

**Ventura County Medi-Cal Managed Care Commission (VCMCC)
dba Gold Coast Health Plan (GCHP)
Audit Committee**

Special Meeting

Thursday, September 1, 2016 – 3:30 p.m.

Bell Canyon Conference Room at Gold Coast Health Plan

770 E. Daily Drive, 2nd Floor, Camarillo, CA 93010

AGENDA

CALL TO ORDER

ROLL CALL

PUBLIC COMMENT

The public has the opportunity to address Ventura County Medi-Cal Managed Care Commission (VCMCC) doing business as Gold Coast Health Plan (GCHP) on the agenda. Persons wishing to address VCMCC should complete and submit a Speaker Card.

Persons wishing to address VCMCC are limited to three minutes. Comments regarding items not on the agenda must be within the subject matter jurisdiction of the Commission.

CONSENT CALENDAR

- 1. Approval of the Audit Committee Meeting Regular Minutes of January 7, 2016.**

Staff: Interim Clerk of the Board

RECOMMENDATION: Approve the minutes.

FORMAL ACTION ITEMS

- 2. Consider Reducing the Required Meetings in the Audit Committee Charter to Twice a Year**

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Approve reducing the required meetings in the Audit Committee Charter to twice a year and forward to the Ventura County Medi-Cal Managed Care Commission for approval.

REPORTS

3. Chief Financial Officer Update

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Accept and file report.

4. Internal Audit Report – Human Resources and Payroll

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Accept and file report.

ADJOURNMENT

Administrative Reports relating to this agenda are available at 711 East Daily Drive, Suite #106, Camarillo, California, during normal business hours and on <http://goldcoasthealthplan.org>. Materials related to an agenda item submitted to the Committee after distribution of the agenda packet are available for public review during normal business hours at the office of the Clerk of the Board.

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact (805) 437-5512. Notification for accommodation must be made by Monday, prior to the meeting by 3 p.m. will enable the Clerk of the Board to make reasonable arrangements for accessibility to this meeting.

This agenda was posted on Saturday, August 27, 2016, at 12:00 p.m. at the Gold Coast Health Plan Notice Board and on its website.

AGENDA ITEM NO. 1

Ventura County Medi-Cal Managed Care Commission (VCMMCC) Audit Committee

January 7, 2016 Regular Minutes

Antonio Alatorre
David Glycer

Dale Villani
Patricia Mowlavi
C. Albert Reeves, M.D.

Gagan Pawar, M.D.
Dee Pupa

Ruth Watson
Scott Campbell
Melissa Scrymgeour

The Audit Committee met in regular session in the Executive Conference Room at Gold Coast Health Plan, 711 E. Daily Drive, Suite 106, Camarillo California and was called to order by Interim Clerk to the Board, Maddie Gutierrez at 4:01p.m.

ROLL CALL

Present: David Glycer, Dee Pupa, Steven Lalach, Dale Villani, Ruth Watson, Patricia Mowlavi, Lyndon Turner Scott Campbell, and C. Albert Reeves, M.D.

Absent: Antonio Alatorre.

Committee member Pupa presided.

1. Approval of Items

a. Fiscal Year 2015-2016 External Auditor Contract with Moss Adams

RECOMMENDATION

Approve the External Auditor Contract with Moss Adams as presented.

Committee member David Glycer moved to approve the recommendation. Committee member Pupa seconded. The vote was as follows:

AYES: David Glycer, and Dee Pupa

NOES: None.

ABSENT: Antonio Alatorre.

Committee member Pupa declared the motion carried.

b. Audit Plan

Marty Haisma presented the Internal Audit Program. The general function of the internal audit is to report to the Audit Committee. Mr. Haisma explained that the audit function provides independent, objective assurance of the Plan's risk management, internal controls and governance and the processes in place for ensuring effectiveness, efficiency and economy. An audit plan risk assessment was performed earlier this year. High level conversations were held with key members of management to work on potential key risks. These risks were reviewed for 2016 not specific to GCHP but to the industry. Committee Member Glycer asked if there was a document ranking the risks; Mr. Hiasma stated that he would create one and present it to the committee.

