



MENTAL RETARDATION BULLETIN

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF PUBLIC WELFARE

DATE OF ISSUE

October 31, 1991

EFFECTIVE DATE

IMMEDIATELY


NUMBER

00-91-26

SUBJECT:

Applicability of OMB Circular A-133 for Non-State Operated Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)

BY:


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SCOPE

Non-State Operated Intermediate Care Facility for the Mentally Retarded (ICF/MR) Directors

PURPOSE

The purpose of this Bulletin is to provide clarification on the applicability of OMB Circular A-133 for the non-state operated Intermediate Care Facilities for the Mentally Retarded (ICFs/MR).

BACKGROUND

The Office of Management and Budget (OMB) issued OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, in March 1990 which placed audit requirements on nonprofit organizations consistent with those required by the Single Audit Act of 1984 and OMB Circular A-128, Audits of State and Local Governments. The effective date of OMB Circular A-133 was for fiscal years beginning on or after January 1, 1990.

OMB Circular A-133 places audit requirements on nonprofit organizations based on federal awards received. The requirements are as follows.

1. Nonprofit institutions that receive \$100,000 or more a year in federal awards shall have an audit (organization-wide) made in accordance with the provisions of this Circular. However, nonprofit institutions receiving \$100,000 or more but receiving awards under only one program have the option of having an audit of their institution prepared in accordance with the provisions of the Circular or having an audit made of the one program.
2. Nonprofit institutions that receive at least \$25,000 but less than \$100,000 a year in federal awards shall have an audit made in accordance with this Circular or have an audit made of each federal award, in accordance with federal laws and regulations governing the programs in which they participate.

COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:

Frank L. Pierce, Chief, Division of Direct Contract Programs, Bureau of Community Programs, Office of Mental Retardation, Room 512, Health & Welfare Bldg., Harrisburg, PA 17120. Telephone: 717-783-5663; Network 443-5663.

3. Nonprofit institutions receiving less than \$25,000 a year in federal awards are exempt from federal audit requirements, but records must be available for review by appropriate officials of the federal grantor agency or subgranting entity.

DISCUSSION

The Department, in concert with the Governor's Office of the Budget, Bureau of Audits has evaluated the applicability of A-133 and, in so doing, has classified the ICFs/MR into three categories.

1. A nonprofit corporation which only operates an ICF/MR program.
- OR -
A nonprofit corporation which operates an ICF/MR program and also operates other non-ICF/MR programs which receive, during its fiscal year, federal funds either directly from the federal government, or indirectly through state or local governments - AND - total federal funding received from non-ICF/MR sources is less than \$25,000.
- OR -
A forprofit corporation which operates an ICF/MR program.
2. A nonprofit corporation which operates an ICF/MR program and also operates other non-ICF/MR programs which receive, during its fiscal year, federal funds either directly from the federal government, or indirectly through state or local governments - AND - total federal funding received from the non-ICF/MR sources is at least \$25,000 but less than \$100,000.
1. This entity is not subject to OMB Circular A-133. However, a program audit of the ICF/MR program, as described below, is required.
2. This entity has the option of having either an organization-wide audit or individual audits of each program as described below.

3. A nonprofit corporation which operates an ICF/MR program and also operates other non-ICF/MR programs which receive, during its fiscal year, federal funds either directly from the federal government, or indirectly through state or local governments - AND - total federal funding received from the non-ICF/MR sources is equal to or greater than \$100,000.

3. The entity must have an organization-wide audit as described below

- OR -

if all non-ICF/MR federal funding is received under one program, the entity may, at its option, have program audits of the ICF/MR program and the non-ICF/MR funded program.

Program Audit Requirements

The ICF/MR program audit must be performed annually and must cover the fiscal year ended June 30. The audit must be performed in accordance with the audit standards prescribed by Government Auditing Standards (Yellow Book), as issued by the United States Comptroller General dated July 1988.

