

March 18, 2022

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 - COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **TUESDAY, MARCH 22, 2022, AT 5:00 P.M.**, in the **DOWNING RESOURCE CENTER, ROOMS A, B & C AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR VIA TELECONFERENCE (Visit svmh.com/virtualboardmeeting for Access Information).**

Pursuant to SVMHS Board Resolution No. 2022-02, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

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

**CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
MARCH 2022 - COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, MARCH 22, 2022
5:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
AND VIA TELECONFERENCE
(Visit svmh.com/virtualboardmeeting for Access Information)**

Pursuant to SVMHS Board Resolution No. 2022-02, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

AGENDA

1. Approval of Minutes from the Corporate Compliance and Audit Committee Meeting of December 14, 2021 (DELGADO)

- Motion/Second
- Action by Committee

2. Compliance Officer Report (LOPEZ/JAENICKE)

3. 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.

4. Closed Session

(See Attached Closed Session Sheet information)

5. Reconvene Open Session/Report on Closed Session

6. Adjournment – The Corporate Compliance and Audit Committee meets quarterly. The next meeting is scheduled for **Tuesday, June 21, 2022 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.

The Committee packet is available at the Committee Meeting, at www.svmh.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 Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

**SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM
CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING OF THE
BOARD OF DIRECTORS – 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

[] **LICENSE/PERMIT DETERMINATION**
(Government Code §54956.7)

Applicant(s): (Specify number of applicants) _____

[] **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
(Government Code §54956.8)

Property: (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation): _____

Agency negotiator: (Specify names of negotiators attending the closed session): _____

Negotiating parties: (Specify name of party (not agent): _____

Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both): _____

[] **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION**
(Government Code §54956.9(d)(1))

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers): _____, or

Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations): _____

[] **CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION**
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases): _____

Additional information required pursuant to Section 54956.9(e): _____

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases): _____

[] **LIABILITY CLAIMS**
(Government Code §54956.95)

Claimant: (Specify name unless unspecified pursuant to Section 54961): _____

Agency claimed against: (Specify name): _____

[] **THREAT TO PUBLIC SERVICES OR FACILITIES**
(Government Code §54957)

Consultation with: (Specify name of law enforcement agency and title of officer): _____

[] **PUBLIC EMPLOYEE APPOINTMENT**
(Government Code §54957)

Title: (Specify description of position to be filled): _____

[] **PUBLIC EMPLOYMENT**
(Government Code §54957)

Title: (Specify description of position to be filled): _____

[] **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**
(Government Code §54957)

Title: (Specify position title of employee being reviewed): _____

[] **PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE**
(Government Code §54957)

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

[] **CONFERENCE WITH LABOR NEGOTIATOR**
(Government Code §54957.6)

Agency designated representative: (Specify name of designated representatives attending the closed session): _____

Employee organization: (Specify name of organization representing employee or employees in question): _____ or

Unrepresented employee: (Specify position title of unrepresented employee who is the subject of the negotiations): _____

[] **CASE REVIEW/PLANNING**
(Government Code §54957.8)

(No additional information is required to consider case review or planning.)

REPORT INVOLVING TRADE SECRET
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): _____

Estimated date of public disclosure: (Specify month and year): _____

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. FEMA Update

CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

ADJOURN TO OPEN SESSION

**MINUTES OF THE DECEMBER 2021 CORPORATE COMPLIANCE
AND AUDIT COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

TUESDAY, DECEMBER 14, 2021

5:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C

**SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO**

(Visit svmh.com/virtualboardmeeting for Access Information)

Pursuant to SVMHS Board Resolution No. 2021-06, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: Pete Delgado and Augustine Lopez, in person

By teleconference Juan Cabrera, Chair, Joel Laguna Hernandez, Vice Chair (arrived 5:09P), Mike Nolan and Sanjeev Tandon

Committee Members Absent: None

Other Board Members Present, Constituting Committee of the Whole: None

Also Present: Scott Cleveland, Alan Edwards, Adrienne Laurent, Audrey Parks, Lisa Paulo and Gina Pye in person; and Michelle Childs and Lindsey Parnell, by teleconference

Guests Present: Kory Hoggan, Chris Pritchard and Joelle Pulver of Moss Adams

A quorum was present and the meeting was called to order at 5:04p.m. by Juan Cabrera, Committee Chair.

