

**Palomar Pomerado Health**  
**INTERNAL AUDIT & COMPLIANCE**  
**BOARD SUB-COMMITTEE MEETING**  
 PPH Corporate Building  
 456 E. Grand Ave.  
 1<sup>st</sup> Floor Conference Room  
 July 21, 2009

AGENDA ITEM/ PRESENTER/ORIGINATING DATE	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY/FINALIZED
<b>CALL TO ORDER</b>	<p>8:00 A.M. by Dir Greer. Quorum comprised of Directors Greer, Krider, and Kaufman.</p> <p><b>Also attending:</b> Janine Sarti, Michael Covert, Bob Hemker, Lachlan Macleay, MD, Tom Boyle, Marty Knutson, and Anna Ha.</p> <p><b>Guests:</b> Mark Kawauchi, Lisa Biggs, and Shibani Dogra from Deloitte and Touche.</p>		
<b>NOTICE OF MEETING</b>	Notice of Meeting was posted consistent with legal requirements.		
<b>PUBLIC COMMENTS</b>	None		
<b>APPROVAL OF MINUTES</b>	The minutes of May 19, 2009 were reviewed and approved.	<b>MOTION:</b> by Dir Krider, 2 <sup>nd</sup> by Dir Kaufman and carried to approve the May 19, 2009 minutes as submitted.	
<ul style="list-style-type: none"> <li><b>Welcome / Introductions</b></li> </ul>	<p>Dir Greer provided a warm welcome to Marty Knutson, Corporate Compliance Officer. We now have a full and rounded team, ready to embark on keeping PPH compliant and operationally successful.</p> <p>Dir Greer acknowledged Donna Goh with her new role in assisting Internal Audit Services, Tom introduced Anna Ha, Administrative Fellow for FY10.</p> <p>Dir Greer congratulated Bob Hemker for his achievement in attaining the "CFO of the Year" award.</p>	All in favor — none opposed.	


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<ul style="list-style-type: none"> <li>• Internal Audit Services Activities Report</li> </ul>	<p>Tom informed that Audit and Compliance have agreed to rotate direction of the meeting. Audit will begin with direction for this meeting.</p> <p>Tom Boyle provided a summary for the FY09 Internal Audit activities. The following highlights include:</p> <ul style="list-style-type: none"> <li>• Report is an overview; however, actual work entails more in-depth analysis and complex processes.</li> <li>• Report is generalized for the purpose of ease of understanding by the public.</li> <li>• Continuous monitoring is maintained.</li> <li>• ACL tool has enabled timely analytic reports.</li> <li>• Ultimate goal is to provide tool so departments have the capability and skill to be self-sufficient.</li> <li>• Internal Auditing is currently working on merging 3 databases for vendors, contractors, personnel to identify mismatches, duplicates, and/or exclusions. This task will ensure compliance regarding personnel/vendor resources, thereby eliminating the risk of being exposed to possible fines of approximately \$10K per incident. Internal Audit Services assures that the right personnel will receive this report.</li> <li>• Internal Audit Services conducted ACL Training for approximately 10-12 internal users.</li> <li>• Involvement in various committees such as ROC and Oversight in order to keep on top of all projects.</li> </ul> <p>Dir Krider addressed the concern for departments to have the right tools for self-audit purposes with a minimum base-line. Mr. Boyle reiterated current process of setting up</p>	<p>Internal Audit Activities Report is available on the Leadership Drive.</p>	

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	<p>departments with user rights to access proper tools, suitable education, addressing server needs, and maintaining trend analysis to ensure needs are being met. Mr. Boyle recognizes the importance that it is every one's responsibility to be their own auditor and this is enhanced by providing the departments with information that they did not previously have.</p> <p>Dr. Macleay inquired about the status of Health Development. Bob Hemker assured that the granting opportunities still exist despite the restructuring and distribution of the departmental roles and duties. The legal aspect still exists although on a smaller scale. Should the need for a grant proposal arise, PPH will engage a grant writer. This proves to be a more cost-effective maneuver. This will apply to both private and public grants with an example in the "Welcome Home Baby" grant.</p>		
<ul style="list-style-type: none"> <li>• <b>Internal Audit Staffing Update</b></li> </ul>	<p>Internal Audit Services has hired a senior compliance auditor that will begin duties on August 1, 2009. Duties will include:</p> <ul style="list-style-type: none"> <li>• Regular monitoring</li> <li>• Spot checks</li> <li>• Constant updated information</li> <li>• Support Legal, Compliance, and RAC as shared resource</li> </ul> <p>Hired auditor is a RN, has coding experience, and was formerly a HIPAA officer.</p> <p>There is still need for a senior internal auditor to tightly monitor and assist with increasing number of projects. In the near future, justification and potential cost for such an addition will be provided.</p>		

