

POLICIES AND PROCEDURE MANUAL

Chapter:	Financial Management		
Title:	Audit Procedure		
Policy: <input type="checkbox"/>	Review Cycle: Annually	Adopted Date: 07.21.2014	Related Policies: Financial Management
Procedure: <input checked="" type="checkbox"/>	Author: Chief Financial Officer	Review Date: 03.2018	
Version: 1.0		Revision Eff. Date:	
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Purpose

The purpose of this procedure is to identify the annual audit requirements of Mid-State Health Network (MSHN) and to ensure compliance with federal and state laws and contracts. These audits may include, but are not limited to:

- Annual Independent Fiscal Audit
- Annual Independent Single Audit
- Annual Independent Compliance Examination
- Audits performed by the State of Michigan Office of Inspector General
- Audits performed by, or under contract with, the Michigan Department of Health and Human Services (MDHHS) other Federal and State departments

Procedures

- A. Annual Independent Fiscal and Single Audits and Compliance Examination:
1. An independent accounting firm shall be chosen by the MSHN Board of Directors and shall report directly to the Board of Directors. Selection of the accounting firm shall be on a competitive bid basis with engagement to be for a period of three (3) fiscal years.
 2. The Chief Financial Officer (CFO) of MSHN shall prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America. These financial statements shall be subjected to an audit in accordance with generally accepted government auditing standards issued by the U.S. Government Accountability Office.
 3. The financial statements, with the audit opinion and any additional letters of comments and recommendations (the reporting package), shall be completed in sufficient time to be delivered to all federal, state and local agencies in accordance with agreed timelines, but no later than six months after the end of the fiscal year.
 4. The accounting firm shall audit the financial transactions and accompanying records for the prior fiscal year. The audit shall be conducted in accordance with governmental auditing standards and generally accepted accounting principles.
 5. In addition to the financial audit, the accounting firm shall conduct a single audit and an annual compliance examination as required by MDHHS.
 6. Upon completion of the financial audit, single audit and compliance examination, the accounting firm shall present the results and any findings to the MSHN Board of Directors. The accounting firm shall file the completed reports to the applicable authority in accordance with requirements.
 7. The MSHN CFO shall be responsible for submitting the financial audit, compliance examination, management letter, and the PIHP's response to the management letter per MDHHS contract requirements. An electronic copy shall be emailed to MDHHS-AuditReports@michigan.gov.
 8. The MSHN CFO shall be responsible for submitting the single audit that complies with all requirements in the MDHHS Substance Abuse Prevention and Treatment Audit Guidelines, as issued by the MDHHS Bureau of Audit, Reimbursement, and Quality Assurance.
- B. Audits Performed by the State of Michigan Office of the Inspector General or Audits performed by, or under contract with, the MDHHS or other Federal and State departments:

1. The MDHHS and/or federal agencies may inspect and audit any financial records of the MSHN or member CMHSPs.
2. An audit is an examination of the PIHP's and its contract service providers' financial records, policies, contracts, and financial management practices, conducted by the MDHHS Office of Audit or its agent, or by a federal agency or its agent, to verify the PIHP's compliance with legal and contractual requirements.
3. MDHHS audits will generally supplement the independent auditor's Compliance Examination and may include one or more of the following objectives:
 - a) to assess the PIHP's effectiveness and efficiency in complying with the contract and establishing and implementing specific policies and procedures as required by the contract; and
 - b) to assess the PIHP's effectiveness and efficiency in reporting their financial activity to the MDHHS in accordance with contractual requirements; applicable federal, state, and local statutory requirements; Medicaid regulations; and applicable accounting standards; and
 - c) to determine the MDHHS's share of costs in accordance with applicable MDHHS requirements and agreements, and any balance due to/from the PIHP.
4. MSHN will follow audit appeal processes as outlined in the MDHHS and PIHP Medicaid Managed Specialty Supports and Services contract.

Applies to:

- All Mid-State Health Network Staff
 Selected MSHN Staff, as follows:
 MSHN's Affiliates: Policy Only Policy and Procedure
 Other: Sub-contract Providers

Definitions:

CFO: Chief Financial Officer
 CMHSP: Community Mental Health Service Program
 PIHP: Prepaid Inpatient Health Plan
 MDHHS: Michigan Department of Health and Human Services
 MSHN: Mid-State Health Network

Other Related Materials:

Michigan Department of Health and Human Services Contract for Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program(s), the Healthy Michigan Program, and Substance Use Disorder Community Grant Programs Audits Section, MDHHS Audit Report and Appeal Process Attachment and Compliance Examination Guidelines Attachment

References/Legal Authority:

GAAP Generally Accepted Accounting Principles for Governmental Units
 Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants
 42 Code of Federal Regulations (CFR)
 Single Audit Act amendments of 1996, and 2 CFR 200 Subpart F

Change Log:

Date of Change	Description of Change	Responsible Party
07.21.2014	New Procedure	Chief Financial Officer
06.2017	Annual Review	Chief Financial Officer
03.2018	Procedure Update	Chief Financial Officer