

Milwaukee County Department of Health & Human Services	Date Issued: September 13, 2019	Reviewed: By: DHHS Contract Admin	Section: ADMINISTRATION	Policy No: DHHS 006	Pages: 1 of 9
<input checked="" type="checkbox"/> Behavioral Health Division (BHD) <input checked="" type="checkbox"/> Housing Division (Housing) <input checked="" type="checkbox"/> Disabilities Services Division (DSD) <input checked="" type="checkbox"/> Division of Youth & Family Services (DYFS) <input checked="" type="checkbox"/> Management Services Division (MSD)	Effective Date: September 13, 2019 Revise Date: April 01, 2021	Subject: <p style="text-align: center;">Audit Requirements</p>			

I. POLICY

It is the policy of Milwaukee County Department of Health & Human Services (DHHS) that Contractor/Provider should ensure compliance with the following obligation/requirements, as applicable during the term of the Contract/Agreement, wherein this policy is referenced.

Terms used in this Policy are the same as defined in the Contract/Agreement it was referenced.

II. REQUIREMENTS

All audits submitted by Contractor/Provider for any contract/Agreement shall be conducted in conformance with the following standards:

1. Federal Audit Requirement (Uniform Administrative Requirements) and /Or WI State Single Audit Guidelines and/or Wisconsin *Provider Agency Audit Guide*, 1999 revision issued by WI Department of Corrections and Workforce Development or *Department of Health Service Audit guide (DHSAG) Latest Revision* issued by Wisconsin Departments of Health Services (on line at www.DHS.state.wi.us/grants), DCF Provider Agency Audit Guide;
2. Standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, latest Revision published by the Comptroller General of the United States; and
3. Generally accepted auditing standards (GAAS) adopted by the American Institute of Certified Public Accountants (AICPA).

Requests for substitution of Program Audit for Agency-wide Audit, audit waiver, and/or extension requests must be in writing. Requests for substitution of Program Audit for Agency-wide Audit, audit waiver and/or extension requests must be sent to the following address no later than five months after the end of the Contractor's fiscal year, or such later date mutually agreed to by Contractor and Milwaukee County. Extensions of the deadline for submission of the audit are at the sole discretion of County. If Contractor determines an extension is necessary, County must receive a request for an extension not later than thirty (30) days prior to the due date for the audit. A request for an extension must include:

- (1) an explanation as to why an extension is necessary;
- (2) the date upon which the County will receive the audit;

- (3) the unaudited financial statements of the Contractor; and,
- (4) any additional information Contractor deems relevant to County's determination.

No extension will be granted for a period greater than ninety (90) days beyond the original date that the audit was due. Requests for extension of audit due date or waiver must be submitted to:

Milwaukee County Department of Health and Human Services
Contract Administrator
1220 W. Vliet Street, Suite 304
Milwaukee, WI 53205

Financial Statements shall be prepared in conformity with accounting principles generally accepted in the United States of America and on the accrual basis of accounting. Contractor must request and receive written consent of County to use other basis of accounting in lieu of accrual basis of accounting. CPA audits and reports referenced above shall contain the following Financial Statements, Schedules and Auditors' Reports:

(1) Financial Statements and Supplemental Schedules:

- a. **Comparative Statements of Financial Position** – For Agency-wide audits only.
- b. **Statement of Activities** – For Agency-wide audits only.
- c. **Statement of Cash Flows** – For Agency-wide audits only.
- d. ***Program Revenue and Expense Schedule*** for each program or activity identified as a single line item on Attachment I of the Purchase of Service Contract, or for each facility provided under a Community Based Residential Facility (CBRF), Adult Family Home (AFH), or Children's Residential Program Contract with the County, or each program under a Fee-for-Service Agreement with Milwaukee County. If more than one program is provided under the Agreement\Contract, or any other Contract with this or other divisions of Milwaukee County DHHS, or under a Community Based Residential Facility (CBRF), Adult Family Home (AFH) or Children's Residential Program Contract a separate Program Revenue and Expense Schedule must be prepared for each program or facility. For program schedules required under the Agreement\Contract, the schedule must follow the format and content of the sample schedule contained in the Milwaukee County Department of Health and Human Services Purchase of Service Guidelines (latest), Technical Requirements – Audit and Reporting section. Do not combine multiple line items on the Schedule of Program Revenue and Expenses into a single line item or separate a single line item into multiple line items.
- e. ***Schedule of Revenue and Expense by Funding Source*** (Agency-wide) is required of all Contractors. This schedule must follow the format and content of the sample schedule contained in the Milwaukee County Department of Health and Human Services Purchase of Service Guidelines (latest), Technical Requirements – Audit and Reporting booklet. Do not

combine multiple line items into a single line item or separate a single line item into multiple line items.

