



September 2, 2022

**NOTICE**

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 3:00 PM on Wednesday, September 7, 2022 in the Kaweah Health Support Services Building – Emerald Conference Room {520 W. Mineral King Ave., Visalia}.

All Kaweah Delta Health Care District regular board and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health 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 Kaweah Health 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 <https://www.kawahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT  
Michael Olmos, Secretary/Treasurer

A handwritten signature in black ink that reads "Cindy Moccio". The signature is written in a cursive, flowing style.

Cindy Moccio  
Board Clerk  
Executive Assistant to CEO

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

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

Wednesday, September 7, 2022

Kaweah Health Support Services Building –Emerald Conference Room  
520 West Mineral King Ave, Visalia, CA 93291

ATTENDING: Directors; Mike Olmos (Chair) & Garth Gipson; Gary Herbst, Chief Executive Officer; Malinda Tupper, Chief Financial Officer; Keri Noeske, Chief Nursing Officer; Rachele Berglund, Legal Counsel; Ben Cripps, Chief Compliance & Risk Officer; Amy Valero, Compliance Manager; Michelle Adams, Executive Assistant

GUESTS: Jennifer Stockton, Director of Finance; Kari MacDonald, Finance Accounting & Reimbursement Manager; John Feneis, Moss Adams; Brian Conner, Moss Adams

## OPEN MEETING – 3:00PM

**Call to order** – Mike Olmos, 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. **Financial Statement Audit Entrance** – *Planning for the Annual Audit of Kaweah Health's Financial Statements* – Brian Conner and John Feneis, Moss Adams

**Adjourn** – Mike Olmos, 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.*



# Audit Entrance – Kaweah Delta Health Care District

Prepared by the Moss Adams Health Care Group

August 19, 2022

# Audit Committee

**Kaweah Delta Health Care District**

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for health care organizations. We are pleased to present our audit plan for Kaweah Delta Health Care District for the year ended June 30, 2022. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan and we look forward to working with you.



