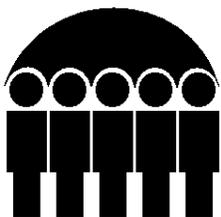


Revised September 21, 2007

Management Manual  
Title 23  
Chapter D

# AUDITS



Iowa  
Department  
of  
Human Services

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## **Overview**

Records of the Department of Human Services are subject to audit by the Auditor of State, the Department of Inspections and Appeals, and various federal agencies. The audits may be limited in scope or they may be all-inclusive. The audits may be financial, compliance, operational or some combination of all three.

### **Legal Basis**

Iowa Code Sections 11.1 through 11.5A require the Auditor of State to audit state departments. Iowa Code section 70A.8 requires that books, accounts, vouchers, and funds belonging to or kept in any state office or institution be open or subject to the inspection of the governor and the legislature or their designees.

Public Law 98-502, referred to as the "Single Audit Act" established federal standards for the audit of organizations that receive federal assistance. It also eliminated the duplication of audits by the various federal agencies.

The Office of Management and Budget prescribed policies, procedures, and guidelines for implementation of the Act through OMB circular A-133, issued on June 24, 1997, and revised on June 27, 2003.

## **Audits by Auditor of State**

**Legal reference:** Public Law 98-502, Iowa Code section 11.2

Department personnel shall fully cooperate and willingly provide information for state audits.

The Auditor of State is required to make a complete audit of the books and accounts of the Department annually. In addition, the Department has contracted with the Auditor of State to conduct the federal audits required by the Single Audit Act. A contractor with one or more contracts that exceeds \$150,000 may be subject to a review by the state auditor.

### **Responding to State Audits**

**Legal reference:** Iowa Code section 217.6

The Division of Fiscal Management shall review all Department responses to state audit reports and is responsible for composing a letter of response.

Each section of the draft requiring a response will be assigned to the appropriate division or office. That unit shall return the response within 12 calendar days of receipt.

In the response, the assigned division should address each finding and recommendation contained in the draft audit report, clearly indicating either:

- ◆ Concurrence with the recommendation, including corrective action steps and target dates for completion, or
- ◆ Non-concurrence with the recommendation and reasons supporting the disagreement, including proper documentation.

The Division of Fiscal Management reviews the responses and combines them into a letter for the Division of Fiscal Management administrator's approval.

The Division of Fiscal Management tracks all planned corrective action and reports all delinquent actions to the director or administrator of each division.

Copies of the audits are maintained by the Division of Fiscal Management for five years and then destroyed.

### **Audits by Department of Inspections and Appeals**

**Legal reference:** Iowa Code sections 217.6 and 234.6

Records of all local offices operated by the Department of Human Services are subject to annual examination by the Iowa Department of Inspections and Appeals under a contract with the Department of Human Services.

The Audits Division of the Department of Inspections and Appeals has the statutory authority to conduct audits relative to the administration of the Medicaid and State Supplementary Assistance programs.

The scope of an audit is established after consideration of the characteristics of the program or unit being audited. The scope may be expanded as the audit progresses and the need is indicated. The examination includes:

- ◆ An audit of the costs.
- ◆ The allowability of the costs
- ◆ Whether the costs have been properly allocated.

The examination may include an audit of:

- ◆ The issuance of receipts.
- ◆ Other operations as determined by the Director.

### **Subrecipient Audit Review**

**Legal reference:** Public Law 98-502; OMB Circular A-133

The Single Audit Act requires that all subrecipients receiving \$500,000 or more in total federal financial assistance from all sources have an annual audit that conforms to the standards of the Office of Management and Budget. These standards are issued as attachments to the act.

“Subrecipient” means any person or entity that receives federal assistance to carry out a program through the Department. The subrecipient’s responsibility is to help the Department meet the requirements of the assistance award. An individual who is a beneficiary (client) of such a program is not a subrecipient.

A person or entity that provides a service to clients with an agreed-upon rate of pay that will be paid for from federal assistance funds is also not a subrecipient. The provider’s responsibility is to meet the requirements of the contract.

For example, Medicaid funds paid by the federal government to the Department are federal assistance payments and are covered by the Single Audit Act.

However, the arrangements between the Department and Medicaid providers (vendors), such as doctors, dentists, laboratories, hospitals, and therapists, are contracts for services or agreements to provide a service for an agreed-upon rate. The purpose of these contracts is not to assist the Department meet the requirements of the assistance award. Therefore, they are not covered by the Act.

