

**TEHACHAPI VALLEY HEALTHCARE DISTRICT
Strategic Planning Committee - SPECIAL**

July 11, 2024, 12:30pm

Tehachapi Valley Healthcare District Office

116 W F Street, Tehachapi, CA 93561

Join on your computer, mobile app or room device

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AGENDA

I. CALL TO ORDER

II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

This time is reserved for persons to address the Board of Directors on matters not on the agenda over which the District has jurisdiction. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation. Any person desiring to speak on an item on the agenda will be given an opportunity to do so prior to the committee acting on the item.

III. MINUTES APPROVAL

A. [Approval of May 16, 2024 Strategic Minutes](#)

IV. NEW BUSINESS

A. [District Restructure](#)

V. OLD BUSINESS

A. [20111 West Valley Update](#)

V. CEO REPORT

VI. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

VII. ADJOURNMENT

TEHACHAPI VALLEY HEALTHCARE DISTRICT
Strategic Planning Committee - Special
May 16, 2024
116 West F Street
Tehachapi, CA 93561
12:30pm

Board Members Present: Mike Nixon, Lydia Chaney
Staff Present: Peggy Mendiburu, CEO, Lisa Hughes
Guests: No guests/public: Sarai Diaz, TVRPD; Corey Torres, TVRPD
Transcribed by: Peggy Mendiburu

Approval: _____ Date: _____

I. CALL TO ORDER

Mike Nixon called the meeting to order at 12:30pm

II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

None

III. APPROVAL OF MINUTES

Approved 04/14/24 Strategic minutes: **MSA: Chaney/Mendiburu**

IV. NEW BUSINESS

A. Sponsor Request from Tehachapi Parks and Recreations – Movies in the Park

Peggy presented a request of \$5,000 sponsorship for Movies in the Park.

Sarai summarized the sponsorship:

- The \$5000 covers five movies that are free to the public. There are four scheduled for Meadow Park and one for Central Park. Benefits to the District is advertisement, logo on 5K shirts, and chance to promote at the events.

MSA: Nixon/Chaney to bring to the May Board meeting for consideration.

V. OLD BUSINESS

VI. Use of 116 West E Street Update

- A. We are obtaining paint and flooring quotes and working on advertising the space.
Waiting on sign change estimate.

VII. CEO Report (attached)

Peggy provided updates regarding the District (attached).

VIII. BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA

None.

IX. ADJOURNMENT

Meeting adjourned at 1:31pm



July 10, 2024, Finance Committee Meeting

TO: Finance Committee Directors

FR: Peggy Mendiburu, CEO

RE: Outsource Finance Services

I am recommending outsourcing finance and payroll functions, which would require the elimination of the business manager position if approved by the board.

I have had two contractors come in, one for QuickBooks setup and training for the business manager and me. The other for an internal audit. Both of their summaries are attached. My observations and recommendations are as follows:

- Since affiliation in 2016, the District has shrank from approximately 200 staff to two. The finance tasks take significantly less time than before especially since moving to QuickBooks. I am approximating ten hours per week.
- Cost of the business manager position is \$85,000 per year (pay and benefits). Outsourcing would cost \$20,000 to \$25,000 for a savings of approximately \$65,000 per year. I am also looking at running payroll through QuickBooks, which would be a \$5500 savings per year in comparison to the current vendor.
- I have reached out to several small districts. Several have responded that they have outsourced finances and payroll and are very happy with the decision.
- As a District, our primary responsibility is to the community to provide the maximum benefit at minimal costs.

Thank you for your consideration. I would like to bring this recommendation to the July 16, 2024, Board meeting.



Contract Summary Review

Tehachapi Valley Health Care District

The original contract between Tehachapi Valley Health Care District (“District”) and 6Pence Bookkeeping began in December 2023. The scope of which was for 6Pence Bookkeeping to provide training on Quickbooks due to a software conversion from their previous accounting software solution. The scope of work was adjusted to include assistance with the “clean -up” of the current fiscal year records for accuracy.

The reason for the change in scope is largely due to the discovery that the District’s accounting data was not being kept solely in the original accounting software program. Further examination of the processes and procedures that were being utilized revealed that there was duplication of data being processed through other software resources, such as Excel. These processes not only left the accuracy of the data vulnerable to error and difficult to audit, it also significantly increased the amount of time necessary to perform the accounting duties needed by the District.

