



February 11, 2020

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 2:00 PM on Tuesday, February 18, 2020 in the Kaweah Delta Medical Center – Acequia Wing – Executive Office Conference Room {400 W. Mineral King, Visalia}.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 2:00 PM meeting on Tuesday, February 18, 2020 in the Kaweah Delta Medical Center – Executive Office - Acequia Wing Conference Room {400 W. Mineral King, Visalia} pursuant to Government Code 54956.9(d)(2).

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at the Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
Dave Frances, Secretary/Treasurer

A handwritten signature in black ink that reads 'Cindy Moccio'.

Cindy Moccio
Board Clerk
Executive Assistant to CEO

DISTRIBUTION:
Governing Board
Legal Counsel
Executive Team
Chief of Staff
<http://www.kaweahdelta.org/about/agenda.asp>

KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS AUDIT AND COMPLIANCE COMMITTEE

Tuesday, February 18, 2020

Kaweah Delta Medical Center – Acequia Wing
400 West Mineral King Avenue, Visalia CA
Executive Office Conference Room

ATTENDING: Directors; Herb Hawkins (Chair) & Nevin House; Gary Herbst, CEO; Tom Rayner, Senior VP Chief Operating Officer; Malinda Tupper, VP Chief Financial Officer; Regina Sawyer, VP Chief Nursing Officer; Dennis Lynch, Legal Counsel; Ben Cripps, Compliance and Privacy Officer; Suzy Plummer, Director of Internal Audit; Sravan Sharma, Compliance Manager; Lisa Wass, Compliance Analyst

OPEN MEETING – 2:00 PM

Call to order – Herb Hawkins, Audit and Compliance Committee Chair

Public / Medical Staff participation – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. Written Reports – Committee review and discussion of written reports

- 1.1 [Compliance Program Activity Report](#) – Ben Cripps
- 1.2 Annual Compliance Plan [2019](#) and [2020](#) – Ben Cripps
- 1.3 [Conflict of Interest](#) – Suzy Plummer
- 1.4 [Presidio Review and Update](#) – Suzy Plummer
- 1.5 [Annual Audit Plan 2020](#) – Suzy Plummer
- 1.6 [Audit and Compliance Program Mission and Purpose](#) – Ben Cripps and Suzy Plummer

2. Verbal Reports

- 2.1 Compliance Program – Provide an update on the status of Compliance Program activity – Ben Cripps
- 2.2 Internal Audit Update – Provide an update on the status of Internal Audit activity – Suzy Plummer

3. Approval of Closed Meeting Agenda – Kaweah Delta Medical Center Acequia Wing – Executive Office Conference Room – immediately following the open meeting

- o Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (17 cases) – *Ben Cripps and Dennis Lynch (Legal Counsel)*

Adjourn Open Meeting – Herb Hawkins, *Audit and Compliance Committee Chair*

CLOSED MEETING – Immediately following the 2:30 PM open meeting

Call to order – Herb Hawkins, *Audit and Compliance Committee Chair*

1. Conference with Legal Counsel - Anticipated Litigation - Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (17 cases) – *Ben Cripps and Dennis Lynch (Legal Counsel)*

Adjourn – Herb Hawkins, *Audit and Compliance Committee Chair*

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.



COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting
Ben Cripps, Compliance and Privacy Officer
November 2019 through January 2020

EDUCATION

Live Presentations by Compliance Department –

- Compliance and Patient Privacy – New Hire Orientation
- Compliance and FairWarning – Kaweah Delta Medical Foundation
- Compliance and Patient Privacy – Management Orientation
- Compliance and Patient Privacy – Patient Financial Services

Written Communications sent from Compliance Department – Bulletin Board / All Staff Communication

- Privacy Matters Article – “You’ve Been Given a FairWarning”
- Compliance Matters Article – “False Claims Act”
- Privacy Matters Article/Compliance Matters Article – “Privacy and Compliance in the Healthcare Setting”

