

June 10, 2009

**LAKESHORE BEHAVIORAL HEALTH ALLIANCE**  
**AUDITING SERVICES**  
**REQUEST FOR PROPOSALS**  
**RFP 09-1650**

Vendor

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The Muskegon County Board of Commissioners invites your proposal on Auditing Services for the fiscal years ending 9/30/09, 9/30/10, and 9/30/11 for the Community Mental Health Services of Muskegon County (CMHSMC) and Ottawa County Community Mental Health Services (OCCMHS), d/b/a Lakeshore Behavioral Health Alliance. A set of conditions and specifications/requirements are enclosed.

**Proposals are due in the Muskegon County Purchasing Office, Central Services Building, 141 East Apple Avenue, Muskegon, MI 49442, no later than 3:00 PM prevailing time, Tuesday, July 7, 2009.**

The time of receipt shall be determined by the time clock stamp in the Purchasing Office. Bidders are responsible for insuring that their proposals are stamped by Purchasing Office personnel by the deadline indicated.

**No late proposals will be accepted.**

Mr. Joseph Siedenstrang  
Accounting Manager

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**LAKESHORE BEHAVIORAL HEALTH ALLIANCE**  
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Proposal request forms are available in the Muskegon County Purchasing Office, Central Services Building, 141 East Apple Avenue, Muskegon, MI 49442 or the Muskegon County Purchasing website at [www.co.muskegon.mi.us/financeandmgt/pur\\_cs.htm](http://www.co.muskegon.mi.us/financeandmgt/pur_cs.htm). Proposals are due in the Purchasing Office, no later than 3:00 PM, prevailing time, Tuesday, July 7, 2009.

No late proposals will be accepted. The Board reserves the right to accept or reject any or all proposals, reserves the right to waive formalities and to take such action as it deems necessary in the best interest of the County of Muskegon. The County of Muskegon operates on an equal opportunity basis in its bidding policy (Title VII of Civil Rights Act of 1964, Equal Opportunity Clause, Executive Order 11246, Chapter 60, Subpart A, 60-I.4, Revised Order No. 4). Bidding is open to all interested parties, in compliance with national, state and local laws.

Joseph Siedenstrang  
Accounting Manager

**PROPOSAL CERTIFICATION / NON-COLLUSION AFFIDAVIT**

I certify that this proposal is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a bid for the same materials, supplies, equipment or service, that it meets or exceeds all the specifications contained herein, and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of state and federal law, and can result in fines, prison sentences, and civil damage awards. I agree to abide by all conditions of this proposal, all specifications as stated, all bid prices, and certify that I am authorized to sign for the bidder.

Vendor: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Phone No.: \_\_\_\_\_

Fax No.: \_\_\_\_\_

E-mail: \_\_\_\_\_

Web Site: \_\_\_\_\_

Signature: \_\_\_\_\_

Signer's Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Date Certified: \_\_\_\_\_

**PROPOSAL SUMMARY**

All cost (including shipping, handling and all other costs) must be included in the total proposal price.

**Bidders are to submit prices on the lines (spaces) provided below. Every line (space) must contain a figure, zero (0) or line (-). Failure to complete the proposal summary as stated above shall be cause for rejection of proposal.**

Total NTE Cost for Auditing Services for Fiscal Year 2009 \_\_\_\_\_

Total NTE Cost for Auditing Services for Fiscal Year 2010 \_\_\_\_\_

Total NTE Cost for Auditing Services for Fiscal Year 2011 \_\_\_\_\_

**TOTAL COST** \_\_\_\_\_

NTE: Not to Exceed

**PROPOSAL ADDENDUM SUMMARY**

Please initial below acknowledging receipt of any addenda (give number and date of each).  
If none were received, please indicate this as well.

Addendum Number	Addendum Date	Initials
_____	_____	_____
_____	_____	_____
_____	_____	_____

Company Name \_\_\_\_\_

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

**PROPOSAL CONDITIONS/INSTRUCTIONS TO BIDDERS**

These conditions are an integral part of this proposal, and the vendor must comply with them.

1. Proposal Submittals

Vendor must bid on this form and as requested. **Vendor must submit six (6) copies of Proposal.** (One (1) original and five (5) copies. Vendor should make copy of proposal for his or her file. The vendor's name and address must appear on the outside of the envelope. The proposal must be sealed. If the proposal was downloaded from the internet then, the vendor must clearly write the proposal name and number on the outside of the envelope along with the vendor's business name.

2. All cost (including shipping, handling and all other costs) must be included in the total proposal price as stated on the Proposal Summary page.

**Bidders are to submit prices on the lines (spaces) provided on the Proposal Summary page(s). Every line (space) must contain a numeric figure, zero (0) or line (-). Failure to complete the proposal summary as stated above shall be cause for rejection of proposal.**

3. Invoices and Payment Terms

Invoices are to be mailed to the County department on the resulting purchase order. All invoices must include the purchase order number. Failure to comply may result in delayed payments. The County payment terms are Net 30 days unless a cash discount is allowed for payments within not less than ten (10) days. The payment term shall begin on the date the merchandise is inspected, delivered and accepted by the County and the correct invoice is received in the office specified on the purchase order.

State terms of sale \_\_\_\_\_

4. State the maximum time this proposal will be in force \_\_\_\_\_  
(Minimum 90 Days)

5. Specification Inquiries

If there are any questions concerning the specifications contained in this Proposal Request, please contact Thomas Best, CMHSMC Finance Supervisor via e-mail to [best@cmhs.co.muskegon.mi.us](mailto:best@cmhs.co.muskegon.mi.us) or via fax at (231) 724-1300.

6. Proposal Procedure Inquiries  
If there are any questions regarding proposal procedures, please contact the Purchasing Office at (231) 724-6281.
7. State manufacturer name and number where requested.
8. Brochures and Literature  
Enclose brochure(s) with proposal.
9. Vendor Samples  
Samples of items when required, must be furnished free of expense to the County and upon request, be returned to the vendor at the vendor's expense. Samples of selected items may be retained for comparison purposes.
10. Insurance Requirements  
The vendor should enclose with his or her proposal an insurance certificate indicating the insurance coverage stated under "County of Muskegon Insurance Requirements" section of this proposal. This must be furnished before the awarding of the proposal and before the signing of any County/contractor agreements and/or work performed by the vendor.
11. Commission Privilege  
The Board of Commissioners reserves the right to accept or reject any or all proposals, reserves all rights granted to it by law, reserves the right to waive formalities and to take such action as it deems necessary in the best interest of the County of Muskegon.
12. Legal Requirements  
Federal, State, County and local ordinances, rules and regulations, and policies shall govern development, submittal and evaluation of proposal and disputes about proposals. Lack of knowledge by a vendor about applicable law is not a defense.
13. Bidder/Offeror Representation  
Each bidder/offeror must sign the proposal with his/her usual signature and shall give his/her full business address on the form provided in this proposal.  
  
Proposals by partnership shall be signed with the partnership name by one of the members or by an authorized representative. Proposals by corporations shall be signed with the name of the corporation followed by the signature and designation of the president, secretary or other person authorized to bind it in the matter.
14. Subcontracting  
No portion of this proposal may be subcontracted without the prior written approval by the County. It may be in the best interest of the awardee to subcontract some parts of any given job; however, the contractor will be held responsible by the County for the quality, delivery and all terms and conditions of this proposal.

15. Assignment

Any purchase order awarded shall not be assignable by the vendor without the express written approval of the County and shall not become an asset in any bankruptcy, receivership or guardianship proceedings.

16. Civil Rights

A. The Vendor assures that in accordance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), Title IX of the Education Amendment of 1972, as amended (20 U.S.C. 1681-1683 and 1685-1686), the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.), the Regulations issued thereunder by the U.S. Department of Health and Human Services (45 CFR Parts 80, 84, 86, and 91), the Michigan Handicapper's Civil Rights Act (1976, P.A. 220), and the Michigan Civil Rights Act (1976, P.A. 453), no individual shall, on the ground of race, creed, age, color, national origin or ancestry, religion, sex, marital status, or handicap be excluded from participation, be denied the benefit of, or be otherwise subjected to discrimination under any program or activity provided by this Vendor.