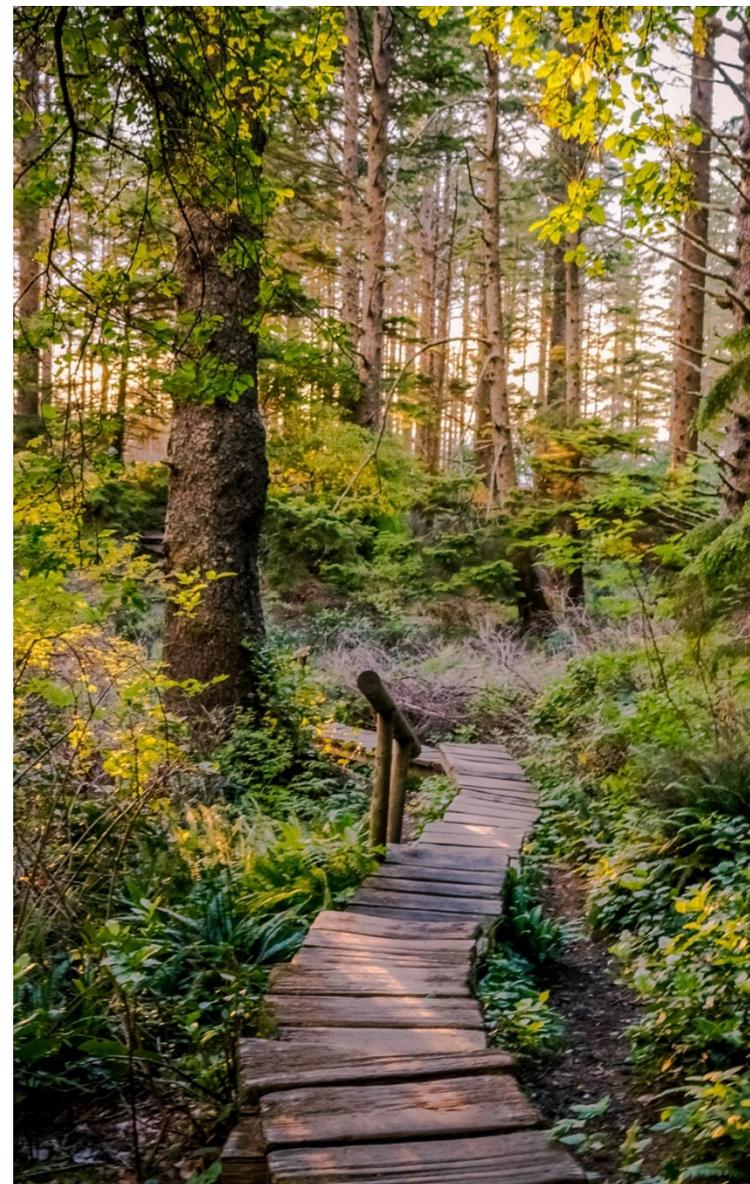
# Agenda

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1. Your Service Team
2. Scope of Services
3. Auditor's Responsibility in a Financial Statement Audit
4. Significant Risks Identified
5. Single Audit Requirement – CARES Act Grant Funding
6. Risks Discussion
7. Consideration of Fraud in a Financial Statement Audit
8. Audit Timeline
9. Audit Deliverables
10. Expectations
11. Changes to the Auditor's Report
12. Other Changes Impacting Auditor Reporting
13. Documents Containing Audited Financial Statements and Independent Auditor's Report
14. Our Expertise Our Reach
15. Health Care Industry Experience
16. Additional Services
17. Insights and Resources
18. Connect With Us
19. Executive Session



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# Your Dedicated Team

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**Brian Conner**  
Engagement Partner



**John Feneis**  
Engagement  
Senior Manager



**Kate Jackson**  
Concurring Partner



**Glenn Bunting**  
Reimbursement  
Specialist



# Scope of Services

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Relationships between Moss Adams and Kaweah Delta Health Care District:

## Annual Audit



Annual consolidated financial statement audit and single audit as of and for the year ending June 30, 2022

## Nonattest Services



- Assist management with drafting the consolidated financial statements as of and for the year ending June 30, 2022
- Assist management with drafting the auditee section of the OMB data collection form
- Assist management with Medicare cost report appeals

# Auditor's Responsibilities in a Financial Statement Audit

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## -Auditor is responsible for:

- Forming and expressing an opinion on whether the consolidated 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.



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-The audit of the consolidated 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

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

Significant Risks	Procedures
<b>Valuation of Patient Accounts Receivable and Patient Service Revenue</b>	We will perform a lookback analysis to determine if management's estimate was materially correct at 6/30/2021 based upon cash collections. We will also analyze subsequent cash collections on 6/30/2022 accounts receivable as well as perform analytical procedures on 6/30/2022 accounts receivable and net patient service revenue. Finally, we will perform test procedures on management's patient accounts receivable allowance model.
<b>Management Override of Controls</b>	We will perform inquiries of accounting and operational personnel, perform risk assessment procedures, and test risk-based manual journal entry selections.



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# Single Audit Requirement – CARES Act Grant Funding

## Provider Relief Funds and Related Grants

- Approximately \$54.0 million received April 2020 - March 2022. Approximately \$47.4 million was recognized in the FY 2020 and FY 2021 consolidated financial statements. Approximately \$6.6 million recognized in FY 2022.
- Nonfederal entities that expend financial assistance of \$750,000 or more in federal awards will have a single or program-specific audit for their fiscal year that includes the periods the funds are expended, and audits will also be conducted in accordance with government auditing standards.
- Additional guidance on what qualifies as a healthcare-related expense attributable to COVID-19 or what qualifies as lost revenue may continue to evolve.
- Based on guidance in August 2021, Provider Relief Grant funds will first be subject to a Single Audit in 2021.
- Providers will have 9 months after their fiscal year end to file their Single Audit report.
- The reporting deadline for the FY 2021 Single Audit was extended by an additional 6 months and is now September 30, 2022.
- The reporting deadline for the FY 2022 Single Audit has not been extended and will be 9 months after fiscal year end, which is March 31, 2023.

The receipt of HHS Grant Funding under the CARES Act and FEMA Grant Funding will subject Kaweah Delta Health Care District to a Single Audit under the *Uniform Guidance*



# Risks Discussion

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## 1. What are your views regarding:

- Kaweah Delta Health Care District's objectives, strategies, and business risks that may result in material misstatements.
- Significant communications between the entity and regulators.
- Attitudes, awareness, and actions concerning:
  - Kaweah Delta Health Care District'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 consolidated financial statements as a whole are free from material misstatement – whether caused by fraud or error

