

AGENDA

COMPLIANCE AND AUDIT COMMITTEE MEETING OF THE EL CAMINO HOSPITAL BOARD

Thursday, March 21, 2019 – 5:00 pm
 El Camino Hospital | Conference Room C (ground floor)
 2500 Grant Road, Mountain View, CA 94040

PURPOSE: To advise and assist the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in its exercise of oversight of Corporate Compliance, Privacy, Internal and External Audit, Enterprise Risk Management, and Information Technology (IT) Security. The Committee will accomplish this 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 Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Sharon Anolik Shakked, Chair		5:00 – 5:01pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Sharon Anolik Shakked, Chair		5:01 – 5:02
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Sharon Anolik Shakked, Chair		information 5:02 – 5:05
4. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Compliance and Audit Committee Meeting (Feb. 6, 2019) Information b. Status of FY19 Committee Goals	Sharon Anolik Shakked, Chair	<i>public comment</i>	motion required 5:05 – 5:07
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Board Members		information 5:07 – 5:12
6. REVIEW PROPOSED FY 19 FINANCIAL AUDIT PLAN ATTACHMENT 6	Brian Conner and Joelle Pulver, Moss Adams		information 5:12 – 5:25
7. FY 20 PROPOSED COMMITTEE GOALS AND MEETING DATES ATTACHMENT 7	Diane Wigglesworth, Sr. Director, Corporate Compliance	<i>public comment</i>	possible motion 5:25 – 5:40
8. KPIs, SCORECARD, AND TRENDS ATTACHMENT 8	Diane Wigglesworth, Sr. Director, Corporate Compliance		information 5:40 – 5:45
9. ADJOURN TO CLOSED SESSION	Sharon Anolik Shakked, Chair		motion required 5:45 – 5:45
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Sharon Anolik Shakked, Chair		5:45 – 5:46

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Compliance and Audit Committee Meeting (February 6, 2019)	Sharon Anolik Shakked, Chair Mary Rotunno, General Counsel		motion required 5:46 – 5:55
Information <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</i> b. Compliance Log (Jan. -Feb. 2019) c. Privacy Log (Jan. – Feb. 2019) d. Internal Audit Work Plan e. Committee Pacing Plan			
12. <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</i> - Litigation Update	Mary Rotunno, General Counsel		information 5:55 – 6:15
13. <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</i> - Committee Oversight	Mary Rotunno, General Counsel Diane Wigglesworth, Sr. Director, Corporate Compliance		information 6:15 – 6:25
14. <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</i> - Report on Internal Audit Activity	Diane Wigglesworth, Sr. Director, Corporate Compliance Mary Rotunno, General Counsel		information 6:25 – 6:35
15. <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</i> - IT Security Assessment and Discussion	Deb Muro, CIO; Brian Kreitzer, CISO Mary Rotunno, General Counsel		information 6:35 – 6:50
16. <i>Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management:</i> - Executive Session	Sharon Anolik Shakked, Chair		discussion 6:50 – 6:55
17. ADJOURN TO OPEN SESSION	Sharon Anolik Shakked, Chair		motion required 6:55– 6:56
18. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Sharon Anolik Shakked, Chair		6:56 – 6:57
19. AMENDMENT OF COMMITTEE CHARTER ATTACHMENT 19	Sharon Anolik Shakked, Chair	<i>public comment</i>	possible motion 6:57 – 6:59pm
20. ADJOURNMENT	Sharon Anolik Shakked, Chair	<i>public comment</i>	motion required 6:59 – 7:00pm



**Minutes of the Open Session of the
Compliance and Audit Committee
Wednesday, February 6, 2019**

**El Camino Hospital | Conference Room E
2500 Grant Road, Mountain View, CA 94040**

Members Present

Sharon Anolik Shakked, Chair
Lica Hartman
Julia Miller
Bob Rebitzer
Christine Sublett

Members Absent

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Compliance and Audit Committee of El Camino Hospital (the "Committee") was called to order at 5:00pm by Chair Anolik Shakked. A silent roll call was taken. Mr. Rebitzer joined the meeting at 5:05pm during Agenda Item 5: Report on Board Actions. All Committee members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Anolik Shakked asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair Anolik Shakked asked if any member of the Committee or the public wished to remove an item from the consent calendar. Chair Anolik Shakked requested that Agenda Item 4a: Minutes of the Open Session of the Compliance and Audit Committee Meeting (November 15, 2018) be removed.</p> <p>Minutes of the Open Session of the Compliance and Audit Committee Meeting (November 15, 2018)</p> <p>Chair Anolik Shakked requested that Section 5: Report on Board Actions be amended to reflect the departure of Neysa Fligor from the District and Hospital Boards (and by extension the Compliance and Audit Committee).</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Compliance and Audit Committee Meeting (November 15, 2018) as amended; and for information: Status of FY19 Committee Goals.</p> <p>Movant: Miller Second: Hartman Ayes: Anolik Shakked, Hartman, Miller, Sublett Noes: None Abstentions: None Absent: Rebitzer Recused: None</p>	<i>Consent Calendar approved</i>
5. REPORT ON BOARD ACTIONS	Ms. Miller highlighted recent Board approvals, including recognitions of community benefit partners at the District Board meetings. Ms. Miller and Ms. Wigglesworth described the historical uses of funds for Board/Committee education.	
6. KPIs, SCORECARD, AND TRENDS	Ms. Wigglesworth reported that investigations remain consistent with the same time period in the previous fiscal year. She noted that hotline calls have trended down slightly. There were no questions from the Committee.	

7. ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 5:07pm. Movant: Miller Second: Sublett Ayes: Anolik Shakked, Hartman, Miller, Rebitzer, Sublett Noes: None Abstentions: None Absent: None Recused: None	<i>Adjourned to closed session at 5:07pm</i>
8. AGENDA ITEM 18: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 6:50pm. Agenda Items 8-17 were covered in closed session. During the closed session, the Committee approved the Minutes of the Closed Session of the Compliance and Audit Committee Meeting (November 15, 2018), the FY18 Physician Payment Report, and provided Enterprise Risk Management (ERM) recommendations to the Board by a unanimous vote of all members present (Anolik Shakked, Hartman, Miller, Rebitzer, Sublett).	
9. AGENDA ITEM 19: APPOINTMENT OF VICE CHAIR	Chair Anolik Shakked reported that she has appointed Mr. Rebitzer as Vice Chair of the Committee and he has accepted the role.	
10. AGENDA ITEM 20: ADJOURNMENT	Motion: To adjourn at 6:52pm. Movant: Sublett Second: Miller Ayes: Anolik Shakked, Hartman, Miller, Rebitzer, Sublett Noes: None Abstentions: None Absent: None Recused: None	<i>Meeting adjourned at 6:52pm</i>

Attest as to the approval of the foregoing minutes by the Compliance and Audit Committee of El Camino Hospital:

Sharon Anolik Shakked
Chair, Compliance and Audit Committee

FY19 COMMITTEE GOALS

Compliance and Audit Committee

PURPOSE

The purpose of the Compliance and Audit Committee (the "Committee") is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors ("Board") in its exercise of oversight of Corporate Compliance, Privacy, Internal and External Audit, Enterprise Risk Management, and Information Technology (IT) Security. The Committee will accomplish this 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 Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

STAFF: **Diane Wigglesworth**, Sr. Director, Corporate Compliance (Executive Sponsor)

The Sr. Director, Corporate Compliance shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or outside consultants may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review the Hospital's Compliance Program internal assessment compared to DOJ 2017 Compliance Program guidance on the evaluation of Compliance Programs	Q2 FY19	Committee recommends changes in Compliance Program to Compliance Officer – reviewed on 11/15/18 meeting
2. Ensure strategic alignment and proper oversight of the Enterprise Risk Management (ERM) Program	Q3 FY19	Committee reviews and provides guidance to the Board on the ERM Program, including developing a risk escalation process and ensuring regular reporting to the Board on ERM - reviewed on 2/6/19 meeting and provided guidance to Board at 3/13/19 meeting.
3. Review results of IT metrics tracked during the fiscal year to ensure metrics support appropriate oversight	Q4 FY19	Committee reviews and provides recommendations to the CIO Upcoming/paced
4. Review ECH's IT Security Program, specifically as it relates to medical device security	Q4 FY19	Committee reviews controls related to medical device security (including any applicable procedure updates) Upcoming/paced

SUBMITTED BY:

Chair: Sharon Anolik Shakked

Executive Sponsor: Diane Wigglesworth

Approved by the El Camino Hospital Board on June 13, 2018

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Compliance and Audit Committee
From: Cindy Murphy, Director of Governance Services
Date: March 21, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Compliance and Audit Committee Meeting the Hospital Board has met twice and the District Board will meet on March 19th, too late to include an update on. In addition, the Board has delegated certain authority to the Finance Committee and the Executive Compensation Committee. Going forward, those approvals will also be noted in this report.

A. ECH Board Actions

February 13, 2019

- Approved Revised Women's Hospital Expansion Project Plan and additional \$10 million in funding.
- Approved a process for the annual review of CEO performance.
- Approved funding for SVMD Clinic Site Tenant Improvements (not to exceed \$8 million).
- Approved funding for replacement Interventional Services equipment (not to exceed \$13 million).
- Approved funding for replacement imaging equipment (not to exceed \$16.9 million).
- Approved Resolution 2019-03 approving effectuation of the Transaction and funding for SVMD's acquisition and establishment of five multi-specialty clinics.

March 13, 2019

- Approved in concept increasing ECH Board to a maximum of 11 members and reserving a seat for the CEO. A bylaws revision will be brought forward to the Board from the Governance Committee for the 4/10/19 ECH Board meeting. This will ultimately require approval of the El Camino Healthcare District Board also.
- Approved structure and guidance for enterprise risk management as recommended by the Compliance and Audit Committee.
- Approved compensation for Nurse Practitioner for the ASPIRE Program.

Report on Board Actions
March 21, 2019

- Approved Revised ECH Director Compensation and Reimbursement Policy and Procedure.
- Approved Revised Hospital Board Officers Nomination and Selection Procedures Updating Dates for Submission of Statements of Interest.
- Approved Revised Surplus Cash Investment policy.
- Approved Sponsorship of SVMD as Risk Bearing Organization with Department of Managed Healthcare.

B. ECHD Board Actions

Meets March 19, 2019

C. Finance Committee Actions

January 30, 2019

- Approved funding for Waste Water Storage Project (not to exceed \$3.9 million)
- Approved funding for additional surgical robot (not to exceed \$1,550,000 after trade in)
- Approved PAMF Hospitalist Coverage Agreement for unassigned patients.
- Approved unassigned newborn coverage agreement.

D. Executive Compensation Committee Actions

January 23, 2019

- Approved FY19 COO Individual Incentive Goals

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

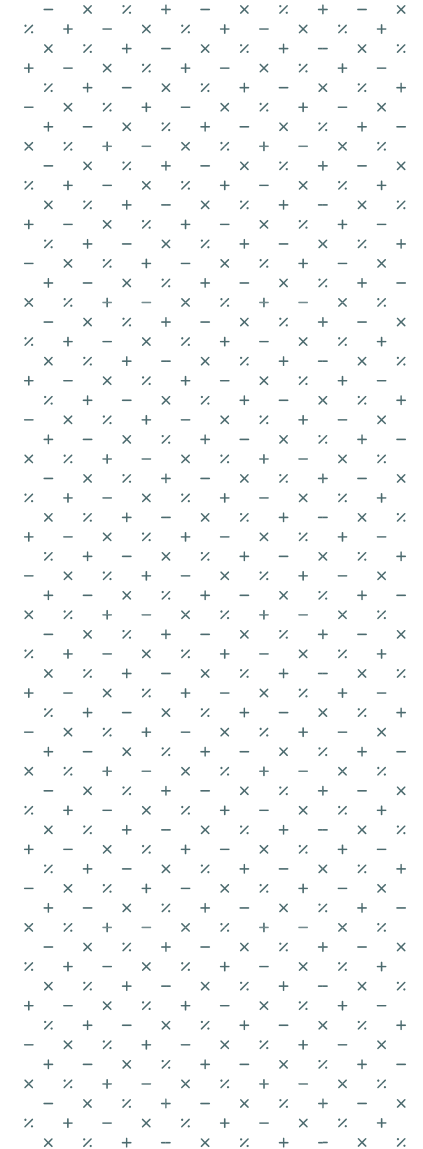
List of Attachments: None

Suggested Committee Discussion Questions: None



Audit Entrance: El Camino Healthcare District

March 21, 2019



Compliance Committee

El Camino Healthcare District



2

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for health care organizations. We are pleased to present our audit plan for El Camino Healthcare District for the year ending June 30, 2019. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.