**APPROVAL OF MINUTES FROM THE CORPORATE COMPLIANCE AND AUDIT
COMMITTEE MEETING OF SEPTEMBER 28, 2021**

Pete Delgado, President/Chief Executive Officer, recommended the Corporate Compliance and Audit Committee approve the minutes of the Corporate Compliance and Audit Committee Meeting of September 28, 2021. This information was included in the Committee packet.

MOTION: The Corporate Compliance and Audit Committee approves the minutes of the Corporate Compliance and Audit Committee Meeting of September 28, 2021, as presented. Moved/Seconded/Motion Carried. Ayes: Cabrera, Delgado, Lopez, Nolan, Tandon; Noes: None; Abstentions: None; Absent: Hernandez Laguna; Motion Carried.

**CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE YEARS ENDED
JUNE 30, 2021 AND 2020 AUDITED FINANCIAL STATEMENTS FOR SALINAS VALLEY
MEMORIAL HEALTHCARE SYSTEM**

Augustine Lopez, CFO, with Scott Cleveland and Corey Hogan, Chris Pritchard & Joelle Pulver of Moss Adams, provided a comprehensive overview of the audited financial statements. This information was included in the Committee packet. Their unmodified opinion are presented fairly and in accordance with US GAAP.

Ms. Pulver addressed the balance sheet, highlighting various section: \$61M in advance payments to Medicare as part of COVID relief pay as they continue to recoup their payment. Net pension liability decreased from \$80M to \$40M (approximate) representing a substantial decrease. Non-operating income was \$10M lower than last year; due to no payment from DHHS. Management's net patient service accounts receivable is conservative and look good. There has been a \$10M increase year over year in total operating revenues. Expenses (\$32M) increased across the board in the district in every category year over year. The Days Cash on Hand represents unrestricted cash and investments which can be used to pay operating expenses; that is not designated for other purposes. Most hospitals have debt. SVMH performs well against the comp group hospitals. Operating margin 13.5% in 2020 and 8.4% 2021 takes into account a write down of approximately \$30M from the old master construction plan. When SVMH qualified for seismic upgrades, we took the write down

Mr. Pritchard spoke to the Communication with Those Charged with Governance, saying no adjustments were required after the audit which is a testament to management's ability to reconcile books and records. There were no material weakness, no significant deficiencies.

Effective July 1, 2021, GASB 87 will require leases to be reported as depreciated expenses which will require additional resources. Effective June 30, 2022, the auditors' will be required to relocate their opinion to the top of the report and will spell out terms more fully to make the opinion more transparent to readers who are not auditors by trade. Also effective July 1, 2021, and for district hospitals only, GASB 89 will no longer permit capitalization of interest; it must be reflected in the income statement immediately.

There was discussion among the assembly regarding GASB Board practices and implementation of rulings.

Mr. Tandon and others complimented Mr. Lopez and his team for another great year. SVMH is in a strong position. Mr. Lopez extended the kudos to members of his team on the frontline.

No Public Comment.

MOTION: The Corporate Compliance and Audit Committee recommends approval of the Years ended June 30, 2021 and 2020 audited financial statements for Salinas Valley Memorial Healthcare System, as presented. Moved/Seconded/Motion Carried. Ayes: Cabrera, Delgado, Hernandez Laguna, Lopez, Nolan, Tandon; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE YEARS ENDED DECEMBER 31, 2020 AND 2019 AUDITED FINANCIAL STATEMENTS FOR THE SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES' PENSION PLAN

Augustine Lopez, CFO, with Scott Cleveland and Kory Hoggan of Moss Adams provided a comprehensive overview of the audited financial statements. This information was included in the Committee packet.

Mr. Hoggan reminded the assembly that the pension plan is reported on a calendar year basis. The pension plan had a very good year with a return of approximately 15% in 2020. It was an unmodified opinion report, receiving the highest rating approval available. There was nothing to report. The pension audit focuses on: internal controls; investments, contributions (employer and member), benefit payments, participant data and eligibility, actuarial valuation and assumptions, expenses and financial reporting (specific reports required by GASB 67 & 68). The Committee's long term funding strategy has been successful; 90% funding status is a rare achievement in public pension plans. The audit went smoothly; there were no proposed audit adjustments. No significant new accounting pronouncements are anticipated to be applied during 2019-2021.

