

POLICY STATEMENT # 2-1-08  
Mental Health and Recovery Board of Wayne and Holmes Counties

Subject: Audits of Contract Agencies

Effective Date: 9-17-92

Supersedes: Policy Statement Effective April 15, 1989

Approval Signature:

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1. Pursuant to the Board's responsibilities under ORC Sections 340.03(A)4 and 340.033(B), all contract agencies of the Board shall be audited annually by an independent certified public accountant.
2. The purpose of this audit shall be as follows:
  - a. To establish financial statements which present fairly the financial position and financial operations of the contract agency in accordance with generally accepted accounting standards.
  - b. To determine that the contract agency is in compliance with applicable laws and regulations and with the requirements and expectations imposed upon the agency by its contract with the Board.
3. At the discretion of the Board, the auditor may be either under contract to the Board or hired by the agency itself.
  - a. The hiring of an auditor directly by a contract agency pursuant to this policy shall be done in consultation with the Board.
  - b. The manner in which the auditor shall be engaged and the auditing services paid for shall be set forth in the Board-Agency contract.
  - c. It shall be the responsibility of the entity which contracts with the auditor to provide the auditor with a copy of this policy statement and to insure that the auditor adheres to the specifications contained and referenced herein.
4. In those instances where the Auditor is hired directly by the Agency (pursuant to item #3 of this policy statement) the following stipulations shall apply.
  - a. The Agency's contract with the Auditor shall specifically incorporate the requirements of this policy statement.
  - b. The Agency's contract with the Auditor shall contain the statement that "The audit is to be carried out, in part, on behalf of the Wayne-Holmes ADMH Board pursuant to its statutory responsibilities as contained in ORC Sections 340.03(A)(4) and 340.003(B)."

- c. The Agency's contract with the Auditor shall contain a requirement that the Auditor have a pre-audit meeting with ADMH Board staff, that the staff be afforded an opportunity to review the draft report and discuss it with the Auditor before it is finalized, that staff have access to the Auditor's working papers upon request, and that the Auditor make a face-to-face presentation to the Finance Committee of the ADMH Board.
  - d. The Agency's contract with the Auditor shall contain a requirement that the audit include a presentation corresponding to the State fiscal year (July-June), should the Agency's internal fiscal year differ.
  - e. The audit, when finalized, shall be submitted to the ADMH Board with a cover letter from the Auditor which is addressed to the Board and which contains the following statement:

*"This audit was carried out, in part, on behalf of the Wayne-Holmes ADMH Board pursuant to its statutory responsibilities as contained in ORC Sections 340.03(A)(4) and 340.033(B) and meets the specifications contained in the Board's policy statement on "Audits of Contract Agencies."*
  - f. The audit report be submitted to the Board within 30-days from the time the final document is presented to the Agency, which shall be within 6-months of the end of the contract period on June 30th. This submission to the Board shall include the entire audit report and any management letter.
  - g. The Agency must explicitly recognize and concur with the stipulation contained in the ODMH Compliance Audit Guidelines that, "Any Board whose auditing requirements are not met by an audit conducted through another entity may require that Agency to have another audit completed, at the Agency's expense, which meets that Boards' requirements."
5. This audit shall be based upon the following guidelines and standards, access to which, upon request, shall be ensured by the Board.
- a. "Compliance Audit Guidelines for the Ohio Community Mental Health System" (Ohio Department of Mental Health) and the corresponding ODADAS Guidelines when promulgated.
  - b. "Guidelines for Audit of Mental Health Contract Programs and Services" (Office of the State Auditor)
  - c. "Standards for Audits of Voluntary Health and Welfare Organizations" (American Institute of Certified Public Accountants)
  - d. "Financial Requirements for Contract Agencies" (OAC Section 5122:1-5-01) and "Financial Requirements for Community Mental Health Boards (OAC Section 5122:1-3-01) and any comparable rules that may be promulgated by ODADAS.
  - e. "Circular A-128", "Circular A-110/133," and "CIRCULAR A-87" (Federal Office of

Management and Budget)

6. In addition to the guidelines and standards referenced above, the audit is to provide for the following:
  - a. Determination that the agency has established an organized billing system and has made all reasonable efforts to collect from first and third parties.
  - b. Determination that the agency has followed its fee schedule and sliding scale as approved by the Board.
  - c. A schedule of any capital items acquired and identification of what parties may hold an interest in these items.
  - d. Review for appropriateness and reasonableness the cost and revenue allocation methodologies utilized by the agency in its submissions to the Board, as portrayed in the Agency's 047, 052, and 062 Unified Financial Management System Forms.
  - e. Review and confirmation of the reconciliation settlement process, as specified in the Board-Agency contract.
7. The scope of the audit shall be determined by the auditor, in consultation with the Board, based upon a consideration of related party transactions and identification of any corporate subsidiaries or affiliates.
8. The audit process shall include the following:
  - a. A pre-audit conference, at which time the auditor shall meet with the senior staff of the agency to review the purpose and scope of the audit and to discuss issues which may arise. Agency trustees shall be invited to this pre-audit conference.
  - b. Upon completion of the audit field work and prior to the drafting of the final audit report, the auditor will schedule an exit conference with the Executive Director of the agency. The purpose of this conference shall be to review the preliminary results of the audit with senior management of the agency. This meeting shall be specifically aimed at giving the agency a final opportunity to present any information if may wish prior to the preparation of the final audit report.
  - c. Upon release of the final audit report, the auditors shall schedule a meeting with a group of agency trustees, as determined by the agency, to present and discuss the audit findings.
9. The agency shall be required to submit, for AMDH Board approval, a plan of corrective action for any deficiencies identified through the audit process.
10. In addition to this audit, the AMDH Board may carry out other fiscal, compliance, and program auditing activities, pursuant to its responsibilities under the Ohio Revised Code.

