

August 7, 2020

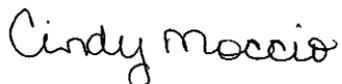
NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in a Open Audit and Compliance Committee meeting at 10:00 AM on Tuesday, August 11, 2020 in the Kaweah Delta Medical Center Support Services Building Copper Room (2nd Floor) 520 West Mineral King Avenue or via GoTo Meeting from internet link - <https://global.gotomeeting.com/join/876955781>. You can also dial in - (872) 240-3412/Access Code: 876-955-781. In order to adhere to social distancing guidelines, please attend the meeting via GoTo or phone when at all possible.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 10:00AM meeting on Tuesday, August 11, 2020 in the Kaweah Delta Medical Center Support Services Building Copper Room (2nd Floor) 520 West Mineral King Avenue 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 (special meetings are posted 24 hours prior to meetings). Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via email: cmoccio@kdhcd.org, via phone: 559-624-2330 or on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
David Francis, Secretary/Treasurer



Cindy Moccio
Board Clerk, Executive Assistant to CEO

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

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

Tuesday, August 11, 2020

Kaweah Delta Medical Center / Support Services Building
520 West Mineral King – Copper Room (2nd Floor)

Join from your computer, tablet or smartphone
<https://global.gotomeeting.com/join/876955781>

You can also dial in - [\(872\) 240-3412](tel:(872)240-3412)/Access Code: 876-955-781

ATTENDING: Directors; Herb Hawkins (Chair) & Nevin House; Gary Herbst, CEO; Malinda Tupper, VP Chief Financial Officer; Keri Noeske, VP Chief Nursing Officer; Dennis Lynch, Legal Counsel; Ben Cripps, Chief Compliance Officer; Suzy Plummer, Director of Internal Audit; Amy Valero, Compliance Manager; Lisa Wass, Compliance Analyst

GUESTS: Jennifer Stockton; Director of Finance; Kari MacDonald, Finance Manager; Brian Conner, Moss Adams, Chris Pritchard, Moss Adams; John Feneis, Moss Adams

OPEN MEETING – 10:00 AM

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. [Audit Entrance Presentation Fiscal Year 2020 Financial Statement Audit](#) – Brian Conner, Chris Pritchard, and John Feneis, Moss Adams
2. **Written Reports** – Committee review and discussion of written reports
 - 2.1 [Compliance Program Activity Report](#) – Ben Cripps
 - 2.2 [Conflict of Interest Report](#) – Suzy Plummer

3. Verbal Reports

3.1 Compliance Program – Provide an update on the status of Compliance Program activity – *Ben Cripps*

3.2 Internal Audit Update – Provide an update on the status of Internal Audit activity – *Suzy Plummer*

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

- Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (14 cases) – *Ben Cripps and Dennis Lynch (Legal Counsel)*

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

CLOSED MEETING – Immediately following the 10:00 AM 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) (14 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.



Audit Entrance – Kaweah Delta Health Care District

Prepared by the Moss Adams Health Care Group

August 11, 2020

Audit Committee

Kaweah Delta Health Care District



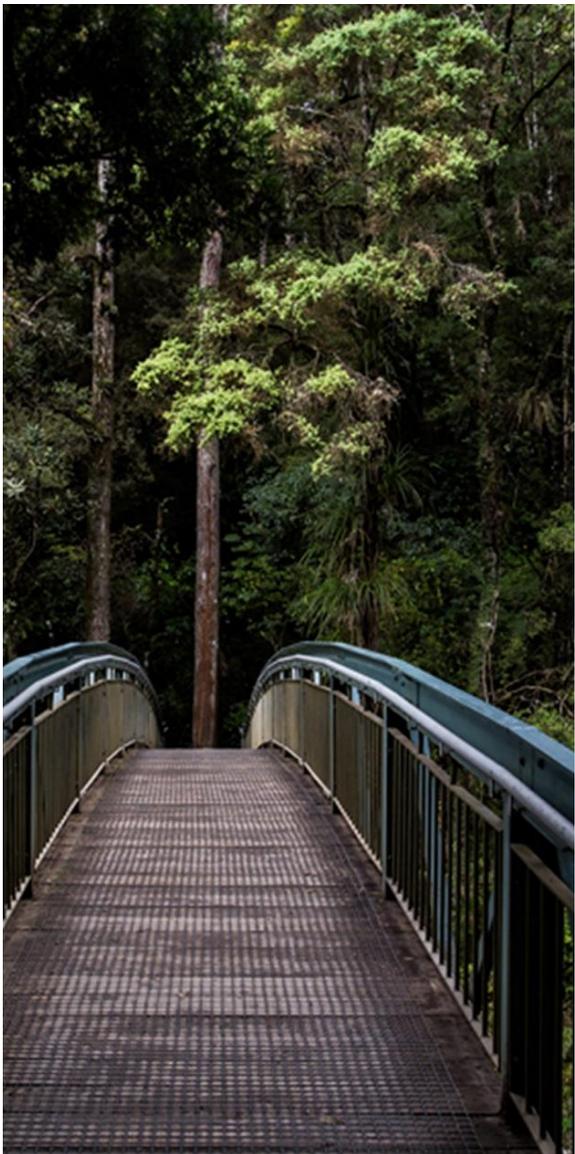
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Thank you for your continued engagement of Moss Adams LLP, the provider of choice for health care organizations. We are pleased to present our audit plan for Kaweah Delta Health Care District for the year ended June 30, 2020. We would also like to 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.



