

**UNIFORM ACCOUNTING
AND
REPORTING PROCEDURES MANUAL
FOR
COMMUNITY CENTERED BOARDS
AND
PROGRAM APPROVED SERVICE AGENCIES**

**Developmental Disabilities Services
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Colorado Department of Human Services
people who help people

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INTRODUCTION

In 1987, the Governmental Accounting Standards Board addressed the issue of financial reporting objectives by issuing GASB Concept Statement-1. In Concept Statement-1, GASB stated that, "Accountability requires governments to answer to the citizenry to justify raising of public resources and the purposes for which they are used." GASB goes further to identify accountability as the paramount objective of financial reporting by state and local governments and to state that for governmental organizations to fulfill their accountability requirements, it is necessary to report information about service efforts, costs and accomplishments. The amount and types of financial reporting need to be sufficient to enable users to (1) assess the reporting entity's success in meeting their objective of being public accountable, (2) evaluate the operating results for the year, and (3) assess the level of services that are provided and the entity's ability to meet its obligations as they become due.

This manual describes the financial statement reporting requirements and standards of the Colorado Department of Human Services, Office for Rehabilitation and Disabilities Services, Developmental Disabilities Services (DDS). DDS's basic policy requires all organizations providing services to individuals with developmental disabilities to comply with the following reporting requirements, which improves uniformity and comparability in the financial statements of organizations providing services to individuals with developmental disabilities. However, due to the diversity of PASAs in the DDS system, there are two exceptions to this policy as follows:

1. Organizations whose primary purpose is not to deliver services to individuals with developmental disabilities are encouraged but not required to follow the financial statement reporting requirements. However, these organizations are required to provide financial and statistical information as required by their contract.
2. For-profit organizations are provided an exception to the financial statement reporting requirements due to the differences of financial reporting between for-profit and not-for-profit organizations. However, these organizations are required to provide financial and statistical information as required by their contract

The procedures identified in this Manual are applicable to both Community Centered Boards (CCBs) and Program Approved Service Agencies (PASAs), except where otherwise noted. The annual financial statements are to be prepared in accordance with publications from the AICPA and FASB, which are applicable to the organization. However, supplemental information is required to categorize those revenues and expenses associated with the DD system in the expenditure classifications as outlined in this manual.

The implementation date for this manual is July 1, 2002.

CHAPTER 1

Generally Accepted Accounting Principles

The Accounting Principles Board defines generally accepted accounting principles (GAAP) as:

The consensus at any time as to which economic resources and obligations should be recorded as assets and liabilities, which changes in them should be recorded, when these changes should be recorded, how the recorded assets and liabilities and changes in them should be measured, what information should be disclosed and how it should be disclosed, and which financial statements should be prepared.

By definition, GAAP arises from wide acceptance, at a particular time, by practicing accountants and authoritative organizations on the theory and practice of accounting.

The most important authoritative organizations for CCBs and PASAs accounting and reporting are the American Institute of Certified Public Accountants (AICPA), and the Financial Accounting Standards Board (FASB). The authoritative publication from the AICPA that CCBs and not-for-profit PASAs are to follow is the *Audit and Accounting Guide for Not-for-Profit Organizations*. For-profit PASAs are to follow all authoritative publications from the AICPA and FASB that are applicable to their organizations.

Annual financial statements of CCBs and PASAs are required to be prepared in accordance with GAAP.

In addition to the above, there are other accounting and reporting requirements for CCBs and PASAs. Funding organizations may impose additional requirements as a condition for receiving funds. These requirements are specified in contracts and general publications of the funding organizations. For CCBs and some PASAs, the federally funded Medicaid program has a significant financial impact and compliance with federal Medicaid laws and regulations is a requirement for participation in the program. CCB and PASA accounting and reporting systems need to be developed and maintained in a manner that ensures compliance with the requirements of the different funding organizations as well as GAAP.

CHAPTER 2

Accounting and Reporting Standards

Inconsistency in the application of individual judgments for different, but acceptable, accounting principles causes a certain amount of difference between financial statements. To reduce the impact of individual judgment, it is necessary to establish uniform accounting standards and guidelines. Adherence to these standards and guidelines is required.