Proposal for the Audit Plan for 2016 would be:

- Risks with purchasing and expenditures – how are we spending our money
- Any state action plan from previous audits or from previous external audits for financial purposes and see what we have done to address those
- Revenue and understanding our process controls

An audit against this plan can be done prior to the next meeting in April. Committee Member Glycer asked if Mr. Haisma will report at every meeting. Mr. Haisma stated he can distribute findings prior to the next meeting.

Committee member Glycer moved to approve the audit plan. Committee member Pupa seconded. The vote was as follows:

AYES: David Glycer, and Dee Pupa.

NOES: None.

ABSENT: Antonio Alatorre.

Committee member Pupa declared the motion carried.

ADJOURNMENT

The meeting was adjourned at 4:06 p.m.

Magdalen Gutierrez-Roberts
Interim Clerk



AGENDA ITEM NO. 2

TO: Gold Coast Health Plan Audit Committee

FROM: Patricia Mowlavi, Chief Financial Officer

DATE: September 1, 2016

SUBJECT: Consideration of Reducing the Required Meetings in the Audit Committee Charter to Twice a Year

SUMMARY:

Currently, the Audit Committee Charter states the Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require in accordance with the Brown Act. The proposed change would reduce the required meetings to twice a year and still retain the ability to meet additionally as needed.

FISCAL IMPACT:

None.

RECOMMENDATION:

Approve reducing the required meetings in the Audit Committee Charter to twice a year and forward to the Ventura County Medi-Cal Managed Care Commission for approval.

ATTACHMENTS:

Audit Committee Charter Redline

AUDIT COMMITTEE CHARTER

PURPOSE

To assist the Commission in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, the process for monitoring compliance with laws and regulations and Gold Coast Health Plan's (GCHP) Code of Conflict and all applicable conflicts of interest laws and regulations.

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization up to \$500,000.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit activities including projects that may not be in the audit plan.
- Retain counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, in accordance with GCHP procurement policy.
- Request and obtain information from the Plan that it requires – said requests shall be made of the Chief Executive Officer.
- Meet with Plan's officers, external auditors, or counsel, as necessary.

COMPOSITION

The Audit Committee will consist of at least three and no more than six members of the Commission. The Commission will appoint Committee members. Unless a chair is elected by the Commission, the members of the Committee may designate a chair by majority vote of the Committee.

Each Committee member will be "financially literate", as defined as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member shall be designated as the "financial expert", as defined by having past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual being financially sophisticated. This would include having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

Each Committee member must be able to function independently, in the best interests of GCHP, with no conflict of interest and in conformance with GCHP's Code of Conduct and all applicable conflict of interest laws and regulations.

MEETINGS

The Committee will meet at least ~~four~~two times a year, with authority to convene additional meetings, as circumstances require in accordance with the Brown Act. All Committee members are expected to attend each meeting. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and other areas of higher concern for the Committee, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any findings or difficulties encountered.
- Review the annual financial statements, and consider whether it is complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Internal Control

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's response.
- Consider the effectiveness of the Plan's internal control system, including information technology security and controls.
- Consider efficiencies of satisfying compliance and other regulatory requirements through effective internal controls.

Internal Audit

- Approve the Internal Audit Policy and Procedures.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Internal Auditor (known as Chief Audit Executive [CAE] in Best Practices) the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.

- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Conduct to Plan personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and Plan legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Commission about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Executive/Finance Committee and the Commission.
- Report annually to the Commission, describing the Committee's composition, responsibilities, and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports concerning organization issues that relate to Committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Commission.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee's charter annually, any changes to said charter must be presented to the Commission for approval and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.



AGENDA ITEM NO. 3

TO: Gold Coast Health Plan Audit Committee
FROM: Patricia Mowlavi, Chief Financial Officer
DATE: September 1, 2016
SUBJECT: Chief Financial Officer Update

External Audit – The fiscal year 2015-2016 External Financial Audit is well underway. Moss Adams is just completing their site review. The audit is progressing smoothly and there are no known material findings, at this time.