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Agenda

1. Team
2. Communication with Those Charged with Governance
3. Accounting Standards Update
4. Other Information
5. Appendix – Industry Focus

Your Dedicated Team



Chris Pritchard
Engagement Partner



John Feneis
Engagement
Senior Manager

Other Team Members:

Taylor Korman
Audit Senior

Alexus Stewart
Audit Senior



Kate Jackson
Concurring Partner



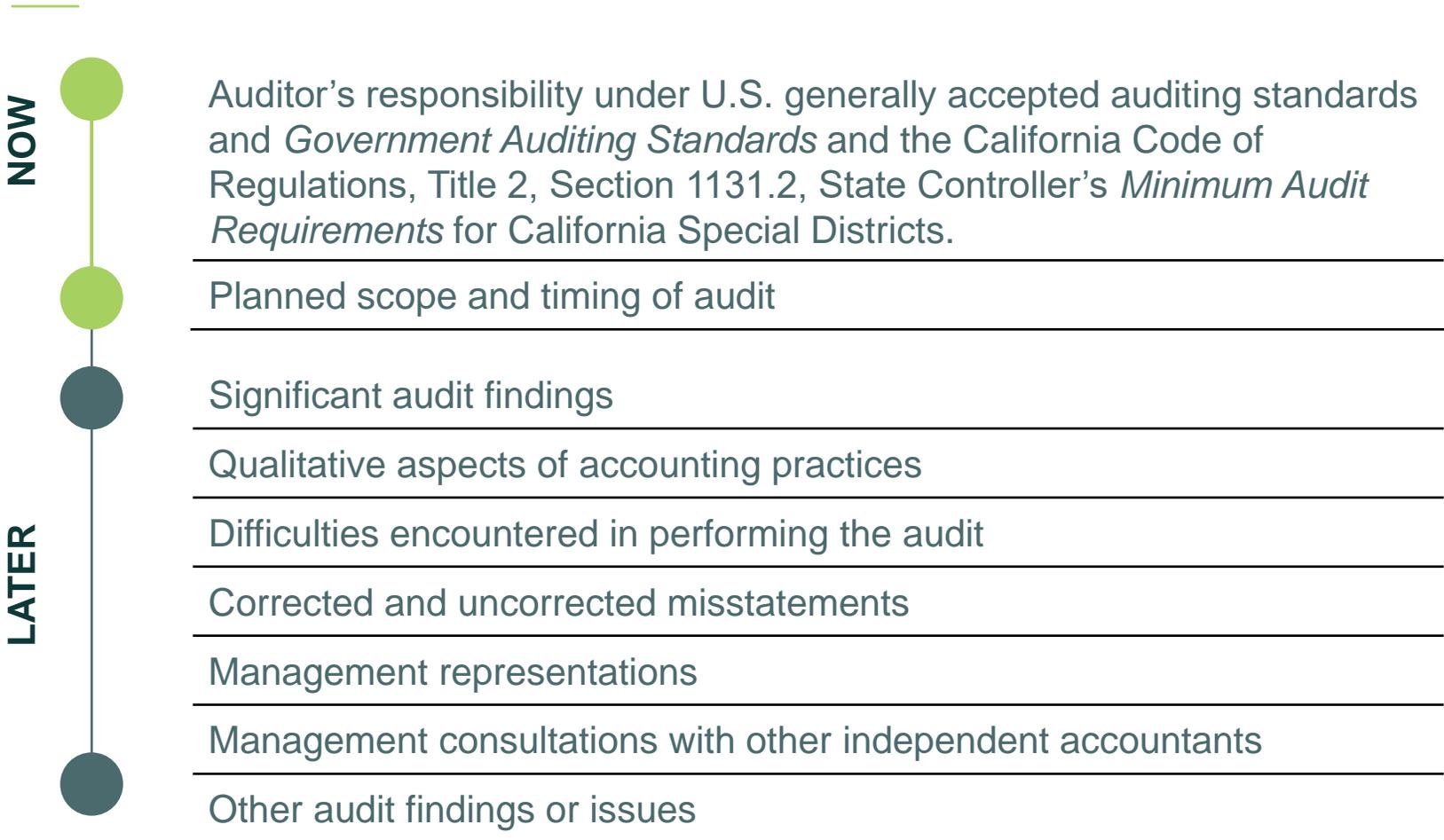
Glenn Bunting
Reimbursement
Specialist



Communication with Those Charged with Governance



Required Communications to Those Charged with Governance



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Our Responsibility



To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.



