



Board of Trustees
Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



CHCC Board of Trustee Meeting
Thursday, August 9, 2018 at 5:30 pm in Conference Room #3

Present:

Lauri Ogumoro, Chair/David Rosario, Vice Chair/William Cing (via phone)/Esther Muna, CEO/Derek Sasamoto, CFO/Nancy Gottfried (via zoom)/Chavel Green/Halina Palacios/Normita Cabalbag/Trinidad Diaz, Recorder

Absent:

Dr. Lorenzo Hocog

- I. Call to Order at 5:30 pm
- II. Determination of Quorum – There was a quorum
- III. Review and Adoption of Agenda - Motion made to approve Agenda. Was seconded. Agenda approved.
- IV. CHCC MSO Contract Processing Presentation: Derek Sasamoto presented to the Board on MSO Contract Processing pursuant to CHCC Procurement Regulations under PL 16-51 as amended by PL 19-78, which gives authority to adopt our own procurement regulations. Contract Processing: none shall be valid unless it complies with the regulations; all required signatures are on the contract to be effective; it also contains a right to audit clause; violation of the regulations – protection from employees who act beyond their scope of duty-unauthorized procurement.

Contract – any type of agreement to procure supplies, services or purchase orders. Source Selection: 1) Competitive Sealed Bidding: Invitation to Bid (ITB) is announced publicly through the newspapers for a minimum of 30 calendar days (once a week for three weeks), unless a shorter time is requested then publication shall be no less than 14 days. Anything less than 14 days is not acceptable; 2) Sealed Proposals: Request for Proposals (RFP) allows us to evaluate the pricing, competitive range and technical evaluation. It provides more flexibility when making a selection - is part of the regulation to announce all or any need services; 3) Architect-Engineer Services: all requirements for architect-engineer services shall be publicly announced. The selection shall be based on competence and qualifications. P&S Director and DPW Technical Division shall solicit statements of qualification jointly. Contract shall be negotiated with the qualified firm for a reasonable pricing. Should negotiation fail the next firm may be considered pursuant to their competence and qualifications; 4) Selection of Professional Services: all professional services shall be publicly announced. Policy consultant – allowed to sole source. Should always be an RFP. Small purchases, sole source, and emergency procurement falls under this category.

Contracts are prepared by the CEO with all attachments. The Procurement Director could also refer contracts to the Public Auditor for recommendation should she consider it improper. The CFO then

certifies that funds are available for this contract. It is then entered into the JD Edwards with the description of the contract. CHCC legal counsel shall then certify as to its legal capacity. The CEO then approves the contract. It is then forwarded to the contractor for signature. As of July 2018 all hospital services contracts have to be approved by the Board of Trustees Chairperson. It then goes back to the Procurement Director for final signature. A notice to proceed is then issued to the contractor. There was discussion to change the regulation on the signing procedure, but it has to be promulgated in another way instead of going with the Commonwealth Register (it will take about sixty days). Now will be a good time to make changes to the regulation pursuant to the Administrative Procedure Act. Construction contracts are physically supervised by DPW unless CHCC is certified it has the capacity to handle its own construction and A&E contracts supervision. Split contracts - P&S may require a contract to be competitive bidding if it has been determined that a contract has been split for the purpose of avoiding bidding. Change Orders – is allowed if there is a change in the scope of work whether to increase or decrease the cost of the contract which is not foreseen at the time; due to inexperience or incompetence of the contractor; they are also not allowed to work beyond the expiration date as set in the terms of the contract.

Contract terms and administration: Price – setting the limit on the contract price. A fixed priced ceiling should be set so that the contractor does not exceed that amount. Payment terms – submission for payment shall contain evidence of work performed subject to contract terms. Advance payments are made in certain and reasonable circumstances. It is limited to 25% of the contract cost. Progress payments – not less than 10% is withheld pending completion of contract as well as the evaluation of performance.

The overall responsibility of ensuring compliance of a contract is the CEO. Contract monitoring, production surveillance, and reporting – the CEO shall request the contractor to submit a production progress report. It will be reviewed for accuracy. Monitoring is done by the P&S on contract performance, experience, and financial capability. Evaluating results – CEO has 15 days at the end of the contract to do a post evaluation of the contractor, which shall be kept for three years (currently not being done). Final payment shall not be made until a tax clearance is submitted (not being done). There is a central depository of all contract's administration documents. These documents are also made available to outside agencies upon request. P&S keeps track of all contracts and tracks their status by way of a log sheet. 90 days prior to expiration of contract, reminders are emailed to all concerned. Contract Process Flow Chart: Should all contract requirements are met it goes to Accounting to be logged in; CFO to certify fund availability; CEO to approve as to Procurement Regulations; Accounting; P&S to log in to the JD Edwards; Legal Counsel for legal sufficiency; P&S Director; Contractor for signature; CHCC Board of Trustees; then back to P&S Director. There was discussion to have the Board sign off on the contract before the Contractor.