It is my opinion that the change in software has removed the need for any extra efforts in the tracking of data, which will substantially cut down the number of hours relating to the bookkeeping. I would also suggest that District adjust their procedures for copying/storage of documents as well as payment of vendor invoices. There are various secure digital storage options available and utilizing electronic payments for vendors would reduce the need for paper checks, envelopes & postage further reducing costs in supplies & labor hours.

Dated: July 7, 2024

By: Julia Pence, CB 6Pence Bookkeeping, LLC

Tehachapi CPA



AUDITOR'S REPORT

Management & Board of Directors
Tehachapi Valley Healthcare District

We performed an internal audit of Tehachapi Valley Healthcare District (the District) for the fiscal year ending June 30, 2024. This internal audit assignment was conducted in accordance with approved Consulting Agreement executed on April 17, 2024.

Purpose

The purpose of our audit was to determine the effectiveness of the District's financial operations.

Scope

The scope of our audit included reviewing the District's compliance with accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2024.

Methodology

We conducted our audit in conformance with the Institute of Internal Auditors (IIA) International Standards of the Professional Practice of Internal Auditing, unless otherwise stated in this report. These standards require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require internal auditors perform their engagements with proficiency and due professional care; that the

internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated. Audit work was conducted based on inquiry, observation, confirmation, reperformance, and included verification of supporting documentation and identified processes.

Quick and efficient implementation of audit recommendations/suggestions and observations further enhances the value of an audit. To assist in this process, we have identified four core categories for the classification of recommendations/suggestions and observations:

- 1) Compliance – Functioning in accordance with governing laws, regulations, policies, and other authoritative guidance.
- 2) Cost Reduction – Appropriately minimizing costs of District operations.
- 3) Efficiency – Performing effectively without duplication of effort or waste of time, material, or money on unnecessary activities.
- 4) Risk Reduction – Appropriately using techniques which mitigate or minimize operational or control risks.

Inherent Limitations in Any System of Internal Control

Due to inherent limitations in any system of controls, errors or irregularities may nevertheless occur and not be detected. Specific examples include, but are not limited to, resource constraints, carelessness, distraction, management override, poor judgment, and circumvention by collusion. Additionally, there is the possibility that the procedures may become inadequate due to changes in conditions and compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the Districts' operating procedures, accounting practices, and compliance with District policy.

Management Responsibilities in Terms of Governance, Risk, and Controls

Management is responsible for the establishment and maintenance of effective systems of governance to:

- Promote appropriate ethics and values within the District.
- Ensure effective organizational performance, management, and accountability.
- Communicate risk and control information to appropriate areas within the District.

In addition, management is responsible for the establishment and maintenance of an effective system of internal control and risk management. The objectives of the system of internal control are to provide management with reasonable, but not absolute, assurance that:

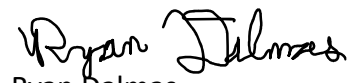
- Objectives are achieved.
- Financial and operational information is reliable.
- Operations and programs are efficient and effective.
- Assets are safeguarded.
- Laws, regulations, policies, procedures, and contracts are complied with as required.

- Risks are identified, appropriate risk responses selected, communicated, and managed.

The principal safeguard against fraud, misstatement, and/or irregularities is an effective system of internal control. However, due to limitations in any system of internal control, the prevention and detection of fraud is management's responsibility. Management is also responsible for implementing corrective actions to address process and control deficiencies.

Summary

This report includes our internal audit suggested improvements and observations looking at possible ways in which controls and operations could be improved to overcome identified weaknesses in control and increase the adequacy, efficiency, and effectiveness of controls based on the risk identified. The matters raised in this report are only those which have come to our attention arising from our audit that we believe should be brought to the attention of your Board. We have concluded that management of the District has satisfactorily established and maintained an effective process for governance, risk, and internal control in the areas examined with the exception of the suggested improvements and observations listed below. Each suggested improvement and observation is explained with the goal of avoiding future audit findings. This report is intended for the information and use of management, others within the District, and the Board of Directors. We would like to thank the District for their time and assistance on this engagement.


