

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT
Board Policy 2018-01
Financial Policies and Procedures

These financial policies and procedures supersede and replace any prior policies and procedures in conflict herewith. It is the intent of these financial policies and procedures to implement both the letter and spirit of all applicable regulations regarding the expenditure of and accounting for public funds. The Kingsburg Tri-County Health Care District (“**KTHCD**” or “**District**”) Board of Directors recognizes these policies and procedures may need to be modified from time to time to fit the District’s level of human resources. The District’s Board of Directors will revisit these periodically to ensure compliance and will modify them as necessary.

I. PURCHASES

A. Authorization of Expenditures: *All* purchases of goods and services must be consistent with the KTHCD Board of Directors-approved budget. Unless otherwise directed by the Board of Directors or applicable law, such purchases shall not require a written contract approved by the Board of Directors, with the exception of expenditures which in total annual amounts exceed or could foreseeably exceed twenty-five thousand dollars (\$25,000). For proposed any expenditure of \$25,000 or less, the Board Treasurer must review it to determine whether the proposed expenditure is consistent with the budget approved by the Board of Directors. The expenditure may then be carried out in accordance with the process outlined in sections C and D below.

B. Contracts:

1. All professional consulting services must be provided for under a written contract regardless of the total anticipated cost of the professional services to be rendered.
2. Contracts for goods and services under seven thousand five hundred dollars (\$7,500) on an annual basis must be approved by at least one of the following authorized Board officers: Chairperson, Treasurer, Vice-Chairperson or Secretary.
3. Contracts for goods and services totaling \$7,500 through \$25,000 inclusive, on an annual basis must be approved by a majority vote of the District’s Board of Directors, or the Board Treasurer

and one of the following Board positions: Chairperson, Vice-Chairperson or Secretary.

4. Contracts for goods and services which exceed or will exceed \$25,000 or more on an annual basis must be in writing and must always be approved by a majority vote of the KTHCD Board of Directors, unless the Board has taken action and approved a delegation of such contracting authority for a specific transaction. These contracts could require compliance with bidding requirements pursuant to Health and Safety Code § 32132 unless an exemption exist and is approved by the KTHCD Board of Directors.
5. All contracts for goods or services which exceed or may exceed two (2) years, either directly or through exercisable options, must be approved by the KTHCD Board of Directors.
6. In general, contracts exceeding \$25,000 must only be awarded after a bidding process of sufficient duration to ensure competition, unless the Board of Directors finds that one or more exemptions from bidding are satisfied. Exemptions from bidding shall include those found in Health and Safety Code §§ 32132, 32136 and any other applicable law.
7. All bids must be presented to the KTHCD Board of Directors along with a recommendation for action. To the extent permitted by applicable law, the KTHCD Board of Directors reserves the right to select whichever vendor it deems most capable and prepared to provide the goods/services sought, without regard to the low bidder being the automatic selection.

C. Commitments and Purchase Orders:

1. Purchase orders under \$7,500 must be approved by one of the following authorized positions: Chairperson, Treasurer, Vice-Chairperson, Board Treasurer or Secretary.
2. Purchase orders totaling \$7,500 through \$25,000 inclusive, on an annual basis must be approved by a majority vote of the District's Board of Directors, or the Board Treasurer and one of the following Board positions: Chairperson, Vice-Chairperson or Secretary.

3. Purchase orders which exceed \$25,000 are not permitted without a written contract. Written contracts must be approved through the procedure previously identified.

D. Payment on Invoices:

1. Payment on invoices under \$7,500 must be approved by one of the following authorized Board positions: Chairperson, Vice-Chairperson, Treasurer or Secretary.
2. Payment on invoices equaling \$7,500 through \$25,000 inclusive, must be approved by a majority vote of the KTHCD Board of Directors, or the Board Treasurer and one of the following authorized Board positions: Chairperson, Vice-Chairperson or Secretary.
3. Payment on invoices exceeding \$25,000 must be approved by a majority vote of the KTHCD Board of Directors.

