

SUPPLEMENTAL ADDENDUM

11-14-2022

HEALTH DEVELOPMENT
AUDIT COMMITTEE
PACKET

Meeting Minutes

ATTENDANCE ROSTER		
MEMBERS	MEETING DATES	
	9/9/2022	TBD
Linda C. Greer, RN	V	
Laurie Edwards-Tate, MS	V	
Staff Attendee		
Tanya Howell, Secretary	V	
Guest Presenters¹		

P = Present E = Excused V = Virtual

¹ See text of minutes for names of invited guests/presenters

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HEALTH DEVELOPMENT AUDIT COMMITTEE – MEETING MINUTES – FRIDAY, SEPTEMBER 9, 2022

(I.A) AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

I. CALL TO ORDER

- **Notice of Meeting** and **Full Agenda Packet** were posted at PH’s Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH website on Tuesday, September 6, 2022, which is consistent with legal requirements. Notice of that posting was also made that date via email to the Board and staff members.
- As there was not yet a Chairperson, Director Greer called the meeting to order at 3:01 p.m.

II. PUBLIC COMMENTS

- When Director Greer called for Public Comments, there was some discussion regarding why a corporation would be required to hold the meeting pursuant to the requirements of the Brown Act
 - It was determined that the Bylaws required it, and Chief Legal Officer Kevin DeBruin recommended that the matter be placed on the agenda for further discussion during the next full Health Development Board meeting
- There were no public comments

III. INFORMATION ITEMS

- None

IV. OLD BUSINESS

- None

IV. MINUTES 17:32

A. Minutes, Monday, December 6, 2021

MOTION: By Director Greer, seconded by Director Edwards-Tate, and carried to approve the minutes from the Monday, December 6, 2022, meeting
 Vote taken by roll call vote: Director Greer – aye; Director Edwards-Tate – aye

- No discussion

VII. NEW BUSINESS

A. Election of a Chairperson and a Vice-Chairperson of the Audit Committee

MOTION: By Director Greer to nominate herself as Chairperson of the Committee, seconded by Director Edwards-Tate
 Vote taken by roll call vote: Director Greer – aye; Director Edwards-Tate – aye
 No specific action was needed to elect Director Edwards-Tate as the Vice-Chairperson, as she is the only other member of the Committee

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- Reviewing the minutes from the last meeting, Director Greer commented they stated that Director Greer had nominated Director Griffith as the Chairperson, and that vote had precluded a need for a nomination of the Vice-Chairperson, since there were only two members, and the second would automatically become the Vice-Chairperson
- She then called for a nomination for the Chair

VII. PRESENTATIONS

A. Audit Entrance Presentation by Aldrich CPAs & Advisors LLP

Information only

- Mrs. Howell will poll the Audit Committee regarding potential date/time options for a 2nd meeting, following discussions with Mr. Maffia as the audit nears finalization
- If necessary, Mrs. Howell will poll the PHD Board regarding potential date/time options to move the Board meeting from November 14th to the month of December

- Hugh King introduced Andy Maffia, Partner in Charge of the audit for Aldrich CPAs + Advisors, noting that Mr. Maffia was going to review the requirements in terms of the information that he needed to share with the Audit Committee about the upcoming audit
- Mr. Maffia stated that the auditors annually hold a kick-off meeting to discuss the audit with this Committee, and he wanted to spend a few minutes going over the plan for the audit this year
 - o Chairperson Greer interrupted to confirm with Chief Legal Officer DeBruin that this matter did not require a vote, and he confirmed that it was informational only, then Mr. Maffia resumed his presentation
- As a part of the audit process, there is some required communication that is based on professional standards, and there are a couple of sets of standards that they as our CPA firm must adhere to when going through the audit
 - o One of those is Generally Accepted Accounting Principles (GAAP), which governs how PHD as an organization does its accounting and reporting of certain transactions throughout the year
 - o SCOPE OF SERVICES (PAGES 13-14) provides an outline as a reminder of both the responsibilities of the auditing firm and the responsibilities of PHD as the organization being audited
 - There is also an executed contract that outlines much of the same information
 - The bottom line is that PHD hired Aldrich as an independent firm to perform analysis, look at transactions and inquiries, and get enough information to support an opinion
 - 1) The best opinion is one that is unmodified, which provides the highest level of assurance that can be provided
 - 2) The end result will be an audit that includes the auditors’ opinion, the financial statements (which are the responsibility of the organization), and the notes from the auditor regarding the financial statements

