

OHIO DEPARTMENT
OF
MENTAL HEALTH

Financial and Compliance Audit Guidelines
For
Community Mental Health
Programs and Agencies
Receiving State and Federal Funding
Effective with audits of fiscal years ending on or after January 1, 2000

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I. GENERAL INTRODUCTION

1.1 These Audit Guidelines are being issued by the Ohio Department of Mental Health (ODMH), herein after referred to as the DEPARTMENT, in order to assist independent audit personnel, staff of Provider Agencies, herein after referred to as PROVIDER (S), and Alcohol, Drug Addiction and Mental Health Services/Community Mental Health Boards, herein after referred to as BOARD (S), prepare and perform audits as required by the Ohio Revised Code (O.R.C), Section 340.03(C4).

1.2 These Guidelines will be effective with audits of fiscal years ending on or after January 1, 2000. The Guidelines predominately focus on PROVIDER audits.

1.3 The DEPARTMENT has developed these Audit Guidelines to provide technical assistance to PROVIDERS and BOARDS that receive Departmental funding and inform them of the various requirements to be followed as a recipient of Federal funds in accordance with OMB Circular A-133 §-.400.(d) (2). These Guidelines recommend that the auditor address additional compliance issues related specifically to the DEPARTMENT policies and do not replace or remove any other audit requirements that exist. This document establishes parameters BOARDS/PROVIDERS may utilize to assure that all audits are completed in a consistent and equitable manner.

1.4 These Guidelines refer to audit compliance standards as well as requirements mandated by Federal circulars (OMB Circular A-133, A-102, A-122, etc.) or

DEPARTMENT/BOARD/PROVIDER Agreements to evaluate the integrity of the financial relations between the DEPARTMENT, BOARDS and PROVIDERS. Although A-133 and Yellow Book Standards explain requirements for audits under A-133, the Department wishes to address accountability and integrity of the entire mental health continuum of services. These would include quality of cost accounting, Cash Management Improvement Agreement/draw-down requirements, and internal controls over Federally-funded assets which will be covered under Section III and IV of these Guidelines.

1.5 Failure to meet the requirements of OMB Circular A-133 or other referenced audit circulars and State O.R.C. audit requirements referenced in these Guidelines could result in the withholding of current funds or the denial of future awards. These Guidelines are also referenced in the DEPARTMENT's Assurance Statements and Contracts.

1.6 It is the intent of these Guidelines to provide technical assistance and guidance necessary to facilitate organization-wide or program-specific audit requirements. These Audit Guidelines will present audit responsibilities and determinations, the DEPARTMENT'S Additional Compliance Requirements for agreed-upon procedures audits/engagements, the Department's Additional Compliance Requirements for OBM Circular A-133 audits and audit follow-up procedures and requirements.

2. RESPONSIBILITY AND AUDIT DETERMINATION

2.1 RESPONSIBILITY

2.1.1 DEPARTMENT Responsibilities

2.1.1.1 It shall be the responsibility of the DEPARTMENT to review the Audit Guidelines periodically to assure compliance with current O.R.C. and Federal Audit Requirements. The DEPARTMENT is responsible for review of the audits of BOARDS as outlined in OMB Circular A-133 § .400 (Federal Agencies and Pass-Through Entities Responsibilities) to ensure compliance with the requirements of these Guidelines as well as Federal audit requirements. It will also be the responsibility of the DEPARTMENT to ensure BOARDS review the audits and follow-up on audit findings and questioned costs of PROVIDERS as outlined in Section 5 of these Guidelines.

2.1.1.2 The DEPARTMENT will be responsible for retaining copies of PROVIDER audits received through BOARDS for the Auditor of State.

2.1.1.3 Where the DEPARTMENT is the sole source of direct funds to PROVIDERS, the DEPARTMENT is responsible for follow-up on audit findings and questioned costs. Beginning with fiscal year audits ending after December 31, 1997, the DEPARTMENT will assume responsibility for obtaining an audit of direct funded PROVIDERS.

2.1.2 BOARD RESPONSIBILITIES

2.1.2.1 The O.R.C. Section 340.03 (C) (4) requires that: BOARDS "...audit...all programs and services provided under contract with the BOARDS. In so doing, the BOARDS may contract for or employ private auditors for the performance of these audits. A copy of the fiscal audit report shall be provided to the Director of the Department of Mental Health, and the County auditor of each County in the Board's district."

2.1.2.2 When requested by the auditor, the BOARD will prepare schedules and information necessary for the beginning of field work.

2.1.2.3 It shall be the duty of BOARDS to distribute the new and revised Audit Guidelines to PROVIDERS. BOARDS are also responsible for review of their PROVIDERS' audits as outlined in OMB Circular A-133 §-.400 (Federal Agencies and Pass-Through Entities Responsibilities) to ensure compliance with Federal audit requirements. It will also be the responsibility of the BOARDS to follow-up on PROVIDERS audit findings and questioned costs as outlined in Section 5 of these Guidelines. When PROVIDERS' receive DEPARTMENT funds through the BOARD(s), BOARDS are responsible for performing follow-up activities and informing PROVIDERS within their BOARD area of audit requirements.

2.1.2.4 The cost of the financial and compliance audits conducted under OMB Circular A-133 or agreed-upon procedures engagements are allowable expenses of BOARDS. The audit costs are generally allowable by most Federal and State funding sources. However, if the auditing procedures result in duplicative audit work compared to the Audit Guidelines and the BOARD's audit requirements, the cost of the duplicative audit work must be excluded from all Federal and State reimbursement. The State of Ohio and the Federal Government prohibit the reimbursement of unreasonable or unnecessary costs. For this reason the costs of duplicative auditing activities are unallowable for Federal or State reimbursement

2.1.3 AUDIT PROCUREMENT

2.1.3.1 BOARDS/PROVIDERS must engage an independent Certified Public Accountant (CPA) to complete these auditing requirements. The quality of these audits is extremely important. A considerable amount of thought and effort should be expended in selecting the individual auditor or audit firm. When possible, BOARDS/PROVIDERS are encouraged to rotate auditors periodically to ensure independence. In addition, proper procurement standards must be adhered to as outlined in OMB Circular A-110 when procuring audit services. There is extensive literature on procurement of quality audit services, examples include:

- "How to Avoid a Substandard Audit: Suggestions for Procuring an Audit" by National Intergovernmental Audit Forum, Room 6826, 441 G Street N. W., Washington, D.C. 20548 (Appendix C)
- "CPA Audit Quality -A Framework for Procuring Audit Services" from the General Accounting Office, Publication # GAO/AFMD-87-34 (Appendix D)
- Section §-.305 Auditor Selection under OMB Circular A-133
- Generally Accepted Government Auditing Standards as outlined in the Yellow Book

2.1.3.2 Contracts with the auditor for OMB Circular A-133 audits or agreed-upon procedures audit/engagements shall be completed in accordance with these Guidelines. If BOARDS do not follow the audit requirements and suggestions as specified in these Guidelines, the BOARDS will be required to have PROVIDERS undergo additional audit procedures to correct the audit omissions at the Board's expense. If the results of a PROVIDER's audits require additional audit procedures to be performed due to findings/questioned costs or PROVIDERS are deemed unauditible BOARDS may require additional auditing to be performed at the PROVIDER's expense. These additional costs are unallowable as program related expenses for PROVIDERS that procure their own OMB Circular A-133 audits. If a PROVIDER audit does not address ODMH's Additional Compliance Requirements, BOARDS should obtain this information through another mechanism. To ensure efficient monitoring, BOARDS should obtain this information through such mechanisms as on-site monitoring or report review.

