

II. FISCAL SECTION

1200 Agency Audit Requirements

1201 General Information

As required when utilizing federal funds, the *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.

1202 Financial and Compliance Audit

All *Network* 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 Health & Safety (H&S) Code Section 38040), and receives **\$25,000 or more** from any State agency under a direct service contract. The **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.
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 **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.
3. If the contractor is a State or Local Government entity or non-profit organization (as defined by the Federal Office of Management and Budget (OMB) Circular A -133), and expends \$500,000 or more in Federal awards for all federal funding sources. The 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 1201 and 1202 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 *Network* a report of an audit other than an OMB **circular A-133** audit or **circular A-122 (non-profit)**, the contractor must also submit a certification indicating that the contractor has not expended \$500,000 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 Contract Manager (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.