Assurance is given to County that good faith efforts will be made to identify and encourage the participation of minority, women and handicapper owned businesses in contract solicitations. The vendor shall incorporate language in all contracts awarded: (1) prohibiting discrimination against minority, women, and handicapper owned business in subcontracting; and (2) making discrimination a material breach of contract.

B. The Vendor assures that it meets the requirements of the Americans with Disabilities Act, Public Law 101-336, enacted July 26, 1990.

C. The Vendor assures that it meets the requirements of the Drug Free Workplace Act of 1988, 34 CFR Part 85, Subpart F.

17. Alternates & Deviations

Specifications referred to herein are used to indicate the desired type, and/or construction, and/or operation. An alternate may be offered if deviations from specifications are minor and if all deviations are properly outlined on a separate sheet. Failure to outline all deviations may be grounds for rejection of your proposal.

Alternates must be placed on a separate sheet.

The decision of the County of Muskegon, acting through the Accounting Manager or his authorized representative, shall be final as to what constitutes acceptable deviations from specifications.

18. Rejection of Proposal

Proposals may be considered irregular and may be rejected if they show omissions, alterations of form, additions not called for, conditions, limitations or other irregularities of any kind. The County reserves the right to waive minor technicalities or irregularities of Proposal.

19. Proposal Evaluation and Award  
The evaluation and award of this proposal shall be based on a combination of factors, including, but not limited to the following: the understanding of the proposed engagement as evidenced by the quality of the proposal response, relevant experience, qualifications of staff to be assigned, approach/methodology, timelines, and total proposed cost.
20. Bidder/Offeror Qualifications  
No proposal shall be accepted from and no contract will be awarded to any person, firm or corporation that is in arrears to the County upon debt or contract that is a defaulter, as surety or otherwise, upon any obligation to the County, or that is deemed irresponsible or unreliable by the County. If requested, bidders/offers shall be required to submit satisfactory evidence that they have a practical knowledge of the particular supply/service bid and that they have the necessary financial resources to provide the proposed supply/service as described in the Specifications.
21. Vendor/Bidder Complaints or Protests  
The County of Muskegon has established administrative procedures for handling vendor's complaints in a fair and timely manner. Vendors should observe the following steps in order to file complaints:
- Step 1  
The vendor must contact the Accounting Manager within seven (7) days of the incident about which he or she has a complaint. The Accounting Manager may request the vendor to present the complaint in writing if it is serious and/or the vendor is requesting a delay of the purchase award.
- The Accounting Manager will investigate the complaint and review all findings with the County Administrator. The Accounting Manager will reply verbally or in writing to the vendor after discussion with the County Administrator.
- Step 2  
If the vendor is dissatisfied with the Accounting Manager's reply, an appeal must be made in writing within seven (7) days to the County Administrator or the Muskegon County Board of Commissioners.
22. Material Safety Data Sheet  
Each vendor shall provide the County of Muskegon with a complete copy of the U.S. Department of Occupational Safety and Health Administration, Material Safety Data Sheet, (Form OSHA-20) for each product you are using on this project, if hazardous materials are being used.
23. Errors/Omissions/Discrepancies  
Any errors, omissions or discrepancies in the specifications discovered by a prospective contractor and/or service provider shall be brought to the attention of the Accounting Manager as soon after discovery as possible. Further, the contractor and/or services provider shall not be allowed to take advantage of errors, omissions or discrepancies in the specifications.
24. Proposal Opening  
Proposals will be opened and read publicly in the Central Services Building, 141 East Apple Avenue, Muskegon, MI at 3:00 PM, prevailing time, Tuesday, July 7, 2009.

No bid award will be made at the time of the opening.

25. Telegraphic/Electronic Proposal Submittal

Telegraphic and/or proposal offers sent by electronic devices (e.g. facsimile machines or electronic mail) are **not** acceptable and will be rejected upon receipt. Proposing firms will be expected to allow adequate time for delivery of their bid either by airfreight, postal service, or other means.

26. Proposal Changes

**No late proposals will be accepted.**

Proposals, amendments thereto, or withdrawal requests received after the time advertised for proposal opening will be void regardless of when they were mailed.

27. Purchase Order

A purchase order will be issued to the successful vendor after the proposal has been awarded by the Board. The County of Muskegon shall not be responsible for any goods delivered or services performed without a purchase order issued and signed by the Accounting Manager or an authorized representative.

28. Accelerated Pay Discounts

Accelerated discounts should be so stated on the proposal form. If quick pay discounts are offered, the County reserves the right to include that discount as part of the award criteria. Prices bid must, however, be based upon payment in thirty (30) days after receipt, inspection and acceptance. In all cases, quick pay discounts will be calculated from the date of the invoice or the date of acceptance, whichever is later.

29. Proposal Results

Vendors submitting proposals who wish to know the results before the award is made, may visit the website at <http://www.co.muskegon.mi.us/financeandmgt/bidtabulations.cfm> , call the Muskegon County Purchasing Office at (231) 724-6281, or visit the office. After the award is made, the proposal results will be posted on the Muskegon County Purchasing website.

30. Taxes

**Sales Tax:** For purchases made directly by the County of Muskegon, the County is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for County Sales Tax will be furnished upon request.

**Federal Excise Tax:** The County of Muskegon may be exempt from Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this contract are used for the County's exclusive use. Certificates exclusive use is for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to the contractor upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Codes, prices shall not include the Federal Excise Tax.

The County's Tax Exempt Certification is available for bidder viewing upon request. [http://www.co.muskegon.mi.us/financeandmgt/pur\\_forms.htm](http://www.co.muskegon.mi.us/financeandmgt/pur_forms.htm)  
The County's Federal ID # is 38-6006063.

31. For the benefit of brevity, when the pronouns “he” or “his” are used, it is not intended to denote the gender of any person.
32. Exceptions  
The bidder shall furnish a statement on company letterhead giving a complete description of all exceptions to the terms, conditions and specifications. Failure to furnish the statement will mean that the bidder agrees to meet all requirements of the terms, conditions and specifications.
33. Brand Names  
Unless otherwise specified, manufacturer’s names, trade names, information and/or catalog numbers listed in the specifications are intended only to identify the quality and characteristics desired. They are not intended to limit competition. The vendor may offer any equivalent product which meets or exceeds the specifications. If proposals are based on equivalent products, the proposal must: a) indicate the alternate manufacturer’s name and catalog number; b) include complete descriptive literature and/or specifications; c) include proof that the proposed equivalent will meet the specifications. The County reserves the right to be the sole judge of what is equal and acceptable to meet its needs in all respects. If bidder fails to name a substitute, goods identical to the specified standard must be furnished.
34. Ownership and Use of Documents  
a. All documents prepared in connection with this agreement will become the property of the County whether any project related to this agreement is executed or not.  
b. The vendor will retain all of its records and supporting documentation relating to this agreement, and not delivered to the County, for a period of three years, except that in the event the vendor goes out of business during that period, it will turn over to the County all of its records relating to the project for retention by the County.
35. Termination for Convenience  
Muskegon County may terminate a contract, in whole or in part, whenever the County determines that such termination is in the best interest of the County, without showing cause, upon giving notice to the vendor. Muskegon County shall pay all reasonable costs incurred by the vendor up to the date of termination. However, in no event shall the vendor be paid any amount which exceeds the price bid for the work performed. The vendor will not be reimbursed for any profits which may have been earned up to the date of termination.
36. Termination for Default  
When the vendor has not performed or has unsatisfactorily performed the contract or in the event any of the provisions of the purchase order are violated, the County may serve written notice of its intention to terminate the contract and/or purchase order for default. Upon termination for default, payment will be withheld at the discretion of Muskegon County. Failure on the part of a vendor to fulfill the contractual obligations shall be considered just cause for termination of the contract. The vendor will be paid for work satisfactorily performed prior to termination less any excess costs incurred by the County in procuring and completing the work.

