

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

Regular Meeting

Friday, March 17, 2017 – 1:00 p.m.

711 E. Daily Drive, Community Room, 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 September 1, 2016

Staff: Tracy Oehler, Clerk of the Board

RECOMMENDATION: Approve the minutes.

FORMAL ACTION ITEMS

2. Approve Moss Adams, LLP, for External Audit and Accounting Services

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Approve Moss Adams, LLP, for external audit and accounting services for three years (Fiscal Years 2017-2019) in a not to exceed amount of \$450,000.

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 Thursday, prior to the meeting by 3 p.m. will enable the Clerk of the Board to make reasonable arrangements for accessibility to this meeting.

AGENDA ITEM NO. 1

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

September 1, 2016 Special Meeting Minutes

CALL TO ORDER

Committee member Darren Lee called the meeting to order at 4:00 p.m. in the Bell Canyon Conference Room located at Gold Coast Health Plan, 770 Paseo Camarillo, 2nd Floor, Camarillo, California.

ROLL CALL

Present: Committee members Antonio Alatorre, Darren Lee, and Dee Pupa.

Absent: Committee members Barry Fisher and Jennifer Swenson.

PUBLIC COMMENT

None.

CONSENT CALENDAR

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

RECOMMENDATION: Approve the minutes.

Committee member Lee inquired about Agenda Item No. 1.b. Audit Plan as it references the audit being completed prior to the next meeting in April. It was clarified there was no meeting held as there was a vacancy on the Committee. Patricia Mowlavi, Chief Financial Officer, stated the revenue reconciliation audit was provided to the Ventura County Medi-Cal Managed Care Commission on May 23, 2016, and an audit update report was presented to the Executive/Finance Committee on July 7, 2016.

Committee member Alatorre moved to approve the recommendation, as amended. Committee member Pupa seconded. The vote was as follows:

AYES: Committee members Alatorre, Lee, and Pupa.

NOES: None.

ABSENT: Committee members Fisher and Swenson.

Committee member Lee declared the motion carried.

AGENDA ITEM NO. 1

FORMAL ACTION ITEMS

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

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.

Ms. Mowlavi stated currently the Audit Committee Charter states the Committee will meet at least four times a year, with the authority to convene additional meetings. The proposed change would reduce the required meetings to twice a year and still retain the ability to meet additionally as needed.

Committee member Alatorre moved to approve the recommendation, as amended. Committee member Pupa seconded. The vote was as follows:

AYES: Committee members Alatorre, Lee, and Pupa.

NOES: None.

ABSENT: Committee members Fisher and Swenson.

Committee member Lee declared the motion carried.

REPORTS

3. Chief Financial Officer Update

RECOMMENDATION: Accept and file the report.

Ms. Mowlavi reported Moss Adams is finishing their on-site review for the financial audit and it is progressing smoothly with no known material findings at this time. The audited financials must be filed with the State by October 28, 2016. The internal audit is currently outsourced with Etonien 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.

4. Internal Audit Report – Human Resources and Payroll

RECOMMENDATION: Accept and file the report.

Will Oliver, the consultant from Etonien, reported the Human Resources and Payroll Audit Report is completed and noted there were some findings, which had no financial impacts, and that remediation processes are in place. Additionally, they are currently reviewing Accounts Payable, Claims, and Procurement.

AGENDA ITEM NO. 1

A discussion followed between the Committee members and staff regarding original background checks missing from the personnel file and whether or not they should be filed separately, and that they should be secured and only accessible by authorized personnel. Scott Campbell, General Counsel, stated he would follow up on how the background checks should be filed for public agencies.

The findings for the evidence of approval by the Commission for the employee fiscal year 2016 salary grid was discussed. Mr. Oliver stated the motion for approval was not noted in the minutes as there was a transition in staff. Mr. Campbell noted there were also issues with the audio recording.

Mr. Oliver addressed concerns expressed regarding the leave of absences policy by stating the findings were minor with no blatant abuses noted and proper procedures with a checklist are now in place. It was suggested the review and approval process for payroll be changed from a manual process to an automated process to alleviate the possibility of errors. It was clarified by Lyndon Turner, Director of Financial Analysis, there is a clear separation between Human Resources and Payroll and the current process includes reviews by Human Resources, Accounts Payable, and Finance.

