

# Division of Mental Health and Addiction Services



## SUBMISSION OF PROVIDER AUDIT REPORTS

## QUARTERLY PROVIDERS MEETING SEPTEMBER 2022



# BACKGROUND

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## NJ OMB CIRCULAR 15-08 and DHS Policy Circular 7.06:

- ✦ Requires Single Audit in accordance with Government Auditing Standards if agency expended at least \$750K of State funds or \$750K of federal funds in its fiscal year.
- ✦ *Single Audit consists of additional audit steps to test the adequacy of a agency's internal controls and its compliance with grant program requirements.*
- **DHS Contract Policy also requires contracted providers to submit financial statements to DMHAS Contract Administrators.**

# Specific Requirements

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- **Providers Under Cost-Based Contracts**

*(including those that **also** provide services under Fee for Service (FFS) arrangements):*

- ✦ Audited Financial Statements (i.e., **aside** from any Single Audit) must be submitted to DMHAS Contract Administrators each year;
- ✦ Expenditures in cost-based contracts **do** count towards the \$750K threshold. So if that threshold is reached, a Single Audit would be required to be submitted.
- ✦ DMHAS may request special footnote disclosures (as was the case due to the FY20/FY21 2-year contract cycle) to facilitate review and reconciliation to final reports of expenditure (ROE's).

# Specific Requirements

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- **Providers With MH Fee for Service (FFS) Contracts Only:**
  - MH FFS Contracts are now on a two year-cycle beginning July 1, 2022.
    - ✦ *Audited financial statements are required to be submitted to DMHAS MH FFS Contract Administrators every other year. So, financial statements will not be required to be submitted at the start of State FY 2024, i.e., the second year of the contract cycle.*
  - MH FFS payments DO county towards the \$750K threshold. As such, a Single Audit is required **annually** if the threshold was met (even though the regular audit of the financial statements is now due every two years).
  - Our staff will review those audits to determine any findings related to internal controls and will request a Corrective Action Plan (CAP) as needed.



# Specific Requirements

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- **SUD FFS Providers (*Agencies who ONLY provide SUD services under FFS arrangement*):**
  - ✦ SUD FFS contracts continue to be administered under a 2-year renewal cycle;
  - ✦ Providers must submit audited Financial Statements only every other year; these are submitted to the SUD FFS Network Management Unit.
  - ✦ **SUD FFS payments do not count towards the Single Audit threshold as the providers are not considered sub-recipients under the federal OMB Uniform Guidelines.** *However, if a SUD FFS-only provider still has to prepare a Single Audit due to qualifying sub-recipient grants received from **other** sources, it must be provided to DMHAS each year that the threshold is met.*

# Specific Requirements

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- **As per DHS Contract Policy and Information Manual, Section 7.06**
- *“All Provider Agencies that expend **less** than \$750,000 in federal or State financial assistance within their fiscal year, **but expend \$100,000 or more** in State and/or federal financial assistance within their fiscal year, must have either a financial statement audit performed in accordance with Government Auditing Standards (Yellow Book) or a program-specific audit performed in accordance with Uniform Guidance Subpart F and State policy.”*

# DMHAS Communications

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- Initial Award: DMHAS will continue to send award letters indicating if the grant includes federal funding.
- At end of State Fiscal Year:
  - For all **except SUD FFS only** providers: DMHAS Fiscal staff will send letters to agencies advising them of the expenditures of federal awards in that State Fiscal Year, including required information such as the federal grant name and Catalog of Federal Domestic Assistance (CFDA) number.
    - ✦ Please contact your Contract Administrator to receive this information for other time periods consistent with your own fiscal year end (i.e., if different from the State Fiscal Year basis).
  - Provider for whom DMHAS allocates a portion of MH FFS spending to the Mental Health Block Grant (MHBG) will continue to also receive preliminary letters around the mid-point of the State Fiscal Year with estimated MHBG allocations.



# Questions

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- Please reach out to your Contract Administrator, your contact in the MH FFS Fiscal Unit or the SUD FFS Network Management Unit with any specific questions related to these requirements.