37. Termination Due to Unavailability of Funds in Succeeding Fiscal Years  
When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal year, the contract shall be canceled and the vendor shall be reimbursed for a reasonable value of any non-recurring costs incurred, but not amortized in the price of the supplies or services delivered under the contract.
38. Rights and Remedies of County for Default  
If any item furnished by the vendor fails to conform to specifications, or to the sample submitted by the vendor, the County may reject it. Upon rejection, the vendor must promptly reclaim and remove such item without expense to the County, and shall immediately replace all such rejected items with others conforming to such specification and samples. If the vendor fails to do so, the County has the right to purchase in the open market a corresponding quantity of any such items and to deduct from any monies due the vendor the difference between the prices named in the purchase order and the actual cost to the County. If the vendor fails to make prompt delivery of any item, the County has the right to purchase such item in the open market and to deduct from any monies due the vendor the difference between the prices named in the purchase order and the actual replacement cost to the County. The rights and remedies of the County identified above are in addition to any other rights and remedies provided by law or under the purchase order.
39. Avoidance of Conflict of Interest and Confidentiality  
The contractor may provide consultation services to other government organizations in Michigan and elsewhere. In order to preserve the trust and confidence of their client, the contractor adheres to a set of principles that enables them to perform their work in a manner that is free of real or perceived conflicts of interests. These principles are as follows:
- a. Contractor will not discuss, distribute or use in any way the data or information acquired in the course of providing services to Muskegon County without prior approval by the county.
  - b. Contractor will not undertake a specific activity which may be viewed as adverse to the interests of another client without obtaining the agreement of both parties.
  - c. Vendor states that no County officer or employee, nor any business entity in which they have an interest: a) Has an interest in the contract awarded; b) Has been employed or retained to solicit or aid in the procuring of the resulting contract; c) Will be employed in the performance of such contract without immediate disclosure of such fact to the County.
40. Proposal conditions/instructions to bidders, specifications/requirements may become part of a contract for this product/service.
41. Freedom of Information Act  
Proposals will be available for public inspection after the award announcement, except to the extent that a bidder designates trade secrets or other proprietary data to be confidential. Material designated as confidential must be readily separable from the remainder of the proposal to facilitate public inspection of the non-confidential portion of the proposal. A bidder's designation of material as confidential will not necessarily be conclusive and the bidder may be required to provide justification why such material should not be disclosed, on request, under the Michigan Freedom of Information Act.

42. Debarment

If a bidder is presently debarred, suspended, proposed for debarment, declared ineligible, or otherwise excluded from doing business with any government agency which prohibits your firm from participating in any procurement, the bidder must provide the County with that information as part of its response to this solicitation. Failure to fully and truthfully provide the information required, may result in the disqualification of your proposal from consideration or termination of the purchase order, once awarded.

43. Bidder Registration

If the successful bidder is not registered with the County of Muskegon as a vendor, the bidder will be required to complete a vendor registration in order to be awarded the proposal. If the awarded bidder does not submit the completed registration to the Purchasing Office within 48 hours of its being notified of the award, the County may determine that the bidder shall be deemed not responsible and not be considered for an award.

If the vendor is a DBE (Disadvantaged Business Enterprise), the vendor is encouraged to complete the Unified Certification Application and become a certified vendor with the County of Muskegon.

44. Cooperative Bidding

Various municipalities (consisting of the county, cities, townships and villages) along with other non-profit organizations located within the boundaries of Muskegon County, Michigan, have formed a cooperative purchasing group for the purpose of combining procurement of like commodities. It is requested that the vendor awarded the proposal extend to members of the group the same prices quoted in this proposal. Each individual participating member will place their own orders and be responsible for paying their own invoices.

## **PROPOSAL SPECIFICATIONS**

### **COMMUNITY MENTAL HEALTH SERVICES OF MUSKEGON COUNTY (CMHSMC) OTTAWA COUNTY COMMUNITY MENTAL HEALTH SERVICES (OCCMHS) DBA LAKESHORE BEHAVIORAL HEALTH ALLIANCE**

#### **REQUEST FOR PROPOSALS (RFP) FOR AUDITING SERVICES**

##### **I. INTRODUCTION**

###### **A. Purpose of RFP**

The Lakeshore Behavioral Health Alliance (LBHA) is requesting proposals for professional auditing services for each of the fiscal years 2009 through 2011.

As a result of this RFP, the LBHA expects to contract with a qualified, certified public accountant firm to audit its financial statements. Contracts will be between the vendor and LBHA.

###### **B. Term of Engagement**

The LBHA expects to award one, three-year contract. Partners in the LBHA reserve the right to terminate at the end of each year if circumstances so warrant.

##### **II. DESCRIPTION OF ORGANIZATION**

The LBHA is comprised of the two affiliated Community Mental Health Service Programs (CMHSP) listed above. CMHSMC serves as the Prepaid Inpatient Health Plan (PIHP) for the LBHA, and acts as the fiduciary for Medicaid funding from the State of Michigan. Michigan Department of Community Health (MDCH) contracts with Muskegon/PIHP for Medicaid dollars, and individually with each CMHSP for General Fund dollars.

The LBHA provides mental health and substance abuse services to their respective communities and regionally through contractual relationships with nonprofit agencies. Each CMHSP in the LBHA has some direct-operated mental health or substance abuse programs.

The LBHA has a fiscal year that runs from October 1 through September 30.

The finance operations for each CMHSP are under the supervision of a finance director for that organization. The financial directors from each CMHSP provide financial oversight for the affiliation. Each CMHSP is responsible for managing the audit for their organization. A listing of financial directors, accounting methods, and accounting and asset management software follows this paragraph.

<b>CMHSP</b>	<b>FINANCE SUPRVR/DIR</b>	<b>A C C O U N T I N G METHODS</b>	<b>ACCOUNTING &amp; ASSET MANAGEMENT SOFTWARE</b>
CMHSMC	Thomas Best	Fund	BANNER
OCCMHS	Joan Brown	Fund	New World Systems

**III. SCOPE OF SERVICES**

A. Scope of Work to be Performed

The LBHA is contracting with the audit firm to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles. This firm should also identify other reporting requirements of the organization, as applicable.

B. MDCH CMH Compliance Guidelines FY 2009

The audit firm shall use the MDCH CMH Compliance Guidelines dated October 2008 for financial audits of FY 2009 and forward. The MDCH CMH Compliance Guidelines FY 2009 is included as Attachment A to this document, and is subject to change.

C. Auditing Standards to be Followed

The audit should be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and governmental auditing standards.

D. Reports to be Issued

Following the completion of the audit, the firm shall issue the following reports:

1. A report on examination of the financial statements of the CMHSPs including all accounts in the operating fund and the internal service fund.
2. Independent auditor's report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with previously identified standards.
3. Independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance with OMB Circular A-133.
4. Schedule of expenditures of Federal awards.
5. Summary of auditor's results and schedule of findings and questioned costs.

It is expected that the reports identified above will be contained as part of two (2) audit reports in an appropriate format for each CMHSP within the LBHA. These two reports shall consist of the Financial Statements and the CMH Compliance Examination.

E. Other Communication Requirements

1. The auditor shall communicate, in a separate letter to the Executive Director of each CMHSP and the Executive Director's respective Board of Directors, any reportable conditions and/or material weaknesses found during the audit. A reportable condition/material weakness shall be defined as a significant deficiency in the design or operation of the internal control structure that could adversely affect the organization's ability to record, process, summarize, and/or report financial data consistent with the assertions of management in the financial statements.
2. Management letter, or letter indicating that no management letter is needed.

F. Report Preparation and Printing

Report preparation, editing, and printing shall be the responsibility of the selected audit firm. The audit firm shall be responsible for typing and proofing all financial statements. The LBHA reserves the right to approve the final draft prior to printing.

The quality of the material used in each report shall be comparable to those used in such reports for organizations similar to the LBHA. The LBHA reserves the right to reject materials that are not equal to the quality provided by its current audit firms.

G. Final Audit Reports and Communication Requirements

It is expected that twenty (20) copies of the completed audit and management letters for each CMHSP will be submitted to CMHSMC and OCCMHS.

H. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditing firm's expense, for a minimum of seven (7) years unless the firm is notified in writing by the LBHA of the need to extend the retention period. The audit firm will be required to make working papers available upon request by the LBHA or each individual CMHSP. Reports, documents, and working papers will only be released with specific written permission and direction from the LBHA.