To perform 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, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.



To consider internal control over financial reporting and compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.



To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Audit Process



Internal Controls

- Review of information systems and technology



Analytical Procedures

- Revenues and expenses
- Trends, comparisons, and expectations



Substantive Procedures

- Confirmation of account balances
- Vouching to supporting documentation
- Representations from attorneys and management
- Examining objective evidence



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What is Materiality?

The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the consolidated financial statements.

How it is calculated:

- Using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors)

It is used to identify:

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements



Significant Audit Areas



Valuation of investments and related financial statement disclosures



Revenue recognition



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Single audit – Provider Relief Funds and other federal funding



Compliance with intergovernmental and direct grant supplemental payment programs



Valuation of medical malpractice and other self insured liabilities

Single Audit Requirement – CARES Act Grant Funding

Provider Relief Grant Funds Received

- Approximately \$12.6 million received as of June 3, 2020.
- 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 include the periods the funds are expended.
- Additional guidance on what qualifies as a healthcare-related expense attributable to COVID-19 or what qualifies as lost revenue has not been released.
- More guidance is expected by September 2020.
- Will require audits to also be conducted in accordance with government auditing standards.
- Providers will have 9 months after their fiscal year end to file their Single Audit report.

The receipt of HHS Grant Funding under the CARES Act will likely subject the District to a Single Audit under the *Uniform Guidance*



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Consideration of Fraud



Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions



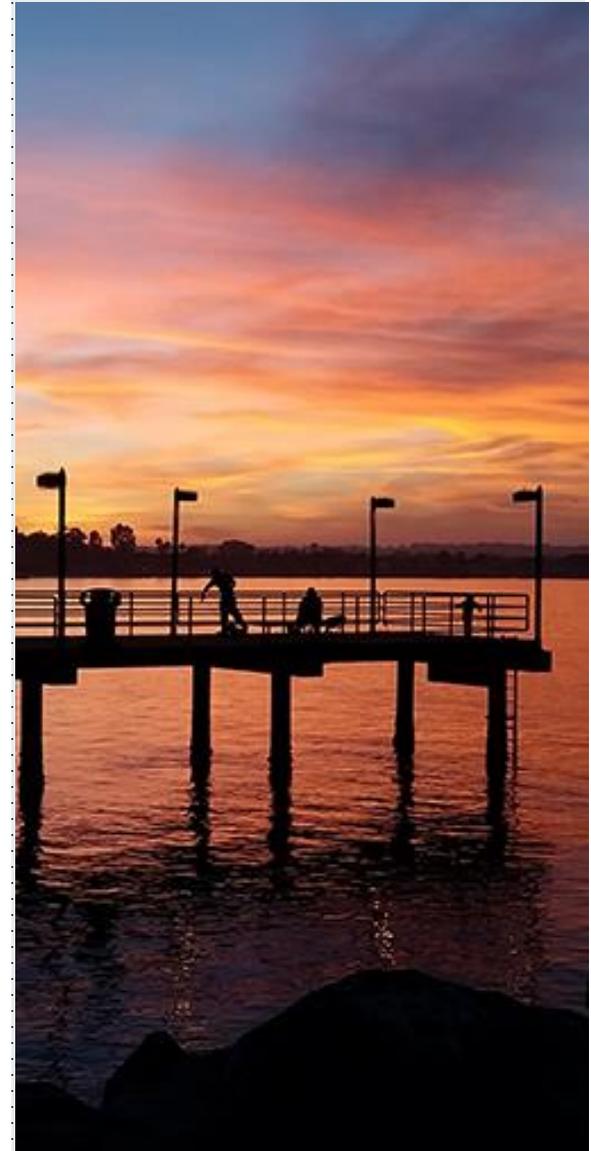
Deliverables

We will issue the following reports:

- Audit report on the consolidated financial statements of Kaweah Delta Health Care District as of and for the year ended June 30, 2020
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance for the Major Federal Programs and Report on Internal Control Over Compliance Required by The Uniform Guidance
- Report to those charged with governance
 - Communicating required matters and other matters of interest

Nonattest services:

- Assist in drafting of the consolidated financial statements, excluding Management's Discussion and Analysis
- Preparation of Kaweah Delta Hospital Foundation tax return



