Due to the COVID-19 emergency, this meeting was held by teleconference and webinar only. Members of the Commission and members of the public participated from their own location via WebEx.

Members of the Board present:
Alexander Ding, MD
Audrey Dow
Dev Gnanadev, MD
Randy Hawkins, MD
William C. Hendry
Nuriel Moghavem, MD, President
Jacqueline Rangel
Vernita Todd
Brenda Wright
Jasmeet Bains, MD, Ex-Officio

Members of the Board absent:
Cynthia J. Cotharn MD
Shaheen E. Lakhan, MD

Staff to Board:
Caryn Rizell, Acting HPEF Executive Director
Charise Frisch, HPEF Executive Assistant

Additional OSHPD Staff:
Elizabeth Landsberg, OSHPD Director
Monica Erickson, OSHPD Deputy Director-
Administrative Services Division
Michelle Church-Reeves, OSHPD Legal Counsel
Vu Nguyen, OSHPD Accounting Administrator II

AGENDA ITEM 1: Call to Order
President Moghavem called the meeting to order at 10:00 a.m. He welcomed Vernita Todd to the Health Professions Education Foundation (HPEF) Board of Trustees (Board). Ms. Todd has a long history of service, especially at community health centers. The Board is excited to have Ms. Todd and her experience and commitment to equity in healthcare.

Elizabeth Landsberg, Director of the Office of Statewide Health Planning and Development (OSHPD), thanked Ms. Todd for her commitment to HPEF's important programs. Ms. Landsberg administered the oath of office to Ms. Todd.

AGENDA ITEM 2: Roll Call
Charise Frisch performed the roll call, and a quorum was present.
AGENDA ITEM 3: Welcome

President Moghavem announced Mr. Byzak has resigned from the Board and noted Mr. Byzak's many contributions to the Board.

Board members introduced themselves.

AGENDA ITEM 4: OSHPD Director's Report

Ms. Landsberg recognized the mental and physical health implications of recent mass shootings and violence against Asian-Americans and Pacific Islanders. Things are more hopeful on the COVID-19 front with vaccine distribution and the state of infections and hospitalizations decreasing. Staff has been crafting budget proposals to make changes in OSHPD's workforce and discussing OSHPD's new name as it graduates from a State office to a department. The new name will center on access as the guiding light of the program. She thanked OSHPD staff and HPEF's committee members who worked on the financial audit. Aligning the accounting procedures required by the State with the Generally Accepted Accounting Principles (GAAP) required for a nonprofit has been challenging.

In response to Board Member Hawkins' query, Ms. Landsberg reported staff reductions are no longer under consideration as tax receipts are higher than projected and the American Rescue Plan will provide some financial relief to the State. Staff is reviewing workforce programs that could benefit from additional funding.

In reply to Board Member GnanaDev's inquiries, Ms. Landsberg advised that the transition from a state office to a department included a consultant interviewing staff, members of the Governor's staff, board members, and stakeholders. OSHPD will make its proposals for reorganization, and the Health and Human Services Agency and the Governor's Office will vet the proposals. She indicated she was not at liberty to say more.

AGENDA ITEM 5: Executive Director's Report

Caryn Rizell, HPEF Acting Executive Director, indicated the cycle for loan repayment programs has closed, and staff is attempting to complete execution of contracts for four loan repayment programs. The cycle for the Steven M. Thompson Physician Corps Loan Repayment Program (STLRP) has been extended into February. Staff hopes to complete contracts for scholarship programs by May 2021. Two Program Assistant positions have been filled.

In answer to Board Member Hawkins' inquiries, Ms. Landsberg advised that recruitment for an Executive Director has been placed on hold. She appreciated Ms. Rizell's work in different roles within OSHPD.

In response to Board Member Hawkins' query, Ms. Rizell appreciated the support board members have shown her over the past year.

In reply to Board Member Dow's query, Ms. Landsberg explained that the Executive Director recruitment has been delayed to provide her with time to become accustomed to her position. News will be available shortly. The Governor's Office has been looking at some opportunities, and President Moghavem has advised her of the Board's priority for hiring an Executive Director.
President Moghavem added that Ms. Rizell has acted as Executive Director for a year, and he has expressed the Board’s frustrations to the Governor’s office and OSHPD. They know that hiring an Executive Director is the Board's number one priority. Hopefully, there will be news soon.