The firm shall respond to reasonable inquiries of successor firms and allow successor audit firms to review the working papers related to matters of continuing accounting significance.

I. Assistance to be Provided by the LBHA Partners

1. Office space deemed adequate for the conduct of the examination of records.
2. Local telephone service for business-related calls.
3. Reasonable access to Internet, fax machine, and copier.
4. Clerical assistance in obtaining necessary documents from files.

5. Finance and management personnel, as appropriate, to provide information, documentation, and/or explanations.
6. Final trial balance of specified funds for which each CMHSP maintains accounting records, in a form acceptable to the auditor. Each CMHSP is prepared to provide trial balances to auditors in a text file format.
7. Work papers in support of significant account balances for all funds for which each CMHSP maintains records. Each CMHSP is prepared to provide work papers to auditors in an Excel file format.

#### **IV. CONTENT OF PROPOSALS**

The proposals must contain the following information in order to be considered:

A. Cover Letter

A cover letter on firm letterhead must provide the name and title of the person(s) who are authorized to answer questions about this RFP. Please include the following additional information:

1. Legal Name
2. Address
3. Telephone Number(s)
4. Fax Number(s)
5. E-Mail/Webpage Address
6. Tax ID Number
7. Administrator (name/title)
8. Person Authorized to Sign Contracts (name/title)
9. Billing Entity Authorized to Receive Financial Reimbursement
10. Billing Contact Person and Telephone Number(s)
11. Billing Address (if different than above)

B. Statement of Requirements

State in detail your understanding of the requirements presented by this RFP.

C. Statement of Auditing Standards

State in detail the auditing standards that will be used.

D. Work Plan

Describe in narrative form an outline of the proposed audit program. Include a proposed timeline. Please identify both pre-audit fieldwork and fieldwork schedules in the proposed timeline.

E. Staffing

Identify the partner that will be responsible for this audit. Identify the professional, supervisory, and management staff that will be assigned to this audit. Identify the individuals by name and title, and include resumes for each that list qualifications and detailed references of relevant governmental and behavioral healthcare audit experience. Indicate which of these individuals will be onsite for staff supervision and support.

The partner named in your response may be changed only with the express written approval of the LBHA, which also retains the right to approve or reject replacements.

F. Firm Demographics

The proposal should include a brief history of the firm, its size, number of governmental and nonprofit audit staff, location of office from which the work for this audit will be performed, and the number of governmental and nonprofit clients compared to entire client base.

The audit firm must disclose information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with State regulatory bodies or professional organizations.

The audit firm shall also provide information on the results of any Federal or State desk reviews or field reviews of its audits during the past three (3) years.

G. Relevant Experience

For the firm's office that will be responsible for the LBHA audit, list at least three (3) engagements performed in the last three (3) years that are similar to the one described in this RFP. Indicate the total staff hours, the scope of work, dates, partners, and the name, telephone number, and e-mail address of the principal client contact.

This client list should include any other mental health and/or comparable health care agencies.

H. Independence

The firm should provide an affirmative statement that it is independent of the LBHA.

I. License to Practice in Michigan and Required Insurance

Your response must include an affirmative statement indicating that the audit firm and all assigned key professional staff are licensed to practice in Michigan. The audit firm must confirm in writing that criminal background checks are performed for each professional staff person. The audit firm must include copies of required insurance coverage to practice this profession in Michigan.

J. Pricing

The response must include an itemization of the hourly rate and estimated hours by each category of staff assigned to this project, a not-to-exceed amount for out-of-pocket expenses, and an itemization of any internal charges. Ancillary expenses (i.e., travel, meals) will be reimbursed if itemized and separated on audit invoices for each CMHSP.

**IV. PROPOSAL PREPARATION AND SUBMISSION PROCEDURES**

A. Response Date

Proposals must be received at the **Muskegon County Purchasing Department, 141 East Apple Avenue, Muskegon, MI 49442**, no later than 3:00 p.m. prevailing time, on **Tuesday, July 7, 2009**. Proposals must be clearly marked "**RFP 09-1650 Auditing Services**" on the outside of the envelope. Envelope must include the firm name and address. Envelope must be sealed.

B. Incurring Costs

Proposals should be prepared simply and economically to provide a concise description of the firm's capabilities to perform the services required.

The LBHA will not be responsible for any costs incurred in the preparation of proposals in response to this RFP, nor will the LBHA be responsible for any costs incurred if your firm is invited to make an oral presentation to the evaluation team.

C. Signature

An official authorized to bind the firm to its provisions must sign all proposals.

D. Effective Period

All proposals submitted in response to this RFP must be valid for at least ninety (90) days.

E. Number of Copies

Firms must submit **1 clearly marked original and 5 copies** of the proposal.

F. Withdrawal

The proposal may be withdrawn in person or by written request.

G. Proposal Submission

Faxed, e-mailed, or late proposals will not be accepted.

H. Questions

All questions relating to the preparation and/or submission of a response to this RFP should be directed to: Thomas Best, CMHSMC Finance Supervisor, via e-mail to [best@cmhs.co.muskegon.mi.us](mailto:best@cmhs.co.muskegon.mi.us) or via fax at (231) 724-1300.

**V. EVALUATION CRITERIA**

The proposals submitted will be evaluated by a committee of management, financial, purchasing and contract management staff from each CMHSP. Evaluation criteria include, but are not limited to, the understanding of the proposed engagement as evidenced by the quality of the proposal response, relevant experience, qualifications of staff to be assigned, approach/methodology, timelines, and total proposed cost.

**VI. SELECTION PROCESS**

The LBHA reserves the right to request additional information or clarification from vendors to allow correction of errors or omissions, and to waive irregularities and/or formalities when so doing may serve the best long-term interests of the organizations involved.

The LBHA reserves the right to reject any or all proposals and to proceed in any manner selected by the LBHA.

The LBHA reserves the right to award to the firm that it believes, in its sole discretion, best meets the needs of the organization.

All proposals submitted are subject to the terms of the Freedom of Information Act, and will be retained by the County of Muskegon Purchasing Department for the LBHA.

**VII. GENERAL INFORMATION**

A. Proposed Timeline:

<b>ACTIVITY</b>	<b>TIMELINE</b>
Issuance of RFP	June 10, 2009
Questions and Dissemination of Answers via e-mail and posting on the CMHSMC and Muskegon County website	June 22, 2009: Questions Due June 26, 2009: Answers
Receipt date of proposals at County of Muskegon Purchasing Department	July 7, 2009 by 3:00PM
Notification of Award	July 28, 2009
Vendor Contract Begins	October 1, 2009

B. Oral Presentation

Upon request by the LBHA, some firms may be selected to make an oral presentation to the evaluation committee. The decision will be made by the evaluation committee in its sole discretion.

C. Proposal Retention

County of Muskegon Purchasing Department will retain all proposals submitted.

D. Acceptance of Proposal Content

The contents of the proposal of the selected firm may become contractual obligations. Failure to accept these obligations may result in cancellation of the selection.

E. Type of Contract

It is expected that a contract entered into as a result of this RFP will be a *time-and-expense agreement* with a *not-to-exceed* maximum annual compensation price.

F. Payment Schedule

Payment terms for any contract resulting from this RFP will be net thirty (30) days. Firm may invoice the appropriate CMHSP monthly for services performed during that month on the particular organization's behalf. Invoices must include a description of work performed, by whom and on which dates, with itemized ancillary expenses.

G. Dispute Resolution

If any dispute, controversy, or claim arises in connection with the performance or breach of this agreement, either party may, upon written notice to the other party, request either facilitated negotiation or arbitration. The negotiator and/or arbitrator shall be a neutral party acceptable to both the LBHA and the audit firm.

H. Contract Termination

Either party may terminate the contract resulting from this RFP by providing fifteen (15) days written notice on or before June 1 of the fiscal year for which the next annual audit is to be performed. In the event of termination, payment will be made only for the time charges and expenses incurred through the date of termination.