PREVENTION AND DETECTION

- **California Department of Public Health (CDPH) All Facility Letters (AFL)** – Review and distribute AFL’s to areas potentially affected by regulatory changes; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Medicare and Medi-Cal Monthly Bulletins** – Review and distribute bulletins to areas potentially affected by the regulatory change; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Office of Inspector General (OIG) Monthly Audit Plan Updates** – Review and distribute OIG Audit Plan issues to areas potentially affected by audit issue; department responses reviewed and tracked to identify potential current/future risk
- **California State Senate and Assembly Bill Updates** – Review and distribute legislative updates to areas potentially affected by new or changed bill; department responses reviewed and tracked to address regulatory change and identify potential current/future risk
- **Patient Privacy Walkthrough** – Monthly observations of privacy practices throughout Kaweah Delta; issues identified communicated to area Management for follow-up and education
- **User Access Privacy Audits** – Daily monitoring of user access to identify potential privacy violations
- **Office of Inspector General (OIG) Exclusion Attestations** – Quarterly monitoring of department OIG Exclusion List review and attestations
- **Medicare PEPPER Report Analysis** – Quarterly review of Medicare Inpatient Rehabilitation, Hospice, Mental Health, and Acute Inpatient PEPPER statistical reports to identify outlier and/or areas of risk; evaluate with Kaweah Delta leadership quarterly at PEPPER Review meeting
- **2020 Centers for Medicare and Medicaid Services (CMS) Final Rule** – Review and distribution of the Inpatient Prospective Payment System (IPPS), Outpatient Prospective Payment System (OPPS), Inpatient Psychiatric Facility (IPF), Inpatient Rehabilitation Facility (IRF), Home Health and Hospice,

and Physician Fee Schedule (PFS) policy and payment updates; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk

OVERSIGHT, RESEARCH & CONSULTATION

- **Fair Market Value (FMV) Oversight** – Ongoing oversight and administration of physician payment rate setting and contracting activities including Physician Recruitment, Medical Directors, Call Contracts, and Exclusive and Non-Exclusive Provider Contracts
- **Medicare Recovery Audit Contractor (RAC) and Medicare Probe Audit Activity** – Records preparation, tracking, appeal timelines, and reporting
- **Licensing Applications** – Forms preparation and submission of licensing application to the California Department of Public Health (CDPH); ongoing communication and follow-up regarding status of pending applications
- **Federally Qualified Health Center (FQHC)** – Participation in current and future state planning/working sessions; ongoing regulatory counsel and support, evaluating impact and identifying risk mitigation strategies; policy manual review in progress
- **KD Hub Non-Employee User Access** – Oversight and administration of non-employee user onboarding, privacy education, and user profile tracking; evaluate, document, and respond to requests for additional system access; on-going management of approximately 950 non-employee KD Hub users
- **Kaweah Delta Medical Foundation (KDMF) FairWarning User Access Implementation** – Oversight and administration of the FairWarning implementation at KDMF
- **Marketing Phone Call Scam** – Research and consultation; a reported marketing scheme where an individual was using Kaweah Delta as a sales tool to get businesses to place ads
- **Billing for Discarded Drugs** – Research and consultation; clarification of regulatory guidance concerning the billing of discarded drugs; recommendation provided to Pharmacy following a review of the Medicare Claims Processing Manual
- **Physician Signature Requirements** – Research and consultation; clarification of regulatory guidance concerning physician signature requirements on physician orders; recommendation provided to Radiology following a review of the regulatory guidelines
- **Important Message from Medicare (IMM) and Detailed Notice of Discharge** – Research and consultation; clarification of regulatory guidance concerning the IMM form requirements; recommendation provided to Case Management following a review of the regulations and consultation with California Hospital Association
- **Bedside Procedure Documentation Requirements** – Research and consultation; clarification of the documentation requirements of bedside procedures; recommendation provided to the Health Information Management (HIM) Coding Leadership following a review of regulatory requirements
- **Street Medicine Program** – Research and consultation; participation in current and future state planning/working sessions; ongoing regulatory counsel and support, evaluating impact and identifying risk mitigation strategies; recommendations provided for the collection and maintenance of appropriate patient documentation and policy manual
- **Revolution Monitoring** – Research and consultation; support provided to The Foundation for Medical Care (TFMC) Leadership on billing concern; review, consultation, and remediation of all reported concerns

