



June 15, 2023

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **CORPORATE COMPLIANCE AND AUDIT - COMMITTEE OF THE WHOLE** of the **SALINAS VALLEY HEALTH** will be held **MONDAY, JUNE 20, 2023, AT 5:00 P.M., DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM 117, SALINAS VALLEY HEALTH MEDICAL CENTER, 450 E. ROMIE LANE, SALINAS, CALIFORNIA** or via **TELECONFERENCE** (*visit SalinasValleyHealth.com/virtualboardmeeting for Access Information*).

A handwritten signature in black ink, appearing to read "Pete Delgado".

Pete Delgado
President/Chief Executive Officer



Committee Members: Juan Cabrera, Chair; Catherine Carson, Vice Chair; Pete Delgado, President/CEO; Augustine Lopez, CFO; Mike Nolan, Community Member; and Sanjeev Tandon, Community Member

**CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
JUNE 2023 - COMMITTEE OF THE WHOLE
SALINAS VALLEY HEALTH¹**

**TUESDAY, JUNE 20, 2023, 5:00 P.M.
DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM 117
SALINAS VALLEY HEALTH MEDICAL CENTER
450 E. ROMIE LANE, SALINAS, CALIFORNIA
AND VIA TELECONFERENCE
(Visit [SalinasValleyHealth.com/virtualboardmeeting](https://www.SalinasValleyHealth.com/virtualboardmeeting) for Access Information)**

AGENDA

1. Call to Order / Roll Call
2. Approval of Minutes from the Corporate Compliance and Audit Committee Meeting of March 21, 2023 (DELGADO)
 - Motion/Second
 - Action by Committee
3. Review the Scope of Audits and Audit Plans for:
 - a) Salinas Valley Health's Consolidated Financial Statements (LOPEZ/CLEVELAND/CHRIS PRITCHARD & KIMBERLY SOKOLOFF of MOSS ADAMS)
 - b) Defined Benefit Plan for Salinas Valley Health (LOPEZ/CLEVELAND/CHRIS PRITCHARD & KIMBERLY SOKOLOFF of MOSS ADAMS)
4. Compliance Officer Report (LOPEZ/OELKERS)
5. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.
6. Closed Session
7. Reconvene Open Session/Report on Closed Session
8. Adjournment

The Corporate Compliance and Audit Committee meets quarterly. The next meeting is scheduled for **Tuesday, September 26, 2023 at 5:00 p.m.**

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

¹ Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

The Committee packet is available at the Committee Meeting, at www.SalinasValleyHealth.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Clerk during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

**CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
COMMITTEE OF THE WHOLE**

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

HEARINGS/REPORTS

(Government Code §§37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, hospital internal audit report, or report of quality assurance committee): _____

1. Corporate Compliance and Audit Committee Closed Session Report

ADJOURN TO OPEN SESSION

CALL TO ORDER
ROLL CALL

(Chair to call the meeting to order)

SALINAS VALLEY HEALTH¹
CORPORATE COMPLIANCE AND AUDIT COMMITTEE
COMMITTEE OF THE WHOLE
MEETING MINUTES MARCH 21, 2023

Committee Members Present:

Vice-Chair Catherine Carson, Pete Delgado, Augustine Lopez, Mike Nolan (*via teleconference*)

Committee Members Absent: Tandon

Other Board Members Present, Constituting Committee of the Whole: Joel Hernandez Laguna and Victor Rey

Juan Cabrera joined the meeting at 5:22 p.m.

A quorum was present and Vice-Chair Carson called the meeting to order at 5:02 p.m. in the Downing Resource Center Rooms CEO Conference Room 117.

APPROVAL OF THE MINUTES OF THE CORPORATE COMPLIANCE AND AUDIT MEETING OF NOVEMBER 16, 2022

Approve the minutes of the Corporate Compliance and Audit Committee for the November 16, 2022 meeting, as presented. The information was included in the Committee packet.

No public input received.

MOTION:

Upon motion by Committee member Delgado, and second by Committee member Lopez, the November 16, 2022 minutes of the Corporate Compliance and Audit Committee were approved, as presented.

Ayes: Carson, Delgado, Lopez, and Nolan; Noes: None; Abstentions: None; Absent: Cabrera and Tandon, Motion Carried.