2.1.3.2 Where PROVIDERS receive funding through two (2) or more BOARDS, it shall

be the responsibility of BOARDS providing the majority of the DEPARTMENT funding to select and procure audits or agreed-upon procedures engagements. The BOARDS involved may agree to share the cost, but one BOARD must be responsible for follow-up. BOARDS deemed to have responsibility for PROVIDER OMB Circular A-133 audits may exercise the option outlined in paragraph 2.1.3.3.2.

2.1.3.4 OMB Circular A-133 Audit Procurement BOARDS and PROVIDERS should read paragraphs 2.1.3.3.1 and 2.1.3.4.1 carefully since there is a major distinction between the procurement and reimbursement processes for the two types of audits.

2.1.4 REPORT SUBMISSION

2.1.4.1 It is the responsibility of BOARDS to distribute copies of PROVIDER audits to appropriate grantor agencies awarding funds to BOARDS and PROVIDERS, including the DEPARTMENT when applicable, within the earlier of 30 days after receipt of the final audit report or six months after the end of the audit period.

2.1.4.2 OMB Circular A-133 Audit Report Submission

2.1.4.2.1 Submit PROVIDER OMB Circular A-133 audit reporting packages to the DEPARTMENT.

2.1.4.2.2 A PROVIDER must provide the BOARD with a complete copy of the audit report package including data collection form as described in OMB Circular A-133 Section §320(b) (June 24, 1997). The DEPARTMENT or BOARD as pass-through entity may request complete copies of PROVIDER audit report packages under OMB Circular A-133 § 320 (f). In addition, the Board should complete and forward to the DEPARTMENT an ODMH audit report checklist, Appendix B Financial and Compliance Audit Review Summary, for audits of fiscal years beginning July 1, 1998.

2.1.4.3 Agreed-Upon Procedures Engagement Report Submission

2.1.4.3.1 Reports generated through PROVIDER agreed-upon procedures engagements should be submitted to the DEPARTMENT.

2.1.4.3.2 An ODMH audit report checklist must accompany the agreed-upon procedures engagements. The DEPARTMENT at its discretion reserves the right to request copies of PROVIDER agreed-upon procedures engagement reporting packages at any time.

2.1.4.4 If a PROVIDER is a component of an organization and if an OMB Circular A-133 or an agreed-upon procedures engagement (incorporating Yellow Book standards) of the organization includes the PROVIDER, a separate independent fiscal audit is not required as long as ODMH's Additional Compliance Requirements are incorporated in the audit or are addressed by BOARDS through field reviews or desk audits of PROVIDER records. A PROVIDER is considered a component of an organization when the PROVIDER performs program services (treatment, prevention, etc.) and/or if the program's finances are part of another organization (hospital, university, etc.).

2.1.4.5 Exceptions to the audit completion deadline or the audit report-filing deadline may be approved by the BOARD's Executive Committee or designee representing the Board of Trustees/Directors on behalf of the PROVIDER. The DEPARTMENT must be notified of such requests and their approval or disapproval by the BOARD. These requests must be received by the BOARD prior to the initial deadline date.

Requests will include an explanation of the anticipated delay and a specific date when the report will be filed. Approval of such requests will be made on a case-by-case basis.

2.1.5 PROVIDER Responsibilities

2.1.5.1 When requested by the auditor, the PROVIDER will prepare schedules and information necessary for the beginning of field work.

2.1.5.2 It shall be the responsibility of the PROVIDER to assure that all financial reporting and compliance requirements are met. If the BOARD approves a PROVIDER's request to procure audits under paragraph 2.1.3.3.2, PROVIDER audits must be submitted to the Board within the earlier of 30 days after receipt of the auditor's report(s) or six months after the end of the fiscal year. If applicable, PROVIDERS must also submit Corrective Action Plans (CAPs) to the BOARD as soon as possible, but no more than 30 days after submitting the final audit report to the BOARD. The PROVIDER must adhere to this timeline when submitting CAPs to the DEPARTMENT if they obtain funding from the DEPARTMENT as outlined in paragraph 2.1.1.3.

2.1.5.3 If the PROVIDER contracts for an audit, they must assure that copies of the final audit report are submitted to BOARDS within 30 days after receipt of the audit report.

2.1.5.4 Audit costs and costs of program monitoring are generally allowable under Federal programs. The cost of PROVIDER OMB Circular A-133 audits will be the responsibility of BOARDS unless otherwise waived under paragraph 2.1.3.3.2. Costs of audits or additional audit procedures initiated exclusively by the PROVIDER without prior BOARD approval will no longer be allowable under Federal programs. Agreed-upon procedure engagements and financial statement audits of PROVIDERS in compliance with Generally Accepted Government Auditing Standards (GAGAS) are to be paid for and arranged by BOARDS utilizing Non-Federal funds.

2.1.5.5 Exceptions to the audit completion deadline or the audit report-filing deadline may be approved by the BOARD upon written request from the PROVIDER's Executive Committee or designee representing the Board of Trustees/Directors to the BOARD. Such requests must be received by the BOARD prior to the initial deadline date. Requests will include an explanation of the anticipated delay and a specific date when the report will be filed. Approval of such requests will be made on a case-by-case basis. All requests must be forwarded by BOARDS to the DEPARTMENT for final approval (See Paragraph 2.1.4.5)

2.1.5.6 PROVIDERS, as required under OBM Circular A-110, must retain financial records, supporting documents and all other records pertinent to an award (including audit reports for a period of three years from the date of submission of a final expenditure report) unless any litigation, claim or audit is started before the expiration of the 3-year period. Should any litigation, claim or audit be started prior to the 3-years, records should be retained until all litigation, claim or audit finding involving the records have been resolved and final action taken. Records pertaining to real property and equipment must be retained for three years after final disposition. Note that records retention requirements under the Medicaid program are different.

2.1.6 Auditor Responsibilities

2.1.6.1 It is recommended that an auditor performing an audit or agreed-upon procedures engagement of programs do so in compliance with these Guidelines and appropriate standards for the type of audit/engagement determined in paragraph 2.2.4. The auditor will also be

required to adhere to the auditors' responsibilities outlined in Generally Accepted Government Auditing Standards (Yellow Book) and OMB Circular A-133.