Mr. Lopez clarified the assets and liabilities of the pension plan are completely separate and distinct from the health care district; except the district is required to report the unfunded liability on the balance sheet (approximately \$40M). Once monies are put into the pension plan, they cannot be withdrawn as

they are held in a separate legal trust.

The committee members thanked the auditing team and appreciate the partnership with Moss Adams.

In response to Mr. Tandon's inquiry regarding the investment policy, Mr. Lopez replied the investment policy is reviewed with and by the Personnel, Pension and Investment Committee periodically. In fact, during the last review, the asset allocation was increased from 60% to 65%. The pension investment policy is very different from the district's unrestricted fund policy which follows California law. With the pension plan, we have the opportunity as a separate distinct trust to be a separate diversified fund. SVMH pension plan is fairly comparable to peer pension plans. Additionally, Mr. Lopez will provide Mr. Tandon with the latest quarterly report.

No Public Comment.

MOTION: The Corporate Compliance and Audit Committee recommends approval of the Years ended June 30, 2021 and 2020 audited financial statements for Salinas Valley Memorial Healthcare System, as presented. Moved/Seconded/Motion Carried. Ayes: Cabrera, Delgado, Hernandez Laguna, Lopez, Nolan, Tandon; Noes: None; Abstentions: None; Absent: None; Motion Carried

PUBLIC INPUT

None.

CLOSED SESSION

Juan Cabrera, Committee Chair, reported that the item to be discussed in Closed Session is Hearings/Reports – Data Breach Litigation Update and Annual District Financial Audit Report. The meeting was adjourned into Closed Session under the Closed Session protocol at 6:00 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 6:20 p.m. Mr. Cabrera announced that in Closed Session, the Committee discussed the following item: Hearings/Reports – Data Breach Litigation Update and Annual District Financial Audit Report. No action was taken in the Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 6:21p.m. The Corporate Compliance and Audit Committee meets quarterly. The next meeting is scheduled for Tuesday, March 22, 2022, at 5:00 p.m.

Juan Cabrera, Chair
Corporate Compliance and Audit Committee

/gmp



Corporate Compliance and Audit Committee
March 22, 2022



Topics

- **Education**
- **Update on Compliance Efforts**
 - **Telemedicine Self-Assessment**
 - **Follow-Up Status**
 - **Travelers' Invoice Review**
- **Accomplishments by Pillar**
- **Questions/Comments**

Ethics and Compliance

6 Attributes of Courage

“Courage is the price that life exacts for granting peace.” Amelia Earhart

“Psychology Today” lists 6 attributes of courage.

How do they apply to reporting a potential compliance concern?

1. Overcome fear
2. Be passionate
3. Persevere in the face of adversity
4. Stand up for what's right
5. Expand your horizons
6. Speak truth to power



Anonymous reporting and questions answered at:

