

Department of Administration for Human Services

LOB #129:

FINANCIAL MANAGEMENT

Purpose

The Financial Management (FM) division provides financial expertise in support of health and human services departments and programs to ensure that federal, state, County, and local laws, regulations and/or mandates for human resources capital are met. FM supports approximately 100 LOBs, and performs accounting, budget forecasting and preparation, reporting, reconciliation, data integrity and compliance functions utilizing approximately 15 financial state and local systems specific to human services' programs, and the countywide enterprise system, FOCUS.

The FM division staff:

- Prepare and monitor human services budgets with annual expenditures totaling more than \$500 million
- Bill and collect more than \$170 million in revenues and reimbursements
- Prepare and process more than 58,000 bills and invoices, many of which are payments to individuals who are service providers
- Ensure timely and accurate financial reporting and compliance with policies and auditing requirements

Description

The DAHS Financial Management (FM) division includes 84 positions that provide four interrelated core functions in support of the County's human services programs and departments:

Budget Development, Analysis, Forecasting, and Management

This core function includes the processes of identifying, acquiring, allocating, and managing receipt and disbursement of financial resources needed to deliver services. Within Fairfax County, budget and financial reviews are prepared in collaboration with the human services department's program staff, and sent to the Department of Management and Budget (DMB) for review and then to the Board of Supervisors for their review and approval. Similar work is performed to comply with requirements of outside entities such as the federal and state governments, the cities of Fairfax and Falls Church, and grantors. Developing and managing budgets is a year-long process. FM staff:

- Examine trends, caseloads, legislation, and availability of resources in the context of budget guidance and other relevant information.
- Develop, implement, and manage various annual, quarterly, and year-end financial reviews as required by the County and by external sources.
- Forecast resources by working with program staff and management to ascertain changes in populations, cost of providing services, priorities, and policy and revenue forecasts.
- Establish criteria and develop needs-based formulas, allocate resources to programs and service areas, and assure efficient utilization of public dollars.
- Consult with and provide information to customers on financial issues.

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Accounts Receivable

Accounts Receivable staff prepare bills, collect funds, and track funding received for services provided via human services programs. Generally, funding is collected from federal, state, local, third-party, and client sources. Further, Accounts Receivable work strives to secure at least partial reimbursement for expenditures made by the County for specific human services programs that meet certain eligibility requirements.

Examples of Accounts Receivable work in human services include:

- **Federal and state reimbursement for eligible expenditures** – These reimbursements include federal and state shared funding for jointly-administered programs. Examples include: programs for immunizations, communicable diseases, food inspections, adult and aging services, children and youth services, foster care services, eligibility determination for social services benefits including Medicaid and mental health block grant programs, and state funding for behavioral health services and disability programs.
- **User fees and client copayments** – More than 60 human services programs permit the charging of user fees or assessing client co-payments for services. Examples include mental health and substance use treatment programs, juvenile court residential programs, child care permitting, school-aged child care services, community centers, and clinical and laboratory services.
- **Third-party payments for direct and contracted health services for eligible County residents** - Insurance providers are billed for eligible customers of behavioral health and primary health care services provided through the Fairfax-Falls Church Community Services Board (CSB), the Health Department, and the Department of Family Services (DFS). Payments for eligible expenditures from insurers such as Medicaid, Medicare, and private insurance companies for acute care, treatment, case management/care coordination and/or community services are managed within FM Accounts Receivable. Eligibility for payment is determined through the individual client's insurance coverage parameters.

Accounts Payable

The Accounts Payable core function includes various activities that are conducted to facilitate the payment of invoices to service providers, customers, and staff. Many of these payments are made to individual service providers and are vital to their economic self-sufficiency. FM staff:

- Prepare and complete utility payments for residential sites, travel and petty cash payments, and intergovernmental payments/interfund transactions
- Complete payment activities that are required as part of case management services for individuals and payment processing for service providers. Examples of services: adoption subsidies required by the Social Security Act; financial assistance programs (General Relief and federal/state/local individual client assistance programs); provider services under the Comprehensive Services Act (CSA); home health aide services (adult and aging services for lower-income, at-risk older adults); and child care services and subsidies for participants and service providers.

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Financial Reporting and Compliance

These core functions are required to account for resources and how they are used, and to ensure compliance with specific policies, procedures, and other requirements. This work provides transparent financial reporting that details each department's and program's fiscal activities in accordance with established guidelines and specifications. FM staff:

- Design, generate, and distribute financial reports to provide useful information for financial, program, and management staff to facilitate accountability and ensure efficient utilization of resources
- Prepare grant reports in accordance with federal, state, and nonprofit regulations to ensure adherence with funding requirements
- Provide documentation for and meet with auditors to ensure that their information needs are met
- Ensure compliance with governmental and Generally Accepted Accounting Procedures and federal/state/County/other funding source requirements
- Reconcile fund accounts and grants to ensure compliance with internal control procedures

Benefits

The work performed by the DAHS Financial Management (FM) division benefits human services departments and programs through the following:

Budget Development, Analysis, Forecasting, and Management

- Provide financial resources to sustain human services programs, including recovering funding from non-County sources that is due to the County. FM staff identifies changes in populations, cost of service provision, priorities, and policy and revenue forecasts.
- Analyze trends, caseloads, legislation, availability of resources, budget guidance, and other relevant information that forms the basis for developing and managing human services budgets.
- Allocate funding resources for programs and services to effectively establish criteria and needs-based formulas to ensure efficient utilization of public dollars.
- Communicate with and provide relevant information to customers on financial issues so that customers may make informed decisions regarding spending of resources to address human services program needs.

