

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

BOARD POLICY

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Page **1**

CHAPTER Fiscal Management		CHAPTER 07	SECTION 002	SUBJECT 0035
SECTION Accounting		SUBJECT Contract Audited Financial Statements		
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I. APPLICATION:

- ☒ SCCCMA Board
- ☐ SCCCMA Providers & Subcontractors
- ☒ Direct-Operated Programs
- ☒ Community Agency Contractors
- ☒ Residential Programs
- ☐ Specialized Foster Care

II. POLICY STATEMENT:

It shall be the policy of the St. Clair County Community Mental Health Authority Board (SCCCMHA) to review the audited financial statements for contract agencies and to ensure a timely resolution of any findings or disagreements. To implement this policy, SCCCMA will specify in each provider's contract, as applicable, its provider audit and reporting expectations.

III. DEFINITIONS:

- A. Audited Financial Statements (AFS): are reports issued by an independent certified public accountant in accordance with Generally Accepted Accounting Principles (GAAP) and include the independent auditor's report(s), financial statements, notes to the financial statements, required supplemental information (RSI), supplemental information, Independent Auditor's Report on Internal Control, Audit Communication Letter, and the SCCCMA audit procedures report (Refer to Auditing Procedures Report, form #262 and #263 as applicable).
- B. Net Profit: is the gain earned in the contracted program net of questioned or unallowable costs identified for the program.

IV. STANDARDS:

- A. SCCCMA will specify in each provider's contract, as applicable, its provider audit and reporting expectations.
- B. Audits must be completed by an independent Certified Public Accountant or Certified Public Accounting firm applying appropriate auditing standards for the audited organization. A copy of the most recent CPA's peer review must be provided.

CHAPTER Fiscal Management	CHAPTER 07	SECTION 002	SUBJECT 0035
SECTION Accounting	SUBJECT: Review Procedures: Contract Audited Financial Statements		

- C. Audits must be scheduled as of 90 days after the close of the fiscal year; and the audit report must be issued within 180 days of the close of the fiscal year.

V. PROCEDURES:

SCCCMHA

1. Specifies Audit and reporting expectations in the provider contract.

Contract Agency

2. Hires CPA/CPA firm to perform the audit and submits the required reports to the SCCCMA contract manager within 180 days of close of fiscal year.

SCCCMHA Contract Manager

3. Forwards the audited financial statements (AFS) to the Fiscal Contract Manager for review.

SCCCMHA Fiscal Contract Manager

4. Reviews the AFS in accordance with the applicable review procedures (Exhibit A).
5. Give to Contract Management if no questions or issues are raised in the review of the AFS. Proceed to Procedure #17.

-OR-

- a. If questions are raised that appear minor in nature the Fiscal Contract Manager will contact the agency for clarification. When these questions are resolved, proceed to Procedure #17.
- b. Issues a report to the Contract Manager listing the concerns that need resolution if the questions raised appear to be a major concern or are unable to be resolved. Proceed to Procedure #6.

SCCCMHA Contract Manager

6. Sends a letter (Exhibit B) to the agency notifying them of the issues and questions to be resolved.
7. Coordinates a meeting with the contract agency's representatives and the Fiscal Contract Manager to resolve the questions. (Step I)

Contract Agency

8. Initiates written (Step II) appeal stating specific appeal items/rationale to the Chief Operating Officer within fifteen (15) days of Step I meeting (Procedure #7 above) if disagrees with financial findings.

CHAPTER Fiscal Management		CHAPTER 07	SECTION 002	SUBJECT 0035
SECTION Accounting		SUBJECT: Review Procedures: Contract Audited Financial Statements		

SCCCMHA Chief Executive Officer

9. Convenes Step II Audit Appeal Meeting, to discuss remaining concerns regarding content of the audit review.
10. Issues Step II Audit Hearing Report within fifteen (15) business days of meeting.

Contract Agency

11. Responds in writing to Chief Executive Officer that Audit Hearing Report is accepted if agrees with findings, (proceed to Procedure #16);

- OR -

Appeals in writing, if disagrees with Chief Executive Officer's decision stating appeal areas, to the SCCCMHA Board within fifteen (15) days of receiving Step II Audit Hearing Report from SCCCMHA Chief Executive Officer.

Contract Agency Board, SCCCMHA Board

12. Convenes Step III Audit Appeal Meeting with Chairperson/Executive Committee to Board level to attempt to resolve audited agency's appeal.

Contract Agency

13. Initiates proceedings through the court system within thirty (30) days of final appeal decision
WHEN THE AUDITED AGENCY DISAGREES WITH THE SCCCMHA BOARD'S APPEAL DECISION.

SCCCMHA Board

14. Notifies Michigan Department of Health and Human Services of Pending Legal Action.

Contract Agency

15. Agrees or resolves differences before final court decision (proceed to Procedure #17).

Contract Agency or SCCCMHA

16. Complies with the final court decision (proceed to Procedure #17).

SCCCMHA Contract Manager

17. Includes AFS in Contract agency file.

CHAPTER Fiscal Management		CHAPTER 07	SECTION 002	SUBJECT 0035
SECTION Accounting		SUBJECT: Review Procedures: Contract Audited Financial Statements		

VI. REFERENCES:

None Available

VII. EXHIBITS:

- A. Audit Review Process: AFS Residential Providers
- B. Sample Letter to Contract Agency with Questions or Concerns
- C. Review Process Flowchart

VIII. REVISION HISTORY:

Dates issued 08/99, 09/01, 09/03, 08/05, 08/07, 08/09, 08/11, 03/13, 01/14, 01/15, 01/16, 01/17, 01/18, 01/19, 01/20, 04/22, 04/23.

Review of AFS of Residential Services Providers

1. Read auditing procedures report and investigate findings to understand nature of items reported including disallowed or questioned costs.
2. Read Notes to financial statements noting unusual or unexpected items that have bearing on SCCCMHA contracts or programs.
3. Read management letter.
4. Review balance sheet for ratio of assets to liability and fund balance. Note if agency has a net deficit.
5. Review statement of Cash Flows.
6. Verify SCCCMHA revenues and receivables.
7. Review Program activity, investigate unusual or unexpected items.
8. Audited Financial Statements to contract manager.

Sample Letter to Contract Agency with Questions or Concerns

DATE

Executive Director
Contract Agency

Name:

In the review of the audited financial statements of (Agency name) , for the year ending (date) , the following questions were raised:

- 1)
- 2)
- 3)
- 4)

I would like to meet with you or your representatives on (date) at (time) , to discuss these questions. Please contact me as soon as possible if this meeting time is not acceptable, to reschedule this meeting.

If you have any questions please contact me.

Sincerely,

Contract Manager

CC: Contract file
Fiscal Contract Manager

REVIEW PROCESS FLOWCHART

EXHIBIT C

