

I. FISCAL SECTION

900. Agency Audit Requirements

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901. General Information

As required when utilizing federal funds, the State *Network* is requiring annual financial and compliance audits for all contracts. The information contained here is a summary of the complete requirements outlined in the executed contract boilerplate language, Exhibit D(F) Special Terms and Conditions. Contractors must review the Financial and Compliance Audit Requirements section, to ensure compliance with the federal requirements.

902. Financial and Compliance Audit

All *Regional Network (RN)* Contracts are federally funded and are defined as direct service contracts; therefore, all contracts must comply with the following:

1. If the contractor is a nonprofit organization (as defined in H&S Code section 38040) and receives **\$25,000 or more** from any State agency under a direct service contract; the *RN* contractor agrees to obtain an annual single, organization wide, financial and compliance audit. Said audit shall be conducted according to generally accepted auditing standards. This audit does not fulfill the audit requirements of Paragraph 3 below. The audit shall be completed by the 15th day of the fifth month following the end of the contractor's fiscal year, **and/or**
2. If the contractor is a nonprofit organization (as defined in H&S Code section 38040) and receives **less than \$25,000** per year from any State agency under a direct service contract, the *RN* contractor agrees to obtain a biennial single, organization wide financial and compliance audit, unless there is evidence of fraud or other violation of state law in connection with this agreement. This audit does not fulfill the audit requirements of Paragraph 3 below. The audit shall be completed by the 15th day of the fifth month following the end of the contractor's fiscal year, **and/or**
3. If the contractor is a State or Local Government entity or Nonprofit organization (as defined by the Federal Office of Management and Budget (OMB) Circular A -133 and expends \$300,000 or more in Federal awards, the *RN* contractor agrees to obtain an annual single, organization wide, financial and compliance audit according to the requirements specified in OMB Circular A -133 entitled "Audits of States, Local Governments, and Non-Profit Organizations" (available to view at <http://www.whitehouse.gov/omb/circulars/index.html>). An audit conducted pursuant to this provision will fulfill the audit requirements outlined in Paragraphs 902-1 and 902-2 above. The audit shall be completed by the end of the ninth month following the end of the audit period.

4. If the contractor submits to the State *Network* a report of an audit other than an OMB A-133 audit, the contractor must also submit a certification indicating that the contractor has not expended \$300,000 or more in Federal funds for the year covered by the audit report.
5. The audit report must identify the contractor's legal name and the number assigned to the executed contract. Submit two copies of the audit report to the assigned CM within 30 days after the completion of the audit. Upon receipt of the audit report, the CM will review the report and notify the contractor if any audit finding needs to be addressed.

903. Program Audit

At any time during the term of a State *Network* funded contract, and at any time within three years after termination of that contract, the contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the contract. In the event of an audit, an agency or organization's nutrition program records must be sufficient and clear enough to support all claims.

904. Procedures

1. The Auditing Agency will send out a notification letter to the selected contractor at least one month prior to the scheduled review. The review may look at financial activity for all financial periods not previously audited to the most current financial period.
2. The Auditor will also send out a brief questionnaire to be completed by the contractor prior to the financial review. Completion of the questionnaire will expedite the actual review process.
3. The contractor will have available during the audit all proper fiscal and program staff, as well as all records necessary to respond to questions.
4. The Auditor will give an exit interview to make suggestions and comments regarding the preliminary findings of the financial review. A formal report will be sent within three months of the visit.

905. Access to Records

Contractors must maintain records reflecting actual expenditures for each year covered by the term of the contract. These source documents must be available if the State *Network* chooses to review fiscal records or if the USDA chooses to audit the contractor. All source documents must be maintained in project records for a minimum of three years after the end of the contract term. All documents used to support and substantiate expenses must be accessible to the State upon request.