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

Your Dedicated Team



Brian Conner, CPA
Partner



Joelle Pulver, CPA
Partner



**Katherine Djiauw,
CPA**
Senior Manager



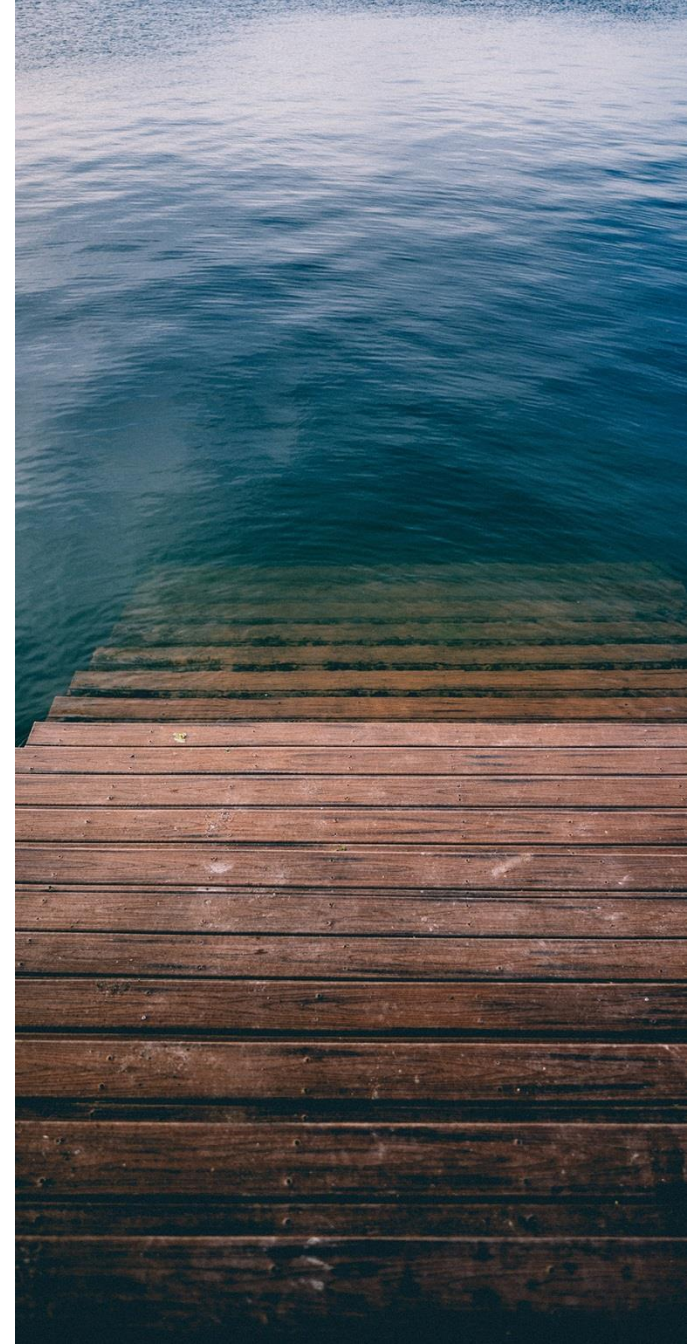
Required Communications to Those Charged with Governance

Now

- Auditor's responsibility under U.S. and government auditing standards
 - Planned scope and timing of audit
-

Later

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues



Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards

1

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

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3

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

4

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



Audit Process

Internal
Controls



Analytical
Procedures



Substantive
Procedures

Includes information
technology

Revenues and
expenses

Trends, comparisons,
and expectations

Confirmation of
account balances

Vouching to supporting
documentation

Representations from
attorneys and
management

Examining objective
evidence



What is Materiality?

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

How It's Calculated:

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

It's Used To Identify:

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



Significant Audit Areas



8

Net Patients Accounts Receivable and Revenue

- Estimate of future results based on past results
- Testing of past results
- Transaction testing
- Ratio analysis
- Predictive revenue analytics
- Revenue cutoff testing

Pension

- Significant assumptions
- Existence and valuation of assets
- Disclosures

Fixed Assets

- Additions related to significant construction projects
- Capitalization of interest costs
- Significant contract disclosures

Consideration of Fraud

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

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

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

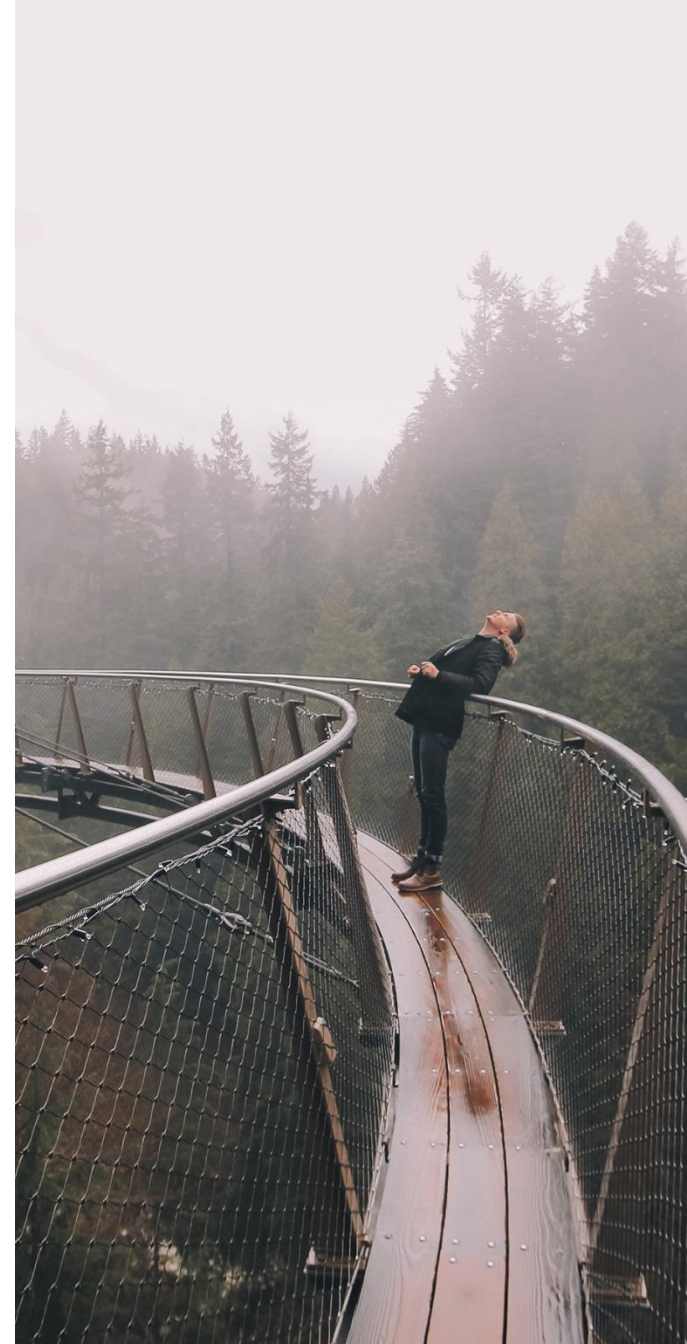
Procedures to be performed:

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

Deliverables

We will issue the following reports:

