

Wisconsin Medicaid Nursing Home GAAP Financial Audit Requirements

Provider requirements.

- Providers must receive approval from DHS of the entity subject to the audit requirements (§9.14).
- Audit must be performed by an independent Certified Public Accountant (CPA) (§9.10).
- The Financial Audit must be on a Generally Accepted Accounting Principles (GAAP) basis (§9.10).
- Providers must require auditors to:
 - Submit required documentation to WINHRS (§9.20).
 - Upon DHS request, provide via WINHRS:
 - Letter(s) to Management as issued or written assurance that a Management Letter was not issued with the audit report; and (§9.10(h)(a)(i)).
 - Management responses/corrective action plan for each audit issue identified in the audit report and/or Management letter (§9.10(h)(a)(ii)).
- Providers must supply their independent CPA with schedules for direct care, capital additions, loans, leases. Each schedule must minimally contain the data elements as shown in the below table of supplemental requirements (§9.13).

Auditor requirements (§9.10).

- The audit must contain:
 - Comparative financial statements required for the type of financial audit necessary for the NH entity and resulting audit report and opinion;
 - Consolidated financial statements in a comparative format to support full reporting for the entity structured with a parent company and subsidiaries, as defined by the Financial Accounting Standards Board for GAAP Accounting;
 - A report on the internal control environment over financial reporting;
 - A report describing the system of cost allocation for shared overhead and direct services between programs or lines of business as required;
 - A supplemental financial report that demonstrates the financial results of the NH business when the organization engages in other non-Nursing Home lines of business. The report shall be in columnar format for the various programs as required;
 - A supplemental financial report that demonstrates the financial results of each NH business when the organization engages in more than one NH business. The report shall be in columnar format for the various programs as required;
 - An organizational chart showing the audited entity, and all related or parent entities;
 - All provider supplied schedules pursuant to the Table of Supplemental Requirements (shown below).
- Each facility must ensure the auditor, upon written request by DHS, is required to provide to DHS the following items:
 - Letter(s) to Management as issued or written assurance that a Management Letter was not issued with the audit report; and
 - Management responses/corrective action plan for each audit issue identified in the audit report and/or Management letter.
- Auditors must perform necessary audit procedures on prior fiscal year end balances in the event of a first year audit.

Table of Supplemental Requirements

	Independent Auditor Requirements	Provider Requirements
Direct Care		
1	Audit total salaries reported on the financial statements for the facility's most recent fiscal year-end.	
1a		Provide independent auditor with all position descriptions for positions provider reported as direct care on their WI MA CR, their salary and benefits, POP ID(s), indication if shared across other non-NH lines of business, indication if position is based in a home-office.
2	Verify that none of the positions in the provider supplied information are listed on the list of unallowed position titles published by Wisconsin Department of Health Services (DHS).	
3	Audit provider supplied information (from 1a).	
Capital Additions and Depreciation		
4a		Provide Independent Auditor with list of all capital additions. This list must contain at a minimum, the asset description, asset purchase date, asset placed in service date, asset cost, POP ID(s) (if asset reported in WI MA CR), indication if shared across other non-NH lines of business, AHA category utilized for the useful life assignment (if asset reported in WI MA CR).
4b	Independent Auditor audits the provider supplied information (from 4a).	
Loans and Leases		
5a		Provide Independent Auditor with schedule of all lease agreements ("Schedule of leases") broken out by WI MA NH POP ID (if reported on WI MA CR), which at least includes name of lessor, leased property/item description, indication if lessor is a related party, date the lease was executed, lease beginning and end dates (term), annual escalator, description of leased equipment, lease payments by month, if the lease was ever disallowed by a WI DHS auditor (if reported on a WI MA NH CR) and indicates whether the lease covers more than just the nursing home line of business.
5b		Provide Independent Auditor with schedule of all new loans ("Schedule of loans") broken out by WI MA NH POP ID (if reported on WI MA CR), which at least includes name of lender, indication if lender is a related party, origination date, term, interest rate, description of loan purpose and use, loan payments by month, outstanding loan balance, if the loan was ever disallowed by WI DHS (if

		reported on a WI MA NH CR) and indicates whether the loan covers more than just the nursing home line of business.
5c	<p>Independent auditor audits Schedule of loans and Schedule of leases (from 5a and 5b).</p> <p>Audit scope must include whether the Schedules have entries which include items on the DHS published list of items not allowable for Medicaid NH per-diem reimbursement which includes the DME index of separately billable items.</p> <p>Audit scope must include indications/non-indications of related parties.</p> <p>Audit scope must include indications/non-indications of previous DHS disallowances.</p>	

Resources for independent auditors

- Financial Statement Audit must be integrated with an Audit of Internal Control Over Financial Reporting.
 - See AU-C section 940 (AICPA, Professional Standards)
 - <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00940.pdf>
 - Additional information which may be helpful to auditors:
 - Link to State Single Audit Guidelines
<https://www.dhs.wisconsin.gov/publications/p01714.pdf>
 - 3.3 Internal control <https://www.gao.gov/assets/gao-18-568g.pdf>
 - 4.11 The Schedule of Findings and Questioned Costs- see DHS Audit Guide, Section 1.3
 - The link below is published by the American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) and includes Report on Internal Control over Financial Reporting examples.
 - <https://www.aicpa-cima.com/resources/download/government-auditing-standards-report-illustrations>
- All provider supplied schedules audited by the Independent Auditor must be sent by the Independent Auditor to the Department as part of the Independent Auditor's submission to the state. Such schedules must be in original file format. This requirement applies only to the provider completed schedules.