By unanimous consensus, the Committee members approved to accept and file the report.

ADJOURNMENT

The meeting was adjourned at 4:36 p.m.

AGENDA ITEM NO. 2

TO: Gold Coast Health Plan Audit Committee
FROM: Patricia Mowlavi, Chief Financial Officer
DATE: March 17, 2017
SUBJECT: Financial Audit Contract for FY 2017-19

SUMMARY:

Staff requests the appointment of Moss Adams LLP (Moss Adams) to perform Gold Coast Health Plan's (Plan) financial audits and to provide accounting expertise for the next three fiscal years (FY 2016-17, FY 2017-18, and FY 2018-19).

BACKGROUND/DISCUSSION:

The Plan's contract with the Department of Health Care Services requires an annual audit be performed on the Plan's financial statements. This audit provides confidence to the community and the Commission that the Plan's financial condition is accurately represented and that proper controls are in place. To meet these needs, the Plan hires a firm qualified to perform this annual financial audit.

FISCAL IMPACT:

The financial audit and anticipated expertise and support is estimated not to exceed \$450,000 for three years (approximately \$150,000 per year).

RECOMMENDATION:

Staff requests the Commission approve the appointment of Moss Adams LLP for external audit and accounting services for the next three fiscal years (FY 2017-19).

CONCURRENCE:

N/A

ATTACHMENT:

Moss Adams' 2017 Audit Plan Presentation



AUDIT ENTRANCE

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan

2017 AUDIT PLANNING – DISCUSSION WITH AUDIT COMMITTEE

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants



Audit Committee

Gold Coast Health Plan

Dear Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for healthcare organizations. We are pleased to present our audit plan for Gold Coast Health Plan for the year ending June 30, 2017. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.

Your Dedicated Team



John Blakey
Engagement Reviewer and Partner



Chris Pritchard
Concurring Reviewer



Stelian Damu
Audit Senior Manager



Other Recurring Team Members:

Alina Khandros
Audit Senior

Allison Smith
Audit Staff

Required Communications to those Charged with Governance

- Auditor's responsibility under U.S. and government auditing standards
 - Planned scope and timing of audit
-
- Significant audit findings
 - Qualitative aspects of accounting practices
 - Difficulties encountered in performing the audit
 - Corrected and uncorrected misstatements
 - Management representations
 - Management consultations with other independent accountants
 - Other audit findings or issues



Our Responsibility Under U.S. and Government Auditing Standards

1 To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and conform to U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2 To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3 To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.

Audit Process

INTERNAL CONTROLS

- Includes Information Technology



ANALYTICAL PROCEDURES

- Revenues and expenses
- Trends, comparisons, and expectations

SUBSTANTIVE PROCEDURES

- Confirmation of account balances
- Vouching to supporting documentation
- Representations from attorneys and management
- Examining objective evidence

What is Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements

It's calculated using certain **quantitative** (*e.g., total assets*) and **qualitative** factors (*e.g., covenants, expectations, or industry factors*)



It's used to identify :

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Significant Audit Areas



Capitation revenue and receivables



Cash and cash equivalents



Investments



Medical claims liability, capitation payable and payable to State of California

Consideration of Fraud



Auditors must consider fraud to
“improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

Deliverables



We will issue the following reports:

- Audit report on the financial statements Ventura County Medi-Cal Managed Care Commission as of and for the year ended June 30, 2017.
- Report to Those Charged with Governance (Communicating required matters and other matters of interest)
- Report to Management and the Audit Committee (Communicating Internal Control Related Matters Identified in an Audit)