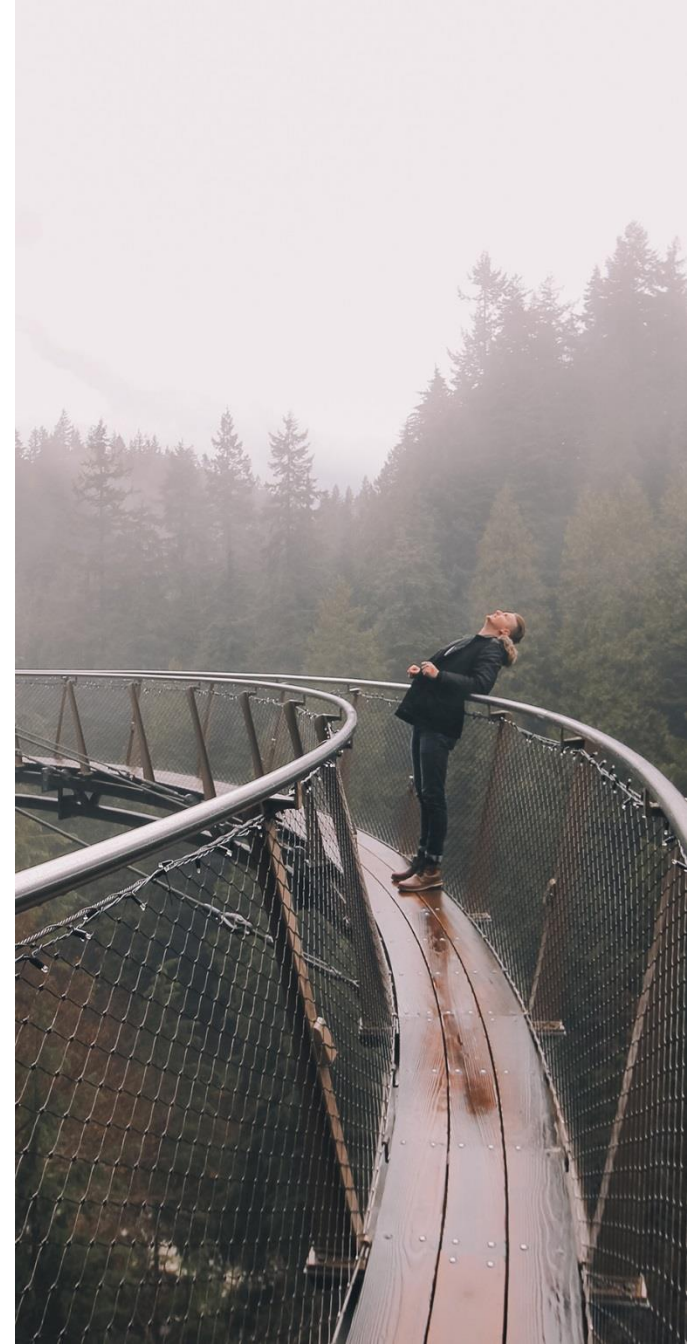
- Audit report on the consolidated financial statements of El Camino Healthcare District as of and for the year ending June 30, 2019
- Audit report on the financial statements of Auxiliary as of and for the year ending June 30, 2019
- Report to Those Charged with Governance
 - Communicating required matters and other matters of interest
- Report to Management and the Audit and Compliance Committee
 - Communicating Internal Control Related Matters Identified during the Audit



Deliverables

Nonattest services:

- Assist in the drafting of the consolidated financial statements
- Assist in the drafting of the Auxiliary financial statements
- Business continuity planning
- Property management outsourcing coordination

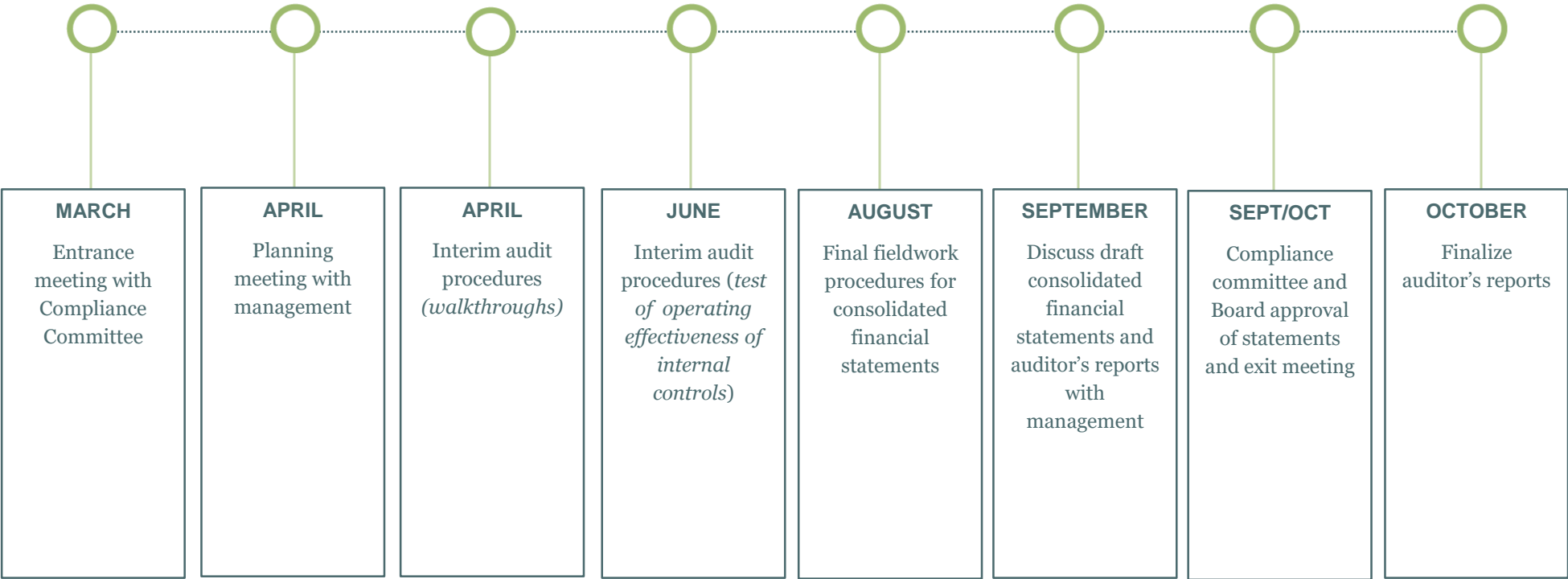


Timeline

2019

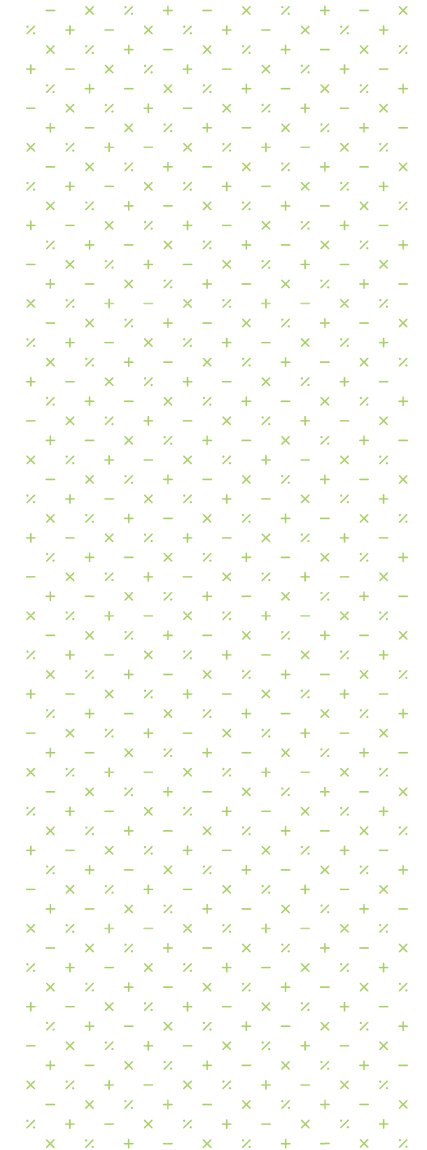


12





Accounting Update



New Standards

GASB 85 | Omnibus 2017

- This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).
- This Statement addresses the following topics (and others):
 1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
 2. Reporting amounts previously reported as goodwill and “negative” goodwill
 3. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 4. Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Effective for ECH for the year ending June 30, 2019.