E. Credit and Debit Card Usage: The use of a credit card shall not be authorized except upon express approval by way of a duly adopted written resolution approved by a majority of the Board of Di.

F. Other Electronic Payments: Other electronic methods (wire, ACH, transfer between bank accounts, etc.) shall not be permitted for payment of any expenses or reimbursements without the express written consent of the Board Treasurer and one of the following authorized Board positions: Chairperson or Vice-Chairperson.

G. Employee Reimbursements: Business use of telephones or cell phones shall be reimbursed. Business travel and meals shall be reimbursed using standard applicable Internal Revenue Service (“IRS”) guidelines. Under no circumstances shall alcohol be reimbursed. The Board Treasurer or designee must be provided with adequate documentation to support a request for reimbursement. Reimbursement requests must be processed in the same manner as invoices from vendors. However, no officer or employee of the District may approve their own reimbursement request.

H. Petty Cash – Purpose and Usage:

1. The purpose of petty cash is for payment of incidental expenses when there is insufficient time for processing through the General Checking Account. Examples of proper expenses

include, but are not limited to, replacement of exhausted office supplies. Petty cash shall not be used for Board member expense reimbursements, employee expense reimbursements or independent contractor payments.

2. The Board Treasurer and contracted Administrative Clerk /Custodian of Records have the option to maintain and access petty cash not to exceed two hundred dollars (\$200) cash on hand. Such funds must be kept inside a locked box or safe on-site and accompanied by a journal documenting all expenditures and replenishments of cash, and may be used at the discretion of the Board Treasurer and Administrative Clerk only, subject to KTHCD Board of Directors oversight and consistent with the approved budget and KTHCD rules and regulations. The Board Treasurer may elect not to maintain such petty cash on hand if he/she determines it is not necessary or useful to the functioning of the District.

3. Use of petty cash requires obtaining of original receipts for all expenditures.

I. Personal Use of District Funds: Use of KTHCD funds for personal use is prohibited. Violation of this policy must result in discipline up to and including dismissal or removal, including from the KTHCD Board of Directors.

II. BANKING

A. General Checking Account:

1. The KTHCD Board of Directors hereby authorizes the establishment of commercial bank accounts for the purposes of safekeeping KTHCD funding. All District funds must be deposited in non-speculative accounts, including federally-insured savings and/or checking accounts, trust accounts, or invested in non-speculative federally-backed instruments or LAIF.

2. A general checking account shall be the primary account for all of the District's funds not specifically directed by the Board to be deposited in any of the other aforementioned accounts. Authorized signatories to this account must be the following Board of Directors officers: Treasurer, Chairperson, Vice-Chairperson and Secretary. Checks/warrants in any amount must

always be signed by no less than two authorized signors. Checks payable to an authorized signer may not be signed by such authorized signor in such capacity.

3. The general checking account must be reconciled monthly by a KTHCD staff member or outsourced bookkeeper which does not have the authority to approve expenditures or disbursements from the account. The monthly bank reconciliations must be reviewed and approved by the KTHCD Board of Directors or a representative of the KTHCD Board of Directors which does not have access to the account.

B. Deposits of Receipts: KTHCD must deposit all funds received as soon as practical upon receipt. The Administrative Clerk or other person who is assigned authority under a Board resolution, Board-approved job description, contract or Board action will open all mail on a timely basis, immediately sort all checks and cause to be endorsed checks to the appropriate District account and prepare appropriate deposits as soon as practical.

III. TRAVEL POLICIES

A. Employee Mileage Reimbursement

1. All employees are reimbursed at the standard mileage rate per mile as determined by the IRS for use of their own vehicle for business related travel pre-approved by their supervisor. In addition, parking fees and tolls paid are reimbursable if supported by receipts.
2. All employees requesting such mileage reimbursement are required to furnish an Expense Report containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, supported by receipts, if applicable.

IV. OTHER PRACTICES

A. Budget Adoption: A budget must be adopted by the KTHCD Board of Directors no later than June 30th, prior to the start of each new fiscal year, or earlier if required by law or other binding agreement. During

the course of the year, the KTHCD Board of Directors may adopt an amended budget as expenses and revenue projections change.

