

CAROLINA FAMILY HEALTH CENTERS, INC. PROCEDURE

TITLE: FIN-120.01 Financial Reporting

EFFECTIVE DATE: October 2000

SECTION: Finance

REFERENCE POLICY: FIN-120 Financial Reporting

RESPONSIBLE CHIEF OF STAFF: Chief Financial Officer

RESPONSIBLE COMMITTEE: Finance CIT

REVIEWED: 12/03, 08/13, 12/13, 05/15, 03/17, 10/18, 08/23/2021, 10/16/2023, 02/16/2026

I. PURPOSE

The purpose of this procedure is to outline guidelines utilized by Carolina Family Health Centers, Inc. (CFHC, Inc.) regarding financial reporting.

II. PROCEDURE

Financial Reporting

Once the financial sub-ledgers and general ledgers are closed each month, financial statements are generated, reviewed, printed, and compiled into financial reporting packages. Financial reports are reviewed monthly with the Finance Committee and the Board of Directors. Data in all financial reporting packages are consistent. The primary financial reports created each month are:

1. Grant Financials –Reports the revenue and expense activity for each grant.
2. Profit and Loss vs. Budget (Accrual Basis) – Reports the revenue and expense activity for the month, fiscal year-to-date, budget, and the variance to budget on an accrual basis. This report lists each type of revenue (patient, grant, contract, other) and all expenses by object (salaries, fringe benefits, consultants, travel, etc.).
3. Profit and Loss vs. Budget (Cash Basis) – Reports the revenue and expense activity for the month, fiscal year-to-date, budget, and the variance to budget on a cash basis.
4. Profit and Loss by Department – Reports the revenue and expense activity by department.
5. Balance Sheet - Reports the financial position of CFHC, Inc. at the end of the month. The balance sheet lists the current and non-current assets, current and non-current liabilities, and net assets.
6. Savings Report – Report that shows the total amount of investments, savings allocation, and cash on hand.

Legislative (statutory, regulatory, and policy) Reporting

CFHC, Inc. complies with all legislative (statutory, regulatory, and policy) requirements of federal and state grantors. The Chief Financial Officer (CFO) is responsible for:

1. Maintaining effective control over, and accountability for, all funds, property, and other assets in order to adequately safeguard all such assets and ensure that they are used solely for authorized purposes and
2. Submission of all financial reports within the time limit requested. Listed below are specific reports currently required:
 - Federal Grant Public Policy Requirements – CFHC, Inc. complies with all aspects of the U.S. Department of Health and Human Services (DHHS) Grants Policy Statement. This statement outlines all requirements for submitting grants, tracking grants, and ensuring costs allocated to the grant are allocable and allowable. Various reports are required, usually through the Electronic Handbooks (EHB) or Payment Management Systems (PMS) systems, which document the company’s compliance. Major financial requirements include:
 - Federal Grant Budgets - Each year, CFHC, Inc. applies for funding from the DHHS. As such, CFHC, Inc. must submit a comprehensive budget to the DHHS, Bureau of Primary Health Care (BPHC) that outlines how CFHC, Inc. spends the funds. Each grant CFHC, Inc. applies for (Community Health Center, Migrant Health Center, Ryan White Part C, etc.) must have a budget application submitted that follows the required format.
 - Federal Financial Report - At the conclusion of the DHHS grant year, CFHC, Inc. is required to submit to the DHHS a Federal Financial Report (FSR) that outlines cash draw-down, expenses, and program income for Federal grants annually.
 - Uniform Data System - Every BPHC grantee is required to submit the Uniform Data System (UDS) annually by February 15th. The report is a summary of all grant activity for the calendar year preceding the due date. The report summarizes statistical information such as demographics, socioeconomic data, users, quality measures, FTEs, etc. The report also summarizes all fiscal information for the calendar year as it pertains to the grant.
 - Annual Audit in Accordance with Government Auditing Standards and Office of Management and Budget 2 CFR Part 200 and 300 - When a health center receives funding from the federal government, the health center is required to submit an audit from an independent Certified Public Accounting Firm. The audit must be comprehensive in nature and satisfy the requirements as outlined in 2 CFR Part 200 and 300 and Government Auditing Standards. The audit must be submitted to DHHS nine (9) months after the close of the fiscal year.
 - Medicare Cost Report - This report is required by the Health Care Financing Agency (HCFA) and sets the reimbursement rate for all applicable services provided to Medicare patients. The report is due five (5) months after the close of the fiscal year and summarizes

all financial and visit information. The purpose of the report is to generate an all-inclusive rate, which will serve as the reimbursement rate for services for the following fiscal year.