Accounts Receivable

- Provide account management services for staff and customers, including establishing accounts, verifying account information, and responding to inquiries, so that customers better understand monthly billings.
- Gather data on client-specific transactions for services provided which is used to prepare accurate and timely invoices, pursue collections, and meet reporting and invoicing requirements.
- Perform financial receiving transactions by processing funding transfers from the state as well as other electronic financial transfers, cash, and checks, so that funds are received quickly and deposited expeditiously in the County's financial system.
- Ensure compliance with audit and program requirements thereby avoiding potential penalties and audit findings.

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Accounts Payable

- Reconcile vendor invoices with encumbrance documents and receipt information, ensuring that accounts payable are accurate, timely, and comply with all governmental requirements.
- Track payments to ensure vendors/consumers have received payment and that encumbrances have been correctly reduced or liquidated, thereby making those funds available to support other needs in the human services system.
- Analyze funds collection data to determine performance on the timeliness and accuracy of funds collection that helps sustain the human services system and meet the needs of the community.

Financial Reporting and Compliance

- Comply with accounting, auditing, and reporting requirements to help assure a good standing for the County's financial system.
- Ensure that financial reconciliation plans are followed per established County procedures, thereby avoiding potential penalties and audit findings.

Thorough and responsible DAHS FM work enables human services departments and programs to achieve optimal performance and serve as many clients as resources permit. This is achieved due to the knowledge and expertise of FM staff, including their awareness of particular requirements of programs and funds as well as their expertise with corporate financial systems.

Mandates

The work in this LOB is federally, state, and/or locally mandated. Also, foundations and similar grantors mandate certain financial requirements as a condition of grant awards.

Social Services and Federal Entitlement programs

Title IX of Social Security Act for Medicaid; Title IVA, Title V, and Title XIX of the Social Security Act; HIPAA PL 104-91, 42 CFR Parts 160 and 164; Titles III and V of the Federal Older Americans Act and the Federal Job Training Partnership Act; USDA Food Program Participation Requirements SAF.VDACS003; Agricultural Adjustment Act of 1933 § 32, as amended (Fed.); Agricultural Act of 1946 § 416, as amended (Fed.); 7 CFR 250, 251 (Fed.); Virginia Code § 2.2 211-214, Administration of Government; Virginia Code § 63.2-22; Virginia Code §§ 2.2-2648, 2649, 5201-5214; Virginia Code § 2.2-5200, § 2.2-5211 (CSA); Virginia Code § 2.2-435.8 Workforce program evaluations; 20 CFR part 660 Workforce Investment Act; U.S. Code 42:106 Community Services Block Grant; 45 CFR Part 98 Child Care and Development Fund

Housing, Homelessness Prevention and Services, Community Development

Community Development Block Grant Program SCT.DHCD004 Title I of the Housing & Community Development Act, as amended (Fed.); 24 CFR 570 Subpart I (Fed.); Homeless Prevention and Rapid Re-Housing Program SCT.DHCD017 Department of Housing and Community Development Commerce and Trade; American Recovery and Reinvestment Act of 2009, Public Law 111-5; Fair Housing Act; Americans with Disabilities Act (ADA) regulations (federal); Virginia Administrative Code Title 13; Residential Landlord and Tenant Act

Public Health and Behavioral Health

Virginia Administrative Code Title 22; Behavioral Health and Developmental Services 37.2; HIPAA PL 104-91, 42 CFR Parts 160 and 164; Health Information Portability and Accountability Act (HIPAA) (federal); VA Administrative Code, Title 12, Title 32.1

Juvenile Justice and Children's Services

Virginia Code § 66-3:27-35; § 2.2-5204; § 16.1-222-225; § 16.1-275; § 16.1-224; § 16.1-315-322.7

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Trends and Challenges

Trends

Fairfax County's General Fund and the human services system are under increasing pressure as service demands have outpaced available financial resources. The work performed by DAHS FM continues to be driven by:

- Changes in third-party payment systems and requirements in health care delivery
- Program care coordination activities resulting in opportunities to access funds from sources such as Medicaid and Medicare
- Lack of full funding resources from federal and state governments for mandated services and state-supported programs
- Rapid demographic growth and changes
- Shifts in federal and state funding that result in the County assuming greater shares of costs in state managed, locally-administered social and public assistance services, treatment, health, and early intervention services
- Complexity of the work performed by staff, with increased emphasis on cross-system work

These factors require innovation and strategic analysis that DAHS FM provides to program staff and management. These factors affect all four core functions of financial management: budget development, analysis, forecasting, and management; accounts receivable; accounts payable; and financial reporting and compliance.

