

# **Transmittal Sheet For Agenda Items of The Tulare Local Healthcare District Board of Directors**

**Meeting Date—24 April 2019**

**Agenda Item**—Approval of various policies recommended by the California State Auditor in the 9 October 2018 report

**Recommendation**—That the Board review and approve the following common sense policies as recommended by the California State Auditor—

1. Conflict of interest/economic interest filings
2. Contract Management
3. Bond proceeds monitoring, oversight, reporting requirements, and audit findings

**Background**—The post-HCCA board of our Hospital District requested our state legislators to ask for a state audit of past actions involving our district. The purpose was to have an objective review of actions of our predecessors, and hopefully closure on some longstanding issues, like misuse of bond proceeds. The request was accepted, and the state audit performed in 2018.

While the audit did not meet all concerns, it did suggest common sense policies, which when followed, would prevent the mistakes made in the past. To avoid tens of thousands of dollars in staff expenses, board members Steve Harrell and Kevin Northcraft have reviewed current policies and drafted these suggestions. When approved, they collectively will comply with the state auditor's recommendations, and end the responses needed for almost all of them.

Specifically, recommendations 1,2, and 12 are covered in the contract management policy, and # 3 in the conflict of interest policy, Recommendation 4 is fully implemented already,. Recommendation 6 will be implemented when the bankruptcy plan is approved, expected to be by December 2019. Recommendations 8-11 are implemented by the Bonds policy.

**Submitted by—**

Kevin Northcraft

## State Audit Recommendations-2018--

1. To ensure that the district can demonstrate that its decisions for selecting contractors are justified and are in the best interest of the district's residents, by April 2019 the district should establish formal procedures designed to ensure that it follows a rigorous and appropriate evaluation and contract awarding process.

2. To ensure that the district pays only reasonable and appropriate contract administrative costs, before the district signs any future management contract, it should prepare estimates of the costs for all proposed contract terms related to compensation.

3. To ensure that it complies with state law, by April 2019 the district should update its policy related to conflicts of interest to include procedures requiring the district to obtain and maintain copies of all designated individuals' statements of economic interests at the medical center.

4. To ensure that the district recovers funds inappropriately used to pay for work outside the district, it should immediately take steps to seek reimbursement from HCCA for payments the district made to HCCA for time the former CFO and other employees spent working at Inyo.

6. To ensure that the district budgets for all costs necessary to reopen, it should immediately include in its budget the costs to pay pre-petition debt for vendors with whom it must reestablish relationships before it can resume operations.

8. To ensure that it uses bond proceeds for allowable purposes and improves its consistency and accountability in processing payments from bond proceeds, by April 2019 the district should formalize and document policies and procedures for verifying that it uses bond proceeds for allowable purposes and for approving expenditures paid from general obligation bond proceeds.

9. To ensure that it maintains adequate oversight of expenditures from any future bond proceeds, by April 2019 the district should establish a formal policy to include, as part of the charter for any future bond oversight committee, a requirement that the committee review bond expenditures quarterly at a minimum. The policy should also require the committee to report the results of its reviews to the board quarterly.

10. To ensure that any future bond oversight committee meets specified reporting requirements, by April 2019 the district should establish a written process to periodically monitor committee compliance with reporting requirements.

11. To increase the effectiveness of its monitoring to ensure that bond proceeds are used only for the purposes that the voters intended, by April 2019 the district should establish and follow a written process to document the steps it will take to address findings and recommendations identified in any future external audits of the bond proceeds.

12. To ensure that it can demonstrate that invoices it pays are for contracted services, by April 2019 the district should update its contract management policy to include a requirement to retain a copy of all contracts similar to the State's requirement of seven year

**POLICY:** **CONFLICT OF INTEREST/ECONOMIC INTEREST FILINGS**

**EFFECTIVE:** **April 24, 2019**

**PURPOSE:** **To comply with "The Political Reform Act" Regulations 2CCR 18739**

**PROCEDURE:** It shall be the policy of The Tulare Local Health Care District to ensure that all designated employees and Board Members shall by April 1st. of each year they are serving, or employed file their statements (form 700) with the District, which will make the statements available for public inspection and reproduction as provided by law, not subject to the Public Records Act and by filing same with the Chief Executive Officer of the Tulare Local Health Care District Upon receipt of the (form 700) statements of the Board and designated employees, the Chief Executive Officer shall make and retain a copy and forward the originals of these statement to the Clerk of The Tulare County Board of Supervisors. Statements for the Board, all other designated officials and employees shall be retained by the District for a period of seven years after leaving office or employment with the district

