



MORONGO BASIN HEALTHCARE DISTRICT

AGENDA

HI-DESERT MEMORIAL HEALTH CARE DISTRICT dba MORONGO BASIN HEALTHCARE DISTRICT **BOARD OF DIRECTORS REGULAR BUSINESS MEETING**

May 7, 2026 at 6:30 p.m.

District Offices | 760.820.9229

6530 La Contenta Road, Suite 400, Yucca Valley, CA 92284

INSTRUCTIONS FOR JOINING THIS MEETING REMOTELY

This public meeting may be accessed through the Microsoft Teams platform. Join the meeting by (1) visiting the District website at MBHDistrict.org and (2) selecting at the top of the page the purple tab “Board Meeting Agendas” (3) Click on the URL link presented under the agenda buttons. Access to the meeting will require the download of the Microsoft Teams application on the device used if not already done so.

CALL TO ORDER

ROLL CALL

OBSERVANCES

The reading of statements and pledge of allegiance were observed in the previous meeting.

PUBLIC COMMENTS

The public comment portion of this agenda provides an opportunity for the public to address the Board of Directors on items not listed on the agenda that are of interest to the public at large and are within the subject matter jurisdiction of this Board. The Board of Directors is prohibited by law from taking action on matters discussed that are not on the agenda, and no adverse conclusions should be drawn if the Board does not respond to public comments at this time. In all such instances we will be unable to respond. Comments are to be limited to three minutes per speaker respond publicly because of California Brown Act and/or due to patient confidentiality obligations. In all cases, your concerns will be referred to the Chief Executive Officer for review and a timely response, and shall not exceed a total of 20 minutes. All comments are to be directed to the Board of Directors and should not consist of any personal attacks. Members of the public are expected to maintain a professional, courteous decorum during their comments. Public input may be offered on an agenda item when the item comes up for discussion and/or action. Members of the public who wish to speak should notify the meeting chairperson through the application’s “Chat” option.

APPROVAL OF MEETING AGENDA

- **Motion 26-28** to approve the meeting agenda as presented.

APPROVAL OF CONSENT AGENDA----- Tab 1

Minutes of the regular business meeting of the Board of Directors, April 2, 2026, and minutes of the special ad hoc committee meeting, April 7, 2026.

- **Motion 26-29** to approve the consent agenda as presented.

PRESENTATION

LAUNDRY LOVE PROGRAM – Julie Brown, Facilitator Hi-Desert Chapter of Laundry Love

ACTION ITEM

APPROVAL OF POLICIES – Cindy Schmall, CEO----- Tab 2

- FN-AP-101 Cash Disbursements and Accounts Payable
- FN-AP-104 Levels of Authorization
- FN-AP-105 Federal Grants Procurement
- FN-AP-106 Purchasing Non-Capital Supplies and Equipment
- FN-AP-107 Contracting for Public Works without Federal Funds
- FN-GA-104 Grants and Compliance Cost Principles

- **Motion 26-30** to approve policies as presented.

APPROVE CAPITAL EXPENSE OF \$13,001.87 – Cindy Schmall, CEO----- Tab 3

- **Motion 26-31** to approve the capital expense of \$13,001.87 to rehabilitate the Yucca Valley health center south side sewer line.

APPROVAL OF AD HOC COMMITTEE RECOMMENDATION – Director Greenhouse

- **Motion 26-32** to approve the recommendation of the annual CEO Performance Evaluation Ad Hoc Committee to award Cindy Schmall, CEO, a 4.25% salary increase, and a \$5,000 one-time bonus as per board policy BD-003, for achieving assigned goals.

FY26-27 OPERATIONS BUDGET – Debbie Anderson, CFO

- **Motion 26-33** to instruct staff to proceed with the final development of the FY26-27 operations budget.

REPORTS

ANNUAL QUALITY PROGRAM REVIEW: – Tricia Gehrlein, CAO----- Tab 4

MONTHLY FINANCIAL REPORT – Debbie Anderson, CFO ----- Tab 5

- **Motion 26-34** to accept financial report(s)

STAFF REPORT – Cindy Schmall, CEO----- Tab 6

CALENDAR REVIEW ----- Tab 7

DIRECTOR COMMENTS

ADJOURN TO CLOSED SESSION

- Pursuant to Section 32106 of the Health and Safety Code: report involving trade secret. Estimated date of public disclosure: May 2026. This is continuance of the February 5, 2026 closed session.

ADJOURN MEETING



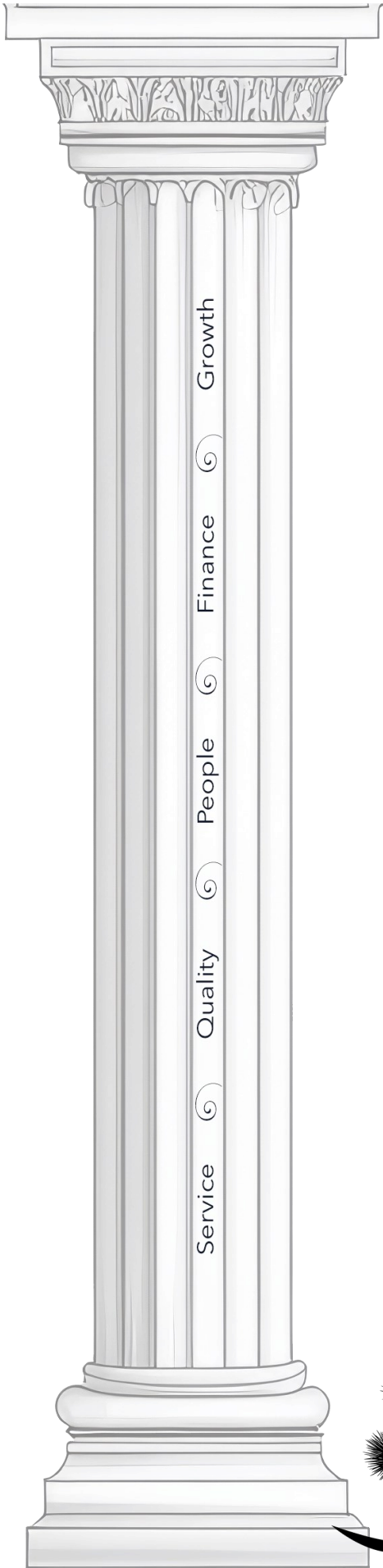
Karen Graley, Board Clerk

Posted: May 4, 2026

I certify that a copy of this Agenda was posted per Section 54954.2 of the California Government Code.

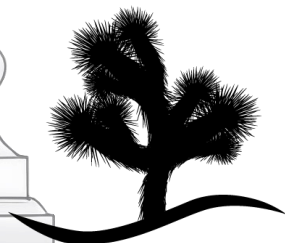
The Morongo Basin Healthcare District Board of Directors’ meeting facility is accessible to people with disabilities. If assistive listening devices or other auxiliary aids or services are needed to participate in the public meeting, requests should be made through the Board Clerk Aide at least three (3) business days prior to the meeting. The Board Clerk’s telephone number is 760.820-9229 extension 1901. The office is located at 6530 La Contenta Road #100, Yucca Valley, CA. California Relay Service is 711.

In conformity with Government Code Section 54957.5, any writing that is a public record, that relates to an item listed on this agenda, and that will be distributed to all or a majority of Morongo Basin Healthcare District Board of Directors less than twenty-four (24) hours prior to the meeting for which this agenda relates, will be available for public inspection at the time the writing is distributed. This inspection may be made during the meeting at the address/meeting room(s) listed above or an electronic copy may be requested in advance of the meeting via email message to kgraley@MBHDistrict.org.



TAB #1 CONSENT AGENDA

MINUTES FOR LAST MONTH'S MEETINGS



**MORONGO BASIN
HEALTHCARE DISTRICT**

MorongoBasinHealth.org

Hi-Desert Memorial Health Care District dba
Morongo Basin Healthcare District
BOARD OF DIRECTORS REGULAR MEETING MINUTES

April 2, 2026 at 6:15 p.m.

Convened on the La Contenta campus; the public was invited to attend the meeting on campus or via Microsoft Teams, an electronic, remote platform.

- **Mission Statement:** *To improve the health and wellness of the communities we serve.*
- **Vision:** *A healthy Morongo Basin.*
- **Core Values:** *Commitment, Collaboration, Accountability, Dignity, Integrity, Equity.*

Board of Directors:

- Director Cooper
- Director Evans
- Director Markle-Greenhouse
- Director Stiemsma
- Jacqueline Todd

Administrative Staff:

- CEO Cindy Schmall
- Tricia Gehrlein, Chief Administrative Officer (*remote*)
- Karen Graley, Board Clerk (*remote*)
- Beverly Krushat, Office Services Manager
- Janeen Duff, Quality Director
- Dianna Anderson, Community Programs Manager

Guests

- Linda Evans, Chief Strategy Officer, Desert Care Network (*remote*)
- Shawn Johnson, CPA, Owner, DZA Accountants (*remote*)
- Marc Greenhouse, CHC board member
- Vikas Sharma, community member

CALL TO ORDER

Director Greenhouse called the meeting to order at 6:15 p.m. The meeting was convened on the La Contenta campus and by electronic platform using Microsoft Teams.

ROLL CALL

Karen Graley, Board Clerk, conducted a roll call and declared a quorum.

OBSERVANCE

Director Todd read the mission and vision statements. Director Cooper led the assembly in the pledge of allegiance.

PUBLIC COMMENT

None presented.

APPROVAL OF THE MEETING AGENDA

- **Motion 26-23:** Director Stiemsma motioned to approve the meeting agenda; second by Director Todd, motion passed by unanimous vote.

APPROVAL OF THE CONSENT AGENDA

- **Motion 26-24:** Director Evans motioned to approve the minutes of March 5, 2026, second by Director Stiemsma. Motion passed by unanimous vote.



PRESENTATION

CHANGES TO THE CHC QUALITY PROGRAM – *Tricia Gehrlein, Chief Administrative Officer*

Ms. Gehrlein explained the recent changes to the quality program and department. “Building on what we’ve done in the past, these recent changes will bring improvements to our process, such as leveraging the electronic health record to explore how well our clinic systems work. These changes will use data as intelligence and not just information collected.” In 2025, Root Cause Analysis was introduced, incorporating data driven measurements into the quality improvement projects but it did not provide the story behind the data. “We didn’t know if we had a process-problem or a people-problem. This approach helps us ask better questions to determine what is going on.” She provided an example of how the new approach improved measurement scores for Ischemic Vascular Disease from 49% to 82%.

The new approach uses DMAIC (define, measure, analyze, improve, control). Using this new approach of using data to inform the process directs the creation and implementation of lasting system changes. The DMAIC methodology provides a more robust preparation of measurement and analysis before any change or improvement is considered. Process control is required as a built-in final step resulting in lasting change.

The Directors praised Ms. Gehrlein for implementing the changes and were excited about the outcome from meaningful data collection and analysis. CEO Schmall noted that over the last year department staff focused on drilling down into the data. “We have made so many changes and improvements to the things that we're doing that now I'm so excited. It is a step forward for the organization.”

ACTION ITEMS

ANNUAL FINANCIAL AUDIT REPORT – *Shawn Johnson, CPA, Owner and Tyler Anderson, CPA, Senior Accountant, DZA Accountants*

Mr. Johnson presented the annual financial audit for 2024-25 at the March board meeting. The Directors chose to defer accepting the report to the April meeting for additional time to review the printed report. Mr. Johnson joined this meeting to answer questions. There were no questions from the Directors. Each of them expressed their appreciation for his report last month.

- **Motion 26-25** Motion by Director Evans, second by Director Stiemsma, to accept the auditor’s 2024-25 financial audit as presented. Motion passed by unanimous vote.

STAFF REPORTS

OUTREACH & TRANSPORTATION PROGRAM UPDATE – *Dianna Anderson, Community Programs Manager*

Ms. Anderson referred the Directors to her written report in the agenda packet and fielded questions.

- **WELLNESS WHEELS:** the client list was updated and stands at 624 active riders. 40 new riders were added this past quarter and a similar community response is expected for second quarter. Ms. Schmall noted that last year she reduced transport outside the Basin from five days to two days because ReachOut was able to handle the demand. But ReachOut recently communicated they are currently unable to keep up with the demand. Wellness Wheels is now expanding the program back to five days a week. Director Evans said she appreciates the numbers report because this program for transport to higher levels



of care is a social determinant of health that directly impacts community access to health services. “I know Director Greenhouse and I have supported this transportation program even if it is a cost to the District in wages, vehicle maintenance and insurances. It satisfies a definite need in the community.”

- **OUTREACH:** The written report lists community activities where the outreach department represented District services. Ms. Anderson noted that the outreach focus is expanding its community health education schedule. A new Community Health Worker (CHW), with great experience in community education has been added to the team. Cindy Schmall noted that the two original CHW staff are providing face-to-face patient-based assistance in the health center. They will still assist Dianna as needed for community outreach events.
- **DIAPER PROGRAM:** Ms. Anderson called out the diaper program data for March. Through our pediatric department, we distributed 3,500 diapers or 140 packages and 127 units of wipes. We served 50 families and 70 children for the month of March alone.

Director Greenhouse asked about the community shower program for homeless residents. Ms. Anderson stated it is a monthly program and has been mostly sited in the City of 29 Palms. This organization provides laundry services in collaboration with local businesses. Director Greenhouse spoke of another company that provides similar availability but specializes in providing laundry services. Director Greenhouse thanked Ms. Anderson for her report.

GRANTS UPDATE – *Tricia Gehrlein, Chief Administrative Officer*

Ms. Gehrlein referred the Directors to the written summary in the agenda packet. She reviewed the list of grants.

- HRSA grant. She that the HRSA website stated they were moving to a four-year cycle and that those in our timeframe for renewal would be extended by a year. We received official notice that the grant term is now through January 31, 2028. HRSA is simply extending the grant for another year at the same funding level. This will help with long-term planning.
- The HIV grant is no longer a grant. In August 2025 HRSA announced that they were giving us funding and rolled it into our base HRSA grant. They want us to continue the work of the original HIV grant but without the reporting requirements. We are unsure that we will receive that funding again because of changes in funding for federal programs.
- Medi-Cal enrollment. We have a continuing partnership with Community Health Association Inland Southern Region (CHAISR) for promoting the Covered California program. For every person we enroll and is accepted into the Covered California program, we receive a reimbursement of \$50 per patient to help offset our time to help them enroll in the program. Ms. Gehrlein expects continued funding of the CHAISR grant. Also, two weeks ago we received notification from CHAISR that we were chosen to be a sub-awardee for Kaiser funding to help our patients stay on Medi-Cal and to support the work that Dianna Anderson and her outreach team, and Jill Goodwin and her team are doing in the health centers to help people maintain their benefits. That award was about \$40,000 to offset costs. Timeframe is March through December 2026. Funding is strictly to help us pay for staff to keep people enrolled in Medi-cal.



- ReachOut Agreement: We have an ongoing agreement with ReachOut where they refer patients with substance abuse disorders to our behavioral health program for medically assisted treatment.
- Transportation grants: We have two transportation grants. The 5310 grant is in partnership with ReachOut for the transport of patients to a higher level of care outside the Morongo Basin. Our transportation team coordinates schedules with ReachOut staff. The second grant is for vehicle maintenance and fuel through a Caltrans grant. Also, our local transit district provides us with bus passes for patient use. Our CHW patient-based staff encourage patients to use these transportation options so their personal money can be redirected to food purchases.

CEO Schmall addressed the difficulty in securing grant funding, noting that most grants require the recipient to be a non-profit (501c3) organization. The District is a government agency, not a 501c3. This bias makes the District ineligible for many grants. Staff continue to pursue and do their due diligence to find grant funding for District programs. Our foundation is a 501c3 foundation, but it was set up as a pass-through entity. It was structured to receive donations from the community on behalf of the District but does not employ staff to manage distribution of monies, nor does it have a community board; our foundation's board is the District's elected board members. This reduces the District's eligibility for some grant monies.

FINANCIAL REPORT - Cindy Schmall, CEO

CEO Cindy Schmall reviewed the written report as prepared by CFO Debbie Anderson.

Consolidated financials for the month of February 2026 show income of \$584,353 and year to date income of \$3,165,404. Non-clinic financials for February show income of \$554,522 and a year-to-date income of \$2,563,619. The health center financials for the month of February show income of \$29,831 and year to date income of \$601,785.

Patient visits in February were down compared to other months in the fiscal year, but were still more than budgeted visits (2,903 actual vs 2,737 budget). This has contributed to the health centers being over budget by 862 visits to date, which is reflected in the financial statement's patient services revenue. Capitation revenue seems to have finally leveled out from IEHP. Previous to this year, we were continually receiving increased capitation amounts, which has added more variables to trying to estimate the year end payback to Medi-Cal. Now that this has leveled out, we are hoping we can fine tune our estimates for the paybacks owed that come about from the Medi-Cal payment reconciliation process. Health center operating expenses continue to be within 1%-2% of budget, excluding allocations.

Ms. Schmall noted the disparity in patient visits between this year and last year, stating that last year we had six providers and this year we have four providers, which impacts the volume of visits. We have new providers onboarding and are expecting patient volume to increase.

- **Motion 26-26**: Director Stiemsma motioned to accept the financial report as presented, second by Director Evans; motion passed by unanimous vote.

CEO STAFF REPORT

Ms. Schmall referred the Directors to her written report in the agenda packet.

She announced we have begun the recertification process to ensure we remain a certified district with ACHD. Their board is changing the requirements for recertification, but we are grandfathered in the process.



We received the Letter of Welcome from the California State Controller’s office regarding the transition to CUPCCAA for public works. Our attorney has confirmed that we are now listed and may proceed to use the CUPCCAA rules. You may recall this board completed the resolution and ordinance a couple of months ago for district staff to projects completed without the need for a formal bidding process. This simplifies our workflow and speeds up staff ability to get things done.

All the annual insurance renewals for provider liability, Directors and Officers, Cyber Security, Ransomware, property, workers compensation and automobiles have been submitted and we await the certificates.

Two of three lease agreements for La Contenta tenants have been renewed. We anticipate taking back that third suite May 1, 2026.

We have renewed the dental services lease for an additional two years to give us time to complete some construction on our owned properties. The landlord has been very fair to us and is aware that we will likely not renew after this. The Directors requested a letter of appreciation to send to the landlord.

The budget process has begun. Debbie, Tricia and I are planning to present to you in May a preliminary budget for your review.

Transportation has purchased a new van with lift and now has two new drivers to ensure we can meet clients’ needs.

Ms. Schmall announced that Lorraine Kirkpatrick NP, and Daniela Attia LCSW have started orientation. Our search for an additional provider is still on-going to help us meet the needs of patients. Dr. Kim will be back full-time in April and is doing well.

Kelly Hedges Wehner and his team participated in an IEHP audit of patients screened for lead testing; we scored 95%.

Facilities department is working on plumbing at the Yucca Valley health center. Old cast iron pipes are creating chronic problems and will require replacement. It will be a costly project, about \$70,000, and will require tearing up the floor to replace the pipes.

CALENDAR REVIEW AND COORDINATION

Calendars for April, May and June were reviewed.

- CEO ad hoc committee will convene April 7.
- May 2 is the Yucca Valley Community Health and Resource Fair, 10a-2p.

DIRECTOR COMMENTS

- DIRECTOR COOPER: “Great reports tonight. Thank you.”
- DIRECTOR EVANS: “Thank you. I already made my comments throughout the meeting.”
- DIRECTOR STIEMSMA: She mentioned the April lecture series on allergies as being timely for Spring. She thanked Cindy Schmall and Tricia Gehrlein for everything they have done to improve the quality program. “I think people, when they see things from the outside, don’t realize how much work, time and resources are required to keep the quality program effective. I know from the places I have worked that the organizations that have dedicated resources to



quality are just better organizations. So, I commend you for establishing resources for the program, and with Tricia leading it, I feel very confident that there's going to be continued success.”

- DIRECTOR TODD: She thanked staff for their reports.
- DIRECTOR GREENHOUSE: “Linda Evans, thank you for being with us tonight. Tricia, thanks for your input. Thank you to our CEO for her great leadership. And she thanked other staff who were present.

The meeting was adjourned at 7:14 p.m.

Heidi Stiemsma, Secretary of the Board

Board meeting minutes recorded by K. Graley, Board Clerk.

Hi-Desert Memorial Health Care District dba
Morongo Basin Healthcare District
BOARD OF DIRECTORS SPECIAL MEETING MINUTES
Ad Hoc Committee – CEO Performance Evaluation
April 7, 2026 at 6:15 p.m.

Convened on the La Contenta campus; the public was invited to attend the meeting on campus or via Microsoft Teams, an electronic, remote platform.

- **Mission Statement:** *To improve the health and wellness of the communities we serve.*
- **Vision:** *A healthy Morongo Basin.*
- **Core Values:** *Commitment, Collaboration, Accountability, Dignity, Integrity, Equity.*

Committee Members:

- Cody Briggs, CHC board
- Director Cooper, District board
- Director Evans, District board
- Director Markle-Greenhouse, District board
- Marc Greenhouse, CHC board
- Director Stiemsma, District board
- Jacqueline Todd, District board

Administrative Staff:

- CEO Cindy Schmall (*remote*)
- Tela Thornett, Operations Manager

CALL TO ORDER

Director Greenhouse called the meeting to order at 6:17 p.m. The meeting was convened on the La Contenta campus and by electronic platform using Microsoft Teams.

ROLL CALL

Tela Thornett conducted a roll call and declared a quorum.

OBSERVANCE

Director Evans read the mission and vision statements. Director Marc Greenhouse led the assembly in the pledge of allegiance.

PUBLIC COMMENT

None presented.

APPROVAL OF THE MEETING AGENDA

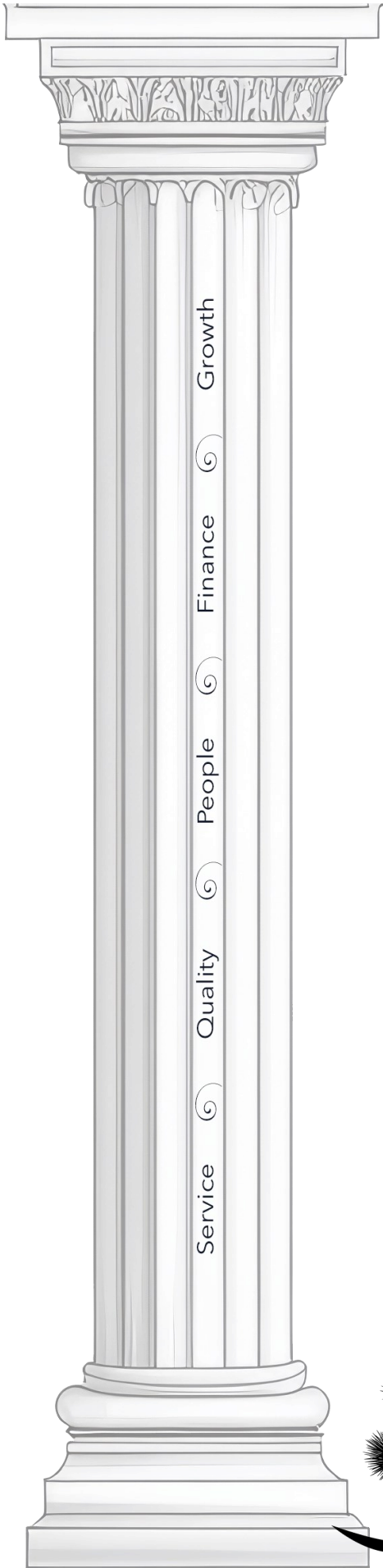
- **Motion 26-27:** Cody Briggs motioned to approve the meeting agenda; second by Director Todd, motion passed by unanimous vote.

