

Board Meetings

May 17, 2023 Regular Board Meeting

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AGENDA
NORTHERN INYO HEALTHCARE DISTRICT
BOARD OF DIRECTORS REGULAR MEETING

May 17, 2023 at 5:30 p.m.

Northern Inyo Healthcare District invites you to join this meeting:

TO CONNECT VIA ZOOM: *(A link is also available on the NIHD Website)*
<https://zoom.us/j/213497015?pwd=TDIiWXRuWjE4T1Y2YVFWbnF2aGk5UT09>
Meeting ID: 213 497 015
Password: 608092

PHONE CONNECTION:
888 475 4499 US Toll-free
877 853 5257 US Toll-free
Meeting ID: 213 497 015

The Board is again meeting in person at 2957 Birch Street Bishop, CA 93514. Members of the public will be allowed to attend in person or via zoom. Public comments can be made in person or via zoom.

1. Call to Order (at 5:30 pm).
2. **Public Comment:** The purpose of public comment is to allow members of the public to address the Board of Directors. Public comments shall be received at the beginning of the meeting and are **limited to three (3) minutes per speaker**, with a total time limit of thirty (30) minutes for all public comment unless otherwise modified by the Chair. Speaking time may not be granted and/or loaned to another individual for purposes of extending available speaking time unless arrangements have been made in advance for a large group of speakers to have a spokesperson speak on their behalf. Comments must be kept brief and non-repetitive. The general Public Comment portion of the meeting allows the public to address any item within the jurisdiction of the Board of Directors on matters not appearing on the agenda. Public comments on agenda items should be made at the time each item is considered.
3. New Business:
 - A. Ad Hoc Committee Reports *(Board will provide this information)*
 - a. Governance (Jean Turner)
 - b. HR (Mary Mae Kilpatrick)
 - c. Finance (Melissa Best-Baker)
 - d. Compliance (Jody Veenker)

- B. Chief Executive Officer Report
 - a. CEO Sentinel Event (*Board will receive this report*)
 - b. Construction in Progress (CIP) Update, Birch St Property, PMA Property (*Board will receive this report*)
 - c. CEO / CFO Segregation of Duties, Check Signing (*Board will receive this report*)
 - C. Chief Financial Officer Report
 - a. 2022 Audit Results (*Board will receive this report*)
 - b. Financial & Statistical Reports (*Board will consider the approval of these reports*)
 - c. TAG Update (*Board will receive this report*)
 - d. Med-Plan / Hauge Implementation (*Board will receive this report*)
 - e. CliftonLarsonAllen LLP (CLA) Scope of Work (*Board will consider the approval of this audit firm*)
 - f. Approval of Signers for Financial Northeastern Companies (*Board will consider the approval of the Corporate Resolution Certification*)
 - D. RSM Update, Stephen DelRossi (*Board will receive this report*)
 - E. Pioneer Home Health, Stephen DelRossi
 - a. Amended and Restated Articles of Incorporation for Pioneer Home Health Inc (*Board will consider the approval of the Amended and Restated Articles of Incorporation*)
 - b. Amended Bylaws for Pioneer Home Health Inc (*Board will consider the approval of the Amended Bylaws*)
 - c. Memorandum of Understanding for Un-Affiliation (*Board will consider the approval of the Memorandum of Understanding for Un-Affiliation*)
 - F. Pension Plan Changes, Alison Murray
 - a. Approval of District Board Resolution 2023-04 Authorizing Implementation of the Provisions of Section 414(h)(2) of the Internal Revenue Code to Tax Defer Employee Retirement Contributions to the Northern Inyo County Local Hospital District Retirement Plan (*Board will consider the approval of this District Board Resolution*)
 - b. Approval of Amendment No. 2 to the Northern Inyo Healthcare District 401(a) Retirement Plan (*Board will consider the approval of this Amendment*)
 - c. Approval of Amendment No. 6 to the Northern Inyo County Local Hospital District Retirement Plan (*Board will consider the approval of this Amendment*)
4. Chief of Staff Report, Sierra Bourne MD:
- A. Extension of Temporary Privileges for Good Cause (*Board will consider the approval of these extensions of temporary privileges for good cause*)