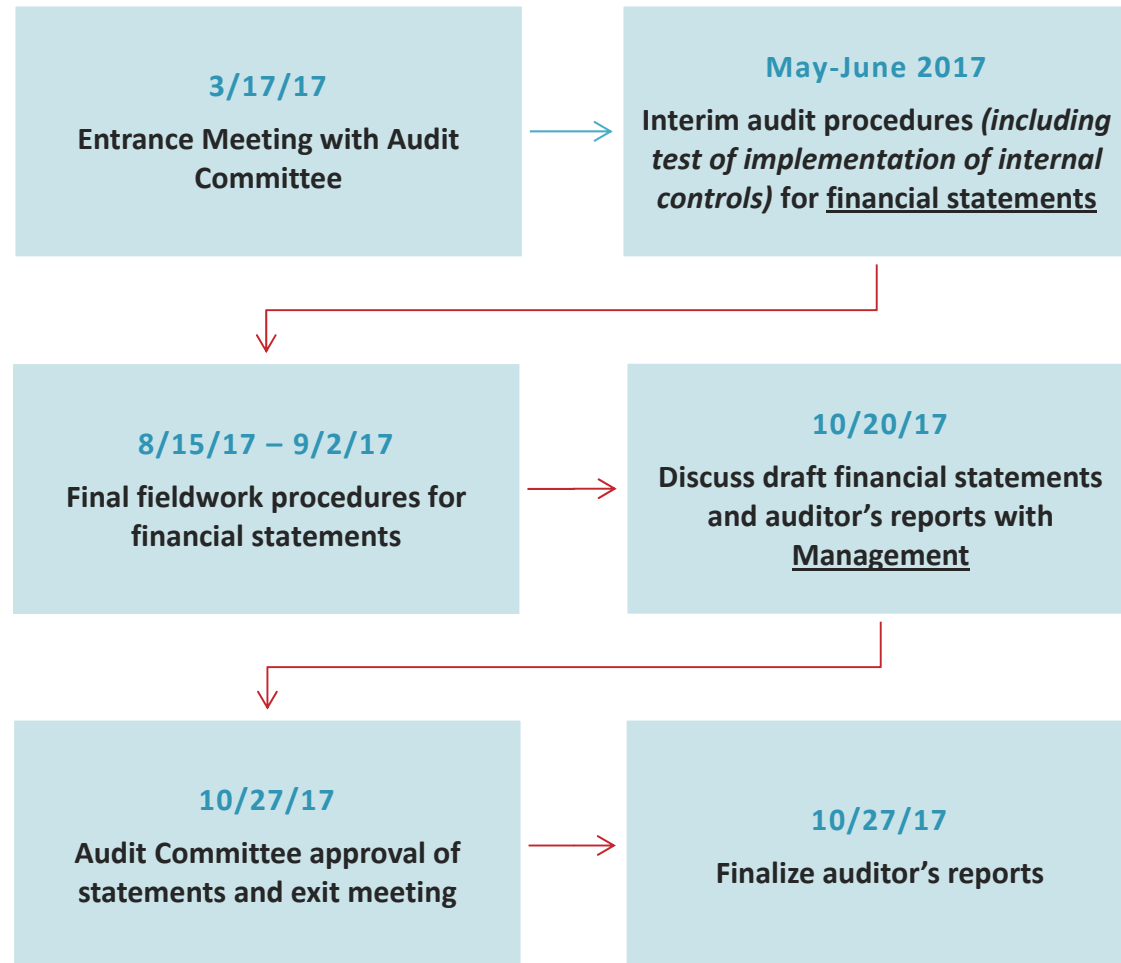
Deliverables (continued)



We have also been engaged to perform the following non-attest services:

- Assist Ventura County Medi-Cal Managed Care Commission in drafting the financial statements and related footnotes as of and for the year ended June 30, 2017.
- Assist Ventura County Medi-Cal Managed Care Commission in identifying and implementing a solution for dashboard capabilities, budgeting and forecasting functionality and increased visibility of both financial and operational processes.
- Assist Ventura County Medi-Cal Managed Care Commission in assessing current administrative expenses, provide a comparison to external benchmarks and Medicaid Health Plan Best Practices, and provide recommendations relating to a proposed and improved future state of administrative expenses.