Meeting was adjourned to closed session at 6:20 p.m. pursuant to Government Code Section 54957 for the annual CEO Performance Evaluation. The ad hoc committee deliberated and adjourned to open session at 7:09 p.m. Director Greenhouse reported that the committee members will make recommendations for the CEO evaluation to both District and CHC boards.

The meeting was adjourned at 7:10 p.m.

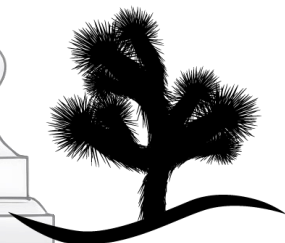
Heidi Stiemsma, Secretary of the Board

Board meeting minutes recorded by K. Graley, Board Clerk.




TAB #2
ACTION ITEM

APPROVAL OF POLICIES



MORONGO BASIN
HEALTHCARE DISTRICT

MorongoBasinHealth.org

 MORONGO BASIN HEALTHCARE DISTRICT	DEPARTMENT / MANUAL: HUMAN RESOURCES
ORIGINAL DATE: April 2017	REVIEW & REVISION DATES: (supersedes CHC-201) 2/22, 2/25
TITLE: CASH DISBURSEMENTS & ACCOUNTS PAYABLE	APPROVED BY: ADMIN: _____ Date: _____ CEO: _____ Date: _____ GOVERNING BOARD: _____ Date: _____

PURPOSE

To set forth the policy and procedures for the timely and correct payment of cash disbursements and Accounts Payable.

POLICY

Cash Disbursements

Cash disbursements should be made timely and accurately. Cash disbursements will be limited to expenses that further the operations of the district. In no case will cash disbursements be made for personal purposes or for reasons that do not benefit the district. Loans to officers or directors are not allowed. Cash disbursements should typically be payments for: district backed loan repayments, vendors for goods and services, patient refunds, staff training and development, memberships and subscriptions, meeting expenses, employee reimbursements, reimbursements of petty cash funds, payments to credit cards for district expenses, and outreach & community notification materials.

Checks will be processed weekly. Invoices submitted to finance are paid based on terms and due dates. Reimbursements which are submitted by Tuesday will be processed on Thursday and paid on Friday of the same week. For provider payments, if the first of the month falls on Monday or Tuesday, checks will be provided by Friday. If the first of the month falls on Wednesday, Thursday or Friday, then checks will be provided the following Friday. Checks can be prepared manually within one day, but this should be limited to emergency situations or last day manual payroll checks.

Requests for cash disbursements are submitted to finance in four ways: Check request (submitted on approved form), Employee expense reimbursement request, Mailed Original invoice, or downloaded electronic invoice.

Credit Cards

~~The district allows only two Officers the use of company credit cards, the Chief Executive Officer and the Director of Business Development. Credit card issuance is based on the needs of the district.~~

These credit cards are only to be used for district business expenses, and personal expenditures are prohibited. Credit card expenditures greater than \$5000 need to be preauthorized by the Chief Financial Officer. Also, credit card usage should be limited to expenditures that demand immediate payment prior to shipment (for goods) or for performance (for services). Occasionally, some vendors demand recurring payments to be paid via credit card (such as Facebook, Adobe, etc.). In these cases, the need for the specified good or service will be weighed against incurring a recurring credit card charge every month.

Additionally, credit card use is only for expenditures that cannot be obtained through vendor terms, either because the vendor does not grant terms or because the amounts being charged are so small in nature it is not worth the time to pursue vendor terms. The limit on recurring monthly charges to the credit card is to be no more than \$1000 a month (for vendors that offer terms)

EFTACH's

ACH disbursements are utilized by the District. However, strict controls must be followed to ensure no unauthorized activity occurs. Additionally, all ACH Accounts Payable (AP) transactions are to be disbursed through the M&O bank account. All payroll ACH's must be disbursed through the payroll bank account. And all FSA ACH's must be disbursed through the FSA bank account.

Payroll & FSA ACH's are initiated by iSolved, our payroll & FSA vendor. Payroll ACH's are secured through controls in the payroll system, which has been setup to only allow certain individuals to submit the payroll which generates the payroll ACH and payroll can only be transmitted during the standard payroll processing window. Outside of that window, iSolved must be contacted by the authorized individuals in order to process a special payroll. FSA ACH's are only allowed by FSA iSolved, which manages the FSA activity. A special account was setup so FSA iSolved only has access to this account, and FSA transactions must be reviewed monthly.

Vendor ACHs are either automated or done individually. For automated ACH's, this involves a setup process that must be approved by both the Chief Executive Officer (CEO) & Chief Financial Officer (CFO) and business reasons for the automated ACH process must be weighed and documented (frequency of the ACH's, typical amounts of the ACH's, complexity of transactions going through ACH, potential for incorrect payments to go through ACH, and vendor requirements that may mandate ACH). Automated ACH setup goes directly through the vendor (as opposed to the accounting system Financial Edge, FE) and only that particular vendor can initiate ACH's for their invoices.

Vendor ACH done individually will run through FE, using the payment assistant function. Since these are individually approved, all AP invoice approvals must be obtained prior to an ACH being released. Once invoice approvals are obtained, to then process individual ACH payments, payment assistant is set up to require 2 levels of approval before a batch can be released for ACH, the 1st level being approved by the CFO or controller and the second level of approval being tied to the authorized check signers on the bank account. The tiers in FE will take into consideration the current check signing structure as stated in FN-AP-104, which means if two check signers are required on a physical check, then the 2nd approval tier in FE will also require 2 approvals before the ACH batch is released for payment.

~~EFT Disbursements are only allowed in specific circumstances, and certain criteria must be evaluated which includes: the vendor controls surrounding who can initiate EFT transactions, the business reason for EFT over cash disbursement, and the ability to do business that the vendor if EFT is not allowed. Currently the District allows EFT transactions for payroll liabilities, 340B drug supply liabilities, recruiting liabilities, and bank charge card liabilities (bank charges for allowing patients to use credit cards, not the payment of officer company credit cards). EFT disbursements are to be disbursed through the Maintenance & Operations account, the FSA account, or the payroll account only. The one exception is for the credit card charges that the district pays for allowing patients to use credit cards. In this case, since all the revenue goes into the revenue account, and the credit card charges must come out of the same account, those charges will deduct from that account. Only a check signer can authorize the bank to allow one time or recurring EFT's. Recurring EFT's initiated are to be limited to the purpose for which they were set up and must have controls to ensure only authorized personnel can "send" the transactions. For example, the payroll EFT is only for the payroll vendor, and only the staff accountant, the CFO, and HR have the ability within the payroll system to "send" the payroll, which initiates that payroll disbursement.~~

PROCEDURE

For check requests and employee expense reports

1. The check request/employee expense form must be completely filled out prior to being submitted to finance. This includes who the check is made payable to, the address of where the check is to be mailed, an explanation as to the necessity of the expense or reimbursement, the full G/L account number, and signature of the person initiating the request/reimbursement as well as an appropriate approval signature.
2. The AP Accountant will review the disbursement request for mathematical accuracy, existing employee reimbursement status (IE: is this an existing employee in the accounting system or a new employee), employee signatures, and appropriate manager or supervisor signatures.
3. The AP Accountant will also review the G/L account number. If there are questions about the appropriateness of the G/L coding, the AP Accountant will research with the manager or supervisor and change if needed.
- ~~4. Check requests and expense reimbursements are next routed to the Chief Executive Officer for review and approval. Approval should be indicated by this person's signature or initials.~~
- ~~5.4.~~ Check requests and expense reimbursements will also go to the Chief Financial Officer for review and approval. Approval should be indicated by signature or initials.
- ~~6.5.~~ Check requests and expense reimbursements will then be entered into the accounting system and stored in a locked cabinet awaiting payment.

For mailed in invoices:

1. Mailed in invoices are routed to finance during the mail sorting process and given ~~Page 3 of 4~~ Accountants.
2. The invoice is block stamped and the fields of the stamp are filled in with the date received by finance, the initials of the person prepping the invoice for payment, general ledger account number (for those bills that are recurring and have the same account number every time, such as electric bills, rent bills, insurance bills, etc.), and the vendor number.
3. The AP Accountant reviews the invoice for mathematical accuracy and if the invoice is for goods, matches the invoices to the corresponding receiving report for quantity accuracy and to ensure all goods were received. All receiving reports should indicate where the goods were received and what department received them. However, if proper GL coding cannot be ascertained from the receiving report, the accountant will call or e-mail the person who received the goods to find out the information to enable proper GL coding.
4. Once the invoice package has been created, it is sent to ~~the Chief Executive Officer~~ the appropriate approver for review and approval. Approval should be indicated by signature or initials.
5. It is next routed to the Chief Financial Officer for review and approval. Approval should be indicated signature or initials.
6. The invoice is then entered into the accounting system and held in a locked cabinet until aging and terms dictate that it should be paid.

Downloaded invoices

1. Downloaded invoices will follow the same procedures as the mailed in invoices, with some additional steps to ensure a downloaded invoice is not paid twice.
2. The AP Accountant will research the accounting system to ensure the invoice has not

already been paid. This includes researching that the invoice number has not already been entered into the accounting system, scanning the vendor for recent payments of the same amount, and reviewing invoices with close dates.

3. Even though the accounting system does not allow for duplicate invoice number entry, it can happen if an incorrect invoice number is entered. To counter that, and to also search for monthly vendors not recorded, a general ledger export is performed monthly by the Chief Financial Officer or Controller and all monthly, quarterly and yearly recurring vendors on the master list are compared against the export. Any exceptions are investigated.

For all check requests, employee expense reports, mailed in invoices, & downloaded invoices paid via check

1. On Thursdays, the AP accountants will compile a list of cash disbursements to be paid, taking into consideration aging and terms.
2. The AP accountant will run a query from the accounts payable module, print it, and determine the amount of the check run. This is given to the ~~Chief Financial Officer (CFO)~~ for approval, and the CFO will initial the check run request.
3. The key for the blank check is kept in a locked file cabinet. ~~by the Director, Human Resources.~~ The AP accountant will request the key, take the checks they need for the check run, return the key, and then print the checks.
4. The check package will then be sent to the Chief Executive Officer (CEO) for signature. If a second signature is needed, the CEO and/or the Accountant AP will coordinate for the appropriate second signature. ~~For individual ACH's, the CFO will log into the accounting system to approve the release of the ACH (Tier 1). Then Tier 2 will require the CEO and/or other check signers to log into the accounting system FE to approve the release of the ACH. Only once the both tiers are complete will the ACH's be released for payment.~~
5. The checks will be returned to the AP accountant, with the mitigating control that all checks are reviewed for vendor & sequential order by the CFO or controller.
6. The backup for the checks is filed and the check along with the appropriate backup is mailed. Some checks are held for pickup by the providers, and those are placed in a locked file cabinet until they are picked up.
7. Once the checks are cut and check numbers are assigned to the cash disbursements, a positive pay file is created and uploaded to the bank by the AP Accountants. The CFO is responsible for approving those files in the banking online portal. Any ACH's should also be uploaded for positive pay as well.

Page 4 of 4

For all check requests, employee expense reports, mailed in invoices, & downloaded invoices paid via payment assistant

1. On Thursdays, the AP accountant will compile a list of cash disbursements to be paid, taking into consideration aging and terms.
2. The AP accountant will determine which invoices to be paid will be paid via check (using the procedures above) and which invoices to be paid will be done via payment assistant (payment assistant cannot be used if certain information is not present or if a board member needs to sign since board members don't have


access to the accounting system).

3. The AP accountant will select which invoices should be paid and create a pre-payment report, which should then be attached to the payment assistant run inside of FE. Then the payment assistant run is sent for electronic approval.
4. Two tiers are required for electronic approval. The first tier is approval by the CFO. The second tier requires the physical check signers to approve the payment assistant run. The tiers in FE will take into consideration the current check signing structure as stated in FN-AP-104, which means if two check signers are required on a physical check, then the 2nd approval tier in FE will also require 2 approvals before the ACH batch is released for payment. ~~For individual ACH's, the CFO will log into the accounting system to approve the release of the ACH (Tier 1). Then Tier 2 will require the CEO and/or other check signers to log into the accounting system FE to approve the release of the ACH. Only once the both tiers are complete~~ approved will the ACH's be released for payment. At that point, the payment assistant will take the amount of vendor payments owed from the M&O checking account in one lump sum via ACH and then deposit those funds into a beneficiary checking account.
5. The payment assistant will then pay the vendors according to the vendor preference: ACH, check or a virtual card.
6. Positive pay is utilized for the M&O account, so that ACH transactions are limited to authorized transactions only.

7. _____

Other Procedures

1. New vendors can only be setup by the CFO or controller and require a W-9 to ensure proper 1099 reporting. New vendors will be set up in both the accounting system as well as added to the master vendor list.
2. A master vendor list is maintained of recurring vendors and approved supply vendors. This list is distributed to all finance staff. Any exceptions are investigated.
3. Blank checks are in sequential order and kept under lock and key.
4. ~~Checks used for the month are listed out and given to the Board of Directors as part of the monthly reporting package. The list will not have specific vendor names, but it will include check date, the full amount of the check, check number, sub distribution amounts within the check along with the corresponding general ledger coding, account description, and major rollup category.~~ The CFO or controller will review checks used for the month ~~this list every month~~ for sequential order of checks.
5. Vendor statements are to be reconciled to individual invoices and are periodically reviewed by the CFO or eController for overdue items. Additionally, many vendors are setup online, so that account history and statements can be downloaded. Passwords are

 <p>MORONGO BASIN HEALTHCARE DISTRICT</p>	<p>DEPARTMENT/MANUAL: FINANCE</p>
<p>ORIGINAL DATE: June 1991</p>	<p>REVIEW & REVISION DATES: (Supersedes LD-208) 1/94, 1/96, 4/00, 12/00, 4/01, 9/07, 1/08, 6/08, 6/11, 6/13, 11/14, 10/15, 7/16, 5/17, 8/19, 2/22, 9/22, 6/24, 11/24</p>
<p>TITLE:</p> <p>LEVELS OF AUTHORIZATION</p>	<p>APPROVED BY:</p> <p>IT: _____ Date: _____</p> <p>CEO: _____ Date: _____</p> <p>Governing Board: _____ Date: _____</p>

PURPOSE

The purpose of this policy is to define the check signing signature policy and the levels of authority each member of the Morongo Basin Health District (MBHD) management possesses relating to conduction of all aspects of District business.

POLICY CHECK SIGNING & ACH TRANSMITTAL

4- In order to meet operational needs, the District requires at a minimum (more can be assigned based on the needs of the District) there be two District check signers, one being the CEO along with one other District employee (who is not a part of the finance department). The secondary District signer must be either an Officer or Director. Additionally, a minimum of 2 board members are designated to be check signers. More check signers can be assigned based on District needs. The secondary District signer is to be utilized only when the CEO is unavailable to sign and only for checks below \$200,000. Check signing is independent of approvals for expenses/limits of authority. Check signing may require one or two signatures, depending upon the dollar amount of the check, as per the table below:

One signature: –CEO* or Board Member	Up to \$50,000 <u>75,000</u>
<u>Two signatures: CEO^ and 2nd District signer</u>	<u>Between \$75,000 and \$200,000</u>
Two signatures: CEO** and Board Member	Over \$50,000 <u>200,000</u>

*The secondary District check signer can sign if the CEO is unavailable.

^If the CEO or 2nd District signer is unavailable, then a board member can sign

**If the CEO is unavailable, then a second board member must sign.

In the case of individual ACH's, these same limits apply. For recurring ACH's, these have been setup ahead of time and allowed to be recurring (See FN-AP-101 for more detail). Recurring ACH's typically have their own set of controls, (such as initiation through a web site that is keyed to specific individuals or initiated by the vendor, not by District staff). Since with recurring ACH's the amounts are paid on a schedule (usually monthly or bi-weekly in the case of payroll), review of the ACH's is to take place within the week. Additionally, positive pay is to be utilized for ACH transactions to prevent unauthorized withdrawals.

POLICY LIMITS OF AUTHORITY (AP & INVOICE APPROVAL)

2.1.Limits of Authority: It is the policy of the District to strictly observe specific levels of authority in conducting District business. It is further the policy of MBHD to periodically re-evaluate the levels of authority to ensure that it meets the District’s needs and promotes efficiency in conducting District business while ensuring an adequate system of internal controls. Compliance with these levels of authority is the responsibility of all District management. Non-compliance with the levels of authority, outlined below, may subject the personnel involved to disciplinary action. The Administrative Team is responsible for periodically reviewing this policy to ensure that it meets District needs and promotes efficiency in conducting District business.

Approvals requiring higher levels of authority should also reflect all prior approvals, which are cumulative and consistent with organization structure.

Approvals can be done with a physical written signature or through electronic means. While the District utilizes Adobe & DocuSign for electronic signatures, outside vendors may use other programs to collect electronic signatures. In all cases, the programs utilized for electronic signatures should create either an audit trail or a certified signature. The audit trail should be retained either electronically or printed out and kept with the paper document that utilized the electronic signature (if created). Certified signature documents should keep the original e-mail conveying the electronic signature.

3.2.Limits of Authority (General): The following limits of authority are solely for operational expenses, and specifically exclude monthly/recurring expenses with contracts, monthly/recurring expenses with no contracts, provider/directorship contracts, and capital items, that meet certain parameters (see section 6). This will typically include purchases for medical, office and janitorial supplies, pharmaceuticals, check expense & mileage reimbursements, medical, office, and IT equipment, and other expenses that aren’t recurring in nature and are for a tangible good or service.

CEO with one Board Signer	over \$ 50,000 <u>75,000</u>
CEO	up to \$ 50,000 <u>75,000</u>
<u>District Officers</u>	<u>up to \$10,000</u>
Directors	up to \$ 5,000
District Officers	up to \$10,000
Program Manager	up to \$ 1,000

District officers include the ~~Chief Clinical Operations Officer, Patient Experience Officer,~~ Chief Financial Officer, Chief Executive Officer, Chief Administrative Officer or any other title that includes the word Officer in it. In the case of the CFO, another Officer or Board member should co-approve any authorization over \$1,000-if the CFO is also performing the secondary review below.

In addition to the above approvers, a secondary review will be performed prior to payment by either the CFO or Controller.

4.3.Limits of Authority (Monthly/Recurring Expenses) with contracts

Monthly/recurring expenses with contracts ~~The following limits of authority are solely for monthly/recurring expenses. Monthly/recurring expenses~~ include rental, software, provider, equipment contracted, and service payments that have a valid contract on file. It also includes

~~expenses such as recurring utility bills (gas/electric/trash/water), recurring internet & phone usage bills, monthly gasoline payments, monthly director fee payments, lease payments for a valid contract on file, employee benefit payments (such as health/dental/life insurance), and monthly insurance payments for which a certificate of insurance is in force.~~

Monthly/recurring expenses with contracts must be approved by the CEO at the onset of the contract, with secondary review by another Officer, preferably the CFO. Board approval of contracts is required for operating contracts (as defined by GAAP for operating expenses on the Statement of Revenue & Expenses) that exceed \$500,000, non-operating contracts that exceed \$125,000, or the contract relates to capital. The value of the contract should take into consideration all periodic payments that are required by the terms of the agreement, including any down payments and/or residual payments at the end of the contract. The contract should contain the CEO signature, which then authorizes the payments as stipulated per the contract. Occasionally, the CEO may delegate contract authorization to another officer of the District; in these rare cases the delegation must be supported in writing and the sum of all payments of the contract being authorized cannot be more than \$10,000.

Once the contract has been approved, the total recurring periodic payment required under the contract should be the threshold used for the limits of authority below.

<u>CEO</u>	<u>up to \$125,000</u>
<u>CEO with one Board Signer</u>	<u>over \$125,00</u>
<u>CEO with one Board Signer</u>	<u>over \$125,000</u>
<u>CEO</u>	<u>up to \$125,000</u>
<u>Officers</u>	<u>up to \$10,000</u>
<u>Directors</u>	<u>up to \$ 5,000</u>
<u>Program Manager</u>	<u>up to \$ 1,000</u>

4. Limits of Authority (Provider/Directorship Contracts): Limits of Authority (Monthly/Recurring Expenses) with no contracts

5. —

~~Provider/Directorship contracts, no matter the dollar amount, should be approved by the CEO with secondary review by the CFO. Monthly/recurring expenses with no contracts includes disbursements that are recurring monthly, bi-monthly, quarterly, semi-annually, and annually that do not have an agreement obligating the District to pay for such services for more than 1-2 months (IE: can cancel with no repercussions with only one or two months notice). Typical recurring, non-contracted disbursements may include expense such as utilities (gas/electric/water), trash services, pest control services, recurring internet & phone usage bills (provided there is not a minimum period you must use the service provider, in which case it would under limits of authority with contracts), landscaping services, tax remittances, monthly gasoline payments, monthly director fee payments, employee benefit payments (such as health/dental/life insurance), month to month software agreements, and other services billed monthly that can be cancelled within 1-2 months with no cancellation fees. For these types of expenses, only the monthly amount needs to be considered when looking at the limits of authority.~~

<u>CEO with one Board Signer</u>	<u>over \$125,000</u>
<u>CEO</u>	<u>up to \$125,000</u>
<u>Officers</u>	<u>up to \$10,000</u>

<u>Directors</u>	<u>up to \$ 5,000</u>
<u>Program Manager</u>	<u>up to \$ 1,000</u>

6.5.Limits of Authority (Capital):

- a. Approved Capital Expenditures – Every effort will be made to include known capital expenses on the capital budget. However, not all capital expenditures can be predicted and known ahead of time. As such, capital expenditures (both approved and not approved on the annual capital budget) shall use the limits of authority (general).
- b. All unapproved capital expenditures will be presented to the Board of Directors at the next regular monthly business meeting.
 1. If a prior approved capital item exceeds 25% of the amount originally budgeted or is \$50,000 more than originally budgeted, then said item will need to go back to the Board for re-approval.
- c. Capital items that meet these parameters will be submitted for approval to the Board of Directors on a Capital Equipment Request Form.

PROCEDURE

For authorizations that pertain to ~~contracted goods or services monthly/recurring expenses with contracts:~~

- ~~1. For the sole purpose of this policy, this includes all rental agreements, lease agreements, service contracts, contracts for professional services, and Provider/directorship contracts. The limits of authority above shall consider the total value of such agreements, which shall be the sum of all periodic payments that are required by the terms of the agreement, including down payments and/or residual payments at the end of the agreement.~~
- ~~2.1. Prior to execution, all potential contracts, including Provider/Directorship Contracts, will be reviewed by the appropriate person(s), depending upon the type of contract and limits above, and the total value of the contract calculated, taking into consideration all periodic payments that are required by the terms of the agreement, including any down payments and/or residual payments at the end of the contract.~~
- ~~3.2. ——— All executed contracts~~ed~~ will be signed by the appropriate person(s), depending upon the type of contract and limits above.~~
- ~~4.3. If Board approval is needed due to the amount of the contract, Board approval will be sought before the signing of the contract by the appropriate person(s). Board minutes shall document Board approval.~~
- ~~5.4. A copy of all contracts, once executed, should be routed to accounting.~~
- ~~6.5. Monthly r~~Requests for disbursement that pertain to said contracts will be presented for authorization to the appropriate manager, director or officer and the limits of authority as detailed in section 3 (limits of authority monthly/recurring expenses with contracts) will apply. ~~person(s), depending upon the type of contract and limits above, within 3 days of receipt by the finance department.~~ Authorization will be documented by the signing or

initialing of the appropriate person(s). ~~Should a Board member signature be required, the finance department and/or the CEO will coordinate efforts to obtain the signature required.~~

~~7.6.~~ The CFO will review all contracted cash disbursements in addition to the procedures above, as evidenced by his/her signature or initials.