I. Nondiscrimination

The LBHA contractors shall not discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, or marital status, or disability that is unrelated to the individual's ability to perform the duties of a particular job or position. The vendor shall observe and comply with all applicable Federal, State, and local laws, ordinances, rules, and regulations that shall be deemed to include, but not be limited to, the Elliott-Larsen Civil Rights Act and the Persons with Disabilities Civil Rights Act.

J. Noncollusion

The vendor certifies that this proposal has not been made or prepared in collusion with any other vendor, and the prices, terms, or conditions thereof have not been communicated by or on behalf of the vendor to any other firm, and will not be so communicated prior to the official receipt of this proposal. This certification may be treated, for all purposes, as if it were a sworn statement made under oath, subject to the penalties for perjury. Moreover, it is made subject to the provisions of 18 U.S.C. Section 1001, relating to the making of false statements.

K. Freedom of Information Act

Information submitted in response to this proposal is subject to the Michigan Freedom of Information Act and may not be held in confidence after the proposal is opened. The proposal will be available for review after staff has evaluated it, or twenty-two (22) business days after the receipt date, whichever comes first.



**FIDELITY COVERAGE**

Coverage for its employees. County needs to be named loss payee.

Fidelity	\$1,000,000
Third Party Liability	\$1,000,000

1. The foregoing policies shall be evidenced by a certificate of insurance acceptable to the County. Such certificate shall be issued by an insurance carrier with an A.M. Best rating of "A-" or better and delivered to the County prior to the performance of any services hereunder. Such insurance certificate shall provide that the coverages evidenced thereby shall not be substantially modified or canceled without thirty (30) days' prior written notice to the County. Additional certificates, evidencing renewal of such policies during the time period they are required to be kept in effect, shall be delivered to the County no less than thirty (30) days prior to the expiration of the term of any required coverage.
2. Upon the request of the County, the Vendor shall deliver to the County copies of all policies listed in the foregoing paragraphs once a year, upon renewal, or upon procurement in the case of new or additional coverage, whichever occurs first. Claims-made policies shall not be acceptable to the County for any of the insurance coverages required herein, except for Professional Liability. Claims-made Professional Liability insurance coverage shall be kept in force for a period of six (6) years after the date of final completion of the project which is the subject of this Agreement, and a copy of such policy shall be delivered to the County at least once a year during the said six-year period. If the Professional Liability policy is canceled or not renewed, the substitute policy shall have a commencement date retroactive to the date upon which the Vendor commenced performing its services under this Agreement.
3. The Vendor's indemnity obligation specified in Paragraph C of this agreement shall not be negated or reduced by virtue of the denial of insurance coverage or refusal to defend the County for any occurrence or event which is subject to the said indemnity obligation.
4. Compliance by the Vendor with the requirements of this Article shall not relieve the Vendor from its indemnity obligation and liability pursuant to Paragraph C of this Agreement or any other liability to the County, whether specified in this Agreement or otherwise.
5. The Vendor agrees that the County shall have no responsibility to verify the Vendor's compliance with any insurance requirements contained in this Agreement or otherwise.
6. All notices, certificates, and policies referred to in this (Article, Section, Division, etc.) shall be sent to:

The County of Muskegon  
Attn: Purchasing  
141 East Apple Avenue  
Muskegon, MI 49442

**C. HOLD HARMLESS AGREEMENT**

All contracts must contain the following Hold Harmless Agreement:

To the fullest extent permitted by law, the Vendor shall defend, indemnify, and hold harmless the County, its subsidiaries, departments, divisions, and agencies and their respective officials, officers, directors, employees, and agents from and against any and all liability, litigation, causes of action, and claims, by whomsoever brought or alleged, and regardless of the legal theories upon which based, and from and against all losses, costs, expenses, and fees and expenses of attorneys and expert witnesses resulting therefrom on account of, relating to, or arising out of bodily injury to or death of any person or on account of damage to property, including loss of use thereof, arising or allegedly arising out of or resulting from the work. The foregoing indemnity of the County shall include, but is not limited to, claims alleging or involving the negligence of the Vendor, its subcontractors, or the joint negligence of the Vendor, its subcontractors, and/or the County, but shall not extend to liability found by way of final judgment to have resulted from the sole negligence of the County.

**D. SUBCONTRACTOR REQUIREMENTS**

Vendor agrees to contractually obligate its subcontractors to indemnify the County in precise conformance to the terms of Vendor's obligation to indemnify the County pursuant to this Agreement.

The Vendor further agrees to contractually obligate its subcontractors to provide insurance with the insurance coverages and limits of liability required to be provided by the Vendor pursuant to the terms and conditions of this Agreement.

**E. CANCELLATION OR REDUCTION IN COVERAGE**

**Notice:** In the event of a lapse or reduction in the required coverages, the contractor shall cease operations and shall not resume operations until new insurance is in force.

**REFERENCES**

The vendor must furnish at least three (3) references from persons who can attest to the quality of similar prior work performed on similar projects: (Attach additional sheets, as necessary, to include total staff hours, scope of work, dates, and partners.)

1. Company Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone No.: \_\_\_\_\_

Email Address: \_\_\_\_\_

2. Company Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone No.: \_\_\_\_\_

Email Address: \_\_\_\_\_

3. Company Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone No.: \_\_\_\_\_

Email Address: \_\_\_\_\_

**NO BID RESPONSE FORM**

**Muskegon County Purchasing  
Central Services Building  
141 East Apple Avenue  
Muskegon, MI 49442  
Fax Number: 231.724.6593**

Complete this form if you do not intend to respond to this request. Failure to do this may result in your firm being removed from our bid list for this commodity.

**Bid Number:** RFP 09-1650

**Opening Date:** 7/7/09

**Name of Bid:** Lakeshore Behavioral Health Alliance Audit

1. Specifications are too tight, i.e., geared toward one (1) brand or manufacturer only (Explain below). \_\_\_\_\_
2. Specifications are unclear (Explain below). \_\_\_\_\_
3. We are unable to meet specifications. \_\_\_\_\_
4. Insufficient time to respond. \_\_\_\_\_
5. Our schedule would not permit us to perform within the required time. \_\_\_\_\_
6. We are unable to meet bond requirements. \_\_\_\_\_
7. We are unable to meet insurance requirements. \_\_\_\_\_
8. We do not offer this product or service. \_\_\_\_\_
9. Remove us from your bidder's list for this particular commodity or service. \_\_\_\_\_
10. Keep our name on your bidder's list for future reference. \_\_\_\_\_
11. Other (Specify below). \_\_\_\_\_

**REMARKS:**

\_\_\_\_\_  
\_\_\_\_\_

Company Name: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name and Title: \_\_\_\_\_

ATTACHMENT A

Community Mental Health  
COMPLIANCE EXAMINATION GUIDELINES  
Michigan Department of Community Health



Effective October 2008  
(Applicable for FYE 9/30/2009 Examinations)

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## INTRODUCTION

These Community Mental Health (CMH) Compliance Examination Guidelines are issued by the Michigan Department of Community Health (MDCH) to assist independent audit personnel, Prepaid Inpatient Health Plan (PIHP) personnel, and Community Mental Health Services Program (CMHSP) personnel in preparing and performing compliance examinations as required by contracts between MDCH and PIHPs or CMHSPs, and to assure examinations are completed in a consistent and equitable manner.

These CMH Compliance Examination Guidelines require that an independent auditor examine compliance issues related to contracts between PIHPs and MDCH to manage the Concurrent 1915(b)/(c) Medicaid Program (hereinafter referred to as “Medicaid Program”), contracts between CMHSPs and MDCH to manage and provide mental health services and supports to individuals with serious mental illness, serious emotional disturbances or developmental disabilities as described in MCL 330.1208 (hereinafter referred to as “GF Program”), and, in certain circumstances, contracts between CMHSPs and MDCH to manage the Community Mental Health Services Block Grant Program (hereinafter referred to as “CMHS Block Grant Program”). These CMH Compliance Examination Guidelines, however, DO NOT replace or remove any other audit requirements that may exist, such as a Financial Statement Audit and/or a Single Audit. An annual Financial Statement audit is required. Additionally, if a PIHP or CMHSP expends \$500,000 or more in federal awards<sup>1</sup>, the PIHP or CMHSP must obtain a Single Audit.