1. Jhoanne Bautista, MD (*general surgery*) – temporary privileges granted for 180 days
 2. Guy Cascillas, MD (*general surgery*) – temporary privileges granted for 180 days
 - B. Policies (*Board will consider the approval of these Policies and Procedures*)
 1. *Bloodborne Pathogen Exposure Control Plan*
 2. *Discharge Planning for Homeless Patients*
 3. *Discharge Planning for the Hospitalized Patient*
 4. *Interdisciplinary Plan of Care Coordination*
 5. *Management of Discharge Disputes from Medicare Patients*
 6. *Plan for the Provision of Social Services at NIHD*
 7. *Standardized Procedure - General Policy for the NP or CNM*
 8. *Standardized Procedure for Admission of the Well Newborn*
 9. *Standardized Procedures for Medical Functions by RN in the Emergency Department*
 10. *Standardized Protocol - Adult Health Maintenance for the Physician Assistant*
 11. *Utilization Review Plan*
 12. *Access to ePHI by Third Party*
 13. *Informed Consent Policy - Practitioner's Responsibility*
 14. *Medical Staff Department Policy - Outpatient Medicine*
 15. *Patient Rights and Responsibilities*
 - C. Medical Executive Committee Report (*Board will receive this report*)
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Consent Agenda

***All matters listed under the consent agenda are considered routine
and will be enacted by one motion unless any member of the
Board wishes to remove an item for discussion.***

5. Approval of minutes of the April 19, 2023 Regular Board Meeting (*Board will consider the approval of these minutes*)
 6. Chief Nursing Officer/Chief Operations Officer Report (*Board will consider accepting this report*)
 7. Chief Medical Office Report (*Board will consider accepting this report*)
 8. Compliance Department Quarterly Report (*Board will consider the accepting this report*)
 9. Department Reports (*Board will consider the accepting these reports*)
-
10. Reports from Board Members (*Board will provide this information*)
 11. Adjournment

In compliance with the Americans with Disabilities Act, if you require special accommodations to participate in a District Board meeting, please contact administration at (760) 873-2838 at least 48 hours prior to the meeting.



April 28, 2023

To the Board of Directors
Northern Inyo Healthcare District
Bishop, California

We have audited the financial statements of the Northern Inyo Healthcare District (District) as of and for the year ended June 30, 2022 and have issued our report thereon dated April 28, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated August 1, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding control deficiencies during our audit in our Independent Auditor's 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* dated April 28, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Collectability of Patient Receivables – Management's estimate of the realization of patient receivables is based on review of outstanding receivables and their aging, historical collection information updated for recent trends in collection and agings, and existing economic conditions and collection rates from third-party payors.

Estimated Third-Party Payor Settlements – Management's estimate of the amounts either owed to or receivable from third-party payors is based on both final and tentatively settled cost reports. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that the estimates for all open years are adequate but not excessive. Any differences between the estimates and the final settlements will be recorded in the period the final settlements are made.

Provider Relief Funds – Amounts received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund are subject to terms and conditions imposed by the Department of Health and Human Services (HHS), which state payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to the coronavirus. Management's estimate of the funds recognized as revenue is based on meeting the terms and conditions, and these terms and conditions are subject to significant interpretation and continuing and future updated guidance. As of and for the year ended June 30, 2022, \$3,065,371 was recognized as nonoperating revenue for Provider Relief Funds.

Self-Insurance Claims - The adequacy of the reserve for self-funded health insurance claims is also subjective. The reserve for health insurance claims is maintained at a level, which management believes is adequate to cover claims incurred during the year ended June 30, 2022, but not paid until after year ended June 30, 2022. Management periodically evaluates the reserve using the District's past experience, known claims, and other relevant factors.

