



# SAN JOAQUIN COUNTY CLINICS

AUDIT COMMITTEE MEETING

Kris Zuniga  
Chief Financial Officer  
September 2020

## TODAY'S DISCUSSION

- Audit Committee Function
- Audit Committee Composition & Meeting Frequency
- Independent Auditor Selection Process
- Separation of SJCC from SJGH

# AUDIT COMMITTEE FUNCTION – SJCC BYLAWS

## ■ Article VIII – Section 8

**Section 8. Audit Committee:** The corporation shall have an Audit Committee consisting of at least three (3) directors and may include nonvoting advisors. Directors who are officers of the corporation or who receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the corporation (other than for service as director) may not serve on the audit committee. The Audit Committee shall perform the duties and adhere to the guidelines set forth in the corporation's audit policy guidelines as amended from time to time by the board. Such duties include, but are not limited to:

- (a) Assisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary;
- (b) Negotiating the independent auditor's compensation;
- (c) Conferring with the independent auditor regarding the corporation's financial affairs; and
- (d) Reviewing and accepting or rejecting the independent auditor's report.

Members of the Audit Committee may be compensated for their service on the Audit Committee in excess of that provided to directors for their service on the board. If the corporation has a Finance Committee, a majority of members of the Audit Committee may not concurrently serve as member of Finance Committee, and the chair of the Audit Committee may not serve on the Finance Committee.

# AUDIT COMMITTEE COMPOSITION & MEETING FREQUENCY

- Current Audit Committee
  1. Rod Place
  2. Brian Heck
  3. Any Additions?
  
- Meeting Frequency
  1. SJCC will hold monthly audit committee meetings initially and will reevaluate frequency in six months

# INDEPENDENT AUDITOR SELECTION PROCESS

- Two CPA firm proposals: BKD CPA's & Advisors versus Eide Bailly
- Eide Bailly

Professional Fees	2019/2020
Audit of financial statements of San Joaquin County Clinics - FY 2020	\$ 30,000
Audit of financial statements of San Joaquin County Clinics - FY 2019	30,000
Preparation of financial statements	10,000
Total	\$ 70,000

- Pros:
  - EB is the independent auditor for the County of San Joaquin and SJGH. Upon completion of the SJGH audit, they will be very familiar with the balance sheet of SJCC and thus audit fees could be mitigated.
  - EB is helping to facilitate the SJCC/SJGH split.
- Cons:
  - EB does not display a familiarity with the FQHC business.
  - EB is the independent auditor for the County of San Joaquin and SJGH. There could be a risk that EB will not put our interests first.

# INDEPENDENT AUDITOR SELECTION PROCESS

- BKD CPA's & Advisors

Proposed Fees

San Joaquin County Clinics	
For the 2019 Fiscal Year	2020
Financial Statement Audit in Accordance with <i>Government Auditing Standards</i>	\$30,000 to \$40,000
Compliance Audit under Uniform Guidance if needed	\$6,000 per major program
Beginning balance work for fiscal 2019 to establish beginning equity	\$10,000

- Pros:

- BKD has a large portfolio of FQHC clients and is highly visible within the California Primary Care Association (CPCA).
- Kris Zuniga has first-hand experience with both BKD audit and Medicare Cost Report services.

- Cons:

- Due to their would-be acclimation period, overall BKD audit fees could be more than EB audit fees.

# SEPARATION OF SJCC FROM SJGH

- Background
  - On July 22, 2020, Eide Bailly conducted an initial meeting concerning SJGH's audit and specifically addressed issues surrounding the independence of SJCC.
  - On August 13, 2020 a second meeting was convened and it was agreed amongst County officials, SJGH executives, and SJCC executives that the FQHC should be its own entity separate from the hospital, have its own set of GAAP financial statements, and be established as its own fund within the County system.
  - Weekly meetings surrounding the SJGH audit and the separation of SJCC are being conducted.
  
- Planned Contracted Assistance
  - BKD – SJCC independent auditor
  - EB – SJCC separation assistance
  - Toyon – SJCC supplemental revenues and SJCC financial statement assistance

# SJCC SEPARATION ANTICIPATED PROJECT PLAN

## PROJECT ITEM

## ESTIMATED COMPLETION

1. ESTABLISHMENT OF SJCC COUNTY ENTERPRISE FUND	OCT 2020
2. ESTABLISHMENT OF COUNTY INFRASTRUCTURE FOR SJCC	OCT 2020
3. NOTIFICATION OF PLANNED SEPARATION TO SJCC PAYERS	OCT 2020
4. IDENTIFICATION OF SJCC FINANCIAL SYSTEMS	OCT 2020
5. IDENTIFICATION OF SJCC GAAP FINANCIAL STATEMENTS	NOV 2020
6. EXECUTION OF SJCC MOU'S WITH THE BH, & SJGH	NOV 2020
7. CASH DEPOSIT INTO SJCC CASH OPERATING ACCOUNT	NOV 2020
8. TRANSFER OF SJCC EMPLOYEES FROM SJGH	NOV 2020
9. EXECUTION OF NEW CONTRACTS WITH SJCC PAYERS	DEC 2020
10. SJGH AUDIT COMPLETION	DEC 2020
11. SJCC AUDIT COMPLETION	MAR 2021
12. IMPLEMENTATION OF NEW SJCC FINANCIAL SYSTEMS	SUMMER 2021

# QUESTIONS & ANSWERS

