MCHCD

MENDOCINO COAST HEALTH CARE DISTRICT

MCHCD provides a hospital and fosters leadership, advocacy and collaboration for our community health and well-being.

Policy 3

Financial Controls

rev. July 30, 2026

1. Purpose

The Mendocino Coast Health Care District (the "District") is a Special District organized under California Health Care District Law (Health & Safety Code §32000 et seq.) and subject to applicable rules and regulations of the California Department of Health Care Access and Information (HCAI). These procedures establish the internal controls and separation of duties required to safeguard District funds, ensure accurate financial reporting, and maintain public accountability.

The District shall maintain adequate separation of duties in all financial operations. No single individual shall have sole control over any complete financial transaction from initiation through recording. The procedures set forth herein are mandatory and shall be applied consistently by all employees, consultants, and Board members involved in the financial affairs of the District.

2. Separation of Duties – Required Procedures

Assignment of duties shall be structured so that district financial functions are performed by separate individuals to the maximum extent practicable given available staffing. The following procedures shall be established and maintained as the minimum required separation of duties for the District:

(a) Cash Receipts Reporting and Receipt Log

All cashed checks received by the District shall be reported to the Board Treasurer. A receipt log shall be prepared on a monthly basis and provided to the Board of Directors. The receipt log shall be prepared by an employee or consultant who is not assigned to, or employed within, the Finance department of the District. This requirement ensures that the custody of incoming funds is subject to independent review.

(b) Deposit Preparation and Verification

The agency administrator, or designee, shall prepare all deposits. All deposits shall be made within 2 business days and pursuant to the District's agreement with its banking institution(s). The agency administrator or designee shall maintain a log of each deposit.

(c) Bank Reconciliation

The bank reconciliation for each District account shall be prepared promptly following the close of each calendar month. The reconciliation shall be prepared by an employee or consultant who has no authority to prepare or sign checks, and who has no authority to authorize or initiate other debits against any District account. This independence is essential to detect errors or irregularities on a timely basis.

(d) Invoice Approval Authority

The Board of Directors shall be responsible for authorizing all expenditures and encumbrances on the District treasury. No funds of the District shall be disbursed or obligated except pursuant to authority granted by the Board of Directors, whether by adoption of a budget, by specific resolution, or by other documented Board action. The agency administrator may make expenditures within a Board-approved budget and within any spending limits established by Board policy, subject to the other provisions of these procedures. All invoices presented to the District for payment must receive written approval prior to payment.

(e) Dual Signature Requirement for Transactions Exceeding $10,000

Every check or electronic payment transaction in an amount greater than ten thousand dollars ($10,000) shall require the signatures or electronic authorizations of two (2) persons who are on the list of authorized signers maintained by the District. No single authorized signer may alone execute or authorize any transaction in excess of this threshold.

(f) Prohibition on Incompatible Functions

The same employee, consultant, or Board member shall not be responsible for more than one of the following functions:

---

a) Collecting invoices and authorizing invoices for payment; Initiating Banking transactions for invoice payment, performed by Treasurer and the District Manager or assignee;
b) Initiating Banking transactions for invoice payment, performed by the District Chief Financial Officer; and
c) Banking Reconciliations, performed by the District Bookkeeping service.

(g) Individual Board Member Spending Prohibition
No individual Board member shall spend, or cause to be encumbered or spent, any District funds without the prior consent of the Board of Directors acting as a body. and documented in writing, which shall become part of the District's permanent record. Verbal or informal approvals from individual Board members do not satisfy this requirement. Any expenditure made or obligation incurred by a Board member in violation of this provision shall be the personal liability of that Board member and shall not be ratified except by affirmative vote of the full Board of Directors.

3. Compliance and Enforcement
Compliance with these procedures is mandatory for all District employees, consultants, and Board members. Violations shall be reported to the Board Treasurer and, as appropriate, the full Board of Directors. The Board of Directors may take such corrective action as it deems appropriate, including referral to appropriate authorities. These procedures shall be reviewed by the Board of Directors at least semi-annually and updated as necessary to reflect changes in law, District operations, or best practices.

APPROVAL SIGNATURES:

PAUL GARZA JR., BOARD CHAIR	July 30, 2026 DATE ADOPTED

ATTEST:

SUSAN SAVAGE, BOARD SECRETARY	DATE