B. Audit

1. An annual audit by an outside firm shall be performed each year on the close of the prior fiscal year's books. The audit must be performed in advance of all applicable legal deadlines. The audit must include, but is not limited to: (1) an audit of the accuracy of KTHCD's financial statements; (2) an audit of KTHCD's accounting and revenue practices; and (3) an audit of KTHCD's internal controls practices.
2. If KTHCD receives over five hundred thousand dollars (\$500,000) from federal sources, the audit must be prepared in accordance with any relevant Office of Management and Budget (OMB) audit circulars of the United States.
3. The audit firm must be qualified District auditors under all applicable laws.
4. At the conclusion of the audit, the auditing firm must review the audit with the KTHCD Board of Directors and propose any changes necessary in operating procedures to comply with audit findings.

C. Board Meetings: The KTHCD Board of Directors shall review financial statements at periodic KTHCD Board of Directors meetings. The KTHCD Board of Directors shall also review and approve the monthly check registers and bank reconciliations from the general checking account.

D. Conflict of Interest: Any member of the KTHCD Board of Directors with a financial interest in a matter presented to the KTHCD Board of Directors must fully disclose such interest prior to KTHCD Board of Directors discussion on the issue and must recuse themselves from the discussion and voting on the matter. The KTHCD Board of Directors shall adopt separate more comprehensive policy on conflicts of interest, hiring of relatives, and compliance with Government Code § 1090 and the Fair Political Practices Act.

E. Independent Contractors: KTHCD shall only engage independent contractors if all of the following practices are followed:

1. The expense is within the approved budget or separately approved by the KTHCD Board of Directors;
2. The contractor provides proof of adequate insurance and IRS form W-9;
3. IRS rules are followed regarding classification of staff as contractors versus employees; and
4. The work is done under written contract.

F. Capitalization and Depreciation:

1. KTHCD will capitalize and depreciate all assets costing five thousand dollars (\$5,000) or more. All other assets are charged to expense in the year incurred.
2. Capitalized assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives which can range from:
 - a) Leasehold Improvement – Lease term or 5 years, whichever is shorter
 - b) Equipment – 3 years
 - c) Furniture – 5 years
3. Repair and maintenance costs, which do not extend the useful lives of the assets, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the asset accounts, and any resulting gain or loss is included in the earnings in the year.

G. Disposal of Surplus Property and Donations:

1. Surplus property means property that is no longer in use, is damaged beyond repair, or that the KTHCD Board believes will have no future value to KTHCD and is therefore declared to be surplus property by the KTHCD Board of Directors. If KTHCD wishes to dispose of equipment or other surplus property, the KTHCD Board of Directors must declare the property to be surplus and must direct the staff on the actual means of disposal of the property, such as sale, donation, destruction and/or disposal.
2. If KTHCD desires to sell equipment or other surplus property, the KTHCD Board of Directors must direct staff by giving specific guidance regarding the manner in which such property is to be sold.

3. If KTHCD desires to donate equipment or other surplus property, the KTHCD Board of Directors must declare the property to be surplus and authorize the donation. Requirements for potential donee organizations include: (1) the donee organization is fully independent of KTHCD, with none of the KTHCD key officers or personnel involved in the donee organization; and (2) the donee organization must be a non-profit or governmental entity. In addition, KTHCD must secure a written receipt from the donee organization for the donated property, and must remove the asset from KTHCD's books and record the donation as required by state and federal audit guidelines.

4. Property Acquired with Federal Grant Funds: If the property in question had a cost of \$5,000 or more at the time of acquisition and was acquired with federal grant funds, KTHCD must notify the federal contract administrator prior to donating or disposing of such property as provided above.

The Kingsburg Tri-County Health Care District's Board of Directors formally adopted the foregoing amendments to Board Policy 2018-01 at a regular meeting of the Board of Directors held on **March 13, 2019**.

ATTEST:

Lori Sanders, Board Secretary

Date

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