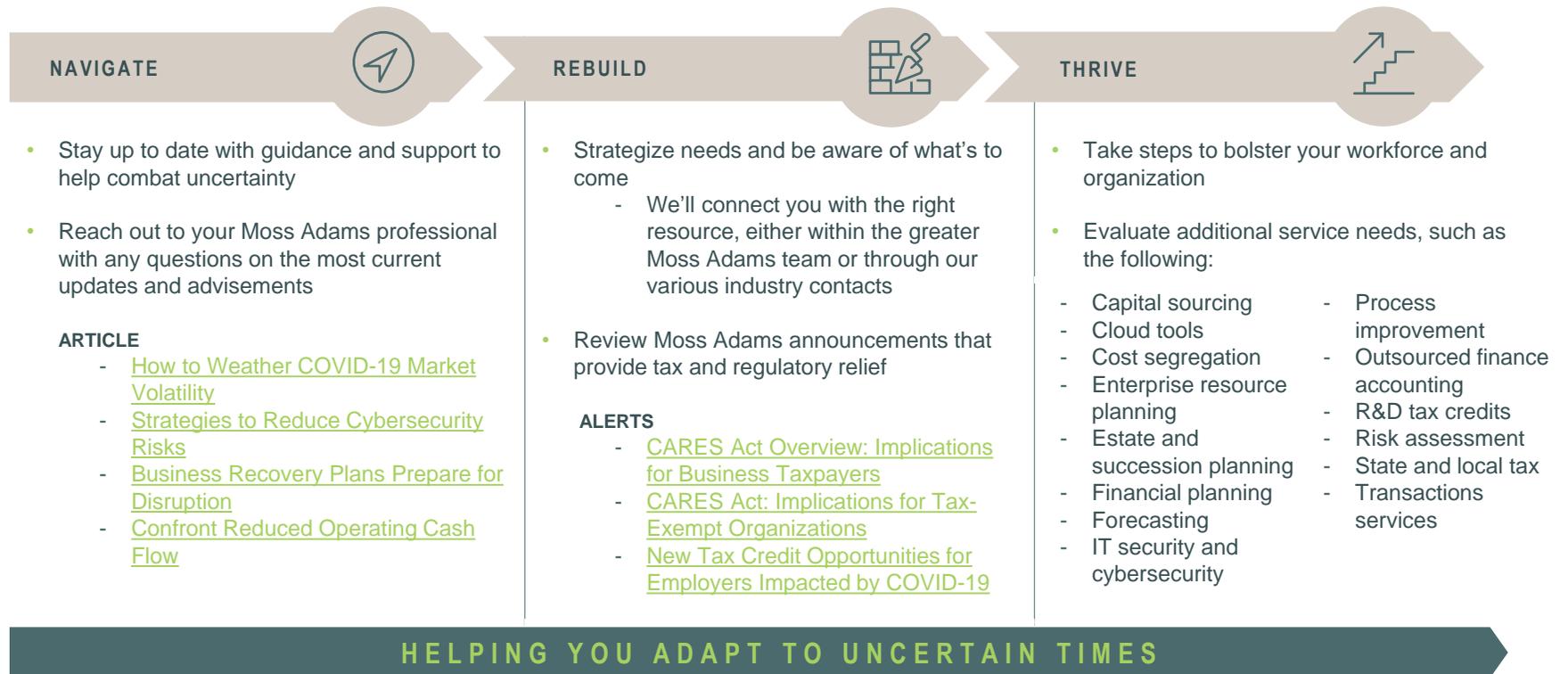
Timeline

June	<ul style="list-style-type: none">• Planning meeting with management
June	<ul style="list-style-type: none">• Interim audit procedures (<i>including test of implementation of internal controls</i>) for consolidated financial statements
TBD August	<ul style="list-style-type: none">• Entrance meeting with audit committee
September	<ul style="list-style-type: none">• Final fieldwork procedures for consolidated financial statements
October	<ul style="list-style-type: none">• Discuss draft consolidated financial statements and auditor's reports with management
TBD October	<ul style="list-style-type: none">• Audit committee approval of statements and exit meeting
November	<ul style="list-style-type: none">• Finalize auditor's reports

