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Owner:	<i>Dhannetta Brown: Deputy CFO</i>
Policy Area:	<i>Finance</i>
References:	

Fiscal Control & Accountability Procedures

PROCEDURE PURPOSE

To provide guidelines explaining Detroit Wayne Integrated Health Network (DWIHN) general financial controls that have been implemented to ensure proper management of all financial information, including Federal Awards. It is not the intent of this procedure to describe and explain all financial processes.

EXPECTED OUTCOME

Pursuant to the United States Office of Management and Budget (OMB) 2 CFR § 200.303 (a), a non-Federal entity must "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

PROCEDURE

I. Background

The DWIHN is responsible for the administration of mental health, intellectual and developmentally disabled and substance use services to over 70,000 consumers in Detroit and Wayne County (County). DWIHN was previously a division of Health and Human Services, a department within the County of Wayne, Michigan. Under the provisions of the Michigan Legislature Public Acts 375 and 376 of 2012 and effective October 1, 2013 the Detroit Wayne Mental Health Authority (now known as DWIHN) was created. DWIHN is a separate legal entity and is not considered a related organization or component unit of the County. DWIHN has an annual operating budget of approximately \$800 million including approximately \$22 million in federal grants. DWIHN is a Prepaid Insurance Health Plan (PIHP) and Community Mental Health Services Program (CMHSP) and has a September 30th year end.

II. Experience & Qualifications

The DWIHN financial team consists of over 20 employees with over 100 year years of combined accounting and budgeting experience. Accounting staff are encouraged, and in certain cases required, to attend a minimal level of annual training at various locally sponsored seminars. The DWIHN Chief Financial Officer (CFO) is a certified public accountant with over 20 years of experience including 10 years at a national public accounting firm.

III. Audit Requirements

In accordance with the Michigan Department of Treasury, the Michigan Department of Health and Human Services (MDHHS) Community Mental Health Compliance Examination Guidelines, and the OMB 2 CFR § 200, DWIHN utilizes an independent auditor to complete an annual audit of the Financial Statements, Single Audit and Compliance Examination reports.

Pursuant to OMB 2 CFR § 200.501, any non-Federal entity that expends \$750,000 or more in Federal awards during the fiscal year must have a single audit or a program-specific audit performed. DWIHN expends Federal awards under more than one Federal program and an annual single audit is required. Per OMB 2 CFR § 200.508(b), the single audit must include the preparation of Financial Statements and a Schedule of Expenditures of Federal Awards (SEFA). Per OMB 2 CFR § 200.512(a), the audit must be completed and the data collection form submitted to the Federal Award Clearinghouse within the earlier of 30 calendar days of the receipt of the auditor's reports or nine (9) months after the end of the audit period (fiscal year). DWIHN also obtains an independent audit on its internal controls over financial reporting and compliance.

In addition, the MDHHS Community Mental Health Compliance Examination Guidelines indicates that a Community Mental Health Services Program (CMHSP) must ensure that a Compliance Examination is performed annually by a certified public accountant who will examine the CMHSP's compliance with specified compliance requirements. The examination must be completed and the reporting package submitted to MDHHS within the earlier of thirty (30) days after the receipt of the independent auditor's report(s) or June 30th, following the contract year end.

Finally, in accordance with OMB 2 CFR § 200.414 and Appendix VII to Part 200 paragraph D.1.b., because DWIHN is a non-Federal entity that does not receive more than \$35 million in direct Federal funding, a de minimus rate of 10% of modified total indirect costs has been established for administrative/indirect costs.

IV. Controls and Procedures

A. Budgets

In accordance with Michigan's Mental Health Code Section 330.1226, DWIHN adopts an annual budget before the start of each fiscal year. In order for a budget to be adopted, three phases must take place: (1) the development of DWIHN's revenue forecast and administrative costs cap, (2) the development of DWIHN's recommended budget, and finally (3) Board of Directors review and adopted budget. The DWIHN Board of Directors must hold a public meeting and formally approve the adopted budget.