Internal Audit – Internal Audit is currently outsourced as the initial audit function is being established. This allows for a higher level of staff and subject matter expertise during the program development and is more cost effective, at this time. Marty Haisma, through Etonien is leading Internal Audit with Will Oliver as the assigned on-site auditor. Marty and Will are Certified Internal Auditors, Marty is also a Certified Information Systems Auditor, and Certified Project Management Professional. They bring not only audit expertise but experience in Medi-Cal public plan auditing. Additional expertise may be enlisted as the audit scope is identified over the current fiscal year. The Internal Auditors report functionally to the Audit Committee. The expenses associated with the Internal Audit function were budgeted and approved in the Fiscal Year 2016-2017 Budget.



AGENDA ITEM NO. 4

TO: Gold Coast Health Plan Audit Committee
FROM: Patricia Mowlavi, Chief Financial Officer
DATE: September 1, 2016
SUBJECT: Internal Audit Report – Human Resources and Payroll

SUMMARY:

Internal Audit reviewed Human Resources and Payroll for the period July 1, 2015 through April 30, 2016. There were findings noted, some of which occurred during a period of personnel and function transition. Management agrees with the findings and recommendations and has taken steps to address each of the findings.

FISCAL IMPACT:

None.

RECOMMENDATION:

Accept and file the Human Resources and Payroll Internal Audit Report dated August 14, 2016.

ATTACHMENTS:

Audit Report: Human Resources and Payroll review covering the periods July 1, 2015 through April 30, 2016.

AUDIT REPORT

HUMAN RESOURCES AND PAYROLL

REVIEW COVERING THE

PERIODS JULY 1, 2015 THROUGH APRIL 30, 2016

Recipients:

1. Patricia Mowlavi
2. Lyndon Turner

Prepared by:

1. Martin Haisma
2. Will Oliver

Date: 8/14/2016

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1.0 EXECUTIVE SUMMARY

1.1 CONTEXT

The Gold Coast Health Plan (“GCHP” or “Plans”) Human Resources (“HR”) and Payroll Departments are responsible for employee recruitment, personnel data management, payroll disbursement, benefit administration, leave of absences and termination. Responsibilities also include working with ADP and Unified Trust to monitor and track wire payments from the Plans operational account to each vendor for employee payroll and benefits, respectively. Wire payments are reconciled to the general ledger, which includes the payroll and benefits accrual liability accounts, in the accounting system of record.

1.2 SUMMARY OF FINDINGS

- 1) The design in the control activity for reviewing and approving payroll preview files needs to be remediated.
- 2) Original background check appears to be missing from candidate's personnel file.
- 3) Evidence of approval by the Commission for Employee FY 2016 Salary Grid could not be obtained.
- 4) There was no evidence of a signature indicating review or approval on forms requesting leave of absence by employees nor have a completed form in their personnel file.
- 5) Missing approval signatures on the change form or approval signatures on the change form proceeded after the effective date of change in the employee status in ADP.
- 6) Evidence of signature for review and approval to process payroll was missing from the payroll preview files.

1.3 MANAGEMENT RESPONSE

Management agrees with the findings and recommendations. Management has also taken steps to address each of the findings as noted in each section in this report.

2.0 INTRODUCTION AND BACKGROUND

2.1 OBJECTIVES

The objective of this review is to:

- 1) Ensure that internal controls over Human Resources and Payroll are adequately designed and operating effectively.
- 2) Review the processes of Human Resources and Payroll in addition to the recognition and recording of payroll related expenses.
- 3) Identify deficiencies and provide recommendations that require improvement in the processes relevant to Human Resources and Payroll.

2.2 SCOPE

The scope of this review includes an assessment of Human Resources and Payroll related processes, internal controls and transactions for the period 7/1/15 thru 4/30/16 (“audit period”).

2.3 METHODOLOGY

Specifically, this review included:

- 1) The adequate acceptance and approvals for contracts and amendments that occurred during the period of scope.
- 2) Ensuring outside employee related resources were adequately procured with proper authorization in compliance to the procurement policy.
- 3) Ensure adequate procedures are in place for the hiring and on-boarding of an employee.
- 4) Determining the employee position Salary Grid for FY 2016, implemented by the Plans, has proper authorization given by the Commission.
- 5) Ensuring employee files are reasonably maintained and kept in a secured area including backing up the employee files on a secured drive in the network.
- 6) Employee files stored as back-up in the secured network are only accessed by authorized personnel.