These CMH Compliance Examination Guidelines do not address compliance examinations for CMHSPs for the Medicaid funds received under contract with PIHPs. PIHPs are ultimately responsible for the Medicaid funds received from MDCH, and are responsible for monitoring the activities of affiliated CMHSPs as necessary to ensure expenditures of Medicaid Program funds are for authorized purposes in compliance with laws, regulations, and the provisions of contracts. Therefore, PIHPs must either require their independent auditor to examine compliance issues related to the Medicaid funds awarded to the affiliated CMHSPs, or require the affiliated CMHSP to contract with an independent auditor to examine compliance issues related to contracts between PIHPs and CMHSPs to manage the Medicaid Program. Further detail is provided in the Responsibilities – PIHP Responsibilities Section (Item #'s 7, 8, & 9).

These CMH Compliance Examination Guidelines will be effective for contract years ending on or after September 30, 2009 and replace any prior CMH Compliance Examination Guidelines or instructions, oral or written.

Failure to meet the requirements contained in these CMH Compliance Examination Guidelines may result in the withholding of current funds or the denial of future awards.

<sup>1</sup> Medicaid payments to PIHPs and CMHSPs for providing patient care services to Medicaid eligible individuals are not considered Federal awards expended for the purposes of determining Single Audit requirements.

**RESPONSIBILITIES****MDCH Responsibilities**

MDCH must:

1. Periodically review and revise the CMH Compliance Examination Guidelines to ensure compliance with current Mental Health Code, and federal and state audit requirements; and to ensure the **COMPLIANCE REQUIREMENTS** contained in the CMH Compliance Examination Guidelines are complete and accurately represent requirements of PIHPs and CMHSPs; and distribute revised CMH Compliance Examination Guidelines to PIHPs and CMHSPs.
2. Review the examination reporting packages submitted by PIHPs and CMHSPs to ensure completeness and adequacy within six months of receipt.
3. Issue a management decision (as described in the Examination Requirements – Management Decision Section) on findings and questioned costs contained in the PIHP or CMHSP examination reporting package within eight months after the receipt of a complete and final reporting package.
4. Monitor the activities of PIHPs and CMHSPs as necessary to ensure the Medicaid Program, GF Program, and CMHS Block Grant Program funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts. MDCH will rely primarily on the compliance examination engagements conducted on PIHPs and CMHSPs by independent auditors to ensure Medicaid Program and GF Program funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts. MDCH will rely on PIHP or CMHSP Single Audits or the compliance examination engagements conducted on PIHPs and CMHSPs by independent auditors to ensure CMHSP Block Grant Program funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts. MDCH may, however, determine it is necessary to also perform a limited scope compliance examination or review of selected areas. Any additional reviews or examinations shall be planned and performed in such a way as to build upon work performed by other auditors. The following are some examples of situations that may trigger an MDCH examination or review:
  - a. Significant changes from one year to the next in reported line items on the FSR.
  - b. A PIHP or CMHSP entering the MDCH risk corridor.
  - c. A large addition to an ISF per the cost settlement schedules.
  - d. A material non-compliance issue identified by the independent auditor.
  - e. The CPA that performed the compliance examination is unable to quantify the impact of a finding to determine the questioned cost amount.
  - f. The CPA issued an adverse opinion on compliance due to their inability to draw conclusions because of the condition of the agency's records.

**PIHP Responsibilities**

PIHPs must:

1. Maintain internal control over the Medicaid Program that provides reasonable assurance that the PIHP is managing the Medicaid Program in compliance with laws, regulations, and the provisions of contracts that could have a material effect on the Medicaid Program.
2. Comply with laws, regulations, and the provisions of contracts related to the Medicaid Program.
3. Prepare appropriate financial statements.
4. Ensure that the examination required by these CMH Compliance Examination Guidelines is properly performed and submitted when due.
5. Follow up and take corrective action on examination findings.
6. Prepare a corrective action plan to address each examination finding included in the current year auditor's reports including the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the PIHP does not agree with the examination findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.
7. Monitor the activities of affiliated CMHSPs as necessary to ensure Medicaid Program funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts. PIHPs must either (a.) require the PIHP's independent auditor (as part of the PIHP's examination engagement) to examine the records of the affiliated CMHSP for compliance with the Medicaid Program provisions, or (b.) require the affiliated CMHSP to contract with an independent auditor to examine compliance issues related to contracts between PIHPs and CMHSPs to manage the Medicaid Program. If the latter is chosen, the PIHP must incorporate the examination requirement in the PIHP/CMHSP contract and develop Compliance Examination Guidelines specific to their PIHP/CMHSP contract. Additionally, if the latter is chosen, the CMHSP examination must be completed in sufficient time so that the PIHP auditor may rely on the CMHSP examination when completing their examination of the PIHP if they choose to.
8. If requiring an examination of the affiliated CMHSP, review the examination reporting packages submitted by affiliated CMHSPs to ensure completeness and adequacy.
9. If requiring an examination of the affiliated CMHSP, issue a management decision (as described in the Examination Requirements – Management Decision Section) on findings and questioned costs contained in affiliated CMHSP's examination reporting packages.

**CMHSP Responsibilities**

**(as a recipient of Medicaid funds from PIHP and a recipient of GF funds from MDCH and a recipient of CMHS Block Grant funds from MDCH)**

CMHSPs must:

1. Maintain internal control over the Medicaid, GF, and CMHS Block Grant Programs that provides reasonable assurance that the CMHSP is managing the Medicaid, GF, and CMHS Block Grant Programs in compliance with laws, regulations, and the provisions of contracts that could have a material effect on the Medicaid, GF, and CMHS Block Grant Programs.
2. Comply with laws, regulations, and the provisions of contracts related to the Medicaid, GF, and CMHS Block Grant Programs.
3. Prepare appropriate financial statements.
4. Ensure that the examination required by these CMH Compliance Examination Guidelines, and any examination required by the PIHP from which the CMHSP receives Medicaid funds are properly performed and submitted when due.
5. Follow up and take corrective action on examination findings.
6. Prepare a corrective action plan to address each examination finding included in the current year auditor's reports including the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the CMHSP does not agree with the examination findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

## EXAMINATION REQUIREMENTS

PIHPs under contract with MDCH to manage the Medicaid Program, and CMHSPs under contract with MDCH to manage the GF Program are required to contract annually with a certified public accountant in the practice of public accounting (hereinafter referred to as a practitioner) to examine the PIHP's or CMHSP's compliance with specified requirements in accordance with the AICPA's Statements on Standards for Attestation Engagements (SSAE) 10 – Compliance Attestation – AT 601 (Codified Section of AICPA Professional Standards) (hereinafter referred to as an examination engagement). The specified requirements and specified criteria are contained in these CMH Compliance Examination Guidelines under the Section titled “Compliance Requirements.”

Additionally, CMHSPs under contract with MDCH to provide CMHS Block Grant Program services are required to ensure the above referenced examination engagement includes an examination of compliance with specified requirements related to the CMHS Block Grant Program **IF the CMHSP does not have a Single Audit or the CMHSP's Single Audit does not include the CMHS Block Grant (CFDA 93.958) as a major Federal program. The specified requirements and specified criteria related to the CMHS Block Grant Program are contained in these CMH Compliance Examination Guidelines under the Section titled “Compliance Requirements.”**

### Practitioner Selection

In procuring examination services, PIHPs and CMHSPs must engage an independent practitioner, and must follow the procurement standards prescribed by the Grants Management Common Rule (A-102 Common Rule). The codified common rule for PIHPs and CMHSPs is located at 45 CFR 92, Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments. Procurement standards are addressed in Section 92.36. In requesting proposals for examination services, the objectives and scope of the examination should be made clear. Factors to be considered in evaluating each proposal for examination services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of external quality control reviews, and price. When possible, PIHPs and CMHSPs are encouraged to rotate practitioners periodically to ensure independence.