In early May of the calendar year during phase one of the budget process, DWIHN's budget team will first develop revenue forecasts using prior year actual revenue amounts, quarterly projections, and any communication from current funding sources.

During May and June of the calendar year phase two of the budget process will begin. A detailed administrative cost budget is prepared, and this budget incorporates any decisions regarding personnel and fringes, professional service contracts, travel expenses, capital purchases, and overhead costs based on a review of prior year actuals, quarterly projections, year-to-date revenues and expenses, and any other known pertinent information. Additionally, during this phase a preliminary Approved Contract List is developed in conjunction with the Chief Operating Officer (COO), Director of Managed Care Operations, Chief Financial Officer (CFO) and Budget Unit. Along with the preliminarily Approved Contract List and the completed administrative cost budget, the first draft of the budget that has been compiled in phases one and two will become the Recommended Budget. The CFO and the budget team meets with the Chief Executive Officer (CEO) and other members of the Executive Leadership Team to present, review and obtain concurrence with the Recommended Budget.

In the final phase of the budget process, the Recommended Budget is presented to the Finance Committee for approval. Once approved by the Finance Committee, the budget is presented to the Board of Directors for approval in August or September and, when approved, becomes the Adopted Budget. The Approved Contract List (as presented in the Recommended Budget) is provided to the board action team to obtain board approval of each contract in excess of \$50K.

Appropriation changes, or modifications to the total annual budget, must be approved by the Board of Directors. However, the transfer of budget funds from one line item to another or between business units does not require Board approval. If a transfer between business units takes place, then the approval of both Division Directors is required. Any necessary modifications are initiated using Budget Adjustment forms which are then attached to the revised board action and submitted to the Finance Committee for recommendation. Upon Finance Committee recommendation, the amendment is forwarded to the Board of Directors for approval.

In addition to the annual Adopted Budget, a monthly budget vs. actual report is prepared by the CFO for presentation to the board at the Finance Committee meeting, which takes place on the first Wednesday of every month.

For further information regarding the budget process, refer to the Comprehensive Budget Policy.

B. Cash Receipts

One Hundred percent (100%) of DWIHN's receipts are received by Automated Clearing House (ACH) from the State of Michigan, federal government and Wayne County. DWIHN's primary receipts are State General Fund and Medicaid revenues, which come monthly on or about the 10th and 21st of each month respectively. The Department Manager records receipts within Microsoft Dynamics GP, DWIHN's general ledger software system, within the respective revenue and cash accounts. All journal entries (including any applicable credit memos or other necessary account adjustments) prepared by staff are reviewed by the Department Manager and the CFO approves and posts the transactions.

Periodically, the State will send a schedule of cash receipts by funding source and the Department Manager will reconcile the schedule to the general ledger. Any discrepancies noted are followed up and the reconciliation is provided to the CFO for review. In addition to these periodic schedules there is an annual schedule received at the end of the fiscal year that follows the same process and is reconciled to the general ledger and reviewed for accuracy.

On occasion, DWIHN will receive a manual check for miscellaneous revenue or settlements. In the rare event that DWIHN receives a manual check, the Accountant will identify which account the cash receipt should be applied and will provide the information to the Department Manager for recording in the general ledger. The Accountant also deposits the check in the bank. All manual checks are copied and retained by the Accountant.

All cash accounts are maintained and reconciled within thirty (30) days after the end of the month.

C. Disbursements (Excluding Payroll)

DWIHN utilizes ReQlogic as its formal purchase order (PO) system for approximately Ninety percent (90%) of its disbursements. PO approvals go through either (1) the Board Action process or (2) the ReQlogic process. In certain cases, a duly issued purchase order shall constitute the contract if there is no formal contract executed by DWIHN and the applicable vendor.

All purchase orders require the initiation of a requisition within ReQlogic; however, certain contracts require

additional approval by DWIHN's Board of Directors through an approved Board Action. The process for clinical and non-clinical purchase orders are documented in a separate Contract Approval and Authorized Signatures Policy.