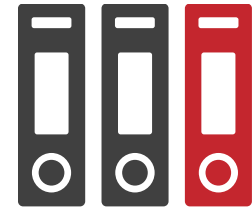
Audit Timing



Accounting Update

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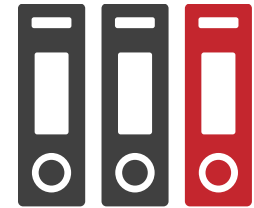
New Standards



GASB 72 | Fair Value Measurement and Application

- Requires presentation of a valuation hierarchy similar to FASB reporters (e.g. Level 1, Level 2, Level 3).
- Redefines “investment” – any asset held to generate income and profit (e.g. new MOB only meant to generate rental income).
- Fair value measurement applies to both assets and liabilities.
 - Examples (interest rate swaps and liabilities held by other parties)
- Valuation techniques include: market approach, cost approach, income approach. Techniques are not meant to change from year to year. Any revision to a technique is considered a change in accounting estimate.
- Significant new disclosures.
- Effective for annual periods beginning after June 15, 2015. Early adoption is permitted.

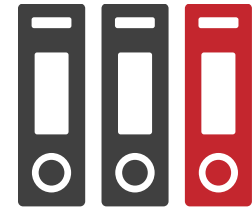
New Standards



GASB 76 | The Hierarchy of GAAP for Governments

- Establishes two categories:
 - Category A: Formally approved statements by the GASB Board.
 - Category B: GASB Technical Bulletins and Implementation Guides.
- Effective for annual periods beginning after June 15, 2016.

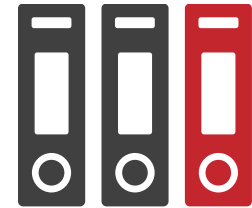
Exposure Drafts



Fiduciary Activities

- Clarifies fiduciary activities as having the following characteristics:
 - 1) Government controls the assets of the activity.
 - 2) Those assets are not derived solely from the government's own source revenue.
 - 3) One of the following:
 - The assets result from a pass-through grant or trust agreement.
 - Assets are used to benefit individuals not typical recipients of the government's goods and services (i.e. employees receive the benefit instead of patients).
 - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities (i.e. hospitals) with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
- Final statement expected in October 2016.

Exposure Drafts



Leases

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Final statement expected in late 2016 or early 2017.

About Moss Adams

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2017 Health Care Conference: Thought Leadership & Engaged Conversation

