



**LOS ANGELES COUNTY
COMMUNITY AND SENIOR SERVICES**

DIRECTIVE

Number: CD- 15 - 8 SUBJECT: Audit Requirements

Date: August 25, 2015 Effective Date: Immediately

TO: ALL CSS SUBRECIPIENTS

RECISSION:

This directive supersedes any prior directives issued by CSS on this subject.

PURPOSE:

The purpose of this directive is to update the audit requirements for subrecipients of the Los Angeles County Department of Community and Senior Services (CSS) federal grant programs in accordance with the revised Uniform Guidance for Federal Grants issued by the Office of Management and Budget (OMB).

APPLICATION:

This directive applies to subrecipients and contractors funded by CSS through the following programs:

- Older Americans Act
- Community Service Block Grant
- Workforce Innovation and Opportunity Act
- Workforce Investment Act

REFERENCES:

- 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

BACKGROUND:

On December 26, 2013, the Office of Management and Budget revised the Uniform Administrative Requirements for Federal grants, combining those requirements with those of the audit requirements and cost principles. These regulations are codified at 2 CFR

Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230, became effective December 26, 2014, and are referred to as the Uniform Guidance. These rules contain the audit requirements that are codified at 2 CFR 200.500 to 200.521 and became effective December 26, 2014, rescinding OMB Circular A-133, Subject: Audits of States, Local Governments, and Non-Profit Organizations. These revised rules are applicable for fiscal audit years beginning December 25, 2014 and after.

Subrecipients are advised to review these regulations related to audit for more detail than is included in this directive.

DEFINITIONS:

Contractor means an entity that receives a contract which is defined as a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward.

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

POLICY AND PROCEDURES:

Requirement for Audit:

2 CFR 200.501 requires subrecipients who expend \$750,000 or more during the entity's fiscal year in Federal awards and subawards to have a single or program-specific audit conducted for that year in accordance with the provisions of the Uniform Guidance.

Single Audit. A subrecipient that expends \$750,000 or more during the entity's fiscal year in multiple Federal awards and subawards must conduct a single audit.

Program-Specific Audit. When a subrecipient expends \$750,000 or more during the entity's fiscal year under only one Federal program, the subrecipient may elect to have a program-specific audit conducted in accordance with the provisions of the Uniform Guidance. The cost of a program specific audit is allowable to that program.

Exemption from Audit. When subawards expended are less than \$750,000 during the entity's fiscal year, a subrecipient is exempt from Federal audit requirements for that year. In those instances, CSS will require the subrecipient to instruct its auditor to follow the guidance for performing a program specific audit.

For-profit Subrecipient. The audit requirements at 2 CFR 200.500 to 200.521 do not apply to for-profit subrecipients. Those requirements make the pass-through entity (CSS) responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. In accordance with that direction, CSS is requiring all for-profit subrecipients to follow the guidance established in this directive for the conduct of audits, either single audits or program specific audits, depending on whether the entity is multiple funded or receives only one source of Federal funds, and the level of total Federal expenditures incurred in the organization's fiscal year.

Subrecipients and Contractors. An auditee may simultaneously be a subrecipient and a contractor. Federal awards expended as a subrecipient are subject to audit. The payments received for goods or services provided as a contractor are not Federal awards.

In most cases, the auditee's compliance responsibility for contractors is only to ensure that the procurement, receipt, and payment for goods and services comply with Federal statutes, regulations, and the terms and conditions of Federal awards. Federal award compliance requirements normally do not pass through to contractors. However, the auditee is responsible for ensuring compliance for procurement transactions which are structured such that the contractor is responsible for program compliance or the contractor's records must be reviewed to determine program compliance. Also, when these procurement transactions relate to a major program, the scope of the audit must include determining whether these transactions are in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Frequency of Audits:

These requirements have not changed. Audits required must be performed annually with the exception of nonprofits that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995. In those instances the nonprofit is permitted to undergo its audits biennially. Any biennial audit must cover both years within the biennial period.

Sanctions:

In cases of continued inability or unwillingness to have an audit conducted in accordance with these requirements, CSS may impose sanctions which may include but are not limited to suspension of payments or termination.

Auditee Responsibilities:

The auditee must:

- Procure or otherwise arrange for the audit.
- Provide CSS with a copy of the engagement letter no later than 6 months prior to the audit submission due date.
- Prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
- Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.
- Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit.

Report Submission:

- The audit must be completed and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period to:

Department of Senior and Community Services
County of Los Angeles
3175 West Sixth Street
Los Angeles, CA 90020

Attn: Contract Compliance Division

- If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.
- The auditee must make copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

Audit Documentation:

The auditee must ensure that the auditor retains audit documentation and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or CSS to extend the retention period.

When the auditor is aware that the Federal agency, CSS, or auditee is contesting an audit finding, the auditor must contact the parties contesting the audit finding for guidance prior to destruction of the audit documentation and reports.

Access to Audit Documentation:

Audit documentation must be made available upon request to the cognizant or oversight agency for audit or its designee, cognizant agency for indirect cost, a Federal agency, the General Accounting Office or CSS and its representatives at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities. Access to audit documentation includes the right of the above agencies to obtain copies of audit documentation, as is reasonable and necessary.

ACTION:

CSS and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

INQUIRIES:

If you have any questions regarding this Directive, please contact Melissa Tarver (213) 738-3605 or mtarver@css.lacounty.gov



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