New Standards

GASB 86 | Certain Debt Extinguishment Issues

- The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- Effective for ECH for the year ending June 30, 2019.



New Standards

GASB 84 | Fiduciary Activities

Clarifies fiduciary activities as having the following characteristics:

1. Government controls the assets of the activity.
 2. Those assets are not derived solely from the government's own source revenue.
 3. One of the following:
 - The assets result from a pass-through grant or trust agreement.
 - Assets are used to benefit individuals not typical recipients of the government's goods and services (i.e. employees receive the benefit instead of patients.)
 - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities (i.e. hospitals) with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
 - Effective for ECH for the year ending June 30, 2019.



New Standards

GASB 88 | Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

- Objective to improve consistency and sufficiency of debt disclosures.
- Defines debt as a liability arising from a contractual obligation to pay cash or other assets in lieu of cash to settle an amount fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases as leases should follow disclosure requirements outlined in GASB 87.
- Requires the following additional disclosures: 1) Amount of unused line of credit; 2) assets pledged as collateral for debt; 3) Significant debt terms such as events of default with finance-related consequences, termination events with finance related circumstances, and subjective acceleration clauses.
- Note disclosures should separate information for direct borrowings from direct placements of debt.
- Effective for ECH for the year ending June 30, 2020.



New Standards

GASB 90 | Majority Equity Interests (an amendment of GASB Statement No. 14 and No. 61)

- Governments that acquire a majority interest in a separate organization as an investment (i.e. has the ability to generate its own cash flow and was acquired for the primary purpose of generating income/profit) should measure the investment using the equity method.
- Special-purpose governments engaged only in fiduciary activities (i.e. a benefit or pension plan) should measure the investment at fair value.
- Governments that acquire a majority interest that does not meet the definition of investment should report the separate organization as a component unit.
- Governments that acquire 100% equity interest that meets the criteria of a component unit should follow guidance of a government combination in GASB 69.
- Effective for ECH for the year ending June 30, 2020.



New Standards

GASB 87 | Leases

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for ECH for the year ending June 30, 2021.



New Standards

GASB 89 | Interest Cost Incurred before the End of a Construction Period

- Interest incurred during construction of an asset that was once eligible for capitalization must now be expensed as a period cost. The only exception applies to regulated entities (rate setting agencies such as utilities).
- The objective was to enhance comparability for the cost of borrowing and simplify the accounting.
- Respondents to the Exposure Draft argued that stand-alone business type entities (like hospitals) would no longer be comparable to non-governmental counterparts; however, GASB decided not to establish separate objectives for general government vs. business-type activities.
- Effective for ECH for the year ending June 30, 2021.



On the Horizon – Exposure Drafts and Preliminary Views

- **Financial Reporting Model Improvements** – Proposes defining “operating” vs. “non-operating” activities; proposes requiring combining financial statements as supplementary information for blended component units; proposes classification of government-wide expenses by function or program.
- **Revenue and Expense Recognition** – Better differentiates exchange from non-exchange transactions; proposes a uniform revenue recognition standard with 3 models to be evaluated.
- **Conduit Debt Obligations** – Would define a conduit debt obligation and would eliminate the existing option for issuers to report conduit debt as their own obligations. The proposed standard would require annual evaluation of whether certain criteria were met to classify the obligation as conduit debt – if not met the obligation would then be required to be reported as debt. The standard also proposes the requirement to disclose general information about conduit debt such as the aggregate outstanding principle and a description of each type of commitment. Proposed effective date would be for reporting periods beginning after December 15, 2020.



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THANK
YOU





March 21, 2019

Board of Directors
El Camino Healthcare District
2500 Grant Road
Mountain View, CA 94039

Re: Audit and Nonattest Services

Ladies and Gentlemen:

Thank you for the opportunity to provide services to El Camino Healthcare District. 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 El Camino Healthcare District ("you," "your," and "District").

Scope of Services – Audit

You have requested that we audit the District's consolidated financial statements, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of revenues, expenses and changes of net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements. We will also report on whether the consolidating statement of net position, consolidating statement of revenues, expenses and changes of net position, and supplemental pension and postretirement benefit information, presented as supplementary information, is / are 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 Management's Discussion and Analysis, 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 District with the following nonattest services:

- 1) Assist you in drafting the El Camino Healthcare District consolidated financial statements and related footnotes as of and for the year ending June 30, 2019.
- 2) Business continuity planning
- 3) Property management outsourcing coordination

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, District 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 Michael Walsh, Controller, has been designated by the District to oversee the nonattest services and that in the opinion of the District is 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

Brian Conner 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 August 5, 2019, and the audit engagement plan calls for four 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

Our fees for audit services will be:

Service Description	2019 Fee
Annual audit of El Camino Healthcare District	\$305,000
Presentations of audit result and Management Letter to Boards of Directors	Included
Total	\$305,000

You will also be billed for expenses.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the District'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 District's consolidated financial statements. Our report will be addressed to the Board of Directors of the District. 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 year ended June 30, 2019.

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,

Brian Conner, Partner, for
Moss Adams LLP

Enclosures

Accepted and Agreed:

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

Signature: _____

Print Name: _____

Title: _____

Date: _____

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 District. 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 District 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 District'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 District 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 District 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 District 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 District 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 District'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 District'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 District'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 District 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 District'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 District's management.

Fees and Expenses

The District 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 time and technology expenses, may be passed through at our estimated cost and may be billed as a flat charge or a percentage of fees. 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 District 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.

Use of Third-Party Service Providers

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information with these service providers, we will require that they maintain the confidentiality of your information.

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 District. The District 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 District, 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 District 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 Nonlicensed Personnel

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

Dispute Resolution Procedure, Venue and Limitation Period

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.



March 21, 2019

Board of Directors
El Camino Healthcare District
2500 Grant Road
Mountain View, CA 94039

Re: Audit and Nonattest Services

Ladies and Gentlemen:

Thank you for the opportunity to provide services to El Camino Hospital Auxiliary, Inc. 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 El Camino Hospital Auxiliary, Inc. ("you," "your," and the "Auxiliary").