- V. Policy & Procedure per CMS Requirements: Halina presented to the Board on the specifics of the monitoring that is required by CMS pursuant to § 482.12(e)(1) of the Regulation states “the governing body must ensure that the services performed under contract are provided in a safe and effective manner.” ECRI stated that this is one of the findings that was not being followed, mostly for hospital services – patient care – hospital and dialysis. Contracted services are evaluated by way of review of the QAPI Plan. All contracted services are required to have a performance indicator in their contract, which the contractor reports on a monthly basis. It is then submitted to QAPI by the department receiving the services. It is then submitted to QAPI by the department receiving the services monthly.
- Proposed Contracted Services Quality Indicators: Based on the list that CMS requires - only for contractors that provide services to the hospital – 17 contracted services – will be monitored by the department requesting the services pursuant to the regulation; eight department owners – HR has one

vendor; Radiology six indicators (indicators - the scope of work required to be done). Laboratory six indicators; IT two indicators; GSS two indicators; Facility two indicators; RT one indicator; and Pharmacy two indicators. When contractors submit quarterly reports it should be 100% satisfactory. Aside from the quarterly report, there are also other forms that has to be submitted that identifies what issues were encountered during that particular quarter and what actions have been taken. Will be reporting to the Board quarterly, and will also continue to receive internal quality assurance reporting monthly.

- VI. CHCC Audit of Financial Statement of 2016: July 24, 2018 the 2016 single audit was completed. On July 30, 2018 it was uploaded to FAC. All single audit contains two components which are the Financial Statements and Internal Control/Compliance. The main goal is to obtain unmodified opinion on both components. 2015 Financial Statement Opinion disclaimer of opinion – records are not reliable or improper as to their processing. Auditors were not able to come to an opinion due to inadequacies in the accounting records, or CHCC was not able to support a ledger balance. 2016 Financial Statement has a modified opinion. Due to the current set of procedures, it removed 80% of the reasons for qualification. 2016 qualified opinion has gone from 10 reasons down to two. Concerns identified in the audit shows the negative cash flows and financial losses. 2016 operating loss \$9.1 million and 2015 at \$4.9 million. The \$5 million was spent on expenses: taxes (federal), personnel, repair and maintenance and pharmaceutical supplies. Management discussion and analysis is prepared by CHCC which is the opportunity to speak for the Corporation (pg. 4-8 of audit). Balance sheet financial position of CHCC (pg. 9). Income Statement – profit and loss statement (pg. 10). Statement of Cash Flows – information on all cash due to the Corporation (pg. 11). Other pages – accounting policies used, identified concerns, and all subsequent events. Internal Control/Compliance Audit: Standards that has to be followed: criteria; condition; effect, and recommendation. Auditor have the final say of the audit. Introductory – pg. 1-3. Reasons and findings that caused the audit to be modified – pg. 4. Majority of findings are improper procurement. Auditors views – pg. 5. Schedule of Expenditures – reconciled federal expenses for the fiscal year – pg. 7. Notes to SEFA – pg. 8. Overall Summary findings – pg. 10. 2016 has 32 findings in both local and federal compliance. 90 days liquidation guideline is allowed beyond 90 days. Allowable cost principles \$95,190 question cost – four findings which do not have reasons for performance of the federal award among others. Procurement - \$216,048 – six findings due to lack of planning and grant expiration and unjustified emergency procurement. Period of performance - \$202,329 – four findings: grants being obligated beyond the allowable period. Inventory – three findings: no questioned cost; no physical inventory count; incomplete records; no reconciliation between programs and MSO. Reporting – three findings – no questioned cost. Special test and provisions - \$17,500 questioned cost – one finding – did not comply with the Davis Bacon Act. Amounts in excess of \$2,000 is subject to DBA. Allowed/Non allowed Activities – one finding – federally funded construction projects who did not seek prior approval. Program Income \$32,139 – one finding – justification on how the expenditure was used and how it helped the program objective are not provided.
- Other findings not related to federal grants: Finding 001- no control of journal entries; statements are given only when asked for; budget to actual reports not prepared. Finding 002 Bills not processed right away; journal vouchers missing. Finding 004 Human Resources findings – missing documents and time cards issues. Finding 007 what is due others i.e. the OPA 1% payment and CUC. Finding 009 – withholding taxes payments; making payments on current and past due payments on local Chapter 2 and 7 taxes. Finding 010 social security and Medicare: all payments are being made and reporting is done; schedule Bs' were not being don't correctly – they are all current now. Some of the Auditors findings were challenged i.e. check clearance versus check issuance and construction versus improvements. In order to avoid disallowed cost that we are required to pay back, our response must be valid on the questioned cost. For FY16 \$717,563 was the total of questioned cost

– most of this has been mitigated by eliminating the findings. \$1.7 million was the questioned cost from previous audits. We currently have a \$2.4 million liability for two audits. A lot of these issues could have been avoided should the program managers were doing their due diligent and following the proper procedures.

VII. Board Legal Counsel: CEO asked the Attorney General in regards to hiring legal counsel for the Board. In lieu of employing a legal counsel, we should look into contracting one. According to CFO the category of Professional Services – legal counsel can be procured thorough Sole Source based on regulation. The kind of person needed is someone who is not combative and confrontational, but some who can advise the Board. This issue to be discussed further at a later meeting. A motion to search for a legal counsel who would be interested was made. Was seconded. Motion approved.

VIII. Adjournment: 6:45 pm

A handwritten signature in black ink, appearing to read "R. D. ...", located in the bottom right corner of the page.