When a new vendor needs to be created in the system, the Account Clerk completes a New Vendor Address Form, assigns the new vendor a unique identifying vendor number, and signs off on the form. The Account Clerk will then forward the form to the Administrative Assistant to the CFO and he/she will collect the IRS verification page from the IRS website, the Electronic Funds Transfer Enrollment form, the W-9 form, and an initiated contract (the last two items are provided by the department initiating the vendor setup).

All disbursements must be supported by a PO or an invoice. Certain purchases (i.e. registration dues) do not require a PO, however an invoice must be received and approved by the respective department in order for a payment to be generated. Invoices are typically received by the contract managers and must be signed and approved. In the event that invoices are sent directly to Finance, the contract manager will be notified and a signature of approval is required before payment can occur. When the invoice applies to a PO, Finance must receive on the PO within GP in order for payment to be generated. Once Finance receives a signed invoice and the PO has been received on, then a payment voucher can be generated by designated staff. Staff that approve payment vouchers do not have access to receive on the vouchers. Invoices are entered within GP daily by respective staff and are assigned a unique identifying number to ensure that payment cannot be made twice on the same invoice.

Signed payment vouchers are submitted to the Accountant for batching (batching includes matching invoices to what was entered with the GP system, to the receipt, and to the PO). The Accountant does not have the ability to receive on POs in the GP system. After the batching process is completed, the Accounts Payable (A/P) Manager verifies a Receiving Edit List against the invoices/FSRs and payment vouchers (agreeing items such as the vendor name, vendor ID number, invoice number, PO number, and amount of payment). After verification, the A/P Manager creates a posting journal from GP (to identify the batch as payable), and GP auto creates a batch ID number. The A/P Manager then moves the vouchers to the payment batch which is reviewed and approved within GP by the CFO or his/her designee. An electronic Check Edit List (detailing all items in the check run) is provided to DWIHN's financial institution for use with the Payee Positive Pay feature; the CFO or his/her designee has access to review this electronic list on the bank's website. The CFO or his/her designee is also responsible for releasing the EFT payments from the bank account. Check runs are generally performed once a week on Thursdays.

Approximately 99% of all vendors/providers are paid via ACH and therefore do not require a manual signature. The DWIHN utilizes a Payee Positive Pay feature with its financial institution. With this Payee Positive Pay feature, the bank will only authorize the payment of checks that are matched to the file by the A/P Manager. Additionally, the DWIHN has a separate depository account that is authorized to receive deposits only. There are a few providers that receive manual checks which include electronic signatures. Check registers are reviewed and approved in GP by the CFO or his/her designee. The DWIHN A/P Manager keeps a stock of unused checks with the DWIHN distinctive watermark in a locked cabinet and he/she is the only employee that has a key to the cabinet. Any voided or spoiled checks are stamped VOID and retained by the A/P Manager.

For further information regarding the Cash Disbursement process, refer to the Disbursement Policy.

D. Payroll and Employee Benefits

All new hires are subject to drug testing and background checks. Per the Mental Health Code and the Enabling Resolution approved by the County Commission, the County/Agency staff automatically became

Detroit Wayne Mental Health Authority (now known as DWIHN) employees on October 1, 2013 and drug testing and background checks were not performed for the transferred employees. Annual background checks are performed for all active employees.

Job postings for open positions are communicated to all DWIHN employees via email by the Director of Human Resources (HR) or his/her designee. The postings are made available on DWIHN's ADP portal, DWIHN's website, and external recruiting websites.