An audit report must be prepared at the completion of the audit and must include:

1. A Schedule of Revenue and Expenses, a Schedule of Census Days, and an auditor's report on the fair presentation of the Schedule of Revenue and Expenses, as well as an auditor's report on the results of agreed-upon procedures applied to the Schedule of Census Days. This information is required for each ICF/MR site and should be reported in the attached formats. The above-noted agreed-upon procedures are also attached.
2. A written report on the auditor's tests of compliance with applicable laws and regulations.
3. A written report on the auditor's understanding of the entity's internal control structure (both accounting and administrative) and the assessment of control risk made as part of the Schedule of Revenue and Expenditure audit.
4. Disclosure and explanation of questioned/disallowed costs discovered during the audit.

A copy of the program audit report should be provided to the Bureau of Audits no later than October 31, following the program year being audited. In addition to the program audit report, each entity must submit a copy of its audited annual financial statements for the same period covered by the program audit, or, where the entity's operating year differs from the program period, for the entity's operating year which ends during the

program period being audited. For example, if the program period being audited is the fiscal year ended June 30, 1991 and the entity operates and prepares its annual financial statements on a calendar year, the entity should submit its audited financial statements for the year ended December 31, 1990.

A-133 Organization-Wide Audit Requirements

OMB Circular A-133 organization-wide audit requirements should be met for all programs; however, supplemental schedules should be included which depict the ICF/MR activities as well as a supplemental auditor's report on the Schedule of Revenue and Expenses and an auditor's report on the results of agreed-upon procedures applied to the Schedule of Census Days. As required for program audits, this information is required for each ICF/MR site and should be reported in the attached format for the cost report's reporting period. The audit report should be provided to the Bureau of Audits in accordance with Commonwealth policy for the submission of A-133 organization-wide audit reports.

DPW Audit Guidance

The Department will issue a comprehensive audit guide applicable to the ICF/MR Program which will be effective with the audit requirements for the 1991-92 fiscal year.

Cost Report Submission Requirements

The above-noted audit report submission requirements do not change the deadline for submitting the final MA 11 Cost Report. The final cost reports are still due no later than September 30 immediately following the June 30 year end.

AUDITEE (ICF/MR PROGRAM)
 SCHEDULE OF REVENUES AND EXPENSES
 FOR THE FISCAL YEAR ENDED JUNE 30, 19XX

	SITE NAME MA NO.	SITE NAME MA NO.	TOTAL ALL SITES
Revenues:			
MA Reimbursements			
Resident Income - MA Clients			
- Non-MA Clients			
Interest Income			
Grant Income			
Other Income	_____	_____	_____
Total Revenue	=====	=====	=====
Expenses:			
Wages & Salaries			
Employee Benefits			
Misc. Personnel Costs			
Occupancy Costs			
Communications			
Insurance			
Office Supplies			
Service Supplies			
Food			
Clothing			
Purchased Services			
Transportation			
Non-capital Interest			
Misc. Operating Costs			
Nondepreciable Assets			
Repairs			
Depreciation			
Capital Interest			
Apportioned Costs	_____	_____	_____
Total Expenses			
Less: Unallowable Costs	_____	_____	_____
Total Eligible Expenses	=====	=====	=====

**NON-STATE OPERATED (PRIVATE) ICFs/MR
AGREED-UPON PROCEDURES FOR CENSUS DAYS**

Objective

To ensure that an ICF/MR facility has maintained a 98 percent minimum occupancy rate in order to be eligible for full cost reimbursement as required by Pennsylvania Code, Title 55, Chapter 1181, Section 1181.391.

Agreed-Upon Procedures

1. Obtain and review facility attendance records to determine actual patient days for the period.
2. Ensure that therapeutic days do not exceed the allowable amount.
3. Verify the number of certified beds to the Certificate of Need and calculate total certified bed days.
4. Determine that the occupancy rate equals or exceeds 98 percent or that a waiver has been granted.
5. Determine an occupancy level adjustment, if necessary.