Accounting and Reporting Period

The fiscal year used for the CCB system is the State of Colorado's fiscal year, July 1 through June 30. PASAs are encouraged to use this fiscal year as well.

Annual Financial Statements

Annual financial statements are required to be prepared in accordance with the procedures set forth in this Manual.

Annual Audits of Financial Statement

Each CCB must submit its annual financial statements to an annual audit in accordance with Generally Accepted Auditing Standards by a firm of Certified Public Accountants hired by the State and paid for by each CCB ratably based on the numbers of hours each CCB's audit totaled in relation to the whole.

The basic financial accountability policy of DDS is to require audited financial statements from all PASAs. Exemptions from this policy may be obtained for very small PASAs where an independent auditor's report on the financial statements might not be cost effective or for other PASAs where it can be demonstrated that accountability requirements for financial reporting is being met. Both the contracting CCB and DDS must approve exemptions. If an exemption is granted this does not exempt the PASA from preparing other types of financial and statistical reports that may be required by the contracting CCB or DDS.

In addition, CCBs and PASAs must comply with other reporting required by various entities, such as the Internal Revenue Service, the Department of Labor, etc. To assist with these various filings, there is no requirement that the same firm of Certified Public Accounts be used as for the annual audit.

Accrual Method of Accounting

The accrual method of accounting is required for reporting in the annual financial statements.

Chart of Accounts

CCBs and PASAs are required to have a published Chart of Accounts with appropriate account names and numbers. Each CCB and PASA may develop its own chart of accounts but the accounts must be correctly related via a clear audit trail to the uniform reporting categories of this Manual.

An account is the basic storage unit for data. CCB and PASA accounting systems must have separate accounts for each asset, liability, and each component of fund balance, revenues and expenses.

Accounting Records

Each CCB/PASA needs to maintain accounts and records necessary to meet its own internal information requirements, as well as the requirements specified in this Manual. In most cases, information needed for internal management purposes will include more data than is required for external reporting purposes. Accordingly, each CCB/PASA should customize the accounting and general data records to meet not only internal management requirements but also to ensure that it is possible to translate its accounts and data information to the prescribed uniform reporting format specified in this Manual.

Accounting records are to be kept in a manner that permits ready analysis by prescribed accounts and facilitates the preparation of financial statements, including non-dollar quantitative data, directly from such records at the end of the fiscal year.

Records Retention

The CCB and PASAs shall maintain a complete file of all records, communications, and other written materials which pertain to the operation of programs or the delivery of services under this contract, and shall maintain such records for a period of three (3) years after the date of termination of this contract, or for such further period as may be necessary to resolve any matters which may be pending. All files shall be kept at the CCB's or PASA's place of business, and the CCB or PASA shall furnish copies of such files, or portions thereof, as requested by the State or its designee

In addition to the above requirements the following retention schedules is also recommended for all CCBs and PASAs.

- Accounts Payable & Accounts Receivable Ledgers - 7 Years
- Bank Statements & Reconciliation's - 7 years
- Checks (cancelled) - 7 years
- Contracts, notes, mortgages - 7 years after expired
- Depreciation Schedules & Property Records - Permanent
- Financial Statements (Year End) - Permanent
- General Ledger (Year End) - Permanent
- Invoices - 7 years
- Minutes to Board of Directors - Permanent
- Payroll records, Timesheets - 7 years
- Personnel Files - 7 Years after termination
- Tax Returns (990, etc.) - Permanent
- Vouchers, Disbursement - 7 years, (Capital records - permanent)

Cost Centers

Cost centers shall be established for each major program service and support service category, and for all defined sub-program categories within the major service categories. In general, program services are delineated by identifiable types of service components, not by funding source. For example, a CCB may have a Family Support type program that is funded both by the State and by a local entity. These two funding sources do not result in two different cost centers for external reporting purposes. It is the discretion of the individual CCB/PASA management whether or not internal reporting will segregate accounting by funding source(s).

The following are identifiable service categories which are defined by the State and should be reported in the external financial statements.