AUDITING AND MONITORING

- **Overlapping Claims** – A review of thirty-five (35) randomly selected encounters for May 2018 to July 2019 noted a 97% compliance rate for the appropriate submission of claims for overlapping services (same date of services). Patient Accounting has corrected and reprocessed the one (1) claim submitted in error resulting in an overpayment to Kaweah Delta.
- **Outpatient Nuclear Medicine Probe Audit** – Noridian (Medicare Claims Administrator) initiated a pre-payment Targeted Probe and Educate (TPE) review of Nuclear Medicine claims. Kaweah Delta was selected for the review based on data analysis indicating increased utilization compared to the previous utilization period. Phase I commenced August 2019, focusing on Tomographic Imaging. The results of the review are pending.
- **Outpatient Physical Therapy Probe Audit** – Noridian (Medicare Claims Administrator) initiated a new pre-payment Targeted Probe and Educate (TPE) review of Outpatient Physical Therapy claims. Kaweah Delta was selected for the review based on data analysis indicating increased utilization compared to the previous utilization period. Phase I commenced October 2019, focusing on Therapeutic Exercise. Phase I review has completed in January 2020 noting a 91.3% payment compliance rate, with one claim noted as an under-payment. Based on the findings, Noridian has determined that our facility will not proceed to the next round of the TPE process.

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2019**

	Status
Compliance Oversight and Management	
<u>Written Standards and Policies and Procedures</u>	
Complete comprehensive review and update to the Code of Conduct	Complete
Distribute Code of Conduct to all employees, vendors, volunteers, medical staff	Complete
Complete comprehensive review of the Compliance Program - Program Effectiveness Tool	In Progress
Comprehensive review of all Privacy Policies / Create Privacy Policy Manual	In Review
Compliance policy review and updates -	
Develop Attorney-Client Privilege Policy	In Review
Develop Overpayment Policy	In Review
Update Employee Conflict of Interest and Vendor Policy	Complete
Update Solicitation Policy	Complete
Complete Affiliated Entity Policy Assessment:	
Kaweah Delta Medical Foundation	Pending
<u>STARK and Anti-Kickback Oversight</u>	
Medical Staff Non-Monetary Compensation Review	Complete
Physician Payment Testing Review (semi-annual)	Complete
Physician Contracts Billing and Collection Audits	Complete
Fair Market Value Oversight:	
Update and Distribute Medical Director Rates / Grid	Complete
Contract Renewals and Amendments / FMV Analysis	Complete
<u>Licensing and Certification</u>	
Annual Hospital License Renewal	Complete
Hospice License Renewal	Complete
New Licensures (As Necessary)	
Acequia Wing - NICU 6th floor	Pending
Acequia Wing 5th Floor	Pending
ED Fast Track	Complete
Lab Draw Station	Complete
Pharmacy Clean Room/Sterile Processing	Pending
ED Zone 4 Licensing	Pending
Reporting	
Investigate and Respond to all Reports (Internally Reported and via Hotline)	
Employee Reporting and Whistleblower Protection Education	
REVIEWS AND AUDITS:	
<u>Internal:</u>	
High Dollar Radiology Tests (OIG)	
Medicare Important Message	
Qualified Medicare Beneficiary Program Billing Review (OA Indicator)	
MOON Observation Notice	Complete
Medicare Secondary Payer (Claims and Questionnaire)	Complete
Patient Status (OIG WP 9)	Complete

