Missouri Medicaid Audit and Compliance (MMAC)

Guidance for Consumer-Directed Services (CDS) Providers:

CDS Annual Audit

Missouri statute and regulation require CDS providers to submit an annual audit.

RSMo 208.918.2 states vendors must demonstrate sound fiscal management as evidenced on accurate quarterly reports and an annual audit. 19 CSR 15-8.400(7) states vendors shall submit the annual audit, done by a properly licensed independent practitioner (certified public accountant licensed in the state of Missouri) pursuant to applicable federal and state laws and regulations, within one hundred fifty (150) days after the end of the vendor’s fiscal year.

The Generally Accepted Audit Principles (GAAP) is a framework or collection of accounting standards, rules and procedures for financial reporting. These principles apply to financial audits, because the auditor will state in the report whether the financial statements provided by the vendor are presented fairly in all material respects and in conformity with the accounting principles generally accepted (GAAP) in the U.S. The principles are common rules that must be followed when preparing financial statements that will be distributed to people outside of the company.

An independent auditor’s report will express an **unqualified** or a **modified** opinion on the financial statements.

An **unqualified opinion** states the financial statements present fairly, in all material respects, the financial position of the company. This means the auditor (the CPA) was able to make a judgment that the vendor’s financial records and statements are fairly and appropriately presented, and in accordance with GAAP.

A **modified opinion** might be **qualified**, or it might be an **adverse opinion**, or it might be a **disclaimer of opinion**. A **qualified opinion** means either there are misstatements, but they are not pervasive; or, there might be undetected misstatements which still would not be pervasive. An **adverse opinion** means there are pervasive misstatements. A **disclaimer of opinion** means the auditor (CPA) cannot obtain sufficient information on which to base an opinion, and so there may be undetected, pervasive misstatements.

**An unqualified opinion is acceptable.** An adverse opinion or disclaimer of opinion is **not** acceptable. A qualified opinion **might** be acceptable if the exception is found to be allowable after full disclosure.

A “service level audit” or a “compilation engagement” is not considered a financial audit. A service level audit or compilation engagement does not provide the same assurances regarding the financial statements. Financial audits provide the highest level of assurance on an organization’s financial statements. **A service level audit or compilation engagement is not acceptable.**

Some CDS vendors are required by their corporations’ operating and/or management agreements to conduct annual financial audits. Audits conducted for that purpose should suffice for submission to MMAC. As well, some vendors may have financial audits done on their companies as a whole (and this may include more than just the CDS portion). This type of audit, if it is a financial audit, will suffice, too.

Vendors can expect appropriate financial audits to include the following sections:

* Management’s Responsibility
* The Auditor’s Responsibility
* The Auditor’s Opinion
* The Basis of the Accounting
* The Financial Statements
* Notes to the Financial Statements
* Any Supplementary Data