

The BPHC Newly Funded TA Web Guide Resources for New and Existing Grantees

Developed by:

The U.S. Department of Health and Human Services (HHS)
Health Resources and Services Administration (HRSA)
Bureau of Primary Health Care (BPHC)
Office of Training and Technical Assistance Coordination (OTTAC)

The BPHC Newly Funded TA Web Guide is a self assessment tool designed to help new BPHC grantees provide high-quality primary health care from the day they open their doors for business. The Guide is a central hub for links to HRSA-approved templates, information pages, and policy documents, and many other resources. The intent of the Web Guide is to help Health Center grantees improve their quality and efficiency, work within Health Center Program Requirements, and access Federal policies, programs and resources intended for the specific needs of Health Centers.

This document is a printable version of a portion of the content available on the Web Guide. It was developed by the BPHC Office of Training and Technical Assistance Coordination and is hosted at:
<http://bphc.hrsa.gov/technicalassistance/index.html>

4d. Program Requirement 12: Financial Management and Control Policies

Requirements:

Health center maintains accounting and internal control systems that:

- Are appropriate to the size and complexity of the organization.
- Reflect Generally Accepted Accounting Principles (GAAP).
- Separate functions in a manner appropriate to the organization's size in order to safeguard assets and maintain financial stability.

Health center assures that:

- An annual independent financial audit is performed in accordance with Federal audit requirements. Note: A complete audit includes: 1) Auditor's Report; 2) A-133 Compliance Supplement, and 3) Reports to Board/Management letters issued by the auditor.
- A corrective action plan addressing all findings, questioned costs, reportable conditions, and material weaknesses cited in the Audit Report is submitted.

Authority: Section 330(k)(3)(D), Section 330(q) of the PHS Act and 45 CFR Parts 74.14, 74.21 and 74.26

Questions from review of the Newly Funded Health Center application and current status:

- Are the grantee's accounting and internal control systems:
 - Appropriate to the organization's size and complexity?
 - Reflective of GAAP?
 - Designed to separate functions in a manner appropriate to the organization's size in order to safeguard assets?
 - Designed to separate functions in a manner appropriate to the organization's size in order to maintain financial stability?
- Is an audit performed annually, in accordance with Federal requirements?
- Did the grantee's corrective action plan address all findings, questioned costs, reportable conditions, and material weaknesses (if applicable) found in the Audit Report?
- Does the Board review the grantee's corrective actions regularly?

Documents to Review for Answers: 1) Chart of Accounts, 2) Visit Report, 3) Provider Productivity Report, 4) Balance Sheet, 5) Income Statement, 6) Health Center Required Financial Performance Measures

Links and Additional Resources:

The BPHC Health Center [Management and Finance Policy Page](#).

Printer-Friendly Updated FY 2012 [Clinical and Financial Performance Measures](#):

The MSCG Resource Center [Financial Management and Control Policies](#) Page*.

The MSCG Resource Center [Business Plan](#) page*.

**Note: All non-Federal documents are for use as aids to consultants and grantees, the contents of such documents are solely the responsibility of the authors and do not necessarily represent the official views*

of HRSA, and should not be considered official guidance by BPHC. Any “sample” documents must be tailored to the health center’s unique circumstances and needs.

Table 1: Financial Management and Control Policies Questions

These questions are intended to assess how well the grantee’s financial practices are in line with requirements and general rules of accounting.