### Examination Objective

The objective of the practitioner's examination procedures applied to the PIHP's or CMHSP's compliance with specified requirements is to express an opinion on the PIHP's or CMHSP's compliance based on the specified criteria. The practitioner seeks to obtain reasonable assurance that the PIHP or CMHSP complied, in all material respects, based on the specified criteria.

### **Practitioner Requirements**

The practitioner should exercise due care in planning, performing, and evaluating the results of his or her examination procedures; and the proper degree of professional skepticism to achieve reasonable assurance that material noncompliance will be detected. The specified requirements and specified criteria are contained in these CMH Compliance Examination Guidelines under the Section titled “Compliance Requirements.” In the examination of the PIHP’s or CMHSP’s compliance with specified requirements, the practitioner should:

1. Obtain an understanding of the specified compliance requirements (See AT 601.40).
2. Plan the engagement (See AT 601.41 through 601.44).
3. Consider the relevant portions of the PIHP’s or CMHSP’s internal control over compliance (See AT 601.45 through 601.47).
4. Obtain sufficient evidence including testing compliance with specified requirements (See AT 601.48 through 601.49).
5. Consider subsequent events (See AT 601.50 through 601.52).
6. Form an opinion about whether the entity complied, in all material respects with specified requirements based on the specified criteria (See AT 601.53).

### **Practitioner’s Report**

The practitioner’s examination report on compliance should include the information detailed in AT 601.55 and 601.56, which includes the practitioner’s opinion on whether the entity complied, in all material respects, with specified requirements based on the specified criteria. When an examination of the PIHP’s or CMHSP’s compliance with specified requirements discloses noncompliance with the applicable requirements that the practitioner believes have a material effect on the entity’s compliance, the practitioner should modify the report as detailed in AT 601.64 through AT 601.67.

In addition to the above examination report standards, the practitioner must prepare:

1. A Schedule of Findings including the applicable finding detail listed in OMB Circular A-133, Section 510(b) that includes the following:
  - a. Control deficiencies that are individually or cumulatively material weaknesses in internal control over the Medicaid, GF, and/or CMHS Block Grant Program(s).
  - b. Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid, GF, and/or CMHS Block Grant Program(s).
  - c. Known fraud affecting the Medicaid, GF, and/or CMHS Block Grant Program(s).

2. A schedule showing reported Financial Status Report (FSR) amounts, examination adjustments [including applicable adjustments from the Schedule of Findings and the Comments and Recommendations Section (addressed below)], and examined FSR amounts. The examination adjustments must be explained. This schedule is called the “Examined FSR Schedule.”
3. A schedule showing a revised cost settlement for the PIHP or CMHSP based on the Examined FSR Schedule. This schedule is called the “Examined Cost Settlement Schedule.”
4. A Comments and Recommendations Section that includes deficiencies that are not individually or cumulatively material weaknesses in internal control over the Medicaid, GF, and/or CMHS Block Grant program(s), but are matters that are opportunities for strengthening internal controls, improving compliance, and increasing operating efficiency.

**Examination Report Submission**

The examination must be completed and the reporting package described below must be submitted to MDCH within the earlier of 30 days after receipt of the practitioner's report, or June 30 following the contract year end. The PIHP or CMHSP must submit the reporting package to MDCH at the following address:

Michigan Department of Community Health  
Office of Audit  
Quality Assurance and Review Section  
P.O. Box 30479  
Lansing, Michigan 48909-7979  
Or  
400 S. Pine Street  
Capitol Commons Center  
Lansing, Michigan 48933

Alternatives to paper filing may be viewed at [www.michigan.gov/mdch](http://www.michigan.gov/mdch) by selecting Inside Community Health – MDCH Audit.

**Examination Reporting Package**

The reporting package includes the following:

1. Practitioner's report as described above;
2. Corrective action plan prepared by the PIHP or CMHSP.

**Penalty**

If the PIHP or CMHSP fails to submit the required examination reporting package by June 30<sup>th</sup> following the contract year end and an extension has not been granted by MDCH, MDCH may withhold from current funding five percent of the examination year's grant funding (not to exceed \$200,000) until the required reporting package is received. MDCH may retain the withheld amount if the reporting package is delinquent more than 120 days from the due date and MDCH has not granted an extension.

**Incomplete or Inadequate Examinations**

If MDCH determines the examination reporting package is incomplete or inadequate, the PIHP or CMHSP, and possibly its independent auditor will be informed of the reason of inadequacy and its impact in writing. The recommendations and expected time frame for resubmitting the corrected reporting package will be indicated.

**Management Decision**

MDCH will issue a management decision on findings and questioned costs contained in the PIHP or CMHSP examination report within eight months after the receipt of a complete and final reporting package. The management decision will include whether or not the examination finding is sustained; the reasons for the decision; the expected PIHP or CMHSP action to repay disallowed costs, make financial adjustments, or take other action; and a description of the appeal process available to the PIHP or CMHSP. Prior to issuing the management decision, MDCH may request additional information or documentation from the PIHP or CMHSP, including a request for practitioner verification or documentation, as a way of mitigating disallowed costs. The appeal process available to the PIHP or CMHSP is included in the applicable contract.

If there are no findings and/or questioned costs, MDCH will notify the PIHP or CMHSP when the review of the examination reporting package is complete and the results of the review.

**COMPLIANCE REQUIREMENTS**

The practitioner must examine the PIHP's or CMHSP's compliance with the A-K specified requirements below. If the CMHSP does not have a Single Audit or the CMHSP's Single Audit does not include the CMHS Block Grant (CFDA 93.958) as a major Federal program, the practitioner must also examine the CMHSP's compliance with the L-O specified requirements below that specifically relate to the CMHS Block Grant.

**COMPLIANCE REQUIREMENTS A-K  
(APPLICABLE TO ALL PIHP AND CMHSP COMPLIANCE EXAMINATIONS)****A. FSR Reconciliation**

The auditor must reconcile the Financial Status Report (FSR) to the general ledger, and determine if amounts reported on the FSR are supported by the PIHP's or CMHSP's general ledger. Any differences between the general ledger and FSR should be adequately explained and justified, and all FSR reporting must comply with the contractual FSR reporting instructions. Any differences not explained and justified must be shown as an adjustment on the practitioner's "Examined FSR Schedule."

**B. Expenditure Reporting**

The auditor must determine if the PIHP's or CMHSP's expenditures reported on the FSR comply with the Office of Management and Budget (OMB) Circular A-87 cost principles (relocated to 2 CFR 225), the Mental Health Code (Code), and contract provisions. Any reported expenditures that do not comply with the OMB Circular A-87 cost principles, the Code, or contract provisions must be shown on the auditor's "Examined FSR Schedule." Generally, OMB Circular A-87 cost principles require that for costs to be allowable they must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of the grant.
- b. Be allocable to the grant under the provisions of the applicable OMB Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in the applicable OMB Circular, other applicable laws and regulations, or terms and conditions of the grant and agreement.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment.

- g. Be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

All reported expenditures must be traceable to the agency's general ledger, and adequately supported.

Reimbursements to **subcontractors** (including PIHP payments to CMHSPs for Medicaid services) must be supported by a valid subcontract and adequate, appropriate supporting documentation on costs and services. Contracts should be reviewed to determine if any are to related parties. If related party subcontracts exist, they should receive careful scrutiny to ensure the reasonableness criteria of OMB Circular A-87 was met. If subcontractors are paid on a net cost basis, rather than a fee-for-service basis, the subcontractors' costs must be verified for existence and appropriate supporting documentation. If the subcontract is for inpatient services, the rates need to be reviewed to ensure the rates paid do not exceed the rates generally paid for Medicaid patients. NOTE: Rather than the practitioner performing examination procedures at the subcontractor level, agencies may require that subcontractors receive examinations by their own independent practitioner, and that examination report may be relied upon if deemed acceptable by the practitioner.

Reported costs for **less-than-arms-length transactions** must be limited to underlying cost. For example, the agency may rent their office building from the agency's board member/members, but rent charges cannot exceed the actual cost of ownership if the lease is determined to be a less-than-arms-length transaction. Guidance on determining less-than-arms-length transactions is provided in OMB Circular A-87.

Reported costs for **sale and leaseback arrangements** must be limited to underlying cost.