Scope of Services – Audit

You have requested that we audit the Auxiliary's financial statements, which comprise the balance sheet as of June 30, 2019, and the related statement of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

Scope of Services and Limitations – Nonattest

We will provide the Auxiliary with the following nonattest services:

- Assist you in drafting the El Camino Hospital Auxiliary, Inc. financial statements and related footnotes as of and for the year ending 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, the Auxiliary 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 Michael Walsh, Controller, has been designated by the Auxiliary to oversee the nonattest services and that in the opinion of the Auxiliary is 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

Brian Conner 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 August 5, 2019, and the audit engagement plan calls for four weeks of on-site procedures. As we reach the conclusion of the 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.

Fees

Our fees for audit services will be:

Service Description	2019 Fee
Annual audit of El Camino Hospital Auxiliary, Inc.	\$40,000
Presentations of audit result and Management Letter to Boards of Directors	Included
Total	\$40,000

You will also be billed for expenses.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the Auxiliary'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 Auxiliary's financial statements. Our report will be addressed to the Board of Directors of the Auxiliary. 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 financial statements for the year ended June 30, 2019.

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,

Brian Conner, Partner, for
Moss Adams LLP

Enclosures

Accepted and Agreed:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of El Camino Hospital Auxiliary, Inc. with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: _____

Print Name: _____

Title: _____

Date: _____

Client: #602805
v. 2/18/2019

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 Auxiliary. 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. 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. At the conclusion of our audit, we will require certain written representations from management about the financial statements 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 Auxiliary 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 Auxiliary's financial statements. Regardless of any assistance we may render, all information included in the financial statements remains the representation of management. We may issue a preliminary draft of the financial statements to you for your review. Any preliminary draft financial statements 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 Auxiliary 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 Auxiliary 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 Auxiliary 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 Auxiliary from whom we determine it necessary to obtain audit evidence.

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, 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 Auxiliary'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 Auxiliary's financial statements that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the Auxiliary'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 Auxiliary 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 Auxiliary's financial statements resulting in whole or in part from knowingly false or misleading representations made to us by any member of the Auxiliary's management.

Fees and Expenses

The Auxiliary 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 time and technology expenses, may be passed through at our estimated cost and may be billed as a flat charge or a percentage of fees. 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 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.

Use of Third-Party Service Providers

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information with these service providers, we will require that they maintain the confidentiality of your information.

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 Auxiliary. The Auxiliary 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 Auxiliary, 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 Auxiliary 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 Nonlicensed Personnel

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

Dispute Resolution Procedure, Venue and Limitation Period

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.

DRAFT**FY20 COMMITTEE GOALS**
Compliance and Audit Committee**PURPOSE**

The purpose of the Compliance and Audit Committee (the "Committee") is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors ("Board") in its exercise of oversight of Corporate Compliance, Privacy, Internal and External Audit, Enterprise Risk Management, and Information Technology (IT) Security. The Committee will accomplish this 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 Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

STAFF: **Diane Wigglesworth**, Sr. Director, Corporate Compliance (Executive Sponsor)

The Sr. Director, Corporate Compliance shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or outside consultants may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review reporting from the new compliance program incident management tool and assess if the level of detail is sufficient for the Compliance Committee's oversight.	Q2 FY20	Committee reviews and provides recommendations to the Compliance Officer
2. Review the hospital's assessment of the impact of the new 2020 California Consumer Privacy Act on El Camino Hospital Operations.	Q3 FY20	Committee reviews and provides recommendations to the Compliance Officer
3. Review IT Security Strategic Plan.	Q4 FY20	Committee reviews and provides recommendations to the CIO

SUBMITTED BY:

Chair: Sharon Anolik Shakked

Executive Sponsor: Diane Wigglesworth

Compliance Committee Meetings
Proposed FY20 Dates

RECOMMENDED CC DATE THURSDAYS	CORRESPONDING HOSPITAL BOARD DATE
Thursday, August 15, 2019	Wednesday, September 11, 2019
Thursday, September 26, 2019	Wednesday, October 16, 2019
Thursday, November 21, 2019	Wednesday, January 15, 2020
Thursday, January 23, 2020	Wednesday, February 12, 2020
Thursday, March 19, 2020	Wednesday, April 8, 2020
Thursday, May 21, 2020	Wednesday, June 10, 2020

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Compliance and Audit Committee
From: Diane Wigglesworth, Sr. Director, Corporate Compliance
Date: 3/21/19
Subject: Key Performance Indicators (KPIs)

Purpose:

To review the trends of the Compliance KPIs with the Committee and discuss any trends of concern.

Summary:

1. Situation: The performance indicators should assist the Committee in monitoring activity of the Compliance program and identifying organizational trends and/or emerging risks.
2. Authority: The Committee is responsible for oversight of the Compliance program and review of these metrics.
3. Background: Key performance indicators were developed to track elements from the Federal Sentencing Guidelines and to help the Committee assess effectiveness of the program.
4. Assessment: Total number of investigations and compliance activity remain consistent with the previous year time period. Hotline calls are currently trending less than the same time period last year. There has been an increase in HIPAA security incidents reported compared to the previous year, however all incidents have been addressed or mitigated.
5. Other Reviews: N/A
6. Outcomes: N/A

List of Attachments:

1. Corporate Compliance Scorecard
2. KPI two-year Trend Graph

Suggested Committee Discussion Questions: None.

