

Governance Management Commitments & Standards

Overview: The following is an overview of financial and quality reporting standards. This guidance provides a solid cadence of annual work that is important to leadership as it begins to move toward data based financial and quality management.

1. Financial

a. Budget development & approval

- i. Profit and loss statements by month with projected annual results
- ii. Capital purchasing plan
- iii. Cash flow annual forecast
- iv. A summary of expected quality payments and the extent they are incorporated in the standard budget
- v. **Key metrics and standards, such as**
 1. Current ratio and budgeted year-end result
 2. Debt to equity and budget year-end result
 3. AR days / days in payable and budgeted year-end results
 4. Statement of thresholds in each area where the board would be notified and corrective actions suggested

b. Monthly reporting to the board and C suite

- i. Profit and loss – budget to actual comparisons and explanations of variations
- ii. Capital expenditures and status of ongoing projects
- iii. Cash flow actuals versus budget and explanation of variables
- iv. Statement to the board and c-suite about projections and whether any negative thresholds might be reached and suggested corrective action

In order to complete monthly reporting:

- i. Focus on faster and more regular month-end closing
- ii. Include supervisory staff in monitoring and the financial management
- iii. Consider additional forecast communication and adjustments to non necessary expenses

Governance Management Commitments & Standards

c. Monthly reporting to division management teams

- i. Summary reports on profit loss and cash flow for the company
- ii. Specific income statements for the unit and each subunit and discussions on ways to address negative variances

d. Quarterly Reporting to the Board and Finance Committee

- i. Profit and loss – budget to actual comparisons and explanations of variations
- ii. Capital expenditures and status of ongoing projects
- iii. Cash flow actuals versus budget and explanation of variables
- iv. Discussion of corporate quality metrics
- v. Discussion of finance department metrics
- vi. Discussions of trends and needs for corrective actions
- vii. Improvement plans and progress for internal finance department improvements
- viii. Conduct ongoing reviews and provide recommended changes in approach as needed or additional budgeting of funds to scale successful pilots into action that have a high probability of return on investment

e. Annual Reporting

- i. Traditional financial statements
- ii. Expected value-based revenue
- iii. Accuracy of initial and final cash flow forecasts and discussions of variances
- iv. Conduct final review of the data and recognize/celebrate performance-based quality outcomes
- v. Debrief and review implications for future budgeting and performance metrics

2. Quality Metrics

a. Annual Budget and Action Plan

- i. Review of potential incentives and any selected for review
- ii. Actions and steps to meet goal
- iii. Committee and teams – Accountable staff
- iv. Any incentive money anticipated and if it was budgeted

b. Monthly reporting to the board and C suite

- i. Limited reporting on any notable changes
- ii. Committee minutes and actions

Governance Management Commitments & Standards

- c. Monthly reporting to division management teams**
 - i. Discussions of the results and committee actions

- d. Quarterly Reporting to the Board and C-Suite**
 - i. Full results on all selected metrics
 - ii. Addition pilot projects