Major service categories are:

<u>Program Services:</u>	Comprehensive Services Adult Supported Living Services Early Intervention Family Support Services Children's Extensive Supports Case Management
<u>Supporting Services:</u>	Management and General Development/Fundraising

There may be other cost centers that are either not funded or only partially funded by the State contract that should be considered.

Budget

It is recommended that a budget be prepared annually and revised as necessary. Budget information must be consistent with accounting practices used to accumulate and report actual costs in the financial statements.

The validity of comparisons for costs between accounting periods is significantly enhanced through consistent application. Adherence to this standard will also permit meaningful comparisons of actual costs with budgeted amounts.

Allocation of Costs

All costs must be assigned, to the maximum extent possible, to the service category and/or sub-program category that the costs were expended to benefit. Costs are to be allocated at the time the expenses are incurred or paid.

Costs that benefit multiple categories must be allocated to these multiple categories based upon a methodology that is reasonable, consistent and documented. Examples of allocation methodologies can be found in Chapter 5.

Allocation of Revenues

All revenues must be assigned, to the maximum extent possible, to the service category and/or sub-program category that the revenue benefits.

Revenues that benefit multiple categories would be allocated to these multiple categories based upon a methodology that is reasonable, consistent and documented.

Most revenue received is unrestricted, but some revenue is restricted for certain purposes. The restricted revenue needs to be identified and tracked separately by not-for-profit agencies, as they have special financial statement presentation requirements.

Accounting for Salaries

CCBs/PASAs are responsible for developing and maintaining salary allocation plans which properly allocate personal services costs. The required accounting procedures for employee salaries consist of:

1. A documented review with periodic updates of employee functions.
A review of employee functions needs to be completed for each agency position. The basic objective of the review is to identify employees whose work activities cross service categories and/or sub program service and support service categories.

The review of employee functions must be carefully conducted by both the accounting department and supervisory personnel who are knowledgeable about the actual work of employees. Documentation supporting the review should be updated when employee assignments change or changes are made to the organizational structure.

2. A written Salary Allocation Plan.
The documented results of the review of employee functions are used to develop a written Salary Allocation Plan. The plan should specify what procedures will be used to document the distribution of employee costs to the various cost objectives and the functional service categories. The written plan and the documentation of the review of employee functions should be developed and maintained in a manner that provides an audit trail and supports the actual charging of employee salaries.

The Salary Allocation Plan will show which positions will use what types of records to document the allocation of salary costs. For certain positions, daily time reports may be necessary. For other positions, daily time reports would not be necessary because adequate alternative procedures can be used to substantiate salary allocations made for the regular periodic payrolls.

A clear audit trail between actual payroll records, the documented review of employee functions, and the written salary allocation plan.

CHAPTER 3

Program Services

Per State contract, the following are those services and supports that are to be provided directly by a CCB and/or purchased from a PASA. There are other services and/or supports that may be provided by the individual CCB or PASA depending on its operations.

Comprehensive Services

Comprehensive Services (State and Medicaid funded) provide a full day (24 hours) of services and/or supports which are designed to ensure the health, safety and welfare of the individual, and to assist in the acquisition, retention and/or improvement in skills necessary to support individual to live and participate successfully in their community. These services are individually planned and coordinated through the person's Individualized Plan (IP). Additionally, services are provided to give individuals opportunities to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. These services also include transportation services to community activities and work.

Adult Supported Living Services

Adult Supported Living Services (State and Medicaid funded) are meant to augment already available support for those individual who either can live independently with limited support or who, if they need extensive support, are getting that support from other sources, such as family. The agency has no responsibility for the living arrangement in the community.

Early Intervention - Birth to 3 Years Old

Early Intervention Services (State funded) offer infants, toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self-help skills; parent-child or family interaction; and early identification, screening, and assessment services.

Family Support Services

The Family Support Services Program (State funded) provides support to families in their role as primary caregivers for a family member with a developmental disability who is living in the family home.

Children's Extensive Supports

The Children's Extensive Support Waiver (CES) (Medicaid funded) provides access to Medicaid benefits and additional targeted services and supports to those children with developmental disabilities or delays who are most in need because of the severity of their disabilities.

Case Management (Provided only by a CCB. Cannot be purchased.)