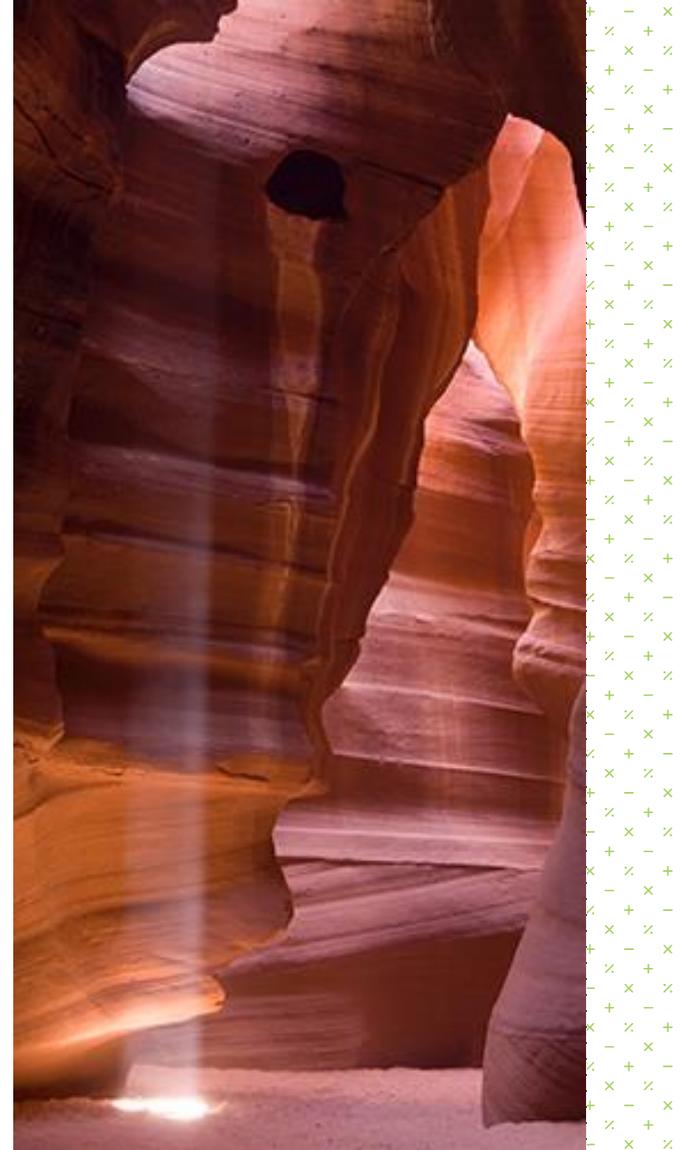


Our Response to COVID-19

The COVID-19 pandemic has touched all aspects of our lives. We're here to guide you to the information and resources you need now and provide strategies for the changes to come. We'll support you as you rebuild and help you take advantage of rising opportunities.



Accounting Update



New Accounting Standards

Fiduciary Activities

[GASB STATEMENT NO. 84]

- Establishes criteria for identifying fiduciary activities of all state and local governments
- Key areas of focus:
 - Whether a government is controlling the assets of the fiduciary activity
 - Beneficiaries with whom a fiduciary relationship exists
 - Identification of fiduciary component units and postemployment benefit arrangements that are fiduciary activities
- The effective date was postponed by one year through the issuance of GASB Statement No. 95 in May 2020
- Effective for the District beginning July 1, 2020



New Accounting Standards

Leases

[GASB STATEMENT NO. 87]

- Increases the usefulness of financial statements and establishes a single model for lease accounting
- Key areas of focus:
 - Recognition of certain lease assets and liabilities previously classified as operating leases
 - Recognized as inflows and outflows of resources based on payment provision of contract
 - Single Model – Foundational principle that leases are financings of the right to use an underlying asset
- The effective date was postponed by eighteen months through the issuance of GASB Statement No. 95 in May 2020
- Effective for the District beginning July 1, 2021



New Accounting Standards

Accounting for Interest Cost Incurred Before the End of Construction Period

[GASB STATEMENT NO. 89]

- Establishes accounting requirements for interest cost incurred before the end of a construction period
- Key areas of focus:
 - Recognition of interest cost as an expense in the period it is incurred for statements prepared using the economic resources measurement focus
 - Interest cost will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund
- The effective date was postponed by one year through the issuance of GASB Statement No. 95 in May 2020
- Effective for the District beginning July 1, 2021



