March 15, 2017

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 21, 2017, AT 5:45 P.M., in the HEART CENTER TELECONFERENCE ROOM IN SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA.

Pete Delgado
President/Chief Executive Officer

PD:ks
AGENDA

1. Approval of Minutes from the Corporate Compliance and Audit Committee Meeting of December 12, 2016 (DELGADO)
   - Motion/Second
   - Action by Committee

2. Consider Recommendation for Board Approval of Revised Corporate Compliance and Audit Committee Charter (DELGADO)
   - Staff Report
   - Committee Questions to Staff
   - Motion/Second
   - Public Comment
   - Committee Discussion/Deliberation
   - Action by Committee

3. Review and Consider Recommendation for Board Approval of Financial Audit Services Agreement with Moss Adams LLP (LOPEZ)
   - Staff Report
   - Committee Questions to Staff
   - Motion/Second
   - Public Comment
   - Committee Discussion/Deliberation
   - Action by Committee

4. Review and Consider Recommendation for Board Approval of Pension Plan Audit Services Agreement with Moss Adams, LLP (LOPEZ)
   - Staff Report
   - Committee Questions to Staff
   - Motion/Second
   - Public Comment
   - Committee Discussion/Deliberation
   - Action by Committee

5. Compliance Officer Report (LOPEZ / JAENICKE)
6. Public Input

7. Closed Session
   (See Attached Closed Session Sheet information)

8. Reconvene Open Session/Report on Closed Session

9. Adjournment – The Corporate Compliance and Audit Committee meets quarterly and the next meeting is scheduled for **Tuesday, June 20, 2017, at 5:45 p.m., in the Heart Center Teleconference Room** in Salinas Valley Memorial Hospital.

Notes: 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.

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.

The complete Committee packet including subsequently distributed materials and presentations is available at the Committee Meeting and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee. Staff and Committee recommendations are subject to change by the Board.
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):

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 reports concerning medical staff privileges, medical audit report, hospital internal audit report, or quality/safety/ assurance report):

1. Report of Hospital/Medical Staff Internal Ethics & Compliance Committee

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 2016 CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

MONDAY, DECEMBER 12, 2016
6:00 P.M. - HEART CENTER TELECONFERENCE ROOM
SALINAS VALLEY MEMORIAL HOSPITAL

Committee Members Present: Chris Orman, Chair; Pete Delgado, Augustine Lopez, and Mike Nolan.

Committee Members Absent: Allen Radner, MD.

Other Board Members Present, Constituting Committee of the Whole: There were no other Board Members present.

Also Present: Adrienne Laurent, Henry Ornelas, Chris Pritchard, Joelle Pulver, Kory Hoggan, Rob Lane, Clint Hoffman, Mike Lee, Scott Cleveland, Glenn Berry, MD, Sanjeev Tandon, and Karen Schroeder.

A quorum was present and the meeting was called to order at 6:18 p.m.

APPROVAL OF MINUTES FROM THE CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING OF NOVEMBER 14, 2016

Minutes of the Corporate Compliance and Audit Committee Meeting of November 14, 2016, were included in the agenda packet for consideration for approval.

No Public Input.

MOTION: The Corporate Compliance and Audit Committee approves the minutes of the Corporate Compliance and Audit Committee Meeting of November 14, 2016, as presented. Moved/Seconded/and Unanimously Carried. Ayes: Orman, Delgado, Lopez, Nolan.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE 2015-2016 AUDITED FINANCIAL STATEMENTS FOR SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

Augustine Lopez, Chief Financial Officer, introduced independent auditors Chris Pritchard and Joelle Pulver of Moss Adams, LP, who reviewed the 2015-2016 audited financial statements for
Salinas Valley Memorial Healthcare System. The following information was included in the agenda packet:

- Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information for Salinas Valley Memorial Healthcare System, for years ended June 30, 2016 and 2015
- Communications with those Charged with Governance
- Communication of Internal Control Related Matters

Moss Adams issued an unmodified audit opinion that the consolidated financial statements are fairly presented in accordance with generally accepted accounting principles.

Discussion with representatives of Moss Adams included:

- Audit Objectives
- Statement of Net Position, including asset composition, liabilities and net position, and patient service accounts receivable
- Operations, including income statements
- Important Board Communications
  - Significant accounting policies – AU-C 260
  - Accounting estimates are reasonable
  - No material weaknesses
  - No issues discussed prior to our retention as auditors
  - No disagreements with management
- Accounting Standards Update for Salinas Valley Memorial Healthcare System

The auditors recommended that management implement a robust model at Salinas Valley Medical Clinic for valuation of patient accounts receivable on a regular basis including bad debts. Management agreed and has already implemented a procedure.

No Public Input.

There was brief discussion among the Committee and Hospital Leadership regarding a model for valuation of patient accounts receivable, outstanding patient accounts receivable, increase in revenue, and payor contracts.

**MOTION:** The Corporate Compliance and Audit Committee approves the Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information for the years ended June 30, 2016 and 2015, for Salinas Valley Memorial Healthcare System. Moved/Seconded/and Unanimously Carried. Ayes: Orman, Delgado, Lopez, Nolan.
CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE DECEMBER 31, 2015, AUDITED FINANCIAL STATEMENTS FOR SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES’ PENSION PLAN

Augustine Lopez, Chief Financial Officer, introduced independent auditor Kory Hoggan of Moss Adams, who provided an overview of the Report of Independent Auditors and Financial Statements for Salinas Valley Memorial Healthcare District Employees’ Pension Plan for the year ended December 31, 2015. This information was included in the agenda packet.