<http://www.ethicspoint.com>

888-274-8231 – Ethics Point

Telemedicine Self-Assessment - SVMC

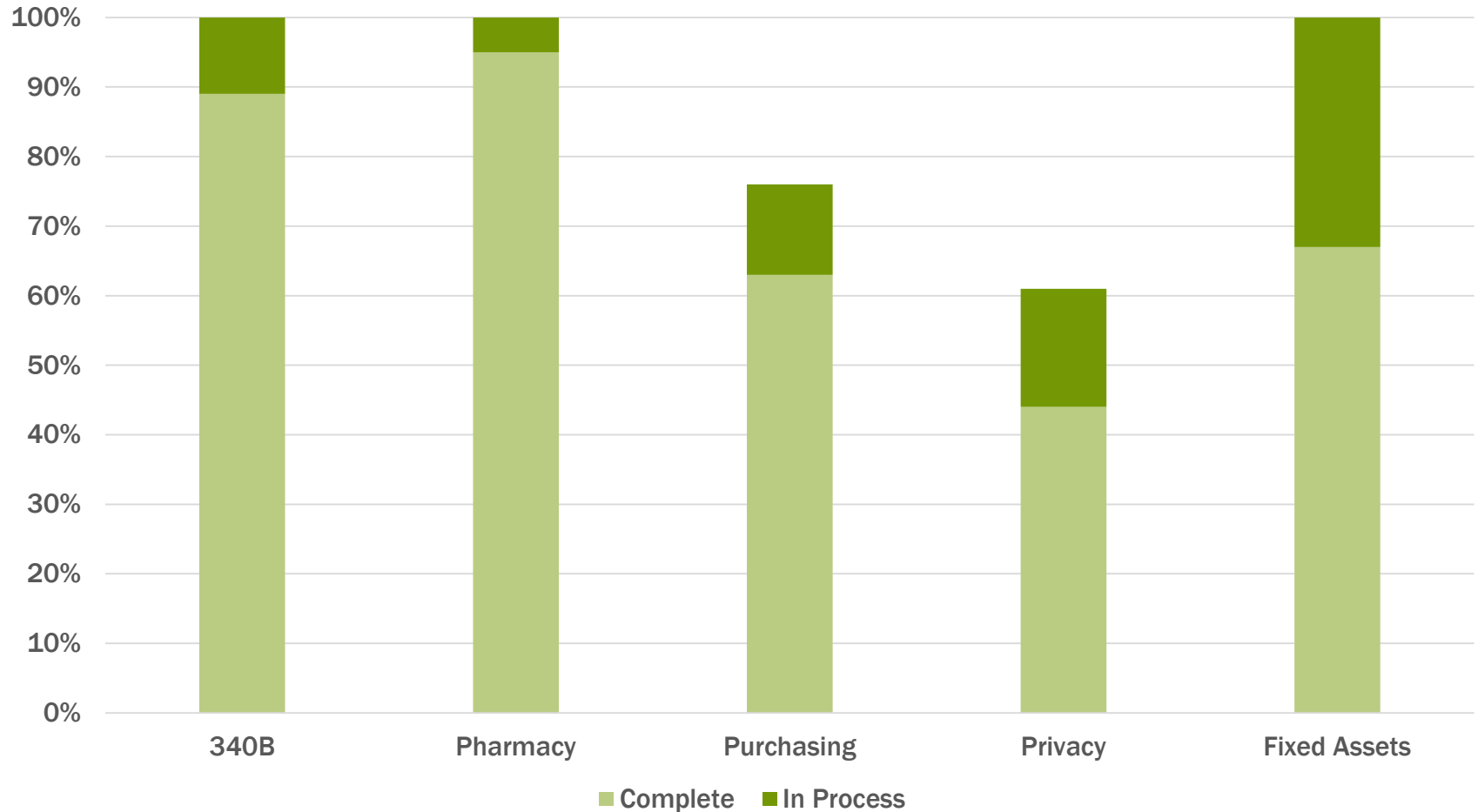
- Increased use of telehealth services leads to focus by the Office of Inspector General (OIG) for Health and Human Services (HHS).
- Self-assessment performed to determine extent of compliance with regulatory requirements and to ensure operational controls are in place.
- Telemedicine appointments at SVMC, for ambulatory-based visits:
 - 2019 = 1,780
 - 2020 = 39,804
- **Telehealth:** The use of telecommunications and information technology to *provide access to* health assessment, diagnosis, intervention, consultation, supervision, and information across distance.
- **Telemedicine:** Subcategory of telehealth referring to the *use of remote clinical services*, encompassing diagnosis, treatment, and monitoring.

Telemedicine Self-Assessment – SVMC (Cont'd.)

- Regulatory and operational areas covered, using EPIC systems for telemedicine visits:
 - Privacy, verbal consent
 - Encryption, authentication
 - Updates to EPIC for regulatory changes
 - Segregation of duties, registration
- All regulatory issues and process controls reviewed are in place and effective.
- Upon expiry of pandemic, some telemedicine waivers may expire. We are tracking.



Action Plans Complete by Original Due Date



Fixed Assets Self-Assessment Follow-Up

Responsibility	Action Plan	Status
Information Technology	Purchase and implementation of IT Asset Management System	<p>Ability to track where IT assets initially provisioned to be in place in March/April 2022.</p> <p>Next steps to develop and implement measures to ensure ongoing tracking of IT assets.</p>
Biomed	Determine assets of high value and implement a dollar-based approach to monitor.	High dollar value set at \$5,000
	Run monthly report. Individual fixed assets > \$5,000 will require a secondary search by department leader.	To date, none > \$5,000
Accounting	Send bi-monthly list of fixed assets to Biomed for review to determine if any should be removed from accounting records.	Completed in September 2021.