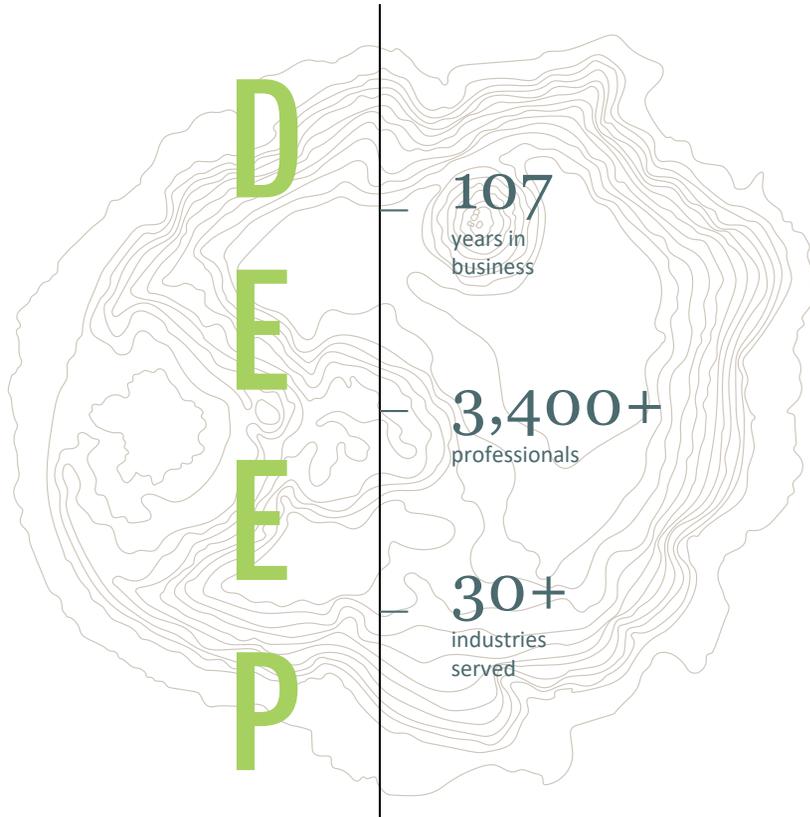
About Moss Adams



Our Expertise

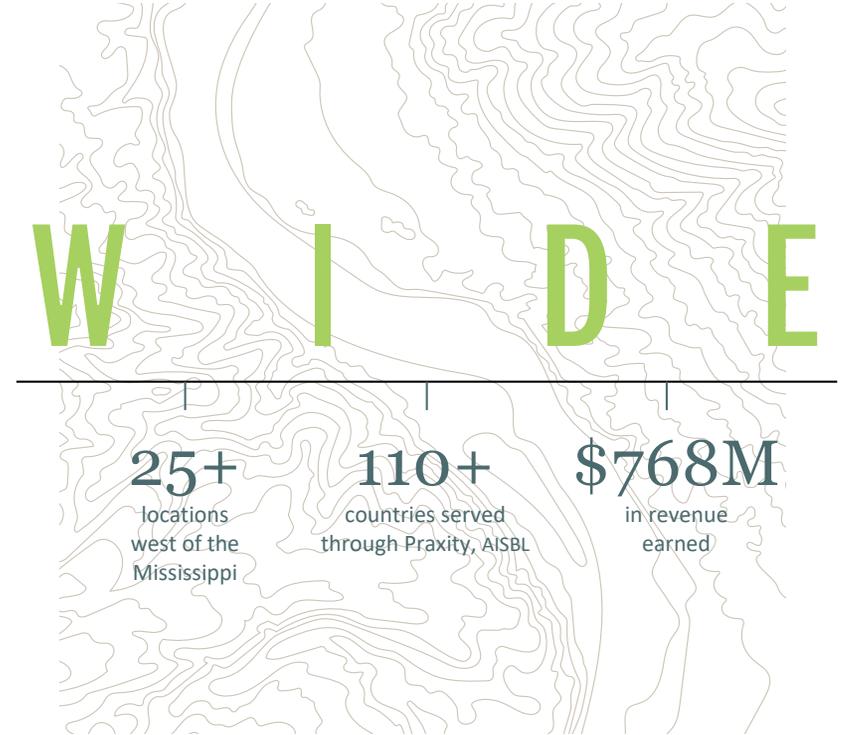


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*Crater Lake—
A monument to perseverance, North America's
deepest lake filled to 1,949 feet over 720 years.*

Our Reach



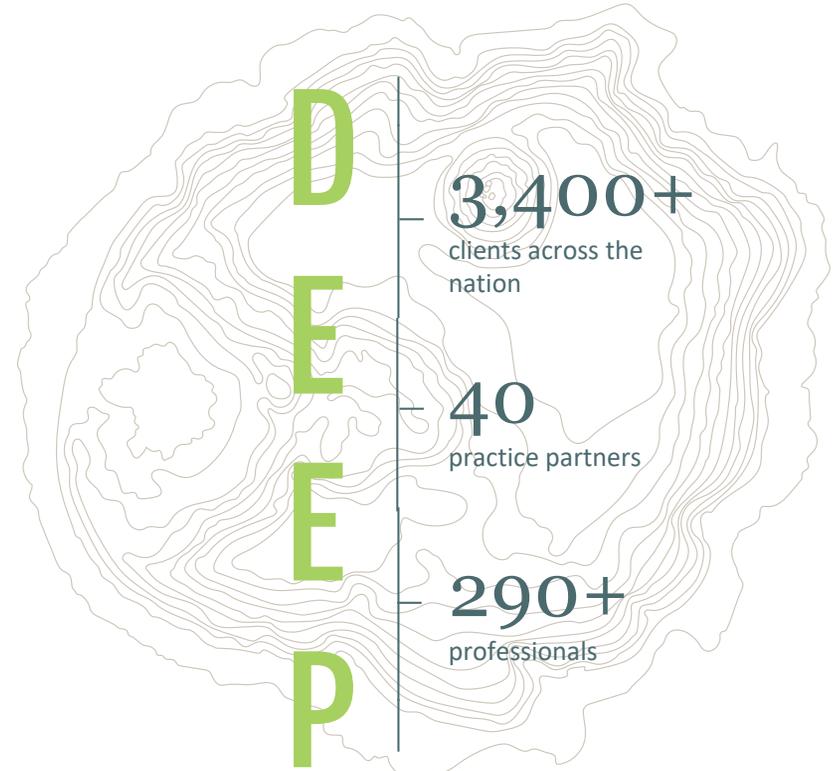
*Grand Canyon—
At 277 miles long and up to 18 miles
wide, this icon serves as a testament
to determination and time.*

