BOARD OF COMMISSIONERS

AUDIT COMMITTEE MEETING

February 20, 2019

BROWARD HEALTH CORPORATE
Spectrum – SUITE 150
1700 NW 49 Street
Fort Lauderdale, Florida
AGENDA

North Broward Hospital District Board of Commissioners
1700 NW 49th Street, Suite 150, Ft. Lauderdale, Florida, 33309

AUDIT COMMITTEE MEETING
10:00 a.m., February 20, 2019

CALL TO ORDER

COMMITTEE MEMBERS

______ Commissioner Christopher T. Ure, Chair
______ Commissioner Andrew M. Klein
______ Commissioner Nancy W. Gregoire
______ External Audit Consultant Scott Porter
______ External Audit Consultant James Petkas

PUBLIC COMMENTS

APPROVAL OF MINUTES

1. Approve Audit Committee meeting minutes, dated January 22th, 2019

TOPIC OF DISCUSSION

2. Audit Department members introduction
3. Review proposed Request For Proposal (RFP) to approve the scope, expected deliverables and vendor requirements

ADJOURNMENT
MINUTES

NORTH BROWARD HOSPITAL DISTRICT

North Broward Hospital District Board Of Commissioners
1700 Northwest 49th Street, Suite #150, Ft. Lauderdale, 33309

AUDIT COMMITTEE
January 22, 2019

CALL TO ORDER 11:25 a.m.

COMMITTEE MEMBERS

✓ Commissioner Christopher T. Ure/Chair
✓ Commissioner Andrew M. Klein
✓ Commissioner Nancy W. Gregoire
✓ External Audit Consultant Scott Porter
✓ External Audit Consultant James Petkas

PRESENT Commissioner Angier, Commissioner Berry, Commissioner Waugh, Gino Santorio/President/CEO, Alan Goldsmith/Acting CAO, Alex Fernandez/Acting CFO, Jerry Del Amo/Managing Senior Associate General Counsel, Brett Bauman/Associate General Counsel, Nigel Crooks/Chief Internal Auditor

PUBLIC COMMENTS None

Walk-on item

Commissioner Uri suggested a third-party independent audit firm be retained to identify weaknesses and suggest best practices for the Audit Committee and internal Audit department. He further stated that in addition to having a list of firms provided for conclusion in the RFP, it would be beneficial for the Audit Committee to review the language in order to have input on the expectations of the firm.

MOTION It was moved by Commissioner Gregoire, seconded by Commissioner Klein, that:

THE AUDIT COMMITTEE RECOMMEND THAT THE BOARD OF COMMISSIONERS OF THE NORTH BROWARD HOSPITAL DISTRICT ENGAGE A THIRD PARTY INDEPENDENT FIRM TO CONDUCT A REVIEW APPRAISAL OF BROWARD HEALTH’S INTERNAL CONTROLS, FUNCTIONS, STAFFING, RESOURCES, PEER REVIEW, AND BEST PRACTICES FOR THE AUDIT COMMITTEE IN TERMS OF HOW IT IS ORGANIZED AND STRUCTURED.

Motion carried unanimously

Audit 1
MINUTES

NORTH BROWARD HOSPITAL DISTRICT

North Broward Hospital District Board Of Commissioners
1700 Northwest 49th Street, Suite #150, Ft. Lauderdale, 33309

APPROVAL OF MINUTES

1. Approval of Audit Committee meeting minutes, dated October 30th, 2018

MOTION It was moved by Commissioner Gregoire, seconded by Commissioner Klein, to:


Motion carried unanimously.

TOPIC OF DISCUSSION

2. Internal Audit activities for related audits completed from July 2018 to December 2018

Mr. Crooks gave a graphical comparison of audits completed within a range in 2017 versus the same range in 2018. The range in both years was from July through December.