For authorizations that pertain to monthly/recurring, non-contracted disbursements expenses with no contracts:

~~1. For the sole purpose of this policy, this includes disbursements that are recurring monthly, bi-monthly, quarterly, semi-annually, and annually that do not have an agreement obligating the District to pay for such services for more than 1-2 months (IE: can cancel with no repercussions with only one month or two notice). Typical recurring, non-contracted disbursements may include utilities, trash service, pest control services, phone or internet services, landscaping services, tax remittances, and month-to-month software agreements.~~

~~2.1.~~ Prior to the first recurring billing, the CFO should be informed by the appropriate person(s) that recurring, non-contracted vendor services will be starting. The CFO will then set up the vendor in the accounting system and the finance staff will obtain a W-2.

2. Requests for disbursement that pertain to recurring, non-contracted disbursements will be presented for authorization to the appropriate person(s) manager, director or officer, depending upon the type of contract and limits above, within 35 days of receipt by the finance department. Authorization will be documented by the signing or initialing of the appropriate person(s).

3. Variances between expected, averaged monthly amounts that exceed 25% will be investigated and researched.

4. The CFO will review all recurring, non-contracted disbursements in addition to the procedures above, as evidenced by his/her signature or initials.

For authorizations that pertain to non-recurring, non-contracted disbursements:

~~1. For the sole purpose of this policy, this includes any one-time purchase for goods or services, including expense reimbursements and mileage reimbursements.~~

1. Prior to purchase, authorization must first be obtained. If authorization is not obtained prior to purchase, the District reserves the right to not reimburse and/or return items acquired.

2. The District can utilizes check request forms, mileage ~~&~~ and expense reimbursement forms, estimates, purchase orders, and/or printouts from vendor websites to facilitate obtaining prior approval. ~~of electronic approvals.~~

3. If a new vendor is being used, the CFO should be informed by the appropriate person(s) that a non-recurring, non-contracted vendor is going to be utilized. The CFO will then set up the vendor in the accounting system and the finance staff will obtain a W-2.

4. Invoices requesting payment and/or check/mileage reimbursements needing payment ~~Requests for disbursement that pertain to non-recurring, non-contracted disbursements~~ will be matched to any and all documentation indicating approval and/or will be presented to the manager, director or officer who authorized said expense for authorization. ~~to the appropriate person(s), depending upon the type of contract and limits above, within~~

~~3 days of receipt by the finance department.~~ Authorization will be documented by the signing or initialing of the appropriate person(s).

5. The CFO will review all non-recurring, non-contracted disbursements cash disbursements in addition to the procedures above, as evidenced by his/her signature or initials.

REFERENCES

N/A

ATTACHMENTS

N/A

unique to the user and most sites require a secondary authentication in order to log into the site.kept by the AP accountants in a secured location.

5.6.All ACH's are to be reviewed monthly during the bank reconciliation process.

6.7.At year end, careful attention is paid to dates and cutoff timing for general ledger entry. Both the AP accountants and the CFO/controller are looking at receiving report & invoice dates so that the proper fiscal year is entered into the accounts payable module.

EFT Disbursements


- 1.—The CEO, CFO and/or manager/director making the request are to discuss the business reasons behind why a one time or recurring EFT is needed and the controls surrounding the EFT initiation process.
- 2.—The CEO (the check signer) will direct the bank to allow EFT access if EFT is to be granted.
- 3.—The CFO will decide who is to have authorization to initiate recurring EFT's.
- 4.—The CFO will review all ACH's monthly as part of the bank reconciliation process.

REFERENCES

- NA FN-AP-104

ATTACHMENTS

- NA

 <p>MORONGO BASIN HEALTHCARE DISTRICT</p>	<p>DEPARTMENT / MANUAL: FINANCE</p>
<p>ORIGINAL DATE: August 2017</p>	<p>REVIEW & REVISION DATES: (supersedes LD-240) 5/20, 2/22,2/25</p>
<p>TITLE: <u>PROCUREMENT FEDE RAL GRANTS PROCUREMENT POLICY</u></p>	<p>APPROVED BY:</p> <p>ADMIN: _____ Date: _____</p> <p>CEO: _____ Date: _____</p> <p>GOVERNING BOARD: _____ Date: _____</p>

PURPOSE

To direct staff ~~through~~ the procurement process regarding the purchase of materials, supplies, and services for federal grants. This policy does not govern expenditure of funds received from other sources. in the quantity, quality, and price consistent with the needs of the District. (Note: The Morongo Basin Community Health Center is part of the Health Care District.)

POLICY

The procurement policy applies to all purchases including all expenditures of monies received through federal grants, whether those monies come directly from a Federal agency or through an intermediary, known as a "pass-through entity."

Federal law imposes requirements on the use of federal grants. This Procurement Policy is designed to ensure that the District and Morongo Basin Community Health Center complies with those requirements. ~~A contract or affiliation agreement may not limit the health center's authority or compromise the health center's compliance with the HRSA Health Center Requirements in terms of corporate structure, governance, management, finance, health service, or clinical operations.~~ Individual federal grants may contain further requirements that are unique to those grants and in addition to the requirements of this Policy. Also, a contract or affiliation agreement may not limit the health center's authority or compromise the health center's compliance with the HRSA Health Center Requirements in terms of corporate structure, governance, management, finance, health service, or clinical operations.

Failure to comply with federal requirements can result in a variety of adverse consequences including loss of funding; therefore, federal requirements must be scrupulously observed. Violation of this policy may result in disciplinary action, including termination of employment.

PROCEDURE

GENERAL PROCUREMENT STANDARDS

- 1) ETHICS AND CONFLICTS OF INTEREST 2 CFR §200.318 (c)

A. ~~District Personnel:~~

~~1) — All individuals involved in procurement must avoid any actual or apparent conflict of interest. Such individuals may not derive any personal financial or other benefit from any contract or transaction using federal grant funds. This prohibition includes parents, children (biological, foster, and/or adopted) and siblings, as such close relationships could give rise to an appearance of conflict.~~

~~2) — District personnel may not accept kickbacks, “rebates,” gratuities or other “gifts” or “tokens of appreciation” from vendors. Rebates and discounts to the District are permitted provided they:~~

- ~~• Comply with all applicable law;~~
- ~~• Provide a direct benefit to the District;~~
- ~~• Result from an arm’s length negotiation, which is fully documented in the file, and~~
- ~~• Are consistent with vendor’s standard pricing or discounting policies.~~

~~3) — Vendors or suppliers who offer inappropriate benefits or rewards to individual District employees will immediately be reported to the CEO.~~

~~4) — Noncompliance with these requirements may result in disciplinary action, including termination of employment.~~

~~B. — Suppliers or Bidders~~

~~1) — To avoid conflict or the appearance of conflict, contractors or consultants who prepare specifications, statements of work or other material portions of requests for proposal will be excluded from bidding on the underlying work. As with natural persons, parent, subsidiary and affiliated companies must also be excluded. The District will not accept bids based upon anti-competitive pricing or practices.~~

~~C. — Reports~~

~~1) — Suspected or observed violations of this policy will be reported to the CEO.~~

~~The District strictly prohibits retaliation of any type or nature against anyone for making such reports in good faith. Immediately report any observed or suspected retaliation to the CEO and to Human Resources. All individuals involved in the selection, award, administration, or expenditure of federal grant funds must avoid any actual or apparent conflict of interest. Such individuals may not derive any personal financial or other benefit from any contract or transaction using federal grant funds. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family (including parents, children (biological, foster, and/or adopted) and siblings), their partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the recipient or subrecipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors.~~

~~District personnel may not accept kickbacks, “rebates,” gratuities or other “gifts” or “tokens of appreciation” from vendors paid through federal grants. Rebates and~~

discounts to the District are permitted provided they:

- Comply with all applicable law
- Provide a direct benefit to the District
- Result from an arm's-length negotiation, which is fully documented in the file, and
- Are consistent with vendor's standard pricing or discounting policies.

Non-compliance with these requirements may result in disciplinary action, including termination of employment.

To avoid conflict or the appearance of conflict, contractors or consultants and affiliates who prepare specifications, statements of work or other material portions of requests for proposal are excluded from bidding on the underlying work.

Suspected or observed violations of this policy shall be reported to the CEO. The District strictly prohibits retaliation of any type or nature against anyone for making such reports in good faith. Immediately report any observed or suspected retaliation to the CEO and to Human Resources.

2) GENERAL REQUIREMENTS 2 CFR §200.318 (d-j)

Avoidance of unnecessary or duplicative items. The District's procedures must avoid the acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. When appropriate, an analysis should be made between leasing and purchasing property or equipment to determine the most economical approach.

Procurement arrangements using strategic sourcing. When appropriate for the procurement or use of common or shared goods and services, the District should consider entering into State and local intergovernmental agreements or inter-entity agreements for procurement transactions. These or similar procurement arrangements using strategic sourcing may foster greater economy and efficiency. Documented procurement actions of this type (using strategic sourcing, shared services, and other similar procurement arrangements) will meet the competition requirements of this part.

Use of excess and surplus Federal property. The District should attempt to use excess and surplus Federal property instead of purchasing new equipment and property when it is feasible and reduces project costs.

Use of value engineering clauses. When practical, the District is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering means analyzing each contract item or task to ensure its essential function is provided at the overall lowest cost.

Responsible contractors. The District must award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract. The District must consider contractor integrity, public policy compliance, proper classification of employees (see the Fair Labor Standards Act, 29 U.S.C. 201, chapter 8), past performance record, and financial and technical resources when conducting a procurement transaction.

Procurement records. The District must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

Time-and-materials type contracts.

The District may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time-and-materials type contract means a contract whose cost to the District is the sum of:

The actual cost of materials; and

Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Because this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the District awarding such a contract must assert a high degree of oversight to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

COMPETITION 2 CFR §200.319

All procurement transactions must be conducted in a manner providing full and open competition. Requirements or practices that impede or obstruct such competition are not permitted and may result in disciplinary action, including termination of employment. Federal grant regulations set aside preferences required by state or local law unless the grant or applicable federal law expressly mandates or encourages observance of such preferences. Federal preemption does not apply, however, to state licensing laws.

To ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing on those procurements. Situations considered to be restrictive of competitions include but are not limited to:

- Placing unreasonable requirements on firms in order form them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a “brand name” product instead of allowing “an equal” product;
- Any arbitrary action in the procurement process.

To further ensure free and open competition, all solicitations will:

- Incorporate a clear and accurate description of the technical requirements for the

property, equipment, or service being procured. Specifications or requirements that unduly restrict competition are not permitted. The description should include a statement of the qualitative nature of the property, equipment, or service to be procured. When necessary, the description must provide minimum essential characteristics and standards to which the property, equipment, or service must conform. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to clearly and accurately describe the technical requirements, a “brand name or equivalent” description of features may be used to provide procurement requirements. The specific features of the named brand must be clearly stated

- Identify any additional requirements which the offerors must fulfill and all other factors that will be used in evaluating bids or proposals.
- The District must ensure that all prequalified lists of persons, firms, or products used in procurement transactions are current and include enough qualified sources to ensure maximum open competition. When establishing or amending prequalified lists, the District must consider objective factors that evaluate price and cost to maximize competition. The District must not preclude potential bidders from qualifying during the solicitation period.

METHODS OF PROCUREMENT PROCESSES 2 CFR 200.320

Purchasing Guidelines

Method	Aggregate Dollar Amt.	Notes 1:	Notes 2:
Micro-Purchase	Not to exceed \$15,000 (\$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act).	No quotations required if price is reasonable.	To extent practicable, distribute equitably among qualified suppliers.
Small Purchase	\$15,001 to \$350,000	Rate quotations from an adequate number of qualified sources.	No cost or price analysis required.
Sealed Bid	Over \$350,000	Primarily constructions projects, firm fixed price contract.	Price is a major factor, formal process for bidding
Competitive Proposals	Over \$350,000	Fixed price or cost reimbursement	RFP with evaluation methods for an adequate number of qualified sources.
Sole Source	Any dollar amount	No competition must be authorized by agency (or pass-through entity).	Unique or public emergency.

A.

~~Federal regulations place great emphasis on securing the best value for each federal dollar and on promoting free and open competition. Consequently, all purchases using federal funds require a cost / price analysis and documentation showing that more than one vendor was considered. The detail of the analysis and documentation required increases with the amount spent. See Section 2.L below for Purchasing Guidelines.~~

A. ~~Costs: Costs must be reasonable, allowable and allocable. A cost is “reasonable” if it is one a reasonable person would incur in the circumstances after appropriate market research and price analysis.~~

B. ~~Allowable costs must be:~~

- ~~1) Be necessary and reasonable for the performance of the federal award and be allocable to that award.~~
- ~~2) Duplicate or unnecessary purchases are not "allowable" and are not eligible for reimbursement from federal grant monies.~~
- ~~3) Conform to any limitations set forth in this policy or in the grant. Consult the GEO regarding additional requirements attached to particular grants.~~
- ~~4) Be recorded and classified in a consistent manner. For example: costs that are classified as indirect outside the context of a federal grant may not be classified as direct costs when applied to a federal grant.~~
- ~~5) Be determined to be in accordance with generally accepted accounting principles (GAAP).~~
- ~~6) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.~~
- ~~7) Be properly documented. Required documentation is detailed in this section. Whenever appropriate, the costs of leasing versus purchasing must be considered.~~

C. ~~The District Controller is responsible for ensuring that grant expenditures are accounted for in a complete, timely and accurate manner.~~

D. ~~Account Codes are used to classify and accurately track expenses and expenditures. Use of account codes is also required by federal law and regulation. Account codes are furnished by the finance department which is responsible for the consistent and accurate use of account codes.~~

E. ~~Allocable costs:~~

- ~~1) A cost is "allocable" to the extent that it provides a benefit to the project for which the grant was awarded. If there is no benefit, the expense is not allocable. If an expense is not allocable, it is automatically not allowable and cannot be paid for from grant funds.~~
- ~~2) Costs charged to federal grants will be the actual cost incurred by the District and will therefore reflect any credits or discounts obtained by the District.~~
- ~~3) If a cost benefits more than one project, but the proportion of benefit to each cannot be determined because of the interrelationship of those projects, then the cost may be allocated between those project on any reasonable basis with proper documentation as to how and why the allocation was made.~~
- ~~4) If a grant specifically authorizes the purchase of equipment or other capital assets, those costs will be allocated to that grant, regardless of what use is made of such equipment or asset after its original purpose is completed.~~

~~Indirect costs, such as maintenance and depreciation are discussed in the Section 2.I Indirect Cost, below.~~

~~5) In general, costs allocable to one grant may not be charged to any other federal grant to overcome fund deficiencies or any other reason. In certain instances, however, shifting costs under two or more federal grants is allowed. Cost shifting between federal grants is not permitted without the prior written approval of the CEO.~~

~~F. Whenever Cost Accounting Standards apply, those standards will take precedence over the allocation principles above. Consult the finance department for guidance. When in doubt regarding the reasonableness and allocability of any costs, consult the finance department.~~

~~G. Certain grants may be subject to statutory limits allowable costs. In those cases, costs that exceed that limit may not be charged to the grant.~~

~~H. Any payments made for costs determined to be unallowable must be returned (with interest) to the granting agency.~~

~~I. Indirect costs (facilities and administration): Indirect (F&A) costs must be classified as "Facilities" or "Administration."~~

~~1) "Facilities" means depreciation on buildings, equipment and capital improvement interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. Library expenses are Facilities costs.~~

~~2) "Administration" means general administration and general expenses such as the CEO, accounting, personnel and other indirect costs not defined above as "Facilities" costs.~~

~~3) Indirect costs may be allocated to a grant only if they provide a benefit to that specific grant program.~~

~~4) Individual grants may set forth specific requirements relating to reimbursement of indirect costs, matching or cost sharing. Please consult with the finance department for additional guidance.~~

~~J. Certifications:~~

~~1) Federal law requires periodic reports detailing the use of grant monies. These reports, as well as vouchers requesting payment, must be certified in writing by the CEO. The required certification reads:~~

~~*By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections*~~

~~3729-3730 and 3801-3812).~~

~~2) Note that errors, omissions or falsehoods may result in personal liability, including criminal prosecution.~~

~~K. Price: Price analysis is a comparison of prices offered by qualified vendors competing in the open market. Price analysis may be as simple as comparison shopping prices for standard goods published by several vendors or as complicated as written bids submitted in response to a detailed Request for Proposal.~~

~~L. Purchasing Guidelines:~~

~~There are three types of procurement methods: informal procurement methods (for micro-purchases and simplified acquisitions); formal procurement methods (through sealed bids or proposals); and noncompetitive procurement methods.~~

~~1) **Informal procurement methods for small purchases.** These procurement methods expedite the completion of transactions, minimize administrative burdens, and reduce costs. Informal procurement methods may be used when the value of the procurement transaction under the Federal award does not exceed the simplified acquisition threshold (which is \$350,000)~~

~~1)a) Micro purchases of less than \$~~40,000~~ 15,000: Micro purchase means an acquisition ~~purchase~~ of supplies or services using simplified acquisition procedures (set by the Federal Acquisition Regulation at 48 CFR subpart 2.1 and in accordance with 41 U.S.C. 1908); the aggregate amount of which does not exceed the micro-purchase threshold. ~~Micro purchase procedures comprise a subset of a non-federal entity's small purchase procedures. The non-federal entity uses such procedures in order to expedite the completion of its lowest dollar, small purchase transactions and minimize the associated administrative burden and cost. Purchases under \$15,000 are typically standardized goods or services available from many sources. Micro-purchases may be awarded without soliciting competitive price or rate quotations if the District considers the price reasonable based on research, experience, purchase history, or other information; and maintains documents to support its conclusion. Whenever practicable, micro purchases should be distributed equitably among qualified suppliers. The threshold for micro purchases is \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act.~~~~

~~• To the extent practical, the non-federal entity must distribute micro-purchases equitably among qualified suppliers.~~

~~• Micro purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable.~~

~~2) b) Small purchases (simplified acquisition) over \$~~40,000~~ 15,000 but less than the Simplified Acquisition Threshold, currently \$~~250,000~~ 350,000~~

~~• Definition: Simplified Acquisitions are defined as when the aggregate dollar amount of the procurement transaction is higher than the micro-~~

purchase threshold but does not exceed the simplified acquisition threshold. Threshold applies to purchases over \$10,000 and under \$250,000. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If simplified acquisition small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. Unless specified by the Federal agency, the District may exercise judgment in determining what number is adequate.

- There is no requirement that contracts be awarded solely based on price (i.e. awarded to the lowest bidder). Other considerations, such as vendor's experience in the field or quality of products or services offered, may justify a higher price. Those reasons must be documented in the transaction file.
- Consult with the CEO if special circumstances arise (e.g., only one suitable supplier exists).

2) Formal procurement methods. Formal procurement methods are required when the value of the procurement transaction under a Federal award exceeds the simplified acquisition threshold of the District. Formal procurement methods are competitive and require public notice. The following formal methods of procurement are used for procurement transactions above the simplified acquisition threshold determined by the District.

•

M. a) Procurement by sealed bids ~~_(formal advertising):~~

~~4) This is a procurement method in which bids are publicly solicited through an invitation and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid conforms with all the material terms and conditions of the invitation and is the lowest in price. The sealed bids procurement method is preferred for procuring construction services. Sealed bids are publicly solicited requests for bids or proposals at a fixed contract price. The contracts are awarded to the bidder whose bid conforms in all material respects to the specified requirements and offers the lowest price. Sealed bids are the preferred method for procuring construction contracts.~~

2) Sealed bidding is appropriate in the following circumstances:

- A complete, adequate and realistic specification or purchase description is available.
- Two or more responsible bidders are willing and able to compete effectively for the business.
- The procurement lends itself to a fixed price contract and the selection of the successful bidder can be made principally based on price.

3) If sealed bids are used, the following requirements apply:

- Bids must be solicited from an adequate number of qualified sources,

providing them with sufficient response time prior to the date set for opening the bids. Unless specified by the Federal agency, the District may exercise judgment in determining what number is adequate. For local governments, the invitation for bids must be publicly advertised. The invitation for bids will be publicly advertised;

- ~~• Bids must be solicited from an adequate number of known suppliers, providing them sufficient time to respond;~~
- The invitation for bids must define the items or services with specific information, including any required specifications, for the bidder to properly respond; The invitation for bids must fully describe the items or service sought, so that the bidder may properly respond;
- All bids will be publicly opened at the time and place prescribed in the invitation for bids;
- A firm, ~~fixed~~ price contract **is awarded** ~~will be made~~ in writing to the lowest **responsive bid and responsible bidder**. ~~When Where~~ specified in the invitation for bids, bidding documents, factors such as discounts, transportation costs and life cycle costs must be considered in determining which bid is lowest. Payment discounts must will only be used to determine the low bid when the District determines they are a valid factor based on prior experience ~~indicates that such discounts are usually taken advantage of; and~~
- The District must document and provide a justification for all bids it rejects.
 - ~~• Any or all bids may be rejected if there is a sound, documented reason.~~

b) Proposals. This is a procurement method used when conditions are not appropriate for using sealed bids. This procurement method may result in either a fixed-price or cost-reimbursement contract. They are awarded in accordance with the following requirements:

- Requests for proposals require public notice, and all evaluation factors and their relative importance must be identified. Proposals must be solicited from multiple qualified entities. To the maximum extent practicable, any proposals submitted in response to the public notice must be considered.
- The District must have written procedures for conducting technical evaluations and making selections.
- Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the recipient or subrecipient considering price and other factors; and
-
- The District may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby the offeror's qualifications are evaluated, and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where the price is not used as a selection factor, can only be used to procure

architectural/engineering (A/E) professional services. The method may not be used to purchase other services provided by A/E firms that are a potential source to perform the proposed effort. The CEO will establish a written method for conducting technical evaluations of the proposals received and for selecting recipients before the bidding opportunity is announced. Technical specifications will be provided to the granting or pass-through agency upon request.

3) **Noncompetitive procurement.** There are specific circumstances in which the District may use a noncompetitive procurement method. The Sole source procurement, or noncompetitive procurement method may only be used only if when one or more of the following circumstances apply:

- The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold
- The procurement transaction can only be fulfilled by a item is available only from a single source
- The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation
- After solicitation of several sources, competition is determined to be inadequate
- The District requests in writing to use a noncompetitive procurement method, and the federal awarding agency or pass-through entity provides written approval; or
- After soliciting several sources, competition is determined inadequate.

4) —.