All new hires require a personnel requisition to be approved by the budget unit, the CFO, the Director of HR, and the CEO or his/her designee. All approved paperwork (including any benefits enrollment information) for new employees are submitted to the Administrative Assistant to the Director of HR who inputs the information within the ADP system (DWIHN's payroll processing software application); in the event that the Administrative Assistant to the Director of HR is not available, the information will be input by the Director of HR. Once the employee's personnel information has been entered within the ADP system, the system will automatically calculate deduction rates (for items such as taxes and insurance) to be deducted from each pay cycle. Retirement information is entered within the Municipal Employees Retirement System (MERS) by the Administrative Assistant to the Director of HR. Employees are allowed to enroll in supplemental benefits during the open enrollment period, which is 30 days after the employee's start date, and any supplemental benefit information will be entered within the ADP system by the Administrative Assistant to the Director of HR. The Director of HR, the Administrative Assistant to the Director of HR, the Deputy CFO, the Payroll Specialist and the Financial Systems Administrator are the only employees with access to payroll and personnel records.

Pay rates for union employees are dictated by the collective bargaining agreements. Collective bargaining agreements dictate Paid Time Off (PTO), which is tracked through the ADP system and is reflected on each employee's ADP login screen. At will employees pay rates are negotiated and approved by the Director of HR, the CFO and the CEO or his/her designee.

Employees are paid bi-weekly, except if the payday falls on a holiday or during Thanksgiving and Christmas. All employees utilize direct deposit, however a manual check may be issued on occasion by ADP or the DWIHN Accounts Payable Unit. All newly hired employees will be automatically enrolled in wisely pay if they do not make alternative arrangements for their direct deposit within 30 days of hire.

Employees **MUST** record their time for the day and any mileage within the ADP system. Requests for PTO are also entered and approved through ADP. Once a request for time off has been approved, the ADP system automatically deducts the hours from the individuals accrued PTO and all balances can be viewed electronically on the ADP portal. ADP entries are reviewed and approved by a designated supervisor of each unit.

The HR and Finance department will review various ADP payroll reports to validate payroll and prepare it for processing. ADP will not finalize payroll until the Finance department confirms its accuracy. Employees have access to electronic pay stubs that detail hours by category (i.e. regular, PTO hours) along with all other withholdings and deductions. The pay stubs also detail the employer related fringe benefits (i.e. hospitalization, retirement costs). Each pay period employer taxes, which are based on a Tax Summary Report (which details all the various withholdings), are wired by ADP to the various governmental entities. The financial system administrator uploads the payroll entry from ADP to the Microsoft Dynamics Great Plains (GP) general ledger system.

When an employee is terminated, the Director of HR will conduct a meeting to alert the employee of the termination (during which the employee will turn in their ID badge and any other DWIHN property). The

Administrative Assistant to the Director of HR and the Payroll Specialist will be informed of the termination and the final hours worked will be approved to be paid out within ADP. After the final hours worked have been paid, the Director of HR will authorize the payment of any accrued PTO and/or benefits. Once the final payment has been made, the Payroll Manager and/or Director of HR will terminate the employee within the MERS portal. DWIHN is provided an annual Service Organization Controls (SOC) report from ADP (upon request). The report provides information related to the systems internal control and functions and is reviewed by the CFO or his/her designee. A monthly reconciliation is prepared for the payroll bank account.

E. Grant Administration

Completion of grant applications is the responsibility of the requesting division. The division must complete a Document Approval Form (DAF) and forward the completed DAF and application to the General Counsel, Budget Unit, Human Resources (if hiring employees), the CFO and the CEO for review and approval. Grant applications do not require board approval unless they require the use of State and/or General funds for the match, however all new grant agreements must be approved by the board. After submission and approval of the DAF, the division shall electronically authorize submittal of the grant application to the appropriate federal agency.

When the DWIHN is awarded a Federal grant, the grant program is assigned a unique identifying account string. The separate accounting string allows the Grant Accountant to compile the information reported in the Schedule of Expenditures of Federal Awards (SEFA) based on each Federal grant program's expenditures, and he/she reviews expenditures to ensure that only eligible expenses are reimbursed. Grant programs are reconciled to the general ledger continually throughout the year and any necessary adjusting journal entries are prepared by the Grant Accountant and provided to a Finance Manager and the CFO for review and approval.

