

LHS-D24
Sep. '73

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ADMINISTRATIVE MANUAL
for the
STATE HEALTH AID ACT OF 1966
(N.J.S.A. 26:2F-1 et seq.)

(Effective September 1, 1973)



NEW JERSEY, (STATE) DEPARTMENT OF HEALTH,
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PREFACE

Policy decisions, instructions, and guidelines are necessary to facilitate the equitable administration of State Health Aid. The manual strives to fulfill this need and at the same time insure a "fair value received" for each State Health Aid dollar expended.

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CHAPTER I

ADMINISTRATION

1. Policy Decisions

- 1.1. Relationship to the "recognized Public Health Activities and Minimum Standards of Performance for Local Health Departments in New Jersey".
 - 1.1.1. The State Health Aid Act provides funds to help local health agencies meet the minimum Standards of Performance for Recognized Public Health Activities. The requirements of the "Certified Health Services" are more specific and demanding than those of "Minimum Standards". The Certified Health Services in no way change or abrogate the Recognized Public Health Activities and Minimum Standards of Performance for Local Health Departments.
- 1.2. The Local Health Agency.
 - 1.2.1. The local health agency may be any local governmental agency organized to provide health services. To qualify for State Health Aid a local health agency must serve a minimum population of 25,000 and be under the administrative direction of a full-time Health Officer, and all other employees are appropriately qualified and licensed as required by law. A qualification waiver is contained in R.S. 26:2F-3k. The local governmental agency, through its Health Officer, submits the application for State Health Aid. State Health Aid payments must be delivered to the fiscal officer of the local health agency.
 - 1.2.2. A local health agency that does not serve a population of 25,000 but employs a full-time Health Officer, may become eligible to apply for State Health Aid by contracting to supply Health Officer administrative direction, operational control and other optional health services to municipalities in order that the aggregate population will be at least 25,000.
- 1.3. The Certified Health Services.
 - 1.3.1. The program standards have their origin in the "Recognized Public Health Activities and Minimum Standards of Performance for Local Health Departments". The Standards are not static; when experience with new health activities planned by local health agencies permits the development of program and personnel standards for those activities, the Public Health Council will take appropriate action for their inclusion within the "Certified Health Services".

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- 1.3.2. When a Certified Health Service is selected that requires Public Health Nurse and/or Graduate Nurse (Public Health) or School Nurse time, compliance with the Certified Health Service "Provide public health nursing administration" is mandatory.
- 1.3.3. Subsequent to January 1, 1972 all local health agencies participating in State Health Aid must comply with the program standards of the Certified Health Service, "Establish the administrative apparatus to manage the activities of the local health agency". These program standards are not beyond what is essential for the maintenance of a local health agency employing a full-time Health Officer.
- 1.3.4. When a local health agency or other nursing agency loses the services of its qualified Administrator, State Health Aid may be continued for not longer than six months. If the qualified Administrator is not replaced within that time, State Health Aid for those Certified Health Services requiring nursing time will be discontinued. Balances in these services may be transferred to other Certified Health Services.
- 1.3.5. Positions for which State Health Aid is used must conform with such job titles and specifications as established by the New Jersey State Department of Civil Service. All employees of a local health agency which has adopted or shall hereinafter adopt the provisions of Sub-title 3 of Title 11 (Civil Service) of the Revised Statutes shall be appointed in accordance with the provision of said statutes.
- 1.3.6. Personnel receiving all or part of their salary from State Health Aid funds will be allowed salary increments in conformance with the plan of the local governmental agency for all employees within the same general classification. The dollar portion of the increment paid by State Health Aid will be in direct proportion to the percent of the employee's total salary that is funded from State Health Aid.
- 1.3.7. It is mandatory that employees rendering services in each Certified Health Service meet Personnel Standards as listed. Trainees and ancillary personnel may be employed, as needed, with State Health Aid funds. All such employees must be under the direct supervision of the employee(s) meeting the Personnel Standards. Trainees and ancillary personnel must be justified in the Program Plan section of the application.
- 1.3.8. Nursing Agencies contracting to provide public health nursing services must comply with paragraph 4 of Certified Health Service I-A.

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1.4. The Full-Time Health Officer.

1.4.1. Full-time Health Officer shall mean a licensed Health Officer employed by a local health agency to function as such during all the working hours of the regularly scheduled work-week of the governmental unit to which the local health agency is attached and not regularly employed during the working hours of that scheduled work-week in other activities for which he received remuneration.

1.4.2. When a local health agency loses the services of its full-time Health Officer, State Health Aid may be continued for not longer than six months. If a full-time Health Officer is not secured within that time all State Health Aid will be discontinued. Upon receipt of written justification, the Commissioner may grant an extension of three months to the local health agency so that the services of a full-time Health Officer may be obtained. If the local health agency contracts for such services, State Health Aid payments will continue to be paid directly to that agency for the balance of the current year.

1.4.3. Relation of State Health Aid payments to employment of a full-time Health Officer. If the local health agency has filed a current application, State Health Aid will be payable when a full-time Health Officer is employed as follows:

- (a) If the starting date of the Health Officer's employment falls within the first half of the three-month quarter, State Health Aid will be payable for that quarter.
- (b) If the starting date of the Health Officer's employment falls within the second half of the three-month quarter, State Health Aid will not be payable for that quarter but will begin on the first day of the next quarter in the calendar year.

1.4.4. The full-time Health Officer may be assigned the responsibility for local welfare administration. Upon the presentation of acceptable justification for this assignment the local health agency will qualify for State Health Aid. However, qualification will not extend to additional responsibilities that are not health-oriented.

1.5. Annual Expenditures for Health Purposes.

1.5.1. "Annual expenditures for health purposes" as defined in the State Health Aid Act of 1966 shall mean the sum expended by a local health agency for certified health services excluding any sum paid to the local health agency as State Health Aid under the provisions of the Act.

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- 1.5.2. The proposed annual expenditures of the local health agency will be checked against the health appropriations for the same year as contained in the municipal or county budget which is filed with the Division of Local Finance.
- 1.5.3. The actual annual expenditures for health purposes will be obtained later from the local governmental agency's budget for the ensuing year which lists the actual monies expended for health purposes during the previous year.
- 1.5.4. The annual expenditures for health purposes of a local health agency which provides Health Officer administrative direction and operational control by contract to other municipalities will be the sum total annual expenditures for health purposes expended by the local health agency and each of the members contracting for services. Any municipality so contracting with a local health agency will be required to meet its individual local fair share.
- 1.5.5. Credit can be available to all local health agencies toward annual expenditures for health purposes as follows:
- (1) fringe benefits to include but not be limited to Social Security Tax (FICA), pension deductions, or insurance premiums, which are paid by the governmental agency for the employee,
 - (2) the fair rental value of the premises provided by the local governmental agency for health purposes; the value to be mutually agreed upon,
 - (3) service items, e.g., electricity, telephone, custodial service that may be expended by the local governmental agency for health purposes but are not listed under health appropriations in the annual budget of that agency,
 - (4) the municipality's prorated share of funds proposed and appropriated by their County Board of Chosen Freeholders for those expenditures that can be classified by the State Department of Health as a certified health service.
- 1.6. Substitution of State Health Aid for Local Expenditures.
- 1.6.1. State Health Aid may not be substituted for monies expended for specific activities, positions or personnel during either of the two years immediately preceding the year for which State Health Aid is requested. Specific activities are interpreted to mean the five (5) functional activities. The no substitution rule will be applied to the separate totals of salary and wages and other expenses within the appropriate functional activity.

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1.7. The Program Audit

1.7.1. The program audit will determine if the local health agency meets the required standards of the Certified Health Services and follows the program plan as submitted in the application.

1.7.2. The Director of Program Audit and Consultation Services has the responsibility to administer the audit with the cooperation of the Region Office, Program Coordinators and Program Assistants.

1.7.3. The audit will be scheduled at least four weeks in advance. Audits done between January 1 and June 30 of the current year will cover the two previous calendar years (24 months). Audits done between July 1 and December 31 will cover the first six months of the current year plus the previous calendar year (18 months).

1.7.4. A post-audit report, sent to the local Health Officer by the Region Health Officer, will explain audit findings in detail and make appropriate recommendations. The report will schedule a follow-up plan for Region consultation and assistance in the correction of audit deficiencies.

1.8. The Fiscal Audit.

1.8.1. The Budget and Accounts Office of the State Department of Health has responsibility for the audit of expenditures of State Health Aid funds. This audit will normally be made during the year following the expenditure reported. (See Chapter III, Paragraph 3.1.1.).

1.9. The Annual Report.

1.9.1. Each local health agency receiving State Health Aid shall prepare and file with the State Commissioner of Health an annual report covering the preceding year. The report will contain an evaluation by the local health agency of the services provided with State Health Aid funds.

1.9.2. Annual report forms for local health agencies will be distributed during the last quarter of the calendar year. Reports are required to be completed and submitted on or before February 15 of the following year.

1.10 Determining State Health Aid.

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1.10.1.

The official population estimates and equalized valuation statistics for any one year are published by the State during the first quarter of the following calendar year. For budgeting purposes these statistics will be used to determine the amount of State health aid due each local health agency for the second succeeding fiscal year.

CHAPTER II

APPLYING FOR STATE HEALTH AID

1. The State Health Aid Application

1.1. Who is to File Application.

1.1.1. Application must be completed on behalf of the local health agency by the Health Officer or by another person designated by the official body under which the local health agency operates.

1.2. Assistance with Application.

1.2.1. Contact the Regional Health Officer through the Region office.

1.3. Late Eligibility.

1.3.1. A local health agency may apply for State Health Aid, on a prorated basis, anytime during the year.

2. General Policies

2.1. The municipal local health agency will use its proposed annual expenditures for health purposes for State Health Aid budget requirements. If additional expenditures are needed to meet the required local fair share, the municipality may use its prorated share of funds proposed by their County Board of Chosen Freeholders for those health expenditures that can be classified by the State Department of Health as certified health services; county expenditures, if used, will be identified in the State Health Aid budget (LHS-45).

2.2. The Regional Health Commission or a municipal local health agency contracting to provide health services, will use its proposed annual expenditures for health purposes and in addition the proposed health expenditures of respective member municipalities for State Health Aid budget requirements. If additional expenditures are needed to meet the individual local fair share, the Regional Health Commission or the municipal local health agency contracting to provide health services, may use each member's prorated share of funds proposed by their County Board of Chosen Freeholders for those health expenditures that can be classified by the State Department of Health as certified health services; county expenditures, if used, will be identified in the State Health Aid budget (LHS-45).

2.3. The County Health Department will use the proposed annual expenditures for health purposes of the county for State Health Aid budget requirements. If additional expenditures are needed to meet the total local fair share of the members and/or the "distribution table", the County Health Department may use

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the proposed local annual health expenditures of the municipalities contracting for health services, and if used, will be identified in the State Health Aid budget (LHS-45).

- 2.4. A contracting member of the County Health Department may use its prorated share of funds proposed by the County Board of Chosen Freeholders for health expenditures that can be classified by the State Department of Health as certified health services; if needed to assist in meeting its local fair share.

3. Instructions for Form LHS-45

3.1. Section I - GENERAL INFORMATION

Local Health Agency - Enter official name of the county, district, regional health commission, or municipal local health agency applying for State Health Aid.

Mailing Address - Enter post office address and telephone number.

Full-time Health Officer - Enter name of the Health Officer. If a full-time Health Officer is not currently employed, enter "to be recruited". State Health Aid payments will not begin until a full-time Health Officer is employed.

Other Participating Municipalities - Enter names of municipalities in the county, district, regional health commission, or of additional municipalities contracting with the local health agency.

Potential Participants - List separately all municipalities that may contract with the local health agency within the coming year.

3.2. Section II - CERTIFIED HEALTH SERVICES

List the Certified Health Services by code for which State Health Aid is requested.

3.3. Section III - FISCAL INFORMATION

Actual, Anticipated and Proposed Expenditures for Health Purposes.

Local Tax Funds - Enter the actual, anticipated, and proposed expenditures by the local health agency from local tax dollars for health purposes.

Other Source - Enter the actual, anticipated, and proposed expenditures for health purposes from other sources of funds in table. Other State and Federal funds are self-explanatory. Sources of nonpublic funds would include support from voluntary agencies, gifts, etc.

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3.4. Section IV - PROPOSED HEALTH AGENCY BUDGET

This table represents the total proposed expenditures by functional activities for January 1 through December 31. The five functional activities are listed. A functional activity is a group of related Certified Health Services as indexed in the "New Jersey Certified Health Services, Personnel and Program Standards". The additional listing titled "all other health services" means those expenditures for health purposes that are not as yet classified as a certified health service under a functional activity.

Local Tax Funds - Enter in column (1) the amount of local tax dollars proposed to be expended for each functional activity and for ALL OTHER HEALTH SERVICES.

Other Sources - Enter in column (2), (3), and (4) the amount of funds from the respective source proposed to be expended for each functional activity and for ALL OTHER HEALTH SERVICES.

Basic State Aid - Enter in column (5) the total basic aid allocated by the local health agency for each functional activity. This figure must equal the total of column (4) on page 1 of the LHS-46 form.

Equalized State Aid - Enter in column (6) the total equalized aid allocated by the local health agency for each functional activity. This figure must equal the total of column (5) on page 1 of the LHS-46 form.

Total - Enter in column (7) the total of columns (1), (2), (3), (4), (5), and (6) for each functional activity and for ALL OTHER HEALTH SERVICES.

Percent of Foundation Program - Enter in column (8) the percentage obtained by dividing the total of each functional activity in column (7) X 100, by the amount of the Foundation Program.

Unless the percentage obtained for each functional activity are at least equal to the minimum percentages of the distribution table prescribed by the Public Health Council, (reference - "New Jersey Certified Health Services, Personnel and Program Standards"), equalized State aid for the health agency will be adjusted according to Section 6C, Chapter 36, P.L. 1966. The intent of this section is to ensure a more balanced public health program.

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3.5. Section V - CERTIFICATION

Assurance of Compliance Statement - Many county boards of chosen Freeholders and municipal boards of health have filed with the State Department of Health Assurance of Compliance Statements. If your agency has not filed such a statement, one must accompany the application.

Authorization - A copy of the resolution authorizing the application for State Health Aid by the official body under which the local health agency operates will be attached to the application.

Certification - The Health Officer will certify the application. In his absence a person designated by the official body shall certify the application; his title shall be indicated.

3.6. DISTRIBUTION - Send original plus three (3) copies to the Region Office - ATTENTION: State Health Aid; a work copy (goldenrod) will be retained by the local health agency. After approval by the State Department of Health one copy (yellow) will be returned to the local health agency.

4. Instruction for FORM LHS-46

4.1. GENERAL - Section 1 of the LHS-46 form will reflect TOTAL local expenditures for the past and present year as well as TOTAL local expenditures plus State Health Aid for the coming year. This information is required only for those functional activities that encompass the Certified Health Services selected by the local health agency.

The categorical breakdown for each functional activity will be Salaries and Wages and Other Expenses. Other Expenses will be broken down into five sub-categories; i.e., contracts, supplies, equipment, travel and miscellaneous.

In addition, supplemental budget information relating to OTHER EXPENSES will also be entered in Section 1.

Section 2 of the LHS-46 form will require a listing of all personnel who will be assigned to the Certified Health Services selected to receive State Health Aid within the functional activity.

Section 3 of the LHS-46 form will require a listing of the Certified Health Services selected as well as the estimated percentage of the total functional activity budget.

Section 4 of the LHS-46 form will require a Plan covering the local problems and needs, objectives, methods and evaluation related to the Certified Health Services selected.

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DISTRIBUTION

Send original plus three (3) copies to the Region Office
ATTENTION: State Health Aid; a work copy (goldenrod) will
be retained by the local health agency. After approval
by the State Department of Health one copy (yellow) will
be returned to the local health agency.

4.2. DETAILED INFORMATION

4.2.1. Section 1 - Local Health Agency, Date and Functional
Activity - self-explanatory.

I-A - Budget Information.

1. Salaries and Wages - Enter in column (1), (2)
and (3) local expenditures exclusive of State
Health Aid, for all programs within the
functional activity. Enter in column (4) and
(5) the amount of Basic and Equalized Aid
applicable to the functional activity. Enter
in column (6) the total of columns (3), (4),
and (5). Personnel paid by voucher will
NOT be included under salaries and wages; these
expenditures will be entered under contracts
in OTHER EXPENSES.
2. Other Expenses - Enter in column (1), (2), and
(3) local expenditures, exclusive of State
Health Aid, for local expenditures, for all
programs within the functional activity. Enter
in column (4) and (5) the amount of Basic and
Equalized Aid applicable to the functional
activity. Enter in column (6) the total of
columns (3), (4), and (5). (a)-contracts,
(b)-supplies, and (c)-equipment are self-
explanatory. Voucher payments for professional
services will be listed under contracts;
payments for services of medical personnel must
be contracted for on an hourly rate. (d)-travel
may include mileage, per diem at conferences and
registration fees.

NOTE:

- (1) State Health Aid is authorized only for
conference or training courses of no
more than five days duration. All
expenditures pertaining to per diem for
over-night conferences/meetings and
registration fees shall be documented by
receipts.

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- (2) In the absence of written local policy State travel regulations will apply.
- (3) Miscellaneous may include fringe benefits, rent, electricity, telephone or custodial, etc. The total of column (6) must equal the respective functional activity total in column (7) on application form LHS-45.

B - Supplemental Budget Information.

1. List contracting agencies by legal corporate name, amount of contract and anticipated effective date. List individual contractors by name, title, amount of contract and anticipated effective date.
2. List individually supply items when the proposed cost of each is over \$100.00 e.g. drugs, vaccines, etc.
3. List equipment items and proposed cost of each when over \$100.00.
4. List miscellaneous items and proposed cost of each when over \$100.00.

4.2.2. Section 2 - Local Health Agency, Date and Functional Activity - self-explanatory.

II - Personnel Roster.

Enter in column (1) names, position number (if applicable), of all personnel, whether on State Aid or not, working in Certified Health Services within this functional activity.

Enter in column (2) appropriate title.

Enter in column (3) the estimated percentage of time to be worked in this functional activity for the coming year.

Enter in column (4) the local expenditures for this employee during the current year.

Enter in column (5) the proposed local expenditures, in column (6) the proposed total State Aid expenditures and in column (7) the total of columns (5) and (6).

4.2.3. Section 3 - Local Health Agency, Date and Functional Activity - self-explanatory.

III - Certified Health Services.

Enter in column (1) the correct totals for each Certified health Service selected within this functional activity. This listing should agree with the Certified Health Services listed by code numbers under Section II of the LHS-45 form.

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Enter in column (2) the estimated percentage that each Certified Health Service shares in the total budget amount (column (6) Section 1) as proposed for this functional activity.

Enter in column (3) the dollar figure obtained by multiplying the estimated percentage in column (2) by the total budget amount found in column (6) Section 1.

4.2.4. Section 4 - Local Health Agency, Date and Functional Activity - self-explanatory.

IV - Two-Year Plan for Utilization of State Health Aid.

In a concise report state:

- (1) Problems and needs within functional activity.
- (2) What the objectives are for a two-year period.
- (3) How the objectives will be accomplished (plan of work).
- (4) How the plan will be evaluated to determine what was accomplished and how well you met your objectives.

Continue, as needed, on 8 1/2" x 11" sheets, preparing five copies for distribution: original plus three (3) to the State Department of Health and a work copy to be retained by the local health agency.

CHAPTER III

CONTRACTS AND ACCOUNTING GUIDELINES

1. Contracts

1.1. For Certified Health Services.

1.1.1. Minimum requirements - the "Certified Health Services": may be provided by a person or agency under contract with a local health agency. Such contracts must include (1) a statement that the personnel and program standards of the applicable Certified Health Service be fulfilled by the provider of services; (2) an introductory statement such as "It is understood and agreed, subject to the approval of the State Department of Health,....."

1.1.2. Assistance with contracts - the Region Staff and the Program Assistant are available to assist local health agencies in writing contracts for the provision of Certified Health Services. Agencies proposing to contract must obtain early consultation and a contract draft must be submitted to the Region Office for review and comment at least 15 working days prior to the proposed effective date. The proposed contracts must be approved in writing by the Director, Health Aid Services or his designated representative.

1.1.3. Four copies of the completed signed official contract must be submitted to the Region office no later than one month after the effective date.

The State Health Aid office will return two copies of the contract to the local health agency within one month of receipt; one copy will be forwarded to the Region office.

1.2. Between Local Health Agencies.

1.2.1. Contracts may be written between two or more local health agencies to form an eligible health unit which will receive State Health Aid for all contracting health agencies. Each agency must contract for, as a minimum the "administrative direction and operational control" by the full-time Health Officer. Administration direction includes but is not limited to; guidance for planning, budgeting, budget control, reporting and evaluation of the activities of the local health agency; operational control includes supervision of all health employees and activities; however, any nurse must come under nursing direction and/or supervision.

1.2.2. Contracts negotiated for the expansion or formation of eligible health units; e.g. County Health Department, Regional Health Commission, or the municipality contract arrangement, must be approved by the State Department of Health.

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Agencies proposing to contract must obtain early consultation and a contract draft must be submitted to the Regional Health Officer for review and comment at least 15 days prior to the proposed effective date. The proposed contracts must be approved by the Director, Health Aid Services, or his designated representative.

Four copies of the completed signed official contract must be submitted to the Region Health office no later than one month after the effective date. The State Health Aid office will return two copies of the contract to the local health agency within one month of receipt; one copy will be forwarded to the Region office.

1.2.3. When contracts that establish new or larger health units are received within the first half of the three-month quarter, State Health Aid will be payable for that whole quarter; if received within the second half of the quarter, State Health Aid payments will not include that quarter but will begin on the first day of the following quarter in the calendar year.

1.2.4. A local health agency that has been contracting with another agency for health officer services and has individually applied for and received direct State Health Aid payments, may continue to do so. However, this policy will not be applicable to any other agencies subsequent to December 1, 1972. (See Chapter I, Paragraph 1.4.2)

2. Accounting Guidelines

2.1. Relationship to State Health Aid Eligibility.

2.1.1. A local health agency not eligible for State Health Aid may file an application anytime after subsequent eligibility occurs. Upon approval of the application payments will be made for State equalization aid only effective the first day of the quarter which follows the date that participation criteria were met. Basic State health aid payments will begin on January 1 of the following year. The guidelines in paragraph 1.2.3. above will be followed regarding payment amounts.

2.2. Revisions to the Application.

2.2.1. Rebudgeting - The Health Officer should carefully review each quarterly expenditure report (LHS-52) to be aware of funds that may be rebudgeted. This review is essential on March 31 and June 30 as six to nine months are normally needed to put new or expanded programs into operation. The Program Assistant is available to assist each local health agency with rebudgeting problems.

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- 2.2.2. Transfer of the State Health Aid funds between functional activities is permitted if revised LHS-45 and LHS-46 forms are submitted and approved.

The transfer of funds from one line item to another within the same functional activity is permitted; however, the State Health Aid office must be notified of the transfer in letter-form.

- 2.2.3. Revisions to the application as a result of re-budgeting or the transfer of funds should be cleared through the fiscal officer of the local health agency. If changes to the local municipal (or county) budget are required, the fiscal officer follows procedures to comply with the State Statutes as administered by the Division of Local Government Services, State Department of Community Affairs.

- 2.2.4 Application revisions or the transfer of funds intra or inter functional activities will not be permitted after December 15.

- 2.3. Quarterly Expenditure Report Form (LHS-52)

- 2.3.1. The quarterly expenditure report may be made on an accrual or cash basis. If the reports are prepared on an accrual basis, include as expenditures all obligations incurred, whether paid or unpaid. The amounts reported should include only specific encumbrance commitments based on priced requisitions, purchase orders, invoices, bills, vouchers or other evidence of liability consistent with local procedures. An unliquidated encumbrance reported as an expenditure in one quarter should not be reported again when paid. Reported expenditures shall be the net amount disbursed.

If the reports are prepared on a cash basis, include as expenditures only those items for which actual payment by check or warrant has been made. "Payments" may be construed to include vouchers approved for payment but for which checks or warrants have not yet been drawn. Agencies reporting on a cash basis should also report the total amount of bona fide encumbrances unliquidated at the end of each quarterly period as expenditures. Bona fide encumbrances should include only specific commitments which are supported by contracts, invoices or bills, purchase orders, or priced requisitions (which have been completed as far as the local agency is concerned) or other evidence of liability consistent with local purchasing procedure.

- 2.3.2. Limitations on encumbrances and on period for liquidation either for accrual or cash reporting.

- 2.3.2.1. Funds may be encumbered at the end of the calendar year for payment of the following items only:

Salaries and other personal services representing work performed prior to the first day of January.

Travel performed prior to the first day of January or specific trips incomplete as of December 31 for which travel has been authorized.

Entire costs of travel for a training period not to exceed 5 days if the training is begun prior to the first day of January.

Special contracts for services to be rendered that will enable the agency to reserve funds for payment in the succeeding year, i.e., contracts for special demonstration, pilot or research programs.

- 2.3.2.2. Any encumbrance of funds must be liquidated within one year after the close of the calendar year in which the obligation is incurred.

Funds encumbered at the end of the calendar year may be used only in liquidating the specific encumbrances for which they were incurred. Amounts accruing from cancellations or liquidations of encumbrances are not available for current operations.

- 2.3.2.3. Expenditures to liquidate obligations incurred in a prior year. State allotments may not be used to pay for services or supplies and equipment received in a calendar year prior to the one for which the allotment is made.

- 2.3.3. The final quarterly expenditure report (December 31) may reflect over and under expenditures in the functional activities. A maximum total of \$200.00 will be permitted as a balance adjustment between all functional activities.

- 2.4. Quarterly Expenditure Report of Reserved Funds (LHS-52A)

- 2.4.1. The Department of Health, depending on the dollar volume and/or type of item reservation, will use its own discretion as to which local health agency will be obliged to report reserve fund activity. Forms (LHS-52A) shall be sent to the agency at the appropriate time.

- 2.4.2. This report will give the status of reserved funds. Please indicate under "remarks" any reason for delay in expenditure of funds. Restriction as to time allowance for the use of reserved funds is stated in paragraph 2.3.2.2.

- 2.5. Refund Procedures.

- 2.5.1. Funds not expended or not encumbered must be reserved through the fiscal officer at the close of the local health agency fiscal year.

After review of the fourth quarter expenditure report by the State Health Aid office, a letter will be sent to each local health agency stating that the agency should wait for completion of the fiscal audit before returning unused State Health Aid funds to the State Department of Health.

- 2.5.2. Possible other credits due to the State - when the prior year's unliquidated encumbrances are cancelled, or the liquidated encumbrance results in a credit balance to the State Health Aid account of the previous year(s), the local health agency is obligated to return these monies to the State Department of Health.

2.6. Allocation of Basic State Health Aid.

- 2.6.1. Basic State health aid will be totally allocated to eligible local health agencies that apply for State Health Aid (and are subsequently approved) by October 15. As a result there will be no reapportionment of basic State aid during the ensuing year. Local health agencies entering the aid program after October 15 will not receive basic State health aid during the subsequent calendar year.

3. Record Retention and Disposal

3.1. Expenditure Records.

- 3.1.1. All records relating to expenditures of the State Health Aid Funds shall be kept intact until a fiscal audit is made by a representative of the Budget and Accounts Office, State Department of Health.

3.2. Subsequent to Audit.

- 3.2.1. Record retention after final fiscal audit is the responsibility of the local health agency. Regulations are prescribed in Chapter 410, P.L. 1953, "The Destruction of Public Records Act".

CHAPTER IV

SPECIAL PROJECTS AND DEVELOPMENT FUND

1. Scope

1.1. The State Commissioner of Health, with approval of the Public Health Council, may make grants from the special projects and development fund to local health agencies to hospitals, and to voluntary health agencies to provide assistance for new health services and for special health projects in order to stimulate continued development of health services.

1.2. Grants from this fund for specific purposes shall be made on an annual basis for a period not in excess of five(5) years and such grants shall be in diminishing amounts during this period. The Commissioner shall determine the conditions applicable to each grant including the extent of local financial participation to be required.

1.3. Grants from this fund to voluntary agencies shall not exceed 40% of said fund.

2. Relationship to State Health Aid

2.1. The special projects and development fund does not relate to State Aid for basic health services or State equalization aid for local health purposes. Criteria for participation in State Health Aid are not required for eligibility to apply for a special project and development fund grant. Any local health agency, hospital, or voluntary agency may apply to the State Commissioner of Health for assistance from the special projects and development fund.