



**AGENDA**

**Audit Committee Meeting  
Board of Governors**

Tuesday, December 16, 2024, 10:00 A.M.  
(This meeting will be held virtually.)

**To listen to the meeting via videoconference please register by using the link below:**

<https://lacare.webex.com/lacare/j.php?MTID=me20bbb8b132867f9f644c79619b6bfcc>

**To listen to the meeting via teleconference please dial: +1-213-306-3065**

**Meeting Number: 2480 255 3207 Password: lacare**

**Teleconference Sites**

**Hector De La Torre**

Gateway Cities Council of Governments  
16401 Paramount Blvd.  
Paramount, CA 90723

**Layla Gonzalez**

3452 E. Foothill Blvd., Suite #900  
Pasadena, CA 91107

**George Greene, Esq.**

602 Indiana Place  
South Pasadena, CA 91030

Public comments on Agenda items can be submitted prior to the start of the meeting in writing by e-mail to [BoardServices@lacare.org](mailto:BoardServices@lacare.org), or by sending a text or voicemail to (213) 628-6420. Due to time constraints, we are not able to transcribe and read public comment received by voice mail during the meeting. Public comment submitted by voice messages after the start of the meeting will be included in writing at the end of the meeting minutes.

The purpose of public comment is an opportunity for members of the public to inform the governing body about their views. The Committee appreciates hearing the input as it considers the business on the Agenda. All public comments submitted will be read for up to 3 minutes during the meeting. The process for public comment is evolving and may change at future meetings. We thank you for your patience.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (ADA) please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to [BoardServices@lacare.org](mailto:BoardServices@lacare.org).

Welcome

Hector De La Torre  
*Chair*

1. Approve today's Agenda
2. Public Comment *(Please read instructions above.)*
3. Approve August 19, 2024 meeting minutes P.3

*Chair*  
*Chair*  
*Chair*

4. Chairperson's Report
5. Chief Executive Officer/Chief Financial Officer Reports

*Chair*  
John Baackes  
*Chief Executive Officer*  
Afzal Shah  
*Chief Financial Officer*

Committee Issues

6. Review and Approval of Audit Report FY 2023-24 (**AUD A**) P.6

Afzal Shah

ADJOURNMENT

*Chair*

The Audit Committee meets as needed.

Public comments will be read for up to three minutes.

The order of items appearing on the agenda may change during the meeting.

THE PUBLIC MAY SUBMIT COMMENTS TO THE AUDIT COMMITTEE BEFORE DISCUSSION OF EACH ITEM LISTED ON THE AGENDA BY SUBMITTING THE COMMENT IN WRITING BY TEXT MESSAGE TO 213 628 6420, OR IN WRITING BY EMAIL TO [BoardServices@lacare.org](mailto:BoardServices@lacare.org).

Please follow additional instructions on the first page of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Govt Code Section 54954.2 (a)(3) and Section 54954.3.

NOTE: THE AUDIT COMMITTEE CURRENTLY MEETS AS NEEDED. AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION AT <http://www.lacare.org/about-us/public-meetings/board-meetings> and by email request to [BoardServices@lacare.org](mailto:BoardServices@lacare.org)

Any documents distributed to a majority of the Board Members regarding any agenda item for an open session after the agenda has been posted will be available for public inspection at 1055 W. 7<sup>th</sup> Street, Los Angeles, CA, in the reception area in the main lobby or at <http://www.lacare.org/about-us/public-meetings/board-meetings> and can be requested by email to [BoardServices@lacare.org](mailto:BoardServices@lacare.org).

An audio recording of the meeting is made to assist in writing the minutes and is retained for 30 days.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats - i.e., large print, audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the agenda, meeting notice, and meeting packet may contact L.A. Care's Board Services Department at (213) 628 6420. Notification at least one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related materials.