- **JULY 2017 - DECEMBER 2017 (19 AUDITS)**
  - Needs Improvement: 74%
  - Adequately Controlled: 26%
- **JULY 2018 - DECEMBER 2018 (24 AUDITS)**
  - Needs Improvement: 29%
  - Adequately Controlled: 67%
MINUTES

North Broward Hospital District Board Of Commissioners
1700 Northwest 49th Street, Suite #150, Ft. Lauderdale, 33309

<table>
<thead>
<tr>
<th>Audited area is well controlled, deficiencies are non-reportable and use as a discussion item with management. The residual risk after consideration of the appropriate and effectiveness of controls is low, and therefore is within the organization’s risk tolerance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The deficiencies are moderate in nature and middle management capable of mitigating the risks. The residual risk after consideration of the adequacy and effectiveness of controls is medium according to the Broward Health’s risk assessment matrix, and thus is within the organization’s risk tolerance.</td>
</tr>
<tr>
<td>There are major deficiencies and the residual risk after consideration of the adequacy and effectiveness of controls remain high according to the organizations’ (or division’s or entity’s) risk assessment matrix. This is above the acceptable tolerance level and slightly over Broward Health’s risk appetite.</td>
</tr>
<tr>
<td>The deficiencies are egregious in nature and internal controls are weakly controlled. The residual risk after consideration of the adequacy and/or effectiveness of controls/risk mitigators remain very high according to the organization’s (or division’s or entity’s) assessment matrix (risk rating criteria). This is beyond the acceptable tolerance level and Broward Health’s risk appetite. BH Board and Sr. Management must be notified immediately.</td>
</tr>
</tbody>
</table>

July - Dec 2017 v. July - Dec 2018 Audit Comparison

July 2017 - December 2017 (19 Audits)