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

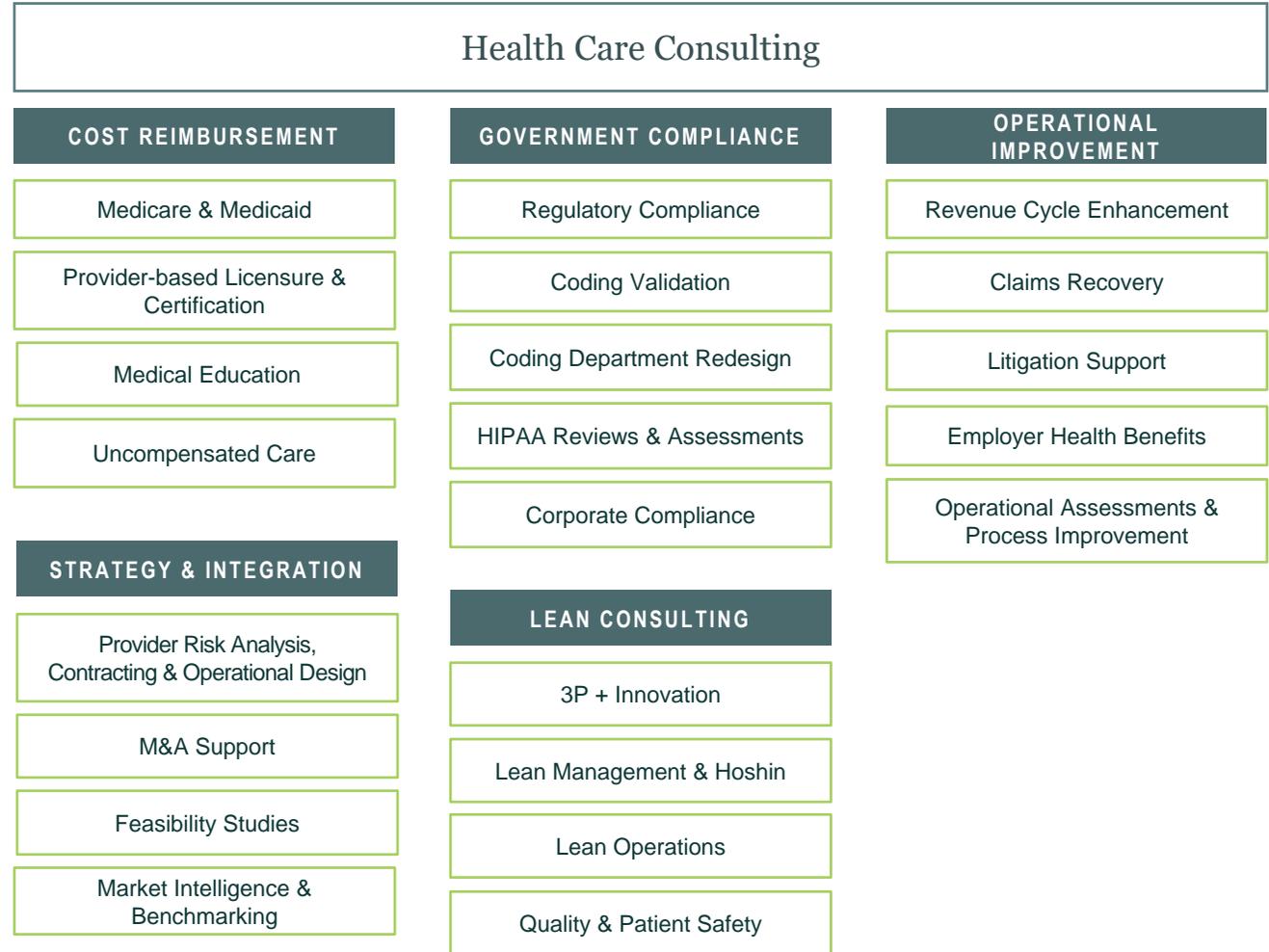


*Crater Lake—
A monument to perseverance, North
America's deepest lake filled to 1,949 feet over
720 years.*



Health Care Consulting Services

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



Services

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.

Accounting
ASSURANCE
Financial Statement Audits
Employee Benefit Plans
Public Company & SEC
Internal Audit
Outsourced Accounting
Contract Compliance
Sustainability
TAX
Accounting for Income Taxes (ASC 740)
Accounting Methods
Compensation & Benefits
Credits & Incentives
International
State & Local
Controversy & Dispute Resolution
Tax Structuring
Transfer Pricing

Consulting
IT
Compliance
Cybersecurity
Assessment & Planning
Development & Integration
STRATEGY & OPERATIONS
Business Planning
Performance Audits
Succession Planning
TRANSACTIONS
Due Diligence
Investment Banking
M&A Tax
Restructuring
Valuations

Wealth Management
INDIVIDUAL
Tax
Financial Planning
Investments
Family Office
INSTITUTIONAL
Investments
Insurance



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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ALERT
California State taxes will be administered and adjudicated differently beginning July 1
[READ MORE](#)

INSIGHT
Is your data secure? Avoid a significant data breach by implementing best practices with the HITRUST CSF.
[READ MORE](#)

WEBCAST
Boost Compliance with System and Organization Controls
[LEARN MORE](#)

Connect With Us

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.



