

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

508

OFFICE OF STATEWIDE HEALTH
PLANNING AND DEVELOPMENT
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

508

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Office of Statewide Health Planning and Development, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; and Harriet Kijan.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Office of Statewide Health Planning and Development. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The main objective of the Office of Statewide Health Planning and Development (OSHPD) is to improve and maintain a uniform system of health facilities and services throughout California. These are the responsibilities of the OSHPD:

- To develop the State Health Plan and the State Medical Facilities and Services Plan;
- To implement the State's Certificate of Need Program;
- To assure that construction plans and specifications for all major health facilities comply with state building codes;
- To assure that available federal and state financial assistance is provided for development of needed health facilities;

- To conduct activities for planning and use of health manpower.

The programs of the OSHPD are supported by fees charged for various departmental services, income from operations or proceeds from sale of property acquired by default of borrowers, insurance premiums, federal grants, and appropriation from the State's General Fund.

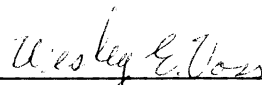
AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Office of Statewide Health Planning and Development as of June 30, 1979 and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Office of Statewide Health Planning and Development at June 30, 1979 and the results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information and the columns on the accompanying financial statements captioned "Totals -Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: August 29, 1980

Staff: Curt Davis, CPA
Michael C. Dendorfer, CPA
Ross Luna
Harriet Kiyan

OFFICE OF STATEWIDE HEALTH PLANNING
AND DEVELOPMENT

COMBINED BALANCE SHEET
FUND TYPES AND ACCOUNT GROUP

JUNE 30, 1979

ASSETS	Governmental Fund Types		Proprietary Fund Type	Account Group General	Totals
	General	Special Revenue	Enterprise	Fixed Assets	(Memorandum Only)
Cash	\$ 146,976	\$ 41,058	\$ 184,339	\$ --	\$ 372,373
Investments (Note 2)	--	2,284,000	6,044,000	--	8,328,000
Receivables	3,939,428	99,355	230,764	--	4,269,547
Allowance for deferred and uncollectible receivables (Note 3)	(3,328,916)	--	--	--	(3,328,916)
Due from other funds	225,706	206,710	14,405	--	446,821
Due from the Federal Government	789,027	--	--	--	789,027
Expense advances to employees	19,043	--	--	--	19,043
Equipment	--	--	--	111,426	111,426
Total Assets	<u>\$ 1,791,264</u>	<u>\$2,631,123</u>	<u>\$6,473,508</u>	<u>\$111,426</u>	<u>\$11,007,321</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 261,006	\$ 789,595	\$ --	\$ --	\$ 1,050,601
Due to other funds	221,115	--	225,706	--	446,821
Revenues collected in advance	1,744	--	--	--	1,744
Uncleared collections	31,014	--	--	--	31,014
Total Liabilities	<u>514,879</u>	<u>789,595</u>	<u>225,706</u>	<u>--</u>	<u>1,530,180</u>
Encumbrances Outstanding	<u>3,982,154</u>	<u>327,600</u>	<u>--</u>	<u>--</u>	<u>4,309,754</u>
Fund Equity:					
Investment in general fixed assets	--	--	--	111,426	111,426
Clearing account with the State Controller (Note 7)	(2,705,769)	--	--	--	(2,705,769)
Fund balances:					
Designated for special purposes	--	1,513,928	--	--	1,513,928
Retained earnings	--	--	6,247,802	--	6,247,802
Total Fund Equity	<u>(2,705,769)</u>	<u>1,513,928</u>	<u>6,247,802</u>	<u>111,426</u>	<u>5,167,387</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 1,791,264</u>	<u>\$2,631,123</u>	<u>\$6,473,508</u>	<u>\$111,426</u>	<u>\$11,007,321</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF STATEWIDE HEALTH PLANNING
AND DEVELOPMENT

COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	General	Special Revenue	Totals - (Memorandum Only)
Revenues:			
Interest income	\$ 123,319	\$ 214,203	\$ 337,522
Hospital building fees	--	1,141,479	1,141,479
Total Revenues	123,319	1,355,682	1,479,001
Expenditures:			
Personal services	3,542,354	--	3,542,354
Operating expenses and equipment	3,195,515	--	3,195,515
Local assistance for the Health Manpower Program	459,627	--	459,627
Seismic Safety Program	--	1,473,290	1,473,290
Medical Training Program (Note 4)	4,269,761	--	4,269,761
Miscellaneous adjustments (Note 5)	5,000	161,912	166,912
Reimbursements (Note 6)	(5,909,253)	--	(5,909,353)
Total Expenditures	5,563,004	1,635,202	7,198,206
Excess of Revenues over Expenditures	(5,439,685)	(279,520)	(5,719,205)
Other Financing Sources (Uses):			
Support appropriation	683,615	--	683,615
Repayment of fire protection loans	100,670	--	100,670
Intrafund transfers	(223,989)	--	(223,989)
Total Other Financing Sources	560,296	--	560,296
Excess of Expenditures over Revenues and Other Sources	(4,879,389)	(279,520)	(5,158,909)
Fund Equity - July 1	2,173,620	1,793,448	3,967,068
Fund Equity - June 30	\$(2,705,769)	\$ 1,513,928	\$(1,191,841)

The notes to the financial statements are an integral part of this statement.

OFFICE OF STATEWIDE HEALTH PLANNING
AND DEVELOPMENT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
HEALTH FACILITY CONSTRUCTION LOAN INSURANCE FUND
PROPRIETARY FUND TYPE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Operating Revenues:	
Application fees	\$ 3,000
Certification and inspection fees	93,278
Insurance premiums	<u>1,797,158</u>
Total Operating Revenues	<u>1,893,436</u>
Operating Expenses:	
Administrative expenses	<u>246,258</u>
Operating Income	<u>1,647,178</u>
Nonoperating Revenues:	
Interest income	<u>405,280</u>
Net Income	2,052,458
Retained Earnings - July 1	<u>4,195,344</u>
Retained Earnings - June 30	<u><u>\$6,247,802</u></u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF STATEWIDE HEALTH PLANNING
AND DEVELOPMENT

STATEMENT OF CHANGES IN FINANCIAL POSITION
HEALTH FACILITY CONSTRUCTION LOAN INSURANCE FUND
PROPRIETARY FUND TYPE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Sources of Working Capital:	
Net income	<u>\$2,052,458</u>
Elements of Net Increases in Working Capital:	
Cash	\$ 183,782
Investments	1,940,000
Receivables	120,316
Due from other funds	14,405
Due to other funds	(225,706)
Accounts payable	<u>19,661</u>
Net Increase in Working Capital	<u>\$2,052,458</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF STATEWIDE HEALTH
PLANNING AND DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and the results of operations of the Office of Statewide Health Planning and Development. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into Governmental Fund Types, a Proprietary Fund Type, and an Account Group. The Office of Statewide Health Planning and Development accounts for only its portion of the fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes consolidated fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund and the Special Revenue Fund are the Governmental Fund Types in the OSHPD.

General Fund

This fund includes all financial resources not accounted for in another fund.

Special Revenue Fund

This fund is used to account for specific revenues and operating expenditures earmarked for particular activities. The Hospital Building Account of the Architecture Public Building Fund is the Special Revenue Fund used by the OSHPD.

Architecture Public Building Fund (Hospital Building Account) - The OSHPD uses the Architecture Public Building Fund (Hospital Building Account) to fund reviews of working drawings and specifications and observations of the construction of hospital projects to assure that hospitals are constructed to standards adequate to withstand severe damage during earthquakes.

The Governmental Fund Types are maintained on the modified accrual basis of accounting. These are some of the significant elements:

Income

Throughout the fiscal year, all income, except certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures against budget appropriations, including encumbrances outstanding for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the OSHPD are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$549,025.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

PROPRIETARY FUND TYPE

The Proprietary Fund Type is used to account for the measurement of net income and capital maintenance within a government's organizations and activities. This fund type, which resembles those often found in the private sector, includes Enterprise Funds. The Enterprise Fund for the OSHPD is the Health Facility Construction Loan Insurance Fund.