Ms. Rizell appreciated staff successfully delivering all programs in the midst of everything and their efforts to continue the good work of HPEF.

In response to Board Member Wright's questions, Ms. Rizell reported a variety of mechanisms, such as the monthly stakeholder announcement and contacts with the Medical Board and stakeholder organizations, are used to announce application cycles. She suggested board members register to receive the monthly announcement and indicated she would provide a link to the registration website. President Moghavem requested staff provide Board Member Wright with a list of announcement recipients as she is a member of the marketing and outreach subcommittee. This is one of the biggest points of improvement for HPEF. In order to reach the communities that can assist HPEF with increasing workforce diversity, board members need to build relationships with community groups. Advisory committees are a way to broaden outreach. The marketing and outreach subcommittee's work is going to be important, and providing the subcommittee with resources is critical. Gaining trust and a positive reputation will be HPEF’s work for the next few years.

AGENDA ITEM 6: Approval of the Minutes of the January 13, 2021 Meeting

Board Member Hawkins requested board members' corrections and endorsement of the minutes. The minutes are transcribed for timely review.

Motion (Dow), Second (Ding), to approve the minutes of the January 13, 2021 meeting as presented. Motion approved with eight in favor and one abstention.

President Moghavem thanked Board Member Hawkins for diligently serving as the Board's Secretary. The Board provides detailed minutes to document its activities.

AGENDA ITEM 7: Finance Committee Report

Board Member Hendry suggested Mr. Marta present the audit first, board members ask questions next, and lastly Board Member Ding and he comment.

Board Member Ding advised that he would like to point out items that deserve attention.

President Moghavem indicated Board Member Ding may comment following questions from the Board. Hearing OSHPD staff’s comments is important. Board members should feel free to ask questions.

James Marta, James Marta & Company, advised that HPEF is accounted as a governmental organization even though it is set up as a nonprofit. As the auditor, he reports to the Board. The auditor’s role is to provide an opinion of the financial statements. The letter is the auditor’s report; whereas, the financial statements are management's representations. For the present audit, the auditor's opinion is unqualified, which is the best opinion. The financial statements are segregated into funds. The General Fund was added for the fiscal year. The financial statements for each program provide the most information. The statements reflect revenues year over year, which allows some comparison. HPEF’s objective is to receive monies and to
provide grants and opportunities for folks. Revenues do not fund all regular operations, but other funding makes up the difference. HPEF has a surplus, which will be carried over to the next fiscal year. There is a large adjustment from the prior year because funding is counted as revenue when it is earned. In prior years, state appropriations were posted as revenue before they were earned.

The audit team worked with staff to document the earning of funds. The audit team serves as the connection between accounting and program staff. The Finance Committee has interacted with staff, management, and the audit team to understand and review details of the findings and to uphold the Board’s mission. The result is better clarity in the accounting. Accounting staff has strengthened their practices and policies to separate OSHPD’s finances from HPEF’s finances. Notes to the financial statements describe the programs and the accounting. The balance sheets for special revenue funds reflect assets, liabilities, and fund balances. The Mental Health Services Act program is a reimbursement program; therefore, its balance is zero. The statements of net position show the activity by line. At times, there is a delay between receiving and expending funds so that some of the programs have balances. Because an audit is a critical process, the audit team reviews the existing systems. A deficiency finding means the audit team found an item that needs to be changed after the organization closed its books. The audit team's specificity in reviewing accounting processes resulted in quite a few deficiency findings and sufficient details for staff to make adjustments. Having financial statements sooner is better because they can guide decisions. Findings address how items need to be accounted and how items were adjusted. Staff has problems with FI$Cal, and the audit team identified the items that need to be effective. As staff utilizes new policies and practices, closing the books will get better and timely. Staff has reviewed corrective actions and needs to implement them.

President Moghavem thanked Mr. Marta and his staff for identifying issues and corrective actions.

Mr. Marta added that the team has attempted to make changes in institutional knowledge.

