Errors	Invalid Encounter Lines	Inflated Points Earned	Gross GPP Budget Earned
Duplicate Encounters	407	121,340	$1,328,845
Encounters with null values	372	57,334	$627,889
Total	**779**	**178,674**	**$1,956,334**

These inflated points are equivalent to 1% of gross GPP budget earned for Program Year 9. AHS Reimbursement management estimate the net financial impact is approximately 45% of the gross amount earned, $880,350.

Since Reimbursement relies on the Epic encounter report data for submission to DHCS, it is essential that the SQL scripting produces accurate results; otherwise, AHS risks compliance violations and DHCS funding delays.

Recommendation

The Business Intelligence department should modify the SQL scripts accordingly and run data quality checks for duplicates and null values in key columns of the Epic reports to ensure accuracy.

Finding 2 – Misclassification of Encounters in Reported Data

Finding Description

The Global Payment Program (GPP) reporting process uses data from AHS Epic, Alameda County and Outside Medical Services data, which is then aggregated and then mapped according to DHCS requirements. Since the launch of GPP in 2016, there have been limited changes to AHS's procedures used for this data reporting.

Internal Audit sampled 10 service types and reviewed encounter record mapping for accuracy during calendar year 2023. Internal Audit found the following discrepancy for one of the service types:

Incorrectly Reported Services
31 GPP days of Skilled Nursing Facility (SNF) Augmentation services provided to a patient were incorrectly reported under category Mental Health ER / Crisis Stabilization - 1C12 (256 points). These services should have been classified under the post-acute Services category for SNF – 4A45 (154 points) in accordance with GPP reporting guidelines. The incorrect mapping resulted in an overstatement of 3,162 points, amounting to approximately $33,965 gross GPP budget earned. Management estimates that the net financial impact is approximately 45% of the gross amount earned, $15,284.

Incorrect or misclassification of service types can result in overstatement of earned points and compromise the GPP report's accuracy, completeness, and compliance with DHCS guidelines.

Recommendation

Reimbursement should implement a review process to identify and correct any misclassifications including verification of Mode of Service and Service Function code mapping with GPP code.

E. REPORTS_ 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
01 Cybersecurity Report	Report Summary	Report Summary	Report Summary	Report Summary
02 Compliance and Privacy Report • Compliance Audit Summary Reports • Consulting Engagements • Dashboards • Projects	Report Summary	Report Summary	Report Summary	Report Summary
03 Internal Audit (IA) Report • Audit Plan Status • Internal Audit Summary Reports	Audit Report	Annual Audit Plan	Audit Report	Audit Report
04 External Audit Report (Moss Adams)	No Update Will Be Presented	Annual Financial Audit Plan	Audit Update	Final Audit Report
05 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 2025 Ranked Audit Universe

HIGH Risk Audit Areas

3.90	Denials ***Engineering Infrastructure Mgt.*** Physician Contracting ***Primary Care Capitation Reimbursement***	3.40	***Cash Posting*** Collections/Follow-up Customer Service – NEW Hospital Billing (HB) Rev Cycle Non-Physician Contracting Parking Program Payor Relations Payroll and Timecard Physical Security Mgt – Vendor Telecommunications	3.10	Certification Management Fire and Life Safety Food and Nutrition - NEW John George Revenue Cycle Physical Security Mgt – Sheriff Professional Billing Coding
3.70	Grants/Special Projects ***Hospital Registration***			3.00	Business Data Integrations Event Reporting
3.60	Desktop Security ***Identity and Access Mgt.*** ***Prof. Billing (PB) Rev Cycle*** Utilities Management	3.30	EHR Access and Data Security	2.90	Access Provisioning ***Accounts Payable*** ***Business Vendor Risk Assmt***
3.50	Network Management System and Servers Mgt.	3.20	Infection Prevention	2.80	Clinical Data Monitoring State Licensing

MEDIUM Risk Audit Areas

2.70	External Analytics Hazardous Waste Disposal Media and Communications	2.50	Revenue Integrity	2.30	Employee/Labor Relations Government/Legislative Affairs Help Desk New Construction On Call Performance Improvement Teams Physician Peer Review Quality and Patient Safety Quality Incentive Pool Reporting True North Metric Reporting
2.60	Accreditation Management Cash Management Clinical System Record Support Facilities and Master Plan Dev. Patient Relations - NEW Population Health	2.40	Enrollment Services Environmental Services Gift Processing & Record Mgt. Post-Award and Gift Process Pre-Award and Gift Process		
		2.30	Core Measures Employee Competency Training		

LOW Risk Audit Areas

2.20	Budgeting and Operation Corporate Comms. and Marketing Foundation Accounting Services	1.90	Community Healthworker Steering Committee	1.60	Compensation Project Mgt. Finance and Budgeting Registration Quality and Training Root Cause Analysis
2.10	Health Information Mgt. Requests PBX Phone Operations	1.85	Bio-Medical Devices	1.30	Change Management Just Culture Project Management Governance
2.00	Authorizations Clinical Compliance Investigation Reporting and Analytics	1.80	AHS Accounting Services Community Engagement Linens Management Vehicle Fleet Program	1.00	Culture of Safety Employee Relations Consultants
		1.70	Simulation Program		

ALA… HEALTH SYSTEM