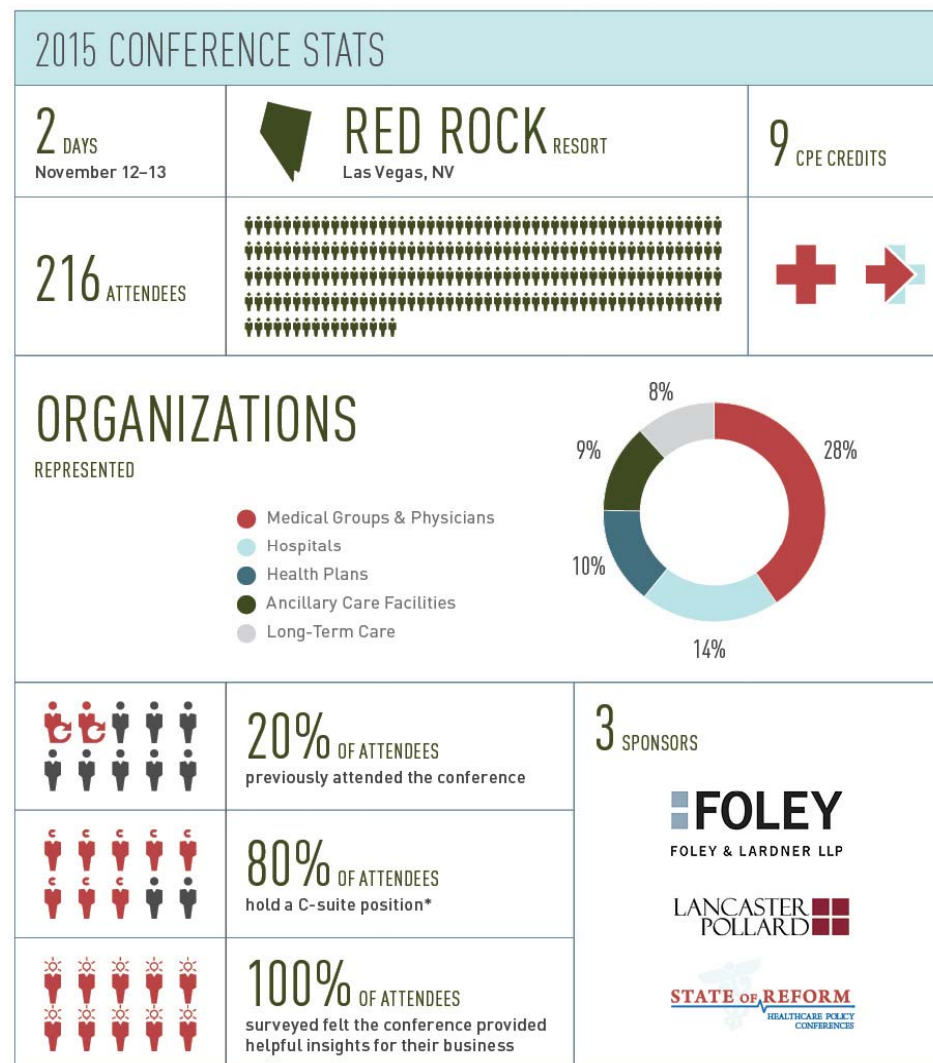
SAVE THE DATE: November 2017

Red Rock Resort, Spa and Casino | Las Vegas, NV

Moss Adams holds an annual two-day health care conference designed for our clients. The conference brings together C-suite health care professionals and provides a forum to discuss the latest topics that executives are facing – from shifting reimbursement models, population health, to retail health care. This annual platform enables executives to network, share industry best practices, and hear from industry experts.

2016 Keynotes Included:

- The **Honorable Newt Gingrich & Senator Joe Lieberman** give their predictions on health care policy following the election.
- **Dr. Lisa Bielamowicz**, Executive Director and Chief Medical Officer at The Advisory Board Company
- **Roni Zeiger, M.D.**, former Chief Health Strategist at Google and founder of Smart Patient



MOSS ADAMS LLP

Keeping You Informed



Keeping you informed about changes in the financial landscape is one of our top priorities. We closely monitor regulatory agencies, participate in industry and technical forums, and write about a wide range of general as well as industry-specific accounting, tax, and business issues. The goal? To provide you with actionable information and guidance to help your organization succeed.

Continuing education is vitally important to us, and we're happy to share our knowledge with you and your staff. We frequently offer a wide range of topical online seminars, many of which are archived and available on demand, allowing you to watch them on your schedule.



Our Services for Healthcare Organizations

ASSURANCE

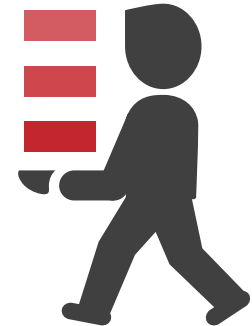
- Agreed-upon procedures
- [Audits and reviews](#)
- Single audits
- Compliance examinations pursuant to federal reporting requirements
- [Employee benefit plan services](#)
- Written acknowledgments and agreed-upon procedure engagements in connection with tax-exempt bond offerings

GENERAL CONSULTING

- [Fraud investigation and forensic accounting](#)
- [IT consulting](#)
- [Strategic business planning](#)
- [Sustainability services](#)
- [Wealth services](#)

HEALTHCARE CONSULTING

- ACOs and integrated delivery models
- 5010 readiness
- ICD-10 road map
- Chargemaster management
- Claims review and processing
- Coding and chart reviews
- Contract review
- Data analytics
- Dependent care audits
- Financial modeling and forecasting
- Hospital feasibility studies
- Litigation support
- Managed care operations
- Practice operation assessments
- Process improvement
- Regulatory compliance
- Reimbursement services
- Revenue cycle assessments
- Revenue recovery and enhancement
- Strategic planning



Moss Adams by the Numbers

HEALTH CARE CLIENTS in the Western United States

Our team of dedicated professionals has served clients across the health care continuum for 38 years.



200
professionals
that focus on the
health care sector*



265
partners



4.9
staff-to-partner ratio



84%
staff retention rate



101
years in
business



403
million dollars
in revenue



**Largest firm
headquartered
in the west**

Data as of October 2014

*Includes staff accountants serving other additional sectors.

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