Board Member Ding acknowledged everyone involved in the audit. Over the past few years, there have been challenges with financial statements and audits. Staff has made incremental improvements in the right direction. While the audit is late, it is late by only one Board meeting, which is a significant improvement over prior years and an example of progress. HPEF and OSHPD staff deserve credit for being diligent and cooperative. He commended accounting staff for their efforts, Ms. Rizell for her leadership, and Mr. Marta and his staff for their investment in staff and providing institutional knowledge, education, and policy support. Mr. Marta and his audit lead, Drew, have been immensely helpful. The bottom line is the clean audit that resulted from the extensive support and assistance of the audit team.

The most important areas for the Board to address are the areas of material weakness. These areas are the highest priority and include the timeliness of financial closing. Timeliness has been identified as a continuing challenge, and the Board has attempted to implement measures to obtain annual and quarterly information in a timely manner. Other areas of improvement include understanding and applying GAAP principles and revenue and expense recognition policies. Mr. Marta provided a working draft of policies that staff has implemented. The Board needs to review policies for cost allocations, which are OSHPD’s charges to HPEF for overhead expenses. The Board should approve those as well. Two findings regarding prior years’ reports are identified as material weaknesses, and corrective actions were either not implemented or partially implemented. These two findings are material weaknesses in the audit for the current year as well. Staff has assured the Finance Committee that they are aware of the path forward
thanks to the auditor’s assistance. The most important item for the Board is the letter addressed to those charged with governance, which is the Board. The letter notes the issue of audit delays. Schedule C reflects major journal entries that had to be corrected with the auditor’s help in order to achieve a clean audit.

In reply to President Moghavem’s question, Mr. Marta indicated management responded to the deficiency regarding student disbursements and timing. In reviewing disbursements, the audit team believed some disbursements were made before performance. Management's detailed response explains the circumstances for those disbursements.

Board Member GnanaDev concurred with OSHPD's disagreement with audit recommendations, such as disbursing funds to the institution rather than the recipient. Payment directly to the recipient is extremely important because the purpose of loan repayment programs is to take care of people and their loans. In fact, he supported every one of OSHPD's disagreements. Mr. Marta stated that was within the Board's purview. The recommendation is very controlling and creates barriers, but it limits overpayments caused by recipients withdrawing from programs. The decision is the Board's. In response to Board Member GnanaDev's inquiry, Mr. Marta explained that the 2019 audit found a large amount of cash on hand. The funds were actually money appropriated by the State but not yet earned. The funds were not revenue but were available for future periods.

In response to Board Member Hawkins’ query, Board Member Ding advised that all audits have been completed.

In reply to President Moghavem's inquiry, Monica Erickson, OSHPD Deputy Director-Administrative Services Division, indicated staff is currently closing period six but should be closing period nine. Vu Nguyen, OSHPD Accounting Administrator II, hoped to be up to date early in 2022.

In answer to Board Member Dow's queries, Mr. Marta related that he would review the Board’s policies regarding management’s disagreement with recommendations. If the policies support management's positions, the issues will not appear in future audits. Policy documents may need to be clarified or revised to reflect the issues. Ms. Erickson explained that Finding 7 pertains to an accounting transaction. Funds were expiring before June 30, 2021, therefore, staff had to push the funds out. Contracts allow funds to cross over the fiscal year. Staff will revise contracts to eliminate the problem. Staff has discussed revising all contracts so that payments and obligations can be fulfilled prior to June. This change will help staff close the books at year end in a timely manner. President Moghavem stated the unqualified opinion means the financial statements are fair and true, and issues raised during the audit are outlined in the report. The audit is clean, but several items were noted during the audit and need to be improved over the next year. The ultimate audit opinion is unqualified with no deficiencies noted. Deficiencies can be interpreted as a thorough review of information and a resulting plan to make changes. The Board's main task is to continue asking questions that improve board members' understanding of HPEF's financial situation. The Board needs to take actions that ensure accountability. Mr. Marta added that the audit does not address the service, efforts, and accomplishments of the organization. The audit indicates whether or not financial information complies with standards.

In response to Board Member Todd's questions, Ms. Erickson noted the delay is systemic but getting smaller. Part of the problem is staff resources. If additional positions are approved, staff may be able to shrink the delay further. President Moghavem added that issues with
implementing FI$Cal increased the delay in closing financial periods. Mr. Marta indicated a third component of the delay was staff’s understanding of the processes. Each finding is named as a material weakness or significant deficiency. A material weakness does not mean the information is wrong; it means the information could be wrong.