5) Public exigency or emergency will not permit a delay resulting from competitive solicitation.

6) The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals.

- After solicitation of several sources, competition is determined to be inadequate.

CONTRACTING WITH SMALL AND MINORITY BUSINESSES, WOMEN'S BUSINESS ENTERPRISES, VETERAN-OWNED BUSINESSES, AND LABOR SURPLUS AREA FIRMS 2 CFR §200.321

When possible, the District should ensure that small businesses, minority businesses, women's business enterprises, veteran-owned businesses, and labor surplus area firms are considered as set forth below.

- These business types are included on solicitation lists;
- These business types are solicited whenever they are deemed eligible as potential sources;
- Dividing procurement transactions into separate procurements to permit maximum participation by the business types;

- Establishing delivery schedules (for example, the percentage of an order to be delivered by a given date of each month) that encourage participation by these business types;
- Utilizing organizations such as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- Requiring a contractor under a Federal award to apply this section to subcontracts.

DOMESTIC PREFERENCES FOR PROCUREMENT 2 CFR §200.322

The District should, to the greatest extent practicable and consistent with law, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). For purposes of this section,

- Produced in the United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- “Manufactured products” means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

PROCUREMENT OF RECOVERED MATERIALS 2 CFR §200.323

The District and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 as amended, 42 U.S.C. 6962. The requirements of Section 6002 include procuring only items designated in the guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

The District should, to the greatest extent practicable and consistent with law, purchase, acquire, or use products and services that can be reused, refurbished, or recycled; contain recycled content, are biobased, or are energy and water efficient; and are sustainable. This may include purchasing compostable items and other products and services that reduce the use of single-use plastic products. See Executive Order 14057, section 101, Policy

CONTRACT COST AND PRICE 2 CFR §200.324

The District must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold. The method and degree of analysis conducted depend on the facts surrounding the particular procurement transaction. For example, the District should consider potential workforce impacts in their analysis if the procurement transaction will displace public sector employees. However, as a starting point, the District must make independent estimates before receiving bids or proposals.

Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that the costs incurred or cost estimates included in negotiated prices would be allowable for the District under subpart E of this part. The recipient or subrecipient may reference its own cost principles as long as they comply with 2 CFR 200_{subpart E}.

The recipient or subrecipient must not use the “cost plus a percentage of cost” and “percentage of construction costs” methods of contracting.

FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY REVIEW 2 CFR §200.325

Records of all procurement transactions, and all relevant supporting documents, shall be available upon request to the federal granting agency or the pass-through agency responsible for the funds provided to the District.

BONDING REQUIREMENTS 2 CFR §200.326

Unless the granting agency has made a separate determination accepting the District’s bonding policy, all contracts for construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold will meet the following requirements:

- Each bidder will provide a “bid guarantee” equivalent to five percent of the bid price. The bid guarantee must consist of a firm commitment such as a bid bond, certified check, or other negotiable instruments accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute any required contractual documents within the specified time.
- Successful bidders will, prior to contract execution, provide a performance bond for 100 percent of the contract price to secure fulfillment of contractor’s obligations under such contract.
- Successful bidders will also provide, prior to contract execution, a payment bond for 100 percent of the contract price to ensure payment to persons supplying labor and materials under the contract.
- All bonds will be issued by reputable and financially sound bonding companies licensed to do business in the State of California.

N. Request for proposal process (RFP):

- ~~1) Determine evaluation criteria: At the beginning of the RFP process, establish and weigh each evaluation criteria required by the vendors’ proposals. Common criteria include experience, team strength, project understanding, differential advantage and price.~~
- ~~2) Vendor Research: Select an appropriate number of qualified sources, as determined by the Controller, to permit reasonable competition consistent with the nature and requirements of the proposal or request for information.~~
- ~~3) Request for Information (RFI): An RFI may be used when the District does not presently intend to award a contract but wants to obtain pricing, delivery, other market information or capability for planning purposes. Response to these notices are not offers and cannot be accepted by the District as a formal, binding contract.~~

- ~~4) Publish the RFP: An RFP for competitive acquisitions shall, at a minimum, describe the following:
 - ~~• District requirements~~
 - ~~• Anticipated terms and conditions that will apply to the contract~~
 - ~~• Information required in the offer proposal~~
 - ~~• Factors and significant sub-factors that will be used to evaluate the proposal and their relative importance.~~~~
- ~~5) Review the proposal: After receiving all proposals, each will be evaluated based on the District evaluation criteria. Of those selected for consideration, interviews may be arranged at the discretion of the Controller.~~
- ~~6) Interview vendors: The above actions cumulate with the interview of the pre-qualified bidders based upon a developed standardized interview outline which may result in the acceptance or rejection of all offers.~~

~~B. COMPETITION~~

- ~~• All procurement transactions must be conducted in a manner providing full and open competition. Requirements or practices that impede or obstruct such competition are not permitted and may result in disciplinary action, including termination of employment.~~
- ~~• Federal grant regulations set aside preferences required by state or local law unless the grant or applicable federal law expressly mandates or encourages observance of such preferences. Federal preemption does not apply, however, to state licensing laws.~~
- ~~• To further ensure free and open competition, all solicitations will:
 - ~~1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Features or requirements that unduly restrict competition are not permitted. "Brand name or equivalent" descriptions may be used to define the performance or other salient requirements of procurement. The specific features of the named brand to be met by offers must be clearly stated.~~
 - ~~2) Must identify all requirements and all factors to be used in evaluating bids.~~
 - ~~3) Ensure that all prequalified lists of persons, firms, or products used in acquiring good and services are current and include enough qualified sources to ensure maximum open and free competition. No potential bidder will be barred from submitting during the proposal period.~~~~
- ~~• Specifications or requirements that artificially limit competition shall not be permitted.~~

~~C. GENERAL REQUIREMENTS~~

~~The following requirements are applicable to all procurement transactions regardless of size:~~

- ~~A contract or affiliation agreement may not limit the District's compliance with the HRSA health center requirements in terms of corporate structure, governance, management, finance, health services or clinical operations.~~
- ~~Whenever possible:~~
 - 1) ~~Consider leasing versus purchasing;~~
 - 2) ~~Enter agreements to share common goods or services with other educational institutions, non-profit organizations or government entities;~~
 - 3) ~~Use federal excess or surplus property in lieu of new purchases;~~
 - 4) ~~Consider breaking purchases into smaller consignments, or consolidating purchases, if doing so will produce lower pricing or greater value.~~
- ~~In these instances, in which no price competition exists, the supplier's profit will be negotiated as a separate line item. To establish a fair and reasonable profit, consider the:~~
 - 1) ~~Complexity of the work to be performed;~~
 - 2) ~~Risk borne by the contractor;~~
 - 3) ~~Contractor's investment;~~
 - 4) ~~Amount of subcontracting;~~
 - 5) ~~Contractor's record of past performance;~~
 - 6) ~~Industry profit rates for similar work in the surrounding area.~~
- ~~Construction contracts may not be awarded based on a "cost plus" pricing method. The fee payable under the contract must be expressed in dollars to be paid, and not as a percentage of any cost component. In addition, value engineering should be applied to all construction contracts.~~
- ~~Contracts will be awarded only to providers with known integrity and ability to fulfill the contract requirements.~~
- ~~The project leader must maintain records detailing the history of all procurements. At a minimum, these records will disclose the rationale for the:~~
 - 1) ~~Method of procurement;~~
 - 2) ~~Selection of contract type;~~
 - 3) ~~Contractor selection or rejection;~~
 - 4) ~~Basis for the contract price.~~
- ~~Time and material contracts may be used only after a determination that no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at its own risk.~~
- ~~The District will take all necessary affirmative action to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative action includes, at minimum:~~

- ~~1) — Placing qualified small and minority businesses and women's business enterprises on solicitation lists.~~
 - ~~2) — Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources.~~
 - ~~3) — Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises.~~
 - ~~4) — Establishing delivery schedules, where the requirement permits, which encourages participation by small and minority businesses, and women's business enterprises.~~
 - ~~5) — Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.~~
 - ~~6) — Requiring the prime contractor, if subcontracts are to be let, to observe the foregoing requirements.~~
- ~~• Records of all procurement transaction and all relevant supporting documents will be available upon request to the federal granting agency or the pass-through agency responsible for the funds provided to the District.~~

MANDATORY CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTACTS UNDER FEDERAL AWARDS 2 CFR §200.327 & Appendix II to Part 200

In addition to other provisions listed above, all contracts made by the District under the Federal award must contain provisions covering the following, as applicable.

- Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
- All contracts in excess of \$10,000 must address termination for cause and for convenience by the District including the manner by which it will be effected and the basis for settlement.
- Contractor must certify that it is an "Equal Opportunity Employer."

~~D. —~~

- ~~• Grants may require that contracts funded by that grant contain certain provision that apply only to that grant. To ensure compliance, the District uses contract forms provided by the Federal Demonstration Partnership for all sub-awards and contracts. No other contract forms may be used without the advance, written consent of the CEO.~~
- ~~• Required terms are discussed here to provide users with a basic understanding of these provisions.~~
- ~~• Remedies:~~

~~1) — Contracts that exceed the Simplified Acquisition Threshold must provide remedies that protect the District in the event contractor fails to perform as required by the contract. These remedies may include sanctions, liquidated, actual and/or realized damages; or penalties levied upon the contractor. Please consult the CEO for assistance.~~

~~2) — Contracts that exceed \$10,000 must permit the District to terminate for cause and for convenience, and must include a mechanism for calculating the amounts due the contractor in the event of such termination. Please consult the CEO for assistance.~~

~~3) Contractor must certify that it is an “Equal Opportunity Employer.”~~

- Davis-Bacon Act:

- 1) The David-Bacon Act applies to federally funded construction contracts more than \$2,000. It requires contractors to pay laborers and mechanics wages not less than the “prevailing” wage, as determined by the Secretary of Labor.
- 2) Each bid solicitation published by the District must contain the current prevailing wage determination.
- 3) Any award of the contract must be conditioned on contractor’s acceptance of that wage determination.
- 4) Suspected or reported violations of the David-Bacon Act will be immediately reported to the Federal awarding agency.

- Copeland “Anti-Kickback” Act:

- 1) The Copeland “Anti-Kickback” Act also applies to construction contracts more than \$2,000. It prohibits kickbacks in construction contracts funded with Federal monies.
- 2) Contractors and subcontractors (sometimes referred to as “sub recipients”) will be prohibited from inducing any person employed in the construction, completion or repair of public work, to give up any part of the compensation to which he/she is otherwise entitled.
- 3) Suspected or reported violations will be immediately reported to the federal awarding agency.

- Construction Contract Work Hours and Safety Standards Act:

- 1) Construction contracts more than \$100,000 will require that the wages of mechanics or laborers comply with federal law, including:
 - Wages of mechanics and laborers will be computed based on 40-hours of work per week; and
 - Work more than 40-hours per week will be paid at a rate at least 1.5 times the basic hourly rate.
- 2) In addition, contractors will be prohibited from requiring laborers or mechanics from working in surroundings or under conditions that are unsanitary, hazardous or dangerous.

- Clean Air and Water:
 - 1) Contractor will be required to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.
 - 2) Observed or suspected violations will be reported to the CEO who will advise the grant awarding agency and the regional office of the Environmental Protection Agency.
- ~~Energy Efficiency: Contractor will be required to meet all applicable federal energy conservation and efficiency standards pursuant to the Energy Policy and Conservation Act (42 U.S.C. 6201).~~
- Debarment and Suspension: Contracts funded with federal grant monies may not be awarded to contractors that have been debarred or suspended from receiving federal monies pursuant to the Federal Excluded Parties List System.
- Byrd Anti-Lobbying Amendment: Contractors that apply or bid for an award of \$100,000 must certify that they have not used federal funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress about obtaining any federal contract, grant or any other award.
- Prevailing Wages:
 - 1) Prevailing Wage is defined as the hourly wage, usual benefits and overtime, paid in the largest city in each county, to the majority of workers, laborers and mechanics. Prevailing wages are established by the Department of Labor and Industries for each trade and occupation employed in the performance of public work. They are established separately for each county and are reflective of local wage conditions.
 - 2) Prevailing wages are required to be paid by public entities such as healthcare districts, for project of \$1,000 or more.

~~E. BONDING REQUIREMENTS~~

~~Unless the granting agency has made a separate determination accepting the District's bonding policy, all contracts for construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold will meet the following requirements:~~

- ~~Each bidder will provide a "bid guarantee" equivalent to five percent of the bid price. The bid guarantee must consist of a firm commitment such as a bid bond, certified check, or other negotiable instruments accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.~~
- ~~Successful bidders will, prior to contract execution, provide a performance bond for 100 percent of the contract price to secure fulfillment of contractor's obligations under such contract.~~
- ~~Successful bidders will also provide, prior to contract execution, a payment bond for~~

~~100 percent of the contract price to ensure payment to persons supplying labor and materials under the contract.~~

- ~~• All bonds will be issued by reputable and financially sound bonding companies licensed to do business in the State of California.~~

~~F. MONITORING AND REPORTING PROGRAM PERFORMANCE~~

- ~~• The Controller is responsible for oversight of activities supported by federal grant monies. The finance department must monitor activities under federal awards to ensure compliance and that performance expectations are being achieved.~~
- ~~• The finance department is responsible for the timely completion of all required reports. Generally, such reports are required at least annually and no more frequently than quarterly.~~
- ~~• Performance reports will be submitted using federally approved forms and standards. Please consult the CEO for assistance in obtaining these forms or interpreting the applicable standards. Current federal standards require that reports provide:~~
 - ~~1) A comparison of actual accomplishments to the objectives of the federal award.~~
 - ~~2) The reasons why established goals were not met, if appropriate.~~
 - ~~3) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.~~

~~G. SIGNIFICANT DEVELOPMENTS~~

- ~~• Events may occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the District must inform the federal awarding agency or pass through entity as soon as the following types of conditions become known:~~
 - ~~1) Problems, delays or adverse conditions which will materially impair the ability to meet the objective of the federal award. This disclosure must include a statement of the action(s) taken or contemplated, and any assistance needed to resolve the situation.~~
 - ~~2) Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.~~

~~H. RECORD RETENTION AND ACCESS~~

- ~~• Retention: Financial records, supporting documents, statistical records, and all other records pertinent to a federal award must be retained for a period of seven years from the date of submission of the final expenditure report. For federal awards that are renewed quarterly or annually, however, records must be maintained from the date of the submission of the quarterly or annual financial report, respectively. The only exceptions are the following:~~

- ~~1) If any litigation, claim or audit is begun before the expiration of the three-year period, the records must be retained until all litigation, claims or audit finding involving the records have been resolved and final action taken.~~
- ~~2) The retention period may be extended by notice from the federal granting agency or any other agency having oversight authority.~~
- ~~3) Records for real property and equipment acquired with federal funds must be retained for three years after final disposition of that property or equipment.~~
- ~~4) The seven-year retention requirement does not apply when records are transferred to or maintained by the federal awarding agency or pass-through entity.~~
- ~~5) When the grant requires the District to report program income after the period of performance, the~~
 - ~~• The following apply to indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable:~~
 - ~~1) If the proposal, plan, or other computation is required to be submitted to the federal government or to the pass-through entity to form the basis for negotiation of the rate, then the three-year retention period for its supporting records starts from the date of such submission.~~
 - ~~2) If the proposal, plan, or other computation is not required to be submitted to the federal government or to the pass-through entity for negotiation purposes, then the retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year or other accounting period covered by the proposal, plan, or other computation.~~
 - ~~• Methods for collection, transmission and storage of information: Records will be maintained in open and machine-readable formats, rather than in proprietary formats or on paper.~~
 - ~~• Access to records:~~
 - ~~1) Records relating to programs funded with federal monies will be available to the federal awarding agency or any other federal oversight agency upon request. This provision includes timely and reasonable access to the District's personnel for inquiry related to such records.~~
 - ~~2) Consult the CEO for guidance regarding the appropriate response to any federal request for access.~~

~~I. PROJECT CLOSEOUT~~


- ~~• The following timetable applies to all projects funded by federal grants unless:~~
 - ~~1) The grant itself sets forth another schedule;~~
 - ~~2) The granting agency agrees to extension(s) of this timetable.~~

- ~~The project leader will submit, no later than 90 calendar days after the project end date, all financial, performance, and other reports required by the terms of the grant.~~
- ~~All obligations under the grant will be liquidated within 90 days of the project end date.~~
- ~~Any funds advanced by the granting agency but not spent in performance of the grant project will be refunded to the granting agency~~
- ~~The finance department will account for the disposition of any real or personal property acquired with federal funds or received from the federal government as part of the grant project.~~
- ~~The closeout of a federal award does not affect the right of the awarding agency to disallow costs and recover funds through audit or other review.~~

~~J. CONSEQUENCES OF NONCOMPLIANCE~~

- ~~Noncompliance can result in a variety of adverse consequences for the District, including:~~
 - 1) ~~Temporary withholding of payments pending correction of the deficiency.~~
 - 2) ~~Disallowance of all or part of the cost of the activity or action not in compliance.~~
 - 3) ~~Complete or partial suspension of the federal grant.~~
 - 4) ~~Suspension or debarment of the District from participation in federally funded programs.~~
 - 5) ~~Withholding of further federal funding.~~
 - 6) ~~Suit to recover funds paid for non-compliant activities.~~
 - 7) ~~Criminal prosecution.~~
- ~~Noncompliance with this policy can have a variety of adverse consequences for the District, including loss of access to federal funding. Therefore, failure to comply with these policies and procedures may result in disciplinary action, including termination of employment.~~
- ~~In addition, violation of federal requirements may expose an individual to civil and criminal prosecution.~~

REFERENCES: ~~45 CFR 75.327 et seq.~~ CFR Title 2/Subtitle A, Chapter II, Part 200.317 to 200.327 (Procurement Standards)

 MORONGO BASIN HEALTHCARE DISTRICT	DEPARTMENT / MANUAL: FINANCE
ORIGINAL DATE: April 20, 2026	REVIEW & REVISION DATES: xx/xx
TITLE: PURCHASING OF NON- CAPITAL SUPPLIES AND EQUIPMENT	APPROVED BY: ADMIN: _____ Date: _____ CEO: _____ Date: _____

PURPOSE

To provide controls for services, supplies and equipment purchased that do not fall under capital guidelines.

POLICY

The Morongo Basin Healthcare District (MBHD) uses group purchasing (GPO) accounts or contracts with vendors and looks at alternative purchasing options to ensure the best price for the same goods. Staff will follow the policy FN-AP-104 Levels of Authority to ensure that items purchased are within the authority of the individual.

When MBHD staff identify a need for supplies or goods that do not meet the criteria for capital expenditures, a purchase order will be initiated used the following procedure.

Contracts for on-going services, marketing/media, gas cards and other recurring costs are not covered by this policy. Additionally, items ordered using federal grant dollars do not fall under this policy, see FN-AP-105 Federal Grant Procurement.

PROCEDURE

1. The department manager will complete an order/supply form, unless ordered directly through an approved website which bills monthly. Ordering is limited to approval per policy FN-AP-104 Levels of Authorization.
2. The signed order form will then go to the Office Services Manager (OSM) to be given a purchase order number.
3. OSM will provide the PO # from the spreadsheet and will fill out both the spreadsheet and the Purchase Order form.
4. OSM will then order the product using the purchase order, unless the vendor is department specific, in which case the OSM will provide the PO # to the manager to order the product.
5. When ordering from Waxie, McKesson, Danserau and Henry Shein the department manager, not the OSM will place the order. This policy still applies and the ordering manager will call and get the PO # from the OSM.
6. All PO's will be held with the OSM until the item is received and the packing slip and/or invoice is received by facilities.

7. Facilities will verify that the items received are on the packing slip and ensure the item is not damaged.
8. Facilities will sign off the packing slip and or invoice and bring the packing slip to OSM for processing.
9. Facilities will take the item to the manager who ordered it. Items will not be left with non-management staff except at the express request of the manager. Staff who receive an item will need to sign the delivery receipt form.
10. If the item in question is equipment, (for example, desks, computers, etc) valued at \$1000 or more, the OSM will place an asset tag on the item and will place the item on the asset tracking log.
11. OSM is responsible to ensure that all PO's and approvals are copied to finance for payment.
12. If the OSM does not receive a packing list and or invoice within 3 days of an order being delivered, they will follow up with the facilities manager. All missing receipts and/or packing slips will be reported to the CEO and CFO for follow up.

All orders will be shipped to the Facilities address not to the specific ordering department, except for remote workers that may have items shipped directly to their home address.


Failure to follow this policy may result in disciplinary action, up to and including termination.

REFERENCES

- FN-AP-104 Levels of Authority
- FN-AP-105 Federal Grants Procurement

ATTACHMENTS

- None

 <p>MORONGO BASIN HEALTHCARE DISTRICT</p>	<p>DEPARTMENT / MANUAL: FINANCE</p>
<p>ORIGINAL DATE: April 1, 2025</p>	<p>REVIEW & REVISION DATES: xx/xx</p>
<p>TITLE: CONTRACTING FOR PUBLIC WORKS WITHOUT FEDERAL FUNDS</p>	<p>APPROVED BY:</p> <p>ADMIN: _____ Date: _____</p> <p>CEO: _____ Date: _____</p> <p>GOVERNING</p> <p>BOARD: _____ Date: _____</p>

PURPOSE

To provide guidance to staff in contracting capital Public Works projects as defined under Labor Code 1720, ~~“Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds,”~~ without the use of -Federal funds in compliance with California law. -

POLICY

The Morongo Basin Healthcare District (MBHD), by resolution of the board of directors has elected to participate in the California Uniform Public Construction Cost Accounting Act (CUPCCAA). As such, all projects will be conducted per CUPCCAA guidelines and Department of Industrial Relations Prevailing Wage requirements.

Pursuant to the Act, MBHD follows guidelines for three different types of contracts noted below:

- 1. Small Contracts: Contracts equal to or less than \$75,000(~~informal bid packet~~)
- 2. Medium Contracts: Contracts between \$75,000 and \$220,000 (informal bid packet)
- 3. Large Contracts: Contracts over \$220,000 (formal bid packet)

All Projects over \$1,000 must follow Prevailing Wage law.

Whenever possible MBHD will use employed staff for projects (under \$75,000) within staff ability to reduce costs and improve timeliness of completion.

MBHD does not maintain a contractor list but instead will post ~~the~~ required notices in trade journals as required per the CUPCCAA commission based on the type of contracted noted above. Notices will be emailed or mailed as long as the trade journal does not charge for the notice posting.

An exception to the regular requirements will be made in the event of an emergency situation as defined under Labor code 22050 in the CUPCCAA manual:

- 1. In the case of an emergency, a public agency, pursuant to approval by the board designee, the CEO, may repair or replace a public facility, take any directly related and immediate action

required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts.

2. Before taking any action pursuant to paragraph (1), CEO shall make a finding, based on substantial evidence, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

Definition of what qualifies as a public project as presented in the CUPCCAA manual is stated below:

"Public project" means any of the following:

1. Construction reconstruction, erection, alteration, renovation, improvement, demolition, installation, and repair work involving any publicly owned, leased, or operated facility.

2. Painting or repainting of any publicly owned, leased, or operated facility.

3. In the case of a publicly owned electric utility system, "public project" shall include only the construction erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.

"Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:

1. Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.