- f. **Allowable administrative and other allocated overhead (collectively, indirect costs)** will be limited to 10% of net allowable direct program costs (excluding such allocated costs) for agencies/Contractors electing to provide a program audit in lieu of an agency-wide audit.
- g. ***Reserve Supplemental Schedule*** is required for all non-profit Contractors that provide participant services on the basis of a unit rate per unit of participant service (units-times-price agreements). A separate schedule must be completed for each contract/facility, or for each program under a Fee-for-Service Agreement with County. For Contractors whose fiscal year is other than a calendar year, the period covered by the schedule must be the most recently completed calendar year for all DHHS-funded programs.

The statutes allow a surplus when the agency is a non-profit, non-stock corporation organized under Wis. Stat. Ch. 181 and the agency provides client services on the basis of a unit rate per unit of client service (Units-times-price agreements). Provider can retain from surplus up to 5% of the revenue received under the contract unless a uniform rate is established by rule under Wis. Stat. §46.036(5m)(b)(4), in which case the contract shall allow the provider to retain the uniform percentage rate established by the rule. However, notwithstanding the above, it is hereby delineated that such surplus or reserves are not allowed for any non-profit, or non-stock corporation for Federally funded program, e.g. Social Service Block Grants (SSBG), Substance Abuse Block Grants (SABG), etc. Contractor retention of surplus or reserves will not be allowed without prior approval of DHHS and will be evaluated on a case-by-case basis, based on the compliance requirements of the Federal program under which the contract is funded. Said surplus or reserves may be allowed based on the level of non-match Milwaukee County funding involved in the program (added 4/1/21).

The schedule must identify revenue from each Purchaser (earned under each contract) separately, and include total units of service provided to all Purchasers for each contract/facility and total units of service provided under the Contract with County, as well as the items required by the *Provider Agency Audit Guide*, DCF Provider Agency Audit Guide -Latest Revision or *Department of Health Service Audit Guide (DHSAG), Latest Revision* for the most recently completed calendar year. **Schedule of Profit for For-Profit Contractors Which Provide Participant Care.**

- h. For-profit Contractors shall include a schedule in their audit reports showing the total allowable costs and the calculation of the allowable profit by contract/facility, or for each rate-based program (service) within a facility. Wis. Stat. 46.036 (3) (c) indicates that contracts for proprietary agencies may include a percentage add-on for profit according to the rules promulgated by the Department of Health Services. These requirements are in the DHS and DCF *Allowable Cost Policy Manual*, However allowable profit will be restricted to 5% of net allowable operating costs.
- i. *Units of service provided under the Contract, if not disclosed on the face of the financial statements, are required for Contractors that provide participant services on the basis of a unit rate per unit of participant service (units-times-price agreements). Contractor's*

auditors shall review and report on the extent of support for the number of units for each type of service billed to County, and compare units billed to Contractor's accounting/billing records that summarize units provided per participant. Contractor's auditors shall reconcile billing records to supporting underlying documents in participant case files on a test basis, and report on any undocumented units billed to County that exceed the materiality threshold of the DHS Provider Agency Audit Guide, 1999 revision issued by WI Department of Corrections and Workforce Development or Department of Health Service Audit Guide (DHSAG), Latest Revision issued by Wisconsin Departments of Health Services or DCF Provider Agency Audit Guide-latest revision. The disclosure must include total units of service provided to all Participants for each program, facility, or rate-based program within a facility; and total units of service provided under the Contract or Service Agreement with County for the most recently completed calendar year.

- j. Notes to financial statements including disclosure of related-party transactions, if any (See "Required Disclosures" clause of the Contract\Agreement). Rental cost under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested with the Contractor. Rental cost under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the Contractor continued to own the property.

Contractor's auditors must disclose the actual costs of ownership, by property, for the property(ies) in question, as well as the amount of such costs to be allocated to each DHHS program, the amount of rent originally charged, and the amount of such rent that is an unallowable cost.

