

5122:1-5-01

Financial requirements for contract agencies.

(A) Purpose. This rule establishes annual budget requirements, accounting standards, auditing standards and financial reporting requirements for the disbursement of funds by community mental health boards to contract agencies.

(B) Application. The provisions of this rule shall apply to all contract agencies receiving funds from community mental health boards for the provision of community mental health services as listed in section 340.09 of the Revised Code or receiving funds for federally-funded programs that are processed through the department of mental health to boards.

(C) Definitions.

(1) "Board" means a community mental health board pursuant to section 340.02 of the Revised Code.

(2) "Contract agency" means a public or private agency with which a community mental health board enters into a contract for the provision of mental health services or facilities pursuant to section 340.03 of the Revised Code.

(3) "Department" means the Ohio department of mental health as established by section 121.02 of the Revised Code.

(4) "Director" means the chief executive officer of the department as established by section 121.02 of the Revised Code.

(5) "Fiscal year" means the yearly accounting period designated by the year in which it ends. The state fiscal year begins on July one and ends on June thirtieth.

(D) Annual budget.

(1) The annual budget shall outline anticipated revenue and expenditures. The written annual budget shall be reviewed and approved by the board of directors of the contract agency prior to the beginning of the applicable fiscal year. Budgetary revisions made during the fiscal year shall be documented and approved by the board of directors of the contract agency.

(2) The annual operating budget shall be submitted to the community mental health board and shall include:

- (a) Estimated revenue - all funds;
- (b) Estimated expenditures - all funds;
- (c) Estimated units of service by service name - all funds;
- (d) Unit cost schedule;
- (e) Fee schedule;
- (f) Salary schedule;
- (g) Unit cost development methodology.

(E) Accounting standards.

- (1) Unit cost schedules shall be developed consistent with generally accepted accounting principles as defined by the "American Institute of Certified Public Accountants" and department-approved methodologies. The department recommends that contract agencies use accounting standards and cost principles contained in the following reference material in the following priority: "Health Insurance Manual 15 - Provider Reimbursement Manual," "Health Insurance Manual 5 - Principles of Reimbursement for Provider Costs," published by the United States department of health and human services."
- (2) Fee schedules shall take into consideration the relative ability of patients and clients to pay for services.
- (3) Fee schedules shall not exceed the actual cost of providing services.
- (4) One person shall be identified as having primary fiscal responsibility for the program in accordance with the policies established by the board of directors. This individual shall be responsible for:
 - (a) Establishing and maintaining a standard accounting system in accordance with generally accepted accounting principles applicable to recipients of state and/or federal funds;
 - (b) Preparing and updating a written program budget;

- (c) Implementing adequate internal controls, including inventory controls;
and
 - (d) Generating agency financial reports.
- (5) Written policies and procedures as approved by the board of directors shall be maintained regarding the operation of the fiscal management system. These shall include:
 - (a) Proper control of the purchasing process;
 - (b) Proper handling, recording, and documentation of billing procedures and receipts, including cash; and,
 - (c) Disbursements and all transactions related thereto identifying who is entitled to sign checks for the program.
- (6) The fiscal management system shall reflect the fiscal transactions and current financial position of the program.
- (7) This system shall provide for accounting of service costs.
- (8) Revenue shall be reported by funding source.
- (9) Fiscal reports shall be made available to the board of directors and program management staff on no less than a quarterly basis.
- (10) All staff responsible for the financial affairs of the program shall be bonded.

(F) Financial reporting format.

Each contract agency shall report information related to costs of agency operations to the community mental health board. At a minimum, the following items shall be reported:

- (1) Number of units of service;
- (2) A combined balance sheet for all funds;

- (3) A combined statement of cash receipts and disbursements for all funds;
- (4) A combined statement of revenue;
- (5) A combined statement of expenditures for all funds;
- (6) Statement of change in fund balance.

(G) Auditing standards.

- (1) All fiscal records are subject to review by the fiscal officer, community mental health board or the commissioner, division of business administration, or his representative.
- (2) All contract agencies shall have an audit by an independent accounting firm annually. Audits must include, at a minimum, as part of the audit scope:
 - (a) "Financial and compliance" as defined by the comptroller general's "Standards for Audit of Government Organizations, Programs, Activities, and Functions";
 - (b) Must review cost-allocation methodology and certify as appropriate and reasonable the unit costs rates used for billing purposes;
 - (c) Must review statistical reporting system and determine the accuracy and reliability of same.
- (3) A copy of the audited financial statements, the opinion issued, and any management letters must be forwarded to any community mental health board with which the agency has entered into a contractual agreement within thirty days following its receipt by the agency.

(H) Rules governing federal fund reimbursement.

- (1) In order to obtain federal funds that are processed through the department of mental health, contract agencies must comply with all requirements specific to the federal program.
- (2) In order to obtain federal medicaid funds, contract agencies must comply with all requirements of the community mental health medicaid programs

contained in the department of public welfare rules 5101:3-27-01 to 5101:3-27-06 of the Administrative Code.

Replaces: 5122:1-5-01

R.C. 119.032 review dates: 01/09/2004 and 01/09/2009

CERTIFIED ELECTRONICALLY

Certification

01/09/2004

Date

Promulgated Under: 119.03
Statutory Authority: 5119.61
Rule Amplifies: 5119.61
Prior Effective Dates: 6/6/80, 10/14/82