Corporate Compliance Scorecard FY19

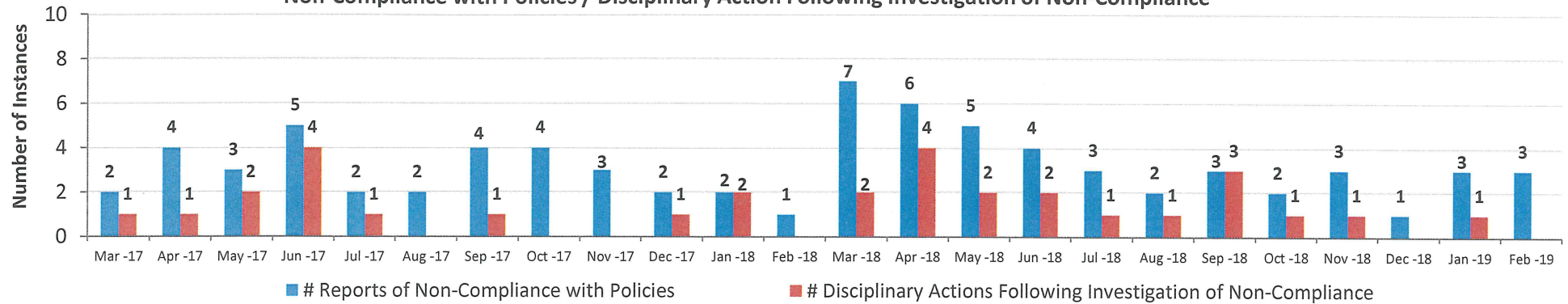
El Camino Hospital

Key Performance Indicator	FY:19 Current Month	Current YTD Actual	Prior YTD Actual
Total Number of Hospital Discharges (excluding normal newborn)	1,580	12,717	13,340
Core Elements			
Policies and Procedures	Feb. 2019	Jul - Feb. FY 2019	Jul -Feb 2018 FY
Number of reported instance when policies not followed	3	20	20
Number of disciplinary actions due to Investigations	0	8	5
Education and Training	Feb. 2019	Jul - Feb. FY 2019	Jul -Feb 2018 FY
Percentage of new employees trained within 30 days of start date	100%	100%	100%
Investigations	Feb. 2019	Jul - Feb. FY 2019	Jul -Feb 2018 FY
Total number of investigations	29	180	182
Investigations open	1	6	0
Investigations closed	28	174	182
Hotline concerns substantiated	0	10	12
Hotline concerns not substantiated	0	5	10
Average number of days to investigate concerns	8	8	7
Reporting Trends	Feb. 2019	Jul - Feb. FY 2019	Jul -Feb 2018 FY
Anti-Kickback/Stark	4	26	23
EMTALA	1	3	0
HIPAA Reports	15	97	98
HIPAA Security Incidents	3	8	4
Billing or Claims	6	49	46
Conflict of Interest	0	1	3
Reported Events to CMS	Feb. 2019	Jul - Feb. FY 2019	FY 2018 Total
Number of total events self reported by ECH	0	0	0
Number of self reported events followed up by CMS	0	0	0
CMS initiated visits (separate from ECH self reported events)	0	0	0
Number of statement of deficiencies issued to ECH	0	0	0
Number of Actual Sanctions, fines or penalties	0	0	0
Reported Events to CDPH	Feb. 2019	Jul - Feb. FY 2019	FY 2018 Total
Number of total regulator events self reported by ECH	1	21	34
Number of self reported events followed up by CDPH	5	15	21
Number of total privacy breaches self reported by ECH	1	12	19
CDPH initiated visits (separate from ECH self reported events)	3	11	9
Number of statement of deficiencies issued to ECH	0	4	9
Number of Actual/Realized Sanctions, fines or penalties	0	0	0
Monitoring and Audit Findings	Feb. 2019	Jul - Feb. FY 2019	FY 2018 Total
Total number of Audit Findings	0	16	36
Number of findings identified has high severity	0	3	4
Monitoring and Audit Findings	Feb. 2019	Jul - Feb. FY 2019	FY 2018 Total
Number of Open Liability Claims	11	11	9
Number of Open Liability Lawsuits	6	6	8

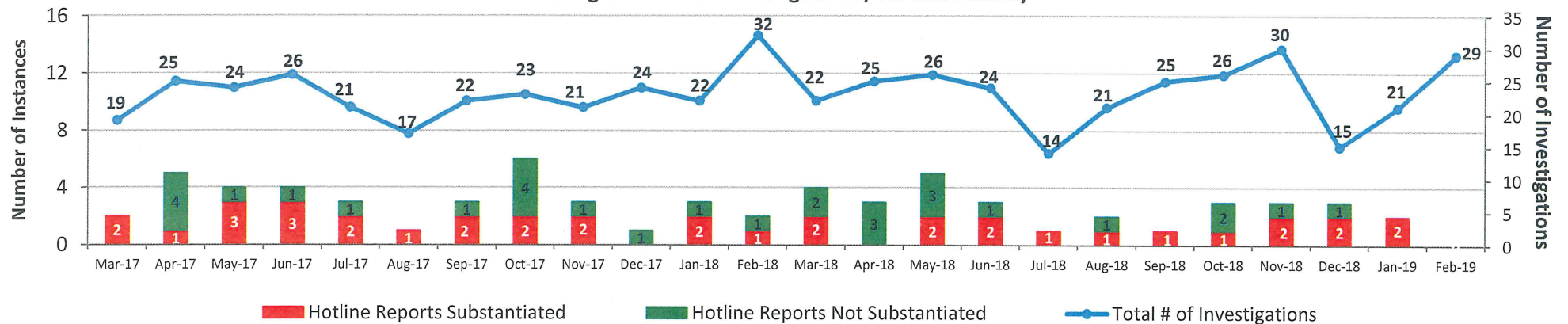
Corporate Compliance

Policies & Procedures

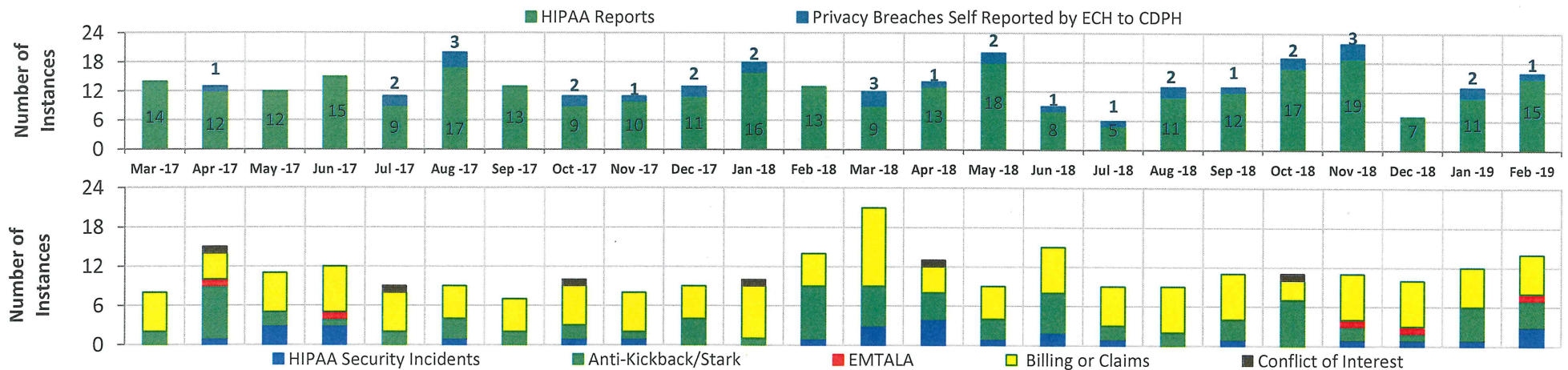
Non-Compliance with Policies / Disciplinary Action Following Investigation of Non-Compliance



Investigations: Total Investigations / Hotline Activity



Privacy Breaches Requiring Report to Outside Entity



Compliance and Audit Committee Charter

Purpose

The purpose of the Compliance and Audit Committee (the “Committee”) is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in its exercise of oversight of Corporate Compliance, Privacy, Internal and External Audit, Enterprise Risk Management, and Information Technology (IT) Security. The Committee will accomplish this 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 Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

Authority

All governing authority for ECH resides with the Hospital Board except that which may be lawfully delegated to a specific Board committee. The Committee will report to the full Board at the next scheduled meeting any action or recommendation taken within the Committee’s authority. The Committee has the authority to select, recommend engagement, and supervise any consultant hired by the Board to advise the Board or Committee on compliance, privacy, IT security, including physical security (safeguards and access control), enterprise risk management, or audit related issues. In addition, the Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Voting members of the Committee shall include the directors assigned to the Committee and external (non-director) members appointed to the Committee.