COMPLIANCE OFFICER REPORT

Lorrie Oelkers, MBA, CPA, CISA, Director Internal Audit & Compliance, provided a report on the elements of an effective compliance program which include policies/procedure, compliance officer, education/training, reporting, monitoring and feedback, enforcement, response/prevention. Clement Miller reported on the upcoming 340B onsite Health Resources and Services Administration (HRSA) Audit scheduled for March 23 and 24. Ms. Oelkers reported on an internal audit on billing practices focused on balanced billing; no exceptions were noted. Charlotte Wayman, Director Pt Financial Svcs/Pt Registration, reported on billing practices which ensure compliance to regulations. A full report was included in the packet.

PUBLIC INPUT

No public input received.

¹Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

CLOSED SESSION

Chair Cabrera announced the items to be discussed in Closed Session are *Hearings and Reports*. The meeting was recessed into Closed Session under the Closed Session protocol at 5:16 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 6:30 p.m. Chair Cabrera reported that in Closed Session, the Committee discussed: *Hearings/Reports Hearings/Reports*. No action was taken in Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 6:31 p.m. The Corporate Compliance and Audit Committee Meeting is quarterly.

Juan Cabrera, Chair
Corporate Compliance & Audit Committee

/kmh

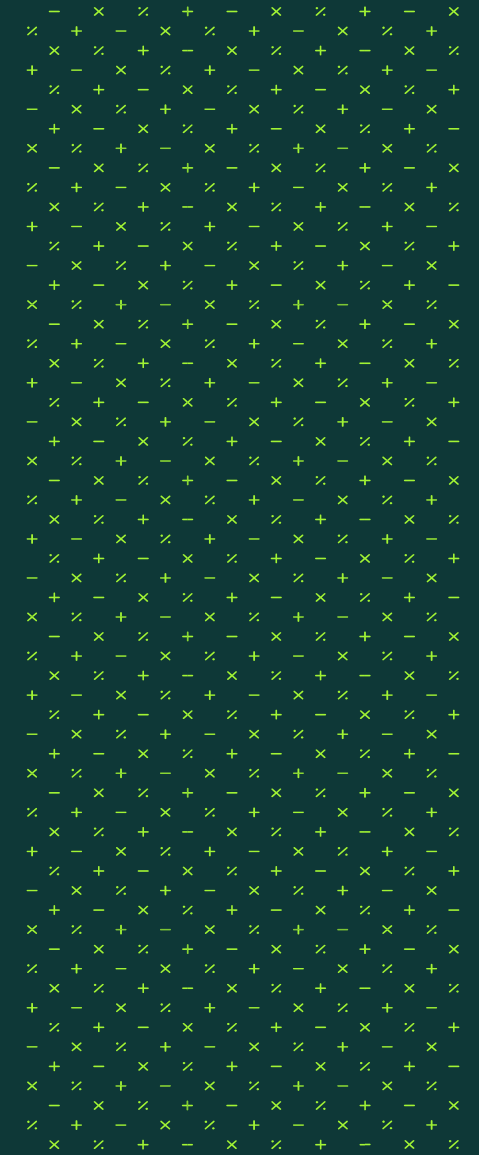


MOSSADAMS

Salinas Valley Memorial Healthcare System

2023 AUDIT PLANNING

Discussion with Audit & Compliance
Committee



Agenda

Your Service Team

Scope of Services

Auditor's Responsibility in a Financial Statement Audit

Significant Risks Identified

Risks Discussion

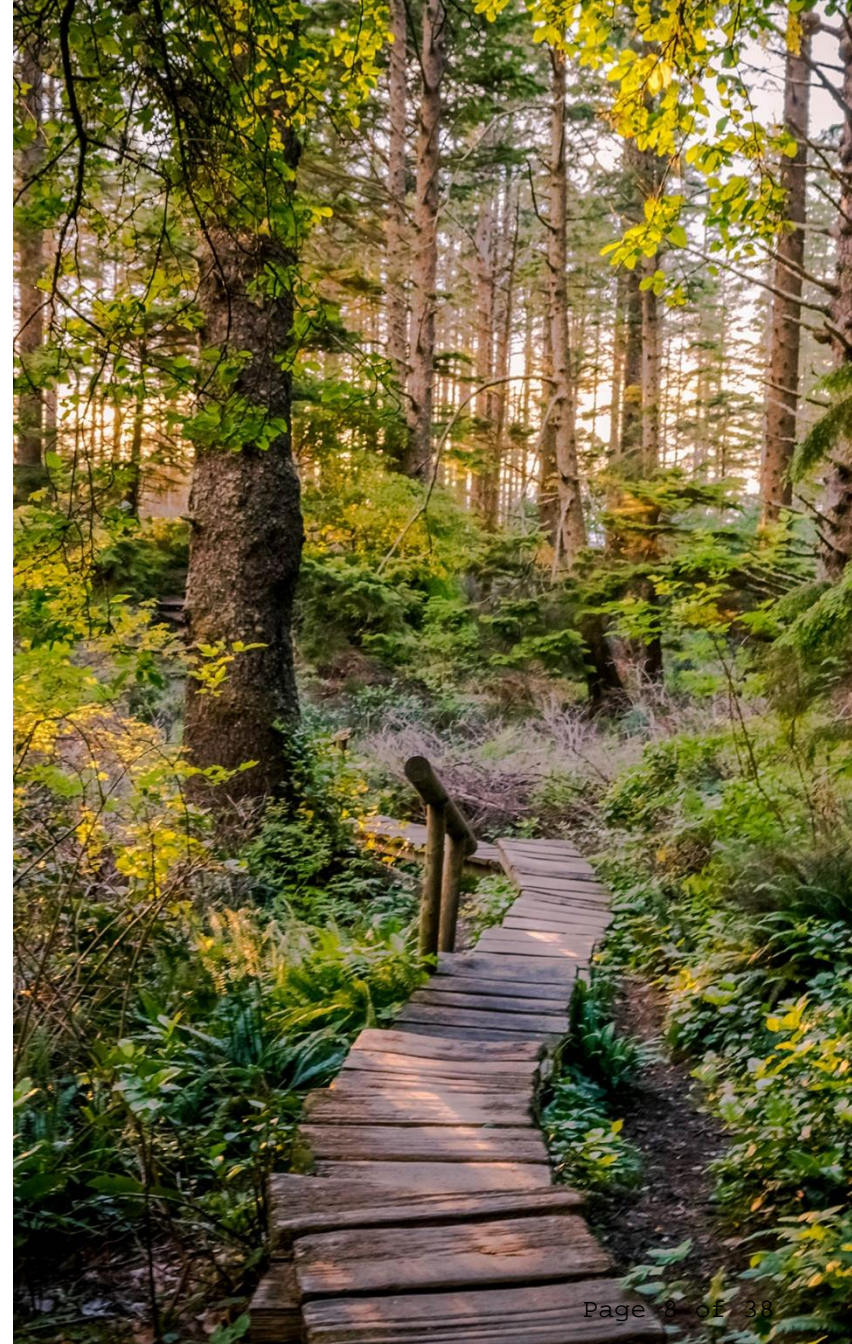
Consideration of Fraud

Audit Timeline

Audit Deliverables

