

|->

Title 28@ Managed Health Care

|->

Division 1@ The Department of Managed Health Care

|->

Chapter 2@ Health Care Service Plans

|->

Article 12@ Reports

|->

Section 1300.84.5@ Public Entity Plans

1300.84.5 Public Entity Plans

(a)

A plan which is a public entity or political subdivision shall be subject to the provisions of this section. (1) Financial statements of a plan which is a public entity or political subdivision, including financial statements or reports of specific funds or groups of accounts where health plan activity is recorded, which are required to be submitted pursuant to Section 1351(h) or 1384(c) of the Act or by rule, order or request of the Director, shall be accompanied either by an opinion of a certified public accountant or public accountant or by a report of a government audit organization. (2) For the purposes of Sections 1351 and 1384, governmental auditing standards are defined to include the standards set forth in this item. Every audit which results in the opinion or report referred to in Item (1) of this subsection shall be conducted in accordance with the governmental auditing standards indicated below: (A) General Standards: (i) The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required. (ii) In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance. (iii) Due professional care is to be used in conducting the audit and in preparing related reports. (B) Standards of Field Work: (i) The work is to be

adequately planned and assistants, if any, are to be properly supervised. (ii) There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted. (iii) Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination. (C) Standards of Reporting: (i) The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles. (ii) The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period. (iii) Informative disclosures in the financial statement are to be regarded as reasonably adequate unless otherwise stated in the report. (iv) The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking. (D) Additional Standards and Requirements on Examination and Evaluation for Government Financial and Compliance Audits. (i) Planning shall include consideration of the requirements of all levels of government. (ii) A review is to be made of compliance with applicable laws and regulations. (iii) A written record of the auditors' work shall be retained in the form of working papers. (iv) Auditors shall be alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts and if such evidence exists, extend audit steps and procedures to identify the effect on the entity's financial statements. (E)

Additional Standards and Requirements on Reporting for Government Financial and Compliance Audits. (i) Written audit reports are to be submitted to the appropriate officials of the organization audited and to the appropriate officials of the organizations requiring or arranging for the audits unless legal restrictions or ethical considerations prevent it. Copies of the reports should also be sent to other officials who may be responsible for taking action and to others authorized to receive such reports. Unless restricted by law or regulations, copies should be made available for public inspection. (ii) A statement in the auditors' report that the examination was made in accordance with generally accepted government auditing standards for financial and compliance audits will be acceptable language to indicate that the audit was made in accordance with these standards. (iii) Either the auditors' report on the entity's financial statements or a separate report shall contain a statement of positive assurance on those items of compliance tested and negative assurance on those items not tested. It shall also include material instances of noncompliance and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit. (iv) The auditors shall report on their study and evaluation of internal accounting controls made as part of the financial and compliance audit. They shall identify as a minimum: (a) the entity's significant internal accounting controls, (b) the controls identified that were evaluated, (c) the controls identified that were not evaluated (the auditor may satisfy this requirement by identifying any significant classes of transactions and related assets not included in the study and evaluation), and (d) the material weaknesses identified as a result of the evaluation. (v) Either the auditors' report on the entity's financial statements or a separate report shall contain any other material deficiency findings identified during the audit not covered in (ii) above. (vi) If certain information is prohibited from general disclosure, the report shall

state the nature of the information omitted and the requirement that makes the omission necessary. (3) Financial statements, including reports of specific funds or groups of accounts, which are to be submitted pursuant to this section must be previously approved as to form by the Director. When all health plan activity has been separately controlled and accounted for in an Enterprise Fund, the financial statements or reports of such funds are presumptively approved as to form for purposes of this subsection.

(1)

Financial statements of a plan which is a public entity or political subdivision, including financial statements or reports of specific funds or groups of accounts where health plan activity is recorded, which are required to be submitted pursuant to Section 1351(h) or 1384(c) of the Act or by rule, order or request of the Director, shall be accompanied either by an opinion of a certified public accountant or public accountant or by a report of a government audit organization.