Contracts that are paid from state funds only are not subject to the requirements of the Single Audit Act.

The Division of Fiscal Management is responsible for establishing procedures to identify all entities that receive funding from the Department that meet the definition of a subrecipient, as defined in OMB Circular A-133(B) subsection 210.

Subrecipient contracts shall have a statement requiring an annual audit that meets the federal requirements and submission of the audit to the Department.

The Department shall notify all subrecipients of the requirements and perform an annual review of their audit. This includes governmental subgrantees.

The Division of Fiscal Management shall notify the subrecipient when the audit is past due in order to secure a copy. The first request shall be made within six months after the end of the contractor's fiscal year.

Division staff review all subrecipient audit reports. The Division initiates audit resolution of all comments that affect funds administered by the Department and reviews with the audit firm:

- ◆ Questioned audit procedures.
- ◆ Qualified reports that do not clarify why a qualified report was issued.
- ◆ Instances in which internal controls were not tested within six months after the federally required audit due date.

In absence of a subrecipient audit, the Department shall arrange for an audit of a facility.



TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF HUMAN SERVICES

CHARLES M. PALMER, DIRECTOR

June 25, 1996

**GENERAL LETTER NO. 23-D-4**

ISSUED BY: Bureau of Operations Budget and Accounting, Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter D, *Audits*, Title page, revised; Contents, revised; and pages 1 through 4, revised.

**Summary**

Audit responsibilities of the Department have shifted from the Program Evaluations Unit to the Bureau of Operations Budget and Accounting. All references to the Office of Program Evaluation have been changed to the Bureau of Operations Budget and Accounting.

**Effective Date**

April 30, 1996

**Material Superseded**

Remove from Management Manual, Title XXIII, Chapter D, Title page, dated January 29, 1985; Contents, dated February 26, 1991; and pages 1 through 4, dated February 26, 1991, and destroy them.

**Additional Information**

Refer questions to the Bureau of Operations Budget and Accounting.



# STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

April 8, 2003

## GENERAL LETTER NO. 23-D-5

ISSUED BY: Division of Fiscal Management

SUBJECT: Employees' Manual, Title 23, Chapter D, *AUDITS*, Title page, revised;  
Contents (page 1), revised; and pages 1 through 4, revised.

### Summary

Audit responsibilities of the Department have shifted from Bureau of Operations Budget and Accounting to Division of Fiscal Management. All references to the Bureau of Operations Budget and Accounting have been changed to the Division of Fiscal Management.

### Effective Date

Upon receipt

### Material Superseded

Remove the following pages from Management Manual, Title 23, Chapter D, and destroy them:

<u>Page</u>	<u>Date</u>
Title page	June 25, 1996
Contents (page 1)	June 25, 1996
1-4	June 25, 1996

### Additional Information

Refer questions to the Division of Fiscal Management (Pam Sullivan at 281-5588).



# STATE OF IOWA

CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

September 21, 2007

## GENERAL LETTER NO. 23-D-6

ISSUED BY: Bureau of Budget and Accounting,  
Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter D, **AUDITS**, Title page, revised;  
Contents (page 1), revised; and pages 1 through 4, revised.

### Summary

Chapter 23-D is updated to reflect Iowa Code citation changes and make various minor wording changes.

### Effective Date

Upon receipt.

### Material Superseded

Remove the entire Chapter D from Management Manual, Title 23, and destroy it. This includes the following:

<u>Page</u>	<u>Date</u>
Title page	April 8, 2003
Contents (page 1)	April 8, 2003
1-4	April 8, 2003

### Additional Information

Refer questions about this general letter to the Bureau of Budget and Accounting, Division of Fiscal Management.



# STATE OF IOWA

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CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
CHARLES J. KROGMEIER, DIRECTOR

March 5, 2010

## **GENERAL LETTER NO. 23-D-7**

ISSUED BY: Bureau of Budget and Accounting, Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter D, **AUDITS**, page 2, revised.

### **Summary**

Chapter 23-D is updated to replace references to the division administrator's signature on audit responses with references to approval of the response and to correct a typographical error.

### **Effective Date**

Upon receipt.

### **Material Superseded**

This material replaces from the Management Manual, Title 23, Chapter D, page 2, dated September 21, 2007.

### **Additional Information**

Refer questions about this general letter to the Bureau of Budget and Accounting, Division of Fiscal Management.