

BOARD OF GOVERNORS

Audit Committee Teleconference Meeting Minutes – July 20, 2017

1055 W. 7th Street, Los Angeles, CA 90017



L.A. Care
HEALTH PLAN

All votes during a teleconferenced portion of the meeting were by roll call

Members

Hector De La Torre, *Chairperson* **

Alvaro Ballesteros, MBA **

Stephanie Booth, MD **

** Absent ** Teleconference*

Management/Staff

John Baackes, *Chief Executive Officer*

Phinney Ahn, *Chief of Staff*

Augustavia J. Haydel, Esq., *General Counsel*

Marie Montgomery, *Chief Financial Officer*

Guests

Khurram Siddiqui, *Partner, Deloitte & Touche*

Angelica Kocharova, *Audit Sr. Manager, Deloitte & Touche*

Mark Albrecht, *Advisory Partner, Deloitte & Touche*

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| CALL TO ORDER Augustavia J. Haydel, Esq. | Augustavia J. Haydel, Esq., <i>General Counsel</i> , called the meeting to order at 2:05 pm. She announced that members of the public may address the Committee on each matter listed on the agenda before or during the Committee's consideration of the item, or on any other topic at the Public Comment section. | |
| APPROVE MEETING AGENDA Augustavia J. Haydel, Esq. | Today's Agenda was approved as submitted. | Approved unanimously by roll call. 2 AYES (Ballesteros and Booth) |
| PUBLIC COMMENTS | There were no public comments. | |
| CHAIRPERSON'S REPORT | There was no report from the Chairperson. | |
| CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER REPORT | John Baackes, <i>Chief Executive Officer</i> , provided an update on the health care bill. L.A. Care has been collaborating with trade associations and Mr. Baackes was invited to America's Health Insurance Plans (AHIP) Board meeting. The main issue is the Medicaid proposal. The GOPs are not comfortable. L.A. Care have been providing data to GOPs that would affect members. He applauds AHIP for approaching L.A. Care for information. | |


APPROVED

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| COMMITTEE ISSUES | | |
| Presentation of 2017 Audit Plan | <p>Marie Montgomery, <i>Chief Financial Officer</i>, introduced Deloitte and Touche (D&T). D&T has been L.A. Care's auditors for the past years. There were challenges to claims liability. Since she is still new as CFO and Angela Bergman, is new to the position of Controller, it was decided to continue with D&T for L.A. Care's 2017 Audit.</p> <p>Khurram Siddiqui, <i>Partner</i>, Angelica Kocharova, <i>Audit Sr. Manager</i>, and Mark Albrecht, <i>Advisory Partner</i>, Deloitte & Touche (D&T), summarized the proposed D&T 2017 audit service plan. <i>(A copy of the proposal can be obtained by contacting Board Services).</i></p> <ul style="list-style-type: none"> • The Engagement team will be the same as last year led by Khurram Siddiqui, Lead Senior Service Partner, supported by Mark Albrecht, Advisory Partner and Jose Campos, Engagement Quality Control Reviewer. • Some of the approach to audit delivery will focus on 1) risk based audit methodology addresses L.A. Care's unique business and financial reporting risks, 2) D&T will develop control and substantive procedures for each risk and execute and assess tests of controls and substantive tests, and 3) leveraging specialists and technology-powered solutions in audit delivery model. • The scope and approach for 2017 are based on analysis of risk and other factors, including the complexity of the underlying IT infrastructure. • In addition to the audit of the financial statements of L.A. Care, D&T plans to perform audit procedures to assess whether the schedule of expenditures of federal awards is presented fairly. These procedures will be conducted in accordance with auditing standards generally accepted in the United States, applicable financial audits issued by the Comptroller General of the United States, and Office of Management and Budget Circular A133. • Assurance & Enterprise Risk Service Specialists will assist D&T with the performance of audit procedures during the current period audit. • Risk assessment and significant risk will focus on 1) revenue recognition, 2) health care costs and claims reserves, and 3) risk related to management override of controls. | |

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| | <ul style="list-style-type: none"> • Angelica Kocharova reviewed the audit timeline. • Mark Albrecht summarized the benefits of 2017 D&T audit services. • Mr. Siddiqui presented a summary of professional fees. <p><i>By Consensus, Audit Committee members accepted the audit plan as submitted.</i></p> | |
| COMMITTEE CHAIR ELECTION Augustavia J. Haydel, Esq. | Ms. Haydel reviewed the process for Committee Chair election and asked for nominations for Committee Chair. On nomination by Members Ballesteros and Booth, Hector De La Torre, was unanimously elected as Chair of the Audit Committee. | Approved unanimously by roll call. 3 AYES (Ballesteros, De La Torre, and Li) |
| APPROVE MEETING MINUTES Hector De La Torre | The January 26, 2017 meeting minutes were approved as submitted. <i>Member Booth is a new member of the Committee and was not present at the January 26, 2017 meeting and abstained from voting on the Minutes of that meeting.</i> | Approved unanimously by roll call. 2 AYES (Ballesteros and De La Torre) ABSTENTION (Booth) |
| ADJOURNMENT | The Chair adjourned the meeting at 2:45 pm. | |

Respectfully submitted by:
Malou Balones, *Committee Liaison*
Linda Merkens, *Manager, Board Services*

APPROVED BY:

Hector De La Torre, *Chairperson*
Date Signed: 1-22-18

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