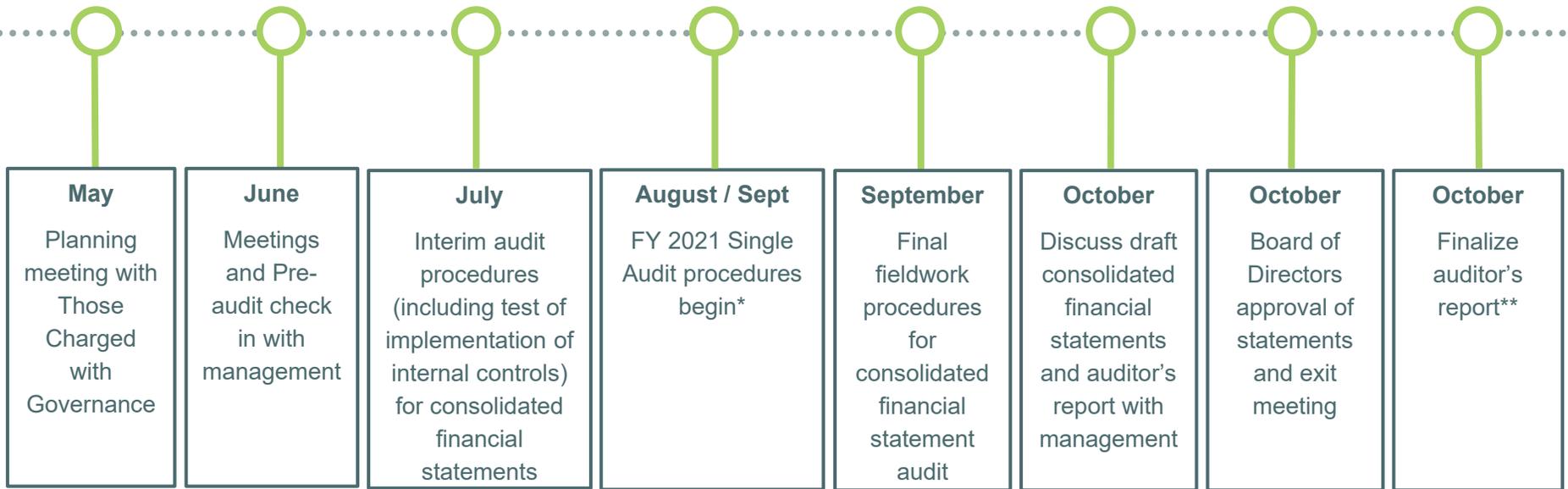
	<b>Procedures to address the risk of fraud.</b>	<ul style="list-style-type: none"><li>• Engagement team discussion</li></ul>
	<b>Identify the risks of material misstatement due to fraud.</b>	<ul style="list-style-type: none"><li>• Perform procedures to address identified risks</li><li>• Inherent limitation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

# Audit Timeline

2022



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\* Complete and finalize FY 2021 Single Audit by reporting deadline of September 30, 2022.

\*\* Complete and finalize FY 2022 Single Audit by reporting deadline of March 31, 2023.

*Better Together: Moss Adams & Kaweah Delta Health Care District*

# Audit Deliverables



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## Report of Independent Auditors

on consolidated financial statements and single audit as of and for the year ended June 30, 2022



## 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)



## Report of Independent Auditors

on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards



## Report of Independent Auditors

on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance



# Expectations

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## Kaweah Delta Health Care District will:



- Have no adjusting journal entries after beginning of field work.
- Close books and records before beginning of field work.
- Provide auditor requested information in CAP schedule one week prior to the beginning of fieldwork.

## Moss Adams will:



- Communicate proposed adjustments with management when identified.
- Communicate control deficiencies with management when identified.
- Discuss any additional fees over estimate in engagement letter with management.



# Changes to the Auditor's Report

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The AICPA recently issued a series of standards that will significantly change the form and content of the auditor's report.

These standards are effective for audits of financial statements for periods ending on or after December 15, 2021.



Changes include, among others:

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- ✓“Opinion” section will appear first, followed by a “Basis for Opinion” section.
- ✓Responsibilities of Management for the Financial Statements.
  - Adds management's responsibility to evaluate going concern considerations.

# Changes to the Auditor's Report *(continued)*

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## ✓ Auditor's Responsibility for the Audit of the Consolidated Financial Statements

- Defines reasonable assurance.
- States that the risk of not detecting a material misstatement resulting from fraud is greater than for one resulting from error.
- Defines material misstatement.
- Identifies auditor's responsibility to evaluate going concern considerations.
- Describes that the auditor is required to communicate with those charged with governance.



