



DHIN Financial Policies

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DHIN Financial Policy Manual

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A. Introduction

Purpose of the Manual

The Financial Policies Manual of the Delaware Health Information Network (hereafter referred to as DHIN) is the official document for the accounting and financial administration for DHIN's federal, state, and private funding.

The purpose of the manual is to provide information on relevant financial policies and to establish a set of rules, checks, and balances on the financial operations of DHIN.

This manual contains the essential fiscal policies of DHIN. From time to time, as additional matters require promulgation or changes to this manual are appropriate, this manual may be amended by the DHIN Finance Manager and approved by the DHIN Finance Committee and then by the DHIN Board of Directors.

B. Accounting

Purpose

The purpose of this policy is to establish financial recognition principles and guidelines necessary to ensure superior financial management.

Policy

The Finance Manager is responsible for accounting for DHIN financial activity in accordance with Generally Accepted Accounting Principles (GAAP). DHIN's fiscal year runs from July 1 to June 30. DHIN reports income and expenses on an accrual basis: recognizing expenses and revenues when they are incurred, as opposed to when the cash is transferred. This allows for greater reporting consistency and greater transparency of the DHIN's true financial condition.

Expenses

Expenditures will be recorded when materials or services are received or when an obligation or the impairment of an asset has occurred.

Income

Income from State and Federal sources is recognized when the work for a given stage of a project is completed. Income is recognized from the private sector when invoices are issued. DHIN invoices the data senders (those who send information from their systems into the DHIN (e.g. hospitals and laboratories)) one quarter in advance in order to ensure it is properly funded to support anticipated vendor invoices and project expenses. For Payers (Private insurance companies and Medicaid), monthly Per Member Per Month (PMPM) invoices are issued. The number of members is derived from an eligibility file sent to DHIN each month.

C. Capitalization

Purpose

The purpose of this policy is to establish a capitalization policy for financial accounting purposes for equipment and software. Capitalization allows for the recognition of the expense to be consistent with the useful life of the asset, consistent with Generally Accepted Accounting Principles (GAAP).

Policy

Purchased Equipment - Purchased equipment to be capitalized is an article of nonexpendable tangible property with a useful life of more than one year and a cost of \$5,000 or more per unit. An example would be DHIN's computer hardware at its data center.

Software - Purchased software is to be capitalized when it is projected to have a useful life of more than one year and a cost of \$5,000 or more per unit. Software related to the DHIN's operating systems is not the property of the DHIN. DHIN purchases annual license and maintenance for its operating system software.

Building – Buildings are to be capitalized when it is projected to have useful life of more than one year and a cost of greater than \$100,000.

Any exceptions to the above policy require the written approval of the Board of Directors.

D. Receivables

Purpose

The purpose of this policy is to establish a receivables policy for financial accounting purposes in regards to revenue recognition. Proper revenue recognition is important for transparent reporting of DHIN's financial condition.

Policy

DHIN sends invoices for services provided with net payment due in 30 days. DHIN will follow up in 30 days if payment not received.

In the event that the customer does not pay the amount due within 30 days, such amount shall bear interest at the rate equal to 1.0% per month.

In the event that the stakeholder goes 60 days past due on payment, the DHIN Executive Director and Finance Manager will contact the customer to discuss resolution.

In the event that the customer goes 120 days past due on payment, the Finance Committee, and Executive Committee will be notified.

E. Payment Authorization

Purpose

The purpose of this policy is to assign authority for the authorization of payments of goods and services in order to establish checks and balances of the payment of DHIN funds.

Policy

Under Article IX of the DHIN By-Laws, the Board of Directors, may by resolution, authorize any officer or officers, agent or agents or the Executive Committee, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the DHIN, and such authority may be general or confined to specific instances.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the DHIN and any and all securities owned by or held by the DHIN requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

All checks or other orders of a payment are required to have two signatures or electronic approvals (e.g. e-mail authorization). In addition, the Financial Manager will obtain authorization from the requestor to process an ACH/online payment.

- The CIO and Communications Director have initial signature approval for their corresponding purchases of goods and services.
- The Executive Director has final signature approval for all purchases of goods and services up to \$10,000.
- The Board Treasurer has final signature approval for all purchases of goods and services in excess of \$10,000.

All checks or other orders for payment of money shall be processed via the QuickBooks processing system by the Finance Manager.

All checks or other orders for payment of money shall be processed within the agreed upon payment date with the vendor.

F. Financial Reporting to Outside Agencies and Stakeholders

Purpose

The purpose of this policy is to establish responsibility for providing various periodic financial reports required by governmental and private agency regulations. Periodic reporting is a requirement for continued access to granted governmental funds. This policy also describes controls for distributing DHIN information to internal stakeholders.

Policy

The Finance Manager is responsible for the timely preparation, approval and submission of all required financial reports, including interim and final financial reports required under grant and contract agreements.

DHIN's QuickBooks system represents the official book of record supporting all required financial statements.

Interim and final financial reports must be submitted by the due date required by the grant, federal, or state funding award.

Any financial information included in reports to any outside third party, either directly or by reference, must be approved by the Finance Manager prior to distribution.

The Board Treasurer must review all financial reports prior to presentation in any public forum and/or financial reports included in written materials to any outside entity.

G. Closing /Financial Statements

Purpose

The purpose of this policy is to establish policies governing the periodic closing of the financial records and accounts and preparation of financial statements. In order to provide financial transparency to its stakeholders, the Finance Manager produces quarterly financial reports to the Board of Directors. The purpose of the reporting is to provide insight on the amount and the content of the DHIN's revenue and expenses. Reporting also provides a snapshot of the DHIN's encumbered balances from Federal, State, and private sources.

Policy

The Finance Manager is responsible for:

- Establishing all closing schedules to ensure that the financial statements are completed 15 days after month end;
- Preparing the financial statements in accordance with Generally Accepted Accounting Principles;
- Reconciliation of bank transactions between the financial accounting software and the corresponding bank accounts and funding streams will be completed by either the Director of Operations and Government Affairs or the Director of Provider Relations and Business Development..

The financial statements shall be subject to annual audit by an independent Certified Public Accountant as appointed by the State of Delaware Auditor of Accounts.

Quarter-end financial reports are presented to the Board of Directors at the meeting which follows 15 days after quarter end.

H. Banking Relationships

Purpose

The purpose of this policy is to establish responsibility for the efficient operations of DHIN's banking relationships.

Policy

All bank accounts and authorized signers must be authorized by the Executive Director and the Board Treasurer.

The Board Treasurer and Executive Director are responsible for initiating and executing all transactions with banking institutions. This includes any bank accounts, external financing arrangements (e.g. loans, letters of credit), and receipt processing arrangements (lockboxes). The management of this responsibility is delegated to the Finance Manager.

Checkbooks and contracts related to DHIN's banking relationships are stored in a secure filing cabinet in DHIN's offices.

I. Credit Policy

Purpose

The purpose of this policy is to establish credit policies which allow DHIN to prudently manage its credit utilization while ensuring proper checks and balances.

Policy

Any major credit agreements entered into by DHIN shall require approval of the Executive Director and the Finance Committee. Major credit agreements are intended to include lines of credit or installment obligations from financial institutions as well as any credit obligation with a principal amount or potential principal amount in excess of \$5,000.

Any minor credit agreements entered into by DHIN shall require the written approval of both the Board Treasurer and the Executive Director. Minor credit agreements are intended to include credit cards with limits of \$5,000 or less and other extensions of credit from vendors.

Any credit cards held by DHIN shall be used for the convenience of purchasing by those authorized by the Board Treasurer and Executive Director. Use of the company credit card number, in cases where orders are phoned in, by any other member of the staff shall only be permitted after verbal permission is obtained from the Executive Director and should only be granted in cases where no other means of payment is practicable.

Upon use of the company credit card, the receipt should be submitted to the Executive Assistant. If the purpose and description of the purchase is not clear, it should be noted on the receipt or on an attached sheet. These receipts will then be matched to the bill when received and processed for payment.

Any personal use of the company credit card is strictly prohibited.

Credit card statements are reviewed and verified by the DHIN Executive Assistant. Once completed, the Executive Assistant submits the credit card statement to the Executive Director for approval to pay. When approval is received, the statement is then sent to the Finance Manager for payment.

J. Interest Income

Purpose

The purpose of this policy is to provide guidelines for the payment of internal credit on cash balances and establish responsibility for the efficient operations of DHIN's banking relationships.

Policy

Interest earned on DHIN's private account (held by the State since inception) shall be allocated to DHIN's private funds. Interest earned from DHIN's interest bearing checking account will be moved to DHIN's Money Market account in order to maximize interest compounding. From a fund accounting perspective, this interest will be credited to a general interest fund (not stakeholder specific) and shall be used as required.

The Finance Manager shall be responsible for monitoring and entering the interest adjustments from DHIN's bank accounts. As part of the reconciliation control process (see section G), the Executive Director will monitor these adjustments.

K. Investments

Purpose

The purpose of this policy is to establish responsibility for the investment decisions and administration of DHIN assets.

Policy

The Finance Manager shall work with the Finance Committee, chaired by the Board Treasurer, to determine the investment strategy.

The Finance Committee shall provide recommendations to the Board of Directors on initial strategy and ongoing changes to DHIN's investments. The Board of Directors shall approve recommendations from the Finance Committee prior to implementation.

The Finance Manager shall administer all decisions approved by the Board. As part of the monthly reconciliation control process, the Executive Director shall monitor the activities of the Finance Manager to ensure accurate execution.

L. Payroll

Purpose

The purpose of this policy is to establish guidelines for the processing of employee payroll.

Policy

DHIN employees are paid twice a month, on a semi-monthly lag from time worked.

Pay checks are issued on the first and 16th business day of each month. When pay day falls on a weekend or holiday, pay will be distributed on the last business day prior to the first and/or 16th of the month.

There will be 24 pay periods per year. The January 1st payroll shall be processed on the first business day of each calendar year.

All payroll-related expenses (salary, taxes, IRA contributions, etc.) are deducted by the payroll service from DHIN's checking account.

Partial month work will be prorated based on days worked and/or eligibility for compensation.

Direct deposit of all payroll checks is required.

The vendor shall provide verification of payroll distributed and shall provide all related tax forms (W-2's, etc.) to the Finance Manager for distribution.

M. Audit

Purpose

The purpose of this policy is to establish guidelines for the annual audit of DHIN's financial records. Under DHIN Statute - Title 16, Chapter 103, § 10303, Section XVIII, the DHIN is required to make annual reports to the Governor and members of the General Assembly setting forth in detail its operations and transactions, which shall include annual audits of the books and accounts of the DHIN made by a firm of independent certified public accountants mutually agreed to by the Auditor of Accounts and the Director of the Office of Management and Budget.

Policy

The financial statements shall be subject to an annual audit by an independent Certified Public Accountant as appointed by the State of Delaware Auditor of Accounts.

The DHIN Finance Manager will work with the Senior Manager of Contracts & Administration at the Office of the Auditor of Accounts to coordinate the RFP process of the audit.

The audit shall be conducted annually within 90 days after the close of each fiscal year.

During the audit process, the Finance Manager and Board Treasurer will keep the Finance Committee and the Board of Directors abreast of the progress of the audit during concurrent Finance Committee and Board of Directors meetings.

The Board Treasurer and Finance Manager will review the draft audit report with the auditor to clarify and/or identify any outstanding issues. Upon completion of the initial review, the auditor will make any changes as necessary. The updated document will then be submitted for review by the Finance Committee each November. The Finance Committee will review the report, discuss recommendations, and develop steps for implementing recommendations suggested by the audit report. The audit report and recommendations are then presented at the following Board of Directors meeting for approval.

N. Budgeting

Purpose

The purpose of this policy is to establish budgeting guidelines for DHIN in order to ensure consistency of the financial plan to DHIN's project plan.

Policy

The DHIN Finance Manager shall conduct a forecast of expenses twice each year, an annual budget and a reforecast.

In March of each year, DHIN staff works jointly with its stakeholders to finalize implementation priorities and implementation timing for the forthcoming fiscal year. Once consensus is reached, the Finance Manager, the Program Manager, and the CIO work with the IT vendor project lead to determine pricing and expense timing of expected projects. Pricing is validated by the Finance Manager, the Program Manager, and the CIO from the pricing tables listed in the vendor master agreement

In addition to the technical expenses, the Finance Manager works with the Executive Director and the CIO to understand forecasted personnel, other project, and ancillary expenses.

Each forecast shall be reviewed, revised, and approved by the Finance Committee. Once completed, the Finance Committee then submits the forecast to the Board of Directors for approval.