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**FINANCE AND AUDIT COMMITTEE**

**October 28, 2014 - 5:45PM**

- I. CALL TO ORDER:** Chair Sparkman called the meeting to order at 6:10pm
- II. MEMBER ROLL CALL:** Ann Sparkman, JD, Chair  
James Clever, MD, Member  
Jud Goldsmith, Voluntary Member (Non-Voting)
- MANAGEMENT STAFF:** Ronald K. Sperling, Chief Financial Officer (Interim)  
Vanetta Van Cleave, Controller  
Michael Lighthawk, Executive Assistant
- GUESTS:** Brian Conner, Moss Adams  
Kate Jackson, Moss Adams
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**MINUTES**

**III. APPROVAL OF AGENDA**

- Chair Sparkman and Member Clever approved the agenda.

**IV. APPROVAL OF MINUTES** (Pgs. 3-4 of packet)

- Chair Sparkman asked that the minutes of August 26, 2014, be amended to reflect Jud Goldsmith as a Voluntary (non-voting) Member of the committee.
- Chair Sparkman and Member Clever approved the previous minutes as amended.

**V. AUDIT**

**A. Review Draft MHD Audit Report & Supplement, June 30, 2014**

Moss Adams

Mr. Brian Conner and Ms. Kate Jackson of Moss Adams co-presented a draft Report of Independent Auditors & Financial Statements. Mr. Conner stated that the audit objective is to express an opinion as to whether the financial statements are presented fairly in accordance with generally accepted accounting principles (US GAAP). The auditors have expressed an Unmodified Opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles. Within the supplement are financial statements that separate the District financial reports from the Clinics.

Ms. Jackson subsequently reviewed graphs of audited financial Asset Composition and Liabilities/Net Position of the District as well as the same for the Clinics.

Discussion points:

- Mr. Conner reiterated that in addition to the District financial statements being presented separate from the Clinics' financials the consolidated statement combines both the District and Clinic financials.
- Mr. Conner stated in reference to Patient Service Accounts Receivable (Clinics) and % Net Patient Service Revenue for 2014 of 12.3% is an excellent number that nets about 45 days in AR.
- Mr. Conner stated that the Gross Receivables by Payor Mix are as expected for the district's demographics with Medicare and Commercial payments comprising the bulk of the mix.

Mr. Conner concluded the presentation by stating that, with the approval of this committee, the final audit report will be issued along with the letter of Communications to Those Charged with Governance following issuance of the Management's Representations Letter.

The Committee agreed to recommend that the MHD Board of Directors accept the final Report of the Independent Auditors Financial Statements & Supplementary Information for the Marin Healthcare District; June 30, 2014 and 2013, at the next District board meeting on November 11, 2014.

## **VI. FINANCE**

### **A. FY 2014 Cash Budget (vs. Actual) (Pg. 6)**

Mr. Sperling reported that, for the first 3 months of the fiscal year, the district is on budget for receipts and under budget for expenses due to accrued expenditures not being paid out as quickly as anticipated.

### **B. Profit & Loss - YTD Comparison (Pg. 8)**

No discussion

### **C. Balance Sheet – Current & Prior Month (Pgs. 10, 11)**

1. **Cash/Net Asset Graph (Pg. 13)** No discussion.

### **D. 1206(b) Report (Pgs. 15-16)**

Mr. Sperling informed the committee that management is currently in a process of updating the 1206(b) clinic's budget that will more accurately compare budget performance of the clinics to date. Subsequently, next month's 1206(b) financials will reflect the updated budget.

### **E. Narrative (Pgs. 18-20)**

### **F. Review Financial Procedures & Internal Controls Policy**

Mr. Sperling presented background on the proposed revisions to the Financial Procedures and Internal Controls policy that address timeliness of payments to contracted physicians and applicable controls on the distribution of funds.

Discussions ensued regarding the following changes to the policy:

- Designation of the CEO as an authorized signatory.
- Designation of all members of the MHD Board as signatories.
- Authority granted the CEO to authorize budgeted expenditure up to \$500,000.

- Signature requirements for checks over \$25,000 may be signed by either the CEO or CFO and one board member.
- Authorized check signers shall be the CEO, CFO, and all members of the Board of Directors as defined under each account.
- All invoices must be approved by the CEO or in the case of 1206(b) Clinic related invoices, approval by the CFO, MGH Chief Medical Officer (CMO) or Controller.

Based on Chair Sparkman's request to seek counsel's confirmation that all changes to the policy are consistent with the District By-Laws; the committee **moved to approve** changes to the Financial Procedures & Internal Controls Policy except for increasing the CEO's authority to approve budgeted expenditures from \$100,000 to \$500,000.

Motion seconded and passed.

The committee requested that management report general counsel's opinion on the District By-laws related to the CEO's increase of authority to approve budgeted expenditures from \$100,000 to \$500,000.

#### **G. District Investment Management and Oversight (Discussion)**

Mr. Sperling presented background information on the structure and progress of the MGH Investment Committee in conjunction with the hospital's investment advisors, Canterbury Consulting, who are developing investment policies for the MGH Pension Plan, MGH Foundation, and MGH Corporation funds. Within the last Investment Committee meeting, the question was raised; does the District have a need for investment oversight and/or management in relation to the expected issuance of \$100M bonds? Mr. Sperling recommended that the District utilize the MGH Investment Committee and Canterbury Consulting as investment advisors

Following discussions of the need for professional oversight and management of public funds, the committee recommended that:

1. A member of the District Board of Directors is appointed as a member of the MGH Investment Committee.
2. The Chief Financial Officer meets with the District Board Chair (Larry Bedard) and Lee Domanico to discuss the possibility of the District participating in the MGH Investment Committee.

#### **VII. PUBLIC COMMENT**

- Evelyn Foster

#### **VIII. AGENDA ITEMS FOR NEXT MEETING**

- Discuss Financial Procedures & Internal Controls Policy

#### **IX. NEXT MHD F&A MEETING – Tuesday, December 16, 2014, 5:30pm**

- X. ADJOURNMENT** - There being no further business, the chair adjourned the meeting at 7:30pm.