2.1.6.2 The audit of the DEPARTMENT - FUNDED PROVIDERS will require the auditor to follow several standards and requirements and to be familiar with a number of important sources of information and publications. Below are some of the publications with which the auditor should be familiar:

- Generally Accepted Auditing Standards (AICPA)
- Generally Accepted Government Auditing Standards (referred to as the Yellow Book)
- OMB Circular A-133 "Audits of States, Local Governments, and Nonprofit Organizations"
- OMBI Circular A-133 Compliance Supplement

Additional compliance requirements are contained throughout this Guideline (See Sections 3 and 4)

In addition to the standards in these guides, the auditor should be familiar with other AICPA pronouncements and publications:

- SAS 74 "Compliance Auditing Consideration in Audits of Governmental Entities and Recipients of Governmental Assistance."
- "Statement on Standard for Attestation Engagements No.4, Agreed-Upon procedures Engagements. "

The following AICPA audit and accounting guides:

- Audits of Colleges and Universities (dated 1994 or most recent)
- Audits of State and Local Governmental Units (dated 1996 or most recent)
- Audits of Voluntary Health and Welfare Organizations (dated 1994 or most recent)
- Audits of Certain Nonprofit Organizations (dated 1994 or most recent)
- Audits of Healthcare Organizations (dated June 1, 1996 or most recent)
- Statement of Position 98-3.

2.2 AUDIT Determination

2.2.1 As a recipient of DEPARTMENT funds, PROVIDERS or BOARDS on behalf of PROVIDERS are to obtain: 1) an agreed-upon procedures engagement procured by BOARDS or 2) an audit in compliance with OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," if required. The auditor should also follow the DEPARTMENT'S Additional Compliance Requirements for Type I audits/engagements (Section 3 of these Guidelines) and the DEPARTMENT's Additional Compliance Requirements for Type n audits (Section 4 of these Guidelines) in conjunction with these standards. The auditor should utilize the following criteria when determining which audit standards will be followed.

2.2.2 For the purposes of these Guidelines, all Providers are considered subrecipients of Department funds as defined under Section .210 (b) of OMB Circular A-133. As the prime recipient of Federal dollars, the Department passes funds to PROVIDERS either through the BOARDS or directly. The objective of this pass-through of funds is for the BOARDS to assist or help the DEPARTMENT fulfill the requirements of its Federal awards as passed down from the DEPARTMENT. Both BOARDS' and PROVIDERS' performance is measured against the objectives of the Federal program for which funds were allocated. Likewise, BOARDS are considered a pass-through entity to PROVIDERS since funds are passed to PROVIDERS to assist in fulfilling the objective of Federal awards.

2.2.3 BOARDS and PROVIDERS will be affected by these Guidelines based on the amount of Federal funding they expend during the year. In determining the amount expended, BOARDS and PROVIDERS will need to consider the DEPARTMENT/ Mental Health funds expended including Medicaid. Funds expended by providers under the DEPARTMENT's Medicaid Program are considered Federal assistance under OMB Circular A-133 Sec. 205(I) since they are issued on a cost-reimbursement basis as outlined in Chapter 5101:3-30-04 of the Ohio Administrative Code and the ODJFS/ODMH Interagency Agreement.

2.2.4 Determination of which standards apply is based on the following criteria:

TYPE I: If a PROVIDER expends less than \$300,000 from Federal funding, but more than \$25,000 from State and Federal funds, it must meet the following audit scope requirements:

-Have an agreed-upon procedures engagement performed as arranged by BOARDS under §- . 230 (b)(2) of OMB Circular A-133. Such engagements are to incorporate testing related to the Department's Additional Compliance Requirements for Type I Audits/Engagements (Outlined in Section 3 of these Guidelines) for each service PROVIDER.

-Auditors should consider these compliance issues in their tests of the following compliance areas: Uniform Financial Management System (UFMS), actual unit and allowable costs pertaining to UFMS reporting, and unallowable costs in special purpose grant arrangements, matching, Medicaid, Medicaid reconciliation, assets purchased with Federal and State funds and cash management.

-Auditors must report the results of their compliance testing following American Institute of Certified Public Accountants (AICPA) Statement. Standard for Attestation Engagements, codified as AT 500 and 600, compliance attestation and Agreed-Upon Procedures Engagements.

-Have an entity-wide audit performed of financial statements following Generally Accepted Government Auditing Standards (GAGAS) (See Paragraph 2.1.3.4.1).

TYPE II: If a PROVIDER expends \$300,000 or more in Federal funding, it must meet the following audit scope requirements:

-Obtain an organization-wide or program specific audit in compliance with OMB Circular A-133.

-In accordance with OMB Circular A-133, §-.525(c)(2), when the auditor is using the risk-based approach for determining major programs, the auditor should consider that if the United States Department of Health and Human Services (HHS) has identified the Medicaid Assistance Program as a program of higher risk. While not precluding an auditor from determining that the Medicaid Cluster qualifies as a low-risk program (e.g., because prior audits have shown strong internal controls and compliance with Medicaid requirements), this identification by HHS should be considered as part of the risk assessment process.

-Auditors should follow the DEPARTMENT's Additional Compliance Requirements for Type II (outlined in Section 4 of these Guidelines) part of their tests of the following: Activities allowed or unallowed, allowable costs, cash management, eligibility, equipment and real property management, reporting, matching and special tests and provisions. Auditors must report the results from applying these procedures in accordance with applicable AICPA guidance.

2.2.5 PROVIDERS with expenditures from other Federal sources in addition to those secured from the DEPARTMENT and the Ohio Department of Mental Health may also qualify for OMB Circular A-133 audits. If you are required to obtain a Circular A-133 or agreed-upon procedure audit/engagement by another funding source, this audit is sufficient for the purposes of these Guidelines. It is not necessary to have a separate audit performed for DEPARTMENT funding as long as audits submitted address the DEPARTMENT's Additional Compliance Requirements for either Type I audits/engagements or Type II audits.

3. DEPARTMENT ADDITIONAL COMPLIANCE REQUIREMENTS FOR TYPE I AUDITS/ENGAGEMENTS

3.1 Scope of Type I Audits/Engagements

3.1.1 PROVIDERS that expend less than \$300,000 in Federal funds and more than \$25,000 in Federal and State funds during the fiscal year should have: 1) an agreed-upon procedures engagement performed as arranged by BOARDS under §-.230 (b)(2) of OMB Circular A-133 (which incorporate testing related to the DEPARTMENT's Additional Compliance Requirements for Type I Audits/Engagements Outlined in Section 3 of these Guidelines) and 2) an entity-wide audit of financial statements following Generally Accepted Government Auditing Standards (GAGAS).