M. Hoggan reported that Moss Adams issued an unmodified opinion stating that the financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.

Discussion included:

- Financial Highlights
- Areas of Audit Emphasis
- New Accounting Pronouncement – GASB No. 72 – Fair Value Measurement and Application effective for year ended December 31, 2016
- Required Communications
- Other Communications
  - No material weaknesses noted and no significant deficiencies reported in Plan’s audit
  - Recommendation: timing and reporting of employer contributions

Mr. Lopez noted that a Board Resolution will be forthcoming for consideration by the Board regarding the timing and reporting of employer contributions to follow the new pronouncement.

Public Input:

Glenn Berry, MD, Medical Staff Member and member of the Finance Committee, inquired about accounting for employees that might be vested in the future. The auditor responded to his inquiry noting that it is built into the actuarial assumptions.

There was discussion among the Committee and Mr. Hoggan regarding oversight of the defined benefit pension plan and two defined contributions plans for Salinas Valley Memorial Healthcare system; Nicolay Consulting Group, the actuarial firm; and fiduciary net position of the defined benefit plan. It was noted that Lockton Investment Advisors, LLC, represented by Steve Kjar, Vice President, is the independent investment advisor for the retirement plans. The performance of the Plan is reviewed with the Personnel, Pension and Investment Committee on a quarterly basis or on an ad hoc basis if necessary. A new mortality table will be implemented in the near future. The Hospital has made additional deposits of $5 million to the Plan this year. Nicolay Consulting Group recommends a funding contribution each year that is the actuary’s minimum contribution to maintain the Plan at the same funding level. As prioritized by the Board of Directors and Hospital Leadership, the Hospital has made those yearly contributions. The Hospital has also made additional contributions to the Plan.
No Public Input.

Mr. Lopez commended Mike Lee, Controller, and his staff for their outstanding efforts.

MOTION: The Corporate Compliance and Audit Committee recommends that the Board of Directors approve the Report of Independent Auditors and Financial Statements with Required Supplementary Information for Salinas Valley Memorial Healthcare District Employees’ Pension Plan as of December 31, 2015, as presented. Moved/Seconded/unanimously Carried. Ayes: Orman, Delgado, Lopez, Nolan.

PUBLIC INPUT

None.

CLOSED SESSION

The item to be discussed in Closed Session was Hearings/Reports – Annual District Financial Audit Report. The meeting was recessed into Closed Session under the Closed Session protocol at 7:01 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 7:28 p.m. In Closed Session, the Committee discussed: Hearings/Reports – Annual District Financial Audit Report. No action was taken in the Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 7:30 p.m. The Corporate Compliance and Audit Committee meets quarterly. The next meeting date and time to be determined.

Chris Orman, Chair
Corporate Compliance and Audit Committee

/ks
1. RECOMMEND BOARD APPROVAL OF THE 2015-2016 AUDITED FINANCIAL STATEMENTS FOR SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

RECOMMENDATION: Recommends that the Board of Directors approve the Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information for the years ended June 30, 2016 and 2015, for Salinas Valley Memorial Healthcare System.

2. RECOMMEND BOARD APPROVAL OF THE DECEMBER 31, 2015, AUDITED FINANCIAL STATEMENTS FOR SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES’ PENSION PLAN

RECOMMENDATION: Recommends that the Board of Directors approve the Report of Independent Auditors and Financial Statements with Required Supplementary Information for Salinas Valley Memorial Healthcare District Employees’ Pension Plan as of December 31, 2015, as presented.

Action to the Board:

RECOMMENDED MOTION:

Approve Recommendations __1__, and __2__, as presented.

Presented to the Board of Directors at its Annual Meeting of December 15, 2016.
Corporate Compliance and Audit Committee Charter

**Purpose**
The purpose of the Corporate Compliance and Audit Committee ("Committee") is to advise and assist the Salinas Valley Memorial Healthcare System (SVMHS) Board of Directors ("Board") in its exercise of oversight by monitoring the compliance policies, controls and processes of the organization and the engagement, independence and performance of the internal auditor and external auditor. The Compliance and Audit Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of SVMHS in a manner consistent with its mission and purpose.

**Authority**
All governing authority for SVMHS resides with the SVMHS Board except that which may be lawfully delegated to a specific Board committee. The Committee will report to the full Board any action or recommendation taken within the Committee’s authority.

**Membership**
The Compliance and Audit Committee shall be comprised of the following:

**Voting Members**
- No more than two (2) SVMHS Board members appointed by the SVMHS Board President
  - SVMHS President/CEO, Chief Financial Officer
- A maximum of two (2) external (non-SVMHS Board Member) members with expertise relevant to the Committee’s areas of responsibility
- SVMHS Medical Staff Member as recommended by the SVMHS Medical Executive Committee

**Non-Voting Members**
- Director of Internal Audit

**Staff Support**
The Chief Financial Officer shall serve as the primary staff support to the Committee and is responsible for drafting the committee meeting agenda for the Committee Chair’s consideration.

**Scope**
The Committee’s primary role is to provide oversight and to advise the management team and the Board on matters within the scope of this Committee. With input from the Committee, the management team shall develop an audit plan which will ensure an enterprise compliance risk management strategy for the Committee’s review and subsequent approval by the Board. It is the management team’s responsibility to develop and provide the Committee with reports, plans, assessments, and other pertinent materials to inform, educate, and update the Committee, thereby allowing Committee members to engage in meaningful, data-driven discussions. Upon careful review
and discussion and with input from management, the Committee shall then make recommendations to the Board.

