

	STATE OFFICE for SERVICES to CHILDREN and FAMILIES	NUMBER: III-A.1.1.1
	ADMINISTRATIVE SUPPORT MANUAL III	SECTION: A. General Administration
	ISSUED BY: Management Operations EFFECTIVE DATE: January 2, 1996	SUBSECTION: 1. Review Functions 1. Audits
SUBJECT: 1. Audit Services		

Interpretation: Assistant Administrator,
Management Operations

Approval: Majorie Lowe
Assistant Administrator,
Management Operations

REFERENCE: HB2004

PURPOSE

413-300-000 The purpose of these rules is to describe the audit functions of the State Office for Services to Children and Families (SOSCF). It outlines the procedures for compliance audits, requesting audit services, scheduling audits, reviewing audit reports with appropriate management and distribution of the completed audit reports.

Statutory Authority: HB2004

Stats. Implementation: HB2004

POLICY

PURPOSE AND FUNCTION OF THE AUDIT UNIT

413-300-010 The Audit Unit provides audit services for the State Office for Services to Children and Families in accord with HB2004, which authorizes SOSCF to make all necessary rules and regulations for administering child welfare services. Included in audit services are provider audits, cost and rate studies, internal audits, and technical assistance.

Statutory Authority: HB2004

Stats. Implementation: HB2004

AUDIT REQUIREMENTS

413-300-020 (1) Audits of a contractor's financial records pertaining to SOSCF programs will be conducted for compliance to SOSCF contracts and in accord with current federal regulations, specifically, but not limited to, Federal Register OMB Circular A-122.

(2) Contractors required by the contract must maintain fiscal records and reports consistent with accepted accounting practices and controls which will properly reflect all direct and indirect costs and funds expended in performance of contracts with SOSCF and all revenue received for programs under contract with SOSCF. The contractor shall make

	STATE OFFICE for SERVICES to CHILDREN and FAMILIES ADMINISTRATIVE SUPPORT MANUAL III ISSUED BY: Management Operations EFFECTIVE DATE: January 2, 1996	NUMBER: III-A.1.1.1
		SECTION: A. General Administration
		SUBSECTION: 1. Review Functions 1. Audits
SUBJECT: 1. Audit Services		

these fiscal records and reports available at all reasonable times to state and federal auditors, and other persons authorized by the SOSCF. The contractor will collect statistical data of a fiscal nature on a regular basis and make fiscal statistical reports at the time and in the form prescribed by the agency.

(3) Grievance procedures for clients and contractors are covered in rules 413-010-400 through 413-010-490.

Statutory Authority: HB2004
Stats. Implementation: HB2004

AUDIT SCHEDULING

413-300-030 Audit schedules will be established by the manager of the audit unit and approved by the assistant administrator of Management Operations. In order to provide adequate notification of a routine audit, a list of contractors that would routinely be subject to audit during the six month periods beginning January 1 and July 1 of each calendar year will be sent to each affected contractor. The list will include specific requests for audits and audits scheduled on a routine basis. Official notification of audit will be sent to the affected provider ten working days in advance of the audit. **The criteria for conducting routine audits are as follows:**

(1) Contractors have been classified by complexity of programs and fund sources. Category "A" contractors are those with multiple SOSCF and non-SOSCF programs who have multiple funding sources. Category "B" contractors are those with multiple funded SOSCF programs. Category "C" contractors are those with single funded SOSCF programs. Category "D" contractors are Professional Family Shelter Homes funded by SOSCF, and Category "E" consists of all other contractors.

(2) Routine audits will be conducted of all contractors in Category A, B, and C with reasonable frequency, but not less than once every two years. Audits will be conducted of contractors in Categories D and E on request. Requests for an audit of a specific contractor and requests for management inquiry will take precedence over scheduled audits.

Statutory Authority: HB2004
Stats. Implementation: HB2004

REQUESTS FOR AUDIT SERVICE

413-300-040 Requests for audit services must be initiated or approved by the Director, the Deputy Administrator or an assistant administrator of the agency. All requests should be made in writing to the assistant administrator of Management Operations. Within ten working days following receipt, the assistant administrator of Management Operations

	STATE OFFICE for SERVICES to CHILDREN and FAMILIES ADMINISTRATIVE SUPPORT MANUAL III ISSUED BY: Management Operations EFFECTIVE DATE: January 2, 1996	NUMBER: III-A.1.1.1
		SECTION: A. General Administration
		SUBSECTION: 1. Review Functions 1. Audits
SUBJECT: 1. Audit Services		

will inform the requestor in writing whether the request will be honored, giving an approximate date when the audit work will commence. Requested audits will be performed as soon as possible.

Statutory Authority: HB2004
Stats. Implementation: HB2004

REQUESTS FOR MANAGEMENT INQUIRY

413-300-050 The agency's Director may request the audit unit to perform a Management Inquiry on specific subject areas. The inquiry will be conducted in an informal manner, unlike an audit where complete documentation and strict audit practices are followed. Results of the Management Inquiry will be forwarded in memo form directly to the Director.