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<ul style="list-style-type: none"> <li>• 2010 Audit Initiatives</li> </ul>	<p>Mr. Boyle presented a listing of 2010 Audit Initiatives that include:</p> <ul style="list-style-type: none"> <li>• Collaboration with EMT developed FY10 initiatives in support and monitoring.</li> <li>• Strive to conduct as many tasks and/or processes internally such as looking at denials management and zero-balance accounts.</li> <li>• Strive to improve front-end processes.</li> <li>• Decrease expenses on commission to outside vendors, etc.</li> <li>• Self-assessment for Internal Audit. This best practice act is due this fiscal year to review Internal Audit processes. Although other organizations may use each other to perform self-assessment, Mr. Covert agrees that it is more objective and beneficial to PPH for a more formal organization to conduct this task.</li> </ul> <p>Dir Greer understands that after 6 months of Marty being on board as corporate compliance officer, consideration would be given to a possible full assessment of PPH for compliance oversight.</p> <p>Mr. Boyle will work with Michael Covert on any proposals that envision revenue and/or cost-savings to PPH with time-lines to be presented to Bob Hemker for approval.</p> <p>Mr. Hemker acknowledged that filtering tools in auditing is essential as the key is looking for nuances that may exist. Mr. Boyle is pleased that PPH has ACL as a tool to look at such detail. Managed Care is currently using ACL as a pre-negotiating tool for contracts.</p>		

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<ul style="list-style-type: none"> <li>• Construction Audit</li> </ul>	<p>PPH has co-sourced with MCL to re-evaluate R&amp;S on-site services versus contractual.</p> <p>Having conducted a risk assessment this past year, a broader base of responses has been received. Factors in the risk assessment include:</p> <ul style="list-style-type: none"> <li>• Environmental concerns</li> <li>• Work ethics</li> </ul> <p>All concerns have been addressed at EMT. Persons overseeing these issues include Dr. David Tam and Tom Boyle. Compliance risk assessment for construction will be undertaken within the next 30 days.</p> <p>In answer to Dir Greer's inquiry of cost for Jeff Miller's services, MCL, he charges \$150 an hour now. Upon resolution of all initial issues, Mr. Covert affirms that the cost for Jeff Miller's services would cost less since all mechanisms for audit will be in place.</p> <p>There are 2 classifications for the construction audit: expenses and salaries. Internal Audit is reviewing the expenses and inquiring the validity of salary increases. They are currently cleaning up the expense audit.</p> <p>Currently there is a discrepancy totaling approximately \$1M of which PPH has received \$68K in credit. PPH has withheld payment to R&amp;S since February totaling approximately \$1M. Next steps are mediation and possible legal actions.</p> <p>Dir Kaufman and Krider inquired to the control of such issues from the beginning. Mr. Boyle acknowledged that there needs to be policies and procedures in place for such</p>		

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	<p>contractors. Mr. Boyle is working with Ms. Sarti to develop such procedures to specially address outside contractors and vendors going forward. With the issues that R&amp;S has brought to light, opportunities for improvement will be grasped, better segregation of duties will be enforced, and due diligence in all aspects will be taken into consideration.</p> <p>PPH has since contracted with DPR for construction needs.</p> <p>An overview of the construction audit was presented.</p>	<p>The construction audit presentation is available on the Leadership Drive.</p>	
<ul style="list-style-type: none"> <li>• Deloitte &amp; Touche Presentation</li> </ul>	<p>The team from Deloitte &amp; Touche provided 2 presentations.</p> <p>Dir Greer reviewed the experience each team member had directly with PPH.</p> <p>Ms. Sarti brought the attention to the use of the word "fraud" in the introduction for "Planned Scope of Audit," page 2 of the presentation. Although there was verbal clarification of "potential fraud" from Mark Kawachi, the team was requested to revise the introduction and resubmit the presentation.</p> <p>Dir Greer shared that she did not receive the "Letter of Agreement" despite her name included in the addressee listing. She requests that she get a copy in the future.</p> <p>The charter proposed by Deloitte &amp; Touche is according to the SCC charter. Mr. Boyle validates that he reviews the Audit-Compliance charter annually to ensure it is in line with the SCC charter.</p>	<p>Deloitte &amp; Touche presentations are available on the Leadership Drive.</p> <p>Deloitte &amp; Touche to revise the introductory paragraph for "Planned Scope of Audit" and resubmit printed presentation.</p> <p>Deloitte &amp; Touche to send Dir Greer documentation when her name is part of the addressee listing.</p>	<p>Finalized material to be delivered to Donna Goh for distribution to members.</p>

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<ul style="list-style-type: none"> <li>Corporate Compliance Program Update</li> </ul>	<p>Dir Greer suggests that we use the tools shared in the Deloitte &amp; Touche to tie in with self-assessments conducted for FY10. This should include the Audit-Compliance Committee for the Board.</p> <p>Marty will be addressing the OIG work plan. In addition to what is visible, she will also focus on what is new and need to note.</p> <p>Marty requests that members spend time reviewing the supplemental reading provided if possible. The article on compliance is a high-level address on compliance. It provides ideas of what is out there and what the government is look for. Marty will address this article when she directs the next Audit-Compliance Committee Meeting for the Board.</p>		
<ul style="list-style-type: none"> <li>Open discussion</li> <li>Date/Time &amp; Location of next meeting</li> </ul>	<p>Tuesday, August 18, 2009, 8:00 A.M. in the Corporate Conference Room @ 456 E. Grand.</p> <p>9:30 A.M.</p>		
<p>(FINAL) ADJOURNMENT</p> <p>SIGNATURES</p> <ul style="list-style-type: none"> <li>Committee Chairperson</li> <li>Secretary to Committee</li> </ul>	<p> [Linda C. Greer, R.N.]</p> <p>_____ [Donna Goh]</p>	<p>Dir Greer moved to adjourn. Dir Kaufman 2<sup>nd</sup> motion.</p>	