Case Management (State and Medicaid funded) is the determination of eligibility for services and supports, service and support coordination, periodic review, the monitoring of all services and supports delivered pursuant to the Individualized Plan and the evaluation of results identified in the Individual Plan.

CHAPTER 4

Support Services

The following are those support services that are to be provided by CCBs and PASAs.

Management and General

Management and general (State and Medicaid funded) includes those activities necessary for planning, coordination and overall direction of the CCB, financial administration, general board activities and other related activities indispensable to the CCB's corporate existence. Its mission is to manage the organization's resources so that the goals and objectives of the organization can be reached.

Included are all activities necessary for financial and corporate administration of the agency and activities that the State requires the Contractor to perform in its role as a CCB. These duties include but are not limited to:

- Service Development and Procurement
- Resource Management/Assignment
- Billings and Payments related to Subcontractors
- Service Area Planning
- Establishment and Maintenance of State Required Committees (to include, but not be limited to; Human Rights Committee, Family Support Council and Referral and Placement Committee)
- Contract Management
- Information Reporting
- Public Information
- Waiting List Management
- Quality Assurance Activities
- Training
- Executive Director and Board of Directors activities
- Overall direction of the organization
- Accounting and bookkeeping
- Budget development and tracking
- Personnel procurement, supervision and payroll
- Management of office space, utilities, telephone, overhead
- Receptionist and switchboard activities
- Mail distribution
- Filing and other central services
- Management of equipment and capital expense related to administration functions
- Corporate legal services
- Administrative overview reporting

Due to the different sizes and organizational structures of CCBs, It could be that program individuals may perform the above tasks as well as program services. In this case, the expenses of the individual that are related to program services should be charged to the program and those services related to management and general charged to management and general. Therefore, the decision criteria are: does the expense relate to a function benefiting the overall direction of the agency or to one of the program services offered by the organization?

Program services will include some expenses that are incurred only for the benefit of the particular functional service category. These costs should not be included in Management and General, as they are not incurred for the benefit of the agency as a whole. (An example of this would be the secretary for the director of the early intervention program. Salary cost for the secretary position would be charged to the Early Intervention program if the secretary's time is spent on activities of the Early Intervention program.)

CHAPTER 5

Uniform Financial Reporting

Basic Financial Statements

As mentioned in Chapter 1, the annual financial statements are to be prepared in accordance with the requirements of the *AICPA Audit and Accounting Guide for Not-For-Profit Organizations*. The audit guide provides for three principal financial statements:

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows

Uniform account titles and standardized formats are used for the basic financial statements. Each CCB/PASA, with concurrence of the auditors, may expand or delete basic financial statement account titles as necessary for adequate disclosure. Consistency of account titles is maintained through comparisons with prior period statements and the auditor's approval of changes.

Statement of Financial Position

The statement of financial position is one of the basic financial statements, which discloses the assets, liabilities, and net assets of the CCB/PASA on a specified date. The format used in the financial statements is the conventional format with assets and liabilities listed in the order of liquidity. The statement of financial position is organized to show that there are three separate classes of net assets; permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Statement of Activities

The statement of activities should focus on the organization as a whole and should report the amount of the change in the net assets for the period. The statement should report the amounts of the changes in permanently restricted net assets, temporarily restricted net assets, unrestricted net assets and total net assets. Revenue, expenses, gains and losses should be classified by the net asset class.

Statement of Cash Flow

A statement of cash flow provides relevant information about an organization's cash receipts and cash payments during a period: the statement classifies those receipts and payments as resulting from investing financing, or operating activities. Separate disclosure of noncash investing, and financing activities is also required.