Ryan Dalmas
Senior Accountant
July 8, 2024

District Suggested Improvements & Observations For Fiscal Year Ended June 30, 2024

Suggested Improvements:

Suggestions for improvement are for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the District is able to correct at the time of the audit. Unlike formal audit findings, written District responses are not required for these issues. Our suggestions are outlined below:

1. Statement of Net Position Accounts

We noted that the fiscal year 2023 Trial Balance provided to us out of Healthland did not agree to the ending statement of net position balances on the audited financial statements. We recommend that the District request/post AJEs from the external auditor if their books do not agree to the audited financials. Furthermore, we recommend that the District implement a “soft close” and “hard close” during their year-end procedures to ensure that final financial statement balances are correct in case of any proposed external audit adjustments.

Value added: *Compliance, Efficiency, Risk Reduction*

2. Capital Assets

We noted that the most recent depreciation schedule on the District shared drive was for fiscal year 2022 and that reliance was placed on the external auditor to provide/calculate depreciation figures. We recommend that the District update their depreciation schedule when there are any capital asset acquisitions or deletions and utilize this schedule to post depreciation.

Value added: *Compliance, Risk Reduction*

3. Capital Assets

We noted that the District’s depreciation schedule contained obsolete items including some that were related to the old hospital. We recommend that the District review its schedule at least annually for accuracy and completeness.

Value added: *Compliance, Risk Reduction*

4. Payroll

We noted that the District does not record a monthly payroll accrual nor a year-end payroll accrual. We recommend that the District accrue payroll expenses at least annually to ensure accurate financial records for management and the Board to utilize.

Value added: *Compliance, Risk Reduction*

5. Long Term Debt

We noted that the debt schedule was not updated for fiscal year 2024 as principal and interest payments became due. We recommend that the District update supporting schedules for internal analysis, external reporting and auditing.

Value added: *Compliance, Risk Reduction*

6. Tracing Testing

We tested 25 transactions per our attributes for correct accounting treatment noting that 4 of our samples required correction for amount, 2 samples required an adjusting journal entry for improvements that were originally expensed that should have been capitalized and 3 samples that were coded to the incorrect account. We recommend that the District review its financial accounts as part of their month-end close procedures to ensure accurate account classification and train staff on which accounts to use for various activity.

Value added: *Compliance, Efficiency*

7. Vouching Testing

We tested 25 transactions per our attributes for correct accounting treatment noting that 2 of our samples required correction for amount, 3 samples required an adjusting journal entry for purchases that were originally expensed that should have been capitalized and 6 samples that were coded to the incorrect account. We recommend that the District review its financial accounts as part of their month-end close procedures to ensure accurate account classification and train staff on which accounts to use for various activity.

Value added: *Compliance, Efficiency*

8. Journal Entry Approvals

We noted that there is not currently a formal review process for journal entries made in QuickBooks Online. We recommend that management include an electronic approval trail to show that there is proper oversight for journal entries.

Value added: *Compliance, Risk Reduction*

9. External Auditor Firm &/or Partner Rotation

We noted that the District has engaged Rick Jackson as the Partner on their external audit for the last 6 fiscal years (FY 2018 to FY 2023). We recommend that the District update and monitor their "Audit Firm & Partner Rotation Schedule" spreadsheet (created by us) to remain in compliance with Government Code section 12410.6(b) which does not allow a local agency to have the same audit partner perform audit services for more than 6 consecutive fiscal years. The District has requested a different partner for the FY 2024 external audit from JWT & Associates, LLP.

Value added: *Compliance, Cost Reduction, Risk Reduction*

Observations:

Observations are significant details that the auditor notices while in performance of the audit that may be important to the reader. They can be positive in nature; commending the District for taking initiative. They could also be negative in nature; however, if negative, they are not considered to be as significant as suggested improvements and written responses are not required. Our observations are outlined below:

1. Source Document Stamp & Approval Signatures

We tested transactions for appropriate supporting documents and management authorization without exception during our testing procedures.

Value added: *Compliance, Risk Reduction*

2. Bank Reconciliations

We recommend that the District have a monthly record (electronic or physical signatures) showing the preparer, reviewer and dates completed of bank reconciliations for District cash accounts pertaining to the prior month. Best business practice for the District would be to have their reconciliations completed and reviewed within a week of month-end to ensure discrepancies are resolved in a timely manner before monthly meetings are held.

Value added: *Efficiency, Risk Reduction*

3. Policies & Procedures

We noted there was duplicate documents and/or non-current versions of various District policies. We recommend that the District organize their shared drive to make policies, procedures and desk guides more accessible. Additionally, the District should refer to the California Special District Association's sample policy handbook when needing to update policy.

Value added: *Compliance, Risk Reduction*