Examples of the areas within the scope of the Committee include the following:

**A. Corporate Compliance**

- Oversee the Corporate Compliance Program
- Ensure all organizational compliance domains such as The Joint Commission (TJC), Department of Health and Human Services, and Office of Civil Rights is addressed in the appropriate Board Subcommittees or Board and assume reporting obligation when not covered under another subcommittee.
- Advise the organization on Enterprise Compliance Risk Management structure and provide oversight of Enterprise Risk reporting metrics and measurements.
- Review compliance implementation strategies for improving the corporate compliance program(s) and advise the Board accordingly.
- Review with management the assessment of risks related to Stark laws, anti-kickback statutes, and other compliance rules and regulations.
- Encourage continuous improvement of policies and procedures for corporate accountability, integrity, and privacy.

**B. Internal Audit Functions**

- Provide direction related to findings and recommendations of internal audits performed.
- Provide direction for issues relating to internal audit responses by management.
- Review the annual internal audit priorities for the organization.
- Oversee responses regarding non routine investigations or action taken by external agencies and authorities pertaining to SVMHS.
- Recommend policies and processes for approval by the Board relating to systems of internal controls for finance.
- Oversee the work of independent compliance and audit.

**C. External Audit Functions**

- Make recommendations to the Board regarding the external financial audit firm selection, retention and when necessary, replacement.
- Review the expected fee for the audit and assure that the fee is fair to the organization and is compatible with a full, complete and professional audit.
- Review the scope and approach of the annual audit, including the identification of business and financial risks and exposures, with the external auditor.
- Meet with the auditor and management, as needed, to resolve issues regarding financial reporting, and make recommendations to the Board for discussion and action.
- Ensure that the external auditors have the opportunity to meet with the Board to present the annual audit report and financial statements.

- Conduct an executive session if necessary to allow the Committee to meet privately with the auditor.

- Review all significant financial communications to external parties ensuring they are prepared in accordance with generally accepted accounting principles and fairly represent the financial condition of SVMHS.

- Review and recommend for approval by the Board the audit firm’s annual engagement proposal and review the independent auditor’s performance.

**Committee Recommendations to the Board of Directors**

The Committee may make recommendations to the Board to take action on items within the scope of the Committee. Such recommendations may be approved by the Board only upon a majority vote of the members of the Board of Directors. Recommendations from the Committee to the Board shall be made only upon a unanimous vote of the voting members of the Committee present at a duly noticed and agendized meeting of the Committee where a quorum of the Committee members is present.

**Committee Effectiveness**

The Committee is responsible for establishing its annual goals, objectives and work plan in alignment with the Board and SVMHS’s strategic goals. The Committee shall be focused on continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board.

**Meetings and Minutes**

The Committee shall meet at least once per quarter. The Committee Chair, in collaboration with SVMHS management, shall determine the frequency of meetings based on the Committee’s annual goals and work plan, and the operating needs of the organization. Minutes shall be kept by the assigned staff and shall be forwarded to the Board for review.

**Appointment and Terms**

The Board shall appoint the members of the Committee. In accord with the nomination/selection and reappointment process established by the Board, the Governance Committee shall recommend to the Board the appointment or reappointment of external (non-SVMHS Board Member) members to serve on the Committee. The Committee membership term is for one (1) year, renewable annually.
Board Paper

To: Corporate Compliance and Audit Committee
Agenda Item: Consideration of Approval of Financial Audit Service Agreement
Executive Sponsor: Augustine Lopez, Chief Financial Officer
Date: February 27, 2017

Executive Summary
We are asking the Corporate Compliance and Audit Committee to recommend full Board approval of the attached engagement letters from Moss Adams LLP for independent audits of financial statements of the Salinas Valley Memorial Healthcare System for fiscal years ending June 30, 2017, 2018, and 2019. Moss Adams has performed this audit for the last three years and is proposing a three-year renewal with the same terms as the original agreement.

Pillar/Goal Alignment

- [ ] Service
- [ ] People
- [x] Quality
- [ ] Finance
- [ ] Growth
- [ ] Community

Financial/Quality/Safety/Regulatory Implications
A summary of the terms of the proposals follows:

Salinas Valley Memorial Healthcare System:
- Includes hospital and consolidated subsidiaries
- Salinas Valley Medical Clinics
- Doctors on Duty
- Salinas Valley Memorial Assisted Living, LLC
- Salinas Valley Memorial Hospital Foundation
- SVMH/LPCH NICU Joint Venture

Maximum annual fees for service is $152,500 plus reimbursement for out of pocket expenses not to exceed 10%, or $15,250, for a total annual maximum of $167,750.
Three-year value of the agreement is $503,250.

Recommendation

Attachments
- (1) Moss Adams Engagement Letter for SVMHS Financial Statements Audit
- (2) Moss Adams Professional Services Agreement for SVMHS Financial Statements Audit
January 3, 2017

Augustine Lopez  
Salinas Valley Memorial Healthcare System  
450 East Rome Lane  
Salinas, CA 93901

Re: Audit and Nonattest Services

Ladies and Gentlemen:

Thank you for the opportunity to provide services to Salinas Valley Memorial Healthcare System. This engagement letter ("Engagement Letter") and the attached Professional Services Agreement, which is incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to Salinas Valley Memorial Healthcare System ("you," "your," "System", and "Company").

