

When utilizing federal funds, the United States Department of Agriculture (USDA) requires receipt of the annual Financial and Compliance Audit for all Grants.

1000.1 Financial and Compliance Audit

All NEOPB Grants are federally funded and are defined as direct services to the public agreements; therefore, all grants must comply with Sections 38020, 38030 and 38040 of the Health and Safety Code, which by this reference is made a part hereof.

a. The Grantee must obtain one of the following audits:

- (1) If the Grantee 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 or agreement; the Grantee 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 c (3) below. The audit shall be completed by the 15th day of the fifth month following the end of the Grantee's fiscal year, **and/or**
- (2) If the Grantee 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 or agreement, the Grantee 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 c (3) below. The audit shall be completed by the 15th day of the fifth month following the end of the Grantee's fiscal year, **and/or**
- (3) If the Grantee 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 \$500,000 or more in Federal awards, the Grantee 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". An audit conducted pursuant to this provision will fulfill the audit requirements outlined in Paragraphs c (1) and c (2) above. The audit shall be completed by the end of the ninth month following the end of the audit period. The requirements of this provision apply if:
 - (a) The Grantee is a recipient expending Federal awards received directly from Federal awarding agencies, or
 - (b) The Grantee is a sub recipient expending Federal awards received from a pass-through entity such as the State, County or community based organization.
- (4) If the Grantee submits to CDPH a report of an audit other than an OMB A-133 audit, the Grantee must also submit a certification indicating the Grantee has not expended \$500,000 or more in federal funds for the year covered by the audit report.

- b. Two copies of the audit report shall be delivered to the CDPH program funding this Agreement. The audit report must identify the Grantee's legal name and the number assigned to the applicable Agreement. The audit report is due within 30 days after the completion of the audit. Upon receipt of said audit report, the Contract Manager will forward the audit report to CDPH's Audits and Investigations Unit if the audit report was submitted under Section 16.c(3), unless the audit report is from a City, County, or Special District within the State of California whereby the report will be retained by the funding program.
- c. The cost of the audits described herein may be included in the funding for this Agreement up to the proportionate amount this Agreement represents of the Grantee's total revenue. The CDPH program funding this Agreement must provide advance written approval of the specific amount allowed for said audit expenses.
- d. The State or its authorized designee, including the Bureau of State Audits, is responsible for conducting agreement performance audits which are not financial and compliance audits. Performance audits are defined by Generally Accepted Government Auditing Standards
- e. Nothing in this Agreement limits the State's responsibility or authority to enforce State law or regulations, procedures, or reporting requirements arising thereto.
- f. Nothing in this provision limits the authority of the State to make audits of this Agreement, provided however, that if independent audits arranged for by the Grantee meet Generally Accepted Governmental Auditing Standards, the State shall rely on those audits and any additional audit work and shall build upon the work already done.
- g. The State may, at its option, direct its own auditors to perform either of the audits described above. The Grantee will be given advance written notification, if the State chooses to exercise its option to perform said audits.
- j. The Grantee shall include a clause in any agreement the Grantee enters into with the audit firm doing the single organization wide audit to provide access by the State or Federal Government to the working papers of the independent auditor who prepares the single organization wide audit for the Grantee.
- k. Federal or state auditors shall have "expanded scope auditing" authority to conduct specific program audits during the same period in which a single organization wide audit is being performed, but the audit report has not been issued. The federal or state auditors shall review and have access to the current audit work being conducted and will not apply any testing or review procedures which have not been satisfied by previous audit work that has been completed. The term "expanded scope auditing" is applied and defined in the U.S. General Accounting Office (GAO) issued *Standards for Audit of Government Organizations, Programs, Activities and Functions*, better known as the "yellow book".