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2019**

	Status
Medical Device Replacement payments (OIG WP 8)	
Conditions of Admission / Skilled Nursing Facility SNF Required Documentation	Complete
End Stage Renal Disease (ESRD) AKI Billing (Code 84)	
Permanent Cardiac Pacemakers (KX Modifier)	
End Stage Renal Disease (ESRD) Standing Orders Submitted beyond 12 Months	
Device Replacement Billing Condition Codes 49 or 50	
Evaluation and Management Service Documentation Provided by Students	
Invoice Price Required for Skin Substitute Codes	
Payment for Outpatient Services Provided to Beneficiaries who are Inpatients of Other Facilities	
Cochlear Devices Replaced without Cost	
Application Code for Prefabricated Splints	
Physician Non-Monetary Compensation	Complete
Physician Reappointments	Complete
Modifier 50	Complete
External:	
PPS / Maxim Coding Audit:	
1 Respiratory DRG	Complete
2 E/M Coding FMC, CDMC, Cardiology, Neuro	Complete
3 Neurosurgery	Complete
4 TBD Based on Risk Priority	
PATIENT PRIVACY:	
Daily FairWarning Access Audits	Complete
Finalize Phase 2 OCR Audit Gap Analysis	Complete
Federal and State Breach Reporting/Plan of Correction	Complete
Patient Privacy Walkthrough (All Campuses)	Complete
Business Associate Agreement Review	
Develop ZixCorp Email Encryption Monitoring Process	
Review Health Information Management Release of Information and Disclosure Process	In Progress
Complete Affiliated Entity Privacy Assessment:	
Kaweah Delta Medical Foundation	In Progress
EDUCATION:	
All Employee Mandatory Annual Compliance, Privacy, and Code of Conduct Exam	Complete
New Hire Employee Orientation - Day 1	Complete
New Manager Orientation	Complete
GME Resident Orientation	Complete
Nursing Education: Patient Privacy Potpourri	Complete
Monthly Communi-K Articles	Complete
Board Education - Board and Compliance Committee Topics	Complete
Area Specific Education:	
Health Information Management (HIM)	Complete
Patient Accounting	Complete
Patient Access	Complete

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2019**

	Status
Case Management	Complete
Kaweah Delta Medical Foundation	Complete
Sequoia Surgery Center	Complete
Hospital Guild	
ISS Application/MD Support	Complete
KDMF	Complete
Exeter Clinic	Complete
PREVENTION AND MONITORING:	
Coordination of RAC/Governmental Audits	Complete
Review / Assign / Distribute Monthly Governmental payer bulletins (Monthly)	Complete
OIG Exclusion List Attestations (Physician / Vendors) (Quarterly)	Complete
Complete Quarterly Review and Summary of PEPPER Report (Quarterly)	Complete
Annual Sign Review	Complete
Prepare 2020 Plan Year Risk Assessment	Complete
Review OIG Work Plan Monthly (Monthly)	Complete
Monitor Corrective Action Activities of Compliance Log Issues	Complete
2020 CMS Final Rule	Complete
Research and Consultation	
New & Existing Regulations	Complete
Patient Privacy	Complete
Mental Health	Complete
Consent / EMTALA	Complete
New Service Lines	Complete
Committee Participation / Oversight	
Strategic Planning - High Performing Outpatient Delivery Network	Complete
Accreditation and Regulation Committee	Complete
Case Management Committee	Complete
Bioethics Committee	Complete
Patient Safety Committee	Complete
Institutional Review Board	Complete
Research Oversight Committee	Complete
340b Leadership Committee	Complete
Risk Monitoring	
Provider-based billing; Use of appropriate modifier (OIG 7)	
Nurse Practitioner Billing in Provider Based Departments	
Evaluation and Management Coding - KDMF	Complete

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2020**

Compliance Oversight and Management

Written Standards and Policies and Procedures

Complete comprehensive review of the Compliance Program - Program Effectiveness Tool

- Review Risk Assessment Process and Cycle
- Review/Revise Compliance Program Communication Plan
- Compliance Plan Assessments - Benchmarking
- Perception of Compliance Program - Survey Employees
- Evaluate Training Effectiveness
- Review Effectiveness of Reporting and Investigation Process