Functional Reporting of Revenues

The functional reporting classifications for revenues should be identifiable by the source of revenue and type of service function. Non-material non-state revenues should be grouped and reported together as "other revenue". The normal functional reporting classifications for revenues within the CCB/PASA system are:

Fees and Grants from Governmental Agencies:

State of Colorado

State General Fund

Comprehensive Services

Adult Supported Living

Children and Families

Medicaid

Comprehensive Services

Adult Supported Living

Children's Extensive Supports

Children's Habilitation Residential Program

City and County

Grants and Other (breakout significant Grants)

Donations

Room & Board

Revenue from CCBs (Applicable to PASAs)

Other Revenue (Significant revenue sources should be broken out separately)

Gain/Losses

Functional Reporting of Expenses

The functional reporting classification for program services depends upon the type of services rendered. Each separately identifiable service provided by a CCB/PASA is to be reported by the type of service function. Non-material services should be grouped and reported within one of the significant program service categories. Each functional classification is required to show all of the costs that are applicable to the particular program service. The normal functional reporting classifications for program and support services in the CCB system are:

Program Services:

Comprehensive Services

Adult Supported Living

Early Intervention

Family Support Services

Children's Extensive Supports

Case Management (CCBs only)

Children's Habilitation Rehab Program (CHRP)

Support Services:

Management & General

Development/Fundraising

Classifications of Expenses

The expense classifications used in the annual financial statements are shown below. In this section, information is provided showing the different types of expenses to be included in the expense classification. Other classification lines will only be added to the Statement of Functional Expenses to report significant transactions, when necessary, to meet financial reporting disclosure standards.

The accounting standards applicable to CCBs/PASAs require maintenance of accounting records that reflect the classification of expenses by function. Expenses should be coded at the time of initial recording to accomplish this classification.

For expenses benefiting one functional program, there are usually no difficulties in determining the proper classification. The functional classification problem occurs when the expense benefits more than one function. These expenses should be allocated among the appropriate functions using reasonable allocation methodologies. Objective methods of allocating expenses should be used based on related financial or non financial data. For example, expenses associated with occupying a building such as depreciation, utilities, etc may be allocated based on square footage of the space occupied by each program. The information shown in the allocation basis sections, indicate a recommended standard allocation method for distributing expenses between functional programs for the object expense accounts.

SALARIES

Direct Care - salaries and wages inclusive of providing program services, including client salaries.

Other - salaries and wages not directly associated with providing program services.

Allocation basis: Salaries are charged to functional programs based on the agency's salary allocation plan.

PAYROLL TAXES

FICA taxes, workers' compensation insurance premiums, unemployment taxes (insurance, reimbursements, bond costs) payable by employers under federal, state or local laws.

Allocation basis: payroll taxes are charged to functional programs on the same basis as salaries.

EMPLOYEE BENEFITS

Amounts paid and accrued for employee insurance (medical, life, LTD, vision, dental, etc), retirement benefit plans and EAP plans.

Allocation basis: employee benefits are charged to functional programs on the same basis as salaries or Full Time Equivalents (FTEs).

MEDICAL PROFESSIONAL SERVICES

Physician – Expenses of M.D. practitioners who are not employees of the company and are engaged as independent contractors.

Other – Expenses of other professional medical practitioners who are not employees of the agency and are engaged as independent contractors on a fee or other individual contract basis such as dentists, nurses, behavior consultants, psychologists, physical, occupational, and speech therapists.

Allocation basis: professional fees should be charged to the functional program benefiting from the services.

OTHER PROFESSIONAL SERVICES

Expenses of other professional practitioners and consultants who are not employees of the company and are engaged as independent contractors and/or generic businesses for specified services on a fee or other individual contract basis. Examples include Host home providers, SLS providers, legal fees, auditing fees, accounting and computer service fees.

Allocation basis: professional fees should be charged to the functional program benefiting from the services. Legal, auditing and accounting fees are administrative in nature and should be charged to administration. The only exception is when a reasonable, practical and verifiable basis exists for charging them to another program e.g., legal services secured specifically for residential services, and the applicable legal fees are separately billed.

STAFF DEVELOPMENT

Expenses associated with providing formal internal and external training programs. Includes costs of hiring consultants for internal training activities, fees paid to external organizations for training classes, meeting space, equipment rentals, and food costs for internal programs.

Allocation basis: staff development costs are usually program specific and the associated costs should be charged to the appropriate program when the expenses are initially recorded. When allocations are necessary, they are to have an appropriate verifiable basis. As an example, costs of training programs provided for all of the organization's employees would be allocated based upon salary costs or FTE's for the various functional programs. Does NOT include travel costs.