Recent Accounting Developments

About Moss Adams



Your Service Team



Chris Pritchard, CPA
Relationship Partner

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Lead Audit Partner

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Kory Hoggan
Pension Partner

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(505) 878-7214



Brian Conner
Concurring Review Partner

Brian.Conner@mossadams.com
(209) 955-6114

Other Team Members:

Katherine Djiau
Audit Senior Manager

Jason Lu
Audit Senior Manager - Pension

Scope of Services

Relationships between Moss Adams and Salinas Valley Memorial Healthcare System:

Annual Audit



- Annual consolidated financial statement audit for the year ending June 30, 2023
- Annual single audit for the year ending June 30, 2023
- Annual financial statement audit of pension plan for the year ending December 31, 2022

Non-Attest Services



- Assist management with drafting the consolidated financial statements for the year ending June 30, 2023
- Assist management with drafting the auditee portion of the OMB data collection form for the year ending June 30, 2023
- Assist management with drafting the pension plan financial statements for the year ending December 31, 2022

Auditor's Responsibilities in a Financial Statement Audit

- Auditor is responsible for:
 - forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles
 - performing an audit in accordance with generally accepted auditing standards issued by the AICPA, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special Districts
 - communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
 - when applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement
- The audit of the financial statements doesn't relieve management or you of your responsibilities.
- The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.

Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

Significant Risks	Procedures
Valuation of patient accounts receivable	<ul style="list-style-type: none">- Tie-out of reserving schedules- Zero Balance Accounts (“ZBA”) analysis- Lookback analysis & subsequent collections analysis
Revenue recognition	<ul style="list-style-type: none">- Hospital patient revenue analysis & cut-off analysis- Journal entry testing focusing on revenue reversals
Management override of controls	<ul style="list-style-type: none">- Journal entry testing using risk-based criteria- Inquiries with executive, finance, and operational personnel



Risks Discussion

1. What are your views regarding:

- SVMHS's objectives, strategies and business risks that may result in material misstatements
- Significant communications between the entity and regulators
- Attitudes, awareness, and actions concerning
 - SVMHS's internal control and importance
 - How those charged with governance oversee the effectiveness of internal control
 - Detection or the possibility of fraud
 - Other matters relevant to the audit

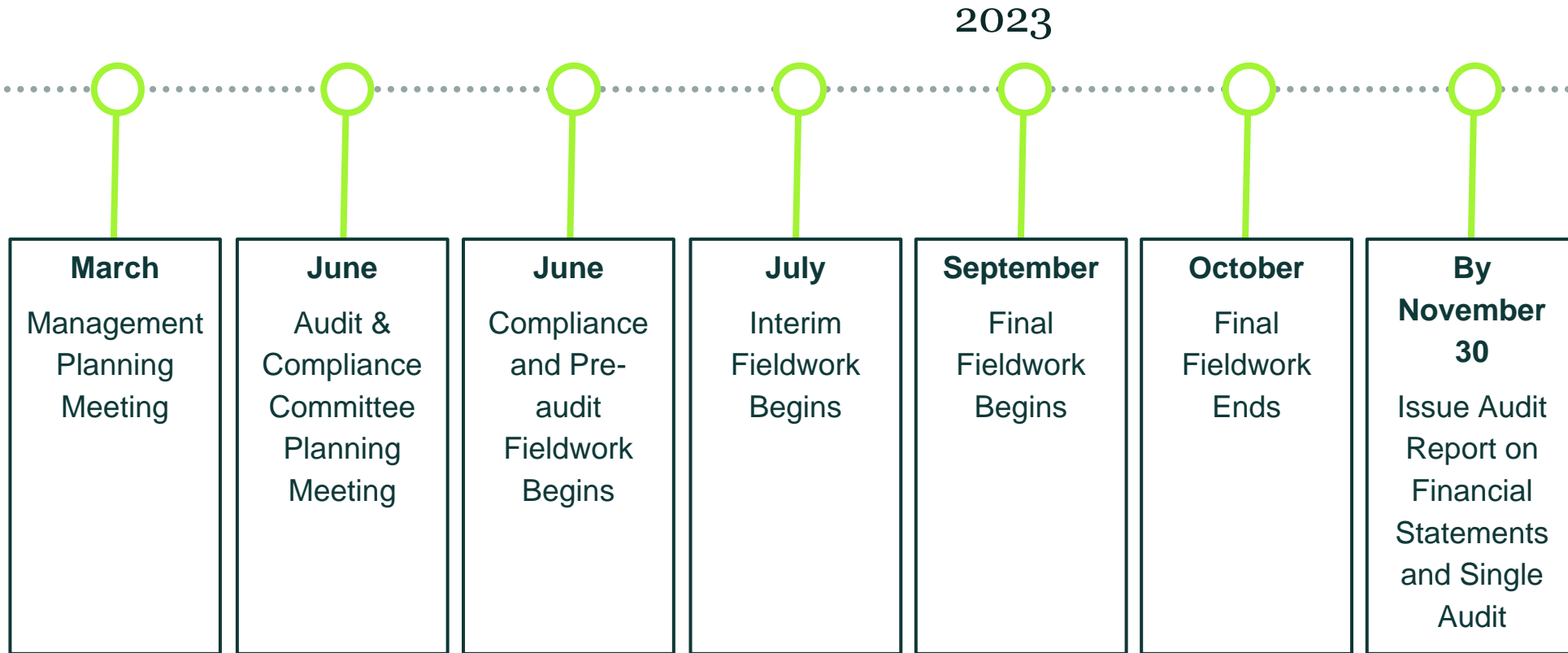
2. Do you have any areas of concern?