3.1.2 In addition, Section 3 of these Guidelines identify additional compliance issues the DEPARTMENT feels necessary to assure accountability and monitor program funding procedures. An independent CPA performing a Type I audit/engagement of a PROVIDER will use all standards for Financial Audits as described in Yellow Book as well as the AICPA Statement on Standard for Attestation Engagements, codified as AT 500 and 600, compliance attestation and agreed-upon procedures engagements to meet the objectives of audits under this section of the DEPARTMENT's Audit Guidelines. In addition, the DEPARTMENT's Additional Requirements for Type I audit/engagement should be incorporated in the tests of the Uniform Financial Management System (UFMS) reporting, actual unit and unallowable costs pertaining to UFMS reporting, and unallowable costs in special purpose grant arrangements, matching, Medicaid, Medicaid reconciliation, assets purchased with Federal and State funds and cash management.

3.1.3 Subrecipient and Vendor Determinations

3.1.3.1 As indicated in Section 2.2.2 BOARDS and providers are considered subrecipients. Therefore, Federal funds received from the DEPARTMENT are considered Federal awards and Type I audits/engagements are subject to the audit standards of Yellow Book.

3.1.4 Frequency of audits

3.1.4.1 The DEPARTMENT, as pass-through entity, suggests BOARDS acquire Type I audit/engagement of PROVIDERS annually. The DEPARTMENT will consider this audit/engagement as meeting the requirements of O.R.C. 340.03

3.1.5 Audit costs

3.1.5.1 The cost of agreed upon procedure audits/engagements are only allowable under Federal programs when the pass-through agency (BOARD) contracts and pays for the audit/engagement (See paragraph 2.1.3.4.1).

3.1.6 Audit report submission

3.1.6.1 Agreed-upon procedure engagement reports. of PROVIDERS should be submitted by the auditor to the appropriate BOARD within the earlier of 30 days after receipt of the final audit report or six months after the end of the audit period.

3.1.7 Audit Reporting

3.1.7.1 Auditors must report the results from applying the agreed-upon procedures following the AICPA Statement on Standard for Attestation Engagements, codified as AT 500 and 600, compliance attestation and Agreed-Upon Procedures Engagements.

3.1.8 Sample Size

3.1.8.1 When testing transactions as part of a Type I audit/engagement, the PROVIDERS and the auditor may agree on sampling parameters and/or appropriate sample sizes and sampling techniques. If utilizing statistical sampling techniques, the Department recommends that auditors obtain a 95% confidence level. Sampling procedures should be well documented in the auditor's work papers.

3.1.9 Findings

3.1.9.1 The auditor should report all findings from performance of the agreed-upon procedures regardless of materiality per AT 600.27.

3.2 DEPARTMENT Additional Compliance Requirements for Agreed-Upon Procedures Audits/Engagements

3.2.1 The following are compliance requirements to be addressed by Type I audits/engagements. The specific procedures to be utilized by auditors to test these compliance requirements are the responsibility of BOARDS subject to agreement by the auditor performing the engagement.

3.2.2 The auditor will evaluate internal controls of PROVIDER accounting systems and their capability to record revenues and expenditures by program under Yellow Book standards.

3.2.3 Uniform Financial Management System

3.2.3.1 The DEPARTMENT requires an annual report from PROVIDERS (DMH-FIS-062) to evaluate the related costs of services under programs funded by the DEPARTMENT .It is recommended that "the auditor review the documentation supporting this report and evaluate the report accuracy.

3.2.3.2 Any audit adjustments resulting from the audit/agreed-upon procedures review of PROVIDER Uniform Financial Management System (UFMS) report under a Type I audit/engagement must be reflected in revised UFMS reports and forwarded to the applicable BOARD. Revised UFMS reports must be submitted to the BOARD or DEPARTMENT within 30 days after submission of the final audit report.

3.2.3.3 The UFMS consists of a report prepared by PROVIDERS to permit monitoring

and internal control of program revenues and expenses by the DEPARTMENT/BOARD. The following describes the UFMS Report form completed by PROVIDERS, the purpose and relevant compliance requirements.

3.2.3.3.1 "Report of Units Delivered and Costs Incurred Agency Overview"

(DMH-FIS-O62): This report summarizes actual services delivered and costs incurred at the PROVIDER level. It is used to determine unit costs of specific services and administrative costs of programs receiving Federal, State and levy funds.

3.2.3.3.1.1 PROVIDER's accounting of revenues must be sufficient to allow identification of restricted and unrestricted funds and their use. Reported revenue should include, but is not limited to insurance client co-payment reported revenues and other grant sources.

3.2.4 Actual Unit and Allowable Costs Pertaining to UFMS Reporting

3.2.4.1 UFMS reports serve the purpose of calculating actual unit cost of services as defined in the DEPARTMENT Local System Performance Agreement and BOARD/PROVIDER assurance statements. Actual unit costs should include only allowable costs allocated based on cost allocation plans as defined in OBM A-21, A-87, A-122 and Compliance Supplement of the applicable Federal financial assistance program(s) and DEPARTMENT or BOARD award correspondence. OMB Circulars A-21, A-87 and A-122 define allowable and non-allowable costs associated with Federal programs. The DEPARTMENT applies the same cost principles to State funds as exist for Federal awards.

3.2.4.1.1 Compliance Requirement

3.2.4.1.1.1 Actual revenues and allowable costs (such as administrative overhead and non-personnel expenses) must be recorded and allocated to specific service categories in a reasonable and consistent manner utilizing suggested bases for cost distribution recommended in the "Unit Costing/Revenue Budgeting Section of the Community Mental Health Board Financial Management Procedure Manual" and "ASMB C-10: Implementation Guide for OMB Circular A-87" Section 4.6.2. The DEPARTMENT understands that A-87 does not specifically apply to Nonprofit entities; however, this section provides a sound example of the proper allocation of costs.

3.2.4.1.2 Compliance Requirement

3.2.4.1.2.1 Unit of Service costs involving the expenditure of Federal and/or State funds from the DEPARTMENT or local funds through BOARDS represented on the PROVIDER's "Report of Units Delivered and Costs Incurred - Agency Overview" (DMH-FIS-O62) must not include unallowable costs as defined in OMB Circulars A-87, A-122, A-21, applicable Compliance Supplements and DEPARTMENT or BOARD awards. This includes actual and reimbursed costs incurred for grant purposes.

3.2.4.1.3 Compliance Requirement

3.2.4.1.3.1 Unit of Service costs must not contain any expenditure deemed unallowable by the funding source or specified as such in applicable Compliance Supplement or DEPARTMENT/BOARD award correspondence.

3.2.5 Audit of the Community Mental Health Medicaid Program.

In Ohio, the Community Mental Health Medicaid Program is administered through a series of agreements. The Ohio Department of Job and Family Services, (ODJFS) enters into an agreement with the Ohio Department of Mental Health, (ODMH) which in turn enters into Title XIX, (Medicaid) agreements with Boards of Alcohol, Drug Addiction and Mental Health Services or Community Mental Health Boards, (Boards). The Boards then enter into agreements with Mental Health Provider Agencies for the actual provision of the services to Medicaid eligible people. In some instances, the Provider Agencies can enter into sub-agreements with other agencies for the provision of services. Because of these arrangements, the majority of the audit workload concerning the Community Medicaid Program will be focused on compliance with the various provisions contained in the Medicaid agreements.