# Changes to the Auditor's Report *(continued)*

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## New Report Layout

- Report on the Audit of the Consolidated Financial Statements
- Opinion
- Basis for Opinion
- Emphasis of Matter, when appropriate
- Other Matter, when appropriate
- Responsibilities of Management for the Consolidated Financial Statements
- Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

## Current Report Layout

- Report on the Consolidated Financial Statements
- Introductory paragraph
- Management's Responsibility for the Consolidated Financial Statements
- Auditor's Responsibility
- Opinion
- Emphasis of Matter, when appropriate
- Other Matter, when appropriate



# Other Changes Impacting Auditor Reporting

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## ✓ Auditor's Responsibility for the Audit of the Consolidated Financial Statements

- Revised auditing standard provides transparency related to an auditor's responsibilities for other information included in an entity's annual report and defines "annual report".
- Other than the reporting requirements, the requirements apply regardless of when the other information is available to the auditor.
- Written acknowledgment and representation from management is required when there is an annual report.



# Documents Containing Audited Financial Statements and Independent Auditor's Report

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Our responsibility under generally accepted auditing standards



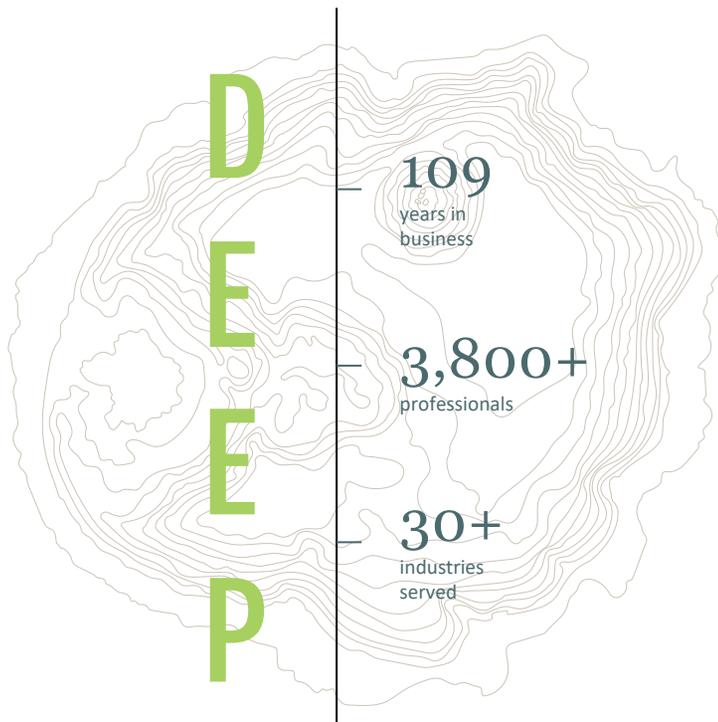
Request for advance notification when you intend to include audited financial statements and the independent auditor's report in a document