Implement Leadership Attestation Process for High Risk Areas

Implement Compliance 360 Contracting Tool

Comprehensive Review of all Privacy Policies

Compliance Policy Review and Updates (as necessary)

- Develop Attorney-Client Privilege Policy
- Develop Overpayment Policy

Affiliated Entities:

Kaweah Delta Medical Foundation (KDMF)

- Compliance Program Effectiveness Review
- Comprehensive Policy Review/Management - Revision and Implementation
- Release of Information Process Standardization
- Forms Review and Standardization

Sequoia Health and Wellness Centers (SHWC)

- On-Site Visits (OSV) Preparation
- Policy Implementation and Review
- Implement Compliance Program and Evaluate Effectiveness

STARK and Anti-Kickback Oversight

Medical Staff Non-Monetary Compensation Review

Physician Payment Testing Review (annual)

Physician Contracts Billing and Collection Audits (external)

Physician Contract Compliance Audits

Physician Non-Monetary Compensation

Fair Market Value Oversight:

- Update and Distribute Medical Director Rates / Grid
- Contract Renewals and Amendments / FMV Analysis

Licensing and Certification

Annual Hospital License Renewal

Hospice and Home Health License Renewal

New Licensures (as necessary)

SHWC FQHC Designation/Other FQHC Sites

Reporting

Investigate and Respond to Reported Concerns (Internal and Confidential Compliance Line Calls and Reports)

Employee Reporting and Whistleblower Protection Education

REVIEWS AND AUDITS:

Internal:

Review of Advanced Beneficiary Notices and Processes

Conditions of Admission (COA) / Forms at Rehab

OIG Audit - Patient Accounting

High Dollar Radiology Tests (OIG)

Medicare Important Message

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2020**

Qualified Medicare Beneficiary Program Billing Review (OA Indicator)
MOON Observation Notice
Medicare Secondary Payer (Claims and Questionnaire)
Patient Status (OIG WP 9)
End Stage Renal Disease (ESRD) AKI Billing (Code 84)
Permanent Cardiac Pacemakers (KX Modifier)
End Stage Renal Disease (ESRD) Standing Orders Submitted beyond 12 Months
Device Replacement Billing Condition Codes 49 or 50
Resident Evaluation and Management Documentation and Coding
Invoice Price Required for Skin Substitute Codes
Application Code for Prefabricated Splints
Physician Reappointments
Modifier 50
Review of Medicare Facet Joint Procedures
Medicare Part B Payments for Laboratory Services
Outpatient Prospective Payment System and Physician Fee Schedule (CQ/CO Modifiers)

External:

MRA Business Solutions / PPS / Maxim

- 1 Cath Lab (KX Modifier)
- 2 Inpatient/Outpatient Surgeries (30/25)
- 3 TBD
- 4 TBD
- 5 TBD
- 6 TBD

PATIENT PRIVACY:

Daily FairWarning Access Audits
Develop Implementation Plan Based on 2019 Phase 2 OCR Audit Gap Analysis
Federal and State Breach Reporting/Plan of Correction
Patient Privacy Walkthrough (All Campuses)
Business Associate Agreement Review/Questionnaire
Develop ZixCorp Email Encryption Monitoring Process
Review Health Information Management Release of Information and Disclosure Process
Create Privacy Manual (include policies and forms)
Review eFax number/assignments
Update/Renewal of Non-Employee User Access Forms and Education

EDUCATION:

New Hire Employee Orientation - Day 1
 Temporary/Volunteer/Non-Employee Orientation
New Manager Orientation
GME Resident Orientation
Nursing Education: Patient Privacy Potpourri
Monthly Communi-K Articles
Board Education - Board and Compliance Committee Topics
Area Specific Education:
 Health Information Management (HIM)
 Patient Accounting
 Patient Access
 Case Management
 Sequoia Surgery Center
 Hospital Guild
 KDMF
 Sequoia Health and Wellness Centers - Family Medicine Center