TO: All Departments

FROM: CEO

SUBJECT: Contract Management

**I. POLICY:**

- A. It is the policy of Tulare Local Health Care District (*District*) to outline the responsibilities of the parties involved in contract management, including the procedures to be followed in the preparation, review, execution and monitoring of contracts.
- B. It is the policy of the *District*, that any contract, regardless of name, involving a legally binding commitment between this *District* and another party, shall be prepared, reviewed, executed and monitored in a consistent manner to ensure legal and financial viability. Before signing any future management contract, the district shall prepare estimates of the costs for all proposed contract terms related to compensation.
- C. All contracts as outlined in this policy require annual management reviews of selected quality indicators to ensure that all contracted services, including all joint ventures, shared services and non-contracted services entities/individuals based on their ability to supply products and/or services that are safe and effective and that comply with all applicable Accreditation, CMS and/or CDPH standards and regulations and in *District* requirements. .
- D. Contracts include, but are not limited to, Vendors, Independent Contractors, Memorandum of Understandings and Transfer Agreements.
- E. Exceptions to this policy, includes vendors contracted through other departments that purchase supplies, products or maintenance service contracts through a Group Purchasing Organization (GPO).

**II. PROCEDURE:**

- A. Responsibility for contract negotiation, retention and management depends upon the type of contract proposed.
  
- B. The individual preparing a contract should secure a contract from the intended contracting agent or agency. When at all possible, two (2) original contracts should be signed by the contracting party prior to submission to Administration for final signature by the CEO or CFO. *Any contract with a value, or anticipated value exceeding \$50,000.00 must be approved by the Board of Directors, except in extreme emergencies, for which, the CEO shall obtain interim permission from the President or Treasurer of the Board.*
  
- C. All new contracts that require payment by the district, shall require a W-9 to be completed by the vendor, contractor or subcontractor and submitted with the contract for final review and signatures.
  
- D. In cases that involve sharing of Patient Healthcare Information (PHI), the contracting agency must also sign a Business Associates Agreement.
  
- E. Contracts that require proof of general liability or auto insurance coverage by the contractor must be submitted with the contract.
  
- F. Prior to submission, the Director must also complete a Contract Approval Term Sheet (CATS) and memo from the responsible party giving a brief explanation of the purpose for the contract and their recommendations.
  
- G. Contracts shall then be forwarded to the CEO or Board President for review. At a minimum, the following are to be confirmed:

1. Note any required notification of liability carrier or need for additional coverage.
  2. Ensure liabilities of both parties are clear and agreeable to the hospital.
  3. Ensure the benefits of this service are essential, consistent with organizational mission and/or the benefits outweigh the risk.
  4. Ensure staffing, licensing, training and patient safety issues have been adequately addressed.
  5. Ensure unexpected consequences have been considered and mitigated when feasible.
  6. Ensure this contract does not duplicate or conflict with other organizational contractual commitments.
  7. Ensure notification clauses for unintended harm or complaints are clear and consistent with organizational capabilities and values.
  8. Ensure the contract is consistent with the organization's compliance program.
  9. Verify that the contractor and/or contracting agency has not been excluded, debarred, suspended or otherwise been ineligible to participate in Federal Health Care Programs, and procurement, or non-procurement programs.
- H. If there are significant unresolved questions or risks the contract requestor will be notified.
- I. Once it is determined the contract meets all requirements as identified in this policy, the CEO will sign approval on the CATS form and forward to the Board for final approval.
  - J. All contracts must be signed by either the CEO or Board President to be effective and under certain circumstances may require board approval.

- K. Once the contract has been signed and executed by either the CEO or Board President, the contract packet will be returned to the CEO or his/her designee.
  
- L. The CEO or his/her designee shall forward a signed copy to the vendor or contracted agency for their records and to the finance department. The contract documents shall be maintained the in contract management database and the original contract and associated documents filed.
  
- M. A hard copy of all contract documents shall be retained by the District for a period of seven (7) years.

**III. FORMS:**

Requirement forms, i.e., W-9, Business Associates Agreement, CATS form and template contracts are available on the organizations shared drive.

Questions concerning any aspect of this policy/guideline should be referred to the CEO.

This policy/guideline replaces and supersedes all previous policies/guidelines and is effective immediately.

Approved by the Board of Directors of the Tulare Local Healthcare District on \_\_\_\_\_; effective immediately.

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Senovia Gutierrez, Secretary