(2)

For the purposes of Sections 1351 and 1384, governmental auditing standards are defined to include the standards set forth in this item. Every audit which results in the opinion or report referred to in Item (1) of this subsection shall be conducted in accordance with the governmental auditing standards indicated below: (A) General Standards: (i) The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required. (ii) In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance. (iii) Due professional care is to be used in conducting the audit and in preparing related reports. (B) Standards of Field Work: (i) The work is to be adequately

planned and assistants, if any, are to be properly supervised. (ii) There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted. (iii) Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination. (C)

Standards of Reporting: (i) The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles. (ii) The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period. (iii) Informative disclosures in the financial statement are to be regarded as reasonably adequate unless otherwise stated in the report. (iv) The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking. (D)

Additional Standards and Requirements on Examination and Evaluation for Government

Financial and Compliance Audits. (i) Planning shall include consideration of the requirements of all levels of government. (ii) A review is to be made of compliance with applicable laws and regulations. (iii) A written record of the auditors' work shall be retained in the form of working papers. (iv) Auditors shall be alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts and if such evidence exists, extend audit steps and procedures to identify the effect on the entity's financial statements. (E) Additional Standards and Requirements on

Reporting for Government Financial and Compliance Audits. (i) Written audit reports

are to be submitted to the appropriate officials of the organization audited and to the appropriate officials of the organizations requiring or arranging for the audits unless legal restrictions or ethical considerations prevent it. Copies of the reports should also be sent to other officials who may be responsible for taking action and to others authorized to receive such reports. Unless restricted by law or regulations, copies should be made available for public inspection. (ii) A statement in the auditors' report that the examination was made in accordance with generally accepted government auditing standards for financial and compliance audits will be acceptable language to indicate that the audit was made in accordance with these standards. (iii) Either the auditors' report on the entity's financial statements or a separate report shall contain a statement of positive assurance on those items of compliance tested and negative assurance on those items not tested. It shall also include material instances of noncompliance and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit. (iv) The auditors shall report on their study and evaluation of internal accounting controls made as part of the financial and compliance audit. They shall identify as a minimum: (a) the entity's significant internal accounting controls, (b) the controls identified that were evaluated, (c) the controls identified that were not evaluated (the auditor may satisfy this requirement by identifying any significant classes of transactions and related assets not included in the study and evaluation), and (d) the material weaknesses identified as a result of the evaluation. (v) Either the auditors' report on the entity's financial statements or a separate report shall contain any other material deficiency findings identified during the audit not covered in (ii) above. (vi) If certain information is prohibited from general disclosure, the report shall state the nature of the information omitted and the requirement that makes the omission necessary.

(A)

General Standards: (i) The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required. (ii) In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance. (iii) Due professional care is to be used in conducting the audit and in preparing related reports.

(i)

The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required.

(ii)

In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance.

(iii)

Due professional care is to be used in conducting the audit and in preparing related reports.

(B)

Standards of Field Work: (i) The work is to be adequately planned and assistants, if any, are to be properly supervised. (ii) There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted. (iii) Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination.

(i)

The work is to be adequately planned and assistants, if any, are to be properly supervised.

(ii)

There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.

(iii)

Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination.

(C)

Standards of Reporting: (i) The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles. (ii) The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period. (iii) Informative disclosures in the financial statement are to be regarded as reasonably adequate unless otherwise stated in the report. (iv) The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

(i)

The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles.

(ii)

The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.

(iii)

Informative disclosures in the financial statement are to be regarded as reasonably adequate unless otherwise stated in the report.

(iv)

The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

(D)

Additional Standards and Requirements on Examination and Evaluation for Government Financial and Compliance Audits. (i) Planning shall include consideration of the requirements of all levels of government. (ii) A review is to be made of compliance with applicable laws and regulations. (iii) A written record of the auditors' work shall be retained in the form of working papers. (iv) Auditors shall be alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts and if such evidence exists, extend audit steps and procedures to identify the effect on the entity's financial statements.

(i)

Planning shall include consideration of the requirements of all levels of government.

(ii)

A review is to be made of compliance with applicable laws and regulations.

(iii)

A written record of the auditors' work shall be retained in the form of working papers.

(iv)

Auditors shall be alert to situations or transactions that could be indicative of fraud, abuse, and illegal expenditures and acts and if such evidence exists, extend audit steps and procedures to

identify the effect on the entity's financial statements.