3.2.5.1 General Medicaid Agreement Issues

3.2.5.1.1 Compliance Requirement

The agency must have on file complete copies of the following agreements:

- ODJFS/ODMH Community Medicaid Agreement
- ODMH/Board Community Medicaid Agreement,
- Board/Facility Community Medicaid Agreement
- Facility/Sub-Agency Agreement (if applicable)

3.2.5.1.2 Suggested Audit Procedures

Obtain a copy of the above agreements and assure agreements were in place during audit period.

3.2.5.2 Eligible Providers

3.2.5.2.1 Compliance Requirement

All individuals directly providing or clinically supervising the services in the agreement must meet the qualifications listed in Section 5122-23 of the Ohio Administrative Code [O.A.C. Section 5122-23].

3.2.5.2.2 Suggested Audit Procedures

Obtain a list of the Provider Agency's Medicaid service providers and clinical supervisors and their qualifications. The auditor should test a sample of reimbursed services to verify the provider's and the supervisor's eligibility according to Section 5122-23 of the Ohio Administrative Code.

3.2.5.3 Billing and Service Documentation

In this portion of the audit, the auditor should review the accounting and service documentation systems to assure the accounting practices and internal controls are sufficient to maintain the integrity of the Community Medicaid Program within the Provider Agency.

3.2.5.3.1 Compliance Requirement

When a client also has insurance, the insurance must be billed prior to billing Medicaid. The reimbursement received must be deducted from the Medicaid billing. When a client is both Medicaid and Medicare eligible, Medicare must be billed first. The reimbursement received from Medicare must be considered final payment in full except for Medicare crossover. Payments for Medicaid services including the federal share and the eligible public matching funds must be considered payment in full [O.A.C. Section 5101:3-27-06 and Medicaid agreement].

3.2.5.3.2 Suggested Audit Procedures

Review the accounting procedures, records and service documentation and determine whether sufficient internal controls are in place to prevent duplicate payments of Medicaid claims by any other funding source.

3.2.5.4 Testing of Billing Documents and Service Documentation

The testing of the Medicaid billing documentation should begin after the auditor is familiar with the overall operation of the Medicaid program within the agency. The testing should demonstrate that the roster lines that the Provider Agency has submitted to the Department for payment are well documented, accurate and complete. A test sample of the electronic claims submission could be obtained and compared with the individual ARA report that is provided by ODMH.

3.2.5.4.1 Compliance Requirement

The Provider Agency will be reimbursed on a fee for service basis for honored claims of eligible expenditures and reimbursement will be made at the Federal Financial Participation rate of the rates found in Exhibit 2 of the Medicaid Agreement. Reimbursement for services shall not exceed the amounts listed in the Board/Facility agreement as long as such claims were submitted to the Department of Job and Family Services within 365 days of the service date. An amendment must be submitted if the Provider Agency exceeds the agreement amount

3.2.5.4.2 Suggested Audit Procedures

3.2.5.4.2.1 Obtain a copy of Exhibit 2 of the Medicaid agreement and test a sample of reimbursed roster lines and service documentation to assure the following:

3.2.5.4.2.1.1 That the claims were submitted in time to be submitted to the Department of Job and Family Services within 365 days of the service date.

3.2.5.4.2.1.2 That the agency has sufficient documentation to demonstrate that the billed services were provided to the client and that the provision of the services can be traced back to the client's records.

3.2.5.4.2.1.3 That the following information has been recorded on the billing form;

3.2.5.4.2.1.3.1 Recipient information, (i.e., name, case number, etc.)

3.2.5.4.2.1.3.2 Description of the service type and service activity

3.2.5.4.2.1.3.3 Service site, if not at certified site

3.2.5.4.2.1.3.5 Correct number of units

3.2.5.4.2.1.3.6 Correct amount of third party payments, (if applicable).

3.2.5.5 Auditing the Cost Reports

3.2.5.5.1 Compliance Requirement

The Mental Health Provider Agency must submit a Medicaid cost report, ("Community Medicaid Actual Cost of Service, DMH-MED-020"), to the Board within 90 days of the close of the applicable-year.

3.2.5.5.1.1 Suggested Audit Procedures

The auditor should obtain a copy of the cost report and verify whether or not it was submitted within the 90 day limit.

3.2.5.5.2 Compliance Requirement

The cost report submitted to the Department must be accurate and fairly

represent the actual allowable costs per unit of the services covered in the contract.

3.2.5.5.2.1 Suggested Audit Procedures

The auditor should obtain a copy of all previously unaudited cost reports and test expenditure and related information to verify the accuracy of the following:

3.2.5.5.2.1.1 The units that were reported on the cost report were materially accurate

3.2.5.5.2.1.2 That the method and accuracy of the allocation of direct and indirect expenses, including administrative expenses to the various services resulted in actual costs that fairly represents the actual cost of providing the services.

3.2.5.5.2.1.3 The auditor should then test whether or not the expenses reported on the cost report contained any unallowable expenses. See Appendix A.

3.2.5.6 Record Retention

3.2.5.6.1 Compliance Requirement

The Provider Agency must retain all records for a period of six years from the date of service or until an audit is done and all audit exceptions have been resolved. The auditor should refer to the Board/Community Mental Health Agency Medicaid Agreement for the statement of this requirement.

3.2.5.6.2 Suggested Audit Procedures

Review the facility's policy regarding records retention. It should be noted that the above retention schedule is the Medicaid Program's requirements. The ODMH certification standards require that client records, (including the ICR), be kept for ten years.

3.2.6 Assets Purchased with Federal and State Funds

3.2.6.1 Personal Property Assets (PPA) items costing \$5,000 or more may require special reporting by the PROVIDER under requirements of these Guidelines. Under certain conditions, assets acquired with grant funds will have restrictions placed upon their use and disposal by the grantor. In addition, depreciation or use allowances are non-allowable for PPA items acquired with grant funds. PPA items purchased by PROVIDERS with grant funds provided by the DEPARTMENT must be recorded in asset records according to requirements of the appropriate OMB Circular (A-102, A-110, or "The Common Rule"). The DEPARTMENT applies the same requirements to PPA items purchased with State grant funds.

3.2.6.2 The circulars and "The Common Rule" specify the types of information required when purchasing PPA items with grant funds. The DEPARTMENT recommends PROVIDERS maintain such records for all asset acquisitions to insure consistency of record keeping for all assets and to facilitate required audit testing of assets under these Guidelines.

3.2.6.3 The methods by which Federal and/or State funds may be received and used to purchase PPA items are through Special Purpose Grants and Program Income.