Board Member Rangel suggested the Board prioritize corrective actions to ensure progress continues and to develop a timeline. Mr. Marta believed the management team should develop a plan to address corrective actions. Board Member Ding indicated areas in which policies have been provided may be addressed first.

Board Member GnanaDev proposed staff prepare a timeline for addressing deficiencies for the next Board meeting. A clean audit is thrilling given the previous concerns about HPEF’s finances. He thanked Board Members Hendry and Ding for their thorough review of financial and audit issues.

The Board recessed at 11:30 a.m. and reconvened at 11:40 a.m.

In answer to Board Member Wright’s questions, President Moghavem related that management is the Board. The responsibility to provide accurate financial information lies with the Board. Board members are the fiduciaries of the organization. Board members’ individual liability is more complex because of HPEF’s status as a state agency and a nonprofit. The state may protect board members from liability for their decisions, but board members could have some personal liability. Staff continues to explore Directors and Officers (D&O) insurance coverage for board members, but insurers are having difficulty with HPEF’s status. Michelle Church-Reeves, OSHPD Legal Counsel, clarified that the Board is responsible for the audit and financial information, but board members have no individual liability. Staff has obtained extensions to deadlines for filing financial information so that there has been no impact to the Board or HPEF. Statute requires OSHPD perform administrative functions for HPEF. HPEF needs to build relationships and work with OSHPD staff because HPEF has no ability to enforce the Board’s wishes. Ms. Landsberg added that the Board has the right to hold HPEF and OSHPD staff accountable. Normally, the board of a 501(c)(3) organization could hire additional staff as a function of its budget. For OSHPD to hire additional staff, it has to submit a proposal, which is considered during the state budget process. In 2020, staff submitted a proposal for additional accounting staff. If the Legislature approves the budget and consequently the proposal, additional staff could be in place in July 2021. President Moghavem noted the Executive Director’s job is difficult because of HPEF’s unique status. As the Board President, he is responsible for working with the Executive Director to ensure the Board’s will is executed through HPEF.

President Moghavem noted many of the deficiencies are operational. Perhaps in the past, things have been accounted in a way that was not correct or could have been improved. In reply to his inquiries, Ms. Erickson believed the key issue is closing timely. Some of the findings are the result of old processes. Now, staff has audit trails that show the reasons for actions and changes. The auditor has provided staff with some tools to format items properly and not rely so much on FI$Cal for some things. In having to utilize FI$Cal, staff cannot automate GAAP accounting so that processes are manual. Mr. Marta emphasized that staff’s day-to-day accounting processes are not wrong. Staff uses budgetary accounting as required by the State. In switching to GAAP-based accounting, adjustments have to be made. Board Member Ding reported staff has spent a great deal of time attempting to extract information from the FI$Cal system for quarterly reports. The Board does not need quarterly reports that comply with GAAP standards. The quarterly reports need to provide relatively recent and sufficient
information for the Board to understand HPEF’s finances and to make managerial decisions. The Finance Committee continues to work with staff to generate reports that are automated as much as possible and that provide usable information.

President Moghavem suggested the Board review each material weakness and the associated management response/corrective action plan.

**Financial Close Timeliness**

Mr. Marta indicated staff needs to develop processes to affect a timely close.

Ms. Erickson reported Mr. Nguyen and staff have implemented some changes that increase efficiency. For example, all checks were previously given to accounting staff to deposit, and accounting staff sent the checks to program staff to determine the appropriate accounts. Program staff noted the appropriate accounts and sent the checks back to accounting staff for deposit. The process has been changed such that accounting staff will deposit checks for which they can quickly identify the appropriate accounts and forward the remaining checks to program staff. Mr. Nguyen added that program staff determines the appropriate accounts, notes the codes needed for deposits, and timely returns the checks and information to accounting staff to make the deposits. Ms. Erickson noted contracts are received much earlier in the fiscal year than in the past. Staff is exploring disencumbering funds multiple times during the year rather than once per year in June. Funds are encumbered when an award is made and disencumbered when funds are paid out. If a recipient cannot complete his requirements, staff must disencumber the funds prior to year end. Mr. Nguyen explained the new process for reviewing contracts and disencumbering funds throughout the year rather than in June, when accounting staff needs to begin closing the year.