Consideration of Fraud in a Financial Statement Audit

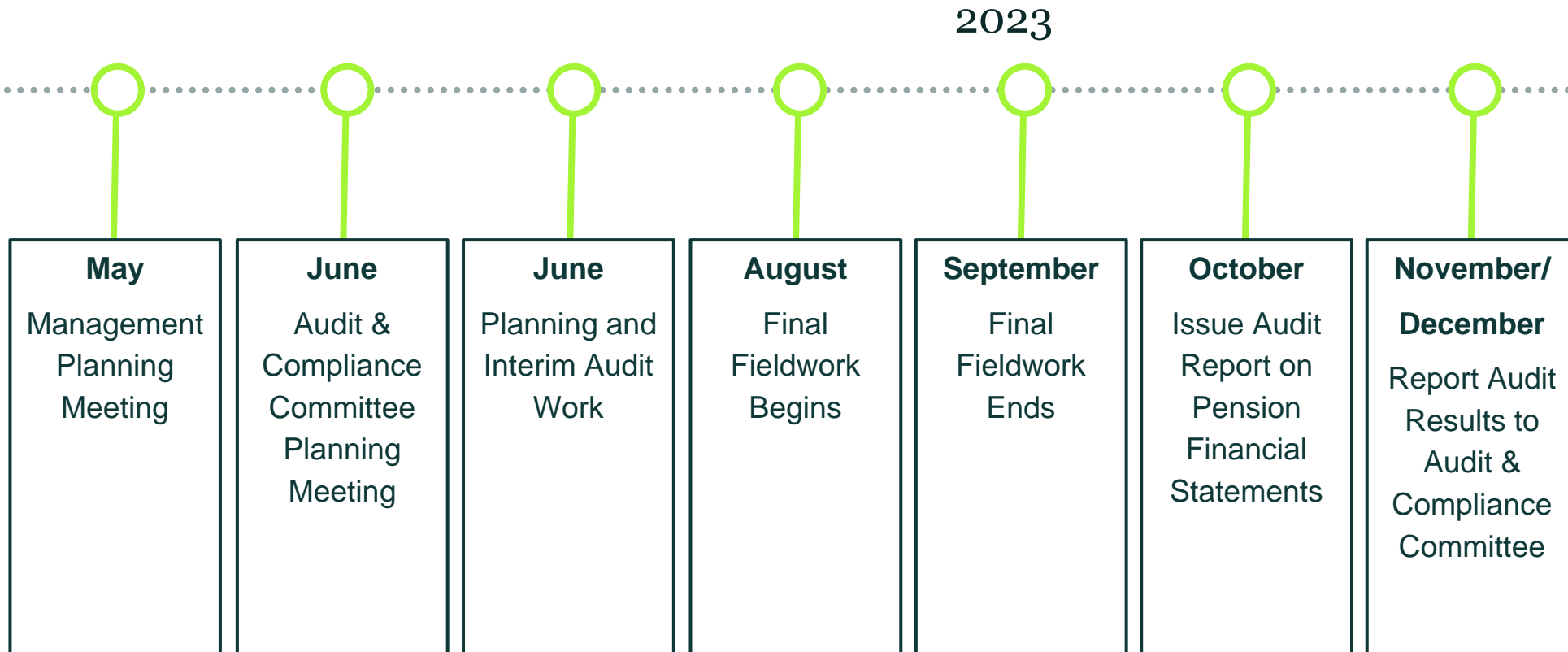
Auditor's responsibility: Obtain reasonable assurance the financial statements as a whole are free from material misstatement – whether caused by fraud or error

	Procedures to address the risk of fraud	Engagement team discussion
	Identify the risks of material misstatement due to fraud	<ul style="list-style-type: none">• Perform procedures to address identified risks• Inherent limitation of an audit
	Unavoidable risk exists that some material misstatements may not be detected	

Audit Timeline – Financial Statement Audit



Audit Timeline – Pension Plan Audit



Audit Deliverables



Report of Independent Auditors

on June 30, 2023 consolidated financial statements and single audit and on the December 31, 2022 pension plan financial statements



Report to Management

communicating internal control related matters identified in an audit



Report to Those Charged With Governance

communicating required matters and other matters of interest

Documents Containing Audited Financial Statements and Independent Auditor's Report



