



WESTSIDE
REGIONAL CENTER

**Westside Regional Center
BOARD TRAINING #3 – Financial Oversight
Conducted by Jim Burton**

**Wednesday, April 21, 2021
6:00PM – 8:00PM**

Summary:

A review for Westside Regional Center (WRC) of the Financial Oversight Responsibilities. During the training, Felicia Ford, was present as facilitator to those who we support who serve on our Board. The training included information relative to how Regional Center budgets are formed and the purposes of audits, as well as the Board of Directors role in understanding compliance and the financial health of the Regional Center.

Currently, there are 11 members of WRC's Board of Directors. The following board members were present at the Board Training held via Zoom video conferencing on April 21, 2021:

Joseph Allen, Jr, Director
Russell Tanner, Director
Nilo Choudhry, Vice President
David Wyles, Director
Zoey Giesberg, Director
Vanda Yung, Interim Treasurer
Betty Pearson-Grimble, President
Todd Rubien, Secretary
Elizabeth Espinosa, Director
Joan Elaine Anderson, SPAC Rep

The following board members were not present at the training held via Zoom video conferencing on April 21, 2021:

Myra Mezquita, Director (on leave)

Committed To Providing Support And Services To People With Developmental Disabilities

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Regional Center Financial Oversight

Jim Burton

Retired Executive Director

Regional Center of the East Bay



Monthly Financial Performance Review

- Purchase of Service Expenditure Projection (PEP)
- Monthly reporting to Board of Directors
 - % of year elapsed compared to % of funds spent
 - Remaining contract balance



Audits

- ▶ Audits are generally conducted by independent parties (Auditors, Funders, Government Agencies Etc.) The Goal of each audit is to investigate certain aspects of the business and provide an **independent opinion** as to the overall functioning of the business.
 - ▶ Annual Independent Financial Audit Statute - [WIC §4639\(a\)](#)
 - ▶ Biannual fiscal audits conducted by the department: Statute [WIC §4629.5\(b\)\(2\)](#) & [WIC §4648.2](#)
 - ▶ Biannual Home and Community-Based Services Waiver program reviews conducted by the department and the Department of Health Care Services



Annual Independent Financial Audit Statute WIC §4639(a)

- ▶ Financial reports, also called **financial statements**, demonstrate an organization's financial position over a specific period of time.
- ▶ Most organizations provide financial reports to their Boards of Directors on a monthly, quarterly or annual basis.
- ▶ They are reviewed to identify **trends, successes, and problems** within a company's finances.
- ▶ These reports are often prepared by accountants or financial teams, but they are not complicated to read.
- ▶ Read a financial report by paying attention to the **balance sheet, income, and cash flow.**
- ▶ Two examples can be found here ([link](#)) and ([link](#))



Balance Sheet



- ▶ **The balance sheet lists the assets, liabilities & equity of the organization.**
- ▶ **Read the assets.** Assets include cash, receivables, Prepaid Expense, investments, property and other things **owned by the company that have value**. The assets are listed in order of liquidity (how easily it can be converted to cash). The most liquid assets, such as cash, are presented first.
- ▶ **Review the liabilities.** **Liabilities are debts or obligations that the company owes to others.** These include rent, payroll, taxes, loan payments and money owed to other vendors or contractors. The **equity section** gives a break down of the value of **money invested and re-invested in the business**. The liabilities and equity section are combined to produce a balance with the asset component.
- ▶ A balance sheet must always balance that is, **the sum of assets** must be **equal to the sum of liabilities and equities**. If that is not the case, it is usually the first sign of a badly reported financial Statement.



Income statement

- ▶ The Income Statement or P&L shows:
 - ▶ Dollars earned or allotted to a company/organization over the specified period of time (**Revenue**)
 - ▶ Dollars expended, directly or Indirectly to earn business revenue (**Expenses**). These include the costs of doing business, such as salaries, advertising, administrative cost and miscellaneous expenses
 - ▶ The bottom line of any income statement is operating **profit (loss)**, which is the amount of money the company made after the operating expenses are deducted



Cash Flow Statement

The cash flow statement will tell you the following:

- ▶ How much cash the organization has available
- ▶ It will also track the money coming in and out of the organization during the specified time. This reports tracks cash in 3 sections:
 - 1) Operating activities – This section analyzes how the organization's cash was used in order to reach its net profit or loss
 - 2) Investment activities – This part of the cash flow statement shows any income from investments or assets that were sold
 - 3) Financing activities – This tracks what the company did to pay back or acquire things such as bank loans



Review Narratives & Supporting Documents

- ▶ Accounting professionals/Auditor will often provide a final audit letter that provides an overview of the financial report
 - ▶ Very important to review even before looking at the financial statements
- ▶ Other key items to review
 - ▶ Understand key Organizational Accounting Policies
 - ▶ Organizational contracts
 - ▶ Legislative and policy changes that affect business operations (change in rates, service codes, billing process etc.)
 - ▶ Benefits and Pension plans (how those changes affect the organization's income and cash utilization)
 - ▶ Operating leases
 - ▶ Other contingencies




Biannual fiscal audit by DDS

- ▶ Biannually, DDS performs an audit of regional centers to ensure compliance with requirements set forth in Lanterman Developmental Disabilities Service Act and related Welfare & Institutions Code and California Code of Regulations (CCR), Title 17. These audits provide assurance to the Department of Health & Human Services, and Centers for Medicare and Medicaid (CMS) that services by through HCBS Waiver programs meet the criteria set forth for receiving these funds.
- ▶ DDS fiscal audits provide draft finding reports to the regional center
- ▶ By statute RCs have the option the appeal or accept findings by DDS
- ▶ Some findings may result in reimbursement payment to DDS in the case of an overpayment or duplicate payments
- ▶ An example can be found here ([link](#))



Biannual fiscal audit by DDS Continued

- ▶ Key Objectives of these audits include:
 - ▶ Determine compliance with W&I Code
 - ▶ Determine compliance with the provisions of HCBS waiver program for Developmentally Disabled
 - ▶ Determine compliance with CCR, Title 17 Regulations
 - ▶ Determine compliance with OMB circulars A-122 and A-133 and
 - ▶ Determine that costs claimed were in compliance with the provisions of the States contracts with DDS



Biannual fiscal audit by DDS Continued

- ▶ These audits are performed for in the following areas:
 - ▶ Purchase of service
 - ▶ Regional Center Operations
 - ▶ Targeted Case Management (TCM)
 - ▶ Service Coordinator Caseload Survey
 - ▶ Early Intervention Program (EIP: Part C funding)
 - ▶ Family Cost Participation Program (FCPP)



Biannual Home and Community–Based Services Waiver Program Reviews

- ▶ This audit is conducted by DDS with oversight of DHCS to ensure that all regional centers implement the HCBS waiver in accordance with Medicaid statute and regulations.
- ▶ An example can be found here ([link](#))