In reply to Board Member Wright’s query, Ms. Erickson advised that program staff is familiar with the chart of accounts and corresponding coding. Ms. Rizell indicated program staff is aware of the schedule for funding anticipated throughout the year. Staff allocates anticipated monies to the appropriate funds. When checks are received, accounting staff applies the checks to the funds. Board Member Wright suggested program staff prepare a database of funding with associated accounts and coding. When checks are received, accounting staff can utilize the database to correctly deposit checks. Mr. Nguyen stated checks are sometimes received with no supporting documentation. Program staff identifies the check and where it should be applied. Accounting staff will prepare weekly reports of deposits and expenditures for program staff to review.

Board Member Ding suggested board members focus on a high-level plan for correcting each weakness or deficiency.

President Moghavem remarked that board members may share ideas for enhancing work processes with staff outside of the meeting. The Board has requested a timeline for quarterly statements, and the Finance Committee is working with accounting staff to provide the statements using the agreed-upon template. He questioned whether the Board needs to formally request a timeline.

Board Member Ding commented that explicit timelines and deadlines have been helpful in obtaining information in a timely fashion and recommended the Board make a formal request.
In answer to President Moghavem's query, Board Member Ding indicated the quarterly financial statements are not GAAP statements but provide information for the Board to fulfill its oversight responsibilities.

Board Member GnanaDev supported the Board requesting staff work with the Finance Committee to prepare for the next Board meeting timelines for resolving each deficiency identified in the audit report.

Board Member Dow concurred with Board Member GnanaDev's comments and proposed the Finance Committee recommend Board responses to each concern raised in the audit so that the Board can act on the recommendations and possibly approve the audit report at the next meeting. President Moghavem noted the Finance Committee and accounting staff collaboratively prepared management's responses. The Board has the information it needs to approve the audit report in the current meeting. Board Member Dow wanted the Finance Committee's recommendations for Board actions to ensure changes are made. President Moghavem interpreted the management response as indicating desires for reducing redundancies, improving staff efficiency, and perhaps increasing the number of staff in an effort to close timely and for a calendar of dates that quarterly statements will be provided to the Board for review.

Board Member Ding clarified that the Finance Committee participated in developing the management responses.

Board Member Todd understood approval of the audit means the Board approves the work that has been done and the financial information presented. A motion to approve the audit will not negate the need to address management responses. The Board has a responsibility to direct staff to bring items forward. The Board should determine the policies and procedures needed to ensure staff makes changes to processes and procedures.

Board Member Hendry believed the Board could accept the audit without losing the ability to direct changes.

In response to Board Member Hawkins' query, President Moghavem reported he would entertain a motion to approve the audit, including the management responses. The Finance Committee could work with staff to prepare a timeline for quarterly reports and a report of cost allocation.

Board Member GnanaDev recommended the Board approve the audit report and direct the Finance Committee to work with staff in developing timelines to correct deficiencies.

Motion (GnanaDev), Second (Hawkins) to approve the audit report. Motion approved with nine in favor and zero abstentions.

Board Member Hendry indicated Ms. Landsberg's review of processes in a disruptive fashion is good. With her engagement and support, the Board via the Finance Committee should be able to accomplish its goals.

Motion (GnanaDev), Second (Dow) to direct the Finance Committee to work with staff to develop timelines and responsible parties for correcting deficiencies identified in the audit report and to present the information at the next Board meeting. Motion approved with nine in favor and zero abstentions.
President Moghavem recognized the extensive amount of work required to complete the audit and the progress made. He expressed confidence in Board Member Ding and Board Member Hendry’s abilities to work collaboratively with staff to build institutional knowledge.

AGENDA ITEM 8: Agenda Items for the Next Board Meeting

President Moghavem noted future agenda items include timelines and responsible parties for correcting audit deficiencies, cost allocations, quarterly financial statements, a guest speaker, and potentially an update regarding D&O insurance.

Board Member Dow requested an update and timeline regarding the Executive Director recruitment and a report of staff's observations of any changes in applications resulting from the pandemic.

Board Member Rangel requested an update from the Marketing and Outreach Committee.

President Moghavem suggested anyone interested in marketing and outreach contact Board Member Wright to join the committee.

Board Member Hendry requested an update regarding revisions to the Bylaws.

AGENDA ITEM 9: General Public Comment

None

AGENDA ITEM 10: Adjournment

President Moghavem adjourned the meeting at 12:39 p.m.