- Medicaid Cost Report – North Carolina requires the filing of this report which sets the reimbursement rate for all applicable services provided to Medicaid patients, once every three years. The report is due five (5) months after the close of the fiscal year and it summarizes all financial and visit information. The purpose of the report is to generate an all-inclusive rate that will serve as the reimbursement rate for all Medicaid services for the following fiscal year. Further, Medicaid determines the applicable rate by applying various administrative, visit, and cost standards. and summarizes all financial and visit information.
- Tax Return – Tax Form 990 is completed each year. The independent audit firm used for the annual audit prepares this form once the independent audit is finalized. The Tax Form 990 is reviewed by the CFO. The completed Tax Form 990 is then presented to the Finance Committee and Board of Directors. This usually occurs in November. The tax return is due to the IRS on November 15th of each year unless an extension is granted. Once approved, the CFO signs the Tax Form 990. The signed form is submitted to the IRS by the independent audit firm.

A copy of the Tax Form 990 is made available for viewing by the general public. This copy is kept in the CFO's office.

Independent Audit

An independent audit is held each year. The independent audit firm used is selected by the Board of Directors based on a bid process conducted at least every five (5) years. The lowest bid is not guaranteed.

Annual Audit Process is as follows:

1. January– The CFO and existing auditor set up timeframe for conducting preliminary and final audit reviews. The preliminary review must be held before the fiscal year end, usually in May or June. The final review is scheduled for late July/early August.
2. May
 - a. The independent auditors send the CFO an Engagement Letter regarding expected services to be provided. The Chief Executive Officer (CEO) signs the letter and return the original to the audit firm.
 - b. The independent auditors send the CFO a list of items needed during the preliminary audit. The CFO ensures the schedules are completed prior to auditor's visit in May/June.
3. July – The independent auditors send the CFO a list of items needed during the final audit. The CFO will ensure the schedules are completed prior to the auditor's visit.
4. July/August/September – The independent auditors conduct their final review and prepare the audited financial statements (Audit Report).

5. October – The Finance Committee reviews the Audit Report and approves the package to be presented at the next Board of Directors meeting.
6. October – Copies of the final Audit Report are sent to the CFO who distributes copies to various government and regulatory agencies, as well as to contributing organizations.

401(k) Audit

An independent 401(k) audit is held each year.

The annual 401 (k) Audit Process is as follows:

1. January – the CFO and exiting auditor set up a timeframe for conducting the audit in April.
2. March
 - a. The independent auditors send the CFO an Engagement Letter regarding expected services to be provided. The Chief Executive Officer (CEO) signs the letter and returns the original to the audit firm.
 - b. The independent auditors send the CFO a list of items needed during the preliminary audit. The CFO ensures the schedules are completed prior to the auditor’s visit in April.
3. April – The independent auditors conduct their review and prepare the 401(k) audited 401(k) financial statements.
4. August – the Finance Committee reviews the 401(k) Audit Report and approves the package to be presented at the next Board of Directors meeting.

Request for Proposal

Audit services must be sent out for bid at least every 5 years. The bid process can be used prior to the five (5) year period if the Board of Directors deems it appropriate. The bid process is as follows:

1. December
 - a. The CFO informs the existing auditor that audit services are up for bid for the current fiscal year ending June 30th.
 - b. The Request for Proposal (RFP) is prepared by the CFO or his/her designee. The RFP contains:
 - i. Background information on CFHC, Inc.
 - ii. Audit expectations and requirements
 - iii. Terms of the audit engagement
 - iv. Proposal content
 1. Technical expertise, including complying with all OMB Circular A-133 Audit Requirements
 2. Management expertise
 3. Activity Plan
 4. Estimated Fees
 - v. Conditions and procedures for submission of proposal

- vi. CFHC, Inc. contacts
 - c. Potential candidates for the RFP are solicited from other community health centers. Audit firm candidates must have prior experience with both community health center audits as well as single or program-specific audits in accordance with 2 CFR Part 200 and 300, Audit Requirements.
 - d. The bid packages are emailed. The audit firms are given six (6) to eight (8) weeks to submit a proposal.
2. February
- a. Each bidder meets with the CFO to discuss the bid package and answer any questions on internal control and accounting issues.
 - b. The CFO evaluates all proposals, chart pertinent information, and develop a recommendation. The factors that are considered include the following: technical expertise, audit experience with community health centers, accessibility to CFHC, Inc. staff, and audit fees.
 - c. The recommendation is submitted to the CEO, the Finance Committee, and to the Board of Directors for approval.
3. March – The audit firms are notified of their status by the CFO.