Scope of Services – Audit

You have requested that we audit the System’s consolidated financial statements, which comprise the consolidated statement of financial position as of June 30, 2017; June 30, 2018; and June 30, 2019, and the related consolidated statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements. We will also report on whether the consolidating statement of revenues, expenses, and changes in net position, presented as supplementary information, is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole. We have not been engaged to report on whether the supplemental schedule of community benefit, and supplementary pension and post-employment benefit information, presented as supplementary information, is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Scope of Services and Limitations – Nonattest

We will provide the Company with the following nonattest services:

- Assist you in drafting the consolidated financial statements and related footnotes as of and for the years ending June 30, 2017; June 30, 2018; and June 30, 2019.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Company management must accept the responsibilities set forth below related to this engagement:
Assume all management responsibilities.

Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.

Evaluate the adequacy and results of the nonattest services performed.

Accept responsibility for the results of the nonattest services performed.

It is our understanding that you have been designated by the Company to oversee the nonattest services and that in the opinion of the Company, you are qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Timing

Chris Pritchard is responsible for supervising the engagement and authorizing the signing of the report. We expect to begin the audit fieldwork for this engagement at your offices on September 4, 2017, and the audit engagement plan calls for two weeks of on-site procedures. As we reach the conclusion of the audit, we will coordinate with you the date the audited consolidated financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the consolidated financial statements are available for issuance, (2) you will disclose in the notes to the consolidated financial statements the date through which subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services.

Fees

We estimate that our fees for the services for each of the years ending will not exceed*:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Year Ending June 30, 2017</th>
<th>Year Ending June 30, 2018</th>
<th>Year Ending June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the consolidated financial statements</td>
<td>$152,500</td>
<td>$152,500</td>
<td>$152,500</td>
</tr>
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</table>
Salinas Valley Memorial Healthcare System  
January 3, 2017  
Page 3 of 4

*Does not include anticipated increase in scope for the acquisition of joint ventures with Montage Health in fiscal 2017. In the event of change in scope or significant change in accounting or auditing standards, a modification in fees will be discussed with you directly before additional work is started.

You will also be billed for the expenses as they are incurred, not to exceed 10% of the annual fee each year.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the Company's records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments and/or untimely assistance will result in an increase of our fees.

Reporting

We will issue a written report upon completion of our audit of the Company’s consolidated financial statements. Our report will be addressed to the Board of Directors of the Company. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our report on your consolidated financial statements for the years ending June 30, 2017; June 30, 2018; and June 30, 2019.

Additional Services

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.
MOSS-ADAMS LLP

Salinas Valley Memorial Healthcare System
January 3, 2017
Page 4 of 4

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,

Chris Pritchard, Partner, for Moss Adams LLP

Enclosures

ACCEPTED AND AGREED:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of Salinas Valley Memorial Healthcare System with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: ____________________________

Print Name: __________________________

Title: ________________________________

Date: ________________________________

Client: #26383
v. 10/28/2016
PROFESSIONAL SERVICES AGREEMENT
Audit and Nonattest Services

This Professional Services Agreement (the "PSA") together with the Engagement Letter, which is hereby incorporated by reference, represents the entire agreement (the "Agreement") relating to services that Moss Adams will provide to the Company. Any undefined terms in this PSA shall have the same meaning as set forth in the Engagement Letter.

Objective of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). It will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Company and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of the Company's financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced, or otherwise distributed without the written permission of Moss Adams.
Management’s Responsibility for Financial Statements

As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for informing us about all known or suspected fraud affecting the Company involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that the Company complies with applicable laws and regulations.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:
- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence.

Management’s Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor’s report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor’s report thereon. For purposes of this Agreement, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available, but being available upon request is not considered readily available.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.
Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the Company’s operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the Company’s financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the Company’s management. While we may assist management in the preparation of the representation letter, it is management’s responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the Company further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the Company’s financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to us by any member of the Company’s management.

Fees and Expenses

The Company acknowledges that the following circumstances will result in an increase of our fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
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- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

We will endeavor to advise you in the event these circumstances occur, however we may be unable to determine the impact on the estimated fee until the conclusion of the engagement. We will bill any additional amounts based on the experience of the individuals involved and the amount of work performed.

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. In addition to fees, you may be billed for expenses and any applicable sales and gross receipts tax. Direct expenses may be charged based on out-of-pocket expenditures, per diem allotments, and mileage reimbursements, depending on the nature of the expense. Indirect expenses, such as processing and copying, are passed through at our estimated clerical and equipment cost and may be charged as a flat fee. If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Limitation on Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Subpoena or Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

Document Retention Policy

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your Company records are the primary records for your operations and comprise the backup and support for the results of this engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without
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notifying you. Catastrophic events or physical deterioration may result in our firm’s records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

Use of Electronic Communication

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential. We employ measures in the use of electronic communications designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume you consent to our use of electronic communications to your representatives and other use of these electronic devices during the term of this Agreement as we deem appropriate.

Enforceability

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

Entire Agreement

This Professional Services Agreement and Engagement Letter constitute the entire agreement and understanding between Moss Adams and the Company. The Company agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representations, promise or statement made by anyone which is not set forth herein.

In the event the parties fail to enter into a new Agreement for each subsequent calendar year in which Moss Adams provides services to the Company, the terms and conditions of this PSA shall continue in force until such time as the parties execute a new written Agreement or terminate their relationship, whichever occurs first.