The Grant Accountant is responsible for preparing the grant reimbursement/draw down requests for all grant programs except HUD and an Accountant performs the actual draw down within the HUD eLOCS system. Prior to the Accountant performing the draw down within HUD eLOCS, the Accountant receives a copy of the voucher payment and/or other supporting documentation from the Grant Accountant to ensure that the payments agree with the draw down information. The Grant Accountant prepares the journal entry for the reimbursement and the entry is reviewed and approved by the CFO and/or Finance Manager.

Because the DWIHN serves as a pass-through entity for numerous Federal and State grants, subrecipients are pre-determined by the Grantee and the DWIHN provides administrative oversight for each of these subrecipients/providers. However, in the instance that a subrecipient/provider or vendor is not specified by the Grantee, the DWIHN will utilize its procurement policy to select a qualified entity to provide program services. For further information regarding the procurement process, refer to the DWIHN Procurement Policy. To aid in the administrative oversight, each provider is assigned a contract manager who is responsible for reviewing expenditures and verifying that the operational goals are consistent with the mission and purpose of the appropriate grant. Additionally, fiscal monitoring of providers are performed.

In accordance with OMB 2 CFR § 200.328 and 331 and the DWIHN's Grant Policy, Finance performs site visits of providers throughout the year to review underlying financial status report information. The Auditing Supervisor also requests annual financial statements and single audit reports from all providers deemed subrecipients following the end of each fiscal year. Subrecipients receiving \$75,000 or more in federal funds (excluding Medicaid) are required to have a Single Audit performed by an independent auditor. Any providers that receive findings from the independent auditor or are deemed to be high-risk will have monitoring performed. The Supervisor of Auditing will contact the provider alerting them to the need for fiscal monitoring to take place. Once the date and time has been scheduled, the provider will receive a formal letter explaining

the need for fiscal monitoring and a list of the items that will be reviewed during the site visit. After the visit, the Supervisor of Auditing will prepare a memo and a final management decision letter to address the status of the correction action plan(s) along with any unusual matters noted during the visit related to provider billings. The memo is distributed to the contract manager and quality personnel. Monitoring of operational goals and programmatic compliance are handled by the contract manager(s) and quality personnel.

For further information regarding the Grant Administration process, refer to the Grant Policy.

F. Accounts Receivable

The DWIHN does not have trade accounts receivable, however periodically there will be a receivable from a provider due to an audit or an overpayment for services. An invoice is generated with a unique invoice number and recorded in the general ledger system. If a balance is carried for more than 90 days, the CFO will send a letter notifying the vendor of the receivable balance and requesting payment within 30 days of the letter. In the event payment is not received within 30 days, a letter is sent to General Counsel for action. Allowances will be created for all receivables over one year old. All accounts receivables for which an allowance has been set up that remain uncollectible after two years will be written off; the CFO must approve all write-offs over \$10,000.

For further information regarding the Accounts Receivable process, refer to the Billings and Collections Policy.

G. General Ledger and Journal Entries

Journal entries are prepared by the accounting staff on an as-needed basis, however only certain staff are designated to approve the entries and enter them into the Dynamics GP financial system. The actual posting of entries to the general ledger are performed by the CFO or his/her designee; preparers do not have access to post journal entries. No employee has access to delete or modify transactions once they have been posted. Access to all financial systems require passwords for all employees and there is a two-step login procedure for access to Dynamics GP.

The CFO prepares and reviews the balance sheet, income statement, cash flows and budget vs. actual report on a monthly basis to ensure completeness and accuracy of the financial activity. Any unusual variances are followed up on to determine the nature of the activity that led to the unusual amounts.

H. Capital Assets

In order for the DWIHN to capitalize assets, certain criteria must be met. Assets that are complete in themselves (not a component of another capitalized item), do not lose their identity through fabrication or incorporation into a different or more complex unit, are used in operation of DWIHN activities, have a useful life of one year or greater and a cost or fair market value of \$5,000 or more are capitalized. The DWIHN's capital assets include the following major classes: (1) Land and Land Improvements, (2) Buildings, (3) Machinery and Equipment, (4) Office Equipment and Furniture, (5) Computer Software and Hardware and (6) Construction Work-In-Progress, including capitalized interest during the construction phase.

