



# Ohio Department of Mental Health

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DATE: 09/21/06      NUMBER: C-09-07-01      ORIGINATOR & TITLE: Chiwayi Lin, Manager of the Community Audit Program

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SUBJECT:  
 Allocations       Certification       Critical Information       Licensure  
 MACSIS       Medicaid       MSPA       Policy  
 Procedure       Other (specify):  
Community Audits

TITLE OF CORRESPONDENCE:

**Agencies' Audit Requirements and Responsibilities**

CONTENT:

This is to inform you of three topics identified as follows:

1. New OAC rules will affect your agencies effective Fiscal Year Ending June 30, 2006.
2. Types of audit an organization is required to obtain.
3. Audit requirements on For-Profit Subrecipients/Organizations that receives Federal Awards passed-through ODMH.

**Ohio Administrative Codes (OACs):**

OAC 5122-26-191, Actual uniform cost report (AUCR) agreed upon procedures and report submission requirement specifies beginning on July 1, 2005, all ODMH certified agencies must have their AUCR examined by an independent public accounting firm prior to submitting it to ODMH. The examined AUCR (form DMH-FIS-047) and the agreed upon procedures audit report is due to ODMH within 180 days after the end of a State Fiscal Year (the State operates on a fiscal year from July 1<sup>st</sup> through June 30<sup>th</sup>).

**Ohio Administrative Codes (OACs) - Continued:**

OAC 5122:1-5-01, Annual budget, financial reporting and independent financial audit requirements instructs provider agencies to submit their audit packet (i.e. – financial statements, audit report, management letter, etc.) directly to ODMH and a copy is to be forwarded to their ADAMHS/CMHS Board.

**Types of Audit an Organization is Required to Obtain:**

To comply with Federal and State Requirements (i.e. OMB Circulars, Code of Federal Regulations, Ohio Revised and Administrative Codes, etc.), provider agencies must obtain an audit that follows the Ohio Department of Mental Health Financial and Compliance Audit Guidelines for Community Mental Health Programs and Agencies receiving State and Federal Funding. Below is a chart that identifies the type of audit an organization must obtain (Please note that this is in addition to the AUCR audit described in page one of this letter):

Awards	Type of Audit	Applicable to
Over \$500,000	OMB Circular A-133 (Type II)	State, Local Gov. & Non-Profit Org. For-Profit Organization *
Less than \$500,000 but more than \$25,000	Agreed Upon Procedure (Type I) and Financial Statement Audit in accordance with Government Auditing Standards	All Organizations that receives funding through ODMH
Less than \$25,000	Financial Statement Audit	All Organizations that receives funding through ODMH

\* – Please refer to the below topic “For-Profit Organizations’ Audit Requirements”.

Please note that the ODMH audit guidelines were created to assist our subrecipients to comply with their obligations tied to receiving funds that are from, and/or pass-through, our department. We are aware that certain sections of our guidelines may contradict with new rules, and we are in the process of updating those conflicts. Should you discover any differences, please comply with laws, rules, and regulations as they supersede our guidelines.

**For-Profit Organizations’ Audit Requirements:**

To comply with Title 45 of the Code of Federal Regulations (CFR), a For-Profit organization must obtain an audit if the organization has expended over \$500,000 in Federal Awards. 45 CFR §74.26 (d) specifies that a For-Profit organization has two options regarding what types of audit it needs to obtain. The first option is a financial related audit of a particular award in accordance with Government Auditing Standards. The second option is to obtain an audit that meets the requirements contained in OMB Circular A-133.

ODMH prefers agencies to obtain an audit in accordance with OMB Circular A-133 if they have expended over \$500,000 during their fiscal year. This is to assure that organizations comply with Federal requirements set forth as to the type(s) of funding they received and, at the same time, promote standardization among the auditing process. For example, ALL agencies, including non-profit agencies, receiving any portion of their funding from the Federal Community Mental Health Block Grant and receives in excess of \$500,000 from any combination of Federal sources may at the discretion of SAMHSA also be subject to Federal audit.

**For-Profit Organizations' Audit Requirements – Continued:**

If a For-Profit organization expends less than \$500,000 during their fiscal year, this does not exempt them from an annual audit. If an agency does not exceed the \$500,000 limit, it is still required to obtain an audit that fulfills the requirements of State laws, rules, and guidelines. This applies to both For-Profit and Non-Profit organizations.

**REQUIRED ACTIONS:**

1. Provider agencies must undergo an agreed upon procedure review of their AUCR prior to submitting it to ODMH effective SFY 2006.
2. Obtain an annual audit deemed acceptable to ODMH.

**DATES FOR REQUIRED ACTIONS:**

1. AUCR agreed upon procedures report is due to ODMH within 180 days after the end of a State Fiscal Year.
2. If an organization is required to undergo an OMB Circular A-133 audit, then their audit packet is due to ODMH within the earlier of 30 days after receipt of the auditor's report (s), or nine months after the end of the audit period.

If an organization is not required to undergo an OMB Circular A-133 audit, then their audit packet (Type I audit and Financial Statements) are due to ODMH within 180 days after the end of a State Fiscal Year.

Please refer to our FAQ site (to be posted in October 2006) for examples of the various due dates since agencies operate on different audit cycles.

**NAME, TELEPHONE NO., AND EMAIL OF CONTACT PERSON(S):**

The Ohio Department of Mental Health is in the process of creating a Frequently Asked Questions (FAQ) page on our website to help provide clarity to Boards, provider agencies, CPA firms, etc. We anticipate this website will be posted in October 2006, and the web address is <http://www.mh.state.oh.us/medicaid/documents/audit.faq.pdf>

If you have a question prior to us posting the FAQ site, or if the site does not answer all of your concerns, please contact Chiwayi Lin, at (614) 466-8091 or (LinC@mh.state.oh.us).

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