Challenges

FM staff work with program staff and management to identify changes in populations, cost of service provision, service priorities, and policy and revenue forecasts. Trends, caseloads, legislation, availability of resources, and budget guidance are analyzed. Then, criteria are established to manage budgets and needs-based formulas are developed to allocate resources to programs and service areas, assuring efficient utilization of public dollars. Notable challenges include:

- Timing constraints related to audit schedules (some audits are unannounced, others overlap with budget processes).
- As a result of an increasing number of grants being awarded to the County, required reporting and audit requirements have significantly increased.
- Limited integration of information systems that impact co-management and operation of services. The human services system employs more than 20 systems, with limited integration with the County's FOCUS system. Additionally, many programs are required to utilize state-supported systems, which do not integrate into the County's system.
- Impacts of federal sequestration.
- Adjustments to state funding formulas that do not reflect the current cost of providing state-supported care services in many health and human services programs.
- Complexity of and timeframes required to implement legislative and regulatory requirements.

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Resources

| Category | FY 2014 Actual | FY 2015 Actual | FY 2016 Adopted |
|---|--------------------|--------------------|--------------------|
| LOB #129: Financial Management | | | |
| FUNDING | | | |
| Expenditures: | | | |
| Compensation | \$4,613,087 | \$5,033,200 | \$5,528,613 |
| Operating Expenses | 27,443 | 37,330 | 21,150 |
| Total Expenditures | \$4,576,387 | \$5,006,387 | \$5,485,620 |
| General Fund Revenue | \$0 | \$0 | \$0 |
| Net Cost/(Savings) to General Fund | \$4,576,387 | \$5,006,387 | \$5,485,620 |
| POSITIONS | | | |
| Authorized Positions/Full-Time Equivalents (FTEs) | | | |
| Positions: | | | |
| Regular | 85 / 84.5 | 85 / 84.5 | 84 / 84 |
| Total Positions | 85 / 84.5 | 85 / 84.5 | 84 / 84 |

Metrics

| Metric Indicator | FY 2013 Actual | FY 2014 Actual | FY 2015 Actual | FY 2016 Estimate | FY 2017 Estimate |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|
| Value of collected human services departments' accounts receivable (in millions) | \$170.14 | \$170.28 | \$171.63 | \$176.01 | \$176.01 |
| Percent of accounts receivable collected within year | 98.7% | 101.3% | 100.5% | 100.0% | 100.0% |
| Percent of payments made to vendors by the required payment date | 73.3% | 90.0% | 93.0% | 95.0% | 95.0% |
| Payments completed for goods and services | 58,207 | 58,368 | 58,683 | 58,700 | 58,700 |
| Cost per payment processed | \$4.39 | \$4.41 | \$4.48 | \$4.48 | \$4.48 |

Value and percentage of collected human services departments' accounts receivable

One of the core functions of DAHS Financial Management (FM) is Accounts Receivable, which involves preparing bills, collecting revenue, and tracking reimbursement for services provided in human services programs. The objective of this core function is to achieve an accounts receivable collection rate of 100 percent. In FY 2015, \$171.6 million in accounts receivable was collected, 100.5 percent of the estimate. This is an increase of over \$1.5 million since FY 2013, primarily due to increases in School-Age Child Care fees in DFS as well as revenue in Agency 81, Juvenile Domestic Relations District Court (JDRDC), associated with utilizing available bed space at the Juvenile Detention Center for District of Columbia youth.

The actual revenue collection rate was slightly higher than the estimate due primarily to the collection of accounts owed from previous years, to federal and state reimbursement of allowable expenditures associated with administering public assistance programs and providing behavioral health services, and fees collected from clients for child care and behavioral health services. Funding for many human services programs is based not only on local expenditures but also on the availability of federal and state funding.

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Percent of payments made to vendors by the required payment date

Another core function of DAHS FM is Accounts Payable, which includes various activities that are conducted to facilitate the payment of invoices to service providers and customers. Many of these payments are made to individual service providers who rely on these payments as their source of income. The objective of FM Accounts Payable is to complete payment on 93 percent of bills and invoices for goods and services by the required payment date. In FY 2015, 93 percent of payments to vendors were processed by the required payment date, meeting the estimate. In FY 2016 and FY 2017, 95 percent of payments are anticipated to be processed by the required payment date.

Payments (accounts payable) completed for goods and services

Cost per payment processed

External factors frequently affect the payment process. DAHS FM must be flexible to respond to these factors. For example, in FY 2012, the processing of Child Care Subsidy payments was assumed by the State. The total number of invoices processed in FY 2015 was 58,683, at a cost per payment processed of \$4.48. The number of payments completed for goods and services is projected to be 58,700 in FY 2016 and FY 2017, and the unit cost to process a payment is anticipated to remain \$4.48.