Arrangements to obtain the other information prior to report issuance

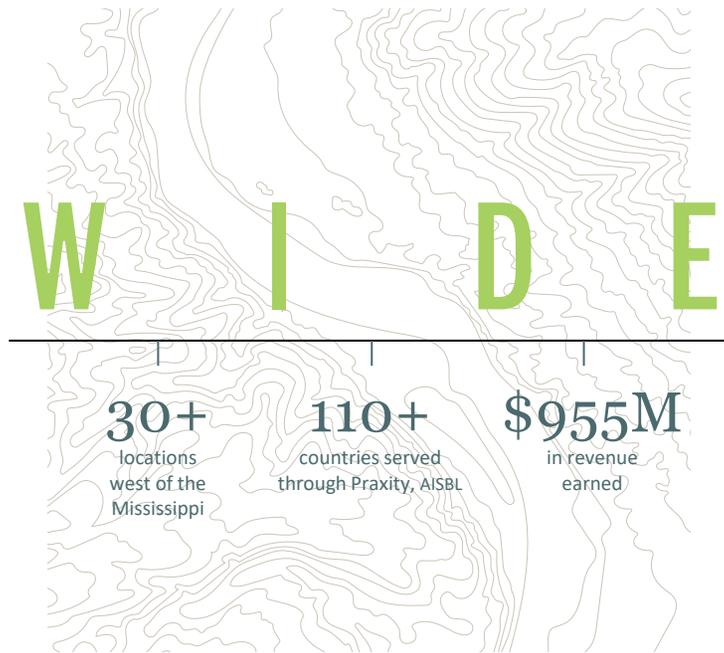


## Our Expertise



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

## Our Reach



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

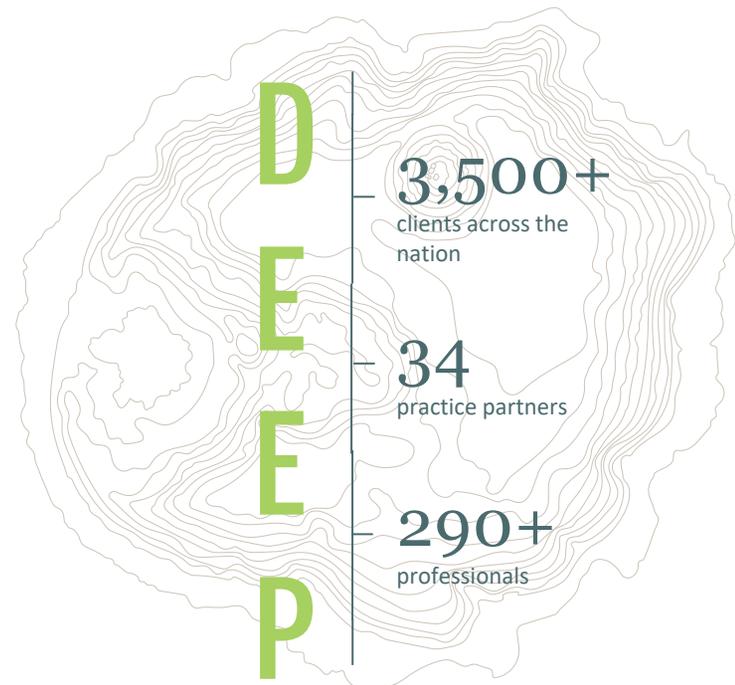


# Health Care Industry Experience

Our health care professionals dedicate their careers to serving the industry.

We cover the full spectrum of health care including:

- Hospitals and health systems
- Independent practice associations
- Medical groups
- Community health centers
- Behavioral health organizations
- Long-term care
- Surgery centers
- Knox Keene licensed health plans
- Health care ancillary services



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



# Additional Services

Audit and tax are vital, but you have complex needs that go beyond these core functions. Our dedicated health care consulting team provides a range of services to address all your emerging needs — both now and in the future.

Health Care Consulting		
<b>COST REIMBURSEMENT</b>	<b>GOVERNMENT COMPLIANCE</b>	<b>OPERATIONAL IMPROVEMENT</b>
Medicare & Medicaid	Regulatory Compliance	Revenue Cycle Enhancement
Provider-Based Licensure & Certification	Coding Validation	Claims Recovery
Medical Education	Coding Department Redesign	Litigation Support
Uncompensated Care	EHR Internal Controls	Employer Health Benefits
Wage Index Reviews	Corporate Compliance	Lean Consulting
Contract Compliance		Operational Assessments & Process Improvement
<b>STRATEGY &amp; INTEGRATION</b>	<b>INFORMATION TECHNOLOGY</b>	Valuations
Provider Risk Analysis, Contracting, & Operational Design	HIPAA Security & Privacy	
M&A Support	Network Security & Penetration Testing	
Feasibility Studies	Disaster Recovery Planning	
Market Intelligence & Benchmarking	PCI DSS Audits	
Strategic Planning & Implementation	SOC Pre-Audit Gap Analysis & Readiness	
Managed Care Assessment & Negotiation	SOC Audits	
Service Line Enhancement & Analyses		



# Insights and Resources

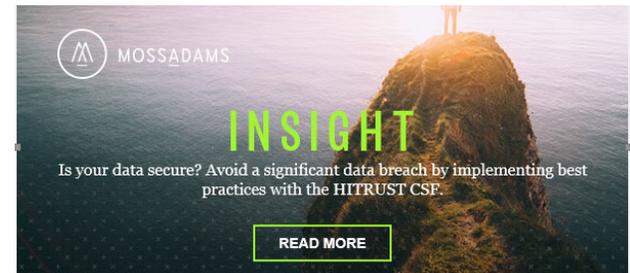
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In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

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.



# Connect With Us

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YouTube: <http://www.youtube.com/mossadamsllp>





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## Executive Session



**Brian Conner, Engagement  
Partner**

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**John Feneis, Senior Manager  
and Engagement Reviewer**

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**THANK  
YOU**