Net Pension Liabilities - Amounts related to the net pension liability, related deferred inflows of resources and deferred outflows of resources, pension expense, and related disclosures, are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of net patient service revenue is included in Note 5 to the financial statements and includes amounts recorded associated with contractual and other adjustments for amounts to or from third-party payors, as well as amounts received and recorded as revenue from Medi-Cal and other State programs. It also discloses amounts related to Medicare advance payments received from the Center for Medicare & Medicaid Services (CMS). This disclosure identifies payments received from CMS and amounts recorded in the financial statements, as well as expected recoupment by the government.
- The disclosure of Provider Relief Funds is described in Note 13. This disclosure identifies funds administered by HHS and received by the District through the Provider Relief Fund and American Rescue Plan Rural Distribution (PRF) and amounts recorded as nonoperating revenue by the District in the 2022 financial statements. These funds may be retained upon meeting certain terms and conditions that are subject to significant interpretation and potential future guidance and audit.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The attached schedule summarizes misstatements that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

There were no uncorrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify and circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated April 28, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sacramento, California

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
Audit Adjustment - Adjustment to Roll beginning Fund Balance			
290100	Retained Earnings	\$ 14,997.00	
729200	Postage/Freight	80,447.00	
W32100	W321000 FOUND FOUNDATION - RETAINED EARNINGS	160.00	
W430004	W430004 AUX Membership Dues	1,738.00	
290102	Fund Balance - Nursing Scholarship		\$ 80,447.00
382000	Other Oper Rev - Insv Rev		14,997.00
W33000	W330000 AUX NET POSITION		1,738.00
W51000	W510000 FOUND Refunds		160.00
Total		<u>97,342.00</u>	<u>97,342.00</u>
Adjusting Journal Entries JE # 2			
Audit Adjustment - Other supplemental receivables testing, zeroing balances for 125220 and 125225 based on testing, See Ref. B.33 for more details.			
382500	Other Deduction - Gain Prgrm Reim	8,371,430.00	
125220	Other Receivables - Anthem IGT		1,592,580.00
125225	Other Receivables - CHW IGT		6,778,850.00
Total		<u>8,371,430.00</u>	<u>8,371,430.00</u>
Adjusting Journal Entries JE # 3			
Client Adjustment - Account 125203 Medicare Penalty Withholding Reversal			
121400	ESCB Cash Clearing - Cerner	3,999,114.00	
125203	Other Receivables - Medicare Withheld Amounts		3,999,114.00
Total		<u>3,999,114.00</u>	<u>3,999,114.00</u>
Adjusting Journal Entries JE # 4			
Client Adjustment - To correct unnecessary pro fee accrued liability, as the physician's contract with the district ended in May 2022			
705000	Pro Fees - Physicians	55,067.00	
200010	Accounts Payable - Accrued Liability		55,067.00
Total		<u>55,067.00</u>	<u>55,067.00</u>
Adjusting Journal Entries JE # 5			
Client Adjustment - Reclass IGT Check from State to correct Departments			
999999	Cerner Unaliased	151,135.00	
125210	Other Receivables - DHCS IGT		72,744.00
382500	Other Deduction - Gain Prgrm Reim		78,391.00
Total		<u>151,135.00</u>	<u>151,135.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 6			
Client Adjustment - To adjust IBNR based on history			
232300	MDV Claims	\$ 512,285.00	
620100	Medical, Dental, Vision Plan Expense		\$ 512,285.00
Total		<u>512,285.00</u>	<u>512,285.00</u>
Adjusting Journal Entries JE # 7			
Client Adjustment - AB915 Reimbursement			
125200	Other Receivables	1,376,622.00	
500115	Contractuals - AB915 Funds		1,376,622.00
Total		<u>1,376,622.00</u>	<u>1,376,622.00</u>
Adjusting Journal Entries JE # 8			
Client Adjustment - Additional General Accrual for invoices paid in July but were not accrued for in June			
705000	Pro Fees - Physicians	65,105.00	
710110	Contract Labor	32,576.00	
710130	Contract Labor	33,470.00	
200010	Accounts Payable - Accrued Liability		131,151.00
Total		<u>131,151.00</u>	<u>131,151.00</u>
Adjusting Journal Entries JE # 9			
Client Adjustment - Year End Adjustment for Acct 125200; To reclass items to correct departments			
125200	Other Receivables	3,988.00	
542100	Disproportionate Share Income/Loss	24,038.00	
850000	Interpreter Services Revenue	48,492.00	
232100	Other PR Tax/Ded -FSA		464.00
383200	Other Oper Rev - M/Cal TR Supp OP Income		46,917.00
500100	Contractual Adjustment - Athena - Cerner		6,710.00
600300	Salary - APP		1,121.00
611700	Unemployment Expense		14,368.00
710110	Contract Labor RN		6,938.00
Total		<u>76,518.00</u>	<u>76,518.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 10			
Client Adjustment - Re-Class to correct departments and accounts			
232300	MDV Claims	\$ 2,412.00	
300101	Outpatient Revenue - Cerner and Athena	483.00	
752100	Equipment Lease	3,730.00	
620100	Medical, Dental, Vision Plan Expense		\$ 2,412.00
730200	Licenses and Taxes		3,730.00
999999	Cerner Unaliased		483.00
Total		<u>6,625.00</u>	<u>6,625.00</u>
Adjusting Journal Entries JE # 11			
Client Adjustment - Pension Entry			
231200	Other PR Tax/Ded -DB Plan	3,405,766.00	
620200	Pension	3,346,115.00	
145100	DB Pension		4,350,329.00
256000	Other Deferred Credits - Pension		21,425.00