**Capital asset purchases** that cost greater than \$5,000 must be capitalized and depreciated over the useful life of the asset rather than expensing it in the year of purchase. All invoices for a remodeling or renovation project must be accumulated for a total project cost when determining capitalization requirements; individual invoices should not simply be expensed because they are less than \$5,000.

Costs must be allocated to programs in accordance with relative benefits received. Accordingly, **Medicaid costs must be charged to the Medicaid Program, and GF costs must be charged to the GF Program**. Additionally, **administrative/indirect costs** must be distributed to programs on bases that will produce an equitable result in consideration of relative benefits derived.

**Distributions of salaries and wages** for employees that work on multiple activities or cost objectives, must be supported by personnel activity reports that meet the standards listed in OMB Circular A-87.

Expenditures relating to providing the **20 outpatient visit services** for Qualified Health Plans (QHPs) must be recorded as earned contract expenditures, NOT matchable expenditures.

### **C. Cost Allocations**

The auditor must determine if the PIHP's or CMHSP's Section 460 Cost Allocation Plan complies with the OMB Circular A-87 cost principles, and contract provisions. The auditor must also determine if the PIHP's or CMHSP's Section 460 Cost Allocation Report complies with the Section 460 Cost Allocation Plan, and contract provisions.

### **D. Revenue Reporting**

The auditor must determine if the PIHP or CMHSP has properly reported all revenue on the FSR.

SSI revenue and other reimbursements that support matchable Medicaid and GF expenditures must be properly recorded to offset matchable expenditures.

SSA Revenue received and then sent to residential providers cannot be recorded as a matchable expenditure.

Revenue received from QHPs for providing 20 outpatient visits must be recorded as earned contract revenue.

### **E. Procurement**

The auditor must determine if the acquisition of assets or services complied with contractual and regulatory requirements.

### **F. Rate Setting and Ability to Pay**

The auditor must determine if service rates are updated at least annually. The auditor must determine if consumers are completing ability to pay forms.

**G. Internal Service Fund (ISF)**

The auditor must determine if the establishment, funding, and maintenance of any Internal Service Fund complies with the contractual provisions. The auditor must verify that:

- a. the establishment and funding of the ISF is based on a sound actuarial study or historical cost information,
- b. assumptions used in the actuarial or historical study used to justify the ISF are supported,
- c. any interest earned on the ISF is reinvested back into the ISF,
- d. any use of the ISF is for risk corridor financing for allowable costs,
- e. any overfunding of the ISF is reduced through an abatement of current charges, and
- f. the ISF is not commingled with funds of other departments, agencies, governmental funds or entities.

**H. Medicaid Savings and General Fund Carryforward**

The auditor must determine that Medicaid Savings and General Fund Carryforward earned in the previous year was used in the current year on allowable expenditures and it was properly recorded on the FSR (matchable expenditures must be properly reduced).

**I. Match Requirement**

The auditor must determine if the PIHP or CMHSP met the local match requirement. As part of this determination, the auditor must determine if items considered as local match actually qualify as local match. Some examples of funds that do NOT qualify as local match are: (a.) revenues (such as workers' compensation refunds) that should be offset against related expenditures, (b.) interest earned from ISF accounts, (c.) revenues derived from programs (such as the Clubhouse program) that are financially supported by Medicaid or GF, (d.) donations of funds from subcontractors of the PIHP or CMHSP, and (e.) donations of items that would not be an item generally provided by the PIHP or CMHSP in providing plan services.

If the PIHP or CMHSP does not comply with the match requirement in the Mental Health Code Chapter 3 sec. 302, or cannot provide reasonable evidence of compliance, the auditor shall determine and report the amount of the shortfall in local match requirement.

**J. Service Documentation**

The auditor must determine if services are adequately documented according to contractual and Code provisions.

**K. Consumer Fund Review**

The auditor must determine that consumer funds are maintained separate from other CMH funds, amounts are accurate, SSI revenue is properly recorded, rent payments made on behalf of consumers are accurate, Consumers' funds are not commingled and used for each others' expenses, and sufficient controls exist to protect the consumers' funds.

**COMPLIANCE REQUIREMENTS L-O**  
**(APPLICABLE TO CMHSPs WITH A CMHS BLOCK GRANT THAT DID NOT HAVE A SINGLE**  
**AUDIT OR THE CMHS BLOCK GRANT WAS NOT A MAJOR FEDERAL PROGRAM IN THE**  
**SINGLE AUDIT)**

**L. Activities Allowed or Unallowed**

The auditor must determine if the CMHS Block Grant (CFDA 93.958) funds were expended only on allowable activities in accordance with the OMB Circular A-133 Compliance Supplement and the Grant Agreement between MDCH and the CMHSP.

**M. Cash Management**

The auditor must determine if the CMHSP complied with the applicable cash management compliance requirements that are contained in the OMB Circular A-133 Compliance Supplement. This includes the requirement that when entities are funded on a reimbursement basis, program costs must be paid for by CMHSP funds before reimbursement is requested from MDCH.

**N. Period of Availability of Federal Funds**

The auditor must determine if the CMHS Block Grant (CFDA 93.958) funds were obligated within the period of availability and obligations were liquidated within the required time period.

**O. Subrecipient Monitoring**

If the CMHSP contracts with other subrecipients ("subrecipient" per the OMB Circular A-133 definition) to carry out the Federal CMHS Block Grant Program, the auditor must determine if the CMHSP:

1. properly identified Federal award information and compliance requirements to the subrecipient, and approved only allowable activities in the award documents;
2. monitored subrecipient activities to provide reasonable assurance that the subrecipient administered Federal awards in compliance with Federal requirements;

3. ensured required audits are performed, issued a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensured that the subrecipient took timely and appropriate corrective action on all audit findings; and
4. took appropriate action using sanctions if a subrecipient had a continued inability or unwillingness to have the required audits performed.

**RETENTION OF WORKING PAPERS AND RECORDS**

Examination working papers and records must be retained for a minimum of three years after the final examination review closure by MDCH. Also, PIHPs are required to keep affiliate CMHSP's reports on file for three years from date of receipt. All examination working papers must be accessible and are subject to review by representatives of the Michigan Department of Community Health, the Federal Government and their representatives. There should be close coordination of examination work between the PIHP and affiliate CMHSP auditors. To the extent possible, they should share examination information and materials in order to avoid redundancy.

**EFFECTIVE DATE AND MDCH CONTACT**

These CMH Compliance Examination Guidelines are effective beginning with the fiscal year 2008/2009 examinations. Any questions relating to these guidelines should be directed to:

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**GLOSSARY OF ACRONYMS AND TERMS**

AICPA.....	American Institute of Certified Public Accountants.
CMHS Block Grant Program.....	The program managed by CMHSPs under contract with MDCH to provide Community Mental Health Services Block Grant program services under CFDA 93.958.
CMHSP.....	Community Mental Health Services Program (CMHSP). A program operated under Chapter 2 of the Michigan Mental Health Code – Act 258 of 1974 as amended.
Examination Engagement.....	A PIHP or CMHSP’s engagement with a practitioner to examine the entity’s compliance with specified requirements in accordance with the AICPA’s Statements on Standards for Attestation Engagements (SSAE) 10 – Compliance Attestation – AT 601 (Codified Section of AICPA Professional Standards).
GF Program.....	The program managed by CMHSPs under contract with MDCH to provide mental health services and supports to individuals with serious mental illness, serious emotional disturbances or developmental disabilities as described in MCL 330.1208.
MDCH.....	Michigan Department of Community Health
Medicaid Program.....	The Concurrent 1915(b)/(c) Medicaid Program managed by PIHPs under contract with MDCH.
PIHP.....	Prepaid Inpatient Health Plan. An organization that manages Medicaid specialty services under the state’s approved Concurrent 1915(b)/1915(c) Waiver Program, on a prepaid, shared-risk basis, consistent with the requirements of 42 CFR part 401 et al June 14, 2002, regarding Medicaid managed care.
Practitioner.....	A certified public accountant in the practice of public accounting under contract with the PIHP or CMHSP to perform an examination engagement.
SSAE.....	AICPA’s Statements on Standards for Attestation Engagements.