Each Method permits the purchase of PPA items. The primary differences are how ownership of the PPA items derived, the proper disposition of items no longer used or needed and the ability to expense/depreciate the purchase price of those items.

3.2.7 Compliance Requirement

3.2.7.1 PPA items purchased in whole or in part with Special Purpose Grants funds have vested interests of the grantor agency {Federal grantor or DEPARTMENT) attached. Ownership of these assets reside in the grantor agency until specifically released by that agency. Use of PPA items purchased with Special Purpose Grant funds is restricted, and disposal of these assets must be with the written permission of the grantor agency (Federal or State) providing the funds. Depreciation/use allowance costs specifically related to PPA items purchased with Special Purpose Grant funds are non-allowable when computing indirect cost rates, administrative overhead and unit service costs for clients of the program. If Special Purpose grants have been used to purchase PPAs, these assets must be properly identified as restricted use property of the Grantor Agency and revealed in the notes to the PROVIDER 's financial statements.

3.2.7.2 Program income is received from the DEPARTMENT in payment for client services or in reimbursement for costs incurred in provided services and meeting the requirements of the program. Ownership of these assets rests entirely with the PROVIDER. There are no restrictions upon their use or disposal resulting from acquisition using program income. Acquisition of PPA items using program income does not have restrictions when computing indirect cost rates, administrative overhead and unit service costs for clients of the program. Such costs are allowable with program income acquired assets.

3.2.8 Compliance Requirement

3.2.8.1 Proper documentation of funding sources used to purchase all PPA items should be a standard part of the PROVIDER's accounting system. The accounting system procedures of the BOARD/PROVIDER related to PPA items should be consistently applied to all PPA purchases.

3.2.9 Federal Cash Management Compliance

3.2.9.1 Subpart C Sections 21 (b) (5) and Sec.22 of OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations" define the cash management requirements of PROVIDERS. The DEPARTMENT permits PROVIDERS to draw Federal funds for Special Purpose Grant funds on a reimbursement basis and/or no more than 30 days in advance of projected expenditures. According to OMB Circular A-110, the timing and amount of any cash advances shall be as close as administratively possible to the actual disbursements for program costs. In addition, cash management requirements specify that interest earned on excess Federal funds deposited in interest bearing accounts may be subject to recovery by the Federal government.

3.2.9.1.1 Compliance Requirements

3.2.9.1.1.1 The DEPARTMENT extends the principles of Cash Management to PROVIDERS receiving Federal money through OMB Circular A-110 Subpart C Sections 21 (b) (5) and 22.

This Federal funding includes but is not limited to SAPT Block Grant, Safe and Drug-Free Schools, CSAT demonstration grants, SAPT Block Grant Women's Set-aside and any Federally-funded special grant award. The DEPARTMENT intends Federal grant funds to be used within one month.

3.2.9.1.2 Compliance Requirements

3.2.9.1.2.1 Funds not expended by the PROVIDER within one month are to be deposited with a Federally insured financial institution in an interest-bearing account. Earnings on these excess or unexpended funds are to be reported by the auditor to determine the amount of interest earned. Interest earnings on excess funds greater than \$250.00 are to be refunded to the DEPARTMENT. Auditors should verify that any interest earned is reported/remitted to the Department as required.

3.2.9.1.3 Compliance Requirements

3.2.9.1.3.1 Unspent unencumbered Federal funds resulting from Special Grant Awards to the PROVIDER and still on deposit at the end of each grant period as specified in the award will be returned to the DEPARTMENT. Auditors should ensure that all Special Grant Funds still on deposit at the end of each grant period which are unspent and unencumbered are returned to the DEPARTMENT.

4. DEPARTMENT ADDITIONAL COMPLIANCE REQUIREMENTS FOR TYPE II AUDITS

4.1 Scope of Type II Audits

4.1.1 PROVIDERS expending \$300,000 or more in Federal funds during the fiscal year must obtain an organization-wide or program specific audit in compliance with OMB Circular A-133. In addition, specific audit compliance requirements are suggested by the DEPARTMENT to provide, verification/validation of PROVIDER reports used by the DEPARTMENT and Federal grantors for program monitoring and performance evaluation. Auditors should consider these requirements part of their tests of the following: Activities allowed or unallowed, allowable costs, cash management, eligibility, equipment and real property management, reporting, matching, and special tests and provisions. Auditors must report the results from applying these procedures following applicable Statement of Position 98-3. Auditors must apply ODMH's Additional Compliance Requirements to all major programs. Specific procedures to be utilized by auditors to test these compliance requirements are the responsibility of BOARDS subject to agreement by the auditor performing the engagement. The purpose of this section is to present these additional compliance requirements.

4.1.2 For PROVIDERS, OMB Circular A-IIO "Grants and Agreements with Institutions of Higher Education, Hospitals and other Nonprofit Organizations" applies. §-.21 of A-IIO "Standards for Financial Management Systems" discuss the minimum capabilities of PROVIDER accounting systems regarding recording and processing revenues and expenses.

4.1.3 Subrecipient and Vendor Determinations

4.1.3.1 As indicated in Section 2.2.2 BOARDS and providers are considered subrecipients. Therefore, Federal funds received from the DEPARTMENT are considered Federal awards and Type I audits/engagements are subject to the audit standards of Yellow Book.

4.1.4 Frequency of audits

4.1.4.1 The DEPARTMENT, as pass-through entity, requires all PROVIDERS to have a Type I or Type II audit performed annually. This applies regardless of whether a program-specific or an organization-wide audit is conducted. The DEPARTMENT will consider this audit as meeting the requirements of O.R.C. 340.03 (c)(4).

4.1.5 Audit costs

4.1.5.1 See paragraphs 2.1.4.3.1 through 2.1.4.3.3

4.1.6 Audit report submission

4.1.6.1 Program-specific and organization-wide audits under OMB Circular A-133 Sections §-.320(c) and §-.320 (d) require the submission of various schedules and reports as part of the audit reporting package. Audit reporting packages of PROVIDERS should be submitted by the PROVIDER to the appropriate BOARD within the earlier of 30 days after receipt of the final audit report or six months after the end of the audit period.

4.1.7 Audit Findings

4.1.7.1 The Schedule of Findings and Questioned Costs as outlined in §-.510 (a)(3) of OMB Circular A-133 requires a report on "known and likely questioned costs" and costs related to compliance findings.

4.2 Additional DEPARTMENT Compliance Requirements

4.2.1 Uniform Financial Management System

4.2.1.1 The DEPARTMENT requires an annual report from PROVIDERS (ODMH-fiscal-062) to evaluate the related costs of services under programs funded by the DEPARTMENT. It is recommended that the auditor review the documentation supporting this report and evaluate the report accuracy.

4.2.1.2 Any audit adjustments resulting from the audit of PROVIDER Uniform Financial Management System (UFMS) report under Type II audits must be reflected in revised UFMS reports and forwarded to the applicable BOARD. Revised UFMS reports must be submitted to the BOARD or DEPARTMENT within 30 days after submission of the final audit report.

