



Tulare Local
Healthcare District

November 29, 2022

Michael S. Tilden, CPA
Acting California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Mr. Tilden,

Please find below procedures intended to be approved by our board of Directors at the next board meeting, currently scheduled for the date of this writing. Approval will be acknowledged as per minutes (as will any record of other direction given by the board).

The Tulare Local Healthcare District (TLHCD) is responding to three remaining recommendations noted by State of California auditors in report 2018-102; specifically, findings 1, 2 and 8. All other outstanding matters have reportedly been addressed.

Due to clear changes in the mission and organizational structure of TLHCD since the last audit, our policies and procedures require further revision. I will therefore address the three outstanding items with the intent of integrating them into future documentation:

- 1) Multiple contractors (as available, dependent on specialization) will be requested to bid on any new project higher in value than the current minimum threshold to be completed on behalf of TLHCD. Every effort will be made to solicit a minimum of three bids from eligible contractors. Bids will be reviewed by staff and clarification on any ambiguities will be requested from the bidders. Within current TLHCD guidelines, limited value bids (as determined by the CEO contract) may be approved at the CEO level. Bids exceeding CEO authority will be submitted to the board for review, and approval/rejection, as determined by a majority board vote.

Project bids requiring a General Contractor (also exceeding the current minimum threshold) will be published in newspapers serving (and printed within) the appropriate market area (generally South Central Valley California). Bidding that does not meet said minimum threshold may also be considered for publication depending on the specific nature of the project.

All contractors engaged by TLHCD will undergo an evaluation of prior work history and general financial stability.

- 2) Contract disbursements not requiring Construction Management participation will be reviewed as compared to original bids by TLHCD staff (CEO and Project Manager) and Owner's Representative before disbursement and after inspection of completed work. A minimum of at least two signatures/approvals of TLHCD representatives will be required prior to the disbursement of funds. As applicable, IOR and/or AOR signatures/approvals will also be required.

Under a scenario in which TLHCD engages a Construction Management firm, bids will be solicited and reviewed in a manner similar to that noted in response 1 above. Board approval will be required at this level to engage a Construction Management firm, and the board (or designee

committee) will participate in the selection process of such a firm. In addition to CEO and/or Project Manager approvals for disbursement, approval by an Owner's Representative or Independent Qualified Inspector will also be required. As applicable, IOR and/or AOR signatures/approvals will also be required.

In order to address projects of increasing complexity in the future, TLHCD retains the option to purchase or otherwise engage necessary project tracking software to accurately assess one or more of the following: percentage of completion as compared to budget; reconciliation with original bid submission; application, progress and outcome of change orders; retention of contractor's profits (as agreed under contract); and accuracy of scheduling. Some or all disbursements may be curtailed or delayed if agreed-upon terms are not met or changes are not approved.

- 8) Bond proceeds are to be accounted for separately and, as indicated, tracked independently. Legal counsel will be engaged regarding any concerns identified with the potential utilization of funds. Any future receipt of General Obligation Bond funds will be treated in a manner similar to that identified in the last paragraph of response 2 above. In addition, the board has formed a separate committee (currently recognized as the "Tower Construction Committee") to provide guidance and direction to the board on any construction projects. Meetings of the Tower Construction Committee are held at least quarterly.

Board members, committee members, and the general public currently have access to all legally available TLHCD records, either at scheduled meetings, by use of www.tularelocalhealthcaredistrict.org, or through a Freedom of Information Act request.

Thank you for your review of the above-requested information.

Best regards,

Kevin Northcraft
President of the Board of Directors
Tulare Local Health Care District

Philip M. Smith
Chief Executive Officer
Tulare Local Health Care District