Statutory Authority: HB2004
Stats. Implementation: HB2004

PRE-AUDIT AND POST-AUDIT BRIEFINGS

413-300-060 (1) The Contract Services Section and the SOSCF manager responsible for the contract will be given advance notice of the audit. The Contract Services Section will be given a pre-audit briefing prior to the audit. The only exception to this is when an unannounced audit is conducted. The purpose of the pre-audit briefing is for the auditor to obtain management's preference for specific areas to be audited and to inform management of the Auditor's planned scope of audit.

(2) A post-audit briefing with the contractor will also be held prior to completion of a draft audit report. A post-audit briefing with the Contract Services Section will also be held following every audit prior to publication and distribution of the audit report. The purpose of these meetings is to discuss findings and any recommendations for corrective action to ensure that the auditor has all the facts correctly stated.

Statutory Authority: HB2004
Stats. Implementation: HB2004

DISPOSITION AND FORMAT FOR REPORTS OF AUDIT

413-300-070 Copies of all contractor audit reports will be given to the Contract Services Section for the development, with the contractor, of any required corrective action. When the corrective action has been approved and the audit report has been formally closed by the Contract Services Section and auditor, copies of the audit report will be sent to the Director, Deputy Administrator, and appropriate assistant administrators.

	STATE OFFICE for SERVICES to CHILDREN and FAMILIES ADMINISTRATIVE SUPPORT MANUAL III ISSUED BY: Management Operations EFFECTIVE DATE: January 2, 1996	NUMBER: III-A.1.1.1
		SECTION: A. General Administration
		SUBSECTION: 1. Review Functions 1. Audits
SUBJECT: 1. Audit Services		

Reports of Audit will include the following major sections:

(1) Scope of Audit. Description of subject areas audited, the time periods covered and the name of the audit requestor, if appropriate.

(2) Findings and Comments. Narrative of the results of the audit, including an overall summary of the satisfactory areas and areas needing improvement.

(3) Recommendations (optional). Recommendations consist of the auditor's suggested action(s) to correct the discrepancies noted in the findings and comments section. The specific recommendations are not directive in nature but are presented as an aid to management in making improvements. Corrective action in some form, however, will be required.

(4) Exhibits to Audit Reports. As appropriate, and whenever it will serve to demonstrate the findings of the audit report, there will be information schedules attached to the reports. Examples of such schedules would be revenue and expenditure statements, schedules of overpayments or details of audit discrepancies.

Statutory Authority: HB2004
Stats. Implementation: HB2004

CORRECTIVE ACTIONS ON AUDIT FINDINGS

413-300-080 (1) The Contract Services Section is responsible for the administration and enforcement of all provider contracts entered into by SOSCF. The Contract Services Section is also responsible to see that the appropriate action is taken to correct the deficiencies noted in the audits conducted of fiscal and other related records. Upon receipt of the final audit, the Contract Services Section will send the audit to the contractor who will, when appropriate, develop a corrective action plan within 20 working days. When the corrective action plan is received from the contractor, the Contract Services Section will send a copy of the corrective action plan to the audits unit for evaluation and further disposition. The auditor will provide consultation and technical assistance in developing corrective action plans.

(2) When a corrective action plan has been received from the Contract Services Section, the auditor will evaluate the plan to determine that all the audit issues have been addressed and that the actions are appropriate.

	STATE OFFICE for SERVICES to CHILDREN and FAMILIES ADMINISTRATIVE SUPPORT MANUAL III ISSUED BY: Management Operations EFFECTIVE DATE: January 2, 1996	NUMBER: III-A.1.1.1
		SECTION: A. General Administration
		SUBSECTION: 1. Review Functions 1. Audits
SUBJECT: 1. Audit Services		

(3) The auditor will prepare a closing report of the audit within 15 working days after receipt of the corrective action plan. This report will provide a formal document of audit findings and contractor's corrective action plan. Information copies of the closing audit reports will be distributed.

(4) All closing reports of audit will include the following major sections as required:

- (a) Scope of audit;
- (b) Findings;
- (c) Recommendations;
- (d) Contractor's corrective Action Plan;
- (e) Auditor's Response to Corrective Action Plan.

(5) In the case of overpayments, a memo will be forwarded by the Assistant Administrator of Management Operations at the same time the corrective action plan (30 days) is sent describing collection action, if any, to be taken by Management Operations.

Statutory Authority: HB2004
Stats. Implementation: HB2004

AUDITING STANDARDS

413-300-090 (1) The audit unit will follow the American Institute of Certified Public Accountants (AICPA) statement on auditing standards.

(2) The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor.

(3) In all matters relating to the assignment an independence in mental attitude is to be maintained by the auditor or auditors.

(4) Due professional care is to be exercised in the performance of the examination and in the preparation of the report.

Statutory Authority: HB2004
Stats. Implementation: HB2004