#	Questions	Answers
1	Is there a monthly cash budget for the health center with monthly projections for at least 12 months?	
2	Are monthly financial statements prepared for review by the Finance Committee and Board?	
3	Do the statements include a(n):	
3.a.	Comparative balance sheet?	
3.b.	Income statement showing variances from budget?	
3.c.	Report on visit activity compared to budget by payor type?	
3.d.	Report on monthly provider productivity	
3.e.	Comparative report on the status of receivables (either an aging summary or a report of days of income in receivables or both?)	
4	Do the last three monthly financial statements reveal:	
4.a.	Adequate cash on hand/working capital?	
4.b.	A reasonable level of accounts receivable?	
4.c.	A reasonable level of accounts payable?	
5	Are expenses appropriately allocated to:	
5.a.	Cost centers?	
5.b.	Multiple funding sources?	
5.c.	Multiple sites?	
6	Regarding disbursements:	
6.a.	Does the health center have written purchasing and cash disbursements policies?	
6.b.	Is there a reasonable separation of disbursement duties?	
6.c.	In some manner, is every disbursement reviewed and approved by two people?	
6.d.	Is this two-person review and approval documented?	
7	Regarding the chart of accounts:	
7.a.	Is it adequate to yield good financial statements?	
7.b.	Does it provide adequate income data by major payer with discount and allowance information and expense information at an acceptable object level?	
8	Are the accounting procedures adequate to result in financial statements that reflect the financial results from operations, including:	
8.a.	Accounting for patient services revenues and accounts receivable?	

#	Questions	Answers
8.b.	Preparing monthly estimates for: <ul style="list-style-type: none"> • Contractual allowances? • Allowances for doubtful accounts? • Grants and contracts receivable? • Wrap around settlements for Medicaid Managed Care? • Settlements and other receivables? • Prepaid expenses? 	
8.c.	Capturing: <ul style="list-style-type: none"> • Accounts payable? • Accrued payroll? • Uncompensated absences? • Deferred and unearned revenue? • Depreciation expense? • Bad debt write-off? 	

Table 2: Additional Financial Management and Control Policies Questions

These questions are intended to help grantees improve their financial management and control policies.

#	Question	Answer
9	Does the health center know the expected breakeven point for operations in terms of patient volume and mix to ensure viable fiscal operations?	
10	Does the health center update its operational plan in the event actual experience is not meeting projections, i.e. number of patients to be seen in the calendar year, total revenues, productivity goals/number of visits by type (medical, dental, mental health), and other elements from the UDS tables?	
11	Regarding Managed Care contracts:	
11.a.	Are all health center providers approved providers? If not, why not?	
11.b.	Is health center staff aware of all managed care contracts in place and the degree of financial risk associated with each?	
11.c.	Does the health center's practice management system enable it to manage the risks/ rewards?	
11.d.	Are there clear requirements for prior authorization and utilization of specific panel specialists?	
11.e.	Are written policies and procedures in place that describe the utilization review process and management of this data?	
11.f.	Who is responsible for keeping up with and monitoring the managed care contracts and review of data reported?	
11.g.	Is the health center and/or its providers listed in the enrollment documents/website for all of the Managed Care Organizations with which it is participating?	
12	For each of the following payor groups: Medicaid, Medicare, Self-Pay, and Private Insurance:	
12.a.	What is the <u>projected</u> penetration rate on an <u>annual</u> basis?	
12.b.	What is the <u>projected</u> penetration rate on a <u>monthly</u> basis?	
12.c.	What has been the <u>actual monthly</u> penetration rate experience to date?	

#	Question	Answer
13	Does the health center record gross charges in the patient registration system and appropriate adjustments based on allowances for payor types in order to report the correct patient accounts receivable by payor source?	
14	Does the health center have access to a line of credit to assure availability of operating cash?	
15	Regarding the annual audit:	
15.a.	How is the auditor selected? Is an RFP issued?	
15.b.	What is the role of the Board in selecting an auditor?	
15.c.	Does the Board review and approve the annual audit?	
16	Are full fee for service charges recorded for every visit regardless of payer source (including for capitated services) and appropriate allowances being recorded in offsetting accounts?	
17	Regarding signatory policies:	
17.a.	Who are the authorized signers?	
17.b.	Who primarily signs checks?	
17.c.	Is more than one signature required to clear financial transactions?	
17.d.	Is there a dollar threshold established for requiring more than one signature? What is it?	
17.e.	Do policies prohibit signing checks made payable to self?	

