

Meeting Minutes

ATTENDANCE ROSTER		
MEMBERS	MEETING DATES	
	9/5/23	TBD
Linda C. Greer, RN	V*	
Laurie Edwards-Tate, MS	P	
Staff Attendee		
Tanya Howell, Secretary	P	
Guest Presenters¹		

P = Present E = Excused V = Virtual

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

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – TUESDAY, SEPTEMBER 5, 2023

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

I. CALL TO ORDER

- The **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 Wednesday, August 30, 2023, which is consistent with legal requirements. Notice of that posting was also made that date via email to the Board and staff members.
- Quorum comprised of Directors Greer and Edwards-Tate
- Chairperson Greer called the meeting to order at 1:01 p.m.

II. PUBLIC COMMENTS

- There were no public comments

III. INFORMATION ITEMS

- None

IV. OLD BUSINESS

- None

IV. MINUTES

A. Minutes, Wednesday, September 9, 2022

MOTION: By Director Edwards-Tate, seconded by Director Greer, and carried to approve the minutes from the Wednesday, September 9, 2022, meeting
Vote taken by roll call vote: Director Greer – aye; Director Edwards-Tate – aye

- No discussion

B. Minutes, Monday, November 14, 2022

MOTION: By Director Edwards-Tate, seconded by Director Greer, and carried to approve the minutes from the Monday, November 14, 2022, meeting
Vote taken by roll call vote: Director Greer – aye; Director Edwards-Tate – aye

- No discussion

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – TUESDAY, SEPTEMBER 5, 2023

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

VII. NEW BUSINESS

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

MOTION: By Director Edwards-Tate to nominate Director Greer as Chairperson of the Committee, seconded by Director Greer
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

- After some discussion, it was determined that the only action necessary was a nomination for Chairperson, followed by a second to that as a motion, and a vote

VII. PRESENTATIONS

A. Audit Entrance Presentation by Aldrich CPAs + Advisors LLP *(Taken out of agenda order as the first item of business)*

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

- Andy Maffia, Partner at Aldrich CPAs + Advisors, stated that there had been no significant changes to auditing standards this year that would have required the auditors to approach the audit in a different manner than in prior years, further commenting that the set of standards to which the auditors adhered in the audit process were the U.S. Generally Accepted Accounting Principles, commonly referenced as GAAP, and the financial statements would be put together in accordance with those standards
 - o The audit would be approached in a similar fashion to that used in the past, with the overall approach having been that Aldrich had been hired as an independent firm to provide an opinion; however, if the overall approach needed to be modified, they would do so
 - o The auditors would not necessarily test all of the things tested in the past, providing unpredictability in the way they designed their tests by means of random selection of samples
 - o The auditor’s responsibilities had not changed from prior years since no auditing standards changed
 - o After the audit has been completed, the auditor will provide audited financial statements on which they will include their opinion, trying to obtain the highest level of assurance that could be provided which in the past had been an “unmodified opinion”, the highest assurance that could be provided
 - The auditors will need to obtain enough audit evidence in order to be able to provide that level of opinion
 - o The auditors would also provide a board communication packet at the end for review with the Audit Committee; and there would also be a letter related to internal controls to confirm the internal control function was operating effectively, as well as whether any material weaknesses or significant deficiencies had been found
 - There hadn’t been any major deficiencies in recent years, so, barring any changes of significance in the control environment or personnel, they should be able to again provide a clean overall audit

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – TUESDAY, SEPTEMBER 5, 2023

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

- o The last matter undertaken by the auditors would be the filing that organization was required to make with the IRS called an information return or 990, required for all non-profit organizations by the IRS and Franchise Tax Board of the State
- Mr. Maffia reviewed the names and duties of the audit team members
- Under the Service Timeline, he noted that some of the were still TBD, and some had been solidified, such as field work to begin in 3 weeks
 - o In response to an inquiry from Mr. Maffia related to Board meeting dates, Committee Assistant Howell reviewed her calendar and indicated that the Board meeting would be held on December 19th at 12:30 p.m., and that the Audit Committee meeting had tentatively been scheduled for that date, as well
- If the Committee had questions based on their review, they would be answered at that meeting, with the main point being to ensure all were comfortable with and understood the results, which would all be presented in draft form so that any changes/edits could be made at that point
- The auditor had a commitment to planning the audit to adhere to the drafted timeline and based on work done previously, and they had an understanding of operations and what had transpired for this fiscal year \
 - o Referencing a listing on page 22, Mr. Maffia commented on some of the areas in which testing analysis will be completed, noting that as the auditors delved in, more areas for analysis would likely be found
- Also referencing page 22, Mr. Maffia stated that auditors always consider fraud during testing, with the hope that it would not be found
 - o The fraud testing including a review of errors found over the past year, whether they had been caught and, if so, how they had been corrected
 - o Also, as a deterrent for fraud, the auditors would review to confirm that there had been checks and balances in place so that multiple staff members were involved in processes to ensure no one person could just manipulate the financial statements
- Referencing a letter on page 23, Mr. Maffia stated that as a CPA firm, Aldrich was required every three years to have an independent peer review and analysis of their processes by another CPA firm, and their 2023 peer review – involving 34 engagements – was currently underway
 - o The report of that review was anticipated to be finalized in time to present to the Board later this year, would provide an opinion of either pass, pass with deficiencies, or fail, and Aldrich had always received a pass
- Mr. Maffia quickly reviewed the professional and regulatory changes, noting that those were matters that would be taken into account related to potential impact on the organization, which would affect how the auditors developed their expectations to compare with the actual results once they were in receipt of financial information
 - o He also noted that the new changes included a lot more awareness and use of technology and cyber-security
 - o There was also one major change in GAAP that came into being in 2016, was just being implemented in 2023, had to do with leases; however, as PHD didn't have any significant leasing transactions, he didn't see that as having a major impact
- Director Greer noted that she had been through a lot of audits and was comfortable with the process, and then inquired about the people on Mr. Maffia's team
 - o He responded that this was probably the 7th year for Aldrich to have conducted the PHD audits, and that they had not only rotated partners several times, but that he rotated team members within his team, to prevent them from getting stale
 - o Director Greer stated that she was comfortable with the team and knew that Administration had a good working relationship with Aldrich
- Director Edwards-Tate stated her pleasure with the presentation, especially the coverage related to the realities of working in the new age of cybersecurity, and she thanked Mr. Maffia for his efforts

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – TUESDAY, SEPTEMBER 5, 2023

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

- Mr. Maffia noted that the approach taken would be, “no news is good news”, so if the Committee didn’t hear from the auditors during the work period, they could expect a clean report; however, if something were to come up, a separate call would be scheduled

VIII. AUDIT COMMITTEE COMMENTS/FUTURE AGENDA ITEMS

- Before adjournment, CFO Hugh King introduced Melissa Wallace, the new VP of Finance for Palomar Health, whom he had requested to join the meeting in her new role

IX. ADJOURNMENT

- The meeting was adjourned by Chair Greer at 1:35 p.m.

SIGNATURES:

**PHD Board Audit
Committee Chairperson**

Linda Greer RN

Linda Greer, RN

**PHD Board Audit
Committee Assistant**

Tanya Howell

Tanya Howell

Next Meeting: TBD based on scheduled date of completion of FYE June 30, 2023, audit