STAFF TRAVEL

Expenses of staff travel including mileage allowances, hotel, meals and incidental expenses.

Allocation basis: staff travel expenses are usually program specific and charged to the respective functional program. When an employee works in multiple programs, the expenses should be charged based upon the salary allocation of the individual. For example, if the executive director's salary is charged 100% to administration, then all travel expenses for the executive director will be charged to administration. If the

executive director's salary is 80% administration and 20% residential, then travel expenses are charged in the same portion to the functional programs.

VEHICLES

Fuel and oil
Maintenance
Leases

Expenses of agency owned or leased vehicles.

Allocation basis: the cost for vehicle fuel and oil, maintenance, and lease payments should be allocated based on actual use or the salary allocation of the employees using the vehicle. For example, if the staff to whom the vehicle is assigned spend 20% of their time in an administrative function and 80% on residential, the costs of the vehicle should be allocated in the same manner.

OCCUPANCY

Rent/Leases
Maintenance (Pest Control, Janitorial Services)
Utilities (Electric, Gas, Water, Wastewater, Trash Removal)
Expenses resulting from an agency's occupancy and use of owned, rented, or leased land, buildings and offices.

Allocation basis: all occupancy costs are charged to functional programs based upon the functions of the individual's using the space involved. For example, an office building with 2,000 square feet -1,000 square feet is used by case management and 1,000 square feet is used by administrative staff. All of the associated occupancy costs would be equally charged to the functional programs of case management and administration.

EQUIPMENT

Leases
Maintenance
Costs of renting or leasing and maintaining equipment such as computers, copiers, typewriters, program equipment, and the cost of software enhancement fees.

Allocation basis: costs are allocated based upon the actual use of the equipment according to the functions of the individuals using the equipment. As an example, the maintenance cost for a computer used only by administrative personnel would be charged to administration. A contract to service all computers might be allocated based on the number of computers in each program area.

SUPPLIES

Medical and client care
Pharmacy
Production materials – cost of materials used in producing a product in a workshop.
Other – (Office, computer, software, printing, reproduction, postage, shipping, laundry, linen, housekeeping, program and furniture and fixtures less than capitalization policy)

Allocation basis: supplies are for the most part program specific and should be identified as such when the expense is initially recorded.

Postage is normally an administration expense and should be charged to the administration program. However, postage and shipping expenses that are specifically identified for a particular program should be charged to the program instead of to administration.

TELEPHONE

Telephone and other electronic communication expenses. This includes the regular monthly charge for telephone services, including long distance, cell phones, T-1 lines and installation charges for connecting and disconnecting telephones. Costs associated with leasing or purchasing a communication system are reported in the object classifications, lease or depreciation.

Allocation basis: If the expense is identifiable, then it should be charged directly to the appropriate functional program. Otherwise, the expense should be allocated based upon the number of phones for each program relative to the total number of phones. For example, if there are 20 phones in the organization and the residential department has four phones; therefore, 20% of the telephone expense would be allocated to the residential program.

DUES AND SUBSCRIPTIONS

Includes amounts paid for memberships in other organizations, expenses for publications, subscriptions, licenses and survey fees.

Allocation basis: expenses for dues and subscriptions should be charged to the program benefiting from the expenditure. CACCB dues should be charged to administration since the CACCB organization focus is on general activities and not a particular program service of the CCBs. CARF accreditation expense should be charged to the program benefiting from accreditation.

FOOD

Only the cost of consumer food is to be charged to this classification.

Allocation basis: Usually food expense is charged directly to a particular program and allocations should not be necessary. If food is purchased in bulk for several residential programs, the allocation basis should be based on actual usage.

INSURANCE

Includes the cost of premiums for insurance contracts to reimburse the company for revenue or property loss caused by various types of events over which the company has no control. Examples include property, liability, auto, Directors & Officers, crime, and personal needs surety bonds.

Allocation basis: premiums directly identifiable with one program service should be charged to that program service. Premiums that provide coverage for several or all program services should be allocated based upon:

Premiums covering land and buildings should be charged on a basis of square footage of occupancy.

Premiums covering professional liability should be based on salary or FTE.

Premiums based on payroll hours should be charged on a payroll hours basis.

