

	<b>Department of Human Services</b> <b>CHILDREN, ADULTS &amp; FAMILIES</b> <b>ADMINISTRATIVE SUPPORT MANUAL III</b>  <b>ISSUED BY:</b> Management Operations <b>EFFECTIVE DATE:</b> August 1, 1998	<b>NUMBER:</b> III-A.1.1.1
		<b>SECTION:</b> A. General Administration
		<b>SUBSECTION:</b> 1. Review Functions 1. Audits
<b>SUBJECT:</b> 1. Audit Services		

Responsible Manager: Assistant Administrator,  
Management Operations

Approval: \_\_\_\_\_  
Assistant Administrator,  
Management Operations

Implementation: Assistant Administrator,  
Management Operations

**REFERENCE:** ORS 418.005

## PURPOSE

**413-300-0000** The purpose of these rules is to describe the audit functions of the State Office for Services to Children and Families (SOSCF). The rules outline the procedures for provider and branch office audits, requesting audit services, scheduling audits, reviewing audit reports with appropriate management and distribution of the completed audit reports.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## DEFINITIONS

**413-300-0005** The following definition applies only to OAR 413-300-0000 through 413-300-0090. "Provider" means any agency, under contract with SOSCF to provide 24-hour residential care and treatment for children in SOSCF's legal custody or children whose parents have signed a voluntary placement or custody agreement and who are unable to function in a family setting or independently in the community. Providers are classified as follows:

**(1) Category "A"** Providers are those with multiple SOSCF and non-SOSCF programs who have multiple funding sources.

**(2) Category "B"** Providers are those with multiple funded SOSCF programs.

**(3) Category "C"** Providers are those with single funded SOSCF programs.

(4) **Category "D"** Providers are Professional Family Shelter Homes funded by SOSCF.

(5) **Category "E"** Providers consists of all other providers.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## PURPOSE AND FUNCTION OF THE AUDIT UNIT

**413-300-0010** The Audit Unit provides audit services for the State Office for Services to Children and Families in accordance with ORS 418.005, which authorizes SOSCF to make all necessary rules and regulations for administering child welfare services. Included in audit services are provider audits, branch office, cost and rate studies, and technical assistance.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## AUDIT REQUIREMENTS

**413-300-0020 (1)** Audits of a provider's financial records pertaining to SOSCF programs shall be conducted for compliance with SOSCF contracts and current federal regulations, specifically, but not limited to, Federal Register OMB Circular A-122.

(a) Providers must maintain fiscal records and reports consistent with accepted accounting practices and controls which 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 provider shall make these fiscal records and reports available at all reasonable times to state and federal auditors, and other persons authorized by the SOSCF. The provider shall collect statistical data of a fiscal nature on a regular basis and provide fiscal statistical reports at the time and in the form prescribed by SOSCF;

(b) Grievance procedures for clients and providers are covered in SOSCF administrative rules 413-010-0400 through 413-010-0490.

(2) Audits of SOSCF branch office financial records shall be conducted for compliance with State of Oregon rules and regulations.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## AUDIT SCHEDULING

**413-300-0030 (1)** Audit schedules shall be established by the auditor and the Assistant Administrator of Management Operations. Notification of audit shall be arranged with the affected provider ten working days in advance of the audit. Audits

shall not be arranged in advance.

(2) Branch and provider audits in Categories A, B, and C shall be conducted with reasonable frequency. Audits shall be conducted of providers in Categories D and E on request. Requests for an audit of a specific provider or branch office and requests for management inquiry shall be given priority over scheduled audits.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## REQUESTS FOR AUDIT SERVICE

**413-300-0040** Requests for audit services must be initiated or approved by the director, the deputy administrator or an assistant administrator of SOSCF. All requests shall be made in writing to the Assistant Administrator of Management Operations. The Assistant Administrator of Management Operations shall notify the requestor in writing whether the request will be honored, giving an approximate date when the audit work will commence. Requested audits shall be performed as soon as reasonably possible.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## REQUESTS FOR MANAGEMENT INQUIRY

**413-300-0050** The SOSCF Director may request the audit unit to perform a Management Inquiry on specific subject areas. The inquiry may be conducted in an informal manner, unlike an audit where complete documentation and strict audit practices are followed. Results of the Management Inquiry shall be forwarded in memo form directly to the director.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## RE-AUDIT AND POST-AUDIT BRIEFINGS

**413-300-0060 (1)** The auditor shall conduct a pre-audit briefing with relevant staff to obtain management's preference for specific areas to be audited and to inform management of the planned scope of audit.

(2) An exit conference with the provider or branch office staff shall be held prior to completion of the audit report. The purpose is to discuss findings and any recommendations for corrective action to ensure that the auditor has all the facts correctly stated.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## DISPOSITION AND FORMAT FOR REPORTS OF AUDIT

**413-300-0070 (1)** Copies of all audit reports shall be distributed to the Assistant Administrator of Management Operations, and other SOSCF staff, as requested. Provider audits shall be further distributed to the Executive Director of the provider agency, and branch office audits distributed to the Assistant Administrator of Field Operations, regional administrators, and branch manager.

**(2)** Reports of audit shall include the following major sections:

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

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

**(c) Recommendations.** Recommendations consist of the auditor's suggested action(s) to correct the discrepancies noted in the findings and comments section.

**(d) Exhibits to Audit Reports.** As appropriate, and when necessary to explain the findings of the audit report, the auditor shall attach details to clarify the findings.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

## **CORRECTIVE ACTIONS ON AUDIT FINDINGS**

**413-300-0080 (1)** Significant discrepancies in the audit findings require corrective action. The regional administrator or assistant administrator accountable for the branch or provider contract is responsible for ensuring that the appropriate action is taken to correct the deficiencies noted in the audits conducted of fiscal and other related records. When appropriate, the contractor or branch office shall develop a corrective action plan within 20 working days. The auditor shall provide consultation and technical assistance in developing corrective action plans, as needed.

**(2)** The auditor shall evaluate the plan to determine that all the audit issues have been addressed and that the actions are appropriate.

**(3)** Upon full implementation of the corrective action plan, the auditor shall prepare a report indicating the audit has been successfully closed.

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

**(a)** Audit Recommendations;

(b) Corrective Action Plan;

(c) Auditor's Response to Corrective Action Plan.

(5) In the case of overpayments, a memo shall be forwarded to the Assistant Administrator of Management Operations and DHR Collections Unit when the audit report is issued, describing collection action, if any, to be taken by Management Operations.

**Statutory Authority: ORS 418.005**

**Stats. Implemented: ORS 418.005**

### AUDITING STANDARDS

**413-300-0090 (1)** The audit unit shall 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: ORS 418.005**

**Stats. Implemented: ORS 418.005**