275500	Non-Current Liability - Pension		2,380,127.00
Total		<u>6,751,881.00</u>	<u>6,751,881.00</u>
Adjusting Journal Entries JE # 12			
Client Adjustment - Capitalization of Flooring Project and 2 month Depreciation Expense for the Flooring Project			
153300	Building	1,265,997.00	
750100	Depreciation Expense - Buildings and Improvements	14,067.00	
150170	Construction in Progress 8		1,265,997.00
158300	Accum Depreciation - Building		14,067.00
Total		<u>1,280,064.00</u>	<u>1,280,064.00</u>
Adjusting Journal Entries JE # 13			
Client Adjustment - Additional Accruals			
200010	Accounts Payable - Accrued Liability	179,419.00	
710130	Contract Labor Other	59,729.00	
710110	Contract Labor RN		230,174.00
711300	Other Professional Service		8,974.00
Total		<u>239,148.00</u>	<u>239,148.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 14			
Client Adjustment - Provider Relief Funds			
241500	Deferred Revenue - COVID19	\$ 352,816.00	
241600	RHC American Rescue Plan Funds	2,712,555.00	
382700	Other Oper Rev Grants Oth Program Rev		\$ 3,065,371.00
Total		<u>3,065,371.00</u>	<u>3,065,371.00</u>
Adjusting Journal Entries JE # 15			
Client Adjustment - To reclass items to correct departments			
382900	Other Oper Rev - Misc Incm	36,987.00	
880100	Misc Non-Operating Revenue	78,934.69	
382500	Other Deduction - Gain Prgrm Reim		36,987.00
620200	Pension		78,934.69
Total		<u>115,921.69</u>	<u>115,921.69</u>
Adjusting Journal Entries JE # 16			
Client Adjustment - To update TB to agree NHID TB with EB FS Drafting TB			
383200	Other Oper Rev - M/Cal TR Supp OP Income	22,149.00	
701100	Dues/Fees	4,848.00	
720170	Pharmaceuticals	482,901.00	
720190	Other Medical Center Materials	56,046.00	
720270	Other Non-Medical Supplies	7,122.00	
960100	Interest Expense	6.00	
W51000	W510000 FOUND Refunds	160.00	
W620014	W620014 FOUND FOUNDATION - SERVICE CHARGES	894.00	
200010	Accounts Payable - Accrued Liability		435,940.00
200300	Accounts Payable - Other		21,400.00
210300	LT Loans - Banks, B/A - Current Portion		4,848.00
705000	Pro Fees - Physicians		110,131.00
711300	Other Professional Service		753.00
W53000	W53000 FOUND Interest Income		894.00
W62002	W620020 FOUND Website Fees		160.00
Total		<u>574,126.00</u>	<u>574,126.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 17			
Reclass accumulated depreciation credit entry from capital improvements to deferred outflow-PMA excess acquisition for CY amortization - Removed entry and regrouped amortization account.			
145400	Deferred Outflow - Excess Acquisition	\$ 34,387.00	
158400	Accum Depr - Capital Improvement		\$ 34,387.00
Total		<u>0.00</u>	<u>0.00</u>
Adjusting Journal Entries JE # 18			
Reclass current portion of PHH Mortgage payable			
W2555	W2555 PHH Mortgage - Academy Avenue	5,355.00	
W2555C	W2555C PHH Current Portion of PHH Mortgage		5,355.00
Total		<u>5,355.00</u>	<u>5,355.00</u>
Adjusting Journal Entries JE # 19			
Reclassify pension contributions made after the measurement date to deferred outflow of resources			
145100	DB Pension	5,251,934.00	
620200	Pension		5,251,934.00
Total		<u>5,251,934.00</u>	<u>5,251,934.00</u>
Adjusting Journal Entries JE # 20			
Client adjustment - Medicare Cost Report Reserve for FY19, FY20, FY21, FY22			
125205	Other Receivable - Medicare Settlement	56,247.00	
540100	Medicare Settlement Income/Expense	400,000.00	
540100	Medicare Settlement Income/Expense	293,247.00	
251140	Medicare Settlement 16/17		293,247.00
251160	Medicare Settlement 18/19		100,000.00
251161	Medicare Settlement 19/20		100,000.00
251162	Medicare Settlement 20/21		100,000.00
251163	Medicare Settlement 21/22		100,000.00
540100	Medicare Settlement Income/Expense		56,247.00
Total		<u>749,494.00</u>	<u>749,494.00</u>
Adjusting Journal Entries JE # 21			
Client adjusting entry - Accrual of FY22 Medicare Cost Report Recon Liability			
540100	Medicare Settlement Income/Expense	430,912.00	
251163	Medicare Settlement 21/22		430,912.00
Total		<u>430,912.00</u>	<u>430,912.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 22			
Client adjustment - To reclass CIP 5 - Cerner EHR System - into Capital and Expense Account			
150140	Construction in Progress 5	\$ 9,600.00	
151600	Cerner Capital	78,081.00	
789120	Cerner Expense	202,525.00	
150140	Construction in Progress 5		\$ 280,606.00
789120	Cerner Expense		9,600.00
Total		<u>290,206.00</u>	<u>290,206.00</u>
Adjusting Journal Entries JE # 23			
Client Adjustment - Reclass of expenses to CIP 10 - Chiller/Condenser			
150190	Construction in Progress 10	25,000.00	
711300	Other Professional Service		25,000.00
Total		<u>25,000.00</u>	<u>25,000.00</u>
Adjusting Journal Entries JE # 24			
Client Adjustment - Reclass Patient Credits out of the Patient Accounts Receivable to Patient Credits Liability			
120000	Accounts Receivable - Cerner (Athena Last Year)	947,180.00	
120100	Accounts Receivable - Athena	437,001.00	
200200	Refunds Payable		947,180.00
200210	Refund Payable - Legacy		437,001.00
Total		<u>1,384,181.00</u>	<u>1,384,181.00</u>
Adjusting Journal Entries JE # 25			
Client adjustment - Accrual of Cardinal Health, Inc. Invoice #2057206445 05-2022 and 2057206445 06-2022			
720190	Other Medical Center Materials	56,853.00	
200010	Accounts Payable - Accrued Liability		56,853.00
Total		<u>56,853.00</u>	<u>56,853.00</u>
Adjusting Journal Entries JE # 26			
Client adjustment - Reversal of posting of July 2022 Invoice #73 of Cromer-Tyler, Robbin MD			
200000	Accounts Payable - Trade	376,130.00	
141100	Prepaid Expenses		376,130.00
Total		<u>376,130.00</u>	<u>376,130.00</u>