Health Facility Construction Loan Insurance Fund

Under the OSHPD's loan insurance program, public and nonprofit corporations may insure needed construction, improvement, or expansion loans for constructing, remodeling, or acquiring health facilities. This fund is used to account for insurance premium charges for insuring construction loans for hospital facilities. Fees for applications, inspections, and certifications are also accounted for in this fund.

The Proprietary Fund Type is maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

GENERAL FIXED ASSETS ACCOUNT GROUP

The Account Group is used to account for equipment. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$19,196 during the year.

2. INVESTMENTS

This account shows the amount of the OSHPD's money invested in the State's Surplus Money Investment Fund. The Surplus Money Investment Fund is used to account for monies that have been transferred for investment purposes. All earnings derived from investments of the fund are apportioned to the contributing funds. Interest due from the Surplus Money Investment Fund is accrued at June 30.

3. ALLOWANCE FOR DEFERRED RECEIVABLES
AND UNCOLLECTIBLE RECEIVABLES

This account represents receivables that are not expected to be collected within the next fiscal year. Loans receivable of \$3,328,916 from private nonprofit institutions for installation of fire protection equipment are payable in 30 years together with interest of 5 percent per year. The Chief Legal Counsel stated that loans receivable from Pacific Homes totaling \$699,192 and from Harbor View House totaling \$89,353 may not be collected.

4. MEDICAL TRAINING AND PROGRAMS

This account represents expenditures for contracts with accredited medical schools for the administration and evaluation of the family physician training program.

5. MISCELLANEOUS ADJUSTMENTS

This account shows the differences between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the period ending June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

6. REIMBURSEMENTS

This account represents the General Fund operating expenses paid on behalf of these funds or other appropriations:

Health Facility Construction	
Loan Insurance Fund	\$ 237,925
Architecture Public Building Fund	1,473,290
Public Health Federal Fund	2,589,027
Other appropriations and contracts with other agencies	<u>1,609,011</u>
Total Reimbursements	<u>\$5,909,253</u>

7. CLEARING ACCOUNT WITH THE STATE
CONTROLLER AND INTRAFUND TRANSFERS

This account is the connecting link between the records of the various state agencies and the central fund accounts maintained by the State Controller for the General Fund and for other funds not accounted for entirely by one agency.

Intrafund transfers are cash receipts the department remitted to the State Treasurer during the year; these receipts represent revenues, reimbursements, and refunds to reverted appropriations.

SUPPLEMENTAL INFORMATION

On the following supplemental information--Comparison of Budgeted Expenditures with Actual Expenditures--the amounts shown as budgeted expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

While not necessary for a fair presentation of the financial statements, the supplemental information is included to provide additional analytical data.

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT
 COMPARISON OF BUDGETED EXPENDITURES WITH ACTUAL EXPENDITURES
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	General Fund		Special Revenue Fund		Totals		Variance Favorable (Unfavorable)
	Budget As Adjusted	Actual	Budget As Adjusted	Actual	Budget As Adjusted	Actual	
Expenditures:							
Personal services	\$ 3,605,679	\$ 3,542,354	\$ --	\$ --	\$ 3,605,679	\$ 3,542,354	\$ 63,325
Operating expenses and equipment	3,557,873	3,195,515	--	--	3,557,873	3,195,515	362,358
Local assistance for the							
Health Manpower Program	463,836	459,627	--	--	463,836	459,627	4,209
Seismic Safety Program	--	--	1,751,646	1,473,290	1,751,646	1,473,290	278,356
Medical Training Program	10,418,726	4,269,761	--	--	10,418,726	4,269,761	6,148,965
Miscellaneous adjustments	--	5,000	--	--	--	166,912	(166,912)
Reimbursements	(6,348,158)	(5,909,253)	--	--	(6,348,158)	(5,909,253)	(438,905)
Total Expenditures	\$11,697,956	\$ 5,563,004	\$1,751,646	\$1,635,202	\$13,449,602	\$ 7,198,206	\$6,251,396

OTHER COMMENTS

As an integral part of our examination, we reviewed the Office of Statewide Health Planning and Development's accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the OSHPD's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the office in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The OSHPD concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps