

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



November 23, 2005

Regulation Package #0705-13

CDSS MANUAL LETTER NO. OPS-05-02

TO: HOLDERS OF THE OPERATIONS MANUAL, DIVISION 11

Regulation Package #0705-13**Effective 9/20/05****Section 11-405**

This manual letter has been posted on the Office of Regulations Development website at http://www.dss.cahwnet.gov/ord/Operations_619.htm.

Senate Bill (SB) 1104, Chapter 229, Statutes of 2004 repealed Welfare and Institutions Code Section 11466.21(c). Manual of Policies and Procedures (MPP) Section 11-405.22 interpreted and implemented Welfare and Institutions Code Section 11466.21(c) and therefore it is necessary to repeal it. Since the statutory authority for the aforementioned section was repealed by the Senate, it is not necessary to process this package through the normal regulation process.

Since these regulations are nonsubstantive, a public hearing was not necessary.

FILING INSTRUCTIONS

Revisions to all manuals are indicated by a vertical line in the left margin. The attached pages are to be entered in your copy of the Manual of Policies and Procedures. The latest prior manual letter containing Operations Manual regulation changes was OPS-05-01.

Page(s)Replace(s)

173.2 through 174.1

Pages 173.2 through 174.1

Attachments

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11-405 FISCAL AND FINANCIAL AUDITS (Continued) 11-405

(4) When a non-profit corporation that is on a triennial financial audit reporting schedule receives total federal revenue in excess of \$300,000 during a fiscal year for which a financial audit report is not scheduled, it shall report this federal revenue to the Department within three months from the end of the non-profit corporation's fiscal year. A financial audit shall be conducted and the corresponding report shall be submitted to the Department in accordance with Section 11-405.213(a).

.214 The audit shall include all of the programs and activities of the non-profit corporation which operates a group home and/or a foster family agency which provides treatment services and shall not be limited to those programs and activities funded in whole or in part by AFDC-FC funds. The audit shall also include audit procedures applied to the cost data reported on the SR 3, SR 4, and FCR 12FFA. The data reported by providers in the cost reports shall be consistent with the entity's fiscal year audit period as specified in Section 11-405.215. The audited cost data may be reported together with the audit of all the programs and activities or reported separately and referenced as an attachment.

(a) A non-profit corporation which operates a group home program and/or a foster family agency program that provides treatment services whose fiscal year began prior to April 1, 2003 shall not be required to submit audited cost data. These corporations shall submit unaudited cost data with the financial audit report.

.215 The audit shall cover the corporation's most recent fiscal year, as defined by the corporation, with the following exceptions:

(a) Notwithstanding Section 11-405.21, a non-profit corporation that has been incorporated fewer than 12 calendar months by the end of its first fiscal year in which it received AFDC-FC funds shall not be required to submit a financial audit report. A financial audit shall be conducted on the non-profit corporation's next full fiscal year of operation and the financial audit report shall be submitted to the Department along with the required cost data in accordance with Section 11-405.21.

(b) If the corporation changes its fiscal year as permitted by the Internal Revenue Service, the audit conducted following the change shall cover all of the months since the last audit, even though this may include more than 12 months. If the audit period is greater than 12 months, the most recent 12 months of the audit period shall be presented separately in the audit report

.216 Financial information shall be reported in a format consistent with generally accepted accounting principles as established by the Financial Accounting Standards Board, the *Government Auditing Standards* issued by the Comptroller General of the United States (GAGAS), and with federal OMB Circular A-133 as required in Section 11-405.21.

11-405 **FISCAL AND FINANCIAL AUDITS (Continued)** **11-405**

.217 A non-profit corporation that is unable to submit a timely audit report by the due date specified in Section 11-405.213 shall be allowed to submit a written request for determination of good cause as defined in Section 11-400g.(1) which shall be postmarked no later than the audit report due date.

- (a) The request shall contain the following:
 - (1) A clear statement specifying the request for determination of good cause for late submission of a financial audit report.
 - (2) The specific reason(s) for late submission of a financial audit report.
 - (3) The earliest date when a financial audit report can be submitted and the reason why it cannot be submitted earlier.
 - (4) The provider's name, address and phone number.
 - (5) The name, address and phone number of the person to be notified regarding the determination of good cause.
 - (6) The name, location and program number of the affected program(s).
- (b) Within 15 calendar days of receipt of the request for a determination of good cause, the Department shall make a determination of good cause and shall notify the non-profit corporation in writing of the determination.
 - (1) When the Department determines that good cause exists for a late submission of the financial audit report, the Department shall notify the non-profit corporation of the revised due date.
 - (2) When the Department determines that good cause does not exist for late submission of the financial audit report, the Department shall notify the non-profit corporation that it may be subject to rate termination for failure to submit a timely financial audit report as specified in Section 11-402.393.

11-405 **FISCAL AND FINANCIAL AUDITS (Continued)** **11-405**

.218 A non-profit corporation that submits an audit report which does not meet the Department's requirements set out in Sections 11-405.211 through .216 will be granted 30 days to correct any deficiencies unless the Department determines that circumstances beyond the control of the provider exist to grant a longer period.

.219 A non-profit corporation that does not submit an acceptable audit report by the end of the period specified in Section 11-405.218 or fails to submit an audit report as specified in Sections 11-405.213(a) and (b) shall be subject to rate termination under Section 11-402.393.

| .22 (Repealed by Manual Letter No. OPS-05-02 effective 9/20/05.)

11-405 **FISCAL AND FINANCIAL AUDITS (Continued)** **11-405**

.23 Administrative Procedures for Recoupment

.231 Management Decision and Recoupment

- (a) For a financial audit report submitted as a condition for receiving a Foster Care program rate, the Department shall issue a management decision on audit findings within six months of receipt of the financial audit report. The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the action expected of the corporation to repay disallowed costs, make financial adjustments, or take other action.