Our responsibility under generally accepted auditing standards



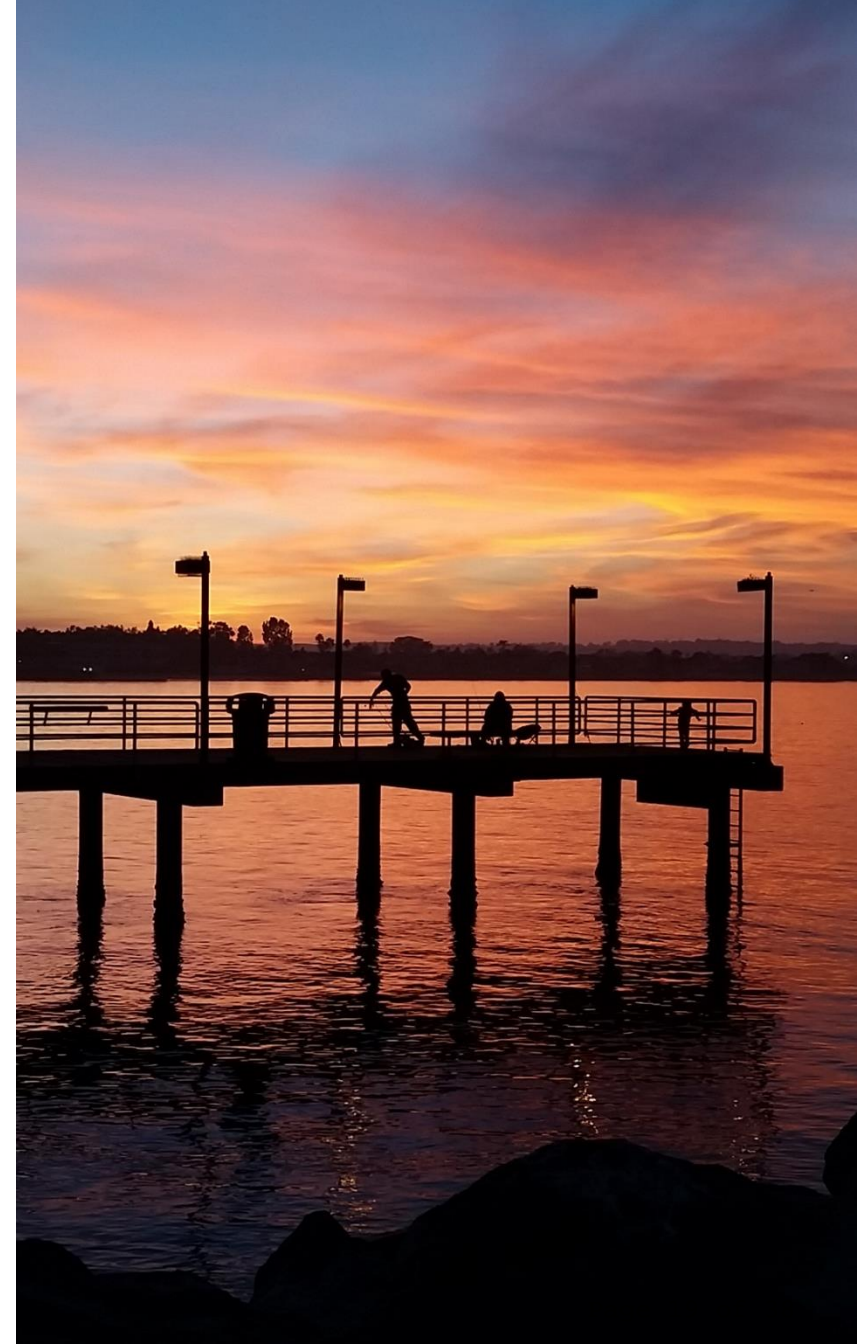
Request for advance notification when you intend to include audited financial statements and the independent auditor's report in a document



Arrangements to obtain the other information prior to report issuance

Recent Accounting Developments

- GASB Statement No. 91, Conduit Debt Obligation. Effective for the System beginning July 1, 2022.
- GASB Statement No. 93, Replacement of Interbank Offered Rates. Effective for the System beginning July 1, 2020.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Effective for the System beginning July 1, 2022.
- GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. Effective for the System beginning July 1, 2023.
- GASB Statement No. 101, Compensated Absences. Effective for the System beginning July 1, 2024.