**Kaweah Delta Health Care District
Compliance Program Work Plan
Calendar Year 2020**

PREVENTION AND MONITORING:

Service Line Review of Medi-Cal Bulletins and Local Coverage Determinations
Coordination of RAC/Governmental Audits
Review / Assign / Distribute Monthly Governmental Payer Bulletins (Monthly)
OIG Exclusion List Attestations (Physician / Vendors) (Quarterly)
Complete Quarterly Review and Summary of PEPPER Report (Quarterly)
Annual Sign Review
Prepare 2021 Plan Year Risk Assessment; Review of 2021 CMS Final Rule
Review OIG Work Plan Monthly (Monthly)
Monitor Corrective Action Activities of Compliance Log Issues
Home Health/Home Infusion Pharmacy - New Payment Methodology
Inpatient Medicare Claims (Exhausted Part A Benefits)
Department Review of Billing Manuals / Local Coverage Determinations (LCDs)
Evaluate Compliance Resources throughout the Organization

Research and Consultation

New & Existing Regulations
Patient Privacy
Mental Health
Consent / EMTALA
Ethics
New Service Lines

Committee Participation / Oversight

Accreditation and Regulation Committee
Case Management Committee
Bioethics Committee
Quality Counsel
Institutional Review Board
340b Leadership Committee
FQHC Core Team

Risk Monitoring

Nurse Practitioner Billing in Provider Based Departments
Physician Documentation – Lack of correct and compliant elements for the documents - Signing, Completion, Missing Elements
Frequency of use of Code 44 related to patients moved from Inpatient Status to Observation

Kaweah Delta Health Care District
Audit and Consulting Services
Conflict of Interest Process Review
Executive Summary
12/30/19

Overview

The Political Reform Act, administered by the State Fair Political Practice Commission (FPPC), requires local governmental agencies to adopt a Conflict of Interest Code (COI). The COI covers members of our Board, Executive Team and other administrative personnel that make or participate in making decisions. The purpose of the code is to prevent such individuals from engaging in decision making in which they may have a personal financial interest. The District has adopted policy AP.23, Conflict of Interest, which requires designated individuals to complete the Form 700-Statement of Economic Interest. The purpose of this review was to determine if designated individuals are completing the form on an annual basis. In addition, those assuming or leaving designated positions must complete the form within 30 days of appointment or departure. The items disclosed on the forms were also reviewed to ascertain if any appeared to present conflicts in the duties of the individual completing the form.

Procedures Completed

Following the Audit Program, we obtained a copy of the current policy and completed the following:

- Reviewed evidence that each designated individual completed a Form 700 during the most recent annual review process
- Selected and reviewed individuals hired or terminated in 2019 to determine whether the required Form 700 was completed within 30 days
- Reviewed forms for individuals where economic interests were disclosed to determine if actions were needed

Observations:

- One individual was identified who appears to have failed to disclose income from a party that contracts with Kaweah Delta.
- The process whereby a Form 700 must be completed within 30 days for newly hired or terminated individuals is in need of improvement. The new hire process is established, however a process for terminated employees still does not appear to be in place. We identified the following during our review:
 - Three (3) of the eight (8) individuals hired or transferring into a role requiring disclosure did not have an entering office disclosure on file within the required 30 days.
 - Twelve (12) individuals terminated from a role requiring a leaving office disclosure. None of the 12 individuals have evidence of a disclosure on file or evidence that an attempt was made to obtain this leaving office disclosure.

Internal Audit has worked with Management to develop an action plan to address the observations. This action plan will be reviewed and follow up testing will occur to validate completion.