# BOARD OF GOVERNORS

## Audit Committee Meeting Minutes–August 19, 2024, 1:00 PM

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

### Members

Hector De La Torre, *Chairperson*  
 George Greene, Esq. \*  
 Layla Gonzalez

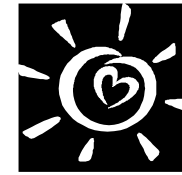
\*Absent \*\*Teleconference

### Management/Staff

John Baackes, *Chief Executive Officer*  
 Augustavia J. Haydel, Esq., *General Counsel*  
 Afzal Shah, *Chief Financial Officer*  
 Todd Gower, *Chief Compliance Officer*  
 Terry Brown, *Chief Human Resources Officer*  
 Noah Paley, *Chief of Staff*

### Guests

Rosie Procopio, *Audit & Assurance Managing Director, Deloitte & Touche (D&T)*  
 Justine Lee, *Manager, D&T*



**L.A. Care**  
 HEALTH PLAN

| AGENDA<br>ITEM/PRESENTER  | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN   |
|---|--|--|
| <b>CALL TO ORDER</b>  | Committee Chairperson, Hector De La Torre, called to order the L.A. Care Audit Committee and the L.A. Care Joint Powers Authority Audit Committee meetings at 1:03 p.m. The meetings were held simultaneously. He welcomed everyone to the meetings. He provided information on how to submit public comments. |  |
| <b>APPROVE MEETING<br/>AGENDA</b>   | Today's Agenda was approved as submitted.  | <b>Approved unanimously<br/>3 AYES (De La Torre, Gonzalez,<br/>and Greene)</b>             |
| <b>PUBLIC COMMENT</b>   | There was no public comment. No public comment   |  |
| <b>APPROVE MEETING<br/>MINUTES</b>  | The December 21, 2023 meeting minutes were approved as submitted.  | <b>Approved unanimously<br/>2 AYES (Gonzalez, and Greene)<br/>ABSTENTION (De La Torre)</b> |
| <b>CHAIRPERSON'S REPORT</b>   | There was no report from the Chairperson.  |  |
| <b>CHIEF EXECUTIVE<br/>OFFICER/CHIEF<br/>FINANCIAL OFFICER<br/>REPORT</b> | There was no CEO / CFO Report.   |  |

**DRAFT**

| AGENDA<br>ITEM/PRESENTER   | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--|--|--------------|
| <b>COMMITTEE ISSUES</b> <ul style="list-style-type: none"> <li>• <b>Presentation of the Audit Plan for FY 2023-24</b></li> </ul> | <p>Afza Shah, <i>Chief Financial Officer</i>, introduced Rosie Procopio, Audit &amp; Assurance Managing Director, Deloitte &amp; Touche (D&amp;T) who presented the Audit Plan for FY 2023-24.</p> <ul style="list-style-type: none"> <li>• The FY 2022-23 audit went smoothly. Deloitte &amp; Touche was able to accelerate the audit timeline through expanded interim procedures, implementation of new procedures in claims and other medical expenses and increased use of data analytics and other audit technology.</li> <li>• Deloitte &amp; Touche presented the Audit Plan for FY 2023-24 (<i>A copy of the Plan can be obtained nby contacting Board Services</i>).</li> <li>• Planned Procedures for this year’s audit will include: <ul style="list-style-type: none"> <li>○ Focus efforts on certain areas of significance to the audits.</li> <li>○ Obtain an understanding of all business cycles, including general information technology controls. Perform tests of certain relevant controls for each business cycle to determine whether such controls have been appropriately designed and implemented.</li> <li>○ Materiality will be the basis for planning the scope of audit of the financial statements. The determination of materiality is a complex issue requiring consideration of qualitative and quantitative factors. It is a matter of professional judgment taking into account the knowledge of the entity, the assessment of engagement risk, and the reporting requirements for the financial statements. The consideration of materiality is influenced by the perception of the needs of users of the financial statements.</li> <li>○ Deloitte Omnia audit platform will be used for more efficient and focused audit. This approach will alleviate common pain points while also resulting in tangible benefits for L.A. Care Health Plan.</li> <li>○ Use proprietary quantitative financial and benchmarking analysis capability to identify unusual trends in account balances and ratios.</li> <li>○ Engage in fraud discussions with certain members of senior management and others.</li> </ul> </li> </ul> |              |