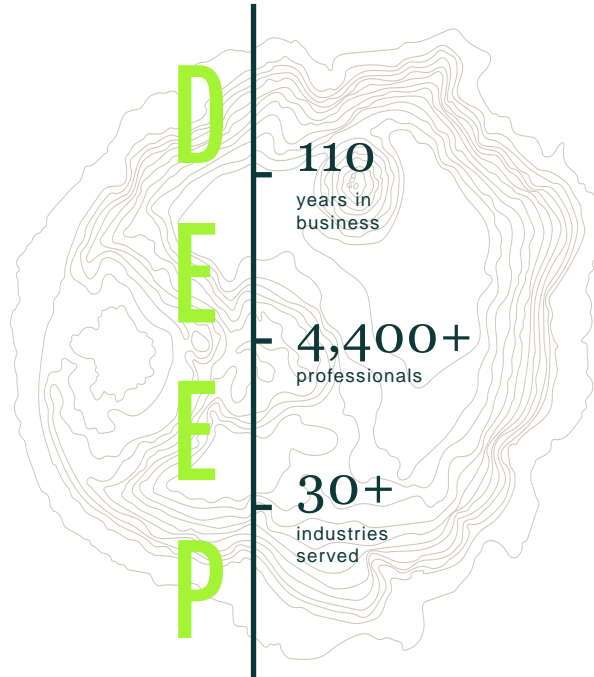


About Moss Adams

Moss Adams is a full-service firm, offering a portfolio of tax, assurance, consulting, and individual and institutional wealth management services to clients all over the world.

We're primarily focused on helped US-based middle-market companies, and our professionals are focused by the industry they support.

Our annual revenue in 2022 was \$1.1 billion, and our bench of more than 4,400 professionals continues to grow rapidly every year.



*Crater Lake—
A monument to perseverance,
America's deepest lake filled to
1,949 feet over 720 years.*



*Grand Canyon—
At 277 miles long and up to 18 miles
wide, this icon serves as a testament
to determination and time.*

—
Expertise

National Health Care Industry Group

Health care is one of our firm's largest and most successful industry groups. For more than 45 years, we've recognized the value of having dedicated industry professionals. Unlike many of our competitors, our Health Care Group includes 100% industry-focused professionals who specialize in navigating the complexities of today's health care landscape.

Our team supports a wide range of clients from individual clinics to health systems, from surgery centers to long-term care facilities, and from ancillary health care providers to private equity firms investing in the health care sector.

D

4,100+
health care clients

E

220+
health care professionals
firm-wide

E

30
health care
partners

P

Participation in 50+
national, regional,
and state health care
industry events

*Crater Lake—
A monument to perseverance, North
America's deepest lake filled to 1,949
feet over 720 years.*

SAVE THE DATE

2023 Executive Health Care Conference

Nov. 1-3, 2023 | JW Marriott Resort & Spa | Las Vegas

The conference will kick off with our second annual Women's Health Care Leadership Forum Nov. 1, 2023, followed by our main event on Nov. 2-3, 2023

Keynote Speakers



Donna Brazile



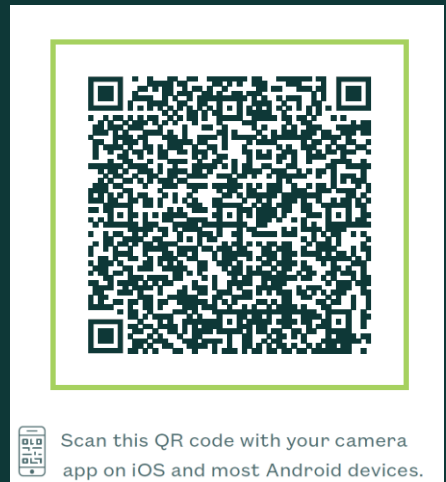
Chris Christie



Daniel Kraft, MD



Bradford Koles, Jr.



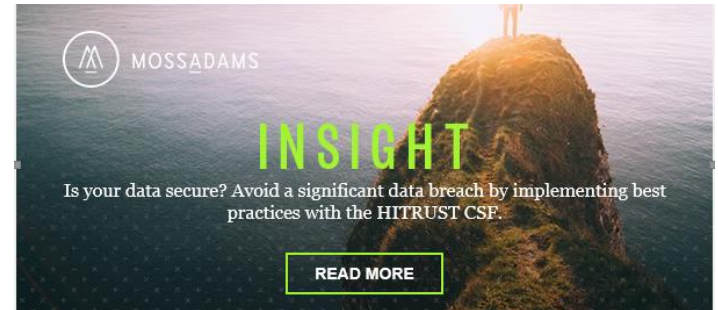
Insights and Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

We'll keep you informed to help you stay abreast of critical industry issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events which are archived and available on demand, allowing you to watch them on your schedule.