- k. Schedule of Federal and State Awards broken down by contract year. The schedule shall identify the name of the Milwaukee County Department as pass-through grantor, the contract number as pass-through grantor's identifying number, and the program name and number from the Attachment to the Contract\Agreement. Each program under County Contract must be reported as a separate line item by contract year.

(2) Independent Auditors Reports and Comments:

- a. "Opinion on Financial Statements and Supplementary Schedule of Expenditures of Federal and State Award" including comparative statements of financial position, and related statements of activities and cash flow of entire agency.

Or, for Program Audits

"Opinion on the Financial Statement of a Program in Accordance with the Program Audit."

- b. Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (GAS), and the *Provider Agency Audit Guide*, 1999 revision issued by WI Department of Corrections and Workforce Development or *Department of Health Service Audit Guide (DHSAG)*, Latest Revision issued by Wisconsin Department of Health Services or DCF Provider Agency Audit Guide- Latest revision.

Or, for Program Audits

“Report on Compliance with Requirements Applicable to the Program and on Internal Control over Compliance Performed in Accordance with the Program Audit.”

- c. “Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Part 200 Uniform Grant Guidance” (applicable only if the audit is also in accordance with OMB Part 200 Uniform Grant Guidance).
- d. Schedule of findings and questioned costs to include:
 - Summary of auditor’s results on financial statements, internal control over financial statements and compliance, and if applicable; the type of report that the auditor issued on Compliance for Major Federal Programs;
 - Findings related to the financial statements of the Contractor or of the program which are required to be reported in accordance with Generally Accepted Government Auditing Standards (GAGAS);
 - Findings and Questioned Costs for Federal Awards which shall include audit findings as defined in section .510(a) of OMB Part 200-Uniform Grant Guidance, if applicable;
 - Doubt on the part of the auditors as to the auditee’s ability to continue as a going concern;
 - Other audit issues related to grants/contracts with funding agencies that require audits to be performed in accordance with the *Provider Agency Audit Guide*, 1999 revision issued by WI Department of Corrections and Workforce Development or *Department of Health Service Audit Guide (DHSAG)*, Latest Revision issued by Wisconsin Department of Health Services or DCF Provider Agency Audit Guide -Latest Revision; and
 - Whether a Management Letter or other document conveying audit comments was issued as a result of the audit.
- e. A copy of the Management Letter or other document with auditor’s comments issued in conjunction with the audit shall be provided to County, along with Management’s response to the Management Letter. If no Management Letter was issued, the schedule of findings and questioned costs shall state that no Management Letter was issued.

(3) Contractor Prepared Schedules and Responses:

- a. Schedule of prior-year audit findings indicating the status of prior-year findings related to County funded programs. The schedule shall include the items required by the *Provider Agency Audit Guide*, 1999 Revision issued by WI Department of Corrections and Workforce Development, or *Department of Health Service Audit Guide (DHSAG)*, Latest Revision issued by Wisconsin Departments of Health Services, or DCF Provider Agency Audit Guide -Latest Revision. If no prior year findings were reported, the schedule must state that no prior year findings were reported.

- b. *Corrective Action Plan (CAP), for all current-year audit findings related to County funded programs and/or financial statements of the Contractor. The Corrective Action Plan shall be prepared by Contractor, and must include the following: name of the contact person responsible for the preparation and implementation of the corrective action plan; the planned corrective action; and, the dates of implementation and anticipated completion.*
- c. Management's responses to each audit comment and item identified in the auditor's Management Letter.

(4) General:

The following is a summary of the general laws, rules and regulations with which the auditor should be familiar in order to satisfactorily complete the audit.