4.2.1.3 UFMS consists of a report prepared by PROVIDERS to permit monitoring and internal control of program revenues and expenses by the DEPARTMENT/BOARD. The following describes the UFMS Report form completed by PROVIDERS, the purpose and relevant compliance requirements.

4.2.1.3.1 "Report of Units Delivered and Costs Incurred - Agency Overview" (ODMH-FIS-062): This report summarizes actual services delivered and costs incurred at the PROVIDER level. It is used to determine unit costs of specific services and administrative costs of programs receiving both Federal State and levy funds.

4.2.1.3.1.1 PROVIDER accounting of revenues must be sufficient to allow identification of restricted and unrestricted funds and their use. Reported revenue should include, but is not limited to insurance client co-payment reported revenues and other grant sources.

4.2.2 Actual Unit and Allowable Costs Pertaining to UFMS Reporting

4.2.2.1 UFMS reports serve the purpose of calculating actual unit cost of services as defined in the DEPARTMENT's Community Plan Guidelines and BOARD/PROVIDER assurance statements. Actual unit costs should include only allowable costs allocated based on cost allocation plans as defined in OMB

A-21, A-87 and A-122, and the Compliance Supplement of the applicable Federal financial assistance program(s) and DEPARTMENT or BOARD award correspondence. OMB Circulars A-21, A-87 and A-122 define allowable and non-allowable costs associated with Federal programs. The DEPARTMENT applies the same cost principles to State funds as exist for Federal awards.

4.2.2.1.1 Compliance Requirement

4.2.2.1.1.1 Actual revenues and allowable costs (such as administrative overhead and non-personnel expenses) must be recorded and allocated to specific service categories in a reasonable and consistent manner utilizing suggested bases for cost distribution recommended in the "Unit Costing/Revenue Budgeting Section of the Community Mental Health Board Financial Management Procedure Manual" and "ASMB C-10: Implementation Guide for OMB Circular A-87 Section 4.6.2. The DEPARTMENT understands that A-87 does not specifically apply to Nonprofit entities; however, this section provides a sound example of the proper allocation of costs.

4.2.2.1.2 Compliance Requirement

4.2.2.1.2.1 Unit of Service costs involving the expenditure of Federal and/or State funds from the DEPARTMENT or local funds through BOARDS represented on the PROVIDERS' the "Report of Units Delivered and Costs Incurred - Agency Overview" (DMH-FIS-062) must not include unallowable costs as defined in OMB Circulars A-87, A-122) A-21, applicable Compliance Supplements and DEPARTMENT or BOARD awards. This includes actual and reimbursed costs incurred for grant purposes.

4.2.2.1.3 Compliance Requirement

4.2.2.1.3.1 Unit of Service costs must not contain any expenditures deemed unallowable by the funding source or specified as such in applicable Compliance Supplement or DEPARTMENT/BOARD award correspondence.

4.2.3 Audit of the Community Mental Health Medicaid Program.

4.2.3.1.1 These are the same as found in Type I Audits. (See Section 3.2.5 of this document.)

4.2.4 Assets Purchased with Federal and State Funds

4.2.4.1 Personal Property Assets (PPA) items costing \$5,000 or more may require special reporting by the PROVIDER under requirements of these Guidelines. Under certain conditions, assets acquired with grant funds will have restrictions placed upon their use and disposal by the grantor. In addition, depreciation or

use allowances are non-allowable for PPA items acquired with grant funds. PPA items purchased by PROVIDERS with grant funds provided by the DEPARTMENT must be recorded in asset records according to requirements of the appropriate OMB Circular (A-102, A-110, or "The Common Rule"). The DEPARTMENT applies the same requirements to PPA items purchased with State grant funds.

4.2.4.2 The circulars and "The Common Rule" specify the types of information required when purchasing PPA items with grant funds. The DEPARTMENT recommends PROVIDERS maintain such records for all asset acquisitions to insure consistency of record keeping for all assets and to facilitate required audit testing of assets under these Guidelines.

4.2.4.3 The methods by which Federal and/or State funds may be received and used to purchase PPA items are through Special Purpose Grants and Program Income. Each Method permits the purchase of PPA items. The primary differences are how ownership of the PPA items derived, the proper disposition of items no longer used or needed and the ability to expense/depreciate the purchase price of those items.

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4.2.5.1 PPA items purchased in whole or in part with Special Purpose Grants funds have vested interests of the grantor agency (Federal or State) attached. Ownership of these assets reside in the grantor agency until specifically released by that agency. Use of PPA items purchased with Special Purpose Grant funds is restricted, and disposal of these assets must be with the written permission of the grantor agency (Federal or State) providing the funds. Depreciation/use allowance costs specifically related to PPA items purchased with Special Purpose Grant funds are non-allowable when computing indirect cost rates, administrative overhead and unit service costs for clients of the program. If Special Purpose grants have been used to purchase PPA items, these assets must be properly identified as restricted use property of the Grantor Agency and revealed in the notes to the PROVIDER's financial statements.

4.2.5.2 Program income is received from the DEPARTMENT in payment for client services or in reimbursement for costs incurred in provided services and meeting the requirements of the program. Ownership of these assets purchased with program income rests entirely with the PROVIDER. There are no restrictions upon their use or disposal resulting from acquisition using program income. Acquisition of PPA items using program income does not have restrictions when computing indirect cost rates, administrative overhead and unit service costs for clients of the program. Such costs are allowable with program income acquired assets.

4.2.6 Compliance Requirement

4.2.6.1 Proper documentation of funding sources used to purchase all PPA items should be a standard part of the PROVIDER's accounting system. The accounting system procedures of the BOARD/PROVIDER related to PPA items should be consistently applied to all PPA purchases.

5. ODMH AUDIT REPORT REQUIREMENTS AND AUDIT/AGREED-UPON PROCEDURES ENGAGEMENT FOLLOW-UP

5.1 AUDITOR RESPONSIBILITIES

5.1.1 The auditor should provide required reports as defined for the appropriate audit type.

5.1.2 The auditor should also initiate audit follow-up activities as required under OMB Circular A-133 (Type II), if applicable. The same follow-up activities as defined under OMB Circular A-133 should also be used for agreed-upon procedures audits/ engagements.

5.1.3 The auditor may assist the PROVIDER in preparing CAPs that address each of the findings and questioned cost cited in the auditor's reports. This would include assuring that CAPs address the main points of the citation(s)/finding(s) and correct the weaknesses noted.

5.1.4 The findings and questioned costs related to the DEPARTMENT's Additional Compliance Requirements should be included in the schedule of findings and questioned costs of Type II audit reports. Reports on Type I audits/engagements shall also report findings pertaining to this audit/engagement.

5.1.5 The auditor should report on the status of any CAPs resulting from prior year audit citations/findings.

5.1.6 Audit work papers should be maintained for a minimum of three years after release of the audit/engagement reports to permit review of work papers and test results if deemed necessary by the DEPARTMENT or the BOARD.