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**THANK
YOU**



Corporate Compliance and Audit Committee

Open Session: Internal Audit Activity

Meeting on Tuesday, June 20, 2023 5:00-6:30pm

Elements of an Effective Compliance Program: Policies and Procedures

Our policies guide employees in appropriate conduct, compliance with laws and regulations, and reduce the likelihood of wrongdoing; recognizing that all employees are expected to conduct themselves with integrity.

The Department supports 13 policies ensuring that these are up-to-date and reviewed as required. This quarter, the *Records Retention Policy* was reviewed and approved in partnership with Health Information Management (HIMs).

Elements of an Effective Compliance Program: Compliance Officer

The organization has a Compliance Officer with authority to manage the Compliance Program on a day-to-day basis. The Internal Ethics and Compliance Committee provides advice and programmatic support to manage compliance risk and hold the organization to the highest standards of ethics and integrity.

The work plan includes compliance with District and other laws, financial and operational risks.

This quarter we supported the organization in 340B compliance, conducted internal audit work, finalized form 700 (statement of economic interests) reporting with 100% completion rate, completed 802 forms (reporting of ceremonial events), and monitored compliance with ethics training. Additionally we participated with Pharmacy and others on the quarterly *Controlled Substances Oversight Committee*.

Elements of an Effective Compliance Program: Education and Training

The organization has effective, ongoing training and establishes open lines of communication.

All new employees receive in-person training in our *Standards of Ethical Business Practices*. Employees are also required to complete annual compliance training.

This quarter, more than 70 new employees received in-person training on the compliance program, False Claims and Stark Acts, Conflicts of Interest policy, Acceptance of Gifts, obligation to prevent fraud, and mechanisms for reporting (including the hotline and the Director's mobile number).

General information provided to new employees during orientation, including information about the Compliance and Audit program and the hotline, was revised.

Elements of an Effective Compliance Program: Reporting

The organization provides an anonymous method for reporting concerns.

People will only report if they trust in anonymity, know they will be protected from retaliation, *and* believe that their report will lead to change

All alerts are reviewed by the Compliance Officer.

Since March 2023, four new alerts were investigated:

- Violation of Policy (anonymous, unsubstantiated)
- General Concern (named, unsubstantiated)
- Falsification of Records (anonymous, unsubstantiated)
- Violence or Threat (named, partially substantiated)

Navex Clients' Average Anonymous Reporting Rate 56%

Navex Clients' Average Substantiation Rate is 41%

Elements of an Effective Compliance Program: Monitoring and Feedback

The organization performs periodic reviews of its regulatory and other risks, and resolves to correct any issues.

Planning is underway for the risk-based audit and compliance work plan which includes a comprehensive review of the organization's risk universe. Risks will be evaluated based on financial materiality, compliance and operational impact, and leaders' perception of the risks within their purview.

The process includes interviews with leaders to understand the existing control environment and to identify opportunities for collaboration. This may include consulting, review and audit opportunities (internal or co-sourced).

Results will be shared with the Committee.

Elements of an Effective Compliance Program: Enforcement

Standards of conduct are enforced and employees, agents, and others are held accountable to these standards.

Matters brought to the attention of the Director of Audit and Compliance are timely and thoroughly reviewed.

This quarter, we partnered with Security, Operations and the Privacy Office to investigate and satisfactorily resolve a matter which involved trespassing and an allegation of a privacy violation.

Navex Clients' Average Days to Close is 40
Salinas Valley Average Days to Close is 4

Elements of an Effective Compliance Program: Response and Prevention

Detected issues are addressed and deficiencies are corrected.

This quarter, we partnered to research and respond to various inquiries, including admissions criteria, website security, and a possible excluded provider.

All issues are tracked and monitored until appropriate corrective action is taken and the matter is resolved.

Questions/Comments?



PUBLIC INPUT

CLOSED SESSION

*(Report on Items to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

ADJOURNMENT