Northern Inyo Healthcare District
Schedule of Corrected Misstatements
Year Ended June 30, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 27			
Audit adjustment - Accrual of Medical Solutions Invoices for FY22 that were not Accrued			
710110	Contract Labor	\$ 337,390.00	
200010	Accounts Payable - Accrued Liability		\$ 337,390.00
Total		<u>337,390.00</u>	<u>337,390.00</u>
Adjusting Journal Entries JE # 28			
Audit Reclass Adjustment - To True-up the GL Balance of the Accelerated Payments to the Support Provided by Noridian			
249100	Accelerated Payments	139,227.00	
121400	ESCB Cash Clearing - Cerner		139,227.00
Total		<u>139,227.00</u>	<u>139,227.00</u>
Adjusting Journal Entries JE # 29			
MDV Liability True-up			
620100	Medical, Dental, Vision Plan Expense	360,633.00	
232300	MDV Claims		360,633.00
Total		<u>360,633.00</u>	<u>360,633.00</u>
Adjusting Journal Entries JE # 30			
Net AR Adjustment			
500100	Contractual Adjustment - Athena - Cerner	3,883,008.00	
120110	Contractual Allowance for A/R - Cerner		3,883,008.00
Total		<u>3,883,008.00</u>	<u>3,883,008.00</u>
Adjusting Journal Entries JE # 31			
Client adjustment to accrue supplemental receivable/revenue for the QIP Program period 1/1/2021 through 12/31/2021.			
125220	Other Receivables - Anthem IGT	767,012.00	
125225	Other Receivables - CHW IGT	775,352.00	
382500	Other Deduction - Gain Prgrm Reim		1,542,364.00
Total		<u>1,542,364.00</u>	<u>1,542,364.00</u>
	Total Adjusting Journal Entries	<u>\$41,636,487.69</u>	<u>\$41,636,487.69</u>



