



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
CALIFORNIA HEALTH FACILITIES
COMMISSION FUND
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-507-142**

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

507-142

FINANCIAL AUDIT REPORT
CALIFORNIA HEALTH FACILITIES COMMISSION FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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CHAIRMAN

November 21, 1980

507-142

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 California Health Facilities Commission Fund, year ended June 30, 1979.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "S. Floyd Mori".

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 California Health Facilities Commission Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The California Health Facilities Commission Fund was created by Chapter 1242 of the Statutes of 1971 and Chapter 1171 of the Statutes of 1974 to be a depository for fees to fund the activities of the California Health Facilities Commission. This commission was initially created to develop uniform accounting and reporting for certain hospitals as specified in Section 442.1 of the Health and Safety Code. Chapter 1171 of the Statutes of 1974 required the commission to develop a similar system for all health facilities. The commission is responsible for disclosing financial and related data for all health facilities operating in the State.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the California Health Facilities Commission Fund as of June 30, 1979 and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. Except as set forth in the following paragraph, 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.

The California Health Facilities Commission did not maintain sufficient detailed records to support the balance of \$85,118 listed in the General Fixed Assets Account Group as of June 30, 1979. We were not able to examine evidence supporting \$51,385 of equipment purchases; thus, we could not verify this balance by performing appropriate audit tests. Therefore, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements for the General Fixed Assets Account Group as of June 30, 1979.

In our opinion, except for the disclaimer of opinion on the General Fixed Assets Account Group, the aforementioned financial statements present fairly the financial position of the California Health Facilities Commission Fund as of June 30, 1979 and the results of operations and changes in fund balance 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 is not necessary for a fair presentation of the financial statements but is 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

WESLEY E. VOSS
Assistant Auditor General

Date: September 5, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Ross Luna
Harriet Kiyon
Kim Smith

CALIFORNIA HEALTH FACILITIES COMMISSION FUND

BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Account Group</u>
<u>ASSETS</u>	Special Revenue	General Fixed Assets
Cash	\$ 28,960	\$ --
Investments at cost (Note 2)	394,000	--
Receivables:		
Accounts	82,686	--
Accrued interest	38,770	--
Advance to Service Revolving Fund	30,082	--
Expense advances to employees	4,248	--
Equipment	<u> --</u>	<u>85,118</u>
Total Assets	<u>\$578,746</u>	<u>\$85,118</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$132,841	\$ --
Due to other funds	<u> 3,999</u>	<u> --</u>
Total Liabilities	<u>136,840</u>	<u> --</u>
Encumbrances Outstanding	<u> 46,128</u>	<u> --</u>
Fund Equity:		
Investment in general fixed assets	--	85,118
Fund balance	<u>395,778</u>	<u> --</u>
Total Fund Equity	<u>395,778</u>	<u>85,118</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$578,746</u>	<u>\$85,118</u>

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

CALIFORNIA HEALTH FACILITIES COMMISSION FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Regulatory fees	\$1,734,310
Penalties	1,375
Sale of documents	21,888
Interest income	83,489
Miscellaneous revenues	<u>2,341</u>
Total Revenues	<u>1,843,403</u>
Expenditures:	
Personal services	1,073,426
Operating expenses and equipment	783,381
Miscellaneous adjustments (Note 3)	50,016
Reimbursements	<u>(180,303)</u>
Total Expenditures	<u>1,726,520</u>
Excess of Revenues over Expenditures	116,883
Fund Balance - July 1	<u>278,895</u>
Fund Balance - June 30	<u><u>\$ 395,778</u></u>

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

CALIFORNIA HEALTH FACILITIES COMMISSION FUND
NOTES TO 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 California Health Facilities Commission Fund. 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 California Health Facilities Commission Fund is a Special Revenue Fund established to finance the activities of the California Health Facilities Commission. The commission is responsible for disclosing financial data which enables public agencies to make informed decisions about health facilities. The California Health Facilities Commission Fund is maintained on a 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 are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and its 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 \$131,740.

ACCOUNT GROUP

The account group is used to account for general fixed assets. 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 \$18,001 during the fiscal year.

2. INVESTMENTS

This account shows the amount of the agency's money in the Surplus Money Investment Fund, which is used to account for the 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. MISCELLANEOUS ADJUSTMENTS

These accounts show the difference between the net amount of revenue, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenue, expenditures, abatements, and reimbursements obtained during the current fiscal year.

SUPPLEMENTAL INFORMATION

The following statement is not considered necessary for a fair presentation of the commission's financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles but is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

On the following financial statement the amounts shown as budget 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.

CALIFORNIA HEALTH FACILITIES COMMISSION FUND

COMPARISON OF BUDGETED EXPENDITURES
WITH ACTUAL EXPENDITURES

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget As Adjusted</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures:			
Personal services	\$1,247,716	\$1,073,426	\$174,290
Operating expenses and equipment	908,551	783,381	125,170
Miscellaneous adjustments	--	50,016	(50,016)
Reimbursements	<u>(231,122)</u>	<u>(180,303)</u>	<u>(50,819)</u>
Total Expenditures	<u>\$1,925,145</u>	<u>\$1,726,520</u>	<u>\$198,625</u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the commission's accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and the 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 commission along with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally 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