

GUIDE FOR FINANCIAL REVIEW OF PUBLIC HEALTH AGENCIES

The Financial Review is based on fundamentals of sound financial management balanced against necessary public health services. There are four fundamental components of governmental public health, and they are as follows:

- **Money/Funds:** Gives public health the ability to act. Without money, we do not pay our bills, we do not pay staff, we become insolvent, and things grind to a halt.
- **Law:** The law gives us the authority to act. In order to compel someone to do something against their will in a free society, we must have the law behind us.
- **Research:** Research gives us the knowledge to act. Innovative and best practices give us a clue where to get the most bang out of our public health dollars.
- **Staff:** Staff puts it all into action through programs and services. They make it all happen. They are the heart and soul of our agencies.

In reviewing the viability of a public health agency it is immediately important to focus on finances and staff. The reviewer needs to take a detailed look at how the agency is spending its dollars and where and how money is coming into the agency. The goal of the reviewer must be to ascertain that the budget for the current year is balanced. The reviewer needs to work with staff to assure that the budget is balanced by evaluating each program and service through the consideration of four fundamental questions:

- **Is the service statutorily required?** State law requires that some services be provided by local departments. If services are required by law, the department must perform them at least to a minimal degree.
- **Is the service required by regulation?** State law often authorizes state departments to promulgate detailed rules and processes for carrying out the intent of the law in form of regulation. If a service is required by regulation, the local department must do it, at least to a minimal degree.
- **Is the service required under a contract/PO/Agreement?** If so, is the agency paid adequately for their service? If not, can the contract be re-negotiated or should it be discontinued?

- **If none of the above apply**, is the agency paid adequately for the service? If not, then the agency should not be doing it unless it is financially solvent with a sufficient fund balance or reserve.

Any and all programs/services that are suspected of operating in the red **MUST** have a cost analysis performed, that includes both direct and indirect costs. The cost analysis must be unbiased, thorough, and honest. If a program is operating in the red, we must look at the above list and determine what can be done.

- If the program is required, can staff and/or services be scaled back? Can the work be outsourced? Can the service be provided through regional partnership? If the program/service is a contractual obligation, can it be re-negotiated? Can restructuring occur within the contract? If the answer to the preceding questions is no, should contract be continued?
- If programs/services are being provided that are not required and are operating in the red, this then they should be discontinued until the agency has sufficient financial means to sustain them.

Additionally, other items should be considered.

- Is the agency billing for everything it can, and is it billing adequately?
- Is the agency attaching “non-siloed” staff to available funding streams? Is staff multi-tasking as far as jobs are concerned?

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