Membership

- The Committee shall be comprised of two (2) or more Hospital Board members. The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.
- The Committee may also include two to four (2-4) external (non-Hospital Board member) members with expertise in compliance, privacy, enterprise risk, IT security, audit, and/or financial management expertise.
- All Committee members shall be appointed by the Board Chair, subject to approval by the Board, for a term of one year expiring on June 30th each year, renewable annually.
- It shall be within the discretion of the Chair of the Committee to appoint a Vice Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board Director, the Vice Chair of the Committee shall be a Hospital Board Director.

Conflict of Interest

Members of the Committee shall be independent (as defined in Appendix) as to conflicts of interest with El Camino Hospital pursuant to the Conflict of Interest Policy. Should there be a potential conflict, the

determination regarding independence shall follow the criteria approved by the Board (*see* appendix).

Any member of a Board or Board committee who has a conflict of interest with respect to a proposed contract, transaction, relationship, arrangement, or activity shall refrain from the deliberations and vote on any matter related to the contract, transaction, or arrangement. Such member, however, may be present to answer questions and provide information needed by the Board or Board Committee for its deliberations. The Board Chair may appoint one or more qualified individuals to take the place of any affected member of a Board or Board Committee with regard to the matter or interest being considered. Any such reconstituted Committee shall be considered to have all rights, authority, and obligations of the Committee.

Staff Support and Participation

The Sr. Director of Corporate Compliance (“Corporate Compliance 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. Additional members of the executive team may participate in the Committee meetings upon the recommendation of the Corporate Compliance Officer and subsequent approval from both the CEO and Committee Chair.

General Responsibilities

The Committee’s primary role is to provide oversight and to advise the management team and the Board on matters pertaining to this Committee. With input from the Committee, the management team shall develop dashboard metrics that will be used to measure and track corporate compliance, privacy, audit, IT Security, and enterprise risk management 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. The Committee is responsible for monitoring that performance metrics are being met to the Board’s expectations and requiring explanation of any deficiencies and reporting to the Board such deficiencies.

Specific Duties

The specific duties of the Committee include the following:

A. Corporate Compliance, Privacy, IT Security, and Enterprise Risk Management Functions

- Oversee the activities of the Corporate Compliance program and all subcommittees providing support relative to corporate compliance.
- Oversee the activities of the Privacy program, including, but not limited to HIPAA/patient privacy, administrative, technical, and physical security safeguards.
- Oversee the IT security risk assessment process and review the mitigation plan to reduce vulnerabilities. Review at least annually the overall status of the IT security program.
- Oversee efforts to develop, implement, and maintain an effective IT security program and advise the Board on risk tolerance levels.
- Advise the organization on Enterprise Risk Management structure and provide oversight of Enterprise Risk reporting metrics and measurements to help monitor organizational risks.

- Advise the organization on corporate compliance implementation strategies. Review strategies for improving the corporate compliance program(s) and recommend for approval by the Board.
- Review with management the assessment of physician relationship risk as it relates 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. Review the organization's policy oversight guidelines and oversee the process being systematic and robust.

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.
- Serve as the ad hoc governance team regarding non-routine investigations or action taken by external agencies and authorities against ECH.
- Recommend policies and processes for approval by the Board relating to systems of internal controls for finance.
- Oversee the work of independent compliance, audit, and privacy staff.
- Provide escalation vehicle from any source to identify and address relevant issues.

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. Make recommendations to the Board.
- 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.
- Any services provided by the external auditors, outside the scope of the annual audit of financial statements must be presented to the Committee for pre-approval.
- Review the external auditor reports and financial statements before presentation to the Board. Make recommendations to the Board.
- At the completion of the annual audit examination, review the following with management and the external auditors:
 - The organization's annual financial statements and related footnotes.
 - The external auditor's audit of the financial statements and the auditor's report thereon.
 - Judgments about the quality, not just the acceptability of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly the degree of aggressiveness or conservatism of accounting principles and underlying estimates.
 - Any significant changes in scope required in the external auditor's plan.

- Any serious difficulties or disputes with management encountered during the course of the audit.
- Conduct an executive session if necessary to allow the Committee to meet privately with the auditor.
- Review all significant financial communications to external parties (e.g., public, press, lenders, creditors and regulators), ensuring they are prepared in accordance with generally accepted accounting principles and fairly represent the financial condition of ECH.
- Review and recommend for approval by the Board the audit firm's annual engagement proposal and review the independent auditor's performance.

Independence of the External Auditor

It is the Committee's responsibility to confirm the independence of the external auditor on an annual basis through a written statement. The statement shall confirm their independence and address services or relationships that may impact independence. The lead and concurring partner on the audit engagement team may not serve for more than five years unless special circumstances exist and with the approval of the Board. Members of the external audit team are prohibited from employment at ECH in a financial role within one year of leaving the external audit firm.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and work plan in alignment with the Board and Hospital'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 shall determine the frequency of meetings based on the Committee's annual goals and work plan. Minutes shall be kept by the assigned staff and shall be delivered to all members of the Committee when the agenda for the subsequent meeting is delivered. The approved minutes shall be forwarded to the Board for information.

Meetings and actions of all committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of committees may also be called by resolution of the Board. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the Committee. Notice of any special meetings of the Committee requires a 24 hour notice.

Appendix

Definition of Independent Director – Compliance and Audit Committee

1. An independent director is a more limited and narrow classification of director than otherwise required by law and is not meant to expand or limit the definition of interested director for purposes of the El Camino Hospital Conflict of Interest Policy or to expand or reduce the scope of any legal duty or otherwise applicable legal obligation of a director. The Board of Directors, by separate resolution, may determine to limit membership on particular committees to independent directors to avoid even the appearance of a conflict of interest.
2. A member of the Board of Directors of El Camino Hospital shall be deemed to be an independent director so long as such director (and any spouse, sibling, parent, son or daughter, son- or daughter-in-law or grandparent or descendant of the director):
 - i. has not, within the preceding twelve (12) months, received payments from El Camino Hospital, a subsidiary or affiliate of El Camino Hospital in excess of Ten Thousand Dollars (\$10,000), excluding reimbursement of expenses or other permitted payments to a director related to service as a director;
 - ii. does not own an interest in an entity, or serve as a Board member or executive of an entity, that is a direct competitor of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital) for patients or services, located within ten (10) miles of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital). An entity is not a direct competitor if it provides competing services in the above area that do not exceed ten percent (10%) of such entity's revenues.
3. If a director is an owner of an entity, then the amount received from El Camino Hospital during any period shall be determined by multiplying the percentage ownership interest of the director in such entity by the total amount paid by El Camino Hospital to such entity during such period.
4. Each director appointed to the Compensation Committee and the Compliance and Internal Audit Committee shall be, at the time of appointment and while a member of such Committee, an independent director as defined above.
5. **Note:** Other laws may prohibit certain contracts or interests in their entirety and this definition is not intended to narrow or otherwise limit the application of any such law.