Independent Auditor's 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*

To the Board of Directors
Northern Inyo Healthcare District
Bishop, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the business-type activities and fiduciary activities of the Northern Inyo Healthcare District, (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-003 and 2022-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California
April 28, 2023

2022-001 BALANCE SHEET RECONCILIATIONS

Type of Finding: Material Weakness

Criteria:

The District should maintain procedures to ensure that year-end closing procedures address all balance sheet accounts. The District should also have policies and procedures in place requiring District management to review year-end account balances and determine the propriety and classification of the account balances. Finally, the District should design and implement internal controls over the financial reporting process to ensure that the general ledger fiscal year period is closed and related financial statements supporting schedules are prepared and reconcile to the general ledger and that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition Found:

As a result of our audit, we noted that the District did not appear to have adequate policies and internal controls in place to review and evaluate the propriety or nature of various material balance sheet accounts at the balance sheet date, and prior to providing the final trial balance for audit.

During our audit of balance sheet accounts, we noted the following:

- Supplemental receivables were not reconciled prior to the beginning of the audit, requiring adjustment of \$8.3 million to correct the balances.
- Debit balances were recorded for various patient accounts receivable clearing accounts that are normally a zero balance or a credit balance. After further examination, the District proposed adjustments to correct these accounts.
- Patient credits that represented refunds owed were required to be reclassified from account receivable to accounts payable.
- Reconciliation over long-term debt accounts was not performed on a monthly basis.
- The District does not perform a review over the monthly reconciliation of capital asset module accounts.
- The District made disbursements related to training costs for Cerner, which had been recorded in Construction-in-Progress. Costs related to ongoing operations of the software or software licenses such as training, manual data conversion, and maintenance and support costs during post implementation of software are not capitalizable. As such, an adjustment was necessary to properly record the training costs as expenses.
- The District does not perform a reconciliation of net position, compared to the prior year audited financial statements. An adjustment was needed to reconcile the District's beginning net position to the prior year audited financial statements.
- The District under accrued for the Medical, Dental and Vision liability. An adjustment of \$360,633 was needed to record additional amounts required.

Each of the items noted above resulted in client adjustments to the financial statements.

Cause:

The District has made improvements to the policies and procedures over monthly and year-end account reconciliations. However, the District experienced significant turnover in key positions in FY 2022, resulting in several of the accounts to not be fully reconciled prior to the audit.

Effect:

As a result of the adjustments proposed and posted to the District's financial statements, management and the board were relying on unadjusted and incomplete financial statements.

Recommendation:

We recommend that management continue to implement internal controls and procedures to ensure that the proper analysis and reconciliation of balance sheet accounts during the year and for the year-end close.

Views of Responsible Officials:

Management agrees with the finding.

2022-002

PENSION ADMINISTRATION

Type of Finding: Significant Deficiency

Criteria:

In accordance with Government Code Section 60201(12), the District is required to retain records that document the amount of compensation paid to District employees or officers or to independent contractors providing personal or professional services to the District, or relates to expense reimbursement to District officers or employees, or to the use of District paid credit cards or any travel compensation mechanism. The records described above may be destroyed or disposed of pursuant to this section seven years after the date of payment.

