

CORPORATE POLICY

SUBJECT: Finance and Budget

CATEGORY: Finance

ORIGINAL DATE: April 15, 2021

REVIEWED DATE: April 11, 2023

REVISION DATE:

I. POLICY:

This policy is enacted to: maintain public trust in the Lake County Health Department and Community Health Center's (LCHD/CHC) utilization of local, private, State and Federal funds; ensure the legal and appropriate use of said funds through a system of internal controls as enumerated herein; provide reasonable assurance that financial records are reliable and that financial statements and accounting methods for assets and obligations are prepared using generally accepted accounting principles as applied to governmental entities; and to provide financial information in a clear and transparent manner.

II. SCOPE:

All LCHD/CHC employees.

III. PROCEDURE:

- A. As a government entity, LCHD/CHC uses fund accounting to ensure compliance with financial requirements.
 - 1. Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.
 - 2. Grants, entitlements, state shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.
- B. LCHD/CHC has established three fund accounts to segregate financial activity for which they have oversight.
 - 1. The Health Department Fund (210) has been established for day-to-day operations of LCHD/CHC and receives property taxes determined annually by the Lake County Board. This fund is presented as a Major Fund in the financial statements due to the significance of the Health Department and to ensure proper resources to meet financial obligations.
 - 2. The TB Fund (220) has been established for day-to-day operations of the TB Clinic with the oversight of a separate TB Board and receives property taxes determined annually by the Lake County Board.
 - 3. Loon Lakes (272) has been established as a Special Service Area for which LCHD/CHC provides technical assistance.
 - 4. Creation of additional fund accounts requires Board of Health and Lake County Board approval.
- C. The Chart of Accounts
 - 1. LCHD/CHC will maintain a chart of accounts in conjunction with requirements set forth by County Finance to be reflective of the operational structure, required appropriation categories and appropriate level of account detail required to accurately and consistently budget, record and report revenues and expenditures.

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2. The chart of accounts will be updated as needed to assure that financial reporting requirements are met, and that management is provided with consistent and accurate financial information necessary for making key decisions.
 3. The chart of accounts is maintained so it can segregate the financial information of the Federally Qualified Health Center (FQHC) to facilitate required FQHC financial reporting.
 4. The use of the Oracle Enterprise Resource Planning (ERP) system as detailed in the Accounting Systems Policy and the use of the Oracle Projects & Grants financial module are used to assure proper overall LCHD/CHC financial reporting as well as the projects and grant reporting.
- D. Fiscal Year
1. LCHD/CHC's fiscal year is the same as Lake County's fiscal year which is December 1 of the calendar year through November 30 of the following calendar year.
- E. Budget Process
1. It is the intent of LCHD/CHC to set their annual budget and keep expenditures within the limits prescribed by the Lake County Board at the outset of the fiscal year. LCHD/CHC day-to-day operations are overseen by an Executive Director reporting to the Board of Health and Governing Council who are responsible for reviewing department practices and guiding agency policy.
 2. The budget process begins in April with the Executive Team to review the budget process and timing. LCHD/CHC Finance Department along with Lake County Finance provides management with the approved budget schedules, policies, procedures, and estimates needed to complete the budget. A zero-based budget approach is done with each manager since circumstances could change from year to year. Without this ongoing commitment, efficiencies of operation, cost containment and effective service delivery will not be realized to their full potential.
 3. Annually, LCHD/CHC prepares and presents a budget calendar of key milestone dates to the Governing Council and Board of Health for review and approval.
 4. The annual budget is prepared with LCHD/CHC's mission, vision, and strategic plan and in compliance with Lake County budget policies.
 5. The annual budget is developed in a way that projected expenditures do not exceed projected revenue, so a balanced budget is prepared.
 6. An annual budget is prepared for the FQHC, which is a separate set of accounts and business reporting unit within the Health Fund (210).
 7. A budget book is prepared annually that includes line-item details for all revenue and expense accounts at all Business Unit levels for the Board of Health, a separate FQHC budget book for the Governing Council, and a separate TB Clinic budget document for the TB Board.
 8. As part of the annual budget process, the cost allocation methodology for any administrative expenses that can be attributed to a Business Unit by data or other direct documentation is presented and approved as part of the budget.
 9. The annual budget requires formal adoption by the Governing Council, the TB Board, and the Board of Health before being sent to Lake County Finance for review and ultimately Lake County Board approval.

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- F. Operating Revenue
 - 1. Operating revenue projections used to develop the annual budget are estimated conservatively using objective analytical processes based on both historical trends and current information.
 - 2. LCHD/CHC will seek to create and maintain a diversified revenue stream to minimize the fluctuations in any one revenue source.
 - 3. LCHD/CHC will seek new funding opportunities that fit the mission values of the agency.
 - 4. LCHD/CHC will update annually the medical, dental, and behavioral health fees, the poverty guidelines for the sliding fees and periodically review environmental charges for cost of service in addition to the annual Consumer Price Index (CPI) increase as well as applicability of any new fees.
 - 5. LCHD/CHC Finance Department monitors revenues monthly and prepares periodic projections for Executive management.
- G. Operating Expenditures
 - 1. Fiscal year appropriations are Board of Health and County Board authorized expenditure levels and must be expended within the fiscal year unless a request to carry forward the budget is done, and the re-appropriation is approved by the County Board.
 - 2. Budgetary transfers during the fiscal year from one category to another require County Finance approval up to \$50,000 starting on October 1st for the current fiscal year. Board of Health and County Board approval is required outside of that timeframe and greater than that amount.
- H. Grant Applications
 - 1. The annual budget shall include amounts of revenue and expenditures for the current grant awards and open grant applications. Updates will be made to grant revenue and expenses during the budget preparation process in response to grantor notifications or revisions.
- I. Grant Financial Management
 - 1. LCHD/CHC shall adhere to the Grant Management Lifecycle policy and all applicable Federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements, as published in Title 2, Part 200 of the Code of Federal Regulations (2 CFR Part 200). This includes, but is not limited to, the following:
 - a. Subpart D – Post Federal Award Requirements Standards for Financial and Program Management.
 - i. Procurement Standards: 200.317-326.
 - ii. Subrecipient and contractor relationships will be determined using definitions outlined in 2 CFR Part 200.330.
 - iii. Subaward agreement shall clearly identify required information as detailed in 2 CFR 200.331 (a).
 - iv. Subrecipients shall be evaluated for risk of noncompliance with Federal statutes, regulations, and terms and conditions of the sub-award for purposes of determining whether additional monitoring as detailed in 200.331 e, is necessary. If determined there is any degree of risk involved in awarding to a subrecipient, then additional conditions such as those identified in 200.207 may be added to the agreement.