Targeted Review of Traveler Invoices: Summary

- Heavy use of travelers led to a review of invoices to ensure agencies are charging us in accordance with contracts and Traveler Confirmation Forms.
- In the industry, it has been identified that some traveler agencies have overcharged for usage of traveler services.
- In review of billed rates for a sample of 78 traveler assignments from top two agencies during the 1st quarter FY 2022, we identified that rates were all billed according to contracted rates per Traveler Confirmation Form.



Targeted Review of Traveler Invoices: “The Process”

HOURS

- Travelers use our timekeeping system.
- Department leaders approve hours.
- Data sent to traveler agencies.
- Traveler agencies bill hours based on data submitted.
- *Using timekeeping system is a leading practice.*



RATES

- Documented in Traveler Confirmation Forms that agencies send to HR.
- Billed per invoices that are sent out to leaders to approve.
- The process for reviewing billed rates is currently under review.
- HR, Payroll, and operations are working together to identify and improve the process of reviewing and authorizing billed rates for all traveler contracted agencies.

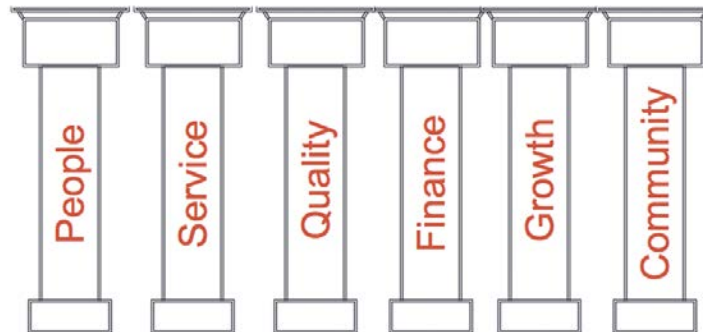


Internal Audit/Compliance Accomplishments by Pillar

Pillar	Accomplishments
People	<ul style="list-style-type: none"> • Elected to membership of International Board of Directors of Association of Healthcare Internal Auditors (AHIA). • Contributed to Practice Guide for Institute of Internal Auditors. • Earned two additional professional designations (CHC, CHIAP).
Service	<ul style="list-style-type: none"> • Audits = 4 • Self-Assessments = 2 • Targeted audits/reviews = 10 (some annually) • Assistance with audits performed by external organizations = 4 • Follow-Up for the above • Regular tracking of regulatory areas = 5 • Policy and procedures, develop and update = 13 • Participation in or leadership of workgroups = 4 • Support for Stimulus funds attestation • Review contract approval requests for competitive solicitation • Hotline • Education, Orientation • FEMA Project Leadership

Internal Audit/Compliance Accomplishments by Pillar (Cont'd.)

Pillar	Accomplishments
Quality	<ul style="list-style-type: none"> Employee Survey ethics question score <i>increased</i> from 3.87 in 2017 to 4.13 in 2021 and <i>higher than national average</i>. Ethics Point (Compliance Hotline) report days open < 50% of the median number of days nationwide.
Finance	<ul style="list-style-type: none"> Operating expenses under budget for each year.
Growth	<ul style="list-style-type: none"> Created new policies and procedures. Restructured Internal Ethics and Compliance Committee. Developed and executed risk-based internal audit plans. Providing project leadership for FEMA applications.
Community	<ul style="list-style-type: none"> 421 Community Service hours FY 2017-2021.



Transition

- FEMA Project Leadership
- Targeted Audits/Reviews based on request
- Coordinate with others for reporting to Corporate Compliance and Audit Committee of the Board
- Internal Ethics and Compliance Committee
- Regular Tracking of Regulatory Areas = 2
- Follow-Up on action plans for audits previously performed.





Questions/Comments

PUBLIC INPUT

CLOSED SESSION

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

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

*ADJOURNMENT – THE CORPORATE
COMPLIANCE AND AUDIT
COMMITTEE MEETS QUARTERLY. THE
NEXT MEETING IS SCHEDULED FOR
TUESDAY, JUNE 21, 2022,
AT 5:00 P.M.*