2. Minor repainting.

3. Resurfacing of streets and highways at less than one inch.

4. Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.

For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement. "

PROCEDURE

Projects over \$5,000 are considered Capital projects and must be approved by the board prior to the project except as noted in emergent situations per policy FN-AP-104 Levels of Authorization. Public projects that use federal grant funds will follow FN-AP-105 Federal Grant Procurement policy.

When a project has been approved by the board, staff will follow the steps ~~for the informal or formal~~

~~bidding packet to ensure proper process and co~~indicated herein to ensure compliance.

As the awarding body, MBHD will comply with the DIR “Awarding Body Responsibilities”

1. Projects less than \$25,000 are not required to be registered on the DIR projects registry but still need to follow prevailing wage requirements. Projects that are \$25,000 or more must be registered on the DIR Public Works site within 30 days of awarding the contract but no later than the first day in which the contractor has workers employed for the public work.
2. MBHD staff will obtain the prevailing wage rates from the DIR site.
3. Notify potential contractors that they must register with DIR and that the project is subject to enforcement by DIR.
4. Require proof of public works contractor registration before accepting a bid or awarding a contract, using the DIR contractor registration search.
5. Post or require contractors to post jobsite notices on public works requirements.
6. Ensure that public works contractors pay prevailing wages and are in compliance with public works laws.
7. Report any suspected public works violations to the Labor Commissioner.

Small Project Exemption

For prevailing wage projects, both the District and the contractor ordinarily have certain administrative compliance obligations. Those obligations are reduced, however, where DIR’s small project exemption applies. For public works projects under \$25,000 for construction or under \$15,000 for maintenance (as defined), the project is exempt from DIR registration, and contractors who work *exclusively* on such small projects are not required to register as public works contractors or file electronic certified payroll records for those projects. The exemption does not eliminate prevailing wage requirements. Contractors must still pay prevailing wages, maintain certified payroll records on an ongoing basis, and provide those records to the Labor Commissioner upon request.

Small Contracts: Contracts equal to or less than \$75,000

1. Small Contracts may be performed by the public agency’s employees by force account or by independent contractors via negotiated contract or by purchase order. (Pub. Contract Code § 22032(a).)
2. By adopting the Act, it allows the District to contract for public works equal to or less than \$75,000 without engaging in any form of competitive bidding. A contract must be completed prior to work being awarded.
3. The District may use any method to contract for work within the \$75,000 threshold, so long as such method does not violate generally applicable law (i.e., conflicts of interest).
4. Contractors considered must be on the DIR website and must pay prevailing wage.

Medium Contracts: Contracts between \$75,000 and \$220,000

Medium Contracts may be awarded pursuant to the “informal bidding procedures” to be adopted by MBHD in an informal bidding ordinance that reflects the informal bidding requirements under the Act.

(Pub. Contract Code §§ 22032(b), 22034.)

1. The District must send ~~such~~ notices to the construction trade journals determined by the Commission to be mandatory for the county in which the District is situated.
2. The District has elected NOT to maintain a list of contractors and instead rely solely on the trade journals to satisfy minimum publication requirements.
3. These notices must be sent a minimum of 10 calendar days before bids are due.
- ~~4. An entire list of possible journals is maintained by the Commission.~~
- ~~5.4. Note that no~~Nothing precludes the District from providing additional notice for informally bid projects. sending notice of informal bids on Medium Contracts to both the informal bidder list and the designated construction trade journals. Notice can be provided in additional formats, as long as the notice to Trade Journals is effectuated.
- ~~6.5.~~ Like the formal bidding process, the informal bidding process is also a strict competitive sealed bid process where award is made to the lowest responsible bidding bidder submitting a responsive bid.
- ~~7.~~ The only substantive difference between formal and informal bidding is the solicitation process (i.e., informal bidder list or construction trade journals only versus construction trade journals and newspaper publication with a longer bid period under formal bidding).

Large Contracts: Contracts over \$220,000

1. Large Contracts must be awarded utilizing formal bidding procedures under Public Contract Code section 22037. (Pub. Contract Code § 22032, subd. (c).)
2. The Act requires public agencies awarding Large Contracts to publish the Notice Inviting Bids in a local newspaper of general circulation at least 14 calendar days before the date for opening the bids. (Pub. Contract Code § 22037.)
3. Second, in addition to publishing Noticing Inviting Bids, the Act also requires that a public agency provide certain construction trade journals, designated by the Uniform Public Construction Cost Accounting Commission (“Commission”) based on the location of the awarding body (i.e., ~~Monterey San Bernardino~~ County), with the Notice Inviting Bids for the Large Contract at least 15 calendar days before the date set for opening the bids. (Pub. Contract Code § 22037.)
4. The formal bidding process is essentially a strict competitive sealed bid process.
5. Awards on formally bid projects must be made to the lowest responsible bidder submitting a responsive bid.

PREVAILING WAGE LAW

The competitive bidding requirements set forth in the Public Contract Code and CUPCCAA are legally distinct from the prevailing wage requirements imposed under the Labor Code. Although these concepts are frequently related, compliance with one does not determine applicability of the other. More specifically, even though the District is required to only competitively bid certain public works projects under CUPCCAA (those greater than \$75,000), it must still comply with prevailing wage requirements under the Labor Code.

Accordingly, it is important to keep in mind the following:

1. A project that is exempt from formal competitive bidding under the CUPCCAA thresholds may still constitute a “public work” subject to prevailing wage under the Labor Code.
2. Dollar thresholds applicable to competitive bidding statutes do not alter, expand, or limit the Labor Code’s prevailing wage requirements.

The Public Contract Code governs *how* a public works contract must be procured (e.g., whether formal bidding, informal bidding, or alternative delivery methods apply, and at what dollar thresholds). By contrast, prevailing wage requirements arise under Labor Code sections 1720 et seq. and govern *how workers must be compensated* on qualifying “public works” projects. The obligation to pay prevailing wage is triggered by the nature of the work and the use of public funds, not by whether the project was competitively bid. ~~_, negotiated, or performed by an agency’s employees.~~

PREVAILING WAGE REQUIREMENTS

Labor Code section 1771 requires the payment of prevailing wages to workers employed on all “public works” projects of greater than \$1,000. Labor Code section 1720(a)(1) defines “public works” to include “[c]onstruction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds....” This is the baseline definition of a “public work” that is generally relied on to determine whether a project is or is not subject to state prevailing wage law.

A particular project will be subject to state prevailing wage law if it meets the following criteria:

1. exceeds the \$1,000 threshold;
2. includes work falling within the scope of construction, alteration, installation, repair, demolition, or “maintenance” work;
3. is done under contract; and
4. is at least in part paid for with public funds.

When each of these components is satisfied, the work qualifies as a “public work” subject to state prevailing wage law. In addition to the categories of construction, alteration, installation, repair and demolition work, Labor Code section 1771 provides that “public work” also includes “maintenance” work, as defined.

EXCLUSIONS FROM PREVAILING WAGE REQUIREMENTS

At least five specially defined categories of work are excluded from prevailing wage requirements, either under the Labor Code itself, or duly promulgated regulations:

1. Volunteers
 - a. Labor Code § 1720.4 provides that the prevailing wage laws do not apply to work performed by a “volunteer.” “Volunteer” is defined as “an individual who performs work for civic, charitable, or humanitarian reasons, for a public agency or corporation

qualified under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization, without promise, expectation, or receipt of any compensation for work performed.” (Labor Code § 1720.4(a)(1).)

- b. The exclusion does not apply to work performed by anyone other than those persons specifically falling within the definition. Pressure or coercion, direct or implied, from an employer, or any form of compensation for work performed results in the loss of volunteer status. (Labor Code § 1720.4(a)(1)(A) and (B).)
- c. Additionally, a volunteer may not be employed for compensation at any time in the construction, alteration, demolition, installation, repair, or maintenance work performed on the same project. (Labor Code § 1720.4(a)(1)(C).) However, an individual may receive reasonable meals, lodging, transportation, and incidental expenses or nominal non-monetary awards without losing volunteer status if, in the entire context of the situation, those benefits and payments are not a substitute form of compensation for work performed. (Labor Code § 1720.4(a)(1)(B).)

2. Public Agency’s Own Forces

- a. Labor Code § 1771 expressly provides that the prevailing wage requirement is “not applicable to work carried out by a public agency with its own forces.” (See also *Ramirez v. Yosemite Water Co.* (1999) 20 Cal.4th 785, 794.) The California Attorney General has opined that the public agency exclusion for its own forces applied to actual “employees” of a county, and there is no published judicial decision which extends the exclusion to non-employees. (35 Op.Atty.Gen. 1.) As with all specific exemptions from a minimum wage law, exclusionary language must be narrowly construed.

3. Janitorial Services

- a. The definition of “maintenance” found at 8 CCR § 16000 requires payment of wages at the prevailing rate and includes a variety of specific examples of work related to the “preservation, protection and keeping of publicly owned or publicly operated” facilities. The prevailing wage requirement does not apply, however, to “janitorial services of a routine, recurring or usual nature.” (8 CCR § 16000.) This exception to the prevailing wage requirements applies to routine and recurring janitorial services, such as washing, vacuuming, litter removal, etc. at a public facility. The exclusion does not apply to non-routine clean-up which, for example, might occur during, or at the conclusion of, a public works construction project.

4. Guards

- a. The “maintenance” definition also excludes from the prevailing wage requirements “protection of the sort provided by guards, watchmen, or other security forces.” (8 CCR § 16000.)

Definitions

I. Construction, Alteration, Demolition, Installation, or Repair Work

The range of projects that are subject to state prevailing wage law is substantial. Examples of the types of projects that would fall under the standard definition of the term “public works,” as

set forth in Labor Code section 1720(a)(1), predictably include projects that involve clear construction or improvement work (e.g., capital improvement projects and public infrastructure projects) but also less obvious projects (e.g., installation and takedown of prefabricated buildings, structures and furniture, and trucking/hauling work done in furtherance of a public works project). It also includes building maintenance work with exceptions for security and routine janitorial services. (Labor Code, § 1771; 8 Cal. Code Regs., § 16000.) Examples of projects that qualify as “public works” are set forth below:

1. All vertical and horizontal construction projects (buildings, structures, roads);
2. Regular building maintenance (excluding security and routine janitorial services);
3. Painting and repainting projects;
4. Landscape maintenance projects;
5. Tree trimming/tree removal projects;
6. Weed eradication projects;
7. Graffiti removal projects;
8. Modular furniture installation and takedown projects;
9. Solar energy projects, renewable energy and energy efficiency retrofit projects;
10. Facilities repair projects
11. Facilities renovation projects (e.g., improvements to existing ASCWD facilities);
12. Emergency construction or repair projects.

If a particular project includes work meeting the definition of a “public work,” the next question is whether the work is performed under contract.

II. Work Done Under Contract

Labor Code section 1720(a)(1) requires that the work be done under contract. The Department of Industrial Relations (“DIR”) has interpreted the contract requirement under Labor Code section 1720(a)(1) to simply mean that the work must be done under a contract, not a contract awarded by a public agency or even between a public agency and a contractor. To the extent the work is covered by any contract, public or private, the requirement that the work be done under contract pursuant to Labor Code section 1720(a)(1) is satisfied.

III. Paid for In Whole or In Part Out of Public Funds

“Public funds” under Labor Code section 1720(a)(1), includes not only the payment of money by the public agency for the work, but also includes, without limitation: (1) transfer of an asset by the public entity for less than fair market price; (2) reducing, waiving, forgiving or charging at less than fair market value any fee, cost, rent, loan or interest rate that would normally be required; (3) contingent loans; or (4) providing credits against repayment obligations to the public entity. (Lab. Code, § 1720(b).) “Public funds” can be made up of local, state and federal monies. (8 Cal. Code Regs., § 16000.) Therefore, “public funds” under state prevailing wage law can take the form of money, loans, fee waivers, credits and property rights among other assets owned or controlled by the ASCWD. To the extent these public funds are used to pay for any part of the work on a project, this element under Labor Code section 1720(a)(1) is satisfied.

IV. Small Project Exemption

For prevailing wage projects, both the District and the contractor ordinarily have certain administrative compliance obligations. Those obligations are reduced, however, where DIR's small project exemption applies. For public works projects under \$25,000 for construction or under \$15,000 for maintenance, the project is exempt from DIR registration, and contractors who work exclusively on such small projects are not required to register as public works contractors or file electronic certified payroll records for those projects. The exemption does not eliminate prevailing wage requirements. Contractors must still pay prevailing wages, maintain certified payroll records on an ongoing basis, and provide those records to the Labor Commissioner upon request.

V. Prevailing Wages Under Federal Law

The Uniform Guidance, located in 2 CFR Part 200 of the Code of Federal Regulations, mandates that grant contracts include provisions related to prevailing wages pursuant to the Davis-Bacon Act (DBA) in 40 U.S.C. §3141 et seq. The DBA requires contractors on Federal construction projects to pay their laborers the local prevailing wages and fringe benefits on a weekly basis. The act is triggered immediately upon receiving the Federal grant and is required in all construction contracts. The decision to award the contract or subcontract is conditioned upon the acceptance of the wage determination. Any violations must be reported to the awarding Federal agency.

District Obligations vs. Contractor Obligations

1. District Obligations

- a. The District must file a ~~PWC-100~~Project Registration (formerly known as PWC-100) for those applicable contracts. The form is filed electronically with DIR, and only one form is required per contract, not per task order.
- b. The PWC-100 must be filed within 30 days of award. For this purpose, "award" means the date the governing body approves the contract, not the date the contract is later executed.
- c. Late filing of the PWC-100 can lead to penalties. DIR may assess a civil penalty of \$100 per day, up to a maximum of \$10,000 per project. There is some discretion for first-time or inadvertent violations. The Labor Commissioner may waive a first violation if it was unintentional and may consider good faith, prompt correction, and prior compliance history when setting penalties.
- d. The District responsibility for PWC-100 filing will fall to the Administrative Services Manager. The District has procedures for files the form and ensuring the ASM has the information needed, including subcontractor worker classifications.
- e. The District is not responsible for ensuring that the contractors pay prevailing wage, however, the requirement needs to be included in contracts/communicated to

contractors. The agency must still respond to public records requests and remain alert to violations. In other words, the obligation to monitor compliance is not eliminated just because payroll records are filed directly with DIR.

- f. If prevailing wages are not paid, the District must take cognizance of violations and report those to DIR.

2. Contractor Responsibilities


- a. Contractors and subcontractors must maintain certified payroll records. Those records must be submitted electronically to DIR, and redacted versions will be publicly available on DIR's website.
 - i. The public agency generally does not have to collect certified payroll records itself, although it may choose to do so. Even if it does not collect them, the agency still has compliance-related responsibilities. We do not recommend the District retain the payroll records.
- b. Small contract exemptions do not eliminate payroll filing duties. Even where a contractor may not need DIR registration because of a small project exemption, prevailing wage obligations can still apply, and certified payroll records still must be filed online with DIR for covered work over \$1,000.
- c. If DIR finds a labor law violation, it may issue a Civil Wage & Penalty Assessment (CWPA). This assessment can be issued against the contractor and/or subcontractor after the project.
- d. A CWPA identifies the violation and amounts due. It states the unpaid wages, penalties, and forfeitures, explains the basis for the assessment, and advises the contractor of the review process.
- e. If a CWPA is issued, the public agency may have to withhold funds. The agency will receive notice and must withhold money otherwise due to the contractor, to the extent funds remain available.

REFERENCES

- California Uniform Public Construction Cost Accounting Act (CUPCCAA)
- California Labor Codes as noted
- <https://www.dir.ca.gov/public-works/publicworks.html>
- LIST of CUPCCAA Trade Journals

ATTACHMENTS

- None

 <p>MORONGO BASIN HEALTHCARE DISTRICT</p>	<p>DEPARTMENT / MANUAL: FINANCE</p>
<p>ORIGINAL DATE: April 2017</p>	<p>REVIEW & REVISION DATES: (supersedes CHC-207 and CHC-209) 2/22, 2/25, <u>4/26</u></p>
<p>TITLE: GRANTS AND COMPLIANCE WITH COST PRINCIPLES</p>	<p>APPROVED BY:</p> <p>ADMIN: _____ Date: _____</p> <p>CEO: _____ Date: _____</p> <p>GOVERNING BOARD: _____ Date: _____</p>

PURPOSE

To establish a policy and procedures for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

POLICY

Any federal funding the District receives is subject an additional layer of compliance that must take place. Awards of federal funding are governed primarily by the uniform guidance as set forth in the Code of Federal Regulations (CFR) Title 2, Subtitle A, Chapter II, Part 200 (2 CFR §200). This CFR section sets forth the guidance for uniform administrative requirements, cost principles and audit requirements for Federal Awards. It is organized as Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. It is then further subdivided into Subpart A Acronyms and Definitions, Subpart B General Provisions, Subpart C Pre-Federal Award Requirements and Contents of Federal Awards, Subpart D Post Federal Award Requirements, Subpart E Cost Principles, Subpart F Audit Requirements, and the Appendixes. If for some reason, the compliance with uniform administrative requirements, cost principles and audit requirements for Federal Awards conflict with other policies and procedures of the District, the compliance with uniform administrative requirements, cost principles, and audit requirements for Federal Awards as listed in Code of Federal Regulations (CFR) Title 245, Subtitle A, Subchapter A-Part 75-Chapter II, Part 200 take precedence for any federal funding.

PROCEDURE

Compliance with Uniform admin requirements, cost principles, & audit requirements

~~There are numerous provisions which pertain to federal grants that discuss general provisions, pre-federal award requirements and contents of federal awards, post federal award requirements, cost principles, and audit requirements. In an effort to keep this manual simple and effective, all of these provisions of the applicable CFR are not reiterated in this policy here. Only key components of it are included in this policy for ease of access. However, for HHS awards, the section that deals with the uniform administrative requirements, cost principles, and audit requirements is located in the Code of Federal Regulations (CFR) Title 45, Subtitle A, Subchapter A Part 75. However, the complete CFR is online, and by clicking the hyperlink below, the entire CFR can be viewed and read.~~

~~The hyperlink below links to the eCFR section referred to above. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>
https://www.ecfr.gov/cgi-bin/text-idx?SID=d6207a06d3521678b94f2a2660af2852&mc=true&node=pt45.1.75&rgn=div5#sg45.1.75_1354_675_1360.sg5~~

~~The following are highlights (and not necessarily all inclusive) of the administrative requirements, cost principles, and audit requirements that the District follows when administering Federal funds. The CFO, CEO and any other personnel involved in the selection, award, administration or expenditure of federal funds are to be familiar with all of the requirements of the cost principles outlined in the CFR even if they are not listed below.~~

PROCEDURE

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Mandatory disclosures §20075.113

An applicant, recipient, or subrecipient of a Federal award must promptly disclose whenever, in connection with the Federal award (including any activities or subawards thereunder), it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. 3729-3733). The disclosure must be made in writing to the Federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). Recipients and subrecipients are also required to report matters related to recipient integrity and performance in accordance with Appendix XII of the CFR. Failure to make required disclosures can result in any of the remedies described in § 200.339. The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the HHS awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Non-Federal entities that have received a Federal award including the term and condition outlined in Appendix XII are required to report certain civil, criminal, or administrative proceedings to SAM. Failure to make required disclosures can result in any of the remedies described in §75.371, including suspension or debarment.

Should any of the above occur, it is the responsibility of the CEO to notify HHS within two weeks.

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Federal payment PMS (Payment Management System) Payment §20075.305

Payments for recipients and subrecipients other than States. For recipients and subrecipients other than States, payment methods must minimize the time elapsing between the transfer of funds from the Federal agency or the pass-through entity and the disbursement of funds by the recipient or subrecipient regardless of whether the payment is made by electronic funds transfer or by other means. For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also §75.302(b)(6). Except as noted elsewhere in this part, HHS awarding agencies must require recipients to use only OMB approved standard governmentwide information collection requests to request payment.