- 7) Ensuring forms are completed and proper authorization is given for employees who have a change in status, which includes confirmation of status, being updated in the Plans payroll system.
- 8) Generated payroll preview files are properly reviewed and approved with evidence of signatures as stated in their procedures prior to payroll processing.
- 9) Ensuring proper authorization has been given to wire funds from the Plans operational account for employee payroll and benefit expenses.
- 10) Ensuring proper procedures, including proper review and approvals, as it relates to journal entries and reconciliations.

The review was conducted in accordance with generally accepted auditing standards.

3.0 FINDINGS AND RECOMMENDATIONS

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3.1 THE DESIGN IN THE CONTROL ACTIVITY FOR REVIEWING AND APPROVING PAYROLL PREVIEW REPORTS NEED TO BE REMEDIATED.

Risk - Employees are over or underpaid. Time worked is not accurately inputted and processed. Time worked is not processed timely. Payroll (including compensation and withholdings) is not accurately calculated. Payroll disbursements are incorrect.

It was noted that the control stakeholders who review and approve the payroll to be processed in ADP all have access to ADP to either change information in the payroll master files or edit timecards that is directly connected to payroll disbursement.

MANAGEMENT RESPONSE

Management agrees with this assessment and sought recommendation on how to improve on this process going forward.

RECOMMENDATION

It is recommended to have the Sr. Human Resources Generalist, the Payroll Supervisor and the Sr. Accounting Manager, which has no direct access to ADP, review and approve the payroll preview reports to be processed through ADP.

A mitigating control should also be in place to back-up the Sr. Accounting Manager in reviewing and approving the preview reports. It is recommended to obtain the Plans CFO's review and approval if the Sr. Accounting Manager is absent.

3.2 ORIGINAL BACKGROUND CHECK APPEARS TO BE MISSING FROM CANDIDATE'S PERSONNEL FILE.

Risk – Candidates are hired without verification of their background and job history. Candidates identified as fictitious employees. Invalid changes to the payroll master files are inputted and processed.

Upon review of employees' personnel folders, it was noted in one occurrence that background check documents for employee were missing in their personnel file.

MANAGEMENT RESPONSE

Whenever files were pulled in earlier years, it always resulted in a finding on missing documentation. Processes were missed during the transition between the prior and current Administration. The Current HR Director is in progress of auditing and cleaning up each individual personnel file.

RECOMMENDATION

This finding was due to circumstances that occurred prior to the responsibility of the current stakeholders. Subsequently, the current Administration has implemented new controls that are put into place to avoid these occurrences from happening in the future. It is also recommended that audited personnel files need to match the back-up files stored on the secured drive.

3.3 EVIDENCE OF APPROVAL BY THE COMMISSION FOR EMPLOYEE FY 2016 SALARY GRID COULD NOT BE OBTAINED.

Risk – Salaries for employees in each position are either underpaid or overpaid and not in compliance with Regional Government Services (“RGS”)

During auditor's review, it was stated by HR, the Commission approved the salary grid in a Commission meeting that occurred on 11/16/2015. It was noted, the previous Clerk of the Board did not document the approval of the FY 2016 Salary Grid given by the Commission.

Auditor then reviewed the recording to the meeting minutes and it mentioned the research and time involved to creating a salary survey for the positions and titles related to the Plans. It would also seem reasonable that documentation was given to the Commission upon discussion of the salary survey however it was not motioned to vote for approval. As a result, the evidence of approval by the Commission could not be obtained.

MANAGEMENT RESPONSE

Management agrees with this assessment. With all Commission Board meetings being recorded, Management has assigned the current Clerk of the Board to search and find additional supporting documentation for the approval for the FY 2016 Salary Grid.

RECOMMENDATION

Anything that has been motioned and approved by the Commission needs to be documented and saved in a secured file. Meeting minutes need to be amended if such information was not initially included in the documentation. Management should also obtain feedback from the Plans CEO on the meeting parameters to be documented or amended going forward.

- 3.4 THERE WAS NO EVIDENCE OF A SIGNATURE INDICATING REVIEW OR APPROVAL ON FORMS REQUESTING LEAVE OF ABSENCE (“LOA”) BY EMPLOYEES NOR HAVE A COMPLETED FORM IN THEIR PERSONNEL FILE.