The District's record retention policies that apply to employment records required these records to be destroyed after five (5) years.

Condition Found:

As a result of our audit, we noted the District was not able to provide personnel files for the samples selected for census data testing. Even though these employees are no longer active, the District's plan is required to maintain personnel files. The lack of these documents could lead to various critical plan matters (eligibility, participation, allocation, contribution amount, etc.) being unsupported and open to dispute in the future.

Cause:

Management asserts the missing files are due to the District destroying human resource records after five (5) years, contrary to Government Code.

Effect:

The lack of these documents could lead to various critical plan matters (eligibility, participation, allocation, contribution amount, etc.) being unsupported and open to dispute in the future. We recommend that steps be taken to attempt to locate all misplaced personnel files and store them in one central location.

Recommendation:

We recommend that steps be taken to attempt to locate all misplaced personnel files and store them in one central location.

Views of Responsible Officials:

Management agrees with the finding.

2022-003 DEFERRED OUTFLOW OF RESOURCES – PENSION

Type of Finding: Material Weakness

Criteria:

The District should maintain procedures to ensure that contributions made to the pension plan subsequent to the measurement date are recorded properly as deferred outflow of resources rather than in pension expense.

Condition Found:

The District made \$5.3 million of contributions to the Defined Benefit Pension Plan trust after the Pension Liability Measurement date of December 31, 2021, which were not reported in deferred outflows of resources related to pensions but rather reported as an expense. An adjustment was required to correct the balance.

Cause:

The District's internal controls did not detect the error in recording pension contributions that occurred subsequent to the measurement date.

Effect:

Adjustments were made to remove the \$5.3 million from pension expense into deferred outflow of resources related to pension.

Recommendation:

The District should maintain procedures to ensure that contributions subsequent to the measurement date are reported correctly in the general ledger. This review should be reviewed by management each month.

View of Responsible Officials:

Management agrees with the finding.

2022-004

CONTRACTUAL ALLOWANCE AND THIRD-PARTY SETTLEMENTS

Type of Finding: Material Weakness

Criteria:

Healthcare entities need to estimate third party settlement amounts that ultimately will be realizable in order for net patient revenues to be fairly stated in accordance with generally accepted accounting principles. In addition, preparation of third-party cost reports should be reviewed for accuracy and completeness prior to filing to intermediary agencies.

Condition Found:

During our audit, we noted that significant audit adjustments were proposed and recorded to current patient revenue to adjust net patient service revenue to its net realizable value and estimates related to third party settlements. These adjustments were related to patient revenue and outstanding Medicare and MediCal cost settlement reports. We noted we that the Hospital's analysis of contractual allowances utilized zero balance information for financial classes which were dated over a year from fiscal year-end which resulted in an undervalued amount calculated for contractual reserves. An adjustment of \$3.9 million was recorded to reflect the effects of more timely zero balance information. We also noted the District did not initially record an estimated net settlement liability for the FY 2022 cost report until after an amended FY 2022 cost report was filed in February. The amended cost report lowered the District's initial estimated liability of approximately \$2 million. These adjustments have been reflected in the financial statements.

Cause:

The District's internal controls did not detect the errors or consider changes in estimates related to the prior year cost reports.

Effect:

Adjustments were made to reflect the correction of the errors and changes in estimates.

Recommendation:

We recommend that the District establish procedures to ensure cost report settlements receivables and liabilities are periodically reviewed for accuracy and completeness based on their estimated realizable amounts, and estimates are established each year to estimate year end cost report settlements.

View of Responsible Officials:

Management agrees with the finding.

Northern Inyo Healthcare District
Summary Schedule of Prior Year Findings
June 30, 2022

Finding Number	Description of Finding	Status
2021-001	Balance Sheet Reconciliations	Partially Implemented. See Finding 2022-001.
2021-002	Pension Administration	Not Implemented. See Finding 2022-002.
2021-003	Reconciliation of Time Keeping System with Payroll Processer	Implemented
2021-004	Timely Submittal of Medicare Patient Credit Reports	Implemented



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