- The recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.
- The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.
- Whenever possible, advance payments requests by the recipient or subrecipient must be consolidated to cover anticipated cash needs for all Federal awards received by the recipient from the awarding Federal agency or

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~~pass-through entity, made by the HHS awarding agency to the recipient.~~

1. Advance payment mechanisms must comply with 31 CFR part 208 and include, but are not limited to, Treasury checks and electronic funds transfers, and must comply with applicable guidance in 31 CFR part 208.
 2. Recipients and subrecipients Non Federal entities must be authorized to submit requests as often as necessary for advance payments and reimbursements at least monthly when electronic fund transfers are not used, or at least monthly when electronic transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the See Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).
- Reimbursement is ~~the preferred method~~ when the requirements in paragraph (b) cannot be met, when the ~~Federal agency or pass-through entity HHS awarding agency~~ sets a specific condition per ~~§200.20875.207, or when requested by the recipient or subrecipient, when a the non Federal entity requests payment by reimbursement. This method may be used on any Federal award is for construction, or when a significant if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal agency HHS awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the payment request billing, unless the Federal agency HHS awarding agency or pass-through entity reasonably believes the request to be improper.~~
 - If the ~~recipient or subrecipient non Federal entity~~ cannot meet the criteria for advance payments and the ~~Federal HHS awarding agency or pass-through entity~~ has determined that reimbursement is not feasible because the ~~recipient or subrecipient non Federal entity~~ lacks sufficient working capital, the ~~Federal HHS awarding agency or pass-through entity~~ may provide cash on a working capital advance basis. Under this procedure, the ~~Federal HHS awarding agency or pass-through entity~~ must advance cash payments to the ~~recipient or subrecipient non Federal entity~~ to cover its estimated disbursement needs for an initial period generally ~~aligned geared to the recipient's or subrecipient's non Federal entity's~~ disbursing cycle. ~~After that, the Federal agency. Thereafter, the HHS awarding agency or pass-through entity must reimburse the recipient or subrecipient non Federal entity for its actual cash disbursements. Use of the working capital advance method of payment method requires that the pass-through entity provide timely advance payments to any subrecipients in order to meet the subrecipient's actual cash disbursements. The pass-through entity working capital advance method of payment must not use the working capital advance method of payment be used by the pass through entity if the reason for using this method is the unwillingness or inability of the pass-through entity to provide timely advance payments to the subrecipient to meet the subrecipient's actual cash disbursements.~~
 - ~~If available, the recipient or subrecipient must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on Federal funds before requesting additional cash payments. Use of resources before requesting cash advance payments. To the extent available, the non Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.~~
 - ~~Unless otherwise required by Federal statutes, Ppayments for allowable costs by non Federal entities must not be withheld at any time during the period of performance unless required by Federal statute, regulations, or in one of the the conditions of §§75.207, subpart D of this part, 75.371, or one or more of the following instances: applies:~~
 1. ~~The recipient or subrecipient non Federal entity has failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award; or~~
 2. ~~The recipient or subrecipient is delinquent in a debt to the United States as defined in OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables." Under such conditions, the Federal agency or pass-through entity may, after providing reasonable notice, withhold payments to the recipient or subrecipient for financial obligations incurred after a specified date until the conditions are corrected or the debt is repaid to the Federal Government.~~
 2. ~~The non Federal entity is delinquent in a debt to the United States as defined in OMB Guidance A-129 "Policies for Federal Credit Programs and Non Tax Receivables."~~

- ~~A payment withheld for failure to comply with the terms and conditions of the Federal award conditions, but without suspension of the Federal award, must be released to the recipient or subrecipient non-Federal entity upon subsequent compliance. When a Federal award is suspended, payment adjustments must will be made in accordance with §200.34375-375.~~
- 3. ~~A~~
- 4. • ~~A payment must not be made to a recipient or subrecipient non-Federal entity for amounts that the recipient or subrecipient withholds from contractors are withheld by the non-Federal entity from payment to contractors to assure satisfactory completion of work. A payment must be made when the recipient or subrecipient non-Federal entity disburses the withheld funds to the contractors or to escrow accounts established to ensure assure satisfactory completion of work.~~
- ~~The Federal agency or pass-through entity must not require separate depository accounts for funds provided to the recipient or subrecipient or establish any eligibility requirements for depositories. However, the recipient or subrecipient must be able to account for all Federal funds received, obligated, and expended. Standards governing the use of banks and other institutions as depositories of advance payments under Federal awards are as follows:~~
 1. ~~The HHS awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establish any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for the receipt, obligation, and expenditure of funds.~~
 2. ~~Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.~~
- ~~Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.~~
- ~~The recipient or subrecipient non-Federal entity must maintain advance payments of Federal funds awards in interest-bearing accounts, unless the following applies:~~
 1. ~~The recipient or subrecipient non-Federal entity receives less than \$250,000 120,000 in Federal funding awards per year;~~
 2. ~~The best reasonably available interest-bearing account would not reasonably be expected to earn interest in excess of more than \$500 per year on Federal cash balances;~~
 3. ~~The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources;~~
 4. ~~A foreign government or banking system prohibits or precludes interest bearing accounts; or~~
 - 4.5. ~~An interest-bearing account is not readily accessible (for example, due to public or political unrest in a foreign country).~~
- ~~The recipient or subrecipient may retain up to \$500 per year of interest earned on Federal funds to use for administrative expenses of the recipient or subrecipient. Any additional interest earned on Federal funds must be returned annually to the Department of Health and Human Services Payment Management System (PMS) through either the Automated Clearing House (ACH) network or a Fedwire Funds Service payment. All interest in excess of \$500 per year must be returned to PMS regardless of whether the recipient or subrecipient was paid through PMS. Instructions for returning interest can be found at <https://pms.psc.gov/grant-recipients/returning-funds-interest.html>. Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. Remittances must include pertinent information of the payee and nature of the payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on federal funds. Pertinent details include the Payee Account Number (PAN) if the payment originated from PMS, or Agency information, if the payment originated from ASAP, NSF or another federal agency payment system. The remittance must be submitted as follows:~~
- ~~All other Federal funds must be returned to the payment system of the Federal agency. Returns should follow the instructions provided by the Federal agency. All returns to PMS should follow the instructions provided at <https://pms.psc.gov/grant-recipients/returning-funds-interest.html>.~~

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For ACH Returns:

Routing Number: 051036706

Account number: 303000

Bank Name and Location: Credit Gateway—ACH Receiver St. Paul, MN

For Fedwire Returns*:

Routing Number: 021030004

Account number: 75010501

Bank Name and Location: Federal Reserve Bank Treas NYC/Funds Transfer Division New York, NY

(* Please note organization initiating payment is likely to incur a charge from your Financial Institution for this type of payment)

For International ACH Returns:

Beneficiary Account: Federal Reserve Bank of New York/ITS (FRBNY/ITS)

Bank: Citibank N.A. (New York)

Swift Code: CITIUS33

Account Number: 36838868

Bank Address: 388 Greenwich Street, New York, NY 10013 USA

Payment Details (Line 70): Agency Name (abbreviated when possible) and ALC Agency POC: Michelle Haney, (301) 492-5065

For recipients that do not have electronic remittance capability, please make check** payable to:

“The Department of Health and Human Services”

Mail Check to Treasury approved lockbox:

HHS Program Support Center

P.O. Box 530231

Atlanta, GA 30353-0231

(** Please allow 4-6 weeks for processing of a payment by check to be applied to the appropriate PMS account)

Any additional information/instructions may be found on the PMS Web site at <http://www.dpm.psc.gov/> [79 FR 75889, Dec. 19, 2014, as amended at 81 FR 3016, Jan. 20, 2016; 81 FR 89395, Dec. 12, 2016; 86 FR 2278, Jan. 12, 2021]

Cost Sharing or Matching (§20075.306 & Financial Management Requirements for award recipients by HRS.A)

For all Federal awards, the Federal agency or pass-through entity must accept any cost sharing funds (including cash and third-party in-kind contributions, and also including funds committed by the recipient, subrecipient, or third parties) as part of the recipient's or subrecipient's contributions to a program when the funds: All matching or cost-sharing contributions (including cash and third party in-kind) shall be:

- ~~Are v~~Verifiable from the recipient's or subrecipient's records;
- ~~Are n~~Not included as contributions for any other federal award ~~by assisted project or program;~~
- ~~Are n~~Necessary and reasonable for achieving the objectives of the Federal award; ~~proper and efficient accomplishment of the project or program objectives~~
- ~~Are~~ allowable under subpart E;
- ~~Are n~~Not paid by the ~~F~~federal ~~G~~overnment under another Federal award, (except where program's Federal authorizing statute specifically provides that Federal funds made available for the program can be applied to cost sharing requirements of other Federal programs; ~~authorized by federal statute to be used for cost sharing or matching~~)
- ~~Are~~ provided for in the approved budget when required by the Federal agency; and
- ~~Conform~~ to other applicable provisions of this part.
- ~~Allowable and provided for in the approved budget.~~
- ~~If applicable, Maintenance of Effort and/or Supplement not Supplant:~~
 1. ~~When the recipient is required, as a condition of eligibility for federal funding, to maintain its non-federal financial contribution toward program activities at a minimum amount, P&P must~~

~~describe the method for retaining financial records which document compliance that at least the minimum amount of required non-federal funding was maintained.~~

- ~~2. Non-federal funding for such activities must be maintained at a level which is not less than expenditures for such activities for the prior period, usually the recipient's fiscal year immediately prior to the date of receiving the grant or cooperative agreement.~~
- ~~3. A subset of Maintenance of Effort is supplement not supplant, where Federal grant funds shall supplement, not supplant (or replace), a recipient's non-federal funds which would otherwise have been made available for the applicable program; and~~
- ~~4. Unless otherwise specified by statute, there is no prohibition against using funds included in the maintenance of effort requirement as long as the expenditures meet the other tests for matching or cost sharing.~~

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Program Income §20075.307

- ~~The recipient or subrecipient Non-Federal entities are is~~ encouraged to earn income to defray program costs where appropriate. ~~Program income must be used for the original purpose of the Federal award. Program income earned during the period of performance may only be used for costs incurred during the period of performance or allowable closeout costs. Program income must be expended prior to requesting additional Federal funds. Program income exceeding amounts specified in the Federal award may be added to or deducted from the total allowable costs in accordance with the terms and conditions of the Federal award.~~
- **Use of program income.** There are three methods of applying program income: deduction; addition; and cost-sharing. The Federal agency should specify what program income method(s) will be used in the terms and conditions of the Federal award. The deduction method will be used if the Federal agency does not specify a method for applying program income. When no program income method is specified in the Federal award, prior approval is required to use the addition or cost sharing methods. However, the addition method will be used when no method is specified for awards made to institutions of higher education (IHE) and nonprofit research institutions. In specifying alternatives to the deduction and addition methods, the Federal agency may distinguish between income earned by the recipient and income earned by subrecipients as well as between the sources, kinds, or amounts of income.
 1. **Deduction.** Program income is deducted from the total allowable costs, reducing the overall total amount of the Federal award.
 2. **Addition.** Program income is added to the total allowable costs, increasing the overall total amount of the Federal award.
 3. **Cost sharing.** Program income is used to meet the Federal award's cost sharing requirement.
- **Income after the period of performance.** There are no requirements governing the disposition of program income earned after the end of the period of performance of the Federal award unless stipulated in the Federal agency regulations or the terms and conditions of the Federal award. The Federal agency may negotiate agreements with recipients regarding appropriate uses of income earned after the end of the period of performance as part of the closeout process. See § 200.344.
- **Cost of generating program income.** If authorized by Federal regulations or the Federal award, costs incidental to ~~the generation~~ **generating** of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.
- **Not considered program income.** The following are not considered program income unless specified in Federal statutes, regulations, or the terms and conditions of the Federal award:
 1. **Governmental revenues.** Taxes, special assessments, levies, fines, and other such revenues ~~the recipient or subrecipient raised, by a non-Federal entity are not program income unless the revenues are specifically identified in the Federal award or HHS awarding agency regulations as program income.~~
 2. **Property.** Proceeds from the sale of real property, equipment, or supplies. ~~The proceeds must be handled in accordance with the requirements of the Property Standards of §200.311, 200.313, 200.314, or as explicitly identified in Federal statutes, regulations, or the terms and conditions of the Federal award.~~
 3. **License fees and royalties.** License fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under the Federal award subject to 37 CFR part 401.

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- ~~Property. Proceeds from the sale of real property, equipment, or supplies, are not program income; such proceeds will be handled in accordance with the requirements of subpart D of this part, §§75.318, 75.320, and 75.321, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.~~
- ~~Use of program income. If the HHS awarding agency does not specify in its regulations or the terms and conditions of the Federal award or give prior approval for how program income is to be used, paragraph 1 of this section must apply. For Federal awards made to HHEs and nonprofit research institutions, if the HHS awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph 2 of this section must apply unless the recipient is subject to conditions under §75.207 or §75.216. In specifying alternatives to paragraphs 1 and 2 of this section, the HHS awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the HHS awarding agency authorizes the approaches in paragraphs 2 and 3 of this section, program income in excess of any amounts specified must also be deducted from expenditures:
 1. ~~Deduction. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the HHS awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.~~
 2. ~~Addition. With prior approval of the HHS awarding agency (except for HHEs and nonprofit research institutions, as described in paragraph (e) of this section), program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.~~
 3. ~~Cost sharing or matching. With prior approval of the HHS awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.~~~~
- ~~Income after the period of performance. There are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the HHS awarding agency regulations or the terms and conditions of the award provide otherwise. The HHS awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process. See also §75.381.~~
- ~~Unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the non-Federal entity has no obligation to the HHS awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms under Government Awards, Contracts and Cooperative Agreements" is applicable~~

Equipment §200.313

- Title. Title to equipment acquired under the Federal award will vest upon acquisition in the recipient or subrecipient subject to the conditions of this section. This title must be a conditional title unless a Federal statute specifically authorizes the Federal agency to vest title in the recipient or subrecipient without further responsibility to the Federal Government (and the Federal agency elects to do so). A conditional title means a clear title is withheld by the Federal agency until conditions and requirements specified in the terms and conditions of a Federal award have been fulfilled. Title for equipment vested in a recipient or subrecipient is subject to the following conditions:
 1. Use the equipment for the authorized purposes of the project during the period of performance or until the property is no longer needed for the purposes of the project.
 2. While the equipment is being used for the originally-authorized purpose, the recipient or subrecipient must not dispose of or encumber its title or other interests without the approval of the Federal agency or pass-through entity.

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3. Use and dispose of the property in accordance with paragraphs (b), (c), and (e) of this section.

• Use.

1. The recipient or subrecipient must use equipment for the project or program for which it was acquired and for as long as needed, whether or not the project or program continues to be supported by the Federal award. The recipient or subrecipient must not encumber the equipment without prior approval of the Federal agency or pass-through entity. The Federal agency may require the submission of the applicable common forms for reporting on equipment. When no longer needed for the original project or program, the equipment may be used in other activities in the following order of priority:

- (i) Activities under other Federal awards from the Federal agency that funded the original program or project; then
- (ii) Activities under Federal awards from other Federal agencies. These activities include consolidated equipment for information technology systems.

2. During the time that equipment is used on the project or program for which it was acquired, the recipient or subrecipient must also make the equipment available for use on other programs or projects supported by the Federal Government, provided that such use will not interfere with the purpose for which it was originally acquired. First preference for other use of the equipment must be given to other programs or projects supported by the Federal agency that financed the equipment. Second preference must be given to programs or projects under Federal awards from other Federal agencies. Use for non-federally-funded projects is also permissible, provided such use will not interfere with the purpose for which it was originally acquired. The recipient or subrecipient should consider charging user fees as appropriate.

3. Notwithstanding the encouragement in § 200.307 to earn program income, the recipient or subrecipient must not use equipment acquired with the Federal award to provide services for a fee that is less than a private company would charge for similar services unless specifically authorized by Federal statute. This restriction is effective as long as the Federal Government retains an interest in the equipment.

4. When acquiring replacement equipment, the recipient or subrecipient may either trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

• Management requirements. Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacement equipment) utilizing procedures that meet the following requirements:

1. Property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

2. A physical inventory of the property must be conducted, and the results must be reconciled with the property records at least once every two years.

3. A control system must be in place to ensure safeguards for preventing property loss, damage, or theft. Any loss, damage, or theft of equipment must be investigated. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program.

4. Regular maintenance procedures must be in place to ensure the property is in proper working condition.

5. If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

• Disposition. When equipment acquired under a Federal award is no longer needed for the original project, program, or for other activities currently or previously supported by a Federal agency, the recipient or subrecipient must request disposition instructions from the Federal agency or pass-through entity if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal agency or pass-through entity disposition instructions:

1. Equipment with a current fair market value of \$10,000 or less (per unit) may be retained, sold, or otherwise disposed of with no further responsibility to the Federal agency or pass-through entity.

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2. Except as provided in § 200.312(b), or if the Federal agency or pass-through entity fails to provide requested disposition instructions within 120 days, items of equipment with a current fair market value in excess of \$10,000 (per-unit) may be retained or sold by the recipient or subrecipient. However, the Federal agency is entitled to an amount calculated by multiplying the percentage of the Federal agency's contribution towards the original purchase by the current market value or proceeds from the sale. If the equipment is sold, the Federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the Federal share, \$1,000 of the proceeds to cover expenses associated with the selling and handling of the equipment.
 3. The recipient or subrecipient may transfer title to the property to the Federal Government or to an eligible third party provided that the recipient or subrecipient must be entitled to compensation for its attributable percentage of the current fair market value of the property.
 4. In cases where a recipient or subrecipient fails to take appropriate disposition actions, the Federal agency or pass-through entity may direct the recipient or subrecipient to take disposition actions.
- **Equipment retention.** When included in the terms and conditions of the Federal award, the Federal agency may permit the recipient to retain equipment, or authorize a pass-through entity to permit the subrecipient to retain equipment, with no further obligation to the Federal Government unless prohibited by Federal statute or regulation.

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Supplies § 200.314

- Title to supplies acquired under the Federal award will vest upon acquisition in the recipient or subrecipient. When there is a residual inventory of unused supplies exceeding \$10,000 in aggregate value at the end of the period of performance, and the supplies are not needed for any other Federal award, the recipient or subrecipient may retain or sell the unused supplies. Unused supplies means supplies that are in new condition, not having been used or opened before. The aggregate value of unused supplies consists of all supply types, not just like-item supplies. The Federal agency or pass-through entity is entitled to compensation in an amount calculated by multiplying the percentage of the Federal agency's or pass-through entity's contribution towards the cost of the original purchase(s) by the current market value or proceeds from the sale. If the supplies are sold, the Federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the Federal share, \$1,000 of the proceeds to cover expenses associated with the selling and handling of the supplies.
- Unless expressly authorized by Federal statute, the recipient or subrecipient must not use supplies acquired with the Federal award to provide services for a fee that is less than a private company would charge for similar services. This restriction is effective as long as the Federal Government retains an interest in the supplies or as authorized by Federal statute.

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Procurement §75.326 – §75.335 200.317 to §200.327

See Policy FN-AP-105 Leadership Policy LD 240 for the Procurement policy.

Monitoring and reporting program performance §200.329

Monitoring by the recipient and subrecipient. The recipient and subrecipient are responsible for the oversight of the Federal award. The recipient and subrecipient must monitor their activities under Federal awards to ensure they are compliant with all requirements and meeting performance expectations. Monitoring by the recipient and subrecipient must cover each program, function, or activity. See also § 200.332.

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Records Retention requirements and Access §75.361 – §75.365 200.334 to §200.338

The recipient and subrecipient must retain all Federal award records for three years from the date of submission of their final financial report. For awards that are renewed quarterly or annually, the recipient and subrecipient must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include but are not limited to, financial records, supporting documentation, and statistical records. Federal agencies or pass-through entities may not impose any other record retention requirements except for the following: Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of seven years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the HHS

awarding agency or pass-through entity in the case of a subrecipient. HHS awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. The only exceptions are the following:

- ~~The records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken if any litigation, claim, or audit is started before the expiration of the three-year period. If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.~~
- ~~When the recipient or subrecipient is notified in writing by the Federal agency or pass-through entity, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs to extend the retention period. When the non-Federal entity is notified in writing by the HHS awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.~~
- ~~The records for real property and equipment acquired with the support of Federal funds must be retained for 3 years after final disposition.~~
- ~~The three-year retention requirement does not apply to the recipient or subrecipient when records are transferred to or maintained by the Federal agency. When records are transferred to or maintained by the HHS awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.~~
- ~~The records for program income earned after the period of performance must be retained for three years from the end of the recipient's or subrecipient's fiscal year in which the program income is earned. This only applies if the Federal agency or pass-through entity requires the recipient or subrecipient to report on program income earned after the period of performance in the terms and conditions of the Federal award. Records for program income transactions after the period of performance. In some cases, recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.~~
- ~~The records for indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates) must be retained according to the applicable option below: Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: Indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).~~
 1. ~~If submitted for negotiation. When a proposal, plan, or other computation must be submitted to the Federal Government to form the basis for negotiation of an indirect cost rate (or other standard rates), then the three-year retention period for its supporting records starts from the date of submission. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.~~
 2. ~~If not submitted for negotiation. When a proposal, plan, or other computation is not required to be submitted to the Federal Government to form the basis for negotiation of an indirect cost rate (or other standard rates), then the three-year retention period for its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.~~

Cost Principles Policy §~~75.400~~200.400

The application of these cost principles is based on the fundamental premises that:

- The recipient and subrecipient ~~non-Federal entity is~~ are responsible for the efficient and effective administration of the Federal award through ~~the application of~~ sound management practices.

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- ~~The recipient and subrecipient are responsible for administering Federal funds in a manner consistent with Federal statutes, regulations, and the terms and conditions of the Federal award. The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.~~
- ~~The recipient and subrecipient, in recognition of their unique combination of staff, facilities, and experience, are responsible for employing organization and management techniques necessary to ensure the proper and efficient administration of the Federal award. The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.~~
- ~~The accounting practices of the recipient and subrecipient must be consistent with these cost principles and support the accumulation of costs as required by these cost principles, including maintaining adequate documentation to support costs charged to the Federal award. The accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.~~
- ~~The recipient or subrecipient must not earn or keep any profit resulting from Federal financial assistance unless explicitly authorized by the terms and conditions of the Federal award. See also § 200.307. When the required activities of a fixed amount award were completed in accordance with the terms and conditions of the award, the unexpended funds retained by the recipient or subrecipient are not considered profit. The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award.~~

Cost Principles Basics Considerations §200.402 to §200.411 75.402-§75.411

Except where otherwise authorized by statute, costs must meet the following general criteria ~~in order~~ to be allowable under Federal awards:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the ~~recipient or subrecipient, non-Federal entity.~~
- Be accorded consistent treatment. ~~For example, a~~ cost ~~must may~~ not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Not be included as a cost or used to meet cost sharing ~~or matching~~ requirements of any other federally-financed program in either the current or a prior period. See also §200.306 (b) ~~75.306(b).~~
- Be adequately documented. See also §§~~200.30075.300~~ through ~~200.30975.309.~~

A cost is reasonable if, ~~in its nature and amount,~~ it does not exceed ~~an amount that which would be incurred by a~~ prudent person ~~would incur~~ under the circumstances prevailing ~~when at the time~~ the decision was made to incur the cost. ~~In determining the~~ The question of reasonableness ~~is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness~~ of a given cost, consideration must be given to ~~the following:~~

- Whether the cost is ~~of a type~~ generally recognized as ordinary and necessary for the ~~recipient's or subrecipient's~~ operation ~~of the non-Federal entity~~ or the proper and efficient performance of the Federal award;
- The restraints or requirements imposed by such factors as: ~~s~~Sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award;
- Market prices for comparable goods or services for the geographic area;

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- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the recipient or subrecipient, non-Federal entity, its employees, ~~where applicable~~ its students or membership (if applicable), the public at large, and the Federal Government; ~~and~~
- Whether the cost represents a deviation from the recipient's or subrecipient's established written policies and procedures for incurring costs. the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

A cost is allocable to a particular Federal award or other cost objective if the cost is assignable goods or services involved are chargeable or assignable to that Federal award or other cost objective in accordance with the relative benefits received. This standard is met if the cost satisfies any of the following criteria:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the recipient or subrecipient non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; ~~and or~~
- Is necessary to the overall operation of the recipient or subrecipient non-Federal entity and is assignable in part to the Federal award in accordance with these cost principles. the principles in this subpart.

All activities which benefit from the recipient's or subrecipient's non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the recipient or subrecipient non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

A cost allocable to a particular Federal award may not be charged to other Federal awards (for example, to overcome fund deficiencies or to avoid restrictions imposed by Federal statutes, regulations, or the terms and conditions of the Federal awards). However, this prohibition would not preclude the recipient or subrecipient from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards. Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. However, when those proportions cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c), the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved, when no longer needed for the purpose for which it was originally required. See also §§ 200.310 through 200.316 and 200.439. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding the above paragraph, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§ 75.317 through 75.323 and 75.439.

Direct Costs §200.413-75.413

General. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as direct or indirect costs. See § 200.405. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree

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of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. See also §75.405.

Application to Federal awards. The association of costs with a Federal award determines whether costs are direct or indirect. Costs charged directly to a Federal award are typically incurred specifically for that Federal award (including, for example, supplies needed to achieve the award's objectives and the proportion of employee compensation and fringe benefits expended in relation to that specific award). Costs that otherwise would be treated as indirect costs may also be considered direct costs if they are directly related to a specific award (including, for example, extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities, cybersecurity, integrated data systems, asset management systems, performance management costs, program evaluation costs, or other institutional service operations). Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. If directly related to a specific award, certain costs that otherwise would be treated as indirect costs may also include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.

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Administrative and clerical staff salaries. Administrative and clerical staff salaries should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if they meet all of the following conditions: The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

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- The administrative or clerical services are integral to a Federal award; project or activity;
- Individuals involved can be specifically identified with a Federal award; and the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- The costs are not also recovered as indirect costs.

Minor items. A direct cost of a minor amount may be treated as an indirect cost, for reasons of practicality, provided that it is treated consistently for all Federal and non-Federal purposes. Any direct cost of minor amount may be treated as an indirect (F&A) cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all Federal and non-Federal cost objectives.

Treatment of unallowable costs in determining indirect cost rates. The costs of certain activities are not allowable as charges to Federal awards. Even though these costs are unallowable, they must be treated as direct costs for purposes of determining indirect cost rates and be allocated their equitable share of the recipient's or subrecipient's indirect costs if they represent activities which: The costs of certain activities are not allowable as charges to Federal awards. However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect (F&A) cost rates and be allocated their equitable share of the non-Federal entity's indirect costs if they represent activities which:

- Include the salaries of personnel,
- Occupy space, and
- Benefit from the non-Federal entity's indirect (F&A) costs.