5.2 PROVIDER RESPONSIBILITIES

5.2.1 The PROVIDER will cooperate with the BOARD and the auditor engaged to conduct the audit/engagement regardless of audit type. This would include the preparation of schedules and statements requested by the auditor as necessary for completion of the audit/engagement.

5.2.2 Provider Audit/Engagement Report Submission

5.2.2.1 PROVIDERS must insure that copies of Type II audits are submitted to the BOARD in accordance with the timelines established in Sections 3 and 4 (paragraphs 3.1.6.1 and 4.1.6.1). All reports submitted to the BOARD must be originals.

5.2.3 Corrective Action Plan Submission

5.2.3.1 If a PROVIDER's audit contains findings in the Schedule of Findings and Questioned Costs section of the audit/engagement report, PROVIDERS are required to provide the BOARD with a CAP addressing those findings. For Type I audit/engagement reports, the CAP should address all findings and questioned costs reported by the auditor. For Type II audit reports, the CAP should address all material and reportable findings and questioned costs required under §-.315 of OMB Circular A-133. The PROVIDER may seek the assistance of the auditor in preparing CAPs that address the weaknesses cited in the audit report.

5.2.3.2 PROVIDERS should submit the CAP within 30 days after submission of their audit report to the BOARD. CAPs submitted by PROVIDERS should be prepared and submitted with written approval of the PROVIDER's Executive Committee or designee representing the BOARD of Trustees/Directors (See paragraph 2.1.5.5).

5.2.3.3 The DEPARTMENT and BOARDS reserve the right to request copies of a PROVIDER's Management Letters under OMB Circular A-133 §.320 (f) to provide additional clarification regarding findings not identified specifically in the

Schedule of Findings and Questioned Costs.

5.2.3.4 Preparation of Corrective Action Plans

5.2.3.4.1 A CAP under a Type I audit should include those items as specified under Circular A-133. CAPs under a Type I audit/engagement will be required if any of the following conditions exist are met under OBM Circular A-133 §-.510 (a)

5.2.3.5 Corrective Action Plan Content

5.2.3.5.1 The CAP should include PROVIDER responses indicating corrective actions already taken, additional actions to be taken or a statement supporting the PROVIDER's belief that the corrective action is not necessary. The Executive Committee or designee representing the Board of Trustees/Directors of the PROVIDER should acknowledge and signify approval of the comments and CAPs by signature before submitting the final CAP to the BOARD or DEPARTMENT.

5.2.3.5.2 The content of the CAP must include at a minimum the following:

5.2.3.5.2.1 A citation of each audit or audit/engagement finding describing the weakness or the adverse findings.

5.2.3.5.2.2 A description of the activities that will take place to correct the situation(s) for each finding.

5.2.3.5.2.3 The time-frames for completion of the corrective activities.

5.2.3.5.2.4 The name(s) of contact person(s) responsible for corrective action(s)

5.2.3.5.2.5 A statement signed by the, BOARD'S/PROVIDER'S Executive Director and a written resolution by the responsible Board of Directors/Trustees that the CAP is acceptable and its implementation will be monitored to assure correction of cited conditions during the subsequent fiscal year

5.3 BOARD RESPONSIBILITIES

5.3.1 BOARDS, as subrecipients of DEPARTMENT funds, have the responsibility to ensure that appropriate audit follow-up activity occurs. BOARDS are responsible for review of all audit/engagement reports submitted by their PROVIDER agencies and forwarding a copy of all audits/engagements to the DEPARTMENT. Where more than one BOARD provides funding to a PROVIDER, the BOARDS should cooperate to designate a single BOARD to coordinate all follow-up activities required for the PROVIDER Agency (See paragraph 2.1.3.2). It is the responsibility of the designated BOARD to notify the other BOARDS when problems have been identified by an auditor during the audit of a particular PROVIDER.

5.3.2 BOARDS have primary responsibility for reviewing and evaluating all reported findings and compliance with these guidelines as they pertain to PROVIDER audits. The DEPARTMENT checklist is to be used by BOARDS in this review process for all audits. This checklist is attached as Appendix B. BOARDS are encouraged to utilize this basic form, however, BOARDS may add additional review items. Once reviewed, BOARDS must submit a copy of PROVIDER audits or reports on the results of audits/engagements of PROVIDERS as designated in

paragraphs 2.1.4.2 and 2.1.4.3 with a completed review form attached for each Type n audit reporting package or Type I report.

5.3.3 BOARDS will also follow-up on prior CAPs to assure weaknesses have been resolved satisfactorily. BOARDS may make additional recommendations to a PROVIDER's CAPs. BOARDS will assure that a PROVIDER's previous CAPs have been implemented. The BOARD should require the PROVIDER to submit an explanation of why prior citations have not been corrected. If audit findings or recommendations are made by the auditor. BOARDS should ensure that PROVIDERS prepare CAPs. The PROVIDER's approved CAP should then be submitted to the DEPARTMENT by BOARDS within thirty days of the Board's receipt of the plan. The PROVIDER should include their comments specifying concurrence or disagreement. Documentation of all CAPs should be maintained with the BOARD's file of audits for each PROVIDER. Under both Type I and Type II audits/engagements prior year audit findings should be reviewed to assure that previous findings have been corrected.

5.4 ODMH RESPONSIBILITIES

5.4.1 The DEPARTMENT will review the BOARD's audit engagement checklist for each PROVIDER, the PROVIDER's comments/CAP (if applicable) and the BOARD's comments, if any.

5.4.2 The DEPARTMENT will review and evaluate audit reports with findings, BOARD approval or disapproval of CAPs and any recommendations made by the BOARD. The DEPARTMENT will provide a written response to BOARDS indicating concurrence or non-concurrence with BOARD recommendations, or should any further modifications be recommended by the DEPARTMENT. Modified CAPs must be resubmitted to the DEPARTMENT for final approval.

5.4.3 If any questioned costs from ODMH funding sources are disclosed in the audit, the DEPARTMENT will act as a liaison with the appropriate Federal or State Agency to resolve the audit findings.

5.4.4 ODMH's Corrective Action Plan Appeals Process

5.4.4.1 If the PROVIDER feels that the audit citations/findings or additional recommendations made by the BOARD will result in hardship, the PROVIDER may appeal to the DEPARTMENT. A copy of the PROVIDER's appeal should be sent to the DEPARTMENT. Each appeal will be reviewed based on individual merit. Deciding factors used to evaluate an appeal may include: the extent of the problem identified by the auditor in the audit, accounting/reporting requirements of the program involved, and the effect of the CAP on continued provision of service to citizens of the State of Ohio.

5.4.5 The DEPARTMENT may take action including, the reduction/withholding/ suspending/termination of funding, notification of the Auditor of State's Office, or other appropriate action upon the failure of a PROVIDER to successfully implement a CAP.