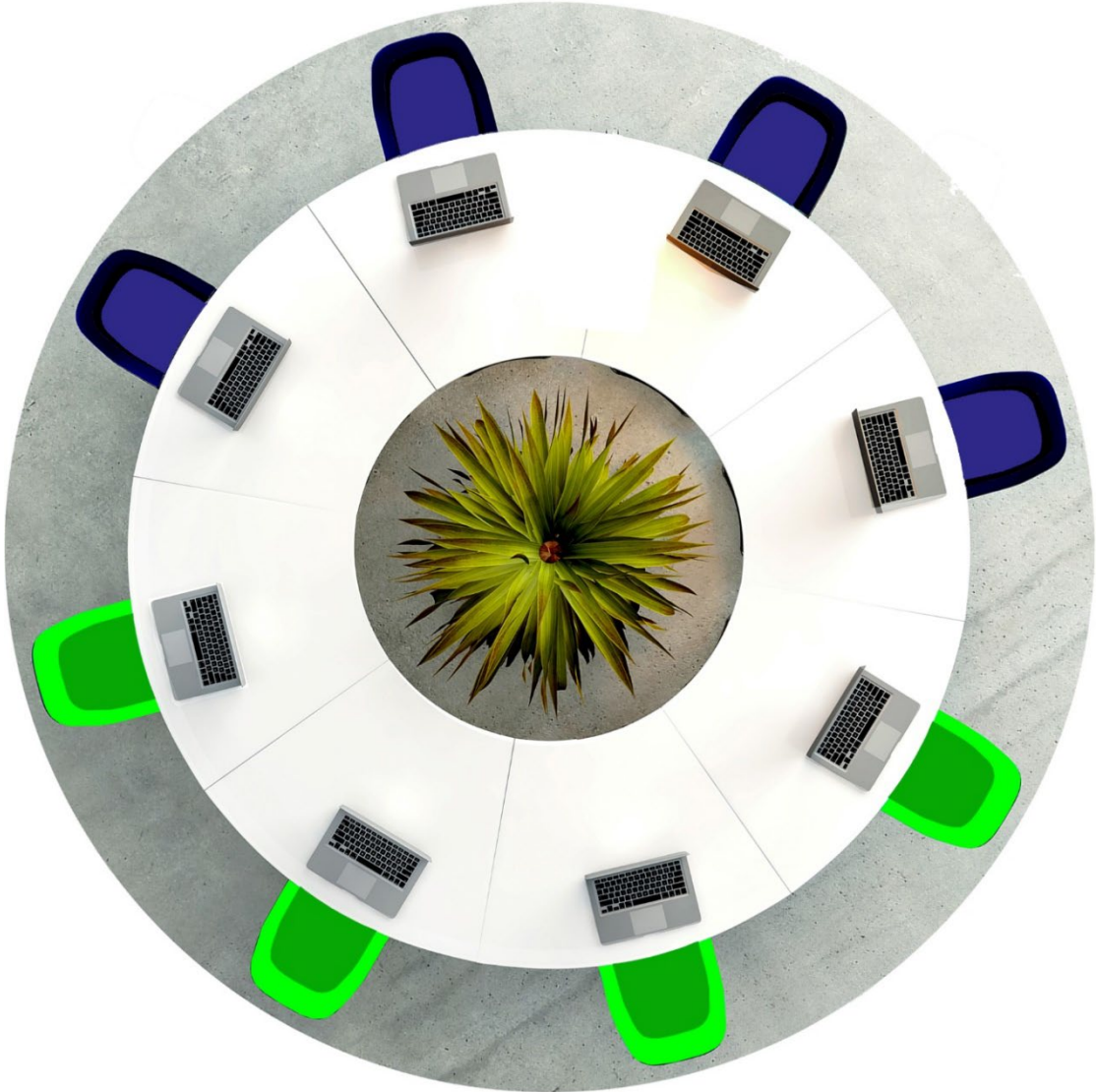
| AGENDA<br>ITEM/PRESENTER  | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN  |
|---|--|---|
|   | <ul style="list-style-type: none"> <li>○ Consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.</li> <li>○ Evaluate whether L.A. Care Health Plan has entered into any significant unusual transactions and, if so, the nature, terms, and business purpose (or lack thereof) of those transactions and whether such transactions involved related parties.</li> <li>○ Evaluate L.A. Care Health Plan’s fraud risk assessment and controls over financial reporting. Test journal entries that exhibit characteristics of possible management override of controls, identified using electronic data interrogation techniques. Test design and implementation of controls over significant, unusual transactions, particularly those that result in late or unusual journal entries and controls over journal entries and adjustments made in the period-end financial reporting process.</li> <li>● 2024 Proposed Audit Fee is \$476,000, excluding expenses.</li> </ul> <p>The Audit timeline is targeted for end of the year and be done by the holidays, typically done by mid December.</p> |   |
| <ul style="list-style-type: none"> <li>● <b>Accept Audit Plan for FY 2023-24</b></li> </ul> | <p><b><u>Motion AUD A.0824</u></b><br/> <b>To accept the Audit Plans of Deloitte &amp; Touche’s of L.A. Care’s financial statements for the fiscal year 2023-24, as presented, and authorize execution of the engagement letter.</b></p>   | <p><b>Approved unanimously</b><br/> <b>3 AYES</b></p> |
| <p><b>ADJOURNMENT</b></p>   | <p>The Chair adjourned the meeting at 1:27 pm.</p>   |   |