**Kaweah Delta Health Care District
 Audit and Consulting Services
 Presidio-ISS Infrastructure Assessment Follow Up
 Executive Summary
 2/4/2020**

Overview

In December 2016, Kaweah Delta engaged Presidio, an external consulting firm, to complete a comprehensive IT infrastructure assessment. This engagement involved a technical review of Kaweah’s technical systems and an analysis of how the IT environment was used within Kaweah in relation to the organization’s business objectives. The intent was to identify improvement opportunities to bring Kaweah’s environment in line with industry best practices and to provide recommendations to leverage technology to maximize the benefits to the Kaweah.

This assessment was undertaken due to a significant down time event that had been experienced a few months prior and to address network and server events that rendered critical systems to be unavailable intermittently. The result of this engagement was a comprehensive report, including 162 recommendations. These recommendations were categorized into one of four risk categories and fell into one of the following nine areas:

1. Facilities Recommendations
2. Network Recommendations
3. Storage Recommendations
4. Server Recommendations
5. Applications Recommendations
6. Operational Recommendations
7. Business Continuity/Disaster Recovery Observations
8. Microsoft Recommendations
9. Unified Communication Recommendations

The Presidio Report and the high risk findings are a standing agenda item reported to the ISS Steering Committee, however, Internal Audit was asked to review the status of all of the recommendations made by Presidio with ISS Leadership. This report outlines the results of that review. It should be noted that Internal Audit did not independently verify completion of any of the recommendations, but did discuss and solicit status updates from the Vice President, Chief Information Officer and the Director of ISS Technical Services.

Summary

Presidio issued their report in December 2016 with 162 recommendations. The recommendations were risk stratified into four categories:

1. Risk Category 1-High Impact and High Probability
2. Risk Category 2-High Impact and Low Probability
3. Risk Category 3-Low Impact and High Probability
4. Risk Category 4-Low Impact and Low Probability

Risk Category	Total Recommendations in Report	Percentage Of Total Recommendations in Report
High Impact High Probability	70	43%
High Impact Low Probability	45	28%
Low Impact High Probability	25	15%
Low Impact Low Probability	22	14%

Based on discussion with ISS Leadership it was determined that 90% of all 162 recommendations were reported as completed or in process of completion. The graph below shows the total recommendations per risk category and indicates the number of recommendations and percentage of recommendations completed.

Risk Category	Total Recommendations in Report	Total % of Recommendations Completed or in Process of Completion
High Impact High Probability	70	96%
High Impact Low Probability	45	82%
Low Impact High Probability	25	88%
Low Impact Low Probability	22	86%

Conclusion

It appears, based on the information reported by ISS Leadership, that significant effort has been put into addressing the recommendations provided by Presidio and that these efforts are continuing. Internal Audit is not able to express an opinion regarding the completeness of these recommendations as no independent testing or verification was completed.

Proposed Annual Audit Plan January 2020-December 2020

Suzy Plummer, Director of Audit and Consulting Services



2020 Planned Audits and Reviews

- Denials Management, Underpayment and Write Off Processes-KD and KDMF
- 401k-VCP Focus
- Leaves of Absence Processes and Compliance
- Purchasing and Inventory Management-KD and KDMF
- Cash Controls - KD and KDMF
- Physician Contracting
- Benefit Administration



2020 Audit Support and Cycled Audit Areas

- Resource Effectiveness Committee-Cost Savings Initiatives
- Employee Expense Audit
- Conflict of Interest Review
- Kaweah Kids Billing Audit





COMPLIANCE AND AUDIT COMMITTEE

MISSION AND PURPOSE: To promote an organizational culture that encourages ethical conduct and a commitment to compliance with laws, rules, and regulations and provide oversight of the structure and operation of the Compliance and Internal Audit Programs.

To assist Kaweah Delta's Board of Directors in fulfilling its responsibility for the oversight and governance of Compliance Program Administration, Kaweah Delta's Audited Financial Statements, systems of internal controls over financial reporting, operations, and audit processes, both internal and external.

Kaweah Delta's Board of Directors is committed to full implementation of effective Compliance and Internal Audit Programs. Creating and reinforcing compliance and a system of appropriate internal controls is a priority of the Board of Directors, Chief Executive Officer, Compliance and Privacy Officer, Director of Internal Audit, and Senior Management.