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- v. Subrecipients shall be monitored to ensure the subaward is used for authorized purposes, in compliance with federal regulations and terms and conditions of the subaward and that subaward goals are achieved.
 - vi. Verify that subrecipients are audited as required in Subpart F – Audit Requirements, when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 200.501 Audit Requirements.
 - vii. As determined necessary, LCHD/CHC may perform on-site reviews of subrecipients financial and/or programmatic documents. Subrecipients will be notified in writing prior to the on-site visit review. The subrecipient will be provided a written report on compliance that will include any noted deficiencies, corrective action plans will be required and monitored, as necessary. Any disallowed costs will be repaid to LCHD/CHC.
 - viii. Procurements made by subrecipients shall be reviewed for appropriateness as they pertain to the service contract and agreed upon budget, as determined necessary, any or all documents and specifications associated with a procurement or procurements by a sub-recipient may be requested for review as defined in 200.324. This review may take place before or after the procurement occurs.
- b. Subpart E – Cost Principles
 - c. Subpart F – Audit Requirements
 - i. LCHD/CHC will follow all State of Illinois rules, regulations and statutes regarding grant funds and comply with the Grant Accountability and Transparency Act know as GATA.
 - ii. LCHD/CHC has selected the 10% De Minimis indirect rate for the State of Illinois. For consistency, LCHD/CHC will only charge indirect costs to any grant by means of using the 10% De Minimis rate as allowable by the grantor or grant funds will be used for direct costs only.
 - iii. LCHD/CHC will not draw down federal funds until the grant expenses have been paid.
 - iv. LCHD/CHC will only apply for grants with a match requirement if the match can be from existing budgeted expenses that are not paid by any other federal funds.
 - v. LCHD/CHC analyzes and reviews all grant expenditures for allowability from the grantor as well as the grant budget.
 - vi. LCHD/CHC uses program income related to projects with federal funds to further the eligible project or program objectives. Program income is calculated using the same processes as the prepared annual budget.
- J. Financial Controls
- 1. Internal Controls
 - a. LCHD/CHC will strive to maintain and continuously improve the quality of internal controls to ensure that assets are safeguarded, financial reporting is reliable, and operations remain effective, efficient and in compliance with applicable laws and regulations.

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- b. The primary focus of LCHD/CHC internal control structure is to safeguard assets against theft, loss, or unauthorized use, acquisition, or disposal and to assure that financial reporting is free of misstatements or fraudulent reporting.
 - c. LCHD/CHC will maintain financial and budgetary control systems to ensure adherence to the budget.
 - d. LCHD/CHC will assess the cost and benefit when looking at ways to improve internal control procedures.
 - e. LCHD/CHC will maintain a Procurement Policy covering the purchase of goods and services that is at a minimum as restrictive as applicable county or state statutes and federal grant regulations.
 - f. LCHD/CHC will follow Lake County's Procurement Card policy.
 - g. LCHD/CHC is to be notified immediately of any suspicions of fraud or misappropriation.
2. Proper Expenditures
 - a. Expenditures will be made in conformance with LCHD/CHC's Procurement policy and the Accounts Payable policy.
 - b. Expenditure levels will follow the Signature policy.
 - c. Sufficient/unobligated funds must be available in the proper line-item category to procure goods or services.
 - d. Budget funds will be encumbered or obligated and no longer available when a purchase order is issued for goods or services. An encumbrance is not a recognized expenditure until the good or service is received, and payment is processed.
 - e. LCHD/CHC will follow the Local Government Prompt Payment Act regarding timely payments.
 3. General Accounting
 - a. LCHD/CHC accounting policies conform to generally accepted accounting principles (GAAP) and governmental accounting and financial reporting standards as established by the Governmental Accounting Standards Board (GASB) and applicable for state and local governments.
 - b. An annual audit shall be conducted by an independent certified public accounting firm as selected by Lake County. The results of the FQHC audit will be presented to the Governing Council and the Health Department results will be presented to the Board of Health.
 - c. An annual A-133 single audit report of federal awards shall be conducted by an independent certified public accounting firm, the results of which will be presented to the Governing Council and Board of Health.
 - d. The annual audit report shall meet generally accepted accounting principles as set by standards established by the GASB.

IV. REFERENCES:

Accounting Systems Policy, Accounts Payable Policy, Grant Lifecycle Management Policy, County Procurement Card Policy, Federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements as published in Title 2, Part 200 of the Code of Federal Regulations (2 CFR Part 200), and the Illinois Grant Accountability and Transparency Act.

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V. AUTHORS/REVIEWERS:

Finance and Business Office Management, Corporate Policy and Procedure Committee, Executive Team, Executive Committees of the Board of Health and Governing Council.

VI. APPROVALS:

Lake County Health Department and Community Health Center Executive Director

Signature: _____ Date: _____