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- Mr. Maffia further noted that Aldrich has been PHD’s auditing firm for the last several years, and there haven’t been any changes in their responsibilities during that time
 - 1) Chairperson Greer asked if it held true for this entity that best practices were to rotate firms, similarly to what the PH Board Audit Committee does by going out to bid for a new auditing firm every 5 years
 - 2) Mr. Maffia stated that there were no such rules for non-profit organizations or even with other public entities; however, a typical best practice for those types of entities was to use the same firm, but to have a periodic rotation of partners, as well as a rotation of the entire auditing team, allowing new people to become involved and providing a fresh perspective
 - 3) Most organizations have a new partner rotation every 5 to 7 years
- The auditors will provide the Audit Committee and the Board with two letters
 - 1) A management letter commenting on the internal controls of the organization, fiscal management practices, and other observations resulting from the audit
 - a) Although the auditors do not issue an opinion on internal controls, they must still have an understanding of them in order to perform the audit
 - b) If any areas were identified where the auditors thought that internal controls could be strengthened, that information would be included in the letter
 - 2) A letter identifying significant accounting policies, management judgments, and accounting estimates, audit adjustments and other matters discussed during the audit
 - a) None of those have been issues in the past
- o CLIENT SERVICE TEAM (PAGE 14)
 - In addition to Mr. Maffia, Shane Valleau will be managing the day-to-day audit activities; and Rachelle Jumper will be responsible for the completion of the tax filings and tax consultation services (State of California 199 and IRS form 990)
- o SERVICE TIMELINE (PAGE 14)
 - The auditors work with Aimee Ebner to identify an appropriate timeframe, and the field work is currently scheduled to begin the week of September 26th, with information requests scheduled to be submitted in the weeks between this meeting and that date
 - 1) Those information requests are related to specific areas selected for review by the auditors, with Ms. Ebner gathering the requested information and returning it to them so that they will be prepared to “hit the ground running” once they are in the field
 - 2) Mr. Maffia asked Secretary Tanya Howell if a second PHD Audit Committee meeting had been scheduled, and she responded that the PHD Board was currently scheduled to meet on November 14th; however, that date could be pushed further out if the preliminary audit work wasn’t done in time to allow a meeting of the PHD Audit Committee by that date
 - a) Mr. Maffia and Mrs. Howell were going to discuss further options offline
 - b) Chairperson Greer asked for confirmation that this Committee would meet again, and Mr. Maffia stated that a final draft of the audit would make a full presentation to the PHD Audit Committee, who would make a recommendation to the full PHD Board
 - (i) The auditors would then make a much briefer summary presentation to the full PHD Board

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- o COMMITMENTS & SIGNIFICANT AREAS AND ISSUES (PAGE 15)
 - Mr. Maffia read the items
- o FRAUD CONSIDERATIONS (PAGE 15)
 - Mr. Maffia stated that the auditors have an obligation to look at transactions to confirm there isn't any fraudulent activity occurring
 - They also have discussions with various members of the team related to their responsibilities, their roles, and whether they have noticed any errors or were suspicious about any activities, all of which assists them in determining if there is a potential that fraud could be occurring
- o PEER REVIEW (PAGE 16)
 - Every 3 years, Aldrich is audited by another CPA firm to confirm their adherence to professional standards, internal controls, etc.
 - Options are to pass, pass with deficiencies or fail, with pass being the best and what Aldrich received
 - Their next audit will be in 2023, and Mr. Maffia the new report once that audit has been completed
- o PROFESSIONAL AND REGULATORY CHANGES (PAGES 17-21)
 - Mr. Maffia spoke briefly about the technological changes that had occurred since the pandemic, noting that many non-profits were grappling with the changes required by having their staff working remotely
 - 1) Aldrich has developed a cybersecurity arm within the firm to help them traverse some of those changes
 - There has also been a change in the audit report format, so the structure will look different, but it didn't change the procedures that will be performed for the audit
 - Lastly, there is a new lease accounting standard about which— while not overly significant to PHD—the Committee needed to be made aware
 - 1) The standard was enacted 6 years ago and is just now being implemented, with an effective date for PHD of June 30, 2023
- Mr. Maffia opened the floor for questions
 - o Chairperson Greer asked if the audit would be done virtually or in-house, and Mr. Maffia responded that the last couple of years it had been all virtual, and that had worked pretty well; however, the plan this year is to work with Ms. Ebner on creating a sort of hybrid, as some procedures are better when done in person
 - Overall, it will depend on what makes the most sense
 - o Mr. King stated that, after many years of perfect service to Palomar Health and Palomar Health Development, Ms. Ebner had taken advantage of another opportunity; however, she had agreed to stay on part-time through most of the audit as well as to help train her replacement, and would mostly be working remotely
 - Mr. King thanked Ms. Ebner for all that she had done for us, and thanked her for remaining to help out
 - Chairperson Greer inquired about Ms. Ebner's length of service with the District, and Ms. Ebner replied that it had been 13 years
 - 1) Chairperson Greer then thanked Ms. Ebner for that service, noting that she was appreciated and that she would be missed

VIII. AUDIT COMMITTEE COMMENTS/FUTURE AGENDA ITEMS

- None

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IX. ADJOURNMENT

- The meeting was adjourned by Chair Greer at 3:51 p.m.

SIGNATURES:

PHD Board Audit
Committee Chair

Linda C. Greer, RN

PHD Board Audit
Committee Assistant

Tanya Howell

Next Meeting: TBD based on scheduled date of completion of FYE June 30, 2022, audit