Indirect costs. §200.414

De minimis rate. Recipients and subrecipients that do not have a current Federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15 percent of modified total direct costs (MTDC). The recipient or subrecipient is authorized to determine the appropriate rate up to this limit. Federal agencies and pass-through entities may not require recipients and subrecipients to use a de minimis rate lower than the negotiated indirect cost rate or the rate elected pursuant to this subsection unless required by Federal statute or regulation. The de minimis rate must not be applied to cost reimbursement contracts issued directly by

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the Federal Government in accordance with the FAR. Recipients and subrecipients are not required to use the de minimis rate. When applying the de minimis rate, costs must be consistently charged as either direct or indirect costs and may not be double charged or inconsistently charged as both. The de minimis rate does not require documentation to justify its use and may be used indefinitely. Once elected, the recipient or subrecipient must use the de minimis rate for all Federal awards until the recipient or subrecipient chooses to receive a negotiated rate.

General Provisions for Selected Items of Cost ~~§200.420 to §200.476~~ ~~75.420 – 75.475~~

Specific expenditures have further principles that need to be applied. The following list summarizes the type of expense and specific code applicable. The District will follow the guidance within the CFR for these specific expenditure types. The following sections are not intended to be a comprehensive list of potential items of cost encountered under Federal awards. Failure to mention a particular item of cost, including as an example in certain sections, is not intended to imply that it is either allowable or unallowable. When determining the allowability for an item of cost, each case should be based on the treatment provided for similar or related items of cost and based on the principles described in §§ 200.402 through 200.411. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in § 200.403 must be applied in determining allowability.

<u>§ 200.420</u>	<u>Considerations for selected items of cost.</u>
<u>§ 200.421</u>	<u>Advertising and public relations.</u>
<u>§ 200.422</u>	<u>Advisory councils.</u>
<u>§ 200.423</u>	<u>Alcoholic beverages.</u>
<u>§ 200.424</u>	<u>Alumni activities.</u>
<u>§ 200.425</u>	<u>Audit services.</u>
<u>§ 200.426</u>	<u>Bad debts.</u>
<u>§ 200.427</u>	<u>Bonding costs.</u>
<u>§ 200.428</u>	<u>Collections of improper payments.</u>
<u>§ 200.429</u>	<u>Commencement and convocation costs.</u>
<u>§ 200.430</u>	<u>Compensation—personal services.</u>
<u>§ 200.431</u>	<u>Compensation—fringe benefits.</u>
<u>§ 200.432</u>	<u>Conferences.</u>
<u>§ 200.433</u>	<u>Contingency provisions.</u>
<u>§ 200.434</u>	<u>Contributions and donations.</u>
<u>§ 200.435</u>	<u>Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.</u>
<u>§ 200.436</u>	<u>Depreciation.</u>
<u>§ 200.437</u>	<u>Employee health and welfare costs.</u>
<u>§ 200.438</u>	<u>Entertainment and prizes.</u>
<u>§ 200.439</u>	<u>Equipment and other capital expenditures.</u>
<u>§ 200.440</u>	<u>Exchange rates.</u>
<u>§ 200.441</u>	<u>Fines, penalties, damages and other settlements.</u>
<u>§ 200.442</u>	<u>Fundraising and investment management costs.</u>
<u>§ 200.443</u>	<u>Gains and losses on the disposition of depreciable assets.</u>
<u>§ 200.444</u>	<u>General costs of government.</u>
<u>§ 200.445</u>	<u>Goods or services for personal use.</u>
<u>§ 200.446</u>	<u>Idle facilities and idle capacity.</u>
<u>§ 200.447</u>	<u>Insurance and indemnification.</u>
<u>§ 200.448</u>	<u>Intellectual property.</u>
<u>§ 200.449</u>	<u>Interest.</u>
<u>§ 200.450</u>	<u>Lobbying.</u>
<u>§ 200.451</u>	<u>Losses on other awards or contracts.</u>
<u>§ 200.452</u>	<u>Maintenance and repair costs.</u>
<u>§ 200.453</u>	<u>Materials and supplies costs, including costs of computing devices.</u>
<u>§ 200.454</u>	<u>Memberships, subscriptions, and professional activity costs.</u>

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§ 200.455 Organization costs.
§ 200.456 Participant support costs.
§ 200.457 Plant and security costs.
§ 200.458 Pre-award costs.
§ 200.459 Professional service costs.
§ 200.460 Proposal costs.
§ 200.461 Publication and printing costs.
§ 200.462 Rearrangement and reconversion costs.
§ 200.463 Recruiting costs.
§ 200.464 Relocation costs of employees.
§ 200.465 Rental costs of real property and equipment.
§ 200.466 Scholarships, student aid costs, and tuition remission.
§ 200.467 Selling and marketing costs.
§ 200.468 Specialized service facilities.
§ 200.469 Student activity costs.
§ 200.470 Taxes (including Value Added Tax).
§ 200.471 Telecommunication and video surveillance costs.
§ 200.472 Termination and standard closeout costs.
§ 200.473 Training and education costs.
§ 200.474 Transportation costs.
§ 200.475 Travel costs.
§ 200.476 Trustees.

§75.421 – Advertising and public relations.
§75.422 – Advisory councils.
§75.423 – Alcoholic beverages.
§75.424 – Alumni/ae activities.
§75.425 – Audit services.
§75.426 – Bad debts.
§75.427 – Bonding costs.
§75.428 – Collections of improper payments.
§75.429 – Commencement and convocation costs.
§75.430 – Compensation – personal services.
§75.431 – Compensation – fringe benefits.
§75.432 – Conferences.
§75.433 – Contingency provisions.
§75.434 – Contributions and donations.
§75.435 – Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements.
§75.436 – Depreciation.
§75.437 – Employee health and welfare costs.
§75.438 – Entertainment costs.
§75.439 – Equipment and other capital expenditures.
§75.440 – Exchange rates.
§75.441 – Fines, penalties, damages and other settlements.
§75.442 – Fund raising and investment management costs.
§75.443 – Gains and losses on disposition of depreciable assets.
§75.444 – General costs of government.
§75.445 – Goods or services for personal use.
§75.446 – Idle facilities and idle capacity.
§75.447 – Insurance and indemnification.
§75.448 – Intellectual property.
§75.449 – Interest.
§75.450 – Lobbying.
§75.451 – Losses on other awards or contracts.

~~§75.452 Maintenance and repair costs.~~
~~§75.453 Materials and supplies costs, including costs of computing devices.~~
~~§75.454 Memberships, subscriptions, and professional activity costs.~~
~~§75.455 Organization costs.~~
~~§75.456 Participant support costs.~~
~~§75.457 Plant and security costs.~~
~~§75.458 Pre award costs.~~
~~§75.459 Professional service costs.~~
~~§75.460 Proposal costs.~~
~~§75.461 Publication and printing costs.~~
~~§75.462 Rearrangement and reconversion costs.~~
~~§75.463 Recruiting costs.~~
~~§75.464 Relocation costs of employees.~~
~~§75.465 Rental costs of real property and equipment.~~
~~§75.466 Scholarships and student aid costs.~~
~~§75.467 Selling and marketing costs.~~
~~§75.468 Specialized service facilities.~~
~~§75.469 Student activity costs.~~
~~§75.470 Taxes (including Value Added Tax).~~
~~§75.471 Termination costs.~~
~~§75.472 Training and education costs.~~
~~§75.473 Transportation costs.~~
~~§75.474 Travel costs.~~
~~§75.475 Trustees.~~

Consultants and Contractors (Financial Management requirements for award recipients by HRSA)

Whenever possible, internal staff will be utilized to meet the needs of the District. However, because the District resides in a rural area where qualified labor is often in short supply, it may become necessary to engage outside consultants and contractors. Before doing so, the District will consider the following factors: cost savings, prices, resources and technology, the ability to meet deadlines, quantity of supervision needed, liability limits, trustworthiness, leadership ability, service level agreement, and communication.

In addition, prior to selecting a new consultant or contractor, the Excluded Parties List System, within the System for Award Management (SAM) at <https://www.sam.gov/portal/public/SAM/>, will be checked to ensure the individual or recipient is not prohibited from receiving federal funds.

Indirect Costs ~~Appendix VII to part 75 section (D)(1)(b)~~ Appendix VII to Part 200 (D)(1)(b)

At this time, indirect costs are not currently charged to federal grants. This could be changed in the future, depending upon the extent and number of future grants that may be received. However, as stated by CFR ~~Title 45, Subtitle A, Subchapter A,~~ Appendix VII to Part 200 part 75 section (D)(1)(b), if the District ever receives more than \$35 million in direct Federal funding, an indirect cost rate proposal will be submitted to its cognizant agency. If this occurred, the CFO would be responsible for preparing that rate, with review by the CEO.

HRSA's Legislative Mandates

For HRSA grants, the HRSA web site makes accessible grants policy bulletins which provides other statutory provisions that must be incorporated by the District, should the District receive HRSA grants. These grants policy bulletins include Legislative Mandates that limit the use of funds. The Grants Policy Bulletins can be found by clicking on the hyperlink below:

<https://www.hrsa.gov/grants/manage-your-grant/policies-regulations-guidance>

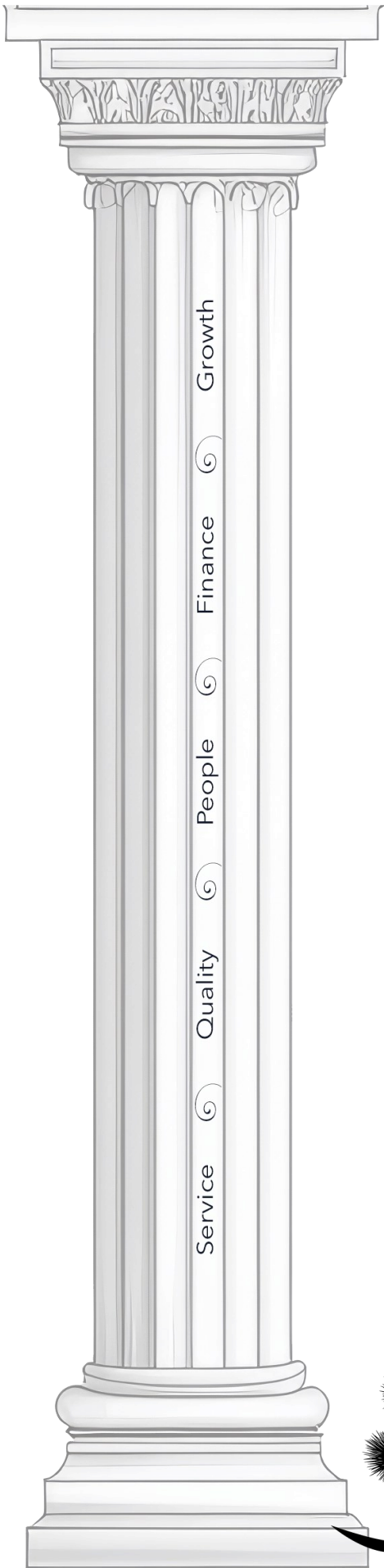
An annual review of HRSA's Legislative Mandates is to be done by the CFO and disseminated to the CEO. All officers and program managers will be distributed this policy. Each one is to read and understand the policies above. If there are questions on the policies, then they should be directed to the CFO or CEO.

REFERENCES

- ~~45 CFR Title 2, Subtitle A, Chapter II, Part 20075.400 Subpart E—Cost Principles Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards~~

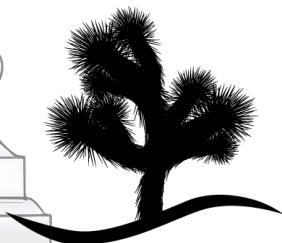
ATTACHMENTS

- NA



TAB #3
ACTION ITEM

APPROVAL CAPITAL EXPENSE



MORONGO BASIN
HEALTHCARE DISTRICT

MorongoBasinHealth.org



MORONGO BASIN HEALTHCARE DISTRICT

STAFF RECOMMENDATION FOR CAPITAL EXPENDITURE

TO: Board of Directors
FROM: Geoff Baker, Building Projects Specialist
DATE: May 7, 2026
SUBJECT: Yucca Valley Adults Sewer Connections

FACTS BEARING ACTION

The south side sewer line of the Yucca Valley health center (adults) is very old and made of cast iron. It is rusted and grows burs that allow waste material to get caught in it, which then clogs the whole drain and requires repeated maintenance.

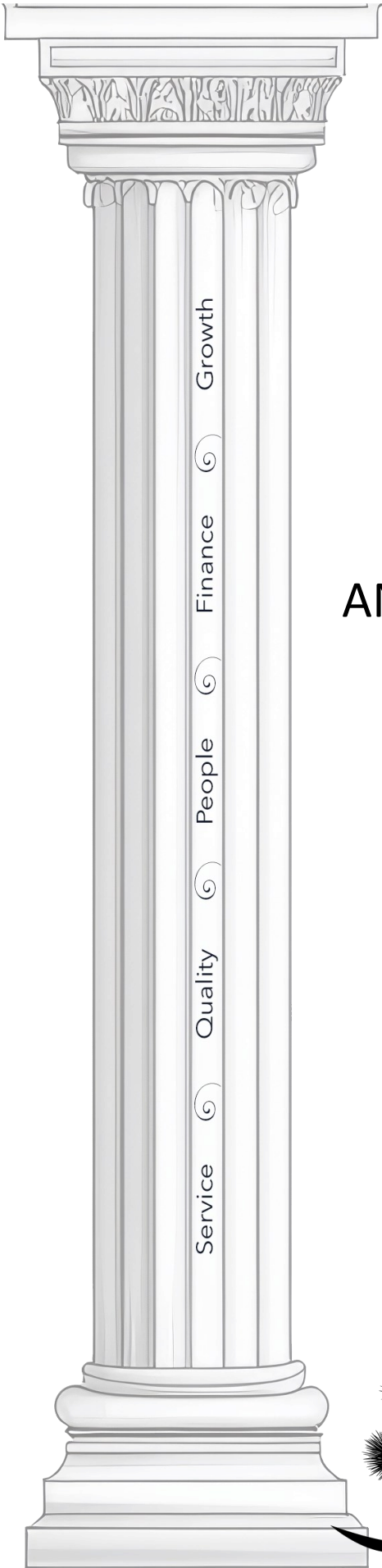
Due to the repetitive nature of the issue, we have had a plumber on site almost weekly for several months. The plumber recommends that we debur and line the existing cast iron pipe with epoxy to restore functionality. The process to remove the burs is very aggressive and due to the drain line being aged, deburring can only be done so many times before the drain line becomes compromised or completely fails.

RECOMMENDATION

Staff recommends moving forward with deburring and the epoxy of the south side sewer line. This action will give an approximate extended life of 50-60 years.

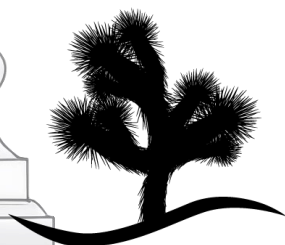
CONCLUSION

The cost to rehabilitate the Yucca Vally south side sewer line is \$13,001.87



TAB #4 REPORT

ANNUAL QUALITY PROGRAM REVIEW



MORONGO BASIN
HEALTHCARE DISTRICT

MorongoBasinHealth.org



MORONGO BASIN HEALTHCARE DISTRICT

6530 La Contenta Road #100 | Yucca Valley CA 92284 | 760-820-9229 | MorongoBasinHealth.org

TO: CINDY SCHMALL, CEO
FROM: TRICIA GEHRLEIN, CAO
DATE: May 07, 2026
SUBJECT: MBCHC BOARD OF DIRECTORS QUALITY REPORT Year End 2025

2025 UDS Measures

UDS (Uniform Data Submission) Quality Measures are set by HRSA (Health Resources and Services Administration) based on best practice. Each measure targets a specific subset of our patient population, and outcomes in these measures are one indicator of the quality of care received.

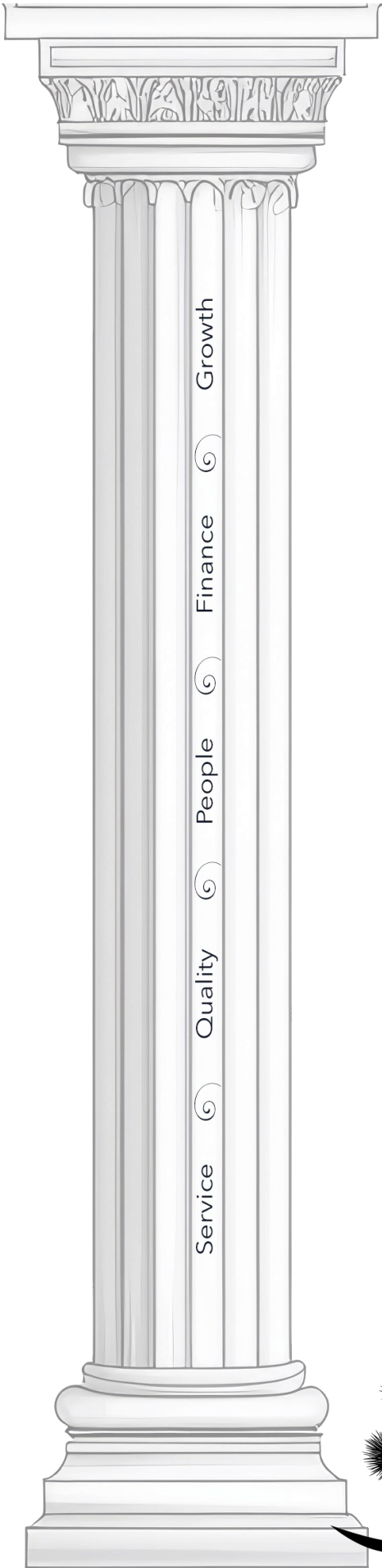
Of note:

1. UDS is presented as a whole, and by provider
2. Q4/Year End scores
 - a. Scores are accumulated to date, so what is presented is for the full year.
 - i. Improvements are due to Quality, Clinic Management, Providers and MAs working collaboratively to ensure quality measures are addressed and that accurate documentation of quality measures in the electronic health record occurs.

UDS Measures for 2025 are summarized as follows:

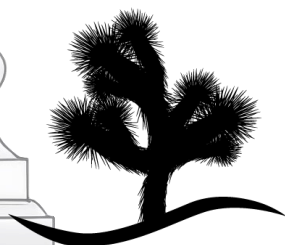
- 6 of the 16 measures were *equal to or higher* than target goals: Adult BMI measuring and counselling, Colorectal Cancer Screening, Diabetes A1c, Ischemic Vascular Disease – Aspiring Use, Controlling Blood Pressure, HIV Screening, and Dental Sealants for Children
- 7 of the measures were within 10% of achieving target goals: Breast Cancer Screening, Cervical Cancer Screening, Statin Therapy, Tobacco Screening and Intervention, Screening for Depression/Follow-up Plan, and Depression Remission at Twelve Months
- 2 of the measures did not meet target goals: Childhood Immunizations, and HIV connection to care (1 patients qualified, refused referral to specialist)

At the January 2026 meeting, the Quality Committee supported increasing our target goals for 2026. Meeting these new goals will be the focus of effort during 2026; success will lead to the CHCs being recognized by HRSA with corresponding Quality Badges in the (potential) areas of: Behavioral Health, Diabetes Health, Heart Health, and Preventive Health.



TAB #5 REPORT

MONTHLY FINANCIAL REPORT



MORONGO BASIN
HEALTHCARE DISTRICT

MorongoBasinHealth.org



MORONGO BASIN HEALTHCARE DISTRICT

6530 La Contenta Road, Suite 100, Yucca Valley California 92284 | 760.820.9229

April 29, 2026

To: MBHD Board of Directors

From: Deborah Anderson, CFO

Re: CFO's Report for March 2026

OVERVIEW

The consolidated financials for the month of March show losses of \$(158,634) and year to date shows income of \$3,006,770. (See Tables 1 & 2)

The non-clinic financials for the month of March show losses of \$(174,837) and year to date shows income of \$2,388,782. (See Table 3 & 4)

The clinic financials for the month of March show income of \$16,203 and year to date shows income of \$617,988. (See Table 5 & 6)

The table below shows the breakdown of the clinics by service line.

Description	Adult	Peds	Dental	Chiro	BH	340B	Grants	Indirect	Total
Operating Income and Expense									
Operating Income									
Patient service revenue	2,008,390	1,601,965	1,165,473	656,072	1,057,216	-	-	-	6,489,116
Grant Revenue	332,499	-	-	-	3,786	-	317,374	1,149,680	1,803,340
Other Operating Revenue 340B	-	-	-	-	-	388,094	-	-	388,094
Other Operating Revenue Cap Fees	1,046,753	599,659	-	-	6,849	-	-	-	1,653,262
Other Operating Revenue Records & Intere	1,229	388	-	63	100	-	-	105	1,886
Other Operating Revenue Cost Report Adj	(494,082)	(432,686)	-	(61,813)	(247,249)	-	-	-	(1,235,829)
Other Operating Revenue Other	37,445	57,605	23,129	-	122,168	-	-	496,770	737,117
Total Operating Income	2,932,235	1,826,933	1,188,602	594,322	942,870	388,094	317,374	1,646,555	9,836,985
Operating Expenses									
Salaries and Wages	1,268,073	609,687	831,963	34,698	386,151	-	38,996	1,088,948	4,258,516
Fringe Benefits and Payroll Taxes	305,526	104,909	180,300	8,055	111,242	-	13,388	268,042	991,462
Physician Fees/Contract Labor	-	258,370	-	197,730	325,225	-	-	-	781,325
Purchased Services	22,069	11,718	61,773	2,437	3,840	-	1,757	451,914	555,508
IT, Network, & Phones	14,688	16,751	10,925	673	3,303	-	-	154,513	200,853
Supplies	22,049	202,901	59,987	148	397	271,960	93,122	7,924	658,489
Repair and Maintenance	45,702	4,497	13,142	2,428	4,940	-	-	29,671	100,380
Rent and Lease	327	16	900	4	18	-	-	6	1,272
Utilities	15,807	11,919	9,494	1,318	6,870	-	-	23,649	69,057
Insurance Expenses	1,293	-	1,293	-	-	-	-	-	2,586
Other Direct Expense	19,283	3,978	4,669	78	876	200	14,855	33,766	77,707
Operating Expense before depreciation	1,714,817	1,224,745	1,174,446	247,570	842,863	272,160	162,118	2,058,434	7,697,154
Depr & Amort	42,940	10,825	64,462	1,621	6,163	-	-	31,572	157,582
Total Depreciation	42,940	10,825	64,462	1,621	6,163	-	-	31,572	157,582
Total Operating Expenses	1,757,757	1,235,570	1,238,908	249,191	849,026	272,160	162,118	2,090,006	7,854,736
Net Operating Income (Loss)	1,174,478	591,362	(50,306)	345,132	93,844	115,934	155,256	(443,450)	1,982,249
Clinic Allocations									
Clinic Allocation Income	705,888	362,857	343,842	47,108	180,608	-	6,821	(1,647,124)	-
Clinic Allocation Expenses	(922,958)	(491,875)	(386,458)	(63,778)	(215,924)	-	(9,014)	2,090,006	-
District Allocation Income	1,508	776	735	100	415	-	3	-	3,537
District Allocation Expenses	(586,634)	(301,516)	(285,740)	(39,159)	(149,278)	-	(6,040)	-	(1,368,366)
Non-Operating Revenues (expenses)	-	-	-	-	-	-	-	568	568
Total Allocations & Non-operating	(802,197)	(429,757)	(327,621)	(55,728)	(184,178)	-	(8,230)	443,450	(1,364,261)
NET SURPLUS/(DEFICIT)	372,281	161,605	(377,926)	289,404	(90,334)	115,934	147,026	-	617,988

Of the \$617,988 income, \$147,026 is attributable to income recognized for a grant, but the corresponding expense isn't included because it was a capital item. Additionally, the 340B service line has only made \$115,934. The drug manufacturer restrictions along with the carve out for Medi-Cal Rx have both cut into the income that this program used to make. Chiro, adults and peds all show income whereas the dental & BH show losses. In FY 24-25, we estimated the cost report payback to be about

\$1.7 million and it ended up being closer to about \$2 million. This means as we review the revenue above, it is likely we will need to further adjust the cost payment reconciliation liability by another \$262,500.