Capital asset transactions are recorded in the DWIHN's fixed asset module within Dynamics GP. All acquisitions are made using the DWIHN's existing purchase order/requisition process. When an asset is received, all applicable invoices and supporting documents are submitted to Finance and the Accountant will enter the information within Dynamics GP. Any disposal of assets will be determined by the user division which will notify Finance of the retirement of the asset through a Capital Asset Property Record Retirement/ Disposal Form (approved by the Division Director) and provide any supporting documentation. The Accountant will then inactivate the asset within Dynamics GP.

Depreciation for all assets is calculated annually using the straight-line method. The fixed assets module

within Dynamics GP will calculate the depreciation on a monthly or annual basis. The total amount depreciated can never exceed the acquired cost, less any salvage value if applicable. The depreciation convention used is monthly in the year of acquisition. This means depreciation is taken from the beginning of the month in which the asset is acquired. A full months' depreciation will be charged regardless of the date of acquisition.

The DWIHN purchased a new office facility in August of 2014. The purchase of the building was made possible through three Flagstar Bank loans, two for construction and the other for equipment. Plante Moran Cressor (PM) serves as the program manager/owners representative overseeing the project. The Accountant obtains monthly bank statements from Flagstar for review and based on those statements he/she will record the capitalized interest and payment of the interest within Dynamics GP. The fixed asset module is reconciled monthly to the general ledger.

For further information regarding the Capital Assets process, refer to the Capital Asset Management and Disposal of Surplus Assets Policy.

V. Policies and Procedures

In addition to this document, the DWIHN has various other Finance related policies and procedures. These include the following:

1. Travel Policy
2. Disbursement Policy
3. Cash and Investment Policy
4. Billings and Collections Policy
5. Comprehensive Budget Policy
6. Grant Policy
7. Time Reporting Policy
8. Capital Asset Management Disposal Policy
9. Contributions Sponsorship Public Relations Policy
10. Credit Card Policy
11. Petty Cash Fund Policy

PROCEDURE MONITORING & STEPS

Who monitors this procedure:	Dhannetta Brown/Deputy CFO
Department:	Finance
Frequency of monitoring:	Annually
Reporting provided to:	Stacie Durant/CFO
Comments: Include hyperlink or reference to the overarching policy	

Attachments

No Attachments

Approval Signatures

Approver	Date
Eric Doeh: Deputy CEO/COO	12/2020
Allison Smith: Project Manager, PMP	12/2020
Bernard Hooper: Compliance Officer	12/2020
Margaret Hudson-Collins: Medical Director [AS]	12/2020
Andrea Smith: Director of Workforce Training & Program Devel.	11/2020
Callana Ollie: Deputy Chief Legal Counsel	11/2020
Kimberly Flowers: Provider Network Clinical Officer	11/2020
Ebony Reynolds: Clinical Officer	11/2020
Jean Mira: Director of Purchasing	11/2020
Jody Connally: Director, Human Resources	11/2020
Tiffany Devon: Director of Communications	11/2020
Shirley Hirsch: Director of Residential Services	11/2020
Jacquelyn Davis: Director of Access and Crisis Services	11/2020
April Siebert: Director of Quality Improvement	11/2020
Darlene Owens: Director, Substance Use Disorders, Initiatives	11/2020
Manny Singla: CIO	11/2020
Melissa Moody: Chief Clinical Officer	11/2020
Brooke Blackwell: Chief of Staff	11/2020
Polly McCalister: Director Of Recipient Rights	11/2020
Michele Vasconcellos: Director, Customer Service	11/2020
June White: Provider Network Administrator	11/2020
Tina Forman: Director of Integrated Health Care	11/2020
crystal Palmer: Director, Children's Initiatives	11/2020
John Pascaretti	11/2020
Stacie Durant: CFO Management & Budget	11/2020
Dhannetta Brown: Deputy CFO	11/2020