

October 19, 2016

2016-802

Cheryl A. Fama, Chief Executive Officer
Peninsula Health Care District
1819 Trousdale Drive
Burlingame, California 94010

Dear Ms. Fama:

California Government Code section 8546.10 authorizes the California State Auditor (State Auditor) to establish a high-risk local government agency audit program (local high risk program) to identify local government agencies—including but not limited to counties, cities, and special districts—that are at high risk for the potential of waste, fraud, abuse, and mismanagement, or that have major challenges associated with their economy, efficiency, or effectiveness.

On May 17, 2016, the State Auditor informed you that Peninsula Health Care District (district) exhibited certain factors—in particular, a concern that the district had accumulated a high reserve amount—that would warrant an initial assessment under our local high risk program. The purpose of the initial assessment was to better understand the cause behind these risk factors and determine the district's planned response. The State Auditor has now completed the initial assessment after interviewing district officials and reviewing available documentation.

Based on our initial assessment, the State Auditor concludes that: the district is funding reasonable and allowable projects; the district's reserve is not excessive, but rather necessary for financial commitments; overall spending is not unreasonable; the district's CEO compensation is comparable to other health care districts; and lastly, although external oversight of the district is weak, this risk is mitigated by the district's transparency. As a result, the State Auditor will not be seeking approval from the Joint Legislative Audit Committee to perform an audit nor will the State Auditor monitor the district's activities going forward.

We greatly appreciate the cooperation provided by district officials during the initial assessment. If you have any questions, please do not hesitate to contact John Baier, Audit Principal.

Sincerely,



ELAINE M. HOWLE, CPA
State Auditor

cc: Lawrence W. Cappel, Ph.D., Chair, Peninsula Health Care District Board
R. Cameron Emmott, M.D., Director, Peninsula Health Care District Board