Premiums based on number of persons served should be charged on a person served basis.

Premiums covering vehicles should be based on number of vehicles in program or FMV.

INTEREST

Expenses incurred for borrowing money.

Allocation basis: Interest paid for facility purchases or equipment purchased for a facility are a direct expense to that facility and should be charged to that facility's operating expenses. Expenses would then be allocated out to functional programs on the basis of square footage. Interest paid for general purpose working capital or other general purpose operations shall be considered administrative expenses.

OTHER

Used for all expenses not reportable in another object classification such as Family Support payments, advertising, bad debt expense, and bank service charges. Careful consideration of the nature of all expenses should minimize the use of this category.

Allocation basis: expenses in this classification are typically program specific and allocations are not used. However, expenses such as advertising may require allocation to specific program areas. In this case joint costs may be allocated to each component based on the estimate of costs that would have been incurred if they had been conducted independently.

CONTRIBUTED DONATIONS

Used for recording the value of noncash donations such as rent, services and goods.

Contributed services should only be recorded as revenue and expense if the service:

- Would typically need to be purchased
- Requires specialized skills (Doctors, lawyers, other professionals)
- Are provided by individuals with those skills.

Other contributed donations that can be used or sold should be recorded at the same value as recorded in contributed revenue. Please see *FASB 116* for further detail.

Allocation basis: donations are most often program specific and should be charged to the program benefiting from the donation. For donations benefiting two or more programs, the allocation basis would be the same one used if the item or service was purchased. For example, the donated use of a building by more than one functional program would be allocated on the same basis as identified under the classification

titled, Occupancy. The stated allocation basis would be the square footage of the space involved.

PURCHASED SERVICES

Expenses for purchasing program services from a Program Approved Service Agency (PASA). This classification does not include such items as contracted therapy, psychology services, and independent contractors. Services of this type are properly recorded in the object classification of professional services.

Allocation basis: expenses in this classification are should always be program specific and allocations are not used.

DEPRECIATION & AMORTIZATION

Used for recording the depreciation and amortization expenses for depreciable assets. (Those items that exceed the organization's capitalization policy.) Examples of depreciable assets are wheelchairs, computers, furniture, vehicles and buildings.

Allocation basis: depreciation expense for fixed assets benefiting two or more functional programs is allocated based upon the functions of the individuals using the assets.

CHAPTER 6

Supplemental Information Submission and Supplemental Audit Schedules

Financial and programmatic reporting should communicate adequate information to user groups to enable them to assess the performance of those parties that have been empowered to act in the place of the citizenry. As part of the Colorado Systems Change Project, there were major changes in how DDS contracts and pays for services. These changes also affected how DDS obtains certain cost and non-dollar quantitative data required to meet the State's responsibility identified in GASB Concept Statement-1 and the federal assurances provided as part of the waiver approval process.

To meet the CCBs responsibilities as the Organized Health Care Delivery System and to ensure that DDS obtains the information necessary to meet all of the implicit requirements of GASB and the Medicaid Waiver reporting requirements, the submission of the supplemental information from PASAs to CCBs and from CCBs to DDS is necessary. The following outlines the information that must be collected, maintained, and submitted by CCBs and their subcontractors (PASAs).

Supplemental Information Submission

Supplemental information that needs to be collected, maintained, and submitted varies by type of program and the specific need for the information. For example the information needed for a service where the CCB is responsible for setting a local rate would be more substantial than information required to report on a program where the most important factor is how many individuals were served. The following outlines those differences and provides both CCBs and PASAs direction regarding the types of information that is required.

1. Comprehensive Services Waiver

The CCB and their contractors (PASAs) shall maintain and provide documentation to support the CCB's submission of the following information on a monthly basis within the Community Contract Management System:

- Days in Residential Service – This is defined as days when the individual is actually in residence for some portion of the day.
- Allowable Absent or Vacant Days – Absent days are when the individual is absent from their residence and vacant days are when the resource is not in use or filled.
- Face to face hours of support for integrated and non-integrated activities and hours of support for non-integrated work.
- Supported Employment hours of support as defined in the CCMS manual.