Respectfully submitted by:  
Malou Balones, *Board Specialist III*  
Victor Rodriguez, *Board Specialist II*  
Linda Merkens, *Senior Manager, Board Services*

APPROVED BY:

\_\_\_\_\_  
Hector De La Torre, *Committee Chairperson*  
Date Signed: \_\_\_\_\_

**DRAFT**



Local Initiative Health Authority for Los Angeles County,  
operating and doing business as L.A. Care Health Plan and  
L.A. Care Health Plan Joint Powers Authority

Results of the 2024 Audit

December 16, 2024

The Audit Committee of the Board of Governors  
for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing  
business as L.A. Care Health Plan and L.A. Care Health Plan Joint Powers Authority  
1055 West 7<sup>th</sup> Street  
Los Angeles, CA 90017

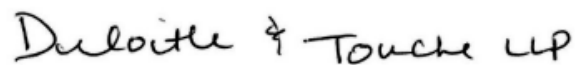
Dear Members of the Audit Committee of the Board of Governors,

We have performed an audit of the combined financial statements of the Local Initiative Health Authority for Los Angeles County, dba L.A. Care Health Plan and L.A. Care Health Plan Joint Powers Authority (collectively, L.A. Care and the "Organization") as of and for the year ended September 30, 2024 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America (collectively "generally accepted auditing standards") and expect to issue our report thereon dated on or around December 23, 2024.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Organization is responsible.

This report is intended solely for the information and use of management, the Audit Committee of the Board of Governors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



cc: The Management of L.A. Care

## Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated August 19, 2024, a copy of which has been provided to you. As described in that letter, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee of the Board of Governors are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the financial statements does not relieve management or the Audit Committee of the Board of Governors of their responsibilities. We considered internal control over financial reporting in order to design audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

## Significant Accounting Policies

The Organization’s significant accounting policies are set forth in Note 2 to the Organization’s 2024 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended September 30, 2024.

We have evaluated the significant qualitative aspects of the Organization’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.



## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant qualitative aspects of the Organization’s particularly sensitive accounting estimates includes the following:

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### Incurred but not Reported Claims (“IBNR”) Valuation—Accounting Estimate

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The valuation of IBNR reserve requires management estimation and judgment. Management uses significant assumptions and judgments in estimating the cost of claims, specifically those that are made to adjust IBNR reserve, which include, among other factors, the average interval between the date services are rendered and the date claims are paid, utilization, seasonality patterns, changes in membership, and known environmental factors. Management also leverages calculations and estimates developed by its internal actuarial team when considering the liability estimate.

|                    | 2024    | 2023    |
|--------------------|---------|---------|
| IBNR (in millions) | \$708.0 | \$842.6 |

There is a significant risk that management may not use a complete, accurate, or valid set of assumptions within its estimate. This significant risk also represents a fraud risk. We performed the following procedures noting no exceptions:

- We made inquiries of management and tested the design and implementation of internal control activities involving management’s process for estimating the IBNR reserve.
  - We conducted meetings with the Organization’s actuaries to assess the consistency of the methodology utilized for calculating the accruals for IBNR estimates. Furthermore, we held discussions with claims operations personnel to better understand performance over time and its impact on the claim reserves.
  - We involved actuarial specialists from Deloitte Consulting LLP to review management’s methods and assumptions used to develop the reserve estimates and prepare an independent estimated range of reasonable reserves in order to corroborate management’s estimate of its claims-based liability. The actuarial specialists assessed information such as claims inventory, high dollar claims and other environmental factors to conclude on actuarial assumptions utilized.
  - We performed data integrity testing of information utilized by the Organization’s actuaries, including recreating the underlying lag triangles and performing test of details on paid claims for accuracy and completeness.
  - We also performed a retrospective look-back (recast) of management’s prior year estimates.
-

## Uncorrected Misstatements and Disclosure Items Passed

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As noted in items 6 and 7 in the management representation letter, we presented a summary of current year uncorrected misstatements and a disclosure item passed to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2024.

Fee-for-service medical claims was tested using statistical or other sampling techniques and certain errors in recording claims expense as of September 30, 2024 were found in the sample items selected. The effect of the known errors identified has been included in the summary of uncorrected misstatements as attached as an appendix to the management representation letter. However, the mathematical projection of the likely errors, which results in a potential overstatement of \$33.5 million and a potential understatement of \$9.6 million, for a net potential overstatement of \$23.9 million in fee-for-service medical claims for the year ended September 30, 2024, are not included in the appendix to the management representation letter. Such potential unrecorded errors, as well as the effects when considered with the items in the appendix to the management representation letter, were determined by management to be immaterial to the financial statements taken as a whole.

## Material Corrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

## Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2024.

## Significant Findings or Issues Arising from the Audit Discussed, or Subject of Correspondence, with Management

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Audit Committee of the Board of Governors.

## Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the Organization's management and staff and had unrestricted access to the Organization's senior management in the performance of our audit.

## Management's Representations

We have made specific inquiries of the Organization's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Organization is required to provide to its independent auditors under generally accepted auditing standards. A final version of those representations will be provided to the Audit Committee of the Board of Governors.

\* \* \* \* \*



**L.A. Care**  
HEALTH PLAN

**Board of Governors**  
**MOTION SUMMARY**

**Date:** December 16, 2024

**Motion No.** AUD A.1224

**Committee:** Audit

**Chairperson:** Hector De La Torre

**Issue:** To accept the findings of the Deloitte & Touches' audit of L.A. Care's financial statements for the fiscal year ended September 30, 2024.

**Background:** N/A

**Member Impact:** Fiscal responsibility by the Board of Governors is enhanced by an independent third party audit of L.A. Care's financial condition, confirming the financial stability of the organization so important health care coverage can continue for L.A. Care's members.

**Budget Impact:** N/A

**Motion:** To accept the findings of the Deloitte & Touches' audit of L.A. Care's financial statements for the fiscal year ended September 30, 2024, as presented.