Use of Moss Adams’ Name

The Company may not use any of Moss Adams’ name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Third-Party Service Providers

We may use third party service providers in serving you, including software and data storage providers. You understand that Moss Adams does not control the providers’ networks, security or availability of services.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Dispute Resolution Procedure and Venue

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon
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mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator’s fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder; and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

Termination
This Agreement may be terminated by either party, with or without cause, upon ten (10) days’ written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination: (a) you shall pay us for services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (d) we will require any new accounting firm that you may retain to execute access letters satisfactory to Moss Adams prior to reviewing our files.
Executive Summary
We are asking the Corporate Compliance and Audit Committee to recommend full Board approval of the attached engagement letters from Moss Adams LLP for independent audits of financial statements of the Salinas Valley Memorial Healthcare District Employees Pension Plan for the year ending December 31, 2016, 2017, and 2018. Moss Adams has performed this audit for the last three years and is proposing a three-year renewal with the same terms as the original agreement.

Pillar/Goal Alignment
☐ Service  ☐ People  ☐ Quality  ☒ Finance  ☐ Growth  ☐ Community

Financial/Quality/Safety/Regulatory Implications
A summary of the terms of the proposals follows:

Salinas Valley Memorial Hospital District Employees Pension Plan:
Maximum annual fees for service is $31,000 plus reimbursement for out of pocket expenses not to exceed 10%, or $3,100, for a total annual maximum of $34,100.
Three-year value of the agreement is $102,300.

Recommendation
Review and Consider Recommendation for Board Approval of Pension Audit Services Agreement with Moss Adams LLP under a three-year contract arrangement for calendar years 2016, 2017 and 2018 with a total value of $102,300.

Attachments
(1) Moss Adams Engagement Letter for Pension Plan Audit
(2) Moss Adams Professional Services Agreement for Pension Plan Audit
January 13, 2017

Mr. Augustine Lopez, CFO
Salinas Valley Memorial Healthcare System
450 E. Romie Lane
Salinas, California 93901

Re: Audit and Nonattest Services

Dear Mr. Lopez:

Thank you for the opportunity to provide services to Salinas Valley Memorial Healthcare District Employees Pension Plan. This engagement letter ("Engagement Letter") and the attached Professional Services Agreement, which is incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagements, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to Salinas Valley Memorial Healthcare District Employees Pension Plan ("you," "your," and "Plan").

Scope of Services – Audits

You have requested that we audit the Plan’s statements of fiduciary net position as of December 31, 2016, 2017, and 2018 and the related statements of changes in fiduciary net position for the years then ended. We have not been engaged to report on whether the management’s discussion and analysis, schedule of changes in system’s net pension liability and related ratios, schedule of system contributions and schedule of investment returns, presented as required supplementary information, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Scope of Services and Limitations – Nonattest

We will provide the Plan with the nonattest service of assisting you in drafting the financial statements and related footnotes as of and for the years ended December 31, 2016, 2017 and 2018.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as assistance with drafting your financial statements. As a result, Plan management must accept the responsibilities set forth below related to these engagements:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.
Mr. Augustine Lopez, CFO  
Salinas Valley Memorial Healthcare System  
January 13, 2017  
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- Evaluate the adequacy and results of the nonattest services performed.
- Accept responsibility for the results of the nonattest services performed.

It is our understanding that Mike Lee, Controller, has been designated by the Plan to oversee the nonattest services and that in the opinion of the Plan is qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagements, we will discuss them with you prior to continuing with the engagement.

Timing

Kory Hoggan is responsible for supervising the engagements and authorizing the signing of the report. We expect to begin the audit fieldwork for these engagements at your offices on mutually agreed-upon dates. The audit engagement plans call for one week of on-site procedures for each annual audit. As we reach the conclusion of each annual audit, we will coordinate with you the date the audited financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the financial statements are available for issuance, (2) you will disclose in the notes to the financial statements the date through which subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff’s unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services. Our services will be concluded upon delivery to you of our reports on your financial statements for the years ended December 31, 2016, 2017 and 2018, respectively.

Fees

We estimate that our fees for the Plan’s audit services will be as summarized below. You will also be billed for expenses at our cost as they are incurred. Travel, postage, report preparation and other out-of-pocket expenses related to the audits of the Plan will not exceed 10% or $3,100 of the annual audit fee:

<table>
<thead>
<tr>
<th>Year End</th>
<th>Fee</th>
<th>Expenses (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2016</td>
<td>$31,000</td>
<td>$3,100</td>
</tr>
<tr>
<td>December 31, 2017</td>
<td>$31,000</td>
<td>$3,100</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>$31,000</td>
<td>$3,100</td>
</tr>
</tbody>
</table>
Mr. Augustine Lopez, CFO  
Salinas Valley Memorial Healthcare System  
January 13, 2017  
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Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the Plan’s records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with Client Audit Preparation Schedules that identify the key work you will need to perform in preparation for each audit. We will also need your accounting staff to be readily available during the engagements to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments and/or untimely assistance will result in an increase of our fees.

**Reporting**

We will issue written reports upon completion of our audits of the Plan’s financial statements. Our reports will be addressed to the Personnel and Pension Committee of the Plan. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our reports on your financial statements for the years ended December 31, 2016, 2017 and 2018.

**Additional Services**

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.
Mr. Augustine Lopez, CFO  
Salinas Valley Memorial Healthcare System  
January 13, 2017  
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We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,

Kory M. Hoggan, CPA  
Senior Manager for  
Moss Adams LLP

Enclosures

ACCEPTED AND AGREED:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of Salinas Valley Memorial Healthcare District Employees Pension Plan with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: ___________________________

Print Name: __________________________

Title: ________________________________

Date: ________________________________

Client: #632558  
v.10/28/2016
PROFESSIONAL SERVICES AGREEMENT
Audit and Nonattest Services

This Professional Services Agreement (the "PSA") together with the Engagement Letter, which is hereby incorporated by reference, represents the entire agreement (the "Agreement") relating to services that Moss Adams will provide to the Plan. Any undefined terms in this PSA shall have the same meaning as set forth in the Engagement Letter.

Objective of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). It will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Plan and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of the Plan's financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced, or otherwise distributed without the written permission of Moss Adams.
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As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for informing us about all known or suspected fraud affecting the Plan involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that the Plan complies with applicable laws and regulations.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the Plan from whom we determine it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this Agreement, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available, but being available upon request is not considered readily available.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or
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debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the Plan’s operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the Plan’s financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the Plan’s management. While we may assist management in the preparation of the representation letter, it is management’s responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the Plan further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the Plan’s financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to us by any member of the Plan’s management.
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Fees and Expenses

The Plan acknowledges that the following circumstances will result in an increase of our fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

We will endeavor to advise you in the event these circumstances occur, however we may be unable to determine the impact on the estimated fee until the conclusion of the engagement. We will bill any additional amounts based on the experience of the individuals involved and the amount of work performed.

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. In addition to fees, you may be billed for expenses and any applicable sales and gross receipts tax. Direct expenses may be charged based on out-of-pocket expenditures, per diem allotments, and mileage reimbursements, depending on the nature of the expense. Indirect expenses, such as processing and copying, are passed through at our estimated clerical and equipment cost and may be charged as a flat fee. If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Limitation on Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Subpoena or Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.
Document Retention Policy

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your Plan records are the primary records for your operations and comprise the backup and support for the results of this engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without notifying you. Catastrophic events or physical deterioration may result in our firm’s records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

Use of Electronic Communication

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential. We employ measures in the use of electronic communications designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume you consent to our use of electronic communications to your representatives and other use of these electronic devices during the term of this Agreement as we deem appropriate.

Enforceability

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

Entire Agreement

This Professional Services Agreement and Engagement Letter constitute the entire agreement and understanding between Moss Adams and the Plan. The Plan agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representations, promise or statement made by anyone which is not set forth herein.

In the event the parties fail to enter into a new Agreement for each subsequent calendar year in which Moss Adams provides services to the Plan, the terms and conditions of this PSA shall continue in force until such time as the parties execute a new written Agreement or terminate their relationship, whichever occurs first.

Use of Moss Adams’ Name

The Plan may not use any of Moss Adams’ name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Third-Party Service Providers

We may use third party service providers in serving you, including software and data storage providers. You understand that Moss Adams does not control the providers’ networks, security or availability of services.
Professional Services Agreement
Audit and Nonattest Services
Page 6 of 6

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Dispute Resolution Procedure and Venue

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator’s fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

Termination

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination: (a) you shall pay us for services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (d) we will require any new accounting firm that you may retain to execute access letters satisfactory to Moss Adams prior to reviewing our files.
DATE: March 21, 2017

TO: Corporate Compliance and Audit Committee

FROM: Renée W. Jaenicke, CPA CIA CFE CCEP CGMA
      Director of Internal Audit and Compliance

RE: Compliance Officer Report

The Compliance Officer Report will cover three topics:

1. Report from Hospital Ethics and Compliance Committee
   a. Compliance Work Plan 2017

2. Statements of Economic Interest (700 Forms)
   a. Status of County Board of Supervisor approval of Conflict of Interest Code for SVMHS

3. AB 1234 Training on Ethics

No approvals are requested

Respectfully submitted,
Renée W. Jaenicke
• “The OIG recommends that a compliance committee be established to advise the compliance officer and assist in the implementation of the compliance program.” (Federal Register, Vol. 63, # 35, 2/23/1998)
  – Developing compliance work plan based on OIG 2017 Work Plan and new regulations.
  – Status to be reported next meeting.
Statement of Economic Interest (700 Forms)
Our Requirements

• Who must complete this form?
  – Board members
  – Community Advisors/Subject Matter Experts
  – Employees and consultants defined by SVMHS Conflict of Interest Code
    • Biennial update accepted by County Board of Supervisors

• Who requires it?
  – California Fair Political Practices Commission
  – Completed forms are public documents
Statement of Economic Interest (700 Forms)
Our Requirements

• When must it be completed?
  – Within 30 days of assuming office
  – Annually
  – Within 30 days of leaving office

• To date in 2017, 67 required filers.

• What must be disclosed?
  – Depends on position.

• Other important facts
  – FPPC requires that we obtain the original completed form with a “wet signature.”
  – Forms from Board members are turned in to and must be accepted by the County Clerk’s office. Other originals are maintained in the Corporate Compliance Office.
Statement of Economic Interest (700 Forms) 
Current Status

• How to submit
  – Provide original to Compliance Officer
  – Submit electronically at www.netfile.com/filer (you will need to register as a user)

• When to submit
  – Request sent February 21, 2017
  – Board members: March 17, 2017 – must be accepted by County Clerk for the Monterey County Board of Supervisors by April 3.

• Compliance Officer maintaining list and following up.
• As positions are added or filled, will request completed form.
AB 1234 Training Requirements

• What is it?
  – General ethics principles
  – Ethics laws relevant to public service

• Who must complete this training?
  – All elected local agency officials (Board members)
  – Board Committee members who are compensated for their services or reimbursed for their expenses.
  – Certain employees designated by the local agency.

• Who requires it? California Legislature
AB 1234 Training Requirements

• When must it be completed?
  – No later than one year from first day of service
  – Thereafter at least once every two years.