(E)

Additional Standards and Requirements on Reporting for Government Financial and

Compliance Audits. (i) Written audit reports are to be submitted to the appropriate officials of the organization audited and to the appropriate officials of the organizations requiring or arranging for the audits unless legal restrictions or ethical considerations prevent it. Copies of the reports should also be sent to other officials who may be responsible for taking action and to others authorized to receive such reports. Unless restricted by law or regulations, copies should be made available for public inspection. (ii) A statement in the auditors' report that the examination was made in accordance with generally accepted government auditing standards for financial and compliance audits will be acceptable language to indicate that the audit was made in accordance with these standards. (iii) Either the auditors' report on the entity's financial statements or a separate report shall contain a statement of positive assurance on those items of compliance tested and negative assurance on those items not tested. It shall also include material instances of noncompliance and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit. (iv) The auditors shall report on their study and evaluation of internal accounting controls made as part of the financial and compliance audit. They shall identify as a minimum: (a) the entity's significant internal accounting controls, (b) the controls identified that were evaluated, (c) the controls identified that were not evaluated (the auditor may satisfy this requirement by identifying any significant classes of transactions and related assets not included in the study and evaluation), and (d) the material weaknesses identified as a result of the evaluation. (v) Either the auditors' report on the entity's financial statements or a separate report shall contain any other material deficiency findings identified during the audit not covered in (ii) above. (vi) If certain information is prohibited from general disclosure, the report shall state the nature of the information omitted and the requirement that makes the omission

necessary.

(i)

Written audit reports are to be submitted to the appropriate officials of the organization audited and to the appropriate officials of the organizations requiring or arranging for the audits unless legal restrictions or ethical considerations prevent it. Copies of the reports should also be sent to other officials who may be responsible for taking action and to others authorized to receive such reports. Unless restricted by law or regulations, copies should be made available for public inspection.

(ii)

A statement in the auditors' report that the examination was made in accordance with generally accepted government auditing standards for financial and compliance audits will be acceptable language to indicate that the audit was made in accordance with these standards.

(iii)

Either the auditors' report on the entity's financial statements or a separate report shall contain a statement of positive assurance on those items of compliance tested and negative assurance on those items not tested. It shall also include material instances of noncompliance and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit.

(iv)

The auditors shall report on their study and evaluation of internal accounting controls made as part of the financial and compliance audit. They shall identify as a minimum: (a) the entity's significant internal accounting controls, (b) the controls identified that were evaluated, (c) the controls identified that were not evaluated (the auditor may satisfy this requirement by identifying any significant classes of transactions and related assets not included in the study and evaluation), and (d) the material weaknesses identified as a result of the evaluation.

(a)

the entity's significant internal accounting controls,

(b)

the controls identified that were evaluated,

(c)

the controls identified that were not evaluated (the auditor may satisfy this requirement by identifying any significant classes of transactions and related assets not included in the study and evaluation), and

(d)

the material weaknesses identified as a result of the evaluation.

(v)

Either the auditors' report on the entity's financial statements or a separate report shall contain any other material deficiency findings identified during the audit not covered in (ii) above.

(vi)

If certain information is prohibited from general disclosure, the report shall state the nature of the information omitted and the requirement that makes the omission necessary.

(3)

Financial statements, including reports of specific funds or groups of accounts, which are to be submitted pursuant to this section must be previously approved as to form by the Director. When all health plan activity has been separately controlled and accounted for in an Enterprise Fund, the financial statements or reports of such funds are presumptively approved as to form for purposes of this subsection.

(b)

A plan which is a public entity or political subdivision shall be granted a total or partial exemption from Sections 1300.84.06 and 1300.84.2 upon proper application therefor, when and to the extent that (1) the Director determines that such plan has demonstrated that the information set forth in Sections 1300.84.06 and 1300.84.2 is neither available to the plan nor necessary for its internal management and cannot be produced without significant cost to the plan, and (2) such plan undertakes to furnish alternative information which the Director

finds to be reasonable and adequate in view of the circumstances of the plan.

(1)

the Director determines that such plan has demonstrated that the information set forth in Sections 1300.84.06 and 1300.84.2 is neither available to the plan nor necessary for its internal management and cannot be produced without significant cost to the plan, and

(2)

such plan undertakes to furnish alternative information which the Director finds to be reasonable and adequate in view of the circumstances of the plan.