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**THANK
YOU**



COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting
Ben Cripps, Chief Compliance Officer
May 2020 through July 2020

EDUCATION

Live Presentations by Compliance Department –

- Compliance and Patient Privacy – New Hire Orientation
- Compliance and Patient Privacy – Management Orientation
- Compliance and Patient Privacy – GME Resident Orientation
- Compliance and Patient Privacy Annual Competency Fair and Education – Sequoia Surgery Center
- Fair Market Value, Valuation, Compensation Analysis – Go to Meeting with Department Leadership

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

- District Written Communications – Patient / Visitor Written Visitation Instructions – Going into Covid-19 Diagnosed Patient Rooms

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
- **California Hospital Association Consent and Related Health Care Law Seminar (Three Part Series)** – Reviewed and distributed the regulatory changes to affected departments for responses and tracking to 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

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; the annual renewal process with the new Compliance 360 workflow is currently in process
- **Correspondence Issue in Mail Room** – Research and consultation; participated as a member of a multi-disciplinary team to implement and outline a process in the mailroom for regulatory correspondence; flow chart and workflow created and implemented
- **Sterile Compounding Quality Assurance** – Research and consultation; regulatory research to assess pharmacy incubator temperature and documentation ranges are consistent with Federal Standard and State Regulations; required ranges were compared to Kaweah Delta Policy; new clean room commissioning testing reviewed by Pharmacy to confirm incubator temperatures were within the specified ranges during the duration of the sample incubation
- **Rural Health Clinic Prescribing** – Research and investigation; conducted an investigation into concerns that a Rural Health Clinic (RHC) provider was sending personal refill prescriptions to a pharmacy, requesting that the RHC Nurse Practitioner sign the refill requests; the provider (a male) was not a patient of the RHC Women’s Clinic; a meeting was held and the practice immediately stopped; education was provided to all RHC providers
- **Kaweah Delta Medical Foundation After Hours** – Research and consultation; participated in review and assessment of current CPT Code charge for after hours and weekend service charge for Prompt Care and Quick Care locations; CPT code descriptors were reviewed; modifications made to Chargemaster system; overpayment analysis conducted and confirmed no overpayment obligation exists
- **Kaweah Delta Medical Foundation (KDMF) Cardiology** – Research and investigation; review completed to determine if KDMF providers billed for duplicate charges for services provided at Kaweah Delta Medical Center; the issue was reviewed and found no instances of duplicate charges
- **Anesthesia Medical Group** – Consultation and Oversight; oversee the formation and implementation of a new local Anesthesia Medical Group; project plan created; financial pro forma, Fair Market Value Analysis, and drafting of the Professional Services Agreement ongoing; weekly meetings with Providers; expected implementation date is October 1, 2020

- **Covid-19 Incident Response** – Participation in Command Center activities and documentation; California Department of Public Health (CDPH) liaison for bed/unit changes and level of care; patient privacy consultations and recommendations concerning outside agencies and media requests
- **Skilled Nursing Facility Rural Health Podiatry Visits** – Research and consultation; researched regulatory guidance and evaluated billing processes for SNF RHC Podiatry visits; updates to the RHC Billing System and Podiatry Professional Services Agreement pending

AUDITING AND MONITORING

- **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 identifying increased utilization compared to the previous utilization period. Phase I of the review, focusing on Tomographic Imaging, commenced August 2019 and was completed March 19, 2020. Noridian identified an 88% payment compliance rate, with three (3) claims resulting in denials; one (1) of which was appealed (unsuccessfully). Based on the findings, Noridian has determined that our facility will not proceed to the next round of the TPE process.
- **Annual Sign Audit** – Review and assessment of all Kaweah Delta campus locations to determine all regulatory signage is current and posted. Locations with outdated signage were provided copies of new signage. Compliance has been provided confirmation that current signage has been posted.

KAWEAH DELTA INTERNAL AUDIT

SUZY PLUMMER

Conflict of Interest

ANNUAL REVIEW

EXECUTIVE SUMMARY

7/30/20

AUDIT OBJECTIVES, PURPOSE AND OPINION

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.

AUDIT PROCEDURES

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

1. Reviewed evidence that each designated individual completed a Form 700 during the most recent annual review process.
2. Selected and reviewed individuals terminated since the last review of disclosure forms in the Fall of 2019 to determine whether the required Form 700 was completed within 30 days.
3. Reviewed forms for individuals where economic interests were disclosed to determine if actions were needed.

OBSERVATIONS

The following observations were made:

1. Two individuals did not complete the leaving office statement. It should be noted that a new process has been put in place between Human Resources and the Board Clerk and Executive Assistant to the CEO that should address this issue.
2. We could not locate the form for two active individuals. Follow up is underway to receive both forms. It should be noted that one of the individuals is an employee and one is an outside attorney.
3. We did not identify any disclosures that warranted additional review of research.