• What must be disclosed?
  – Proof of training for two hours.
  – Proof of training is a public document.

• Other important facts
  – Training topics specified and must be approved by the California Fair Political Practices Commission and the CA Attorney General.
  – In-person training must be provided by an attorney licensed to practice in California.
  – Self-study materials are available.
AB 1234 Training – Current Status

- On-site training offered 2/9/2017 by attorney licensed to practice law in California. Attended by:
  - All current Board members
  - 6 community advisors/subject matter experts
  - 10 employees
  - Hospital general counsel

- Developing recommendations for future training.
Questions?
Monterey County
Board of Supervisors

Board Order

Upon motion of Supervisor Potter, seconded by Supervisor Armenta and carried by those members present, the Board of Supervisors hereby:

Adopted Resolution 16-316 to revise and approve amendments to the Conflict of Interest Code of the Salinas Valley Memorial Healthcare System.

PASSED AND ADOPTED on this 6th day of December 2016, by the following vote, to wit:

AYES:    Supervisors Armenta, Phillips, Salinas, Parker and Potter
NOES:    None
ABSENT:  None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 79 for the meeting on December 6, 2016.

Dated:    December 8, 2016
File ID:  16-1274

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By  
Deputy
Resolution No. 16-316
Adopt Resolution approving the Amended Conflict of Interest Code of the Salinas Valley Memorial Healthcare System

WHEREAS, pursuant to Government Code sections 87300 and 87301, the Salinas Valley Memorial Healthcare System has adopted a Conflict of Interest Code;

WHEREAS, pursuant to Government Code section 87306, the Salinas Valley Memorial Healthcare System has amended its Conflict of Interest Code as necessitated by changed circumstances;

WHEREAS, pursuant to Sections 82011 and 87303 of the Government Code, the Salinas Valley Memorial Healthcare System has submitted its amended Code to the Monterey County Board of Supervisors, the code reviewing body, for approval;

WHEREAS, the amended Conflict of Interest Code of the Salinas Valley Memorial Healthcare System is attached hereto as Attachment A and incorporated herein by reference;

WHEREAS, pursuant to Government Code section 87303, the Board of Supervisors as code reviewing body may approve the Code as submitted, revise the proposed Code and approve it as revised, or return the proposed Code to the agency for revision and resubmission; and

WHEREAS, the proposed Code as amended is lawful under the Political Reform Act of 1974;

NOW THEREFORE, BE IT RESOLVED THAT, the Board of Supervisors does hereby approve the Amended Conflict of Interest code of the Salinas Valley Memorial Healthcare System, attached here to as Attachment A, and directs the Clerk of the Board of Supervisors to notify Salinas Valley Memorial Healthcare System of the approval.

PASSED AND ADOPTED upon motion of Supervisor Potter, seconded by Supervisor Armenta carried this 6th day of December 2016, by the following vote, to wit:

AYES: Supervisors Armenta, Phillips, Salinas, Parker and Potter
NOES: None
ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 79 for the meeting on December 6, 2016.

Dated: December 8, 2016
File Number: 16-1274

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By (Signature)
Deputy
CONFLICT OF INTEREST CODE
OF THE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

The Political Reform Act of 1974 (Government Code sections 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, section 18730 of Title 2 of the California Code of Regulations, which contains the terms of a standard conflict-of-interest code that can be incorporated by reference in an agency's code. After public notice and hearing, the Fair Political Practices Commission may amend the standard code to conform to amendments of the Political Reform Act. Therefore, the terms of section 18730 of title 2 of the California Code of Regulations and any amendments to it duly adopted by the Fair Political Practices Commission, together with the attached Appendices designating positions and establishing disclosure categories, are hereby incorporated by reference and together shall constitute the Conflict of Interest Code of the Salinas Valley Memorial Healthcare System (hereafter "Agency").

Individuals holding designated positions shall file their statement of economic interests with the Salinas Valley Memorial Healthcare System, which will make the statements available for public inspection and reproduction pursuant to Government Code section 81008. Upon receipt of the statements for Members of the Board of Directors and President/Chief Executive Officer, the Agency shall make and retain copies, and forward the original statements to the Office of the Clerk of the Board of Supervisors of Monterey County. Statements for all other designated positions shall be retained by the Agency.