- a. Government Auditing Standards, (Standards for Audit of Governmental Organizations, Programs, Activities, and Functions), Latest Revision.
 - b. OMB Uniform Grant Guidance Part 200
 - c. The allow ability of costs incurred by commercial organizations is determined in accordance with the provisions of the Federal Acquisition Regulation (FAR) at 48 CFR Part 31 - Contract Cost Principles and Procedures.
 - d. Wisconsin State Statutes, Sections 46.036, 49.34, Purchase of Care and Services.
 - e. State of Wisconsin, Department of Administration Single Audit Guidelines - Latest Revision.
 - f. State of Wisconsin Department of Health Services, Provider Agency Audit Guide - 1999 Revision issued by WI Department of Corrections and Workforce Development.
 - g. *Department of Health Services Audit Guide (DHSAG) Latest Revision* issued by Wisconsin Department of Health Services.
 - h. Department of Children and Family Services Provider Agency Audit Guide Latest Revision
 - i. State of Wisconsin Department of Health Services, Allowable Cost Policy Manual - Latest Revision.
 - j. State of Wisconsin Department of Children and Families Allowable Cost Policy Manual, Latest Revision.
 - k. AICPA Generally Accepted Auditing Standards.
- B. Contractor hereby authorizes and directs its Certified Public Accountant, if requested, to share all work papers, reports, and other materials generated during the audit with County or County's representative(s) including the Milwaukee County Department of Health and Human Services and the Milwaukee County Division of Audit Services (DAS) as well as state and federal officials. Such direct access shall include the right to obtain copies of the work papers and computer disks, or other electronic media, which document the audit work. Contractor shall require its CPA to retain work papers for a period of at least seven (7) years following the latter of Contract termination, or receipt of audit report by County. This provision shall

survive the termination of the Agreement\Contract regardless of the reason.

C. Contractor and County mutually agree that County or County's representative(s), including the Milwaukee County Department of Health and Human Services and the Milwaukee County Division of Audit Services (DAS), as well as state and federal officials, reserve the right to review certified audit reports, supporting workpapers, or financial statements, and perform additional audit work as deemed necessary and appropriate, it being understood that additional overpayment refund claims or adjustments to prior claims may result from such reviews. Such reviews may be conducted for a period of at least seven (7) years following the latter of contract termination, or receipt of audit report, if required. This provision shall survive the termination of the Agreement\Contract regardless of the reason.

D. Contractors reporting on a **fiscal year other than a calendar year shall be considered in compliance with contract reporting requirements** upon submittal of the following **unaudited** schedules:

(1) A schedule of revenue and allowable costs allocated by funding source, and by program, covering the period from the end of the Contractor's fiscal year ended in calendar year through December 31, for each program or activity identified as a fee for service agreement with Milwaukee County, referenced as a line item on the Attachment I of a Purchase of Service Contract and for each Community Based Residential Facility (CBRF).

The schedule(s) shall be compiled by Contractor's independent public accountant, with an accountant's compilation report, for the period from the close of Contractor's fiscal year through the end of the calendar year, on or before June 30 of next year, or such later date that is mutually acceptable to Contractor and County.

(2) If Contractor's fiscal year encompasses two contract years, Contractor shall submit a "bridging schedule" prepared by a CPA, which identifies program revenues and allowable costs for each of the two calendar year contract periods. The "bridging schedule" shall reconcile the two calendar year contract periods to the fiscal year totals for each program reported in the most current fiscal year audit report.

E. Contractor shall maintain records for audit purposes for a period of at least seven (7) years following the latter of contract termination or receipt of audit report by County. This provision shall survive the termination of the Agreement\Contract regardless of the reason.

F. **Contractor's Sub-recipients**

Contractors who subcontract with other providers for the provision of care and services are required by federal and state regulations to monitor their sub-recipients.

Contractors shall have on file, and available for review by Milwaukee County and its representatives, copies of sub-recipient's CPA audit reports and financial statements. These reports and financial statements shall be retained for a period of at least seven (7) years following the latter of contract termination, or receipt of audit report, if required. This provision shall survive the termination of the Agreement\Contract regardless of the reason.

Sub-recipient shall maintain and, upon request, furnish to County, at no cost to County, any and all information requested by County relating to the quality, quantity, or cost of services covered by the subcontract and shall allow authorized representatives of County, the Milwaukee County Division of Audit

Services (DAS) and County's funding sources to have access to all records necessary to confirm sub-recipient's compliance with law and the specifications of the Agreement\Contract and the subcontract. This provision shall survive the termination of the Agreement\Contract regardless of the reason.

It is agreed that County representatives, the Milwaukee County Division of Audit Services (DAS) and representatives of appropriate state or federal agencies shall have the right of access to program, financial and such other records of sub-recipient as may be requested to evaluate or confirm sub-recipient's program objectives, participant case files, costs, rates and charges for the care and service, or as may be necessary to evaluate or confirm sub-recipient's delivery of the care and service. It is further understood that files, records and correspondence for subcontracted engagement must be retained by sub-recipient for a period of at least seven (7) years following the latter of contract termination, or receipt of sub-recipient's audit report, if required. This provision shall survive the termination of the Agreement\Contract regardless of the reason.