<table>
<thead>
<tr>
<th>Number</th>
<th>Audit Name</th>
<th>Objective</th>
<th>Questioned Cost</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CHS Healthy Start Grant</td>
<td>Determine whether the Healthy Start program’s monies were used in accordance with the Grant requirements, and verify if there were any compliance concerns that materially affected the program.</td>
<td>N/A</td>
<td>Well Controlled</td>
</tr>
<tr>
<td>2</td>
<td>Non-Employed Physician Review</td>
<td>Determine if Broward Health’s practices are in compliance with the Corporate Integrity Agreement (CIA) requirements and examine the payments for accuracy.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td></td>
<td>Temporary Labor Invoice and Time slip Review</td>
<td>Validate accuracy of temporary labor invoices, incurred by CHS.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
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<tr>
<td>4</td>
<td>Compliance's Tracking &amp; Monitoring of Hotline Claims Review</td>
<td>Examine whether Broward Health (BH) Compliance Department has performed the duties as required by the CIA and BH policy. This entailed determining whether hotline claims were recorded within 48 hours of receipt, tracked and monitored from open to closure.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>5</td>
<td>CHS Ryan White Part - A &amp; C Grant</td>
<td>Evaluate whether effective internal controls are in place to prevent and/or detect improper grant expenditure. Determine whether Federal grant awards were expensed only for allowable activities. Ensure procurements were made in compliance with applicable Federal regulations.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>6</td>
<td>Review of compliance Dept. Monitoring – Tracking of Remunerations</td>
<td>Validate that the Responsible Person and the Compliance Department were tracking remunerations to and from all parties to the physician contracts (Focus Arrangements), as required by BH policy GA-004-441 (Physician and Non-Physician Financial Arrangement Review, Approval, Tracking and Monitoring).</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>7</td>
<td>Review of compliance Dept. Monitoring – Tracking of Focus Arrangements</td>
<td>Validate that the Responsible Person and the Compliance Department are reviewing the contract database, internal reviews, approval process, and other Focus Arrangement procedures on an annual basis.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>8</td>
<td>Surgical Equipment Maintenance Follow-up</td>
<td>The objective of this follow-up audit was to assess whether risks were being mitigated relating to deficiencies identified in the Surgical Equipment Maintenance audit report #2017-161. Double Billed: $7,213 Shipping charged: $13,582 Total: $20,795</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>9</td>
<td>Fraudulent Check Review</td>
<td>The purpose of this audit was to examine the financial impact on BH, and determine if proper controls were in place to mitigate check fraud. Check Fraudulently Cashed: $24,500</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>10</td>
<td>Tenant Lease Review Follow-up</td>
<td>The objective of this follow-up review is to determine whether management has taken corrective action to mitigate the risk identified in the Tenant Lease Review, Report Number 2017-161.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>11</td>
<td>Travel &amp; Expense Q3 &amp; Q4 FYE 2018</td>
<td>Review quarterly Travel and Expense spending to ensure adherence to BH travel and expense policy.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>12</td>
<td>BHMC Construction</td>
<td>The primary purpose of this report is to provide BH’s Senior Management with an update on the Project’s key procedures. The objectives of this review entails examining expenditures relating to the Construction Manager’s costs.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>13</td>
<td>FA Employed Physician Contract Review</td>
<td>Review the new contracting workflow established in January 2018 to ensure that all physician contracts and applicable supporting documents are properly captured in the centralized tracking system, Compliance 360.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
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<tr>
<td></td>
<td>Description</td>
<td>Details</td>
<td>Status</td>
<td></td>
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<tr>
<td>14</td>
<td>PCI Assessment</td>
<td>Ensure that appropriate controls were in place and effectively working to protect the privacy of credit card data in compliance with PCI standards.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>15</td>
<td>FA Vendor Contracts Review</td>
<td>Examine the contract process to determine its effectiveness, efficiencies and completeness. This infers examinations of key internal controls which include: authorization and approval of contracts, compliance with BH contract and procurement policies, and adequate payments for contract deliverables.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>16</td>
<td>NF Vendor Contract Review</td>
<td>Examine the updated contract process for efficient workflow (time processing), completeness of the contract file, and determine if payments complied with the contract terms.</td>
<td>N/A</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>17</td>
<td>FA Non-Employed Physician Contract Review</td>
<td>Examine the updated contract process for efficiency of the contract workflow, completeness of the contract file; and determine if payments meet contract terms.</td>
<td>Check Mailed and cashed to incorrect Physician: $477</td>
<td>Adequately Controlled</td>
</tr>
<tr>
<td>18</td>
<td>Corporate Risk and Insurance Services Department/Attorney’s Invoices Review</td>
<td>Evaluate the internal controls related to the claim payments and determine if their scope of work is accurate.</td>
<td>Payments made without documented expenses and outside contracted amounts: $50,191</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>19</td>
<td>CHS Travel, Seminar, and Vendor Payments Review</td>
<td>Examine of CHS expenditures and determine if they were properly authorized and in compliance with Government Grant requirements.</td>
<td>Improper authorization of cost totaling: $9,242</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>20</td>
<td>C360 Data Clean-up Project Review</td>
<td>Determine whether the errors identified following the C360 data migration (in 2017) were corrected, and controls were established to enhance the data quality of the contract management system.</td>
<td>N/A</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>21</td>
<td>Employed Physician Review</td>
<td>Determine whether the processes and controls designed to manage Broward Health’s employed physician agreements are being performed in an effective and efficient manner, in accordance with Broward Health’s policies and procedures, and to the contractual arrangements with individual physicians</td>
<td>Bonus over payment: $1,308</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>22</td>
<td>Inpatient Pharmacy’s Charge Capture Process</td>
<td>The objectives of this follow-up audit were to determine the status of the management responses made in the 2017 report and document its actions</td>
<td>N/A</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>23</td>
<td>Compensations and Benefits</td>
<td>Examine Broward Health (BH) compensation and benefits practices to determine the effectiveness of internal controls.</td>
<td>Unapproved salary increases: $315,000 Hire-on bonus: $5,000 Accrual double pay: $137,076 Salary above FMV: $40,000 Total: $497,076</td>
<td>Needs Improvement</td>
</tr>
<tr>
<td>24</td>
<td>Security &amp; Diversion Audit</td>
<td>Determine whether internal controls are in place for physical security and identified drug diversion. This ensures the pertinence of unauthorized access to BH’s facilities, and the effectiveness of drug diversion policy.</td>
<td>N/A</td>
<td>Needs Improvement</td>
</tr>
</tbody>
</table>

**Total Questioned cost:** $603,599
The Committee suggested the rating for Compliance deficiencies be modified to reflect satisfaction and unsatisfaction. It was also suggested that the rating categorization used on the Audit reports, such as Adequately Controlled, be replaced.

Commissioner Angier requested that anything deemed weakly controlled be reported to the Committee as soon as possible.

**MEETING ADJOURNED** 12:38 p.m.

**MOTION** It was *moved* by Commissioner Klein, *seconded* by Audit Member Scott Porter, to:

**ADJOURN THE AUDIT COMMITTEE MEETING.**

Motion *carried* unanimously.

Respectfully submitted,
Commissioner Ray T. Berry
Secretary / Treasurer