Additionally the PASAs must submit at least annually sufficient cost information to the CCB to support the negotiated rates being paid by the CCB for Comprehensive Services or any primary component service (residential, day program or transportation) purchased. This information may be in the form of a cost report format or included as a supplemental schedule within the audited financial statements of the PASA.

2. Supported Living Services Waiver (SLS)

In the State's negotiations with the Centers for Medicaid and State Operations (CMS) that allowed the "bundled" payment methodology, DDS had to provide assurances that the information that was previously available through "fee for service" billing would still be available in CCMS and confirmed in the annual audited financial statements. To meet this requirement and to support the CCBs local rate setting methodology, the CCBs shall collect, from all service providers, at least annually, the actual cost for each SLS service component and the total units of service provided for each of the following categories:

- Personal Assistance
- Day Habilitation
- Employment
- Supported Employment
- Prevocational
- Transportation
- Professional services
- Dental-Vision-Hearing
- Environmental Engineering

In addition the CCB is required to collect from all service providers and report either monthly or periodically within the following information:

- Personal Assistance actual hours (monthly)
- Day Habilitation actual hours (monthly)
- Supported Employment actual hours (monthly)
- Prevocational actual hours (monthly)
- Transportation actual occurrences (monthly)

- Professional Services actual hours (monthly)
- Dental/Vision/Hearing actual occurrences (monthly)
- Environmental Engineering actual occurrences and description (monthly)
- Professional Service description (PT, OT, Speech, Behavioral etc.) upon request and typically for a sample of recipients (periodically).
- Dental/Vision/Hearing description upon request and typically for a sample of recipients (periodically)

The CCBs shall maintain, at their location, the provider detail that supports the information provided in CCMS. The CCBs should also be prepared to provide some of this information on an individual basis as well as on a summary basis depending on the requesting agency and reason for the review. Therefore the CCB must ensure that the information being provided by PASAs and their own service provision is supported in the following manner.

- Hours and Occurrences shall be supported by attendance records or invoices and will include at a minimum the providers name, the consumers name, the description of the service provided, the dates of service, the hours or occurrences provided, and an authorizing signature.
- The periodic information that is “available upon request” from the CCB shall be maintained in a manner that is readily accessible.

Supplemental Audit Schedules

The Supplemental Information section of the CCBs and Program Approved Service Agencies (PASA) annual financial statements provides additional details about support and revenue, expenses and also reports non-dollar quantitative data. Various statements are included in this section of the annual financial statements to report the types, amount and cost of services.

The information in the Supplemental Information section of the annual financial statements is also used to document costs of services to different funding organizations. CCBs often have multiple funding sources and it is necessary to report to these different organizations as to the costs of the programs that the funding organizations purchased. The format of the various statements is organized to show total program cost and the component cost of the total cost that is required by the funding organizations.

To report the total program costs, including administration, to funding organizations, it is necessary to allocate the cost to the different functional program categories. This reporting objective is met by allocating the net amount of administration cost to each of

the direct program services. The administration cost shall be allocated to the other functional program categories by percentages based upon total cost of each program.

All functional program categories are required to have the following non-dollar quantitative data:

- The maximum number of days/units/member months of service included in the contract.
- The number of days/units/member months of service actually provided.
- The minimum number of individuals to be served per the contract.
- The unduplicated count of number individuals actually served.

In addition the Comprehensive Services Waiver and the Supported Living Services Waiver has additional reporting requirements and are as follows:

1. Comprehensive Services Waiver

- Total days in residential used – State, Medicaid, Private Pay
- Total days in residential used – State and Medicaid only

2. Supported Living Services Waiver

- Total summary cost of Personal Assistance services
- Total summary cost of Day Habilitation.
- Total summary cost of Supported Employment services
- Total summary cost of Prevocational services
- Total summary cost of Transportation services.
- Total summary cost of Professional Services.
- Total summary cost of Dental/Vision/Hearing
- Total summary cost of Environmental Engineering

The CCB shall collect and maintain the supporting documentation from all providers used to determine the amount of total summary cost reported in the audit for each component service (personal assistance, professional services, etc) and ensure that this documentation is readily accessible, reasonable, and auditable.

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