Risk – Invalid or unauthorized changes to the payroll master files are inputted and processed. Unauthorized payments are made to employees on LOA.

There was no evidence of a signature for review and approval from the SR. HR Director or from HR Benefits. There was no evidence of completed documentation for employee requesting a leave of absence.

MANAGEMENT RESPONSE

The process was not finished resulting in the form not being signed. It was also noted, this occurred during the prior Administration. The Interim HR Director during that period, was a contracted employee upon which had no signature authority.

The missing LOA form was not submitted by employee when leave was taken. After the leave of absence, employee was no longer with the company in which the LOA form could not be obtained.

RECOMMENDATION

A mitigating control needs to be put into place by having a Chief Officer as back-up for authorization with evidence of their signature on the LOA form. It is also advisable for employees who request LOAs to submit their forms immediately after it was received by HR. Once all required documents are received, the initial form requesting LOA can be reviewed and signed for approval by HR.

3.5 MISSING APPROVAL SIGNATURES ON THE CHANGE FORM OR APPROVAL SIGNATURES ON THE CHANGE FORM PROCEEDED AFTER THE EFFECTIVE DATE OF CHANGE IN THE EMPLOYEE STATUS IN ADP.

Risk - Unauthorized changes are made to payroll data. Invalid or unauthorized changes to the payroll master files are inputted and processed. Inaccurate payments are made to employees.

It was noted in some of the employee change forms that involved salary adjustments and promotions, the approval to make the changes in payroll effective in ADP was missing the authorization signatures from Human Resources.

It was also noted that the approval given by Management or Human Resources occurred after the effective date to changes made on employee status in ADP.

MANAGEMENT RESPONSE

There are situations when Human Resources will not have a signature on the change of status because of the circumstances that require the change was instantaneous. For example, if an employee was immediately terminated from the company by Management.

Management also requests having employee status changes put into effect before the end of the next payroll period. This is a challenge for HR to go through their proper procedures, which includes obtaining Management approval, prior to changes made on employee statuses in the ADP system.

RECOMMENDATION

There needs to be a more efficient process between HR and other departments in obtaining Management approval prior to any effective changes made into the ADP system. Requests for employee status changes should not be completed otherwise.

3.6 EVIDENCE OF SIGNATURE FOR REVIEW AND APPROVAL TO PROCESS PAYROLL WAS MISSING FROM THE PAYROLL PREVIEW FILES.

Risk - Employees are over or underpaid. Time worked is not accurately inputted and processed. Time worked is not processed timely. Payroll (including compensation and withholdings) is not accurately calculated. Payroll disbursements are incorrect.

It was noted in the selected samples of payroll preview reports, there were instances in which at least one of the three required signatures were missing to approve the payroll to be processed in ADP.

MANAGEMENT RESPONSE

Management agrees with this assessment and will have all electronic signatures going forward with the email approval being part of the mitigating control.

RECOMMENDATION

Payroll should not be processed until all three electronic signatures have been obtained as evidence of review and approval on the payroll preview report. An additional mitigating control should also be put into place to back-up a reviewer or approver when primary control stakeholders are absent.

4.0 CONCLUSION

Based on the work performed, except for the items noted above, it is concluded that internal controls over Human Resources and Payroll are adequately designed and operating effectively for the scope and period under review.

5.0 OPEN ITEMS TO BE REVIEWED (FY 16-17)

5.1 AMENDED CONTRACTS/ CHANGE ORDERS

No amended contracts were related to Human Resources in FY 2016. Next review will cover the FY 2017 period.

No change orders for the vendor Healthcare Talent were processed in FY 2016. Next review will cover the FY 2017 period.

5.2 PERFORMANCE REVIEWS

It was noted per my meeting with Human Resources; merit reviews will not occur during FY 2016. The next round of merit reviews for employees are scheduled to take place in Oct. 2016 (FY 2017).

5.3 TIMECARD EXCEPTION FORMS

It was noted, the control activity for time exception forms did not go into effect until 1/1/2016 (Q3 FY 2016) which is 6 months into period scope of the review. This control will be reviewed during the year-end of FY 2016.

6.0 APPENDICES

Details of the items noted in this report are available to the report recipients upon request.