Sub-recipient shall allow visual inspection of sub-recipient's premises to County representatives and to representatives of any other local, state, or federal government unit. Inspection shall be permitted without formal notice at any time that care and services are being furnished.

G. Failure to Comply with Audit Requirements:

If Contractor fails to have an appropriate audit performed or fails to provide a complete audit-reporting package to the County, or fails to request and receive an audit submission waiver (if applicable/available), as required by the Agreement\Contract within the specified timeframe, the County may:

- a. Conduct an audit or arrange for an independent audit of Contractor and charge the cost of completing the audit to Contractor;
- b. Charge Contractor for all loss of Federal or State aid or for penalties assessed to County because Contractor did not submit a complete audit report within the required time frame;
- c. Disallow the cost of the audit that did not meet the applicable standards; and/or
- d. Withhold or suspend any or all payments due the Contractor from County.
- e. Suspend, reduce or terminate the Contract/Agreement, or take other actions deemed by County to be necessary to protect the County's interests.
- f. In the event of selection by County of an organization or individual to complete an audit of Contractor's financial statements, County shall withhold from future payments due to the Contractor from County an amount equal to any additional costs incurred by the County for the completion of an audit of Contractor's records by an auditor selected by County.
- g. County may withhold or recover a sum of \$1,500.00 from payments due to the Contractor from County as liquidated damages.
- h. County may impose additional monitoring and/ or reporting requirements on contractor. Or take any other action that County determines is necessary to protect federal or state funding.

- i. These provisions shall survive the termination of the Agreement\Contract regardless of the reason.
- j. Upon receipt of the audit report, County will complete preliminary review of all audits received to determine whether additional information is required and notify Contractor of any additional information required to complete review. Once the complete audit is received, County will complete a compliance review and notify Contractor of County's actions on the audit report.
- k. Contractor agrees to submit to DHHS plans for correcting weaknesses identified in audit reviews. Failure on the part of the Contractor to comply with these requirements shall result in withholding of any payments otherwise due the Contractor from DHHS and ineligibility for future agreements/contracts with DHHS until six months after such time as these requirements are met. This provision shall survive the termination of the Agreement\Contract regardless of the reason.
- l. Contractor agrees that the DHHS is entitled to repayment of amounts identified as a result of the audit required under this section and acknowledges that failure to repay such amounts may result in legal action as determined by Milwaukee County Corporation Counsel. Interest and any legal expenses incurred by DHHS in collection of these amounts shall be charged the Contractor on outstanding repayments as set forth in s46.09 (4) (h) Milwaukee County General Ordinances. This provision shall survive the termination of the Agreement\Contract regardless of the reason.
- m. Contractor and County mutually agree that the Milwaukee County DHHS or its agents, the Milwaukee County Director of Audits, as well as state and federal officials, reserve the right to review certified audit reports or financial statements and perform additional audit work as deemed necessary and appropriate. It is understood that additional overpayment refund claims or adjustments to prior claims may result from such reviews. This provision shall survive the termination of the Agreement\Contract regardless of the reason.
- n. The Contractor consents to the use of statistical sampling and extrapolation as the means to determine the amounts owed by the Contractor for any DHHS programs, or Fee-for-Service Provider Networks as a result of an investigation or audit conducted by DHHS or its agents, the Milwaukee County Division of Audit Services (DAS) , the Wisconsin Department of Health Services, DCF the Department of Justice Medicaid Fraud Control Unit, the federal Department of Health and Human Services, the Federal Bureau of Investigation, or an authorized agent of any of these. This provision shall survive the termination of the Agreement\Contract regardless of the reason.
- o. If the County has waived the audit requirement for the Agreement\Contract under Wisconsin Statute s.46.036, this waiver does not absolve Contractor from meeting any federal audit requirements that may be applicable or any audit requirements of other contracts. Waiver of the audit, or failure of Contractor to receive County funding under the Agreement\Contract and other County Agreements at a level that would require an audit does not absolve Contractor from submitting an un-audited schedule of program revenue and expenses as a final accounting to determine final settlement under the Agreement\Contract. This provision shall survive the termination of the Agreement\Contract regardless of the reason.