Attachments: Appendix A: Designated Positions
Appendix B: Disclosure Categories

| Adopted as Amended and Restated: August 25, 2016 By Resolution 2016-08 |
## Designated Positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Assigned Disclosure Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Biomed Engineer</td>
<td>3</td>
</tr>
<tr>
<td>Chief Engineer</td>
<td>3</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>1</td>
</tr>
<tr>
<td>Chief Medical Officer</td>
<td>1</td>
</tr>
<tr>
<td>Chief Nursing Officer</td>
<td>1</td>
</tr>
<tr>
<td>Chief of Staff</td>
<td>4</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>1</td>
</tr>
<tr>
<td>Chief Strategic Communication Officer</td>
<td>1</td>
</tr>
<tr>
<td>Controller</td>
<td>2</td>
</tr>
<tr>
<td>Director Budget Decision Support</td>
<td>3</td>
</tr>
<tr>
<td>Director Case Management</td>
<td>3</td>
</tr>
<tr>
<td>Director Clinical Informatics</td>
<td>3</td>
</tr>
<tr>
<td>Director Foundation</td>
<td>3</td>
</tr>
<tr>
<td>Director HIM/Privacy Officer</td>
<td>3</td>
</tr>
<tr>
<td>Director Imaging Services</td>
<td>3</td>
</tr>
<tr>
<td>Director Laboratory Services</td>
<td>3</td>
</tr>
<tr>
<td>Director Materials Management</td>
<td>3</td>
</tr>
<tr>
<td>Director Medical Staff Services</td>
<td>3</td>
</tr>
<tr>
<td>Director of Managed Care Contracting</td>
<td>3</td>
</tr>
<tr>
<td>Director of Marketing &amp; Public Relations</td>
<td>3</td>
</tr>
<tr>
<td>Director of Pharmacy</td>
<td>3</td>
</tr>
<tr>
<td>Director of Women's &amp; Children's Services</td>
<td>3</td>
</tr>
<tr>
<td>Director Patient Financial Services/Patient Registration</td>
<td>3</td>
</tr>
<tr>
<td>Director Quality Management Services</td>
<td>3</td>
</tr>
<tr>
<td>Director Rehab Services &amp; Wound Care</td>
<td>3</td>
</tr>
<tr>
<td>Director Revenue Integrity &amp; Compliance</td>
<td>3</td>
</tr>
<tr>
<td>Director Surgical Services</td>
<td>3</td>
</tr>
<tr>
<td>Nursing Director</td>
<td>3</td>
</tr>
<tr>
<td>President Central Coast Health Partners</td>
<td>4</td>
</tr>
<tr>
<td>Senior Admin Director Cardiovascular, Pulmonary &amp; Sleep Medicine Svcs</td>
<td>2</td>
</tr>
</tbody>
</table>

1 Public officials who manage public investments are not covered by the Conflict of Interest Code because they must file a statement of economic interests pursuant to Government Code section 87200. Therefore, the following positions are listed for information purposes only: Members of the Board of Directors; Community Members of Board Committees; President/Chief Executive Officer

An individual holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.
Consultants are included in the list of designated positions. For purposes of this Code, "consultant" has the same meaning as set forth in 2 Cal. Code Regs., tit. 2, section 18701(a)(2), as may be amended from time, but which as of adoption of this restated and amended Conflict-of-Interest Code provides:

"Consultant" means an individual who, pursuant to a contract with a state/local government agency:

(A) Makes a governmental decision whether to:
1. Approve a rate, rule, or regulation;
2. Adopt or enforce a law;
3. Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
4. Authorize the agency to enter into, modify, or renew a contract provided it is the type of contract which requires agency approval;
5. Grant agency approval to a contract which requires agency approval and in which the agency is a party or to the specifications for such a contract;
6. Grant agency approval to a plan, design, report, study, or similar item;
7. Adopt, or grant agency approval of, policies, standards, or guidelines for the agency, or for any subdivision thereof; or

(B) Serves in a staff capacity with the agency and in that capacity participates in making a governmental decision or performs the same or substantially all the same duties for the agency that would otherwise be performed by an individual holding a position specified in the agency’s Conflict of Interest Code.

Consultants to, and new positions of, the Salinas Valley Memorial Healthcare System shall be subject to disclosure under Category 1, subject to the following limitation:

The President/Chief Executive Officer may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply with the disclosure requirements of Category 1. In such cases, the President/Chief Executive Officer may designate a different disclosure requirement. Such determination must be made in writing and shall include a description of the consultant’s or new position’s duties and, based upon that description, a statement of the extent of the consultant’s or new position’s disclosure requirements. Such determination by the President/Chief Executive Officer is a public record and shall be retained for public inspection in the same manner and location as the agency’s Conflict of Interest Code.
CONFLICT OF INTEREST CODE OF THE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM
APPENDIX B: DISCLOSURE CATEGORIES

General Provisions Applicable to All Categories

When an individual who holds a designated position is required to disclose investments and sources of income, he or she shall disclose investments in business entities and sources of income which do business in the jurisdiction, plan to do business in the jurisdiction, or have done business in the jurisdiction within the past two years. In addition to other activities, a business entity is doing business within the jurisdiction if it owns real property within the jurisdiction.

When an individual who holds a designated position is required to disclose sources of income, he or she shall include gifts received from donors located inside as well as outside the jurisdiction.

When an individual who holds a designated position is required to disclose interests in real property, he or she shall disclose real property if it is located within the jurisdiction, or not more than two miles outside the boundaries of the jurisdiction, or within two miles of any land owned or used by Agency.

When an individual who holds a designated position is required to disclose business positions, he or she shall disclose positions in business entities that do business in the jurisdiction, plan to do business in the jurisdiction within the past two years.

For purposes of this Conflict of Interest Code, the jurisdiction of the Salinas Valley Memorial Healthcare System is Monterey County.

Category 1

A designated position in this category must report all investments, business positions, interests in real property, and sources of income, including gifts, loans, and travel payments.

Category 2

A designated position in this category must report all investments, business positions, and sources of income, including gifts, loans, and travel payments.

Category 3

A designated position in this category must report all investments, business positions and income, including gifts, loans, and travel payments, from sources which are of the type to supply materials, products, supplies, commodities, services, machinery, vehicles, or equipment utilized by the Agency.

Category 4

A designated position in this category must report all investments, business positions and income, including gifts, loans, and travel payments, from sources which are of the type to receive grants or other monies from or through the Agency.
PUBLIC INPUT
CLOSED SESSION

(Report on Item to be Discussed in Closed Session)
RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION
ADJOURNMENT – THE CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETS QUARTERLY AND THE NEXT MEETING IS SCHEDULED FOR TUESDAY, JUNE 20, 2017, AT 5:45 P.M., IN THE HEART CENTER TELECONFERENCE ROOM IN SALINAS VALLEY MEMORIAL HOSPITAL