

TITLE: BUDGET DEVELOPMENT AND OVERSIGHT

PURPOSE: To establish a formal process for the approval and subsequent oversight of the The Center for Health Care Services' (Center) annual operating budget. This policy supersedes the policy on Budget Development and Oversight (3.12) dated January 20, 2005.

[Key Words: Budget, Budget Revisions, Budget Amendments, Financial Statement, Local Plan and Generally Accepted Accounting Principles (GAAP)].

POLICY STATEMENT:

The Board of Trustees will approve and provide oversight of the Center's annual budget in order to ensure that best value services and supports are procured for consumers in need of mental health, mental retardation and substance abuse services. The budget will operationalize the local plan with the intent to maximize funding and services available to the community.

POLICY ELABORATION:

I. DEFINITIONS

- A. Budget – A quantitative expression for a set time period of a proposed future plan of action. Budgets are a point of reference from which comparisons may be made.
- B. Budget Revision (also referred to as Budget Amendment) – An adjustment in accordance with ensuing changes in actual output.
- C. Financial Statement – A written report, which quantitatively describes the financial health of a company. This includes an income statement, a balance sheet and may include a cash flow statement.

II. OVERVIEW

A. Organization and Accountability

In preparation for the new fiscal year, the Chief Financial Officer and Chief Operating Officer will meet with the Executive Director to receive direction on community needs which will be incorporated into the Center's Local Plan and the Center's Governmental Entity Plan (Plans).

With these Plans in mind, management staff will analyze the historical data and capacity to determine an estimation of the cost involved in providing the requested services. Budgets are developed and balanced according to the Department of State Health Services (DSHS), the Department of Aging and Disability Services (DADS), The Department of Assistive and Rehabilitative Services (DARS) standards and Generally Accepted Accounting Principles (GAAP).

The Budget & Financial Analysis Department is responsible for compilation of the entire Center budget to ensure accuracy and fiscal compliance with all contracts and funding streams. The Budget & Financial Analysis Department will provide timetables for budget completion and training on preparation to ensure the budget is entered into the state reporting mechanism to comply with the contract and receive allocations.

B. Budgetary Monitoring and Control

Budgetary monitoring and control at the Center consists of the following management principles:

1. **Decentralized Responsibility:** The Center develops budgets through a decentralized process. Unit Managers/Coordinators, with input from Program

Directors and the Chief Operating Officer, prepare and maintain responsibility for individual budgets under their control. The Director of Budget & Financial Analysis Department provides tools, analysis and assistance to balance and compile unit budgets.

2. Exception Reporting: The principle of exception reporting requires that only budget variances that are outliers, as determined by the Executive Director or his/her designee require an explanation. Each Unit Coordinator/Manager will report the combined budgeted and actual expenditures, revenues and variances. Each Unit Coordinator/Manager will report the combined budgeted encounters and/or workload measures and/or targets and variances.
3. Monthly Reporting: Unit Coordinators may be requested to prepare a written monthly report no later than the fourth day of receipt of the financial statement being evaluated, to allow for presentation to the Executive Director. Directors may require more extensive reporting requirements than those mentioned above. Once a month, the Center's budget is reviewed and variances are discussed and explained.

C. Budget Approval

The Finance Committee reviews the annual budget process and provides the preliminary budgetary assumptions. The Center will coordinate its budget process with its sponsors. The Board of Trustees will approve the final budget, submit it to DSHS, DADS, DARS and any required funding agency.

D. Budget Amendments

As required by funding agencies, budget revisions will be approved as follows:

1. The Finance Committee is authorized to approve any total budget revision with a net increase/decrease of less than \$100,000 and report it to the Board of Trustees at its next scheduled board meeting.
2. A total budget revision with a net increase/decrease in excess of \$100,000 must be approved by the Board of Trustees.

Budget Amendments will be incorporated with the Financial Statements on a monthly basis and will be approved with them.

REFERENCES/BIBLIOGRAPHY:

Department of State Health Services (DSHS), Department of Assistive and Rehabilitative Services (DARS), and the Department of Aging and Disability Services (DADS) Performance Contracts
Generally Accepted Accounting Principles (GAAP)
Governmental Accounting Standards Board (GASB)
Governmental Accounting, Auditing and Financial Reporting
(Using the GASB 34 Model) 2001

OFFICE OF PRIMARY RESPONSIBILITY:

Chief Financial Officer/Director of Budget & Financial Analysis