The investments for the District showed losses, so this caused the non-clinic financials to show losses for the month. However, year to date, the non-clinic financials continue to do better than budgeted.

CONSOLIDATED CHANGE IN NET POSITION

Table 1 Consolidated March 2026

Consolidated	Actual Mth	Budget Mth	Over/(Under)	% of Budget
Income	1,350,778	1,087,737	263,042	24.18%
Expense	(1,306,895)	(1,224,655)	(82,240)	-6.72%
Operating Income/(Loss) before Allocation	43,884	(136,918)	180,802	132.05%
Non-Operating	(202,579)	113,145	(315,724)	-279.04%
Change in Net Position	(158,634)	(23,773)	(134,861)	-567.29%

Table 2 Consolidated Year to Date

Consolidated	Actual YTD	Budget YTD	Over/(Under)	% of Budget
Income	11,670,540	9,552,135	2,118,405	22.18%
Expense	(10,706,331)	(10,874,408)	168,077	1.55%
Operating Income/(Loss) before Allocation	964,209	(1,322,273)	2,286,482	172.92%
Non-Operating	2,041,774	1,270,802	770,973	60.67%
Change in Net Position	3,006,770	(51,471)	3,058,241	5941.66%

NON-CLINICS CHANGE IN NET POSITION

Table 3 Non-Clinics March 2026

Non Clinic	Actual Mth	Budget Mth	Over/(Under)	% of Budget
GRANT REVENUE	2,814	3,125	(311)	-9.94%
TENET LEASE -Amort of \$2M lease	197,321	197,321	-	0.00%
INTEREST INCOME	183	191	(8)	-4.34%
OTHER OPERATING REVENUE	3,226	125	3,101	2480.82%
	203,545	200,763	2,782	1.39%
Salaries	151,397	143,559	(7,838)	-5.46%
Fringe	48,024	32,268	(15,756)	-48.83%
Purchased Services	6,774	11,840	5,067	42.79%
IT, Network & Phones	28,252	20,425	(7,826)	-38.32%
Supplies	3,235	3,991	755	18.93%
R&M	2,952	4,749	1,797	37.84%
Leases/Rentals	-	42	42	100.00%
Utilities	7,140	4,945	(2,196)	-44.40%
Insurance	33,693	33,429	(265)	-0.79%
Other	17,191	20,033	2,842	14.19%
Depreciation	58,845	59,525	680	1.14%
	357,502	334,806	(22,696)	-6.78%
Operating Income/(Loss) before Allocation	(153,958)	(134,044)	(19,914)	-14.86%
Allocation of Overhead for Health Centers	181,638	185,907	(4,269)	-2.30%
Operating Income/(Loss) after Allocation	27,680	51,863	(24,183)	-46.63%

Table 3 (continued)

Non Clinic	Actual Mth	Budget Mth	Over/(Under)	% of Budget
Non-Operating Tax Revenue	70,148	42,854	27,294	63.69%
Non-Operating Investment Income	(279,451)	63,568	(343,018)	-539.61%
Non-Operating Rental Income	6,723	6,723	(0)	-0.00%
Discontinued Operations	62	-	62	100.00%
	(202,518)	113,145	(315,663)	-278.99%
Change in Net Position	(174,837)	165,008	(339,846)	-205.96%

Table 4 Non-Clinics Year to Date

Non Clinic	Actual YTD	Budget YTD	Over/(Under)	% of Budget
GRANT REVENUE	21,232	28,125	(6,893)	-24.51%
TENET LEASE -Amort of \$2M lease	1,794,857	1,794,859	(1)	-0.00%
INTEREST INCOME	4,032	3,934	98	2.49%
OTHER OPERATING REVENUE	13,433	1,125	12,308	1094.07%
	1,833,554	1,828,043	5,512	0.30%
Salaries	1,261,054	1,278,982	17,928	1.40%
Fringe	264,802	298,776	33,974	11.37%
Purchased Services	84,562	107,226	22,664	21.14%
IT, Network & Phones	154,207	183,829	29,622	16.11%
Supplies	24,661	34,284	9,623	28.07%
R&M	35,682	42,171	6,489	15.39%
Leases/Rentals	826	375	(451)	-120.30%
Utilities	40,789	50,227	9,438	18.79%
Insurance	300,092	300,856	764	0.25%
Other	148,317	175,289	26,972	15.39%
Depreciation	536,601	535,729	(872)	-0.16%
	2,851,594	3,007,745	156,151	5.19%
Operating Income/(Loss) before Allocation	(1,018,040)	(1,179,703)	161,663	13.70%
Allocation of Overhead for Health Centers	1,364,829	1,597,109	(232,280)	-14.54%
Operating Income/(Loss) after Allocation	346,789	417,406	(70,617)	-16.92%
Non-Operating Tax Revenue	825,862	708,269	117,592	16.60%
Non-Operating Donations	20,000	-	20,000	100.00%
Non-Operating Investment Income	1,131,850	502,022	629,828	125%
Non-Operating Rental Income	60,689	60,510	179	0.30%
Gain/Loss Sale of Assets	2,805	-	2,805	100.00%
Discontinued Operations	787	-	787	100.00%
	2,041,992	1,270,802	771,191	60.69%
Change in Net Position	2,388,782	1,688,208	700,574	41.50%

Other operating revenue variance is due to donations received from various sources to offset expenses of the health fairs. Fringe benefit variance is due to savings on SUTA & retirement. Purchased services variance is due to savings on legal fees. IT, Network & Phones variance is due to anticipated IT projects have not started yet. Other variance is due to savings on vehicle & community relations expenses. Since we've had savings on expenses, there is not as much movement of costs between the District and the Clinics. Investment income variance is due to market factors including interest / dividend rates and

realized/unrealized losses on investments. The non-operating donation is from the Foundation towards the purchase of a vehicle for the Wellness Wheels Program.

CLINIC CHANGE IN NET POSITION

Table 5 Clinics March 2026

Clinics	Actual Mth	Budget Mth	Over/(Under)	% of Budget
Patient services (net)	826,152	664,687	161,465	24.29%
Grant Revenue	135,283	127,742	7,541	5.90%
340B Revenue	47,181	29,879	17,302	57.91%
Capitation Fees	185,631	180,832	4,799	2.65%
Records & Interest	167	153	15	9.54%
Cost Report Adjustments	(137,361)	(137,360)	(0)	-0.00%
Quality & TRI/Prop 56, Misc	90,181	21,042	69,139	328.58%
Mat Grant		-	-	0.00%
	1,147,234	886,974	260,260	29.34%
Salaries - Clinic	515,158	511,976	(3,182)	-0.62%
Fringe - Clinic	151,728	121,377	(30,351)	-25.01%
Phys Fees - Clinic	92,695	73,087	(19,608)	-26.83%
Purchases Services - Clinic	62,442	61,708	(734)	-1.19%
IT, Network & Phones - Clinic	22,693	24,459	1,766	7.22%
Supplies - Clinic	35,345	33,020	(2,324)	-7.04%
Supplies - 340B	27,447	24,999	(2,448)	-9.79%
R&M - Clinic	12,981	6,507	(6,474)	-99.49%
Leases/Rentals - Clinic	200	142	(58)	-41.18%
Utilities - Clinic	7,117	5,595	(1,523)	-27.21%
Ins - Clinic	287	302	14	4.75%
Other - Clinic	4,706	7,886	3,180	40.33%
Depreciation	16,594	18,792	2,197	11.69%
	949,392	889,848	(59,544)	-6.69%
Operating Income/(Loss) before Allocation	197,841	(2,874)	200,716	6983.26%
Allocation of Overhead for Health Centers	(181,638)	(185,907)	4,269	2.30%
Change in Net Position	16,203	(188,781)	204,984	108.58%

Table 6 Clinics Year to Date

Clinics	Actual YTD	Budget YTD	Over/(Under)	% of Budget
Patient services (net)	6,489,116	5,710,263	778,853	13.64%
Grant Revenue	1,803,340	1,175,207	628,132	53.45%
340B Revenue	388,094	256,690	131,404	51.19%
Capitation Fees	1,653,262	1,627,486	25,775	1.58%
Records & Interest	1,886	1,316	570	43.34%
Cost Report Adjustments	(1,235,829)	(1,236,245)	416	0.03%
Quality & TRI/Prop 56, Misc	662,117	189,375	472,742	249.63%
Mat Grant	75,000	-	75,000	100.00%
	9,836,985	7,724,092	2,112,893	27.35%

Table 6 (continued)

Clinics	Actual YTD	Budget YTD	Over/(Under)	% of Budget
Salaries - Clinic	4,258,516	4,561,236	302,720	6.64%
Fringe - Clinic	991,462	1,038,076	46,614	4.49%
Phys Fees - Clinic	781,325	627,883	(153,442)	-24.44%
Purchases Services - Clinic	555,508	554,415	(1,093)	-0.20%
IT, Network & Phones - Clinic	200,853	220,135	19,283	8.76%
Supplies - Clinic	386,529	283,675	(102,854)	-36.26%
Supplies - 340B	271,960	217,394	(54,566)	-25.10%
R&M - Clinic	100,380	57,637	(42,743)	-74.16%
Leases/Rentals - Clinic	1,272	1,275	3	0.25%
Utilities - Clinic	69,057	64,211	(4,846)	-7.55%
Ins - Clinic	2,586	2,715	129	4.75%
Other - Clinic	77,707	68,887	(8,820)	-12.80%
Depreciation	157,582	169,123	11,541	6.82%
	7,854,736	7,866,663	11,926	0.15%
Operating Income/(Loss) before Allocation	1,982,249	(142,570)	2,124,819	1490.37%
Allocation of Overhead for Health Centers	(1,364,829)	(1,597,109)	232,280	14.54%
Operating Income/(Loss) after Allocation	617,420	(1,739,679)	2,357,099	135.49%
Non-Operating	568	-	568	-100.00%
	568	-	568	-100.00%
Change in Net Position	617,988	(1,739,679)	2,357,667	135.52%

Grant revenue variance is due to spending for the ARP capital and HIV grant that was not budgeted (the supplies – clinic line is also higher because some of the expenses for this grant spending is in this line). Quality revenue is higher because we anticipated cuts to quality; however, the cuts will take another year before they are realized. Other/Misc revenue variance is due to grant monies for the MAT program. Physician fees are higher due to increased services being done by all providers. 340B supplies expense is higher due to drug manufacturer restrictions. R&M is higher than budgeted due to clinics replacing some windows at the various buildings, which individually don't meet the criteria for capitalization. Since the District had savings on expenses, there is not as much movement of costs between the District and the Clinics, which shows as a positive variance above.

Statement of Net Position

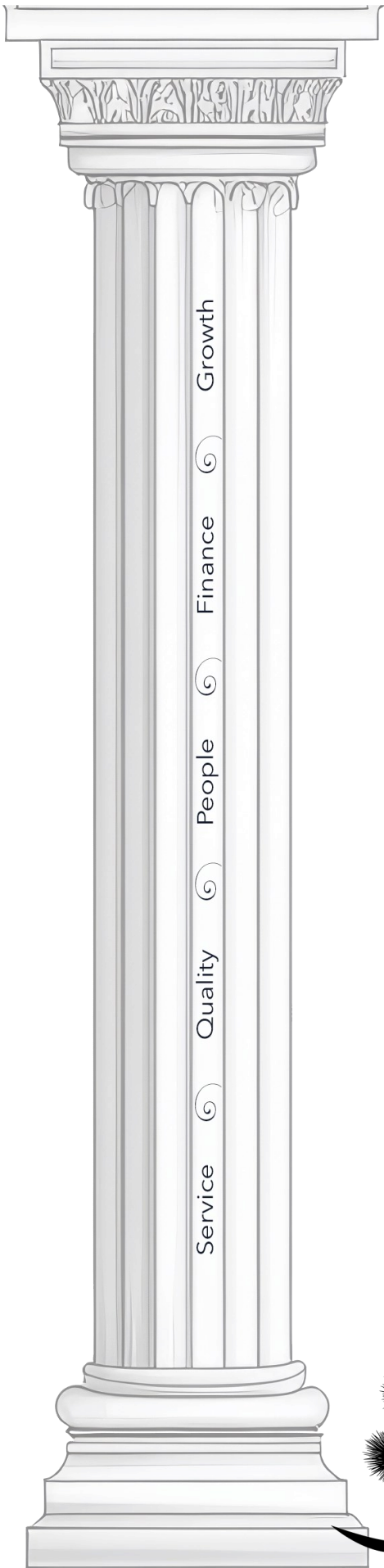
Assets and Deferred Outflow of Resources	June 30, 2025 (Audited)	Mar 31, 2026 (Unaudited)	Difference
Current Assets			
Cash and cash equivalents	5,863,721	3,278,837	(2,584,884)
Investments	39,305,358	46,287,208	6,981,850
Receivables			-
Patients	1,108,512	558,682	(549,831)
Estimated third-party payer settlements	-	-	-
Accrued Interest	563,165	272,100	(291,065)
Lease	873,671	911,600	37,929
Rentals	75,663	6,554	(69,109)
Grants	15,148	17,790	2,642
Other	303,839	288,642	(15,197)
Receivables Sub-Total	2,939,997	2,055,367	(884,630)
Prepaid expenses	172,408	100,967	(71,442)
Total current assets	48,281,485	51,722,379	3,440,894
Noncurrent Assets			
Lease receivable	25,070,557	24,158,957	(911,600)
Capital assets, net	9,616,009	10,057,840	441,831
Total Noncurrent Assets	34,686,566	34,216,796	(469,770)
Deferred Outflow of Resources			
Prepaid water capacity fee	149,221	74,610	(74,610)
Total Assets and Deferred Outflow of Resources	83,117,271	86,013,786	2,896,514
Liabilities, Deferred Inflow of Resources, and Net Position			
Current Liabilities			
Accounts payable	330,394	(43,292)	(373,686)
Accrued payroll and related liabilities	378,220	272,934	(105,286)
Accrued paid time off	375,723	382,330	6,608
Estimated 3rd party payor settlements	2,994,520	4,473,959	1,479,439
Current portion of long term debt	184,179	101,751	(82,428)
Deferred Revenue	-	42,857	42,857
Total Current Liabilities	4,263,035	5,230,539	967,503
Noncurrent Liabilities			
Long-term debt, net of current portion	103,011	45,355	(57,657)
Total Liabilities	4,366,046	5,275,893	909,847
Deferred inflow of resources			
Deferred lease revenue for hospital and equipment	25,655,272	24,635,169	(1,020,103)
Total Deferred Inflow of Resources	25,655,272	24,635,169	(1,020,103)
Net position			
Net investment in capital assets	9,616,009	10,057,840	441,831
Restricted by donors for specific operating purposes	-	-	-
Unrestricted	43,479,944	46,044,884	2,564,939
Total net position	53,095,953	56,102,723	3,006,770
Total Liabilities, Deferred Inflow of Resources, and Net Position	83,117,271	86,013,786	2,896,514

MORONGO BASIN HEALTHCARE DISTRICT
Schedule of Investments
Mar 31, 2026

Description	Institution	2/28/2026	3/31/2026	Variance
Public Interest Acct	PWB	2,687,683.28	3,392,515.14	704,831.86
Less O/S checks	PWB	(62,515.90)	(118,877.87)	(56,361.97)
		2,625,167.38	3,273,637.27	648,469.89
M & O Acct	PWB	1,000.00	1,000.00	-
Revenue Acct	PWB	1,000.00	1,000.00	-
Payroll Acct	PWB	1,000.00	1,000.00	-
FSA Acc't	PWB	1,000.00	1,000.00	-
Sub-Total		2,629,167.38	3,277,637.27	648,469.89
Investment Access**	RBC	44,088,787.73	43,865,099.47	(223,688.26)
Money Market	RBC	2,031,805.09	2,036,395.10	4,590.01
Total Value of Accts		46,120,592.82	45,901,494.57	(219,098.25)
Est Accrued Bond Int.		446,066.03	385,713.51	(60,352.52)
Total Portfolio Value		46,566,658.85	46,287,208.08	(279,450.77)
Total Cash		48,749,760.20	49,179,131.84	429,371.64
Total Market Value		49,195,826.23	49,564,845.35	369,019.12

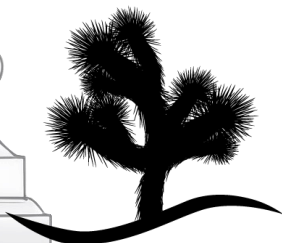
Chart A – Visits History Chart

Month	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Jul	2,942	3,283	3,091	2,877	2,670	2,758	3,030	3,467
Aug	3,766	3,587	3,015	3,425	3,315	3,195	2,975	3,099
Sep	3,043	3,501	3,065	3,134	3,256	2,593	3,041	3,346
Oct	3,551	3,892	3,264	3,282	3,071	3,027	3,697	3,296
Nov	3,229	3,353	2,627	3,116	2,936	2,928	2,952	2,595
Dec	2,858	3,304	2,976	2,705	2,881	2,556	3,027	3,000
Jan	3,698	4,010	2,921	2,925	3,001	3,226	3,316	3,210
Feb	3,198	3,763	3,190	3,068	2,882	2,980	3,303	2,903
Mar	3,515	2,927	3,516	3,332	3,331	3,032	3,338	3,415
Apr	3,660	2,066	3,460	3,094	2,896	3,016	3,648	-
May	3,662	2,200	3,043	3,239	3,247	3,143	3,564	-
Jun	3,344	2,786	3,082	3,218	2,939	2,652	3,275	-
Total	40,466	38,672	37,250	37,415	36,425	35,106	39,166	28,331
Total YTD	29,800	31,620	27,665	27,864	27,343	26,295	28,679	28,331



TAB #6 REPORT

STAFF REPORT



**MORONGO BASIN
HEALTHCARE DISTRICT**

MorongoBasinHealth.org

From: [Sam Wright](#)
To: [Karen Graley](#); [Cindy Schmall](#)
Cc: [Cathy Martin](#)
Subject: Fw: ACHD Certification Form Result #22730835
Date: Monday, April 27, 2026 12:59:52 PM
Attachments: [Outlook-icdc2znp.png](#)
[Morongo Basin Certificate 2026.pdf](#)
[achd_certification logo.png](#)

Hi Karen & Cindy,

Thank you for your submission for ACHD certification, I have gone through all the required items and links. I am happy to confirm that Morongo Basin Healthcare District's certification has been renewed.

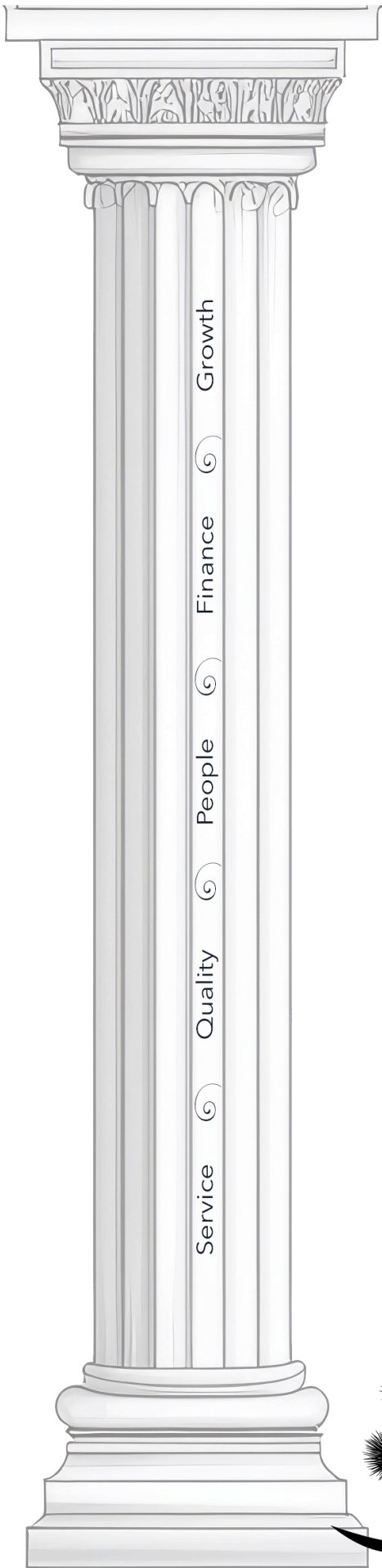
We will be sending you a certificate in the mail within the week. Attached is a copy of it, along with our certified logo you can use to put on your website if you'd like.

Thanks,
Sam

Sam Wright
Member Events & Education Manager

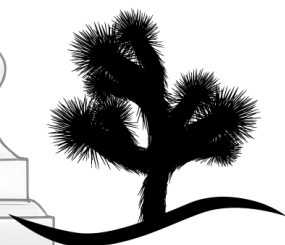


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TAB #7
CALENDAR REVIEW

BOARD MEETING
MONTHLY CALENDARS



MORONGO BASIN
HEALTHCARE DISTRICT

MorongoBasinHealth.org

BOARD CALENDAR

May 2026

	Mon	Tue	Wed	Thu	Fri	Sat
					1	2 MBHD HEALTH FAIR!! YV COMMUNITY CENTER 10a-2p
3	4	5	6	7 Employee Forum 11:30a CHC Board 4:45p MBHD Board 6:15p	8	9 Family Fun Day Palm Vista Elementary 10:30a-2:30p
10	11	12	13 Joshua Tree Community Center Resource Fair 12:30p-3:30p	14 Morongo Basin Coalition Reachout YV 12:00p-1:30p	15	16
17	18	19	20	21	22	23 Grubstakes Parade YV
24	25	26	27	28	29	30
						31

BOARD CALENDAR

June 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4 CHC Board 4:45p MBHD Board 6:15p	5	6
7	8	9	10 Community Resource Event JT Com. Center 1:00-3:00p	11 Morongo Basin Coalition Meeting @ Reach Out YV 12:00-1:30p	12	13
14	15 Men's Health & HIV Prevention JT Com. Center 12:00-1:20p	16	17 Men's Health & HIV Prevention YV Sen. Center 12:00-1:20p	18 Men's Health & HIV Prevention 29 Palms Sen. Ctr. 12:00-1:20p	19	20 Juneteenth Celebration @ 29 (Tentative)
21	22	23	24 National HIV Testing Day Freedom Plaza 29 Palms	25	26	27
28	29	30				