AUTHORITY: The Compliance and Audit Committee has the authority to conduct or authorize investigations into matters within The Committee's scope of responsibilities, retain independent counsel, consultants or other resources to assist in investigations and audits, seek information it requires from employees or external parties, and to meet with Kaweah Delta Officers, consultants, or outside counsel as needed.

COMPOSITION: The Compliance and Audit Committee is comprised of the following Members:

- Board Members (2) – The Board President or Secretary/Treasurer and Board Member Appointee
- Senior Leadership – Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Chief Nursing Officer
- Legal Counsel/Compliance Advocate – Dennis Lynch
- Compliance and Privacy Officer
- Director of Internal Audit
- Compliance Manager

MEETINGS: The Committee shall meet at regularly scheduled intervals, with the authority to convene additional meetings as necessary. The Committee is authorized to request attendance from members of Management or others to provide information that would be relevant to The Committee.

The Committee may meet in executive session when necessary and permissible by applicable laws.

SPECIFIC RESPONSIBILITIES:

1. Review developments with regard to the Compliance and Internal Audit Programs to enable The Committee to make recommendations to the Board of Directors when appropriate
2. Provide oversight as needed to ensure that the Compliance and Internal Audit Programs effectively facilitate the prevention and/or detection of violations of law, regulations, and Kaweah Delta policies
3. Ensure autonomy of the Compliance Officer and the Director of Internal Audit and review resources assigned to the Compliance and Internal Audit Programs to assess their adequacy relative to the program's effectiveness
4. Ensure annual review of the Office of Inspector General's Work Plan and other relevant resources to identify potential risk areas and assess their impact on the Kaweah Delta
5. Monitor physician relationships and payments made to physicians to ensure appropriateness and compliance with laws and regulations
6. Convene the Executive Fair Market Value Committee, a sub Committee of the Compliance Committee, as necessary to ensure that physician contracts are established within fair market value
7. Review the Compliance and Internal Audit Annual Plans, activities, staffing and structure; ensure that the Compliance Officer and Director of Internal Audit's access to information, data and systems is not restricted or limited in any way
8. Select or dismiss independent accountants Kaweah Delta Financial Statement Audits, subject to approval by the Kaweah Delta Board of Directors; review and approve fees paid to independent accountants; approve or disapprove consulting services provided by independent accountants to ensure independence and objectivity
9. Meet with the independent accountants prior to, during, and after the annual audit to evaluate, understand and report to the Board on the various aspects and findings of the audit as follows:
 - a. Audit scope and procedural plans
 - b. Significant areas of risk and exposure and management's actions to minimize them
 - c. Adequacy of Kaweah Delta's internal controls, including computerized information system controls and security

- d. Significant audit findings and recommendations made by the independent accountants
 - e. The annual Audited Financial Statements, related Footnotes Disclosure, and the Independent Accountant's Report thereon
 - f. The independent auditor's qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosures and how aggressive (or conservative) the accounting principles and underlying estimates are or should be
 - g. Any serious difficulties or disputes with management encountered during the course of the audit
10. Reviews and evaluates management's written response to the independent accountants' management letter. Instructs the Director of Internal Audit to confirm complete implementation of any Management action required by external auditor's Management Letter
 11. Review legal and regulatory matters that may have a material effect on the organization's financial position, financial statements, and/or reputation
 12. Monitor effectiveness and timeliness of responses to identified issues
 13. Monitor education, training, and preventive activities
 14. Review and evaluate the effectiveness of the Kaweah Delta Compliance and Internal Audit Programs
 15. Recommend, review, and approve revisions to the Compliance Program's Code of Conduct and Compliance and Internal Audit Policies Manual
 16. Report Committee actions and recommendations to the Kaweah Delta's Board of Directors

Presented to the Compliance and Audit Committee on February 18, 2020 for approval.